

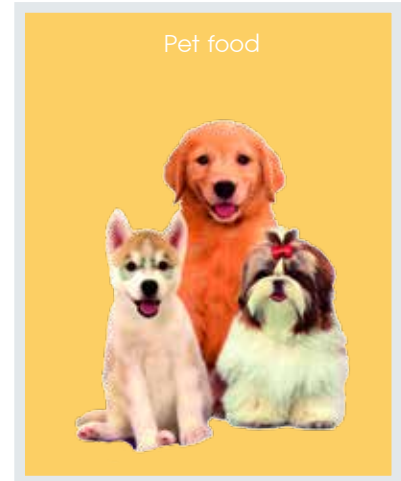


บริษัท ลีพัฒนาผลิตภัณฑ์ จำกัด (มหาชน)  
LEE FEED MILL PUBLIC COMPANY LIMITED

รายงานประจำปี ๒๕๕๙  
Annual Report 2016



“ Aiming to attain the international standards, and promoting public and environmental awareness.”



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## Message from the Chairman

“Change” is a natural process of the real phenomenon in livelihood and business way in the world and national levels, all of us have faced the impact differently. So there is a learning curve, preparation and adjustment of the working guidelines to work continuously with confidence that maintaining the quality standards shall be the important thing for sustainable future.

The future though is not certain, especially in the age of leapfrogging of digital technology. It is an external event that was hard to protect against it. However, it needs adjustment to keep up with a change, the management has put emphasis on strength, risk reduction, follow-up, study of the market trend in the high competition situation by selecting of good ingredients with quality, free from toxic substances and the abnormal things from the origin. In the production process must have close control to maintain the quality level. The company has been certified by the ISO /GMP/HACCP international standards, including the environmental standards and conservation of energy continuously as quality assurance, as it deems that animal feed is the relations and the food chain up to the consumers at all levels.

Maintaining the level of business security is reflected by the information on finance from the operating results of the company and its affiliates. In 2016 we had a net profit of 254 million baht, an increase over the previous year by 104 million baht by the board of directors resolved to present to the shareholders meeting to approve the payment of the dividends for 2016 at 0.24 baht per share.

Response and readiness with a change of the company is the essence in serious development on all fronts. On the job system had a development of new electronic software to enter the international standard system. We have developed our employees to be able to learn the new technology systems, understand the marketing, communication and access to the raw material sources. It included access to the raw materials as well as participation in corporate environmental social responsibility is considered as another mission that the company has implemented continuously for a long time. It has communicated clearly and reflected direct benefit to all groups. Even the business operations are carefully under the good supervision principle, are consistent with the good governance principle, having transparency, cooperation, campaign and anti-corruption for the whole society to be secure and progress.

The management would like to thank all the participants, the public sector, the government, financial institution, the shareholders, the farmers, the customers, the local communities and all of the employees who have sacrificed and intended to perform the duty to achieve the target and the company has developed with sustainability.



Mr. Visith Leelasithorn  
Chairman





## Report of the Audit Committee

The Audit Committee has performed its duties and responsibilities as assigned by the Board of Directors of Lee Feed Mill Public Company Limited to monitoring the Company's operation to ensure that managements and directors have performed their duties to the Company's shareholder with honesty, responsibility and performed under the Company's policy. Audit Committee consists of three independent directors as follows:-

- |                           |                |                                 |
|---------------------------|----------------|---------------------------------|
| 1. Assoc. Prof. Dr.Somjai | Phagaphasvivat | Chairman of the Audit Committee |
| 2. Mrs. Sununta           | Subhapholsiri  | Audit Committee Director        |
| 3. Mr. Busarin            | Vanaswas       | Audit Committee Director        |

During the year 2016, audit committee held 4 meetings, audit committee has conducted the major activities under the scope of duties and responsibilities assigned by the Board of Directors as below:-

1. Review the financial statements and financial reports for the year 2015 and the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarter of the year 2016, which cover to review accounting standard operation, account policy choosing, and independent disclosure in the financial statement in order to propose to the Board of Director of the Company.
2. Review the adequacy and appropriateness of internal control system of the company to ensure the Company's operation is efficiency and effectiveness, and provide the sustainable return to stakeholders.
3. Review the Company's operation that comply with regulation and principles announced by Securities & Exchange Commission, Thailand, and also relevant business regulation.
4. Review the transactions and disclosure of the related parties which may have potential conflict of interests during the year 2016, considering the necessity of transaction, appropriated pricing by compare with the third parties price or market price and also comply with Securities & Exchange Commission, Thailand's principles.
5. Review independent, performance and opinion of independent auditor. Consider to propose independent auditor and audit fee for the year 2017 to Board of Director for approval from the Annual General Meeting for the year 2017. Audit committee consider that Ms.Krongkaew Limkittikul, Certified Public Accountant (Thailand) No.5874 and / or Mr. Narong Puntawong, Certified Public Accountant (Thailand) No.3315 and / or Mr. Supachai Phanyawattano, Certified Public Accountant (Thailand) No. 3930 of EY office Limited to be the Company's independent auditor for the year 2017 due to they are expertise in auditing and have been perform well all along, provide advice on the new accounting standards. The proposed auditors have no relationship and conflict of interest with the Company, major shareholders, Management and their relatives

6. One time meeting with independent auditor without the Board of Director of the Company to allow the auditor to report events or information of the Company and exchange comments independently.
7. Review and modify Audit Committee charter to comply with the practice guidelines and relevant regulations, by add the score, authority and duties, and responsibilities as below;
  - Review the summarize examinations of corruption and preventive practice. Include review the internal principle processes regarding to clues and complaints.
  - Review self assessment on anti-corruption measures to ensure that the Company has anti-corruption system as reported in the report in the self assessment report to Thai Institute of Directors.
8. Perform self-assessment in performing the duties of the Audit Committee on an annual basis.  
In year 2016, both group and individual evaluation were conducted to improve the effectiveness of the work.

From the review as mentioned above, audit committee's opinion, the Company had arranged and maintained appropriate internal controlling system which provides the reasonable assurance that the financial statement can be reliable and has been prepared and present fairly, in all material respects, in accordance with general accepted accounting principles. The transactions that may lead to conflicts of interest are reasonable which the normal business or normal business supported transaction. The transactions comply with the trade condition as it has been complied with the third parties according to the approved principles from Securities & Exchange Commission, Thailand, and also disclosed the said transactions in the interim and annual financial statements properly. There is no significant incompliance or violate with laws.

On behalf of audit committee



Assoc. Prof. Dr. Somjai Phagaphasvivat

Chairman of the Audit Committee

24 February 2017

## Business Overview

Lee Feed Mill Public Co., Ltd., was established on 16 August 1983, with initial registered capital of 20 million baht. The Leelasithorn group is the Company's major shareholder. The Company was listed on the Stock Exchange of Thailand on 26 January 1990 and became a limited public company on 7 March 1994. Current registered capital is 929.07 million baht and current paid-up registered capital is 922.18 million baht. Its first feed mill was located in Muang District, Nakhon Pathom. Subsequently in 1988 and 1990, a second feed mill and silo were built, both in Muang District, Saraburi, under Lee Pattana Feed Mill Co., Ltd., and Lee Pattana Silo Co., Ltd. Both of these are subsidiaries with shares of 95 held by Lee Feed Mill Public Co., Ltd.; both were granted investment promotion, and in the next four years, the Company expanded its parent stock-chicken farm and chick hatchery for the production of broiler chicks for the market. Investment promotion was also granted to the hatchery, located in Chon Dan District, Phetchabun.

Due to the limited area available for expansion of the first feed mill in Nakhon Pathom, as well as its leased status, the first feed mill was closed in 1996, and investment promotion requested for the new feed mill opened in the same year, in Kao Yoi District, Phetchaburi. In 2002, an aquaculture feed mill was opened on the same land as the feed mill in Kao Yoi, under the name of Lee Feed Mill Public Co., Ltd. And Lee Pattana Feed Mill Company limited Investment promotion was also received. In the past, all four feed mills have a combined production capacity of 492,000 tons of animal feed per annum, with actual production at approximately 45 percent of capacity, while the silo's capacity is 38,500 tons for storage of plant seed throughout the year. The company has invested in Bodhi Ngarm Sea Farms Co.,Ltd in 2012. The objective is the experimental farming for the aquaculture business to support the research and development of aquatic animal feed on the high quality and standards to be sustainable.



The Company obtained from the Department of Livestock a Certificate of Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Point (HACCP) in the category of animal-feed manufacturing, in order to ensure hygienic products. Our factories received ISO 9001:2008 certification for the entire system. This reflects our effective selection of raw materials, production processes, quality inspections, and health management, as well as our international-standard product quality and our responsibility to society, since good animal feed means quality and safe food for consumers. The Company has its strong concerns and awareness of environmental protection and its impacts (such as wastewater, dust, and air pollution) on the communities and the society, ISO 50001 – Energy Management System, helping as well as energy conservation and effective use of resources; and has therefore determined its policy of environmental management system under ISO14001:2004 for both of its manufacturing plants.

The Lee Pattana Group operates its business principal activities are (1) the manufacturer and distribution of animal feed (2) crop drying, silo and the distribution of raw material for animal feed manufacture (3) experimental farming and (4) crop farming. Substantially all sales, operating profits and assets are related to the manufacture and distribution of animal feed business. The Company and its affiliates consist of:-

- Lee Feed Mill Public Co., Ltd., the parent company, involved in processing the production and distribution of animal feed for both livestock and aquaculture in concentrated pellet and powder forms, as well as concentrated feed for swine, chickens, ducks, cattle, fish, and shrimp, under the trade mark of “Lee” “Win” “Max” and “Pro-grade”. The Company’s factory is located in Phetchabun province. The Company also run business in animal farm in Kaengkoy district, Saraburi province, breeding broiler chicks which breeder farm and hatchery chicks are located in Phetchabun province. However the Company temporary ceased operation since October 1, 2004 due to avian influenza crisis. Currently, In Phetchabun, the Company operates the wooden breeding and rent its hatchery.

- Lee Pattana Feed Mill Co., Ltd., a subsidiary, conducting business along the lines of that of the parent company. However, this subsidiary concentrates on feed production for livestock and domestic animals, such as swine, chickens, ducks, cattle, and dogs. Its mill is located in Saraburi Province.

- Lee Pattana Agro Silo Co., Ltd., a subsidiary, with in silo grain storage and the purchase and sale of animal feed material to associated companies within the inter company group.

- Bodhi Ngarm Sea Farm Co.,Ltd., a subsidiary, operates its business as a rental farming.

- Pattana Agro Futures Co.,Ltd. , an associated company, operated as a future broker (Registration No.12) of agricultural trading in The Agricultural Futures Exchange of Thailand (AFET). Since April, 2016, the Company has ceased operations as a trading agricultural broker and already returned the future broker license to the Agricultural Futures Exchange of Thailand in May, 2016.



# Business Operations

Animal-feed mills of the Lee Pattana Group are divided into geographic regions for sales purposes, so as to attain maximum cost efficiency in regard to transportation and distribution costs. The mill in Phetchaburi is in charge of sales for Nakhon Pathom, Ratchaburi, and all provinces in the South from Phetchaburi on down; while the mill in Saraburi handles all sales in the Central, Northern, Northeastern, and Eastern Seaboard regions of Thailand.

## 1. Revenue Structure of the Lee Pattana Group (2014 - 2016)

Revenue from Sales	2014		2015		2016	
	Million Baht	%	Million Baht	%	Million Baht	%
Complete animal feed	3,761	99.50	3,442	99.45	3,362	99.20
Livestock / crop farming	19	0.50	19	0.55	27	0.80
<b>Total</b>	<b>3,780</b>	<b>100</b>	<b>3,461</b>	<b>100</b>	<b>3,389</b>	<b>100</b>

Remarks: Revenues from sales of complete animal feeds for the year 2016 came from land and aquatic animal feeds at the rate of 45 percent and 55 percent, respectively

## 2. Market and Competition

### 2.1 Customers, Targeted Customers, and Distribution Channels

Our customers and targeted customers comprise animal-raising farmers and sale agents, at the rate of 40 percent and 60 percent, respectively. Our top product is land animal feed to large-scale and standard farms with adequate and consistent purchasing power, and our sale agents cover specific sale areas and are able to establish and manage subagents in said areas or external sales teams. Sales agents have the financial strength and a sound understanding of our sales terms and conditions. Since our customers strongly to products quality utilization, we focus on the production and distribution of diverse feed formulas to keep up with customer. We have forged excellent ties with customers and sales agents, we have more than 600 customers, the top 10 of which have accounted for 25 percent of total sales. There is no any customer has amount over than 10 percent of total sales.

### 2.2 Competition Strategy

More than 30 years in this business, the Company is well known and regarded. Our R&D for feed formulas and customized products have differentiated our stance. The Company also has the production capacity to meet increases in market demand. We have forged good relations with customers through academic seminars, sales rewards, and a stock-management system that can cushion against fluctuations in raw-materials prices. Moreover, we have researched substitute raw materials, in case of raw-materials shortages.

### 2.3 Pricing Strategy

Animal feed is subject to price controls by the Department of Internal Trade, Ministry of Commerce, whereby central-price ceilings have been prescribed. Producers may adjust actual selling prices in accordance with production costs and other competitive costs, such as sales promotions, but not to higher than the prescribed central price. The Company offers reasonable prices by means of effective cost management; e.g., acquisitions and stocks of raw materials at appropriate prices, particularly soybean refuse, Fish meal, maize, or, through our research, substitute raw materials of equivalent quality.

### 2.4 Competition

Competition in the animal-feed market is divided into 2 main markets, as follows:

1. Free market or the direct sale of animal feed to customers. Customers may use the feed themselves or resell it to farmers raising livestock.
2. Contract farming or the sale of animal feed to members participating in animal-breeding or animal culture projects. Members are guaranteed livestock prices and required to own their own farms. In addition to animal feed, animals like piglets and chicks are available to farmers, as well as information regarding modern farm-management techniques.

The overall animal-feed industry offers profits and average growth rates at moderate levels and faces demand fluctuations in certain years, hinging mostly on export. Nevertheless, the industry experiences less fluctuation compared with other processed agricultural products, since sales are limited only within the country and free from fierce international competition.

According to the Association of Thai Animal-Feed Producers, there are 52 member animal-feed factories, representing 90 percent of the market. Medium and large-scale factories focus on production of pig, chicken, and aquatic animal feeds, while small-scale factories are more specialized. The small market size results in fierce competition; large-scale producers benefit from economies of scale with supplies to their own farms and member farms.

Sales by the Company and its subsidiaries are made in independent local markets. Of the total animal-feed demand of 18.63 million tons per year, the Company accounts for 80 percent are supplied by factories, and the remaining 20 percent are mixed by farmers. Supplies from animal-feed factories goes to independent markets at the rate of 45 percent, to integrated business lines at the rate of 55 percent. Our share in independent markets likely in top ten independent markets (projected by our Management and only for land and aquatic animal feeds).

Competition in the form of integrated business lines poses both pros and cons. Adverse raising conditions and prices of specific animals may create a domino effect for business. On the other hand, a bright outlook for specific animals will directly benefit our field and related ones. If the Company were to focus only on animal feeds, the Company could be more flexible, such as by increasing production of certain animal feeds that show promise and are profitable, thereby lowering business risk; however, such a focus may have low growth prospects compared with integrated business lines.

Our executives anticipate that only a few players in the market can apply the integrated-business-line approach, which is suitable for large-scale companies with hefty investment capital. Note that players in the agricultural industry are mostly SMEs.

## 2.5 Animal Feed Demand in 2016 and 2017

Table: A Comparison of Animal Feed Consumption Volumes in Thailand (2016 and 2017)

Type of Animal Feed	Animal Feed Consumption					
	2016		2017		Increase (Decrease)	
	Volume (tons)	%	Volume (tons)	%	Volume (tons)	%
Broiler chicken feed	6,195,480	33.26	6,504,826	33.12	309,346	4.99
Parent chicken stock	868,896	4.66	912,240	4.65	43,344	4.99
Layer chicken (small)	1,010,244	5.42	1,010,244	5.14	-	-
Layer chicken (egg)	2,216,000	11.90	2,225,600	11.33	9,600	0.43
Parent layer-chicken stock	31,200	0.17	31,200	0.16	-	-
Swine	5,256,900	28.22	5,310,000	27.04	53,100	1.01
Swine breeder	957,900	5.14	1,004,400	5.11	46,500	4.85
Duck feed	264,600	1.42	264,600	1.35	-	-
Duck breeder	22,995	0.12	22,995	0.12	-	-
Layer duck	214,500	1.15	422,500	2.15	208,000	96.97
Cattle	620,865	3.33	850,275	4.33	229,410	36.95
Shrimp	435,000	2.34	510,000	2.60	75,000	17.24
Fish	533,120	2.86	569,600	2.90	36,480	6.84
<b>Total</b>	<b>18,627,700</b>	<b>100.00</b>	<b>19,638,480</b>	<b>100.00</b>	<b>1,010,780</b>	<b>5.43</b>

(Source: The Thai Feed Mill Association)

The agro-economic situation of 2016 shrank by 0.5 percent with the plant and service fields on agriculture shrank by 1.8 and 0.5 percent of the livestock, fisheries and forest fields expanded by 2.8, 2.5 and 2.2 percent respectively. While the average income of the farmers from January through October of 2016 was increased by 0.8 percent compared with the year-on-year basis, due to the important agricultural goods prices increased.

The positive factor was the important policy of the Ministry of Agriculture and Cooperatives designated in 2016 as the year of reducing the production cost and increased the opportunity in the competition. It implemented the policy and measures in the reform of the agricultural sector, e.g. the project of the learning center to increase the efficiency on agricultural goods production numbering 882 centers, the system of promoting large agricultural plantation, zoning by the agro-map, organic agriculture, goods bank, including the development of agricultural goods production and the management of resources for production. In the livestock production mostly were the standard farms with planning on production and systematic supervision. Although the climatic problem that was hot and arid affected some husbandry, but

the livestock productivity volume overall still increased. Meanwhile, the situation on marine shrimp production adjusted a lot better due to the successful control of the shrimp early mortality syndrome (EMS) with efficiency, and the farmers had better farm management. Moreover, the domestic fuel oil prices that maintained at the low level, so the agricultural production cost was not changed very much.

The negative factors that affected the agricultural economic situation were the El Nino and the variable weather conditions resulted in less rainfall volume, the famines in several areas of the country since during the end of 2015 continued up to early 2016. The water volume in the main dams was in the very small volume, was not sufficient for planting several plants, especially planting of the double-crop rice in the Chao Phaya River Basin in the lower northern and the central regions. While fisheries still faced with the challenge of adjustment and compliance with the fishery law of the fishing boats and the export of the agricultural goods and products in the direction of decrease due to the economy of the important trade partner like China was still in the downturn.

The forecast for 2017, the trend of the agricultural economics shall expand in the span of 2.4 – 3.4 percent with the livestock field can expand by 1.1 -2.0 percent, the fishery field can expand by 3.0 – 4.0 percent, the plant field 2.6 – 3.6 percent, the agricultural service 1.5 – 2.5 percent and the forest field 2.2 – 3.2 percent. Since the Ministry of Agriculture and Cooperatives has designated 2017 to be the year of raising the agricultural standards to sustainability and promotion of the farmers to production based on the philosophy of economic sustainability, for sustainable development. It has the management of the agricultural business and development that used the science, technology, knowledge of the holistic type, including support of the clean, safe and standardized production process as well as friendliness with the environment. It is a factor that supports the agricultural sector in 2017 to expand and raise the level of production of agricultural goods to standardization and efficiency. The farmers can have income security and good life quality and expect the climatic condition and the usable water volume augur well for the agricultural production by more than 2016. Since during 2016 the rain started to fall normally, so the water level in the main dams increased and was sufficient for planting and growth of the important plants. Meanwhile, the world economics in 2017 has the improved direction, which is good for the agricultural goods export and Thai products. However, there are still factors to monitor on the matter of the crude oil price in the world market to have a higher trend in 2017, and may cause the domestic fuel oil price to adjust higher, affecting the cost of producing agricultural goods. Moreover, the slowdown of the Chinese economy, which is an important trade partner of Thailand, can cause the agricultural goods export and products of Thailand to be reduced.

The world shrimp production in 2016 was at 2.36 million tons as the marine shrimp production farming of Thailand was about 300,000 tons, which was the increased ratio by more than 2015 at 260,000 tons, an increased ratio of about 15%. So the industrial direction of Thai shrimps expected to rise, and Thailand is expected can export more shrimps in 2017 by 10 – 15% or about 330,000 – 345,000 tons. Due to Thailand started to recover from the problem of the shrimp early mortality syndrome (EMS) by improving the farm and management of the farming was more efficient. This year market is emphasized the Chinese

market to replace the EU market due to China is the country that loves to consume shrimps very much, but its ecological system does not foster the shrimp production farming, so it has to depend on the import.

However, the shrimp productivity that recovered better and the important factor from the Thai farming of shrimps by managing their farms more systematically, e.g. there is more scrutiny on the well preparation, using aerated water system, and there was suction of waste out of the well, friendliness with the environment and used quality baby shrimps for disease resistance, etc. as a result, the shrimps had a higher rate of survival. Meanwhile, our competitors such as Vietnam and India still struggled with the problem on the shrimp diseases, including detected residues in the goods exported to the US destination to have caused the trade partners to turn to Thailand for the shrimp import.

Tilapia fish, the combined production of the domestic Tilapia fish in 2016 was at 176,463 tons had a reduced ratio of 2.92% from 2015 due to the fluctuated weather condition. We saw the famine problem during the mid-year, with less water volume in the northern region, the central and the northeastern regions caused the irrigation system to be used in the shrimp farming had shortages. At the end of the year also faced with a problem on floods in the southern region. Meanwhile, the world Tilapia fish production was at 5.96 million tons, an increase of 8.2%, as a result, from the farming of 5.3 million tons and catching by 0.66 million tons. The productivity in the Asian zone group up to 4.11 million tons, or 69% of the world Tilapia fish production, it is expected in 2017 the Tilapia fish production shall remain constant due to at present the public sector has come to control the volume of fish farming in the net along the public water sources, so it cannot increase the aquatic fish farming area. Therefore, it is necessary to adjust the fish farming in the ground wells, which shall take a period of time for adjustment. However, this method can enable the farmers can control the farming conditions better, and reduce the damage from epidemic and the lack of oxygen for the fish due to the thinner farming. In addition, the public sector has issued measures to help promote fish farming, e.g. preparation of a project to increase efficiency by the integrated Tilapia fish farming 2015 – 2017 to increase the productivity per 0.4 acres, reducing the farming cost and promotion of Tilapia fish to meet more GAP standards, and the project development of the Tilapia fish industrial networks of the four regions for the farmer groups to grow stronger.

On livestock, in 2017 it can be expanded by 1.1-2.1 percent compared with 2016 due to the production expansion to support more demand of the domestic and foreign markets. Most of the farming systems used good standards, good monitoring and control of the epidemic. Also the market demand still could be expanded continuously that made the production of livestock products, especially Thai broilers increased. While the raw milk produced a higher price from the adjustment of the middle price on the increase of buying of raw milk as well as the adjustment of the raw milk quality was in the good criteria. However, the livestock goods with the average prices decreased were egg chicken, pig and beef cow due to the expansion of the increased farming, it had the increased volume to the market until the prices slowed down.

The world meat products in 2016 increased by 0.3 percent, and expected that the world pig production in 2017 by about 111 million tons, increased by 0.3 percent from 2016. Thailand in 2016 had the pig production of 17.10 million heads, expanded from 2015 by 4.4 percent. However, during the end of



2016 had a problem on the pig flooded the market to cause the farmers had no incentive to increase their production. It is expected that by the end of 2017 the pig price will have a trend to be inverted increase with the production cycle of an increased pig volume. Nevertheless, the pig quantity of 94 percent produced in Thailand were used for consumption domestically, and exported overseas by only 6 percent. This export had an increased trend due to the economy of the main trade partners were Cambodia and Laos had more economic expansions by more than 6 percent, sent a direct result to the demand of pork of the trade partners. On the state policy was supporting is the policy on preparing readiness to fight the foot and mouth disease (FMD) and the porcine reproductive & respiratory syndrome (PRRS) that had caused damaged to the pig production during the past few years. Meanwhile, the present farmers were the new generations with understanding and used good farm management and the system to prevent from increased diseases, as a result, the less trend of the epidemic than the past.

Chicken eggs in 2017 had the marketing target according to the egg strategic plan from 2014 – 2018 that expanded by 5% per year, and the import statistics of egg chicken breeding parents from 2010 – 2015 estimated the egg chicken production in 2017 to about 55.64 million chickens, 16,473 million egg chicken production and the estimated export of 420 million chicken eggs, while 16,053 million domestic chicken eggs. During the end of 2016 the chicken egg price adjusted downwards, so there was consideration of the plan to import egg breeding chickens to control their numbers to be consistent with the demand of the market. It set the number of import to 6,000 grandparent egg chickens and the import of 600,000 egg chickens. While the numbers of import on the breeding parents in the same old numbers with 2016 together with each company shall prepare an import plan and report to the Department of Livestock. While the import numbers of the egg chicken grandparents to be consistent with the number of use in the country according to the volume plan in 2016. However, according to the statistic plan it set three guidelines are 1. An increase is in the consumption and promotion of chicken egg processing. 2. Creation of security in the egg chicken farming and 3. Providing of confidence for the consumers of chicken eggs and its products as well as making a campaign to provide knowledge to the consumers to consume more eggs.

In 2011 – 2016 the broilers had the production volume increased at the rate of 7.55 percent per year. While in 2016 saw the production of 1,540 million broilers or 2.12 million tons due to the operators expanded the farming to meet the increased export demand. The total export volume was 740,000 tons or 82 percent and the domestic consumption at 18 percent, but the Thai broiler production had the farm management that met the standards and had the production system that was safe and acceptable by the consumers and from the chicken meat price that was lower than other meat types. It had cooperation from all the sectors in the control of the avian influenza of Thailand until it could maintain the status of free from the epidemic of the disease continuously for almost 10 years. There were control measures and monitoring on the problem strictly by the Department of Livestock. There was a development of standards and innovation on chicken farming by the private sector continuously. It is projected that in 2017 shall have a production of 1,586 million broilers or 2.18 million tons. It can have the total export volume of 760,000 tons. However, the supplemental factor is the cancellation of the ban on the chicken products by South Korea, the

epidemic of the avian influenza in multiple main consumer countries. Then when compared with the exporters like China and Brazil, Thailand has the special tariff right and a cheaper cost on the transport.

Milk cow in 2012 – 2016 had the increased rate of 1.79 percent per year. While in 2016 it had 616,420 cows, an increase over 2015 by 1.32 percent and the number of milk cows increased by 0.38 percent per year. In 2016 we had 236,200 milk cows, an increase above 2015 by 1.76 percent, while the raw milk production during 2012 – 2016 had an increase rate of 1.58 percent, and in 2016 had the production of 1,111,247 tons, an increase over 2015 by 2.50 percent due to the cow newborns.

In a year and the number of milk cows increased from the replacing heifers, including setting the standard on purchasing the cow milk in 2015, it adjusted the purchasing price of the raw milk in front of the plant in accordance with the cow milk quality, so it motivated the farmers to develop the milk cow farming by managing the farm in the system in accordance with the good farm standards and efficiency. So there was a higher rate of milking and better quality raw milk. The demand in 2012 – 2016 of ready-to-drink milk consumption with the increased rate of 1.67 percent per year, in 2016 had the consumption volume of 1,077,910 tons, an increase from 2015 by 3.03 percent. In 2016 had an entire export of milk product of 163,804 tons valued at 6,995 million, an increase over 2015 or 9.38 and 6.14 percent respectively. When compared with 2015, we imported 243,344 tons valued at 19,814 million baht, a decrease of 5.07 percent and 16.86 percent respectively. Due to the domestic raw milk volume had sufficiently, so the import volume was decreased. The raw milk price in 2016 that the farmers sold on average of 18.01 baht per kg, an increase from 2015 by 1.52 percent due to the farmers had improved the raw milk quality, resulted from the establishment of the standards on buying the raw milk purchases in 2015 to increase the purchasing price of the raw milk in front of the plant in commensurate with the raw cow milk quality.

In 2017 is expected the number of milk cows and the raw milk production can have an increased trend from the natural expansion of the cows. In addition, the cow milk farming has the management that is systematic in accordance with the farming standards and more efficiency. As a result, the raw milk had more volume and improved quality, also there was an announcement to apply the standard on purchasing cow milk at the raw milk collection center in parallel with the announcement on the middle price of purchasing cow milk. In 2017 is expected to have 626,216 milk cows, an increase above 2016 by 1.57 percent, and can have the number of 241,824 milking cows above 2016 by 2.38 percent. While the raw milk production in 2017 is expected to have 1,126,513 tons, an increase over 2016 by 1.37 percent. Since the demand for the milk consumption has increased a little due to the school milk market, which is the main market that needs the constant volume, and the consumption of milk in the commercial milk market has increased just a little. In 2017 is expected the consumption volume of 1,087,085 tons, an increase over 2016 by 0.85 percent, and the raw milk price in 2017 expected to increase above 2016 due to there was an announcement to apply the standards on purchasing raw milk at the raw milk collection centers in parallel with the announcement on the middle price of the cow milk, which will be an incentive for the farmers to improve the raw milk quality better.

In 2017 is expected to have the production volume of 1,038 million beef cows or 174.36 thousand tons, an increase over 2016 by 2.43 percent due to there was a promotion of beef cow farming from the public sector that helped to increase the potential on beef cow production, and the farmers have maintained the breeding cows as well as buying breeding cows to expand the number of cows. As a result, the volume on beef cow production has an increased trend. Most of the produced beef cows consumed domestically, and there were some parts imported legally and illegally, but few exports. In 2017 is expected the production shall be increased in accordance with the increased demand for beef cow consumption for roasting and the increase of the number of Thai population, but the price can be decreased just a little from the past year due to the increased production and the slowdown of the export.

#### Growth rate of gross domestic product of agriculture sector

Unit : Per cent

Sector	2016	2017
Agriculture sector	2.5 – 3.5	2.4 – 3.4
Plants	3.0 – 4.0	2.6 – 3.6
Livestock	1.5 – 2.5	1.1 – 2.1
Fishery	1.5 – 2.5	3.0 – 4.0
Agriculture service	1.1 – 2.1	1.5 – 2.5
Forestry	2.8 – 3.8	2.2 – 3.2

Source: : Forecast by Bureau of Agricultural Development Policy and Planning, Office of Agricultural Economics

#### 2.6 Providing crucial raw materials for feed mill production

Throughout more than 30 years, the company in Lee Pattana group still implements the policy of allocating good raw materials and quality to be used in the feed production according to the international standard quality from the quality management system (ISO 9001:2008), the environmental management system (ISO:14001), the energy management system (ISO : 50001), including the production standard system of GMP and HACCP to generate confidence for the customers in its ready-made feed products.

The world economic situation in 2016 still slowed down, especially in the European market that encountered the problems on non-performance loans of the member countries, political uncertainty, refugee crisis and the decision to leave the EU of the United Kingdom (Brexit). Meanwhile, China started to slow down on the investment in the public sector as well as the private sector, including the yuan currency that was weakened after the decision to bring it to the basket of currencies of the International Monetary Fund (IMF). While the economy of the United States in the past year still did not recover very much due to the government still had a trade balance deficit and had increased public debts from the expense on social security and welfare for their people.

Nonetheless, the auguring factor on the economic driving was the crude oil price. In 2016 its price was lowest in the past four years with the average price at US\$ 44/barrel. The policy of reducing the oil production by the OPEC is expected the crude oil price in 2017 to adjust higher at US\$ 50-60/barrel.

The situation on the raw material price overall of 2016 adjusted downwards with the main causes from the world grain group with the higher supply of both the corn and wheat, including the supply of soybeans and soybean meal increased. As a result, the price was weakened from the last year by about 10%. In the meantime, the animal protein group, e.g. fish meal had the base price adjusted higher from the resolving of the problem on the illegal, unreported and unregulated (IUU fishing). As a result, the fresh fish volume entered the market decreased. However, since the volume on the use of fish meal in the feed formula was not much compared with the grains and oil plants, so the overall picture of the feed cost in 2016 lowered than the past years by about 5%. In addition, the baht value compared with the US dollar weakened a little by about 3% from 2015 to at 35.47 baht to a dollar. However, from the policy trend of raising the interest rate of the United State another three times in 2017 may affect the investment money to flow into the USA and resulted in the US dollar to be strengthened and the baht currency weakened to 36 baht/dollar.

In 2017 although the world economic s has still not recovered very much, but the analysts saw that the ASEAN deemed to have an opportunity to expand economically by about 4.6%, and India by about 7.8%. Nevertheless, we have to watch for the economic policy of the new President of the USA, Mr. Donald Trump, as he may have an impact on the international trade. The feed industry of Thailand in 2017 is expected to expand by about 5% from the expansion of the broiler export industry and the situation of shrimp farming expected to be adjusted higher. The company shall follow up on the market situation closely for the adjustment that is fast and support the change of the policy on the public sector to allocate the suitable ingredients for use in the feed formula later.

# Risk Considerations

Risk considerations that may affect the business include:

## Risk from Fluctuations in Raw Material Prices

The Company's main raw materials are maize, soybean meal, fish meal, rice bran, and broken rice, the prices of which fluctuate greatly, and they account for 80 percent of total raw materials. Raw-material prices change in accordance with demand and production volume in each period and season. The price is also determined by the demand and supply of the world markets and speculation in commodity futures market also affect the demand of these commodities. These factors may affect the price volatility of raw material. As for the supply side, natural disaster and climate change may contribute in lower crop production. These factors are uncontrollable and unexpected. Nevertheless, the Company manages to adjust sales prices for animal feeds in keeping with raw-material costs, by requesting approval for upward price adjustments from the Department of Internal Trade. Since animal feeds are subject to price controls, price adjustments may not keep pace with raw-material prices. The Company has effectively set up a plan for raw-materials purchases; i.e., making purchases during periods of excessive raw-material production at cheap prices. The Company can substitute more expensive raw materials with cheaper one. At the same time, the Company is seeking new foreign raw-materials producers who offer competitive price compared with local suppliers.

## The Volatility on Foreign Exchange Rate Risk

Our business involves local sales of animal feeds and (meat) chicks, while raw materials like soybean meal and milk powder are imported, representing 40 percent of raw-material costs for animal-feed production. Exchange-rate risk arises, as our revenues are in baht, while certain expenditures are in U.S. dollars. The Company cushions such risk by means of forward exchange rate contracts and continuous currency monitoring, allowing control over exchange rate risk to a certain extent that the Company shall be able to recognize accurate production cost and able to effectively set the selling price.

## The Volatility on Interest Rate Risk

The Company and its subsidiaries exposure to interest rate risk relates primarily to its cash at banks, current investments and short-term loan with interest. However, since most of the Company and its subsidiaries financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal. To reduce the risk of interest rate, the Company sets a team to closely monitor the trend of interest rates.



Credit Control Risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable 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 it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivables and loans as stated in the statement of financial position.

Management Risk

As of 31 December 2016, the major shareholder of the Leelasithorn family is the Company's major shareholder, holding 461,000,000 shares or 49.99 percent of the Company's paid-up registered capital. As such, the Group also controls voting at each Shareholders' Meeting, whether in regard to the appointment or removal of directors or voting on shareholders' resolutions requiring a majority of shareholders' votes except the matters that need to be approved by 3/4 of the shareholders who attends the Meeting. Thus, the minority shareholders do not have the power to check and balance the vote of the majority shareholders. The minority of shareholders may therefore face a risk of not possessing sufficient votes to review and query the management of the Company. To be as the balance of power for management, the company appointed 4 persons as independent directors of 9 directors. In addition, the Company has formulated and committed to following its corporate governance policy in compliance with the law, business ethics consideration are responsible for their duties and results of their actions to all stakeholders of the Company.

# Company Information

## 1. General information

### Lee Feed Mill Public Company Limited

Registration of the Company	: 0107537000718
Head Office Location	: 28 <sup>th</sup> Floor, Wall Street Tower, 33/137 Surawong Road, Bangkok, Bangkok 10500
Feedmill Plant Location	: 65 Moo 2, Huay Ta Chang Sub-district, Khoa Yoi District, Phetchaburi
Aquatic Feedmill Plant Location	: 62 Moo 2, Huay Ta Chang Sub-district, Khoa Yoi District, Phetchaburi
Dong Kui Farming Location	: 33 Moo 14 Dong Kui Sub-district, Chon Dan District, Phetchabun
Chon Dan Farming Location	: 246 Moo 5 Ban Kluay Sub-district, Chon Dan District, Phetchabun
Research and Development Animal Farming Location	: 40 Moo 11 Huay Hang Sub-district, Kang Koi District, Saraburi
Telephone	: 0 - 2632 - 7300 (Automatic)
Fax	: 0 - 2236 - 7751
Web Site	: <a href="http://www.leepattana.com">http://www.leepattana.com</a>
Type of Business	: The manufacturer and distribution of animal feed, animal farming
Authorized Shares Capital	: Common shares 929,070,000 shares, Baht 1 par value
Paid-up Shares Capital	: Common shares 922,180,251 shares, Baht 1 par value
Paid-up Amount Capital	: 922,180,251 Baht

### Shareholding Exceeding 10 Percent of Juristic Persons

#### Lee Pattana Feed Mill Company Limited

Head Office Location	: 33/137 Surawong Road, Bangrak, Bangkok 10500
Feedmill Plant Location	: 33/1 Moo 7, Phaholyothin Road, Dao Rueng Sub-district, Muang District, Saraburi
Type of Business	: The manufacturer and distribution of animal feed.
Percents of Holding	: 95% of authorized share capital and paid-up share Capital 200 million baht Common shares 20 million shares, Baht 10 par value

#### Lee Pattana Agro Silo Company Limited

Head Office Location	: 33/137 Surawong Road, Bangrak, Bangkok 10500
Silo Plant Location	: 33/1 Moo7, Phaholyothin Road, Dao Rueng Sub-district, Muang District, Saraburi
Type of Business	: Silo business and distributing of raw materials for animal feed.
Percents of Holding	: 95.00% of authorized shares capital and paid-up share Capital 150 million baht Common shares 15 million shares, Baht 10 par value

#### Bodhi Ngarm Sea Fram Company Limited

Head Office Location	: 1/3 Moo 7 Nongbua Sub-district, Muang District, Chanthaburi
Type of Business	: Rental farming.
Percents of Holding	: 99.96% of authorized shares capital and paid-up share Capital 5 million baht Common shares 50,000 shares, Baht 100 par value

**Pattana Agro Futures Company Limited**

Head Office Location	: 33/19 Surawong Road, Bangrak, Bangkok 10500
Type of Business	: The Agricultural Futures Trading Broker (Ceased operation)
Percents of Holding	: 44.50% of authorized shares capital and paid-up share Capital 25 million baht Common shares 2.5 million shares, Baht 10 par value

**Other References Persons**

Share registrar	: Thailand Security Depository Co.,Ltd. 93 Rajadapisek Road, Dindang, Bangkok 10400 Tel 0-2009-9000 Fax. 0-2009-9999
Auditors	: EY Office Limited 33 <sup>rd</sup> Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road, Bangkok 10110 Tel 0 – 2264 - 077 Fax. 0 - 2264 – 0789 - 90 Name of Auditor, Ms. Krongkaew Limkittikul Certified Public Accountant Registration (Thailand) Number 5874
Legal advisor	: Chamnong Chanprasit Attorney At Law 26/7-8 Sukhumvit 65, Sukhumvit Road, Phrakanong, Bangkok 10110 Tel 0-2391 - 6488 Fax. 0-2391 - 1751
Financial advisor	: None
Management advisor	: None

**2. Other information****None.**

## Major Shareholders

### The Company's Securities comprise:

#### Ordinary Shares

Registered and paid-up capital as of 31 December 2016

Registered capital : 929,070,000 baht, consisting of 929,070,000 ordinary shares at a par value of 1 baht.

Paid-up capital : 922,180,251 baht, consisting of 922,180,251 ordinary shares at a par value of 1 baht.

### Shareholders and Executive Management

Name of the first 10 major shareholders of the Company

(As of the share register closing date at December 31, 2016)

Shareholders' Name	No. of Shares Held	%
1. Mr.Nipon Leelasithorn	222,000,000	24.07
2. Mr.Preecha Leelasithorn	122,000,000	13.23
3. Alliance Co.,Ltd.	82,000,000	8.89
4. Wall Street Tower Co.,Ltd.	35,000,000	3.80
5. Mr. Chaicharn Lhupaiboon	30,600,000	3.32
6. Lee Kong Jin Holdings Co.,Ltd	18,665,790	2.02
7. Ms. Krongporn Duriyaporn	16,551,687	1.79
8. Mr.Sompong Apathananon	13,947,600	1.51
9. Mr. Lee Joo Chew	13,838,321	1.50
10. Mr. Wasin Patikulsate	10,415,030	1.13
11. Others (3,656) persons	357,161,823	38.74
<b>Total 3,666 persons</b>	<b>922,180,251</b>	<b>100.00</b>

Remark ;The Leelasithorn family is the major shareholder of the Lee Feed Mill Public Company Limited with total holding of 49.99%, including of No.1- 4 The representative of the Leelasithorn family is Mr. Nipon Leelasithorn.

As of 31 December 2016, the latest date of Share Registration Book closure, the Company's NVDR represents 2.19 percent of paid-up capital, or 922,180,251 baht (par value of 1 baht). Investors may obtain information on NVDR from [www.set.or.th](http://www.set.or.th).



## Dividend Payment Policy

The dividend payment policy of Lee Feed Mill Public Company Limited and its subsidiaries will pay dividend at the rate of not less than 50% of net profit of the Company's separate financial statements after deduction of corporate income tax and subject to the Company's cash flow, future investment plans of the company including economic situation.

According to resolutions of the Board of Directors' Meeting No.3/2017 held on March 10, 2017. Approval to pay dividends for the year 2016, at Baht 0.24 per share, which equivalent to 95% of net profit of the year 2016 according to the separate financial statements ( representing a payout ratio 87% of the Consolidated financial statements ) payment on May 18, 2017. Dividends payment for the year 2014 and 2015 were Baht 0.17 per share and Baht 0.12 per share, representing a payment ratio of 96% and 96% of net profit of the separate financial statements, (representing a payout ratio of 86% and 76% of the consolidated financial statement) respectively.

# Organization Structure and Management

## 1. Board of Directors

The Board of Directors of Lee Feed Mill Public Company Limited. Details are as follows:

1. Mr. Visith	Leelasithorn	Chairman of the Board of Director
2. Mr. Nipon	Leelasithorn	Chairman of the Executive Director and Managing Director
3. Mr. Karoon	Chanmingporn	Executive Director / Deputy Managing Director
4. Mrs. Supaporn	Chongvilaiwan	Director / Asst. Managing Director
5. Assoc.Prof.Dr. Somjai	Phagaphasvivat	Chairman of the Audit Committee / Independent Director
6. Mr. Busarin	Vanaswas	Member of the Audit Committee / Independent Director
7. Mrs. Sununta	Subhapholsiri	Member of the Audit Committee / Independent Director
8. Pol. Lt. Gen. Adisorn	Nonsee	Independent Director
9. Mr.Somsak	Tiensriyuka	Director / Secretary of the Board

Directors empowered to act as signatories with the authority to commit the Company consist of Mr. Visith Leelasithorn, Mr. Nipon Leelasithorn, Mr. Karoon Chanmingporn, Mrs.Supaporn Chongvilaiwan, Mr.Somsak Tiensriyuka two directors of five directors as signatories, along with the Company's seal.

## Roles and Responsibilities of Directors

1. Directors shall perform duties in accordance with specified laws, objectives, and Company regulations, as well as operate in accordance with shareholders' resolutions.
2. Directors shall establish business goals and management policies.
3. The Board of Directors has the authority to determine and change which directors are authorized to act as signatories empowered to commit the Company.
4. The Board of Directors has the authority to appoint any director or external person to act on behalf of the Board, as in the case of the Executive Director and Audit Committee. The delegation of such tasks must remain within the scope of the Board's powers, and the duties and responsibilities of the delegate must be clearly stipulated.
5. The Board of Directors is required to hold meetings should important matters arise that may affect Company operations. This includes requests for credit lines from financial institutions, loans, guarantees, business expansion, investments, or sales of investments in other businesses.
6. Directors shall review and approve quarterly financial reports prior to submitting same to the Stock Exchange of Thailand.
7. Directors shall ensure that financial and other information disclosed to shareholders is complete, correct, and transparent

Details for Board of Directors

Name	:	<u>Mr. Visith Leelasithorn</u>
Position in the Company	:	Chairman of the Board of Directors
Date of first appointment	:	16 August 1983
Latest date of appointment	:	28 April 2014
Education	:	Secondary School
No. of securities increased/ (Decreased) during 2016	:	-
Experience		
1983–Present	:	Chairman of the Board of Directors Lee Feed Mill Pcl. and Subsidiaries
1983–Present	:	Chairman Wall Street Tower Co.,Ltd.
1980–Present	:	Chairman Alliance Co.,Ltd.
2004–Present	:	Chairman Lee Pattana Agro Silo Co.,Ltd.
2004–Present	:	Chairman Pattana Agro Futures Co.,Ltd.
Name	:	<u>Mr. Nipon Leelasithorn</u>
Position in the Company	:	Chairman of the Executive Director / Managing Director Member of the Recruitment and Compensation Committee
Date of first appointment	:	16 August 1983
Latest date of appointment	:	29 April 2016
Education	:	Master of Management at Sasin Graduate Institute of Business Administration of Chulalongkorn University Degree, The National Defence College of Thailand (NDC)
No. of securities increased (Decreased) during 2016	:	-
Training Coursed	:	Directors Certification Program by Thai Institute of Directors Association (IOD)

Experience

1999–Present	: Chairman of the executive Director Lee Feed Mill Pcl. and Subsidiaries
1989–Present	: Managing Director Lee Feed Mill Pcl. and Subsidiaries
2004–2014	: Managing Director Pattana Agro Futures Co.,Ltd.
2014–Present	: Chairman of the executive Director Pattana Agro Futures Co.,Ltd.
1983–Present	: Director Wall Street Tower Co.,Ltd.
2004–Present	: Chairman of the executive Director Lee Pattana Agro Silo Co.,Ltd.
2015 – Present	: Member of the Recruitment and Compensation Committee Lee Feed Mill Pcl.

Name : Mr. Karoon Chanmingporn

Position in the Company : Executive Director / Deputy Managing Director

Date of first appointment : 14 December 1989

Latest date of appointment : 28 April 2015

Education : Department of Animal Husbandry National Chung  
Hsing University (Taiwan)

No. of securities increased/  
(Decreased) during 2016 : -

Experience

1989–Present	: Executive Director / Deputy Managing Director Lee Feed Mill Pcl. and Subsidiaries
2004–Present	: Executive Director Lee Pattana Agro Silo Co.,Ltd.

Name	:	<u>Mrs. Supaporn Chongvilaiwan</u>
Position in the Company	:	Asst. Managing Director
Date of first appointment	:	16 May 1997
Latest date of appointment	:	28 April 2014
Education	:	Bachelor degree of Accounting Chulalongkorn University
Training Coursed	:	Directors Accreditation Program by Thai Institute of Directors Association (IOD)
No. of securities increased/ (Decreased) during 2016	:	-
Experience		
1997-Present	:	Director / Asst. Managing Director Lee Feed Mill Pcl. and Subsidiaries
2004-Present	:	Executive Director Pattana Agro Futures Co.,Ltd.
2004-Present	:	Director / Asst. Managing Director Lee Pattana Agro Silo Co.,Ltd.
Name	:	<u>Assoc. Prof. Dr.Somjai Phagaphasvivat</u>
Position in the Company	:	Chairman of the Audit Committee / Independent Director
Date of first appointment	:	5 July 1991
Latest date of appointment	:	28 April 2015
Education	:	Doctorado de Estado, Facultad de Ciencia Politica, Universidad Complutense de Madrid, Spain 1982 Diplome d'Etudes Superieures (Economic Integration), Universite de Nancy, France 1975 Licenciatura, Facultad de Ciencia Politica y Economica, Universidad Complutense de Madrid, Spain 1973 Bachelor of Arts, Chulalongkorn University 1966
Training Coursed	:	Directors Accreditation Program by Thai Institute of Directors Association (IOD)

No. of securities increased/  
(Decreased) during 2016 : -

Experience

1996 - 2013	: Member of the Audit Committee, Amarin Printing &Publishing Pcl.
1996 - Present	: Independent Director, Amarin Printing &Publishing Pcl.
2013 - Present	: Chairman of the Audit Committee, Amarin Printing &Publishing Pcl.
2006 - 2013	: Chairman of the Audit Committee, SEAFECO Pcl.
2006 - Present	: Independent Director, SEAFECO Pcl.
2013 - Present	: Chairman, SEAFECO Pcl.
1991 - Present	: Independent Director and Chairman of the Audit Committee, Lee Feed Mill Pcl.
2007 - Present	: Director and Chairman of the Audit Committee, The Krungthep Thanakom Co.,Ltd.
2007 - Present	: Director and Chairman of the Audit Committee, Thai Hua Rubber Pcl.
2010 – 2011	: Independent Director and Member of the Audit Committee, Siam City Bank Pcl.
2009 – Present	: Independent Director and Audit Committee Thanachart Bank.
2015 – Present	: Director, Supalai Pcl.

Name : Mrs. Sununta Subhapholsiri

Position in the Company : Member of the Audit Committee /  
Independent Director  
: Member of the Recruitment and compensation Committee

Date of first appointment : 22 March 1984

Latest date of appointment : 28 April 2015

Education : Bachelor degree (Business Administration) at  
Pine Mauor College, U.S.A

Training Coursed : Directors Accreditation Program (DAP) and  
Audit Committee Program by  
Thai Institute of Directors Association (IOD)

No. of securities increased/  
(Decreased) during 2016 : -

## Experience

2015 – Present	:	Member of the Recruitment and Compensation Committee Lee Feed Mill Pcl.
1999 – Present	:	Member of the Audit Committee Lee Feed Mill Pcl.
1994-Present	:	Independent Director Lee Feed Mill Pcl.
1984-Present	:	Director Lee Feed Mill Pcl.
1990-Present	:	Managing Director Leather Mine Co.,Ltd.

Name : Mr. Busarin Vanaswas

Position in the Company : Member of the Audit Committee /  
Independent Director

Date of first appointment : 29 November 1999

Latest date of appointment : 28 April 2014

Education : MBA Pepperdine University, U.S.A

Training Course : Directors Accreditation Program (DAP) and  
Audit Committee Program by  
Thai Institute of Directors Association (IOD)

No. of securities increased/  
(Decreased) during 2016 : -

## Experience

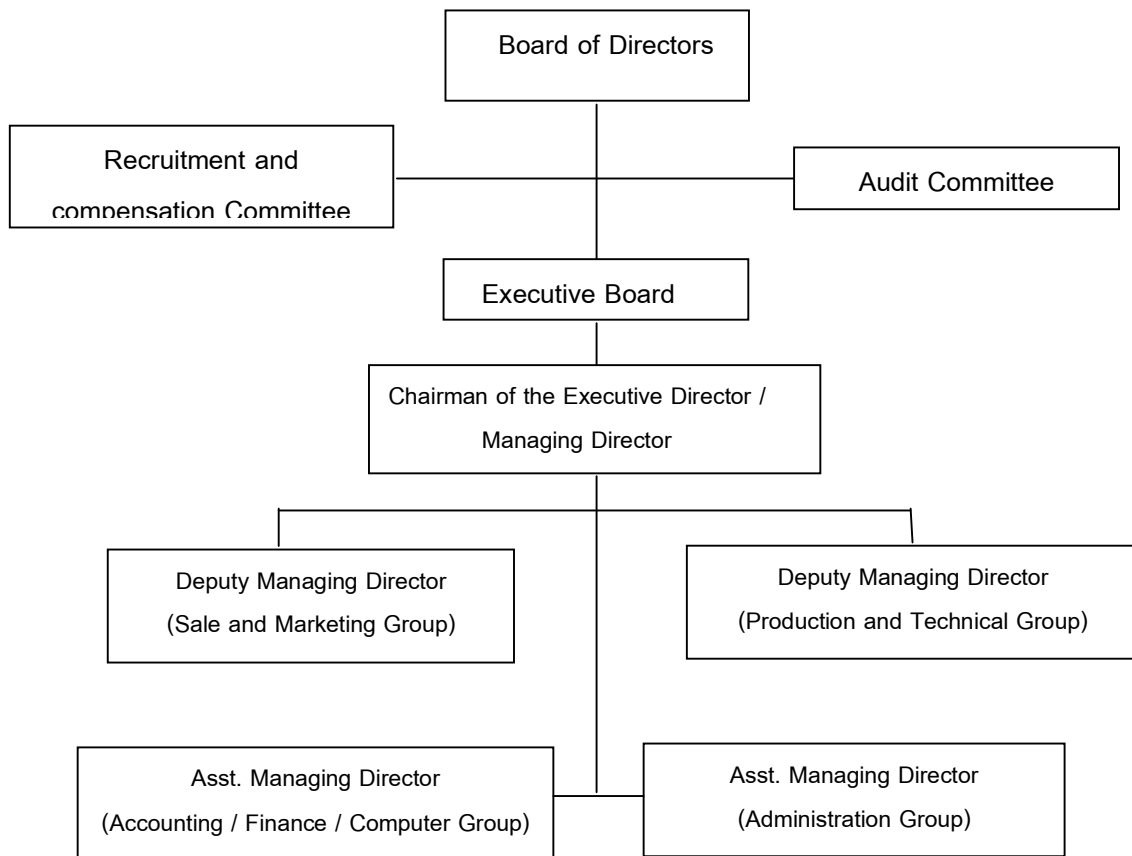
1999-Present	:	Member of the Audit Committee Independent Director Lee Feed Mill Pcl.
Present	:	Deputy Managing Director Atlantic Laboratories Corp.,Ltd.
Present	:	Deputy Managing Director Atlantic Pharmaceutical Co.,Ltd.
Present	:	Deputy Managing Director Vana Corporation Ltd.



Present	:	Secretary / Thai Pharmaceutical Manufacturers Association (T.P.M.A)
Present	:	Director /The Pharmaceutical Industry Club (PIC)
	:	Director /The Federation of Thai Industries (FTI)
Name	:	<u>Pol. Lt. Gen. Adisorn Nonsee</u>
Position in the Company	:	Independent Director / Chairman of the Recruitment and compensation Committee
Date of first appointment	:	12 March 2010
Latest date of appointment	:	28 April 2016
Education	:	Public administration / Royal Police cadet Academy
No. of securities increased/ (Decreased) during 2016	:	-
Experience		
2006 - 2007	:	Commissioner of the Provincial Police Region 6 Bureau
2007	:	Commissioner of the Metropolitan Police Bureau
2007 - 2008	:	Commissioner of the Central Investigation Bureau
2008 - 2009	:	Commissioner of the Office of Inspector General (Level 8)
2010 - Present	:	Independent Director / Director
2015 – Present	:	Chairman of the Recruitment and Compensation Committee Lee Feed Mill Pcl.
Name	:	<u>Mr.Somsak Tiensriyuka</u>
Position in the Company	:	Director / Secretary of the Audit and Executive Committee / Accounting Manager / Member of the Recruitment and compensation Committee
Date of first appointment	:	15 May 2015
Latest date of appointment	:	29 April 2016
Education	:	MBA, Kasetsart University
Training Courseed	:	Directors Accreditation Program (DAP) by Thai Institute of Directors Association (IOD)
No. of securities increased/ (Decreased) during 2016	:	-

## Experience

2000-Present	:	Secretary of the Audit Committee / Secretary of the Executive Committee / Lee Feed Mill Pcl. and Subsidiaries
2015-Present	:	Director / Secretary of the Recruitment and compensation Committee / Lee Feed Mill Pcl. and Subsidiaries
1984-Present	:	Accounting Manager Lee Feed Mill Pcl. and Subsidiaries

2. Organization StructureCriteria of the Executive and Committee

The criteria of the executive and committee are set in accordance with the Securities and Exchange Commission (SEC) as follows;

- Of the total number of board members, at least one-third and no fewer than three persons must be independent directors.
- The Audit Committee shall have at least 3 persons

**Definition of the Executive and Committee**

Executive means the authorized person who can manage and authorized director

Non- executive means the director who is not sitting as the executive and unauthorized director

Independent committee means the director who is not sitting as the Executive and qualified according to the SEC

**Qualification of the Independent Director**

The Independent director of the company shall meet the qualification and have independent authority according to the Securities and Exchange Commission and Stock Exchange of Thailand ; namely,

1. It shall hold shares not exceeding 0.50 percent of the total number of voting rights of the company, its parent company, subsidiary, affiliate, or other juristic person who may have conflict, including the shares held by related persons of the independent director;
2. It shall neither be nor have been an Executive, employee, staff, or advisor who receives salary, or a controlling person of company, its parent company, subsidiary, affiliate, or other juristic person who may have conflict unless the foregoing status has ended not less than two years prior to the date of appointment;
3. It shall not be a person related by blood or registration under laws i.e. father, mother, spouse, sibling, and child, including spouse of the children; of executives, major shareholders, controlling persons, or person to be nominated as executive or controlling persons of the company or its subsidiary;
4. It shall not have a business relationship with the company, its parent company, subsidiary, affiliate, or other juristic person who may have conflict, in the manner which may interfere with his or her independent judgment, and It shall neither be nor have been a major shareholder, a non-independent director or an executive of any person having business relationship with the company, its parent company, subsidiary, affiliate, or other juristic person who may have conflict unless the foregoing relationship has ended not less than two years prior to the date of appointment;
5. It shall neither be nor have been an auditor of the company, its parent company, subsidiary, affiliate, or other juristic person who may have conflict, and not being a principal shareholder, or a non-independent director, or an executive, or partner of an audit firm which employs auditors of the company, its parent company, subsidiary, affiliate, or other juristic person who may have conflict unless the foregoing relationship has ended not less than two years from the date of appointment;

6. It shall neither be nor have been an professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million Baht from its parent company, subsidiary, affiliate, or other juristic person who may have conflict, and neither being nor having been a principal shareholder, or a non-independent director , or an Executive, or managing partner of the professional advisor unless the foregoing relationship has ended not less than two years from the date of appointment;
7. It shall not be a director who has been appointed as a representative of the company's director, major shareholder or shareholders who are related to the major shareholder;
8. It shall not have any characteristics which make him/her incapable of expressing independent opinions with regard to the company's business affairs. The independent director may be assigned by the Board of Directors to take part in the business decision of the company, its parent company, subsidiary, affiliate, same-level subsidiary, major shareholder of other juristic person who may have conflict on the condition that such decision must be a collective one.

The Company's management structure, on a strategy and policy level, comprises of 4 committees namely the Board of Directors, the Executive Directors and the Audit Committee and the Recruitment and Compensation Committee as 31 December 2015 as follow :

The Executive Directors' Committee consists of 4 executives, as follows:

- |                                |   |
|--------------------------------|---|
| 1. Mr. Nipon Leelasithorn      | Chairman of the Executive Director Committee and<br>Managing Director |
| 2. Mr. Karoon Chanmingporn     | Executive Director  |
| 3. Mrs. Supaporn Chongwilaiwan | Executive Director  |
| 4. Mr. Somsak Tiensriyuka      | Secretary of the Executive Director                                   |

#### Roles and Responsibilities of the Executive Directors' Committee

1. The Executive Directors' Committee shall be responsible for the Company's day-to-day management, in accordance with Board policy, and authorized not more than 100 million Baht per times
2. The Executive Directors' Committee shall set forth the Company's organizational structure and planning; and monitor and evaluate the Company's performance for presentation to the Board for approval.
3. The Executive Directors' Committee shall review, monitor, and report on Company performance, in accordance with set business plans for quarterly reporting to the Board.
4. The Executive Directors' Committee shall conduct other duties as mandated by the Board

**Managements**

- |                                |   |
|--------------------------------|---|
| 1. Mr. Nipon Leelasithorn      | Managing Director   |
| 2. Mr. Karoon Chanmingporn     | Deputy Managing Director<br>(Production and Technical Groups)       |
| 3. Mrs. Supaporn Chongvilaiwon | Asst. Managing Director<br>(Accounting / Finance / Computer Groups) |
| 4. Mr.Somsak Tiensriyuka       | Director and Accounting Manager                                     |

**Authority and Duties of the Managing Director**

1. Prescribe policy, direction, strategy, and administrative structure in line with economic and competitive conditions, to be presented for approval by the Board of Directors.
2. Map out business plans, budgets, and investments of all types, as well as examine and monitor the implementation of policies and administrative guidelines in accordance with policies presented to and approved by the Board of Directors. Undertake other actions as assigned by the Board of Directors on a case-by-case basis. Present any transactions that may conflict with benefits or other types of interest of the Company or its subsidiaries for consideration and approval by the Board of Directors.

Any related transaction or any transaction related to the acquisition or disposal of assets of the Company or its subsidiaries, as the case may be, must receive approval from a Shareholders' Meeting and/or proceed as per governing criteria and procedures, in line with the SET's prescription for the same

**3. Company's Secretary**

Company's Board of Directors ruled to appoint Mr. Suparoj Buasri, current Manager of Legal and Public Administration Department, Lee Feed Mill Public Company Limited. He is qualified both in terms of qualification and seniority. He has been performing his duty as the Company's Secretary since August 31, 2008 with duties and responsibilities as being specified in Section 89/15 and Section 89/16 of Securities and Exchange Act (Issue 4) B.E. 2551 (2008) He performed his job with responsibility, prudence and honesty as well as has had to perform the duty in accordance with laws, objectives, regulations of the Company, resolutions of the Board of Directors as well as resolutions of the Company's shareholders. Duties of the Company's Secretary as being stipulated by laws, are as follow:

1. Provide and maintain following documents:
  - A. Directors' registration
  - B. Letter of invitation for meeting of Board of Directors, Board of Directors' minutes of meeting and the Company's annual report.
  - C. Letter of invitation for meeting of shareholders and shareholders' minutes of meeting.
2. Keep report of stakeholding provided by Directors or Executives and submit copy of stakeholding report according to Section 89/14 to Chairman and Audit Committee Chairman within seven working days from the day that the Company receives the report.
3. Undertake other performances as being stipulated by Capital Market Supervision Committee.

4. Make suggestion for laws and related regulations and practices on supervision operation of the Board of Directors to be in line with laws.
5. Other duties as being assigned by the Company.

#### 4. Remuneration of Directors and Executives

The Company's remuneration policy for directors is in accordance with the Board of Directors' policy and thus linked to Company performance. Appropriate remuneration is paid in accordance with business size and industry type and must be approved by a Shareholders' Meeting prior to payment.

At present, the Company has the Recruitment and Compensation Committee for determining remuneration, remuneration-consideration procedures exist to determine appropriate remuneration. Such procedures take into account remuneration from other companies in the same industry and of similar size, as well as Company performance at the time of consideration. Such information is presented to the Shareholders' Meeting for final approval.

##### 1) Monetary remuneration

– As Company directors, the nine directors received a stipend for 2014 and 2015 totaling 940,000 Baht and 1,020,000 Baht per year, Baht 1,110,000 for the year 2016 as follows :

Name		Position	Amount (Baht)		
			2014	2015	2016
1. Mr. Visith	Leelasithorn	Chairman of the Board of Directors	335,000	335,000	345,000
2. Mr. Nipon	Leelasithorn	Chairman of Executive Director / Managing Director	125,000	125,000	135,000
3. Mr. Karoon	Chanmingporn	Deputy Managing Director / Executive Director	80,000	80,000	90,000
4. Mrs. Supaporn	Chongvilaiwan	Asst. Managing Director	80,000	80,000	90,000
5. Assoc. Prof. Dr. Somjai	Phagaphasvivat	Chairman of the Audit Committee / Independent Director	80,000	80,000	90,000
6. Mr. Busarin	Vanaswas	Member of the Audit Committee / Independent Director	80,000	80,000	90,000
7. Mrs. Sununta	Subhapholsiri	Member of the Audit Committee / Independent Director	80,000	80,000	90,000
8. Pol. Lt. Gen Adisorn	Nonsee	Independent Director	80,000	80,000	90,000
9. Mr. Somsak	Tiensriyuka	Director /Committee and Secretary	-	80,000	90,000
Total			940,000	1,020,000	1,110,000

–The directors and four executive directors receive compensation for their management of the Company in the form of salaries, bonuses social security and provident fund. This amounted to 12.49 million baht, 15.79 million and 16.17 million baht for 2014 - 2016 respectively.

- The allowance of meeting for the four Audit Committee for 2014 – 2016 amounts Baht 212,000, at the same rate, and the meeting allowance for the Chairman of the Audit Committee has received Baht 25,000 per quarter, each the Audit Committees have received Baht 10,000 per quarter and the Independent director Baht 8,000 per quarter.

Name		Position	Amount (Baht)		
			2014	2015	2016
1. Assoc. Prof. Dr. Somjai	Phagaphasvivat	Chairman of the Audit Committee / Independent Director	100,000	100,000	100,000
2. Mr. Busarin	Vanaswas	Member of the Audi Committee / Independent Director	40,000	40,000	40,000
3. Mrs. Sununta	Subhapholsiri	Member of the Audi Committee / Independent Director	40,000	40,000	40,000
4. Pol. Lt. Gen Adisorn	Nonsee	Independent Director	32,000	32,000	32,000
Total			212,000	212,000	212,000

2) Other remuneration -None

# Corporate Governance

## Corporate Governance Policy

Recognizing the importance of corporate governance to Company operations and continued growth, the Board has formulated and is committed to following its corporate governance policy. Guidance is provided for the Company's direction, and the importance of internal-control and -audit procedures is emphasized. In addition, management performance is stressed, in order to ensure that shareholders' long-term interests are protected and in compliance with the law, business ethics considerations, and the Code of Best Practices for listed company directors, as issued by the Stock Exchange of Thailand.

## Shareholders' Rights

The Company held its annual General Meeting at Company headquarters. Meeting notifications and supporting information in accordance with the Meeting's agenda was sent to all shareholders approximately 10 working days beforehand. Each item on the agenda included the Board of Directors' opinions, and a complete report of the Meeting was available for review by the shareholders, the Company has provided a further option for shareholders by enabling independent directors to serve as proxies for shareholders who are unable to attend the Meeting.

## Shareholders' Meeting

At the annual Shareholders' Meeting for 2016, eight directors attended. The Chairman of the Meeting gave shareholders equal opportunity in regard to reviewing Company performance, raising queries, and voicing their views. Queries raised and important views were noted in the minutes.

## Leadership and Vision

The Board has played a role in determining the vision, mission, strategy, target, business plan, and budget of the Company. The Board has also mandated that management conduct business effectively in accordance with the Company's business plan and budget, so as to attain the highest value for the Company and ensure maximum stability for shareholders.

## Conflicts of Interest

The Board has been informed of both conflicts of interest and connected transactions. These have been carefully considered and are in accordance with the Stock Exchange of Thailand's guidelines. The prices and conditions involved have been transacted on an arm's-length basis, and details, value, partners, reasons, and necessity are disclosed in the Annual Report and Form 56-1.

## Treatment of Insider Information

The Company has set rules and regulations enforcing directors, executives, employees and contract employees to keep the Company's secret and internal information confidential. They are prohibited from disclosing the Company's secret or internal information for their own or other persons' benefits, either directly or indirectly, and whether or not benefits will be given to them. The prevention of management using inside information for their own benefit. Management, including spouses and offspring not yet of legal age, are not allowed to use inside information not yet disclosed to the public for the purchase, sale, transfer, or acceptance of transfer of any securities issued by the Company. Such practice is in accordance with the



regulations of the securities industry and the Stock Exchange of Thailand. All transactions involving such purchases, sales, transfers, or acceptance of transfer must be reported to the Securities and Exchange Commission within three workdays of the transaction date. A copy of the documentation must also be made available for review.

#### Business Ethics

The Company has informed the Board, management, and staff of its ethics policy in conducting business. Honesty and straightforwardness must be an integral part of all practices involving the Company, stakeholders, the public, and society. All relevant parties are aware of these practices, and communication staff and subsequent monitoring have been consistent.

#### Composition of the Board of Directors

The Board of Directors consists of 9 persons, as follows:

–Directors from management	4 persons
–Directors not from management	1 person
–Independent directors	4 persons

#### Consolidation or Separation of Positions

The Chairman of the Board is not the same person as the CEO. However, both persons are representatives of the same major shareholder group. There are four independent directors, allowing for balance and the review of operational management.

#### Meetings of the Board of Directors

The Board of Directors meets regularly every quarter, with additional meetings held as necessary. The meeting agenda is clearly specified in advance, and consideration of Company performance is regularly included. The corporate secretary's department sends a meeting invitation letter, the agenda, and related documents seven days prior to the meeting, in order to allow directors sufficient time to review all information. During 2016, the Board met four times for its regular meetings and an additional one time for special meetings, totaling five meetings in all, with the participation of each director as follows:

Name		Meeting of the Board of Directors					
		General		Extraordinary		Total	
		2015	2016	2015	2016	2015	2016
1. Mr. Visith	Leelasithorn	4/4	4/4	1/1	1/1	5/5	5/5
2. Mr. Nipon	Leelasithorn	4/4	4/4	1/1	1/1	5/5	5/5
3. Mr. Karoon	Chanmingporn	3/4	3/4	1/1	1/1	4/5	4/5
4. Mrs. Supaporn	Chongvilaiwan	4/4	4/4	1/1	1/1	5/5	5/5
5. Assoc. Prof. Dr. Somjai	Phagaphasvivat	4/4	4/4	1/1	1/1	5/5	5/5
6. Mrs. Sununta	Subhapholsiri	4/4	2/4	1/1	1/1	5/5	3/5
7. Mr. Busarin	Vanaswas	4/4	3/4	1/1	1/1	5/5	4/5
8. Pol. Lt. Gen Adisorn	Nonsee	4/4	4/4	1/1	1/1	5/5	5/5
9. Mr.Somsak	Tiensriyuka*	2/2	4/4	-	1/1	2/2	5/5

Minutes of the meetings that have been endorsed by the directors and related parties may be examined. Directors' terms follow Company guidelines, as noted in the section "Nomination of Directors and Executives." Each term is for a three-year period.

#### **Reports of the Board of Directors**

The company's board of directors shall be responsible for the consolidated financial statements and separate financial statements of Lee Feed Mill Public Company Limited including financial information as appearing in the Annual Report. The aforementioned financial statements was prepared according to generally accepted accounting standards by selecting suitable and regularly accepted accounting policies as suitable for use and regular practice. Furthermore, the best prudence and judgment were exercised in the preparation thereof and the relevant information was sufficiently disclosed in the remarks accompanying the Financial Statement for the transparent benefit of the shareholders and investors in general.

The company's board of directors has arranged for and maintained an efficient internal control system in order to reasonably believe that the accounting information was accurately recorded, complete and sufficient for maintaining the company's assets to prevent corruption and irregular performance.

The company's board of directors established an Audit Committee comprising independent directors and director who are not executives in order to help supervise the quality of financial and internal control system reports by monitoring outcome evaluations, providing additional views and reporting to the board of directors about the findings of the company's audit. The opinions of the Audit Committee concerned with this issue appear in the list of names of Audit Committee directors as already shown in this Annual Report.

The consolidated financial statements and separate financial statements were audited by EY Office Limited an independent auditor. The aforementioned audit received the support of the company's board of directors in terms of supporting various documents, so the auditor could inspect and express opinions according to Thai Standards on Auditing. The auditor's opinion appear in this Annual Report.

The company's board of directors holds the joint opinion that company's internal control system is satisfactory and capable of instilling trust that the 2016 Financial Statement for Lee Feed Mill Public Company Limited is credible as generally-accepted and regularly practiced accounting standards in addition to related rules and regulations.

#### **Relations with Shareholders**

The Board of Directors realizes that information pertaining to the Company, financial or otherwise, plays an important role in the decisions of both shareholders and stakeholders. The Board has therefore mandated that management ensures that the disclosure of information is complete, correct, consistent, and timely. Management has consistently ascribed importance in this regard, and information disclosure has been conducted accordingly. The Company has not yet established an Investor Relations unit, as there are still few activities in this area. However, the Head of Accounting has been assigned to communicate with institutional investors, shareholders, analysts, and related government entities. Investors may contact the Company for information by calling 02-632-7300 (extension 301 or 314), visiting the Company website at <http://www.leepattana.com>, or sending e-mail to [acct@leepattana.com](mailto:acct@leepattana.com). or [ir@leepattana.com](mailto:ir@leepattana.com)

#### Audit Committee

The Committee consists of three independent directors as follows:

- |  |                                 |
|--|---------------------------------|
| 1. Assoc. Prof. Dr.Somjai Phagaphasvivat | Chairman of the Audit Committee |
| 2. Mr. Busarin Vanaswas                  | Member of the Audit Committee   |
| 3. Mrs. Sununta Subhapholsiri            | Member of the Audit Committee   |

Mr.Worawuth Attawetayanont is the Secretary of the Committee. The term of Audit Committee is 2 years, shall hold a committee meeting four times a year and report to the Board of Director.

#### Authority and duty of Audit Committee:

1. To review that the company's financial reporting process to ensure accuracy and adequacy.
2. To review that the company has risk management system and to provide recommendations to ensure that it is always up-to date.
3. To review and ensure that the company has adequate and effective internal control systems and internal audit systems.
4. To review and ensure that the company complies with all the securities and exchange law, regulations of the Stock Exchange, and laws relating to business the company.
5. To consider, select, nominate and recommend remuneration of the company's external auditor.
6. To review the disclosure of the company's information in case that there is a connected transaction that may be lead to conflict of interest so as to ensure reasonableness of such translations and maximum benefit of the company.
7. To prepare a report an monitoring activities of the Audit Committee, signed by the chairman of the Audit Committee and disclose it in the annual report of the company.
8. To perform any other activities assigned by the Board of Directors, in accordance with the consent of the Audit Committee.

#### Recruitment and Compensation Committee

According to resolutions of the Board of Director Meeting No.5/2015 on November 10,2015 has resolved to appoint the Recruitment and Compensation Committee as follows :

- |                              |   |
|------------------------------|---|
| 1. Pol.Lt.Gen Adisorn Nonsee | Chairman of the Committee                               |
| 2. Mrs.Sunanta Subhaphosiri  | Member of the Committee                                 |
| 3. Mr.Nipon Leelasithorn     | Member of the Committee                                 |
| 4. Mr.Somsak Tiensriyuka     | Secretary of the Recruitment and Compensation Committee |

The Term of Office of the Recruitment and Compensation Committee is 2 years. Its duties, responsibilities and authorities are as follows :

1. Figuring out a policy, criteria and procedures to recruit Directors for the Board and other committees with transparency.

2. Recruiting, selecting and proposing name of qualified candidates to take up the positions of Directors in the Board or other committees in place of outgoing directors in accordance with the Articles of Association.
3. Identifying proper compensation in cash and non-cash to each individual Director.
4. Preparing a policy and criteria for the yearly remuneration that is fair and reasonable and proposes to the Board of Directors and to get approval from the general assembly of shareholders.
5. The Recruitment and Compensation Committee shall hold a committee meeting at least once a year and report to the Board of Directors.
6. Handling other activities concerning the Recruitment and Compensation as assigned by the Board of Directors.

The Company has the recruitment and compensation Committee to nominate directors to the Board. Instead, directors are voted into office. Directors must receive over half of the total number of votes by shareholders with the right to vote and participating in a Shareholders' Meeting. Should the number of votes be equal, the Chairman of the Meeting shall cast the deciding vote.

Company regulations stipulate that the Board must consist of at least five directors, of whom at least half of the total number must reside in the Kingdom.

At the annual General Meeting, one third of the directors shall retire from office. If the number of directors is not a multiple of three, the number of retiring directors should be as close to one third as possible. Directors retiring under this clause may be reelected.

Should a directorship become vacant due to reasons other than rotation, a qualified person not possessing any of the prohibited characteristics stipulated in Clause 68 of the Public Limited Companies Act of B.E. 2535 may fill the vacancy at the next meeting, such a person may retain this office only for the remaining term of the director he/she is replacing. The Board of Directors' resolution in this regard must also consist of at least three fourths of the remaining directors' votes.

**Audit fee of The Lee Feed Mill Public Company Limited and its subsidiaries for the year 2014 to 2016 to EY Office Limited as follow :**

Detail	Company Payment	Name of Audit	Year 2014	Year 2015	Year 2016
1	Lee Feed Mill Public Company Limited	Ms. Supanee Triyanantakul	1,100,000	-	-
		Ms. Krongkaew Limkittikul	-	1,140,000	1,140,000
2	Lee Pattana Feed Mill Company Limited	Ms. Krongkaew Limkittikul	420,000	440,000	440,000
3	Lee Pattana Agro Silo Company Limited	Ms. Krongkaew Limkittikul	150,000	150,000	150,000
4	Bodhi Ngarm Sea Farm Company Limited	Ms. Krongkaew Limkittikul	50,000	50,000	50,000
Total of Audit Fee			1,720,000	1,780,000	1,780,000

**Non-audit fee for the year 2014 to 2016**

Lee Feed Mill Public Company Limited paid the non-audit fee the agree-upon procedures- Compliance with conditions stipulated in the investment promotion certificate for the year 2014 to 2016 in amount of Baht 100,000.

Lee Pattana Feed Mill Company Limited paid the non-audit fee the agree-upon procedures- Compliance with conditions stipulated in the investment promotion certificate for the year 2014 in amount of Baht 100,000.

The above nominated auditors and EY Office Limited do not have any relationship or interest with or in the company or any of its executives, major shareholders or their affiliates.

# Corporate Social Responsibility Activities

The company has realized and prioritized the business operations according to the good governance principles, including the prioritization on the corporate social responsibility that is the part of the sustainable development. It has both the internal and external implementation with the target to cover the vested interests.

The guidelines on the operations of the company, it has provided a working group to manage and participate on the corporate social responsibility (CSR) consisted of the personnel from multiple agencies to brainstorm the ideas, plans on the various projects, communicate and publicize via the annual report, website, brochure, newsletter and others for the stakeholders to learn of the operations on the CSR and the environment of the company.

The company has operated its business by focusing on its business with sustainability and priority on participation in the CSR, which it has applied the multiple management standards, e.g. ISO 9001, ISO 14001 and ISO 5001, including it has been certified for the international standards, e.g. the GMP and HACCP to create confidence for its customers.

## Implementation and responsibility for the internal stakeholders

On the employees, the company has prioritized on the livelihood, working life, safe working environment, having amenities and good life quality through the various employee committees. Furthermore, the company has also prioritized the management, compensation and suitable fringe benefits commensurate to working. It has followed up and compared the structure on the remuneration in the labor market for its employees suitably and equally to the labor market with equity. It includes the provision of additional fringe benefits above the legal requirement of several categories, including building the system of evaluation that related to their performance.

The company also gives importance to the development of skills, knowledge and capability in the self-development and working by establishing the annual training plan, individual development plan, promotion for training that sets the target to cover all the employees by more than 100 projects by the internal and external hosts and building the system of transferring and sharing the knowledge to its employees.



Promotion of the labor relations system for its employees is to participate in the working process to have an opportunity to express their beneficial opinions via the communication in the various formats through the activity project with a joint committee. It considers the participation in the development of the internal process system, e.g. the general meeting of the employees, the activity of the group relations, sports in inheriting the Thai culture, the Happy Workplace, etc., including the participation in the development and help the external society.

**On production process**, other than the focus on quality production, it still gives priority to applying instruments in supporting production for efficiency, standardization, quality, capital reduction, reduction on the use of resources and reduction of impact on the environment. All the time the company has invested, develop the production system and handling of waste, both on the air and water. By using the ozone system to treat odor and micro-organisms in the treatment of wastewater, and it has developed the system of controlling insects in the production system, including applying the various systems in all processes.

**On the products**, the company focuses on product production with quality, create value and satisfaction for the customers by R&D in the animal feed products, control and quality assurance in all procedures, testing and measuring quality from the raw material process up to delivery of the quality products to the hand of the customers.

#### Implementation and Responsibility for the external stakeholders

**On customers**, the company considers the joint growth on sustainable business. Thus, it has prioritized the goods quality and fair price with the customers. It is a result from the survey of opinions, demands of the customers, giving information, academic knowledge and new technology, including joint remedy of problems with the customers to develop the husbandry and creation of business sustainability of the customers jointly.

**On trade partners**, the company keeps good relations with its trade partners in the business both the trade partners and the distributors, and the production factors to have transparency and integrity with business growth together. It includes the trade partners and the operators in the same business line in building reliability and cooperation between the organizational businesses. For instance, the participation as a member and activity implementation of the Thai Chamber of Commerce, Industrial Council of Thailand, Livestock and Aquatic Breeding Federation and the Thai Feed Mill Association, etc.



On community and society, the company has set up a working group to manage the corporate social responsibility (CSR), community relations and has an agency in coordinating with the public sector to implement its intentions, social demand and consistency with the legal practices. It has the process on listening to the opinions, recommendations and complaints from the community, including sharing and compensating the society on the various fields, e.g. (you can study additionally on the projects operated in 2016 at [www.leepattana.com](http://www.leepattana.com)).

Project activity on donating things to the deprived people, which is the result from the operations of the internal participation on the activity of the employees annually, is to be presented to the several charitable organizations and foundations in the form of monetary and thing donations.



The donations of scholarships to support educational institutions, the company has given priority and continuous operations every year by allocating the supporting budget on educational equipment, repair and construction of the structures at the various schools. In 2016 it supported a total project of eight schools.

- |  |                           |
|--|---------------------------|
| 1. Wat Burikaram School, Saraburi province,                    | budgeting of 204,000 baht |
| 2. Wat Huaikhongkhawarawat School, Saraburi province,          | budgeting of 390,000 baht |
| 3. Wat Pasak School, Saraburi province,                        | budgeting of 102,000 baht |
| 4. Ban Kluai School, Pechabun province,                        | budgeting of 207,000 baht |
| 5. Wat Kunchonwachiraram School, Phetchaburi province,         | budgeting of 222,000 baht |
| 6. Phetchaburi Special Education Center, Phetchaburi province, | budgeting of 95,000 baht  |
| 7. Wat Nurnpo School, Chantaburi province,                     | budgeting of 500,000 baht |
| 8. Ban Korjudsann School, Lamphun province,                    | budgeting of 70,000 baht  |





The project to support and help society, the company has realized that the importance of filling full value to the society by supporting all of the activities, both the operation inside the project to the society and participation in the external activities by bringing teams of employees to help the society and support as well as encourage the society, e.g. the project construction of Ruen Phae Library, the project rice paddy from the farmers to the people and the project prototype of the campaign wearing the helmets, etc.





Project sharing knowledge to the society, the company has opened an opportunity for the local students can be trained and provided as the educational venue, including its trade partners with an opportunity for observation, learning of the process, various activities of management to the interested people. It also shared the knowledge to the eternal world as the hosts disseminating knowledge to the various institutions as well.







Project community relations, the company has prioritized the participation in the society and nearby communities. It set up a working group for the community relations to listen to the opinions, complaints, recommendations and project activities in creating good relations among them, especially in local development, inheriting the cultures and traditions as well as conservation of natural resources.



โครงการพัฒนาปลูกป่าชายเลน

**Anti-corruption**

The Lee Pattana Group is committed to counter all forms of corruption directly and indirectly, and is committed to being a good corporate governance, transparency, and legal integrity. Coupled with social responsibility. All levels of Lee Pattana Group must perform their duties in compliance with practice as follows as be followed.

1. Strictly follow the anti-corruption policy, which must not involvement in any forms of corruption, neither direct nor indirect.
2. Do not give any bribe, neither giving money nor other benefits to individuals or groups who have dealings with the both Lee Pattana Group or the third parties, with the hope of personal advantage.
3. Do not take any bribe, neither money nor other benefits. To prevent any affect to the company and inefficient performance.
4. The procurement process must follow to the Company's procedure in the step of bidding, price comparison, choosing supplier or contractor. The company has strict internal control procedures in the process, which must be approved by the manager or the managing director, as the case may be.
5. Charitable donations, public donations and grants must be donated on behalf of Company or group only. There must be clear and reliable evidence of donation. And it must follow the company's procedures. The company will not use the donation as an excuse or use it for any other purpose.
6. To give or receive gifts, souvenirs, receptions or funding, either money or other benefits, to any activity or project, must be performed under the Company's name or the Group and also must be operated with transparency, can be verified. And only for the purpose of greeting or congratulating without any hidden implications.
7. The company has a policy of political neutrality. All personnel have legal rights and political liberties. However, they need to bear in mind that they are not perform or carry out any political activities that may cause the Group to lack of neutrality or to be damaged.
8. Do not ignore when encountering corrupt involving a group of companies. It is a duty to notify the supervisor or responsible person knows, and to cooperate in the investigation of various facts.
9. The case of exposed to the corruption which may involve to Lee Pattana Group. Complaints can be made through the Company's channels:
  - a. The Company web site at <http://www.leepattana.com>
  - b. E-mail the Company at [acct@leepattana.com](mailto:acct@leepattana.com)

**Operational of Anti-corruption**

1. Notify all staff for acknowledgment.
  - 1.1. Published via E-mail within the Company.
  - 1.2. Publish rules and regulations on the bulletin board of each department.
  - 1.3. Publish both inside and outside the company website. <http://www.leepattana.com>
  - 1.4. Published in the annual disclosure report, form 56-1 and Annual Report.
2. Encourage and support all members to counter all forms of corruption. Provide for the satisfied internal controls to prevent corruption or bribery in all form.
3. To be fair and protect the personnel of the company or any others who gives clues or evidence of fraud, corruption involving of Lee Pattana Group. Including denied employees.
4. The corrupt persons will be considered disciplinary action in accordance with the regulations governing the administration of personnel employment, and may be punished by law.
5. Review the guidelines and regularly to update to be complied with the changing law and current circumstances.

## Controlling System and Risk Management

The Company ascribes importance to internal-control procedures to protect against any liability that may occur to it as a whole. A written policy and practical guidelines have been laid out, and the staffs are also trained to ensure that they understand and are able to perform their duties correctly. To ensure maximum efficiency and transparency, the staffs are also provided with the Policy Manual for Approval and Signature Authority that have been approved by the Board of Director and code of conduct that outline punishments for conduct violations.

The Company monitors its performance against set targets on a monthly basis. In the event performance deviates significantly from set targets, measures are taken to address the problem immediately. Importance is placed upon development of Company communications and information systems, in order to ensure that Company data are accurate, timely, and sufficient to support decision making by management and the Board of Directors. In particular, the data-management system and documents supporting the preparation of financial statements are classified by category in accordance with accounting line items or accounting standards. The review of documents from various departments can be systemically carried out by the internal auditor for purposes of evaluating internal controls at any time.

The Audit Committee has mandated a review of effectiveness and efficiency, with an emphasis on review of internal-control procedures. Operations that do not comply with relevant laws and regulations must be reported to the responsible executive. Any material changes to or recommendations for procedures are proposed directly to the CEO for consideration. The Audit Committee may also propose recommendations or any weaknesses in internal-control procedures to the Board of Directors, so that further action can be taken.

The Board of Directors views that the Company's internal-control procedures are sufficient and suitable for its operations, protecting Company assets and those of subsidiaries from liability due to abuse by persons in authority or management for unlawful gain. The Company also ascribes importance to the recommendations and opinions of the auditor in regard to the development of internal-control procedures, the monitoring of performance to ensure maximum efficiency, and transparency in all operations conducted by management and staff at all levels throughout the organization.

# Connected Transaction

## 1. Related party transactions

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<b><u>Transactions with subsidiaries</u></b>					
(Eliminated from the consolidated financial statements)					
Sales of goods	-	-	175	300	Comparable market price
Interest income	-	-	7	14	7.25 - 7.50 % per annum
Dividend income	-	-	95	48	
Purchase of goods	-	-	209	346	Comparable market price
Rental expenses			1	1	Contract price
<b><u>Transactions with related companies</u></b>					
Rental and service expenses	15	14	7	7	Contract price

The balances of the accounts as at 31 December 2016 and 2015 between the Company and its subsidiaries are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b><u>Trade and other receivables – related parties</u></b>				
Subsidiaries	-	-	5,988	8,118
<b><u>Short-term loans to related parties</u></b>				
Subsidiaries	-	-	218,000	212,000
<b><u>Trade and other payables– related parties</u></b>				
Subsidiaries	-	-	14,894	9,905

**2. Reasons for and necessity of connected transactions are as follows:**

1) All connected transactions involve the purchase and sale of animal feed products and raw ingredients. The Company's policy stipulates that transaction prices are fixed in accordance with market prices, normal business practices, and as with sales to external parties. These connected transactions result from the fact that subsidiary's operations are similar to those of the Company (involving the production of animal feed). As such, a feed mill may urgently require a certain type of raw ingredient, due to insufficient production, or a feed mill may acquire raw ingredients at lower cost (for example, the Saraburi feed mill is located close to corn supplies, while the Phetchaburi feed mill is located near fishmeal sources). All connected transactions in this capacity are the result of strategic planning to maximize performance and attain the highest profits for the Company.

2) The Company's policy on interest rates for short-term loans to related parties are based on banks' MOR rate. Short-term loans to related parties are carried out only when working capital is urgently required on a temporary basis. The borrowing company must pay back the loan to the lending company as soon as an external lending source is found.

3) The Company and its subsidiaries have signed a lease with Alliance Company, Ltd. Rental the entire 28th floor of the Wall Street Tower Building, serving as headquarters since January 1987. Due to business expansion and the rapid increase in the number of Company employees, additional floor space was rented from Wall Street Tower Company, Ltd., and Alliance Company, Ltd. The space includes all of the 1st floor and parts of the 20th and 29th floors from March 2002, February 1995, and July 1999, respectively. The lease period is 2-3 years with renew condition after expire. Rental fee is market price same with other tenants. The transaction has been considered by Audit committee for the fairness and reasonability.

**Major shareholders conducting connected transactions with persons having mutual interests with the Company are as follows:**

Alliance Co., Ltd.

Core business: Asset leasing.

(Paid-up registered capital of 233 million baht as of 31 December 2016)

Shareholder's name		Portion	
		Shares	%
1. Mr. Visith	Leelasithorn	57,200	24.55
2. Mr. Nipon	Leelasithorn	57,200	24.55
3. Mr. Preecha	Leelasithorn	57,200	24.55
4. Others (6 persons)		<u>61,400</u>	<u>26.35</u>
Total		<u>233,000</u>	<u>100.00</u>



Wall Street Tower Co., Ltd.

Core business: Sales and leasing of property.

(Paid-up registered capital of 60 million baht as of 31 December 2016)

Shareholder's name	Portion	
	Shares	%
1. Alliance Co., Ltd.	144,000	24.00
2. Mr. Preecha Leelasithorn	138,000	23.00
3. Mr. Visith Leelasithorn	135,000	22.50
4. Mr. Nipon Leelasithorn	128,000	21.33
5. Others (9 persons)	<u>55,000</u>	<u>9.17</u>
Total	<u>600,000</u>	<u>100.00</u>

A review of connected transactions between the Company and its subsidiaries with persons having mutual interests, as detailed above, has been conducted. As such, the independent directors and Audit Committee members regard product purchases and sales, loan interest rates, and existing property rental rates (including related amenities) as regular business transactions and in accordance with market prices.

As per Note 29.4 of the financial statements, As at 31 December 2016, the Company and its subsidiaries had outstanding bank guarantees of approximately Baht 9.0 million (2015: Baht 9.0 million) (the Company only: Baht 5 million (2015: Baht 5 million)) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the ordinary course of their businesses.

The Company and its subsidiaries have been granted various types of credit facility, by several financial institutions of which Baht 1,700 million (2015: Baht 1,733 million) (The Company Only: Baht 1,375 million (2015: Baht 1,406 million)) has not been utilized. Most of the facilities have been cross-guaranteed by the Company and its subsidiaries.

Intercompany transactions are trading, leading and rental. These are normal transaction under commercial term which are not different to the third party's term. In the past, intercompany transactions, as the case maybe have been approved by board of directors, audit committee and shareholder. The stakeholders have no right to vote on such transactions.

### 3. Policies for or the outlook of intercompany transactions.

Intercompany transactions are likely to continue in the future, such as the leasing of office space of persons with conflicts of interest or with any interest under normal terms and conditions, and at fair, reasonable, and examinable prices, comparable with those offered to a third party. Terms and conditions shall be presented for consideration by the Audit Committee. The Company may appoint the Audit Committee or an independent expert to consider and comment on the appropriateness of the price of a transaction.

In the event of a transaction with a person with a conflict of interest or with any interest, the Company shall assign the Audit Committee to comment on the price, rate of return, necessity, and propriety of the transaction, provided that a director with a conflict of interest is not allowed to vote in that particular meeting.

### 4. Investor protection measures.

In the event of a transaction with a person with a conflict of interest or with any interest, the Company shall assign the Audit Committee to comment on the price, rate of return, necessity, and propriety of the transaction, in order to ensure fairness and a reasonable price. In case of the Audit Committee does not possess expertise in a given issue, the Company shall assign an independent expert to provide comments for decision-making by the Board of Directors or shareholders, as the case may be. The Board of Directors shall comply with laws governing securities and the stock market and rules, notifications, instructions, or prescriptions of the Stock Exchange of Thailand, as well as regulations governing the disclosure of information of intercompany transactions and acquisitions or the disposal of assets of the Company or its subsidiaries. The Company shall also disclose intercompany transactions on notes to the audited financial statements.

#### 1) Previous measures or procedures on approval for intercompany transactions.

Intercompany transactions involve product sales/purchases, credit extensions, and leasing of office space and facilities, which are not different from normal trading transactions at normal market rates. Conditions do not differ from transactions entered into with a third party. Normally, intercompany transactions are approved by an executive or authorized officer within his/her scope of authority and duties.

2) Policies for or the outlook of intercompany transactions.

Intercompany transactions are likely to continue in the future, such as the leasing of office space of persons with conflicts of interest or with any interest under normal terms and conditions, and at fair, reasonable, and examinable prices, comparable with those offered to a third party. Terms and conditions shall be presented for consideration by the Audit Committee. The Company may appoint the Audit Committee or an independent expert to consider and comment on the appropriateness of the price of a transaction.

In the event of a transaction with a person with a conflict of interest or with any interest, the Company shall assign the Audit Committee to comment on the price, rate of return, necessity, and propriety of the transaction, provided that a director with a conflict of interest is not allowed to vote in that particular meeting.

3) investor protection measures

For inter-company transactions will be occurred with a person who may have a conflict of interest in the future. The Company has a policy for the Audit Committee to give opinions on the price, compensation rate and reasonable of the transaction to ensure that the transactions are fair and reasonable. In case of expertise is demanded, the Company will arrange independent expertise or independent auditor to comment on such transaction. To use for the decision of, the Board of Directors or shareholders, as the case may be. The Board of Directors shall comply with the laws and regulation of SEC. Include compliance with the disclosure requirements of connected transactions, and the acquisition or disposition of assets of the Company or its subsidiaries. In addition, the Company will disclose related transactions in the notes to reviewed financial statements which were audited by the independent auditor.

# Financial Highlights

Particulars / Years	2016	2015	2014
<b>Statement of comprehensive income (Million Baht)</b>			
Revenues From Sales	3,389	3,461	3,780
Total Revenues	3,479	3,506	3,835
Gross Profit	438	351	364
Profit before share of loss from investment in associated company, finance cost and income tax expense	297	151	204
Net Profit	254	150	180
<b>Statement of financial position (Million Baht)</b>			
Total Assets	2,996	2,827	2,887
Total Liabilities	292	289	337
Total Shareholders' Equity	2,704	2,539	2,550
<b>Financial ratios / Year (%)</b>			
Gross Profit Margin	12.92	10.14	9.86
Net Profit Margin	7.30	4.27	4.75
Return on Equity	9.69	5.88	7.11
Return on Assets	8.72	5.23	6.28
<b>Earnings per share (Baht)</b>			
Earnings Per Share	0.27	0.16	0.19
Book Value Per Share	2.90	2.73	2.74
Cash Dividend Per Share	0.24	0.12	0.17

# Management Discussion and Analysis

Operational Results and the Financial Status of Lee Feed Mill Public Company Limited and its Subsidiaries during 2015 and 2016 are summarized below:

## 1. Operational Results

### 1.1 Revenues

Year 2015 and 2016, the Company's revenues were Baht 3,461 million and Baht 3,389 Million, respectively. The main revenue derived from animal feed products is 99.20 percent, the rest come animal breeding and crop farming.

For the year 2016, animal feed products sales compose with land animal feed sales at 45 percent and 55 percent for aquatic animal feed sales.

Revenue from sales of year 2016 was decreased by 2 percent from the previous year mainly came from decreasing in sales quantity 5 percent, however sales price was increased 3 percent. Other income mainly is scarp sales and fixed assets which fully-depreciation amount of Baht 14 million and Baht 27 million for year 2015 and 2016, respectively. For year 2015, the Company has shown loss on short-term investment amount of Baht 11 million in administrative expenses, but the Company generated gain on short term investment amount of Baht 38 million for year 2016.

### 1.2 Cost of sales

In year 2015 and 2016, cost of sold amounted of Baht 3,110 million and Baht 2,951 million, respectively, representing 89.86 percent and 87.08 percent of sales respectively. Decreased in cost of sold is in the same line as sales volume and the efficient management of production.

### 1.3 Selling and Administrative Expenses

The Company had selling expenses of Baht 89 million and Baht 73 million in year 2015 and 2016, respectively. Decrease of Baht 16 million, represent 2.57 percent and 2.15 percent of sales, mainly came from decrease of transportation costs and allowances for doubtful debt, including control expenses policy of the Company. Administrative expenses amount of Baht 156 million and Baht 158 million in 2015 and 2016, respectively. It was increased slightly by Baht 2 million.

Year 2015 and 2016, the finance costs are amount of Baht 2.22 million and Baht 2.03 million, respectively. The Company has credit facilities with the financial institutions which ready for use in case of the Company lack of liquidity.

### 1.4 Income tax revenues (Expenses)

An income tax expense for year 2016 is Baht 39 million, increased of Baht 42 million from the previous year. The main reason was the higher profit from the previous year and the temporary different which are not use in the previous year.

### 1.5 Net Profit

The consolidated financial statement shown net profit for the period ended 31 December 2016 amount of Baht 254 million compare to the same period of the previous year, amount of Baht 150 million, increasing by Baht 104 Baht or 69.84 percent. And net profit rate of the year 2015 and 2016 were 4.32 percent and 7.49 percent, respectively. The increasing mainly came from increased in gross margin, amount of Baht 87 million due to efficient management of production.

### 1.6 Other comprehensive income

Other comprehensive income was increased by Baht 10 million came from gain on land appraisal of Baht 9 million, while the Company had actuary loss amount of Baht 1 million in the prior year.

### 1.7 Returns to shareholders

The return on equity ratio for the year 2015 and 2016 were 5.88 percent and 9.69 percent, respectively, increased by 3.81 percent. The return on assets ratio was increased from the prior year 5.23 percent to be 8.72 percent which occurred from increasing of net profit amount of Baht 104 million.

## 2. Financial Status

### Assets

The Company has total assets of Baht 2,827 million and Baht 2,996 million in year 2015 and 2016. The portion of current assets to non-current assets is approximately 70: 30 for the both year.

The principal current assets as at 31 December 2015 and 2016 were cash and cash equivalents, inventories, trade and other and current investments, 70 percent and 73 percent of total assets, respectively.

### Inventories

As at 31 December 2015 and 2016, net of inventory from any allowance amount of Baht 655 million and Baht 704 million, respectively, or approximately 23 percent of total assets both years, The inventory turnover has increased from 75 days to 84 days. The Company's inventories are mainly feed ingredients, including corn, soybean meal and fish meal, which the company will keep to prevent any fluctuation, and raw material shortages. There is no problem of deterioration or spoilage. Since these raw materials have been dried and can be stored for a long time.

### Trade and Notes Receivable

In 2015 and 2016, trade and other receivables are amount of Baht 206 million and Baht 203 million, respectively, or 7% of total assets for the both year. The collection period was reduced from 25 days to 23 days in 2016. Since the company has always focused on cash sales policy. However, there are some credited customers with a good payment history and give the company collateral.

The policy of allowance for doubtful debt, the Company consider to record allowance for doubtful accounts based on the customer's financial position, collateral, repayment history. Receivable with overdue debt over 3 months will be provisioned after deducting collateral value. Base on the Company history, these customers still gradually pay back the company. The Company is confident that the Company has adequate allowance for doubtful accounts.

#### Current investments

In 2015 and 2016, the Company has current investments amounts of Baht 1,096 million and Baht 1,233 million, respectively. The objective of Investment in short-term investments, the Company aims to manage its financial liquidity. There is no maximum limit to investment in current investment. It is determined by the excess liquidity at each point of time. However, the Company will principal focus on risk and appropriated return such as investing in government bone, state enterprises bone and securities listed in the stock exchange of Thailand. All investments must be approved by the Board of Directors and / or the Executive Board.

#### Fixed Assets

The Company's fixed assets mainly compose with land, building and machinery. During the year 2016, the Company has hired an independent appraiser to appraise the Company's land. The Company recognizes the surplus on land amount of Baht 11 million in other comprehensive income. In additional the Company renovated machinery and purchase office equipment and vehicle amount of Baht 48 million. As at 31 December 2015 and 2016, fixed assets before accumulated depreciation were Baht 2,108 million and Baht 2,133 million, respectively.

### **3. Sources of Funding**

#### **3.1 Liabilities**

For year 2015 and 2016, the company's total liabilities stated amount of Baht 289 million and Baht 292 million, respectively. The ratio of total liabilities to total assets total liabilities ratio were 10.22 and 9.75 percent, respectively. Mostly current liabilities are trade account payables from the raw material procurement under the normal term.

Provision for long-term employee benefits is reserved for employee compensation. As at 31 December 2015 and 2016, provision for long-term employee benefits were Baht 53 million and Baht 56 million, respectively.

The company and its subsidiaries have no guarantee someone else, or contingent liabilities, or any commitment to invest in the project, or have any other obligations that may affect the financial position or results of operations of the Company and its subsidiaries, except for the cross guarantee of the liabilities which the parent Company and its subsidiaries use the credit facility jointly. As at 31 December 2015 and 2016, the Company and its subsidiaries have been granted various types of credit facility, by several financial institutions of which Baht 1,733 million and Baht 1,700 million, respectively.

The said guarantee obligation had no impact on the financial position and results of operations of the Company and its subsidiaries due to a contractual commitment to the loan which is the normal trading practices of the Company and its subsidiaries. Currently, most of credit facility has not been exercised due to the Company and its subsidiaries also have good financial liquidity. The said credit facility do not need to use the mortgage assets as collateral.

### 3.2 Shareholders' Equity

As at 31 December 2016, the shareholders' equity stated amount of Baht 2,704 million, unappropriated retained earnings of approximately Baht 700 million. Board of Director meeting No. 3/2017 held on 10 March 2017 approved to pay dividend for the year 2016 at Baht 0.24 per share, total of Baht 221.32 million. The said dividend will be paid on 18 May 2017, which is paid from the operating result for the period from 1 January 2016 to 31 December 2016. The dividend payment is 95 percent of the separated financial statement's net profit (87 percent of the consolidated financial statement)

### 3.3 Appropriateness of the Capital Structure

As at 31 December 2016, debt to equity ratio is 0.11 times, which is considered a low ratio if compare to other companies in the same industry. The Company mobilized investment fund from its operations. The company does not have the necessary source of financing from financial institutions due to the company conducting business with an emphasis on cash sales and margin levels at the appropriate level. The company can pay a dividend to shareholders of from working capital. Therefore, it is considered that the company's capital structure is a suitable capital structure and financial stability. Moreover, in case of the Company need working capital in the future, the company still has the remaining of credit line from financial institutions adequately.

As at 31 December 2016, the registered capital of the company is 929,070,000 shares, and, and paid-up capital amount of 922,180,251 Baht.

## 4. Liquidity Conditions

### 4.1 Cash Flow from Operations

Year 2015 and 2016, the Company has cash flow-in from operations activities amount of Baht 157 million and Baht 209 million, respectively. Increasing of cash flow-in from prior year amount of Baht 52 million mainly came from the Company generated more profit from the year before. The Company continues to sustain the policy of giving credit to the strong customer, which has 22 days average collection period and keep sufficient quantity of stock for production. However, the Company considerate changes of the important raw materials price and product demand in the market as the principal. Cash Cycle was 83 days. The Company has no long outstanding payable.



#### 4.2 Cash Flow from Investment Activities

During the year 2016, the Company used cash flow-in investment activities amount of Baht 76 million. The Company invested in fixed deposit and short-term investments amount of Baht 99 million, procured machinery and other assets for operation amount of Baht 48 million. However, the Company received interest income and dividend from other investment amount of Baht 27 million and also the Company received cash from capital reduction of associated company, which no affect to shareholder structure, amount of Baht 33 million.

#### 4.3 Cash Flow from Financial Activities

In year 2016, the Company had cash flow-out from financial activities amount of Baht 116 million. Decreasing from previous year amount of Baht 42 million mainly came from the Company paid dividend during year 2016 less than year 2015 amount of Baht 46 million.

#### 4.4 Liquidity Ratio

In year 2015 and 2016, the ratios of current assets to current liabilities were 9.79 and 11.35 times, respectively. The liquidity ratio of the Company is continued better from net profit of year 2015 and 2016.

Currently, the Company has no significant factor or event which may affect the Company's position or operation in the future.

# Independent Auditor's Report

## To The Shareholders of Lee Feed Mill Public Company Limited

### Independent Auditor's Report

To the Shareholders of Lee Feed Mill Public Company Limited

#### Opinion

I have audited the accompanying consolidated financial statements of Lee Feed Mill Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Lee Feed Mill 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 Lee Feed Mill Public Company Limited and its subsidiaries and of Lee Feed Mill Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

#### Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significant 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.

### Allowance for doubtful debt

In presenting the value of accounts receivable at period-end, which is significant to the financial statements, the Group have to estimate the amount of allowance for doubtful debt required for receivables that are not expected to be collectible, which is presented as a deduction from accounts receivable, as described in Note 10. Estimating the allowance for doubtful accounts requires management to exercise judgement, taking into consideration collection history, the results of aging analysis and analysis of debtors' ability to make payment. The estimation of allowance for doubtful debt thus directly affects both the doubtful debt expense recorded in profit and loss and the balance of accounts receivable presented at period-end.

I assessed and tested the internal controls of the Group relevant to the determination of allowance for doubtful debt by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I gained an understanding of the basis applied in determining the allowance for doubtful debt and reviewed the consistency of the application of that basis examined. I reviewed the preparation of the accounts receivable aging report and tested the calculation of allowance for doubtful debt in accordance with these policies. In addition, I reviewed the allowance set aside for specific trade receivables.

**Recognition of sales revenue**

Sales revenue is highly significant to the financial statements and a key indicator of business performance in which management and financial statements' users are interested. Because the increases or decreases in revenue, trade discounts and special discounts directly affect the Group's performance, I draw a special consideration on the amount and the timing of revenue recognition of the Group.

I have examined the revenue recognition of the Group by

- Assessed and tested the effectiveness of the Group's internal controls related to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- Expanded a scope of examination related to the timing of revenue recognition, e.g. examination of sales cutoff.
- Examined, on a sampling basis, supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.
- Examined, on sampling basis, supporting documents for trade discounts and special discounts, whether it was in compliance with the Group's policy.
- Reviewed credit notes that the Company issued after the period-end.
- Performed analytical procedures on disaggregated data to detect possible irregularities in sale, trade discount and special discount transactions throughout the period, particularly for accounting entries made through journal vouchers.

**Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

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.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

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

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

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

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

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

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

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

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

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

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

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

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

Krongkaew Limkittikul  
Certified Public Accountant (Thailand) No. 5874

EY Office Limited  
Bangkok: 24 February 2017

## Statement of financial position

Lee Feed Mill Public Company Limited and its subsidiaries

As at 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Assets					
Current assets					
Cash and cash equivalents	8	42,542,145	25,488,913	27,811,771	16,343,019
Current investments - fixed deposits		1,027,213,044	1,016,138,229	1,027,213,044	1,016,138,229
Current investments - marketable securities	9	206,112,959	80,074,784	206,112,959	80,074,784
Trade and other receivables	10	203,223,912	206,102,255	126,656,907	128,676,149
Short-term loans to related parties	7	-	-	218,000,000	212,000,000
Inventories	11	703,786,993	655,100,579	266,218,023	260,950,887
Current biological assets	12	6,757,401	4,407,739	6,757,401	4,407,739
Other current assets		7,403,044	10,184,174	3,937,765	5,598,164
Total current assets		2,197,039,498	1,997,496,673	1,882,707,870	1,724,188,971
Non-current assets					
Investment in associated company	13	9,272,211	44,716,424	9,272,211	44,500,000
Investments in subsidiaries	14	-	-	194,999,800	194,999,800
Other long-term investments	15	16,500,017	14,730,017	16,500,017	14,730,017
Investment properties	16	14,003,993	14,071,493	13,754,587	13,822,087
Property, plant and equipment	17	711,427,374	730,046,324	322,185,417	341,286,629
Non-current biological assets	12	29,604,321	9,389,066	29,604,321	9,389,066
Other non-current assets		17,685,277	16,960,830	15,672,463	14,403,362
Total non-current assets		798,493,193	829,914,154	601,988,816	633,130,961
Total assets		2,995,532,691	2,827,410,827	2,484,696,686	2,357,319,932



## Statement of financial position (Continued)

Lee Feed Mill Public Company Limited and its subsidiaries

As at 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Liabilities and shareholders' equity					
Current liabilities					
Bank Overdraft		-	483,418	-	483,418
Trade and other payables	18	168,798,072	189,098,929	83,285,056	97,504,167
Income tax payable		21,918,236	11,147,697	6,238,702	3,961,213
Other current liabilities		2,868,104	3,274,472	2,850,354	3,256,722
Total current liabilities		193,584,412	204,004,516	92,374,112	105,205,520
Non-current liabilities					
Deferred tax liabilities	23	42,377,193	31,881,198	18,626,026	15,977,287
Provision for long-term employee benefits	19	55,717,653	52,685,585	26,409,527	25,345,782
Total non-current liabilities		98,094,846	84,566,783	45,035,553	41,323,069
Total liabilities		291,679,258	288,571,299	137,409,665	146,528,589
Shareholders' equity					
Share capital					
Registered					
929,070,000 ordinary shares of Baht 1 each		929,070,000	929,070,000	929,070,000	929,070,000
Issued and fully paid					
922,180,251 ordinary shares of Baht 1 each		922,180,251	922,180,251	922,180,251	922,180,251
Share premium		681,345,392	681,345,392	681,345,392	681,345,392
Retained earnings					
Appropriated - statutory reserve	20	142,500,000	142,500,000	122,500,000	122,500,000
Unappropriated		699,741,347	544,778,600	533,491,861	392,917,821
Other components of shareholders' equity	21	230,780,710	222,196,049	87,769,517	91,847,879
Equity attributable to owners of the Company		2,676,547,700	2,513,000,292	2,347,287,021	2,210,791,343
Non-controlling interests of the subsidiaries		27,305,733	25,839,236	-	-
Total shareholders' equity		2,703,853,433	2,538,839,528	2,347,287,021	2,210,791,343
Total liabilities and shareholders' equity		2,995,532,691	2,827,410,827	2,484,696,686	2,357,319,932

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

## Statement of comprehensive income

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Profit or loss:					
Revenues					
Sales		3,389,462,980	3,460,881,950	1,589,356,117	1,606,079,862
Other income					
Interest income		16,653,672	22,217,334	23,482,876	35,672,519
Dividend income		8,113,900	8,341,000	103,113,900	55,841,000
Others		64,721,516	14,349,610	54,880,974	9,976,692
Total revenues		3,478,952,068	3,505,789,894	1,770,833,867	1,707,570,073
Expenses					
Cost of sales		2,951,492,515	3,109,902,394	1,392,059,267	1,446,783,003
Selling expenses		72,789,451	88,779,844	41,714,723	50,933,895
Administrative expenses		157,532,107	156,085,493	92,241,762	91,868,581
Total expenses		3,181,814,073	3,354,767,731	1,526,015,752	1,589,585,479
Profit before share of loss from investment in associated company, finance cost and income tax expenses					
		297,137,995	151,022,163	244,818,115	117,984,594
Share of loss from investment in associated company	13	(2,069,213)	(3,089,203)	-	-
Profit before finance cost and income tax expenses		295,068,782	147,932,960	244,818,115	117,984,594
Finance cost		(2,034,381)	(2,219,750)	(975,515)	(846,890)
Profit before income tax expenses		293,034,401	145,713,210	243,842,600	117,137,704
Income tax	23	(39,085,576)	3,809,407	(10,086,586)	(1,984,038)
Profit for the year		253,948,825	149,522,617	233,756,014	115,153,666
Other comprehensive income:					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gain (loss)		-	(1,426,331)	-	1,246,291
Changes in revaluation of assets		11,558,817	-	(5,097,952)	-
Less: Income tax effect		(2,311,763)	374,917	1,019,590	(159,606)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		9,247,054	(1,051,414)	(4,078,362)	1,086,685
Other comprehensive income for the year		9,247,054	(1,051,414)	(4,078,362)	1,086,685
Total comprehensive income for the year		263,195,879	148,471,203	229,677,652	116,240,351

## Statement of comprehensive income (Continued)

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2016

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
<b>Note</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	248,144,721	145,564,616	<u>233,756,014</u>	<u>115,153,666</u>
Non-controlling interests of the subsidiaries	<u>5,804,104</u>	<u>3,958,001</u>		
	<u>253,948,825</u>	<u>149,522,617</u>		
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	256,729,383	144,620,107	<u>229,677,652</u>	<u>116,240,351</u>
Non-controlling interests of the subsidiaries	<u>6,466,496</u>	<u>3,851,096</u>		
	<u>263,195,879</u>	<u>148,471,203</u>		
<b>Earnings per share</b>	25			
Basic earnings per share				
Profit attributable to equity holders of the Company	<u>0.27</u>	<u>0.16</u>	<u>0.25</u>	<u>0.12</u>

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

## Statement of comprehensive income (Continued)

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Profit before tax	293,034,401	145,713,210	243,842,600	117,137,704
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Unrealised (gain) loss on current investments				
- marketable securities	(5,866,250)	17,592,828	(5,866,250)	17,592,828
Gain on sales of current investments - marketable securities	(32,000,387)	(6,754,151)	(32,000,387)	(6,754,151)
Gain arising from change in fair value of biological assets and agriculture produce	(1,914,309)	-	(1,914,309)	-
Depreciation	77,155,668	80,318,171	34,183,051	35,719,678
Bad debts	403,694	301,934	165,475	269,763
Allowance for doubtful accounts	1,322,980	7,822,846	2,319,994	5,334,109
Reduction of inventories to net realisable value	2,254,489	1,484,221	693,887	819,964
Share of loss from investment in associated company	2,069,213	3,089,203	-	-
Gain on sales of investment property	-	(400,000)	-	(400,000)
Gain on sales of equipment	(9,960,022)	(3,516,388)	(6,458,107)	(1,393,368)
Allowance for impairment loss on investment in associated company	-	-	1,852,789	-
Decrease in fair value of investment property	67,500	-	67,500	-
Provision for long-term employee benefits	7,526,467	6,404,101	3,343,445	2,818,356
Unrealised gain on exchange	(79,229)	(5,399)	(29,993)	(5,399)
Dividend received from investment in subsidiary	-	-	(95,000,000)	(47,500,000)
Dividend received from other long-term investments	(8,113,900)	(8,341,000)	(8,113,900)	(8,341,000)
Interest income	(16,653,672)	(22,217,334)	(23,482,876)	(35,672,519)
Interest expenses	94,615	2,219,750	198,811	846,890
Profit from operating activities before changes in operating assets and liabilities	309,341,258	223,711,992	113,801,730	80,472,855
Operating assets (increase) decrease				
Trade and other receivables	(2,678,658)	49,092,991	(6,023,112)	(11,552,318)
Inventories	(50,940,903)	(56,508,770)	(5,961,023)	(37,621,357)
Current biological assets	(2,996,342)	-	(2,996,342)	-
Other current assets	4,291,055	(299,366)	1,660,399	(683,650)
Other Non-current biological assets	4,195,306	-	4,195,304	-
Other non-current assets	(724,447)	(2,262,226)	(1,269,101)	(1,552,203)
Operating liabilities increase (decrease)				
Trade and other payables	(20,221,628)	(36,402,833)	(14,189,118)	9,988,828
Other current liabilities	(466,357)	338,123	(444,103)	338,123
Cash flows from operating activities	239,799,284	177,669,911	88,774,634	39,390,278
Cash paid for long-term employee benefits	(4,494,399)	(2,936,640)	(2,279,700)	(1,309,040)
Cash paid for interest expenses	(94,615)	(2,219,750)	(198,811)	(846,890)
Cash paid for corporate income tax	(25,964,392)	(15,219,224)	(8,486,682)	(5,314,418)
<b>Net cash flows from operating activities</b>	<b>209,245,878</b>	<b>157,294,297</b>	<b>77,809,441</b>	<b>31,919,930</b>

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

## Statement of comprehensive income (Continued)

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2016

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Cash flows from investing activities</b>				
Increase in current investments - fixed deposits	(11,074,815)	(552,338,393)	(11,074,815)	(552,338,393)
Increase in current investments -				
marketable securities	(88,171,538)	(44,576,415)	(88,171,538)	(44,576,415)
Cash receipt from decrease in share capital - associated company	33,375,000	-	33,375,000	-
Cash paid for short-term loans to subsidiaries	-	-	(477,000,000)	(443,500,000)
Cash received from repayment of short-term loans				
to subsidiaries	-	-	471,000,000	493,500,000
Proceeds from sales of investment property	-	6,400,000	-	6,400,000
Acquisition of equipment	(48,152,977)	(36,977,389)	(21,079,726)	(14,061,066)
Proceeds from sales of equipment	11,135,098	4,231,517	7,358,042	1,875,875
Cash paid for investment in subsidiary	-	-	-	(4,500,000)
Cash paid for other long-term investment	-	(2,200,000)	-	(2,200,000)
Dividend received from investment in subsidiary	-	-	95,000,000	47,500,000
Dividend received from other long-term investments	6,343,900	8,341,000	6,343,900	8,341,000
Interest income	20,483,999	20,155,526	29,039,761	32,425,599
<b>Net cash flows from (used in) investing activities</b>	<b>(76,061,333)</b>	<b>(596,964,154)</b>	<b>44,790,624</b>	<b>(471,133,400)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts	(483,418)	483,418	(483,418)	483,418
Cash receipt from short-term loans from subsidiary	-	-	52,000,000	-
Repayment of short-term loans from subsidiary	-	-	(52,000,000)	-
Dividend paid	(110,647,895)	(156,720,778)	(110,647,895)	(156,720,779)
Dividend of the subsidiary paid to non-controlling interest	(5,000,000)	(2,500,000)	-	-
<b>Net cash flows used in financing activities</b>	<b>(116,131,313)</b>	<b>(158,737,360)</b>	<b>(111,131,313)</b>	<b>(156,237,361)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>17,053,232</b>	<b>(598,407,217)</b>	<b>11,468,752</b>	<b>(595,450,831)</b>
Cash and cash equivalents at beginning of year	25,488,913	623,896,130	16,343,019	611,793,850
<b>Cash and cash equivalents at end of year</b>	<b>42,542,145</b>	<b>25,488,913</b>	<b>27,811,771</b>	<b>16,343,019</b>

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



# Statement of changes in shareholders' equity

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2016

	Consolidated financial statements										(Unit: Baht)
	Equity attributable to owners of the Company										
	Issued and fully paid share capital	Share premium	Retained earnings		Other components of equity		Total equity attributable to shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity		
			Appropriated - Statutory reserve	Unappropriated	Revaluation surplus on land	Other comprehensive income					
<b>Balance as at 31 December 2014</b>	922,180,251	681,345,392	142,500,000	556,929,136	222,196,049	2,525,150,828	24,488,140	2,549,638,968			
Profit for the year	-	-	-	145,564,616	-	145,564,616	3,958,001	149,522,617			
Other comprehensive income for the year	-	-	-	(944,509)	-	(944,509)	(106,905)	(1,051,414)			
Total comprehensive income for the year	-	-	-	144,620,107	-	144,620,107	3,851,096	148,471,203			
Dividend paid (Note 28)	-	-	-	(156,770,643)	-	(156,770,643)	-	(156,770,643)			
Dividend of subsidiary paid to non-controlling interest	-	-	-	-	-	-	(2,500,000)	(2,500,000)			
<b>Balance as at 31 December 2015</b>	922,180,251	681,345,392	142,500,000	544,778,600	222,196,049	2,513,000,292	25,839,236	2,538,839,528			
<b>Balance as at 31 December 2015 - as previously reported</b>	922,180,251	681,345,392	142,500,000	544,778,600	222,196,049	2,513,000,292	25,839,236	2,538,839,528			
Cumulative effect of change in accounting policy for agriculture activities (Note 4)	-	-	-	17,479,656	-	17,479,656	-	17,479,656			
<b>Balance as at 31 December 2015 - as restated</b>	922,180,251	681,345,392	142,500,000	562,258,256	222,196,049	2,530,479,948	25,839,236	2,556,319,184			
Profit for the year	-	-	-	248,144,721	-	248,144,721	5,804,104	253,948,825			
Other comprehensive income for the year	-	-	-	-	8,584,661	8,584,661	662,393	9,247,054			
Total comprehensive income for the year	-	-	-	248,144,721	8,584,661	256,729,382	6,466,497	263,195,879			
Dividend paid (Note 28)	-	-	-	(110,661,630)	-	(110,661,630)	-	(110,661,630)			
Dividend of subsidiary paid to non-controlling interest	-	-	-	-	-	-	(5,000,000)	(5,000,000)			
<b>Balance as at 31 December 2016</b>	922,180,251	681,345,392	142,500,000	699,741,347	230,780,710	2,676,547,700	27,305,733	2,703,853,433			

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

## Statement of changes in shareholders' equity (Continued)

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2016

(Unit: Baht)

	Separate financial statements					
	Issued and fully paid share capital	Share premium	Retained earnings		Other components of equity	
			Appropriated - Statutory reserve	Unappropriated	Other comprehensive income	Revaluation surplus on land
<b>Balance as at 31 December 2014</b>	922,180,251	681,345,392	122,500,000	433,448,113	91,847,879	2,251,321,635
Profit for the year	-	-	-	115,153,666	-	115,153,666
Other comprehensive income for the year	-	-	-	1,086,685	-	1,086,685
Total comprehensive income for the year	-	-	-	116,240,351	-	116,240,351
Dividend paid (Note 28)	-	-	-	(156,770,643)	-	(156,770,643)
<b>Balance as at 31 December 2015</b>	922,180,251	681,345,392	122,500,000	392,917,821	91,847,879	2,210,791,343
<b>Balance as at 31 December 2015 - as previously reported</b>	922,180,251	681,345,392	122,500,000	392,917,821	91,847,879	2,210,791,343
Cumulative effect of change in accounting policy for agriculture activities (Note 4)	-	-	-	17,479,656	-	17,479,656
<b>Balance as at 31 December 2015 - as restated</b>	922,180,251	681,345,392	122,500,000	410,397,477	91,847,879	2,228,270,999
Profit for the year	-	-	-	233,756,014	-	233,756,014
Other comprehensive income for the year	-	-	-	-	(4,078,362)	(4,078,362)
Total comprehensive income for the year	-	-	-	233,756,014	(4,078,362)	229,677,652
Dividend paid (Note 28)	-	-	-	(110,661,630)	-	(110,661,630)
<b>Balance as at 31 December 2016</b>	922,180,251	681,345,392	122,500,000	533,491,861	87,769,517	2,347,287,021
	-	-	-	-	-	-

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



## Notes to consolidated financial statements

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2016

### 1. General information

Lee Feed Mill Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in (1) the manufacturer and distribution of animal feed (2) crop drying, silo business and the distribution of raw materials for animal feed manufacture (3) experimental farming and (4) crop farming. The Company’s registered address is 33/137 Surawong Road, Suriyawong, Bangrak, Bangkok.

### 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

#### 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Lee Feed Mill Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2016</u> (%)	<u>2015</u> (%)
Lee Pattana Feed Mill Co., Ltd.	Producing and distributing animal feed, and distribution of raw materials for animal feed manufacture	Thailand	95	95
Lee Pattana Agro Silo Co., Ltd. (99.99% held by Lee Pattana Feed Mill Co., Ltd.)	Crop drying, Silo business and distribution of raw materials for animal feed	Thailand	95	95
Bodhi Ngarm Sea Farm Co., Ltd.	Rental farming	Thailand	100	100

- 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 significant accounting policies as the Company.
  - e) Material balances and transactions between the Company and its subsidiary companies 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 and associated company under the cost method.

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

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

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



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

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

- A biological asset is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- Agricultural produce is measured at its fair value less costs to sell at the point of harvest.

Applying this accounting standard requires the Company to change its accounting treatment for biological assets and agricultural produce, with swine and breeders that were previously recognised at cost less amortisation and piglets, aquatic animals and trees that were previously recognised at cost being recognised at fair value less costs to sell. The cumulative effect of the change in accounting policy is presented in Note 4 to the financial statements.

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

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

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

**TAS 27 (revised 2016) Separate Financial Statements**

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

At present, the management of the Company and its subsidiaries is evaluating the impact of this standard to the financial statements in the year when it is adopted.

#### **4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards**

As described in Note 3 to the financial statements, during the current year, the Company had changed its accounting policy related to agriculture activities and elected to recognise the effect of the change as an adjustment to the opening balance of retained earnings as at 1 January 2016.

The change had the effect of increasing the opening balance of retained earnings in the consolidated and separate financial statements by Baht 17 million. The cumulative effect of the change in accounting policy is presented as a separate item in the statement of changes in shareholders' equity.

#### **5. Significant accounting policies**

##### **5.1 Revenue recognition**

###### *Sales of goods*

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

###### *Interest income*

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

###### *Dividends*

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

##### **5.2 Cash and cash equivalents**

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

##### **5.3 Trade accounts receivable**

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

## 5.4 Inventories

Finished goods and work in process are valued at the lower of average cost, and net realisable value. Average cost includes all production costs and attributable factory overheads.

Raw materials, packing materials, spare parts and factory supplies and raw materials used in farming are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

## 5.5 Agriculture

The Company's biological asset is breeder pigs, piglets, aquatic animals and trees which were measured at their fair value less costs to sell.

The fair value of breeder pigs is determined based on discounted cash flows. Piglets, aquatic animals and trees are determined based on fair value less estimated selling costs. Gains or losses on changes in fair value of biological asset and 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 Company shall measure it at its fair value less costs to sell.

## 5.6 Investments

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- c) Investment in associated company is accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries and associated company are accounted for in the separate financial statements using the cost method. The Company performs impairment reviews in respect of the investment whenever there is an indication that it may be impaired.

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.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and their fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

## **5.7 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

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

## **5.8 Property, plant and equipment/Depreciation**

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

Land are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair value. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Company and its subsidiaries' assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Revaluation surplus on land". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company and its subsidiaries' assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus on land" in respect of the same assets.

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

Buildings and constructions	-	10 - 20 years
Machinery and equipment	-	5 - 15 years
Furniture and office equipment	-	5 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

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

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

## 5.9 Related party transactions

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

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

## 5.10 Long-term leases

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 an expense in profit or loss on a straight line basis over the lease term.

## 5.11 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

## 5.12 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the 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. However in cases where property was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

In the assessment of asset impairment if there is any indication that 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 unless the asset is carried at revalued amount, in which case the reversal which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

## 5.13 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***

#### *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 contributions of the Company and its subsidiaries are recognised as expenses when incurred.



*Defined benefit plans*

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 these severance payment obligations as a defined benefit plan.

The obligation under the defined 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.

**5.14 Provisions**

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

**5.15 Income tax**

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

**Current tax**

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

**Deferred tax**

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

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

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

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

## 5.16 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 technique 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 categorise 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.

## 6. Significant accounting judgments and estimates

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

### **Allowance for doubtful accounts**

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

### **Biological assets and agricultural produce**

The Company measured its biological assets and agricultural produce at their fair value less costs to sell. The fair values of breeder pigs is calculated using the discounted cash flows method. Piglets, aquatic animals and trees are determined based on fair value less estimated selling costs. The valuation involves certain assumptions and estimates such as pubertal age of breeding pigs and reproductive rate of piglets.

**Impairment of investments**

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

**Investment property**

The Company and its subsidiaries present investment property at the fair value estimated by an independent appraiser, and recognise changes in the fair value in profit or loss. The independent appraiser valued the investment property using the market approach. The key assumptions used in estimating the fair value are described in Note 16 to the financial statements.

**Property plant and equipment/Depreciation**

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

The Company and its subsidiaries measure land at revalued amounts. Such amounts are determined by the independent valuer using the market approach for land. The valuation involves certain assumptions and estimates as described in Note 17 to the financial statements.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

**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**

The obligation under the defined benefit plan 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.

## 7. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	175	300	Comparable market price
Interest income	-	-	7	14	7.25% - 7.50% per annum
Dividend income	-	-	95	48	
Purchase of goods	-	-	209	346	Comparable market price
Rental expenses	-	-	1	1	Contract price
<u>Transactions with related companies</u>					
Rental and service expenses	15	14	7	7	Contract price

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade and other receivables - related parties (Note 10)</u>				
Subsidiaries	-	-	5,989	8,118
<u>Short-term loans to related parties</u>				
Subsidiaries	-	-	218,000	212,000
<u>Trade and other payables - related parties (Note 18)</u>				
Subsidiaries	-	-	14,894	9,905

**Short-term loans to related parties**

As at 31 December 2016 and 2015, the balance of short-term loans between the Company and its subsidiaries and the movements are as follows:

(Unit: Thousand Baht)

Loans to related parties	Related by	Separate financial statements			
		Balance as at 31 December 2015	Increase during the year	Decrease during the year	Balance as at 31 December 2016
Lee Pattana Feed Mill Co., Ltd.	Subsidiary	209,000	477,000	(470,000)	216,000
Bodhi Ngarm Sea Farm Co., Ltd.	Subsidiary	3,000	-	(1,000)	2,000
Total		<u>212,000</u>	<u>477,000</u>	<u>(471,000)</u>	<u>218,000</u>

**Directors and management's benefits**

During the years ended 31 December 2016 and 2015, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	15,733	15,213	9,773	9,458
Post-employment benefits	438	573	174	225
Total	<u>16,171</u>	<u>15,786</u>	<u>9,947</u>	<u>9,683</u>

**Guarantee obligations with related parties**

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 29.4 to the financial statements.

**8. Cash and cash equivalents**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash	919	790	634	510
Bank deposits	41,623	24,099	27,178	15,233
Bills of exchange	-	600	-	600
Total	<u>42,542</u>	<u>25,489</u>	<u>27,812</u>	<u>16,343</u>

As at 31 December 2016, bank deposits in saving accounts and bills of exchange carried interests between 0.10 and 0.75 percent per annum (2015: between 0.1 and 0.5 percent per annum).

## 9. Current investments - marketable securities

As at 31 December 2016 and 2015, the balances of marketable securities are as follows:

	(Unit: Thousand Baht)	
	Consolidated and Separate financial statements	
	2016	2015
<b><u>Trading securities</u></b>		
Equity securities	67,544	89,102
Open-end money market funds	150,296	8,566
Less: Unrealised loss on change in values of current investments	(11,727)	(17,593)
Total securities - net	206,113	80,075

During the year, the movements of marketable securities are as follows:

	(Unit: Thousand Baht)			
	Consolidated and Separate financial statements			
	Equity securities		Open-end money market funds	
	2016	2015	2016	2015
Net book value at beginning of year	71,472	23,036	8,603	23,301
Purchases	387,794	198,096	709,000	574,000
Disposals	(409,352)	(132,066)	(567,270)	(588,631)
Change in fair value of current investments	5,156	(17,594)	710	(67)
Net book value at end of year	55,070	71,472	151,043	8,603

**10. Trade and other receivables**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<u>Trade receivables - related parties</u>				
Age on the basis of due dates				
Not yet due	-	-	1,669	213
Past due up to 3 months	-	-	3,086	5,232
Total trade receivable - related parties	-	-	4,755	5,445
<u>Trade receivables - unrelated parties</u>				
Age on the basis of due dates				
Not yet due	136,083	126,031	68,565	68,003
Past due				
Up to 3 months	49,300	67,046	32,147	39,345
3 - 6 months	4,975	8,594	4,975	8,506
6 - 12 months	10,444	9,790	10,270	8,204
Over 12 months	19,022	8,523	17,169	5,246
Total	219,824	219,984	133,126	129,304
Less: Allowance for doubtful debts	(22,606)	(21,283)	(18,464)	(16,144)
Total trade receivables - unrelated parties, net	197,218	198,701	114,662	113,160
Total trade receivables - net	197,218	198,701	119,417	118,605
<u>Other receivables</u>				
Advances - related party	-	-	348	61
Interest receivable - related parties	-	-	886	2,612
Interest receivable	2,628	6,458	2,628	6,458
Accrued income	-	939	-	939
Other receivables	3,378	4	3,378	1
Total other receivables	6,006	7,401	7,240	10,071
Total trade and other receivables - net	203,224	206,102	126,657	128,676

## 11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to			
			net realisable value		Inventories - net	
	2016	2015	2016	2015	2016	2015
Finished goods	131,370	113,288	-	-	131,370	113,288
Work in process	1,217	2,316	-	-	1,217	2,316
Raw materials	394,624	339,672	-	-	394,624	339,672
Packing materials	39,842	35,694	(3,337)	(1,083)	36,505	34,611
Spare parts and factory supplies	61,311	64,525	-	-	61,311	64,525
Raw materials in transit	77,704	100,026	-	-	77,704	100,026
Raw materials used in farming	1,056	663	-	-	1,056	663
Total	707,124	656,184	(3,337)	(1,083)	703,787	655,101

(Unit: Thousand Baht)

	Separate financial statements					
			Reduce cost to			
	Cost		net realisable value		Inventories - net	
	2016	2015	2016	2015	2016	2015
Finished goods	51,211	41,696	-	-	51,211	41,696
Work in process	1,217	507	-	-	1,217	507
Raw materials	130,080	134,945	-	-	130,080	134,945
Packing materials	21,015	17,979	(1,105)	(411)	19,910	17,568
Spare parts and factory supplies	32,600	32,388	-	-	32,600	32,388
Raw materials in transit	30,144	33,185	-	-	30,144	33,185
Raw materials used in farming	1,056	663	-	-	1,056	663
Total	267,323	261,363	(1,105)	(411)	266,218	260,952

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 2 million (2015: Baht 1 million) (The Company only: Baht 0.7 million and 2015: Baht 0.3 million), to reflect the net realisable value. This was included in cost of sales.



## 12. Biological assets

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	31 December 2016	31 December 2015
Current biological assets	6,757	4,408
Non-current biological assets	29,604	9,389
Total biological assets	36,361	13,797

Biological assets comprise piglets, swine and breeders, aquatic animals and trees. The Company classified the biological assets that have production cycle shorter than 1 year as current biological assets and classified the biological assets that have production cycle longer than 1 year as non-current biological assets.

Movements in the biological asset account during the year ended 31 December 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated and Separate financial statements
<b>Balance as at 1 January 2016</b>	13,797
Cumulative effect of change in accounting policy for agriculture activities	21,850
Increase due to purchase/raise	22,015
Gain arising from changes in fair value of biological assets for the year	1,914
Decrease due to sales/harvest	(23,215)
<b>Balance as at 31 December 2016</b>	36,361

### 13. Investment in associated company

#### 13.1 Details of associated company:

(Unit: Million Baht)

Company	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding		Cost		Carrying amounts based on equity method - net	
			percentage					
			2016	2015	2016	2015	2016	2015
			(%)	(%)				
Pattana Agro Futures Company Limited	A Futures Broker of Agricultural Trading	Thailand	44.5	44.5	11	45	9	45

(Unit: Million Baht)

			Separate financial statements							
			Shareholding		Cost		Allowance for impairment of investments		Carrying amounts based on cost method - net	
Company	Nature of business	Country of incorporation	percentage							
			2016	2015	2016	2015	2016	2015	2016	2015
			(%)	(%)						
Pattana Agro Futures Company Limited	A Futures Broker of Agricultural Trading	Thailand	44.5	44.5	11	45	2	-	9	45

The Associate's Extraordinary General Meeting No.1/2016 held on 27 July 2016 passed a resolution to approve the reduction of its registered and paid-up share capital by Baht 75 million, through the retirement of 7.5 million shares of Baht 10 each. After the completion of the share reduction process, the associate's registered and paid-up capital consists of 2.5 million shares of Baht 10 each, totalling Baht 25 million. The Company received the returned capital from the share reduction process of the associate in proportion to its existing holding, approximately Baht 33 million, and therefore its shareholding in the associate remains at 44.5%.

### 13.2 Share of comprehensive income and dividend received

During the years, the Company has recognised its share of loss from investment in associated company in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Million Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of loss from investment in associated company during the year		Dividend received during the year	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Pattana Agro Futures Company Limited	(2)	(3)	-	-

### 13.3 Summarised financial information about material associated company

Financial information of the associated company is summarised below:

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the year		Loss for the year ended	
	as at		as at		as at		ended		year ended	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Pattana Agro Futures Company Limited	25	100	21	246	0.25	147	1	7	(4)	(8)

## 14. Investment in subsidiaries

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

(Unit: Million Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
			(%)	(%)				
Lee Pattana Feed Mill Co., Ltd.	200	200	95	95	190	190	95	48
Bodhi Ngarm Sea Farm Co., Ltd.	5	5	100	100	5	5	-	-
Total investment in subsidiaries					<u>195</u>	<u>195</u>	<u>95</u>	<u>48</u>

## 15. Other long-term investments

(Unit: Thousand Baht)

Company' s name	Consolidated and separate financial statements					
	Shareholding		Value of investments		Dividend received	
	percentage				during the year	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(%)	(%)				
M.N. Inter Holding Co., Ltd.	3.64	3.64	14,850	13,080	4,578	4,896
Wall Street Tullett Liberty Ltd.	9.00	9.00	945	945	251	756
Others			705	705	3,285	2,689
Total other long-term investments			16,500	14,730	8,114	8,341

## 16. Investment properties

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Net book value at beginning of year	14,071	20,071	13,822	19,822
Disposals - net book value	-	(6,000)	-	(6,000)
Loss on fair value adjustment	(67)	-	(67)	
Net book value at end of year	14,004	14,071	13,755	13,822

The investment properties are a land awaiting for sales. The fair value of the investment properties has been determined based on valuations performed by an accredited independent valuer, using the market approach.

Key assumptions used in the valuation are summarised below:

	Consolidated and Separate financial statements	Result to fair value where as an increase in assumption value
Price per square wah (Baht)	45,000 - 113,333	Increase in fair value

## 17. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						Total
	Revaluation basis	Cost basis					
		Buildings	Machinery	Office		Assets under	
	Land and land	and buildings	and	equipment,	Motor	installations	
	improvements	improvements	equipment	furniture and	vehicles	and	
				fixtures		constructions	
<b>Cost / Revalued amount:</b>							
As at 1 January 2015	385,411	488,854	841,737	151,869	158,179	57,402	2,083,452
Additions	-	82	3,558	3,913	11,715	17,709	36,977
Disposals	-	-	-	(1,225)	(10,917)	-	(12,142)
Transfers	-	19,103	53,567	1,086	720	(74,476)	-
As at 31 December 2015	385,411	508,039	898,862	155,643	159,697	635	2,108,287
Additions	-	40	5,919	4,178	20,004	18,012	48,153
Disposals	-	-	-	(107)	(35,067)	-	(35,174)
Transfers	-	1,409	10,636	-	-	(12,045)	-
Revaluations	11,559	-	-	-	-	-	11,559
As at 31 December 2016	396,970	509,488	915,417	159,714	144,634	6,602	2,132,825
<b>Accumulated depreciation:</b>							
As at 1 January 2015	-	344,714	734,455	135,345	94,835	-	1,309,349
Depreciation for the year	-	18,029	35,525	5,114	21,650	-	80,318
Depreciation on disposals	-	-	-	(1,225)	(10,201)	-	(11,426)
As at 31 December 2015	-	362,743	769,980	139,234	106,284	-	1,378,241
Depreciation for the year	-	16,583	33,135	5,658	21,780	-	77,156
Depreciation on disposals	-	-	-	(107)	(33,892)	-	(33,999)
As at 31 December 2016	-	379,326	803,115	144,785	94,172	-	1,421,398
<b>Net book value:</b>							
As at 31 December 2015	385,411	145,296	128,882	16,409	54,413	635	730,046
As at 31 December 2016	396,970	130,162	112,302	14,929	50,462	6,602	711,427
<b>Depreciation for the year</b>							
2015 (Baht 58 million included in manufacturing cost, and the balance in selling and administrative expenses)							80,318
2016 (Baht 55 million included in manufacturing cost, and the balance in selling and administrative expenses)							77,156

(Unit: Thousand Baht)

	Separate financial statements						
	Revaluation basis	Cost basis					
		Buildings	Machinery	Office		Assets under	
	Land and land	and buildings	and	equipment,	Motor	installations	
	improvements	improvements	equipment	furniture and	vehicles	and	Total
				fixtures		constructions	
<b>Cost / Revalued amount:</b>							
As at 1 January 2015	185,645	292,571	425,026	97,652	92,627	25,004	1,118,525
Additions	-	82	1,076	2,042	4,586	6,275	14,061
Disposals	-	-	-	(572)	(4,104)	-	(4,676)
Transfers	-	17,409	12,017	1,086	-	(30,512)	-
As at 31 December 2015	185,645	310,062	438,119	100,208	93,109	767	1,127,910
Additions	-	40	470	1,794	13,531	5,245	21,080
Disposals	-	-	-	(108)	(24,965)	-	(25,073)
Transfers	-	1,289	-	-	-	(1,289)	-
Revaluations	(5,098)	-	-	-	-	-	(5,098)
As at 31 December 2016	180,547	311,391	438,589	101,894	81,675	4,723	1,118,819
<b>Accumulated depreciation:</b>							
As at 1 January 2015	-	224,149	386,111	85,030	59,807	-	755,097
Depreciation for the year	-	11,490	9,639	3,562	11,029	-	35,720
Depreciation on disposals	-	-	-	(572)	(3,622)	-	(4,194)
As at 31 December 2015	-	235,639	395,750	88,020	67,214	-	786,623
Depreciation for the year	-	10,062	8,938	3,925	11,258	-	34,183
Depreciation on disposals	-	-	-	(108)	(24,064)	-	(24,172)
As at 31 December 2016	-	245,701	404,688	91,837	54,408	-	796,634
<b>Net book value:</b>							
As at 31 December 2015	185,645	74,423	42,369	12,188	25,895	767	341,287
As at 31 December 2016	180,547	65,690	33,901	10,057	27,267	4,723	322,185
<b>Depreciation for the year</b>							
2015 (Baht 23 million included in manufacturing cost, and the balance in selling and administrative expenses)							35,720
2016 (Baht 21 million included in manufacturing cost, and the balance in selling and administrative expenses)							34,183

During 2016, the Company and its subsidiaries arranged for an independent professional valuer to appraise the value of their land using the market approach.

Key assumptions used in the valuation are summarised below:

	Consolidated financial statements	Separate financial statements	Result to fair value where as an increase in assumption value
Price per square wah (Baht)	125 - 5,500	125 - 1,250	Increase in fair value

Had the land been carried in the financial statements on a historical cost basis, their net book values as of 31 December 2016 and 2015 would have been as follows:

(Unit: Thousand Baht)

As at	Consolidated financial statements	Separate financial statements
31 December 2016	99,094	70,835
31 December 2015	99,094	70,835

As at 31 December 2016, certain plant and equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 1,116 million (2015: Baht 898 million) (The Company only: Baht 647 million, 2015: Baht 552 million).

During the year, the Company received letters regarding expropriation from Department of Highways for the expropriation of partial land used for farming. The Company believes that the expropriation does not affect the Company's operation and has no material impact on the financial statements.

## 18. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Trade payables - related parties	-	-	14,894	9,905
Trade payables - unrelated parties	127,445	139,626	46,823	66,738
Other accounts payable - unrelated parties	1,469	7,828	834	593
Accrued expenses	39,884	41,645	20,734	20,268
Total trade and other payables	<u>168,798</u>	<u>189,099</u>	<u>83,285</u>	<u>97,504</u>

## 19. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<b>Provision for long-term employee benefits</b>				
<b>at beginning of year</b>	52,686	47,792	25,346	25,083
Included in profit or loss:				
Current service cost	5,313	4,397	2,279	1,765
Interest cost	2,213	2,007	1,064	1,053
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Financial assumptions changes	-	6,986	-	4,207
Experience adjustments	-	(5,559)	-	(5,453)
Benefits paid during the year	(4,494)	(2,937)	(2,279)	(1,309)
<b>Provision for long-term employee benefits</b>				
<b>at end of year</b>	55,718	52,686	26,410	25,346

Line items in profit or loss under which long-term employee benefit expenses are recognised as follows:

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Cost of sales	3,963	3,324	1,725	2,341
Selling and administrative expenses	3,563	3,080	1,618	477
Total expenses recognised in profit or loss	7,526	6,404	3,343	2,818

The Company and its subsidiaries expect to pay Baht 3 million of long-term employee benefits during the next year (Separate financial statements: Baht 1.4 million) (2015: Baht 4 million, Separate financial statements: Baht 1 million).

As at 31 December 2016, the weighted average durations of the liabilities for long-term employee benefit are 19 years (Separate financial statements: 19 years) (2015: 19 years, Separate financial statements: 19 years).



Significant actuarial assumptions are summarised below:

(Unit: percent per annum)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Discount rate	4.20	4.20	4.20	4.20
Salary increase rate	4.30 - 5.20	4.30 - 5.20	4.30 - 5.20	4.30 - 5.20
Turnover rate	1.50 - 35.00	1.50 - 35.00	1.50 - 35.00	1.50 - 35.00

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

(Unit: million Baht)

	As at 31 December 2016			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(3)	4	(1)	2
Salary increase rate	4	(3)	2	(1)
Turnover rate	(3)	4	(2)	2

(Unit: million Baht)

	As at 31 December 2015			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(3)	4	(1)	2
Salary increase rate	4	(3)	2	(1)
Turnover rate	(3)	4	(2)	2

## 20. 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 has fully been set aside.

## 21. Other components of shareholders' equity

Other components of shareholders' equity comprise the revaluation surplus on land. This revaluation surplus on land can neither be offset against deficit nor used for dividend payment.

## 22. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salary, wages and other employee benefits	316	305	159	147
Depreciation	78	80	35	36
Rental expenses	14	13	8	8
Raw materials and consumables used	2,185	3,604	1,259	1,131
Purchases of finished goods	-	-	5	6
Changes in inventories of finished goods and work in process	16	(2)	10	(9)

## 23. Income tax

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Current income tax:</b>				
Current income tax charge	35,592	15,378	11,108	6,497
Adjustment in respect of income tax of previous year	(320)	-	(320)	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	3,814	(19,187)	(701)	(4,513)
<b>Tax expenses (income) reported in the statement of comprehensive income</b>	<u>39,086</u>	<u>(3,809)</u>	<u>10,087</u>	<u>1,984</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deferred tax relating to gain (loss) on change in revalue of assets	2,312	-	(1,020)	-
Deferred tax relating to actuarial gain (loss)	-	(375)	-	160
	<u>2,312</u>	<u>(375)</u>	<u>(1,020)</u>	<u>160</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting profit before tax	<u>293,034</u>	<u>145,713</u>	<u>243,843</u>	<u>117,138</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	58,607	29,143	48,769	23,428
Effects of:				
Promotional privileges (Note 24)	(16,544)	(11,382)	(16,544)	(11,382)
Income exempt for tax purpose	(2,168)	(1,228)	(21,168)	(10,728)
Non-deductible expenses	745	554	743	376
Additional expense deductions allowed	(630)	(435)	(199)	(262)
Utilisation of previous unrecognised tax losses as deferred tax assets	-	(7,072)	-	-
Recognised of deferred tax asset of previous year	(1,161)	(12,795)	(1,161)	-
Others	237	(594)	(353)	552
Total	<u>(19,521)</u>	<u>(32,952)</u>	<u>(38,682)</u>	<u>(21,444)</u>
Tax expenses (income) reported in the statement of comprehensive income	<u>39,086</u>	<u>(3,809)</u>	<u>10,087</u>	<u>1,984</u>

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

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<b>Deferred tax liabilities</b>				
Unrealised loss on change in values of current investments	2,345	3,519	2,345	3,519
Allowance for diminution in value of inventories	668	358	221	224
Revaluation surplus on investment properties	10	(4)	10	(4)
Revaluation surplus on land	(59,575)	(57,263)	(21,942)	(22,962)
Provision for long-term employee benefits	10,984	8,714	5,122	3,246
Unused tax loss	7,944	12,795	-	-
Fair value of for biological assets and agriculture procedure	(4,753)	-	(4,753)	-
Allowance for impairment loss on investment in associated company	-	-	371	-
<b>Total</b>	<b>(42,377)</b>	<b>(31,881)</b>	<b>(18,626)</b>	<b>(15,977)</b>

As at 31 December 2016 the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 22 million (2015: Baht 25 million), on which deferred tax assets have not been recognised as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses amounting to Baht 39 million will expire by 2018.

## 24. Promotional privileges

The Company and its subsidiaries have been granted promotional privileges under the Investment Promotion Act B.E. 2520 by the Board of Investment under certain significant conditions. Significant privileges of the Company and its subsidiaries are as follows:

	Lee Feed Mill Public Company Limited		Lee Pattana Feed Mill Company Limited	
	1577/2544	1217(4)/2549	2086(4)/2548	
1. Certificate No.				
2. Promoted operations	Manufacture of animal feeds	Manufacture of animal feeds and feed mix	Manufacture of animal feeds and feed mix	
3. Significant privileges:				
3.1 Exemption of corporate income tax for earnings derived from the BOI promoted operation and exemption of income tax on dividends paid from the profit of the BOI promoted operation throughout the period in which the corporate income tax is exempted.	8 years (Expired)	8 years	8 years (Expired)	
3.2 A fifty percent reduction of the normal rate of corporate income tax on net earnings derived from the BOI promoted operations for a period of five years after the expiration of the above corporate income tax exemption period.	Eligible (Expired)	Not eligible	Not eligible	
3.3 Two-fold deduction of transportation, electricity and water supply, for corporate income tax computation purpose, for a period of ten years commencing as from the date of earning operating income.	Eligible (Expired)	Not eligible	Not eligible	
4. Date of first earning operating income	24 July 2002	3 July 2010	4 January 2007	

The operating revenues of the Company and its subsidiaries for the years ended 31 December 2016 and 2015 are below shown divided according to BOI promoted and non-BOI promoted operations.

	Consolidated financial statements					(Unit: Thousand Baht)
	2016		2015			
	BOI promoted operations	Non-BOI promoted operations	Total	BOI promoted operations	Non-BOI promoted operations	
Sales						
Domestic sales	789,858	3,077,119	3,866,977	894,790	3,610,023	4,504,813
Export sales	61,956	57,932	119,888	-	-	-
Interest income	-	33,079	33,079	-	41,400	41,400
Other income	333	168,136	168,469	-	71,571	71,571
Total revenues	852,147	3,336,266	4,188,413	894,790	3,722,994	4,617,784
Less: Eliminated transactions			(709,461)			(1,111,994)
Total			3,478,952			3,505,790

	Separate financial statements					(Unit: Thousand Baht)
	2016		2015			
	BOI promoted operations	Non-BOI promoted operations	Total	BOI promoted operations	Non-BOI promoted operations	
Sales						
Domestic sales	789,858	737,542	1,527,400	894,790	711,290	1,606,080
Export sales	61,956	-	61,956	-	-	-
Interest income	-	23,483	23,483	-	35,673	35,673
Other income	333	157,662	157,995	-	65,817	65,817
Total revenues	852,147	918,687	1,770,834	894,790	812,780	1,707,570

## 25. 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 issued during the year.

The following table sets forth the computation of basis earnings per share:

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Profit for the year (Thousand Baht)	248,145	145,565	233,756	115,154
Weighted average number of ordinary shares (Thousand shares)	922,180	922,180	922,180	922,180
Earnings per share (Baht/share)	0.27	0.16	0.25	0.12

## 26. 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. The chief operating decision maker has been identified as the Board of Directors.

The Company and its subsidiaries' business operations involve four principal segments: (1) the manufacture and distribution of animal feed (2) crop drying, silo business and the distribution of raw materials for animal feed manufacture (3) experimental farming and (4) crop farming. These operations are mainly carried on in Thailand. Substantially all sales, operating profits and assets are related to the manufacture and distribution of animal feed business. Therefore, the one main reportable operating segment of the Company and its subsidiaries is manufacture and distribution of animal feed.

### Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Million Baht)	
	<u>2016</u>	<u>2015</u>
Revenue from external customers		
Thailand	3,269	3,307
Republic of the Union of Myanmar	62	44
Lao People's Democratic Republic	58	110
Total	<u>3,389</u>	<u>3,461</u>

Major customers

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

**27. Provident fund**

The Company and its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contribute to the fund monthly at the rates of 3 to 5 percent of basic salary. The fund, which is managed by MFC Asset Management Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2016, the Company and its subsidiaries contributed Baht 7 million (2015: Baht 7 million) to the fund (Separate financial statements: Baht 4 million, 2015: Baht 4 million).



**28. Dividends**

		(Unit: Thousand Baht)			
Dividends	Approved by	Dividends from BOI promoted activities	Dividends from non-BOI promoted activities	Total dividends	Dividend per share (Baht)
Final dividends for 2014	Annual General Meeting of the shareholders on 28 April 2015				
		64,553	92,218	156,771	0.17
Total dividend paid for 2015		64,553	92,218	156,771	0.17
Final dividends for 2015	Annual General Meeting of the shareholders on 29 April 2016				
		55,331	55,331	110,662	0.12
Total dividend paid for 2016		55,331	55,331	110,662	0.12

## 29. Commitments and contingent liabilities

### 29.1 Capital commitments

As at 31 December 2016, the Company and its subsidiaries had no capital commitments relating to the construction of factory buildings, software license and installation of software system (2015: Baht 1 million).

### 29.2 Raw material purchase commitments

As at 31 December 2016, the Company had outstanding commitments of approximately USD 0.4 million in respect of the purchase of raw materials (2015: nil).

### 29.3 Operating lease commitments

The Company and its subsidiaries had entered into lease agreements in respect of the leases of office building spaces.

Future minimum rentals payable under these leases were as follows.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable				
In up to 1 year	13	13	6	6
In over 1 and up to 3 years	11	11	5	6

### 29.4 Guarantees

As at 31 December 2016, the Company and its subsidiaries had outstanding bank guarantees of approximately Baht 9 million (2015: Baht 9 million) (Separate financial statements: Baht 5 million (2015: Baht 5 million)) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the ordinary course of their businesses.

The Company and its subsidiaries have been granted various types of credit facilities, by several financial institutions of which Baht 1,700 million (2015: Baht 1,733 million) (Separate financial statements: Baht 1,375 million (2015: Baht 1,406 million)) has not been utilised. Most of the facilities have been cross-guaranteed by the Company and its subsidiaries.

**30. Fair value hierarchy**

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

(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Held for trade investments				
Equity instruments	55	-	-	55
Open-end money market funds	-	151	-	151
Investment properties	-	14	-	14
Lands	-	397	-	397
Biological assets	-	-	36	36

(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Held for trade investments				
Equity instruments	71	-	-	71
Open-end money market funds	-	9	-	9
Investment properties	-	14	-	14
Lands	-	385	-	385

(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>				
Held for trade investments				
Equity instruments	55	-	-	55
Open-end money market funds	-	151	-	151
Investment properties	-	14	-	14
Lands	-	181	-	181
Biological assets	-	-	36	36

(Unit: Million Baht)

Separate financial statements				
As at 31 December 2015				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Held for trade investments				
Equity instruments	71	-	-	71
Open-end money market funds	-	9	-	9
Investment properties	-	14	-	14
Lands	-	186	-	186

## **31. Financial instruments**

### **31.1 Financial risk management**

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade and other receivables, loans, investments, bank overdraft and trade and other payables. 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 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 it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivables and loans as stated in the statement of financial position.

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

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, current investments, short-term loan and bank overdraft with interest. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rate 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)

Consolidated financial statements						
As at 31 December 2016						
Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Effective interest rate	
Within 1 year	1-5 years					
						(% p.a.)
<u>Financial Assets</u>						
Cash and cash equivalents	1	-	30	12	43	0.10 - 0.75
Current investments - fixed deposits	632	380	15	-	1,027	1.35 - 3.00
Current investments - marketable securities	-	-	-	206	206	-
Trade and other receivables	-	-	-	203	203	-
	633	380	45	421	1,479	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	169	169	-
	-	-	-	169	169	

(Unit: Million Baht)

Consolidated financial statements						
As at 31 December 2015						
Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Effective interest rate	
Within 1 year	1-5 years					
						(% p.a.)
<u>Financial Assets</u>						
Cash and cash equivalents	2	-	20	3	25	0.10 - 0.50
Current investments - fixed deposits	411	600	5	-	1,016	1.75 - 3.00
Current investments - marketable securities	-	-	-	80	80	-
Trade and other receivables	-	-	-	206	206	-
	413	600	25	289	1,327	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	189	189	-
	-	-	-	189	189	

(Unit: Million Baht)

	Separate financial statements					
	As at 31 December 2016					
	Fixed interest rates		Floating	Non-		
	Within		interest	interest		Effective
	1 year	1-5 years	rate	bearing	Total	interest rate
						(% p.a.)
<u>Financial Assets</u>						
Cash and cash equivalents	1	-	20	7	28	0.10 - 0.75
Current investments - fixed deposits	632	380	15	-	1,027	1.35 - 3.00
Current investments - marketable securities	-	-	-	206	206	-
Trade and other receivables	-	-	-	127	127	-
Short-term loans to related parties	218	-	-	-	218	7.375
	851	380	35	340	1,606	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	83	83	-
	-	-	-	83	83	

(Unit: Million Baht)

	Separate financial statements					
	As at 31 December 2015					
	Fixed interest rates		Floating	Non-		Effective
	Within		interest	interest		interest rate
	1 year	1-5 years	rate	bearing	Total	(% p.a.)
<u>Financial Assets</u>						
Cash and cash equivalents	2	-	5	9	16	0.10 - 0.50
Current investments - fixed deposits	411	600	5	-	1,016	1.75 - 3.00
Current investments - marketable securities	-	-	-	80	80	-
Trade and other receivables	-	-	-	129	129	-
Short-term loans to related parties	212	-	-	-	212	7.375
	625	600	10	218	1,453	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	98	98	-
	-	-	-	98	98	

### ***Foreign currency risk***

The Company and its subsidiaries' exposure to foreign currency risk arise mainly from purchase of goods that are denominated in foreign currencies. The Company and its subsidiaries may seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at 31 December 2016 and 2015, the Company and its subsidiaries had no financial instruments in foreign currencies.

### **31.2 Fair value of financial instruments**

Since the majority of the Company 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 statements of financial position.

### **32. Capital management**

The primary objective of the capital management of the Company and its subsidiaries is to ensure that they have appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 0.11:1 (2015: 0.11:1) and the Company's was 0.06 : 1 (2015: 0.07:1).

### **33. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2017.



**Sky, forest, and streams**  
are Mother Nature and priceless resources  
that make all lives sustained.  
Together preserve, protect, and prolong nature.



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