



## ANNUAL REPORT 2013

United Palm Oil Industry Public Company Limited



QUALITY + CORPORATE  
SOCIAL RESPONSIBILITY





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

## FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

(Unit : million Baht)

	2011 <sup>#</sup>	2012	2013
Total Assets	1,213	1,174	1,501
Total Liabilities	145	131	399
Shareholders' Equity	1,068	1,043	1,102
Sales	1,472	1,536	1,352
Total Revenues	1,500	1,606	1,398
Gross Profit	644	442	325
Net Profit	388	327	221

### FINANCIAL RATIOS

(Unit : %)

	2011 <sup>#</sup>	2012	2013
Net Profit Margin	25.84	20.33	15.78
Return on Equity	36.30	31.42	20.02
Return on Total Assets	31.95	27.92	14.70

### PER SHARE DATA

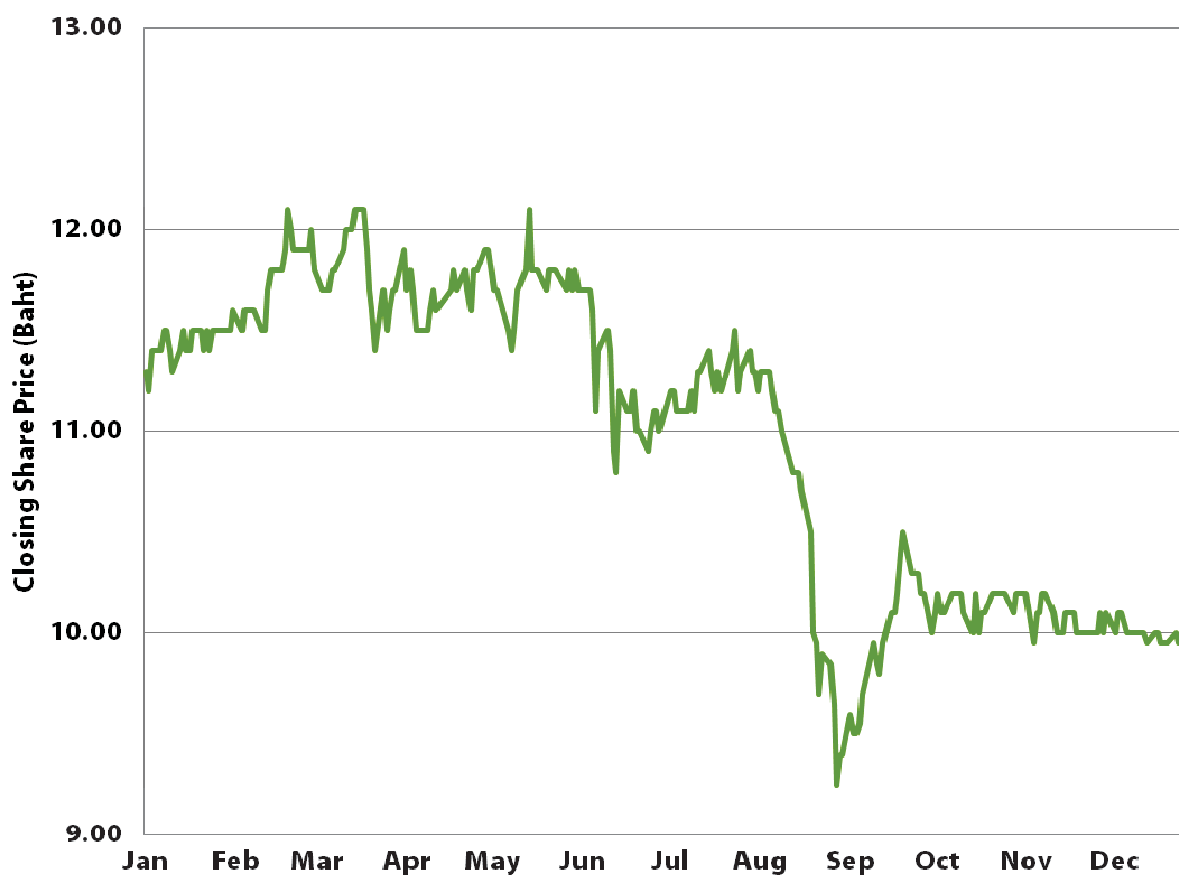
(Unit : Baht)

	2011 <sup>#</sup>	2012	2013
Earnings per Share	1.20	1.01	0.68
Dividend Paid per Share	0.75	1.10	0.50
Dividend per Share (operational year)	1.10	0.90	0.60 <sup>(1)</sup>
Book Value per Share	3.30	3.22	3.40

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

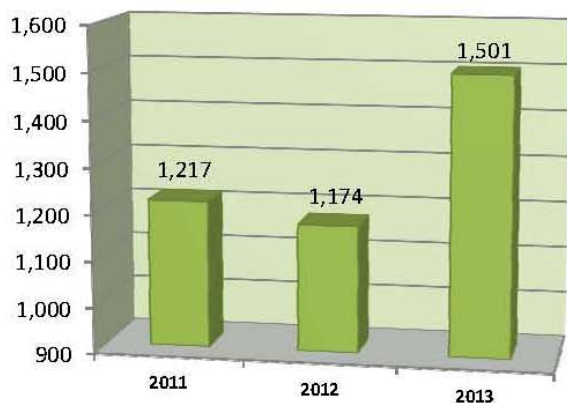
<sup>(1)</sup> According to the resolution of BOD meeting on 20 February 2014, to be proposed to AGM no. 37

### UPOIC SHARE PRICE MOVEMENT IN 2013

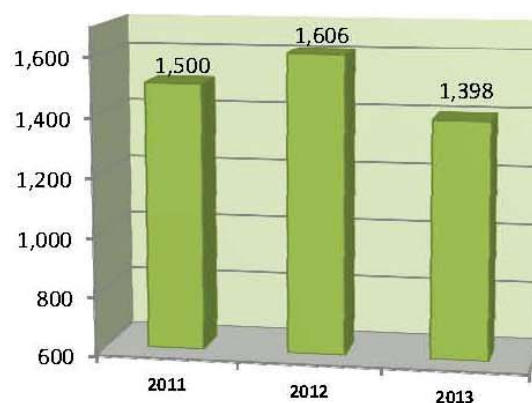


## FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

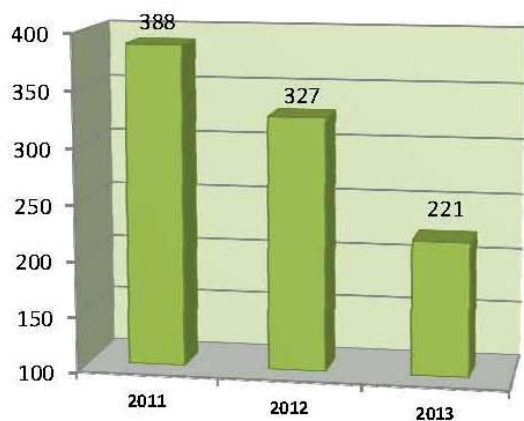
**TOTAL ASSETS**  
(Million Baht)



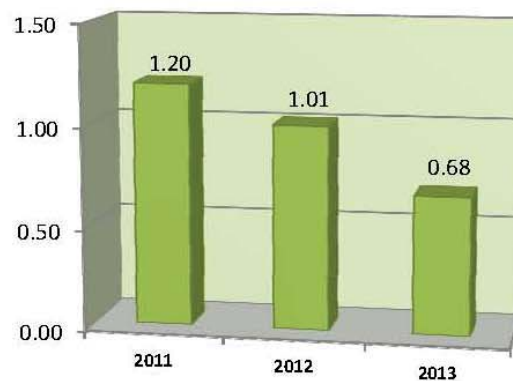
**TOTAL REVENUES**  
(Million Baht)



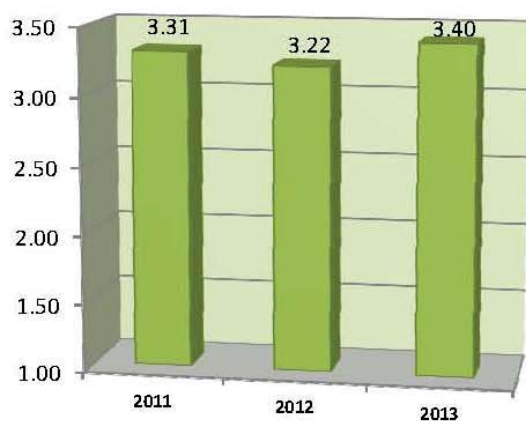
**NET PROFIT**  
(Million Baht)



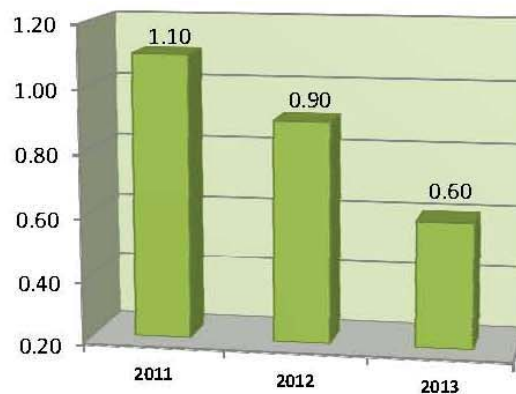
**EARNINGS PER SHARE**  
(Baht)



**BOOK VALUE PER SHARE**  
(Baht)



**DIVIDEND PER SHARE**  
(Baht)





In 2013, Mr. Somchai Chongsawadchai, the former Vice Chairman and Managing Director, passed away at the age of 54. During his 15 year career serving your Company, Mr. Somchai had tirelessly devoted himself to the Company. Besides being the driving force behind your Company's success today, he also contributed to the development of the palm oil industry in Thailand, serving as the President of Thai Palm Oil Refinery Association during 1997 – 1998, and the Vice President of Thai Palm Oil Crushing Mill Association during 2002 – 2013.

The Board of Directors appointed Ms. Anchalee Suebchantasiri to be Managing Director to replace Mr. Somchai, with effect from 1 September 2013. Ms. Anchalee had served the Company as Executive Director for 10 years along Mr. Somchai and has vast experience and knowledge in the edible oil industry.

### **Industry Overview**

In 2013, the production of FFB (fresh fruit bunch) in the Kingdom was the highest ever. 12 million MT was produced from about 4 Million rai of planting area, increasing for the fourth consecutive year. The average FFB yield was 3 MT/rai (2012 : 2.75 MT/rai). There are over 128,000 households of oil palm growers ; their aggregate income generated from plantations is approximately to 60,000 million Baht per annum. CPO and FFB prices were set at 25 and 4 Baht/kg respectively (at 17% OER) at the beginning of 2013 under the Government project "absorption of CPO volume from the market in 2012/13". After that, CPO price varied between 23 – 25 Baht/Kg until the end of 2013 when the price jumped to around 28 – 33 Baht/Kg. as nationwide CPO stock fell from 384,818 MT in January to 203,999 MT in December. Bio-diesel business was preparing to produce B7 in accordance with the government policy, which was to be implemented on 1 January 2014. However, with CPO stock dropping to below 200,000 MT at the end of 2013 and early 2014, the Ministry of Energy reduced the proportion of CPO to be blended into diesel from 5% to 4% effect on 1 February 2014, and delayed B7 implementation, to ease the affect on food industry and price pressure.

The total volume of FFB processed by your Company in 2013 was at a similar level as in 2012. Out of this, 46.9% was from FFB purchased and 53.1% from own estates, compared to 48.5% and 51.5% in 2012 respectively.

### **Company's Performance**

In 2013 your Company earned a net profit of 220.6 million Baht (2012 : 327.8 million Baht), decreasing 32.7%. This was the result of the lower average selling prices of both CPO and CPKO. On the other hand, the cost of sales of CPO increased due to the higher production cost. The CPO sales volume in 2013 increased by 10.8%, whereas the average CPO selling price per unit decreased by 22%. Even though the revenue from the sales of palm fruit, oil palm seeds and seedlings, and electricity power all increased, your Company recorded a lower sales turnover of 184.1 million Baht to 1,352.4 million Baht (2012 : 1,536 million Baht), or a 12% decrease.

### **Production and Investment**

Apart from purchase of land in Krabi for growing oil palm, your Company did not invest in major capital projects in 2013 but put more focus on maintenance programme.

In accordance with the project to produce 1 megawatts of power from Biomass under VSPP Programme (Very Small Power Producer), your Company has obtained the approval from the Provincial Electricity Authority (PEA) since December 2013, and expects to start operations and sell electricity within the first quarter of 2014.

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

Your Company is committed to growing its business together with the responsibility to community, society and the environment. In each year, your Company continues to cooperate with and support the various programmes targeting to reduce the effect of global warming from the production of palm oil, including regular local activities to enhance your Company's image and develop relationship between its crushing mill and local communities.

As highlighted, UPOIC earlier applied for the Mass Balance Certificate covering crushing mill, plantations, and group small holders involved in the project with the aim to produce sustainable oil palm and palm oil under Roundtable Sustainable Palm Oil (RSPO). Your Company has also been RSPO certified since 14 February 2013, and can produce and sell RSPO certified palm oil amounting to 20,000 MT per annum.

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

Your Company gives priority to corporate culture and human resource development to promote capability of employees such as short term and long term training programme. This is to underline the continuing growth of both employees and the firm.

On behalf of the Board of Directors, our Management team and other employees, we would take this opportunity to thank our Company's shareholders, customers, and business partners for their continuing support and also for their interest in the development of the UPOIC business.



Mr. Thira Wipuchanin  
The Chairman



Ms. Anchalee Suebchantasiri  
Vice-Chairman and Managing Director

## REPORT OF THE AUDIT COMMITTEE

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The Audit Committee comprised independent directors as follows:-

Mr. Thira Wipuchanin	Chairman of the Audit Committee
Vilas Sinswat, Ph.D.	Member of the Audit Committee
Mr. Sangiam Santad	Member of the Audit Committee
Mr. Yut Sakdejayont	Secretary to the Audit Committee

In 2013, the Audit Committee has fulfilled and executed its duties and responsibilities in compliance with the Stock Exchange of Thailand's regulations and other activities assigned by the Board. The Committee held four meetings within the year, with substantive agenda as follows:

1. Approval of quarterly financial statements and review of annual financial statements including the disclosures of information in Notes to Financial Statements, submitted to the Board of Directors. The financial statements were in accordance with generally accepted accounting principles. The disclosures of information in Notes to Financial Statements were found to be adequate and accurate;
2. Examination of the reports and recommendations of internal audit regarding the internal control as set out in the annual audit plan, with proposals to the management to take necessary actions. In 2013, the Company was found to have exercised an appropriate and effective internal control system, with transparent governance and no material management failures;
3. Consultative meetings with the management, external and internal auditors in order to make suggestions and practical guidelines for management. The management has subsequently adopted these suggestions to improve the Company's working efficiency; In addition, in 2013 the AC had one meeting with the External Auditor without the management attending. The information disclosed by the management to the Auditor was found to be adequate without any deficiencies.
4. Consultative meetings with the management and external auditors regarding the implementation of new Thai Accounting Standard and the readiness of the company;
5. Consideration of the principles of Good Governance for Listed Companies, which Thai Institute of Directors (IOD) and the Stock Exchange of Thailand (SET) updated and improved to meet the standards of ASEAN CG Scorecard. The new system would be used for the 2014 evaluation, to evaluate the performance of 2013;
6. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
7. Proposal to the Board of Directors for approval at the 2014 annual general meeting of shareholders, the appointment of Ernst & Young Office Limited to be the statutory auditor of the Company for 2014 including appropriate remuneration;
8. Consideration of "Board Self-Assessment" Form, a part of the Corporate Government Self-Assessment, as an instrument to internally practice for good corporate governance principles;

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



Mr. Thira Wipuchanin  
Chairman of the Audit Committee  
13 February 2014



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

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

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

The Audit Committee considered the operational performance of the Company during the year 2013 and provided the opinion that the Board of Directors and the Management make a great effort to achieve the Company's objectives without any relevant statutes and regulations having been contravened, and attach importance to the effective internal control system and to the adequacy of the risk management. Information system has also been prepared to support the good corporate governance principles. In sum, the overall internal control system of the Company has been at satisfactory level which can assure the credibility of the consolidated financial statements of the Company and its subsidiaries as of December 31, 2013.

The opinion of the Audit Committee with regard to these matters is set out in the Report of the Audit Committee in this Annual Report and the Annual Registration Statement (Form 56-1).



Mr. Thira Wipuchanin  
The Chairman



Ms. Anchalee Suebchantasiri  
Vice-Chairman and Managing Director



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

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United Palm Oil Industry Public Company Limited (UPOIC) recognizes the importance of Good Corporate Governance in promoting transparency in UPOIC's operations, fair and equitable treatment to all stakeholders as well as an efficient management system aiming at sustainable growth. UPOIC therefore draws up this corporate governance policy to be used as the principle in its business operations.

The corporate governance policy shall cover all topics in line with the Principles of Good Corporate Governance Practices of the Stock Exchange of Thailand (SET) namely, 1) Rights of Shareholders, 2) Equitable Treatment of Shareholders, 3) Role of Stakeholders, 4) Disclosure and Transparency, 5) Board Responsibilities.

The Board has assigned the Audit Committee to develop an action plan and measures for monitoring to ensure implementation, assessment of compliance, and recommending improvement on the policy, as appropriate.

### 1. Rights of Shareholders

- UPOIC shall hold an Annual General Meeting of Shareholders within 4 months of the end of UPOIC's fiscal year. The meeting will consider the Annual Report of the Board of Directors presenting the operational performance of the past year, statements of financial position, statements of comprehensive income, dividend distribution and legal reserve appropriation, election of directors to fill the vacancy caused by expiration of service term, director's remuneration, appointment of auditor and auditor's remuneration.
- For Annual General Meeting of Shareholders (AGM), UPOIC shall separate the agendas between the appointment of directors and the director's remuneration. The Company provides the ballot to shareholders to use for proposing candidates and voting directors as an individual.
- UPOIC shall hold an extraordinary general meeting of shareholders as the Board of Directors thinks fit. Shareholders holding shares amounting to not less than one-fifth of the total shares issued, or shareholders numbering not less than 25 persons holding shares amounting to not less than one-tenth of the total shares issued, shall be entitled to direct the board of directors to convene a shareholder meeting. The name of such persons and the reasons for calling such meeting shall be clearly stated in such request. The board of directors shall proceed to call a shareholder meeting to be held within one month of the date of receipt of such request from the said shareholders.
- UPOIC shall disclose the Board resolutions regarding the determination of AGM date and the meeting agendas with the reasonable details through the SET online system and the Company's website no later than the next working day after the Board having resolution.
- In calling a shareholder meeting, UPOIC shall prepare a written notice calling the meeting that states the place, date, time, agenda of the meeting and the matters to be proposed to the meeting with reasonable detail by indicating clearly whether it is the matter proposed for information, for approval or for consideration, as the case may be, including the opinions of the board of directors in the said matters, and the said notice shall be delivered to the shareholders and the Registrar for their information at least 21 days prior to the date of the meeting.
- At a shareholder meeting, in order to constitute a quorum, there shall be shareholders and proxies (if any) amounting to not less than 25 persons and holding shares amounting to not less than one-third of the total number of shares issued. The Chairman of the board of directors shall be the chairman of the meeting and conducting the meeting according to the sequence in the agenda stated in the meeting notice, and it is our policy not to add items to the agenda without advance notice to shareholders.
- In a regular agenda the ballot shall be used in the event any shareholder would like to cast a negative vote or abstain from voting. The ballot shall always be used in important agenda such as election of directors, approving connected transactions, acquisition or disposal of assets, amendment of memorandum of association and articles of association.
- UPOIC shall ensure that shareholders have the opportunity to propose the agenda for Annual General Meeting (AGM) as it deems material and beneficial including to propose candidate for selection as Director in advance, and to submit questions which are related to the Company prior the meeting date, the procedures of which are published on the Company's website.
- Adequate time shall be allocated for the meeting and equal opportunities provided for shareholders to express their opinions and ask questions.

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

- The Company's policy to facilitate and encourage shareholders to attend and participate at the shareholders' meetings has been established and posted on its website.
- UPOIC shall post meeting documents and meeting notices in both Thai and English languages on its website at least 30 days prior to the meeting date so that the shareholders can study the information for the meeting in advance.
- UPOIC shall ensure that shareholders have the opportunity to ask questions and shall record important issues raised by the shareholders and explanation of the board as well as recording clearly the number of affirmative votes, negative votes, and abstained votes, in the meeting minutes, once having votes in any respective agenda. Two shareholders are invited to act as witness in the counting of votes, and VDO has been recorded during the meeting until the meeting finishes.
- UPOIC shall disclose the resolutions together with voting result through the SET online system within the next day after the meeting date
- UPOIC shall post a draft minutes of the shareholder meeting on UPOIC's website within 14 days of the completion of the meeting. The shareholders may inspect the correctness and may make objection if necessary without having to wait until the next meeting to do so.

### 2. Equitable Treatment of Shareholders

- Regardless of their gender, age, skin color, race, nationality, religion, belief, political preference, or any physical handicap, the Company values all shareholders' investments in it by protecting their fundamental rights equally and fairly, including applies the one share one vote principle to ensure the investment confidence.
- UPOIC has determined the voting system to elect directors as cumulative voting.
- UPOIC shall provide a proxy form in which a shareholder can give comments on his votes enclosed in the meeting notices stating clearly the required documents and procedure for appointment of proxy and for attending the meeting. A shareholder who cannot attend the meeting in person but would like to exercise his voting right may appoint another person as proxy to attend and vote at the meeting. He may also appoint an independent director as his proxy.
- The Company establishes the policy for prevention of utilising insider information, and informs the same to employees, executives, and directors (details in item 5.8.1).
- The Company has had business connected transactions with its subsidiary as normal business on fair and at arm's length basis (details in item 5.8.2).

### 3. Role of Stakeholders

UPOIC has a policy that recognises the rights and interests of all groups of stakeholders whether they are employees, shareholders, creditors, customers, trade-counterparts, competitors, community and society. The expectations of one group of stakeholders may be different from another group. Therefore, UPOIC shall ensure that the rights of each group will be protected according to relevant laws and handled carefully and with sensitively. Procedures are stated as the Company's policy namely Policy and Practice toward stakeholders, and published on the Company's website as follows:-

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

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

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

- ISO9001, a quality management system, aiming to the quality assurance and conformity which can be audited and compared with the written working procedure to ensure personnel of the organisation know their roles and responsibilities
- OHSAS 18001, a standard for occupational health and safety management systems in working place, being a tool to control and mitigate danger and risk which could negatively affect health, life, and asset
- ISO 14001, an environmental management system that exists to help organisation improve and develop the environment continuously
- Roundtable on Sustainable Palm Oil (RSPO) being a good practice to promote the sustainable palm oil production in aspects of economic, social, communities, environment, and law conformity of various stakeholders from upstream to downstream.

### 4. Disclosure and Transparency

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

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

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

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

1. **UPOIC shall provide channel for stakeholders to do whistle blowing or make complaints**  
: Any stakeholder wishes to communicate to the board of directors directly without passing through the management of the Company to express his opinions about the operation of the



# REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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Company's business including whistle blowing or complaints such as incorrect financial report, violation of the law or ethics or deficiency of internal control system, etc. may address his communication directly to:

By post: Mr. Thira Wipuchanin  
Chairman of the Audit Committee  
United Palm Oil Industry Plc.  
64 Fl. 1, Soi Bangna-Trad 25,  
Bangna, Bangkok 10260

By email: [acthira@hotmail.co.th](mailto:acthira@hotmail.co.th)

2. **Protection of informer's identity** : A Stakeholder who communicate or make complaints in item 1 will not be required to disclose his name.
3. **Action after receiving concerns or complaints** : The Audit Committee shall investigate the information and facts given by the informer in item 1 and report to the Board within 30 days of the date receiving the information.
4. **Measure of redress and damage compensation** : If the Board determine that a stakeholder has suffer damages from any violation of law by the Company, the Board shall take steps to redress the problem as soon as possible as well as finding measure to prevent recurrence of the problem. Appropriate compensation will be given to the person suffered from violation of law.

## 5. Board Responsibilities

### 5.1 Board of Directors

#### 5.1.1 Structure of the Board

The Board composes of not less than 5 Directors of which at least one-third of the total number of directors are independent directors. Independent directors shall not be less than 3 persons.

#### 5.1.2 Duties and responsibilities of the Board

1. To review and approve the vision, mission, strategy, objectives, risk, plan and budget of the Company.
2. To control and supervise the management in the implementation of the business plan to achieve the objectives and increase the wealth for the shareholders.
3. To set a Corporate Governance Policy and encourage every employee in the organisation to implement the policy, assessment of policy implementation and reviewing the policy at least once a year.
4. To set a code of business conduct to cover all levels of personnel namely, directors, executives, and employees. To encourage all persons in the Company to comply with the policy, monitoring of implementation and assessment of effectiveness of the implementation regularly.
5. To set up internal control system, internal auditing, and measures for risk management as well as regularly monitoring the same.
6. Appointment of sub-committees, assignment of roles and duties and responsibilities of each sub-committee.
7. To have clear communication regarding the roles, duties and responsibilities of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Management and employees.
8. To be responsible for the disclosure of the Company's financial status in the Financial Statements of the Company and its subsidiaries, in the annual report, annual registration statement (Form 56-1) as well as disclosure of information to meet the requirement of law and relevant government authorities.
9. To set guideline for reviewing the suitability of transaction with potential conflict of interest.
10. To hold at least one board meeting every 3 months and convene a shareholder's meeting at least once a year.
11. Such other duties and responsibilities stipulated by law and resolutions passed at shareholder meeting.

#### 5.1.3 Company Secretary

The Company appointed a company secretary in accordance to section 89/15 of the Securities and Exchange Act B.E. 2551 with the following duties and responsibilities:

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

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1. preparing and keeping the following documents:
  - a register of directors;
  - a notice calling director and shareholders meetings;
  - a minute of meeting of the board of directors and meeting of shareholders;
  - an annual report of the Company;
2. Follow-up to ensure implementation of the resolutions of the board and shareholder meetings.
3. Keeping a report on interest filed by a director or an executive and submit a copy of report to the Chairman and the Chairman of audit committee within 7 business days from the date on which the Company has received such report.
4. To advise directors with regard to the law and relevant regulation as well as to supervise and oversee to ensure that the Company, board of directors, and the management comply to all the laws and regulations.
5. To ensure the disclosure of information according to the regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission and other relevant laws.
6. To liaise with relevant regulatory bodies.
7. To do other things assigned by the Board and/or performing any other acts as specified in the notification of the Capital Market Supervisory Board .

### 5.1.4 Procedure for director nomination

The Nomination Committee shall have the duty to recommend names of suitable candidates for the Board and Shareholder Meeting to elect directors according to the Company's Articles of Association. The Nomination Committee shall undertake the task of identifying, evaluating, selecting and proposing new nominees to the Board.

The Board shall consider that the candidates possess experience suitable for the post of directorship, to assist the board to act prudently as well as capability to make rational business decisions, strategic thinking, leadership, and expertise in the profession, honesty and suitable personal qualification.

### 5.1.5 The Chairman of the Board

The Chairman of the Board may be an independent director or non-executive director. The Chairman must be a different person from the managing director so that the two roles are clearly separated.

### 5.1.6 Qualification of Independent Directors

The Board has set the qualification of the Independent Directors as follows:

- (a) holding shares not exceeding 0.5 percent of the total number of voting rights of any Relevant Entity, including the shares held by related persons of the independent director;
- (b) neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of any Relevant Entity unless the foregoing status has ended not less than 2 years prior to the date of application filing with the Office;
- (c) not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children of executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the Company or its subsidiary;
- (d) not having a business relationship with any Relevant Entity, in the manner which may interfere with his independent judgment, and neither being nor having been a major shareholder, non-independent director or executive of any person having business relationship with any Relevant Entity unless the foregoing relationship has ended not less than 2 years prior to the date of application filing with the Office.

The term 'business relationship' includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the applicant or his counterparty being subject to indebtedness payable to the other party in the value of three percent (3%) or more of the net tangible assets of the applicant or 20 million Baht or more, whichever is lower.

The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the Notification of the Capital Market Supervisory Board Re: Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions *mutatis mutandis*. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences;

- (e) neither being nor having been an auditor of any Relevant Entity, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of any Relevant Entity unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;
- (f) neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding 2 million Baht from any Relevant Entity, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;
- (g) not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder;
- (h) not having any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.

The Board had set the criterion for the amount of shareholding allowed to an independent director to be more stringent than laid out by the SEC, The Company's independent directors are allowed to hold the Company's share not exceed 0.5%.

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

### 5.1.7 Director's Term of Office

According to Article 12 of the Articles of Association of the Company in every annual general meeting of shareholders, a new board of directors shall be elected.

### 5.1.8 Directors concurrently being directors of other companies

To ensure that directors have sufficient time to perform his duties fully, the Company has set the number of companies allowed for Chairman, directors to be directors of other listed companies as follows:

- Chairman: not more than 3 companies
- Director: not more than 5 companies.

The Company does not set limit for being directors in other non-listed companies because most of Executive Directors are directors of subsidiaries, associates, jointly controlled entity, or related companies.

### 5.1.9 Executives holding directorship in other companies

Executives may hold directorship or executive positions in subsidiary, affiliates or jointly controlled entity or other related companies in the same group. In case of holding positions in companies other than those in the same group, prior approval must be obtained from the Managing Director.

## 5.2 Sub-committees

### 5.2.1 Audit Committee

The Audit Committee shall comprise at least 3 independent directors with at least 1 committee member possessing knowledge in finance and accounting. The Chairman of the audit committee may be the same person as the Chairman of the Board. The term of office shall be 1 year to be ended at the Annual General Meeting of Shareholders (AGM). A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee.

### Duties and Responsibilities of the Audit Committee

1. To review the sufficiency and credibility of the financial reporting.
2. To review the adequacy and effectiveness of internal control systems and internal audit functions and the independence of internal auditing unit as well as to approve the appointment, transfer, dismissing of the head of internal auditing unit or any other unit responsible for internal auditing.
3. To review compliance with the Securities and Exchange Acts, Regulations of the SET, and any other relevant laws.
4. To consider and advise the appointment of an independent person to work as the external auditors including the audit fee. The Audit Committee shall hold at least one meeting with the auditor without the management's presence at the meeting.
5. To consider compliance with all connected transactions or the conflict-of-interests transactions disclosures, to ensure that the transaction is justified and for the best benefit of the Company.



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

6. To report the activities of the Audit Committee in the Company's annual report, which must be signed by the chairman of the Audit Committee. The following information should be included in the report:

- (6.1) Comments on the Company's financial reporting process and the disclosure of its financial information, which must be correct, sufficient, and credible.
- (6.2) Comments on the adequacy of the Company's internal control systems.
- (6.3) Comments on compliance with the Securities and Exchange Acts, Regulations of the SET, and any other relevant laws.
- (6.4) Statements on whether the Company's auditor is suitable
- (6.5) Comments on the transaction with potential conflicts of interest.
- (6.6) The number of audit committee meetings and meeting attendance of each member.
- (6.7) General comments or observation from the performing of duties according to the Charter.
- (6.8) Other statements that shareholders and general investors deem to be considered under the scope of the functions and responsibilities assigned to them by the board.

7. To take care of any other matters assigned to it by the Board of Directors, with the consent of the Audit Committee.

In 2013 the Audit Committee held 4 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Mr. Thira Wipuchanin	Chairman of the Audit Committee	2013-2014	4/4
(2) Vilas Sinswat, Ph.D.	Independent Director	2013-2014	4/4
(3) Mr. Sangiam Santad	Independent Director	2013-2014	4/4

### 5.2.2 Remuneration Committee

The Remuneration Committee shall comprise a majority of independent directors at 75% with its chairman being an independent director who shall not be the same person as the chairman of the board. The term of office shall be 1 year to be ended at the AGM. A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee.

#### Duties and Responsibilities of the Remuneration Committee

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

In 2013, the Remuneration Committee held 4 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Vilas Sinswat, Ph.D.	Chairman of the Remuneration Committee	2013-2014	4/4
(2) Mr. Thira Wipuchanin	Independent Director	2013-2014	4/4
(3) Mr. Sangiam Santad	Independent Director	2013-2014	4/4
(4) Mr. Whang Shang Ying	Director	2013-2014	3/4

### 5.2.3 Nomination Committee

The Nomination Committee shall comprise a majority of independent directors at 75% with its chairman being an independent director who shall not be the same person as the chairman of the board. The term of office shall be 1 year to be ended at the AGM. A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee.

#### Duties and Responsibilities of the Nomination Committee

1. To specify the qualifications of candidates according to the structure, size and composition of the Board as set by the Board of Directors.
2. Selecting qualified candidates for appointment as directors and recommend to the Board
3. Selecting qualified candidates for executive positions especially, the managing director

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In 2013, the Nomination Committee held 3 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meeting
(1) Vilas Sinswat, Ph.D.	Chairman of the Nomination Committee	2013-2014	3/3
(2) Mr. Thira Wipuchanin	Independent Director	2013-2014	3/3
(3) Mr. Sangiam Santad	Independent Director	2013-2014	3/3
(4) Mr. Whang Shang Ying	Director	2013-2014	1/3

### 5.3 Board of Directors' Meetings

The Company shall meet at least once in every quarter provided always that the Chairman of the Board may call special meetings as he deems necessary. The meeting schedule shall be set in advance annually and inform to each director in November every year.

The Company Secretary shall set agenda required to comply with the law and related regulations. Other agenda shall be jointly set by the Chairman and the Managing Director. Each Director may also propose agenda items for the meeting by sending the agenda items through the Company Secretary 14 days prior to the meeting date. The Company Secretary shall collect all the proposed agenda items for the Chairman consideration before include them in the meeting agenda.

The Company shall send to all directors meeting document with the meeting notice, clearly stating the matter as for information, for approval or for consideration as the case may be, at least 7 days prior to the meeting date to enable each director to have time to study the information before the meeting. During the meeting, the Chairman will allocate sufficient time for the management to present detail information and answer additional questions from the directors, and allow sufficient time for the directors to discuss the matters.

In 2013, the Board of Directors held 4 regular meetings and 4 extra meetings. The attendance of each member is as follows :

Name of Director	Period of Directorship	Attendance / Total Meeting		
		Regular	Extra	Total
(1) Mr. Thira Wipuchanin	2013-2014	4/4	4/4	8/8
(2) Mr. Somchai Chongsawadchai (passed away on 11 March 2013) Mr. Ampol Simarajana (replaced Mr. Somchai on 21 March 2013)	2012-2013	0/4	0/4	0/8
	2013-2014	3/4	3/4	6/8
(3) Vilas Sinswat, Ph.D.	2013-2014	4/4	4/4	8/4
(4) Mr. Sangiam Santad	2013-2014	4/4	4/4	8/8
(5) Mr. Whang Shang Ying	2013-2014	4/4	1/4	5/8
(6) Miss Anchalee Suebchantasiri	2013-2014	4/4	4/4	8/8
(7) Miss Piyathida Sukchan	2013-2014	4/4	3/4	7/8

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

Non-executive directors may hold meetings among themselves without the management present at the meeting in order to discuss management issues of interest. The result of the meeting shall be reported to the managing director. In 2013, there was one meeting of non-executive Directors which were not attended by Executive Directors.

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### 5.4 Board Self Assessment

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

### 5.5 Remuneration of Directors and Executives

#### 1) Remuneration of Directors

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

Remuneration of Directors and Sub-Committees (Baht)	No. of Persons	2012	2013
Directors fees	7	4,190,800	4,358,519
Audit Committee fees	3	1,795,200	1,900,800
Remuneration Committee fees	4	-	-
Nomination Committee fees	4	-	-

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

#### 2) Remuneration of Executives

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

In 2013 Executive Directors, Managing Director and Executives jointly defined key performance indicators (KPIs) for assessment criteria used by the Remuneration Committee in assessing the performance of Executive Directors, Managing Director and Executives.

Executive Remuneration (Baht)	No. of Persons	2012	2013
Executives	9	17,436,886	17,202,640

Apart from salary and bonus, other forms of remuneration include provident fund, Company's cars and the related expenses, residence, medical expense, and accidental insurance. The Managing Director and Executive Directors received no other forms of remuneration.

Furthermore, some directors concurrently holding positions as directors and executives of subsidiary company and the jointly controlled entity will not receive remuneration from those companies.

### 5.6 Board and Management Training

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

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



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

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

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

Board of Directors assigns the Company Secretary to continuously attend the seminars relevant to the directorship course or participate activities enhancing related knowledge, and then report to directors at the Board meeting.

In 2013, the Company Secretary participated the workshop seminar re : the guideline to do the report of good Corporate Governance for listed companies in 2013.

### 5.7 Code of Business Conduct

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

The Company believes that the code of business conduct is a basic foundation for promoting and upgrading good corporate governance. UPOIC has updated its code of business conduct as a codification of good behavior patterns which have been approved by the Board of Directors and announced to all directors, executives and employees. The Company has subsequently monitored the compliance to the code strictly and regularly.

### 5.8 Conflict of Interests

#### 5.8.1 Prevention of use of inside information

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

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

"Executives" means directors, manager or top 4 management officers from managing director downward. This shall include executive level accounting or finance officer of manager level or equivalence who have the duty to prepare and file report of shareholding both in his own name, spouse and minor child to the SEC.

➤ Directors, executives, managers and employees who have access to inside information shall be prohibited from disclosing such information to outside parties who has no duty involving the Company and shall refrain from buying and selling UPOIC's shares in the period of 1 month prior to disclosure of Company financial statements to the public.

➤ Directors, executives, managers and employees shall be prohibited from using inside information, that may materially affect the share prices, which has not yet disclosed to the public, for personal gains and/or persuading other persons to buy or sell UPOIC's shares. The Company shall take action against violation of the rule which shall be punishable by law.

➤ In case directors, executives, managers and employees intentionally commit any criminal act according to law on securities and exchange, the Company shall punish the violators by any one or more penalties as follows:

- cut wages or compensation or other benefits
- layoff, dismiss, or discharge from the post of director, executive, manager and employee as it would be deemed intentionally causing damage to the Company's reputation. In case the violator is a director, the matter shall be submitted to the shareholder meeting to consider the penalty.
- report the violation to the SET and/or the SEC
- report to the police to take action according to the law

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- take other measures according to the resolution of the board or the shareholder meetings.

### 5.8.2 Approval of transaction containing conflict of interest

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

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

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

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

The management shall report transaction with value over 100,000 Baht to the quarterly Board meetings.

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

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

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

- Directors, Executives and related persons who have transaction with interest in relation to management of the Company or its subsidiary with the value of 1 million Baht or more, or 0.03% of the Net Tangible Assets (NTA) of the Company or its subsidiary, whichever amount is higher, shall file a report to the Company Secretary, according to the report form, within 7 business days from the date of transaction. Every time there is a change of the transaction, such change must be reported within 7 business days from the date of change.
- The Company Secretary shall submit a copy of the report on interest under paragraph 1 to the Chairman of the Board and Chairman of the Audit Committee within 7 business days from the date of receipt of such report.
- Directors and Executives who have interest in the agenda item under consideration of the meeting shall not participate in making decision and shall leave the meeting room. The Company will not send document related to the said agenda to such interested persons.
- The Company shall disclose such interest in the annual report and Form 56-1.

## 5.9 Controlling System and Internal Audit

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

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

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

### **5.10 Risk Management**

The Company set a policy that risk management is part of the management to achieve objective, target, and strategic plans of the Company. Every executive and employee in the Company is the owner of the risk and has the duty to assess the risk in every unit and work process, assessing the efficiency and existing control measure and propose plan and method to reduce risk.

### **5.11 Succession Plan**

The Company has prepared for succession plan by recruiting management trainees to develop knowledge and ability for being Company future executives.

In addition, the Company assigned the following persons to take charge and act in behalf in case the Managing Director is unable to function, namely,

1. Mr. Ampol Simarajana, Assistant Managing Director, to act and make decision regarding the crushing mill of the Company, its subsidiaries, and the jointly controlled entity;
2. Miss Piyathida Sukchan, Executive Director to act and make decision in other matters of the Company, its subsidiaries, and the jointly controlled entity.

### Company Profile

Name of Company	:	United Palm Oil Industry Public Company Limited
No. of Registration	:	0107536000404 (formerly Bor Mor Jor 114)
Home Page	:	<a href="http://www.upoic.co.th">www.upoic.co.th</a>
Nature of Business	:	A plantation company that produces crude palm oil (CPO) and crude palm kernel oil (CPKO)
Registered Share Capital	:	324,050,000 Baht
Outstanding common shares	:	324,050,000 shares
Par value	:	1 Baht
Corporate Headquarters	:	64 Floor 1, Soi Bangna-Trad 25, Bangna, Bangkok 10260 Tel 02-744 1046-8 Fax 02-744 1049
Krabi Office and Crushing Mill	:	98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5 Huayyoong Sub-District, Nuaklong District, Krabi 81130 Tel 075-666 075 Fax 075-666 072
Oil Palm plantation	:	Oil palm planted area of 45,652.26 rai (7,304.36 ha) excluding building sites, swamp reserves and nursery area

### Details of Estates

1. Krabi Noi Estate	7,136 rai	(1,141.76 ha)
78 Moo 4, Krabi Noi Sub-District, Muang District, Krabi		
2. Khao Phanom Estate	5,191.19 rai	(830.59 ha)
38/2 Moo 8, Khao Phanom Sub-District, Khao Phanom District, Krabi		
3. Khao Khen Estate	3,032.25 rai	(485.16 ha)
Ao Luk Tai Sub-District, Ao Luk District, Krabi		
4. Ban Mark Estate	3,582.38 rai	(573.18 ha)
65/1 Moo 6, Bangsawan Sub-District, Prasaeng District, Surat Thani		
5. Koh Noi Estate	3,701.50 rai	(592.24 ha)
904 Moo 2, Bangsawan Sub-District, Prasaeng District, Surat Thani		
6. Tub Prik Estate	1,660 rai	(265.60 ha)
Tub Prik Sub-District, Muang District, Krabi		

**Sub-total Company's Planted area 24,303.32 rai (3,888.53 ha)**

7. Khiansa Estate	8,467.44 rai	(1,354.79 ha) -- subsidiary's concession land
229 Moo 2, Khiansa Sub-District, Khiansa District, Surat Thani		
8. Chaiburi Estate	12,881.50 rai	(2,061.04 ha) -- subsidiary's concession land
16 Moo 5, Chaiburi Sub-District, Chaiburi District, Surat Thani		

**Sub-total Subsidiaries Planted area 21,348.94 rai (3,415.83 ha)**

**Total Planted Area 45,652.26 rai (7,304.36 ha)**



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

- 1 Name of Company :** **Phansrivivat Company Limited**

Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5  
Huayyoong Sub-District, Nuaklong District, Krabi 81130

Tel 075-666 075  
Fax 075-666 072

Nature of Business : 99.99% shareholder in Phansri Company Limited<sup>①</sup> and Prachakvivat Company Limited<sup>②</sup>, which own the concession of oil palm plantation with combined concession area of 30,600 rai

Registered Capital : 27,400 shares (par value of 10,000 Baht per share)

Shareholding (common shares) : 27,394 shares or 99.98%

Remarks :

① Phansri Company Limited

Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5  
Huayyoong Sub-District, Nuaklong District, Krabi 81130

Tel 075-666 075  
Fax 075-666 072

Concession Site : Chaiburi Sub-District, Chaiburi District, Surat Thani

Concession Area : 20,000 rai

Concession Period : from 2 January 1985 to 1 January 2015

Registered Share Capital : 500 shares (par value of 10,000 Baht per share)

② Prachakvivat Company Limited

Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5  
Huayyoong Sub-District, Nuaklong District, Krabi 81130

Tel 075-666 075  
Fax 075-666 072

Concession Site : Khiansa and Kamvaree Sub-District, Khiansa District, Surat Thani

Concession Area : 10,600 rai

Concession Period : from 9 July 1984 to 8 July 2014

Registered Share Capital : 5,000 shares (par value of 1,000 Baht per share)
- 2 Name of Company :** **Siam Elite Palm Company Limited**

Corporate Headquarters : 64 Soi Bangna-Trad 25,  
Bangna, Bangkok 10260

Tel 02-744 1046-8  
Fax 02-744 1049

Krabi Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5  
Huayyoong Sub-District, Nuaklong District, Krabi 81130

Tel 075-666 075  
Fax 075-666 072

Nature of Business : Oil palm seed propagation

Registered Capital : 5,000,000 shares (par value of 10 Baht per share)

Shareholding (common shares) : 2,500,000 shares or 50.00%

### Other references

#### 1. Registrar

Name : Thailand Securities Depository Co., Ltd.  
Address : 62 The Stock Exchange of Thailand Building,  
Rajadapisek Road, Klongtoey, Klongtoey,  
Bangkok 10110  
  
Tel 02-229 2800  
Fax 02-359 1259

#### 2. Auditor

Name : Ms. Thipawan Nananuwat  
Certified Public Accountant No. 3459  
Address : Ernst & Young Office Limited  
33rd Floor, Lake Rajada Office Complex,  
193/136-137 Rajadapisek Road,  
Klongtoey, Bangkok 10110  
  
Tel 02-264 0777  
Fax 02-264 0789

No. of years being the Company's Auditor : 3  
Relations or interests with the Company / : being the Auditor of the Company's  
the Company's subsidiaries / subsidiaries, related company, and  
the management / major shareholders / jointly controlled entity  
or any relevant persons of the aforementioned

## NATURE OF BUSINESS

United Palm Oil Industry Public Company Limited (UPOIC) is a plantation company that produces crude palm oil (CPO) from its own source of fresh fruit bunches (FFB) as well as FFB purchased from outgrowers in the immediate area of the crushing mill (palm oil mill – POM). Other minor products are palm kernel oil (PKO) extracted from palm kernel (PK) and palm kernel cake (PKC) which are by-products from the earlier-mentioned process and mainly used for the feed mill industry.

UPOIC has the largest holding under oil palm cultivation in Thailand with a consolidated planted area of 45,652.26 rai (7,304.36 hectares) straddling Krabi and Surat Thani provinces.

UPOIC also owns a POM in Krabi province and with a processing capacity of up to 450,000 MT of FFB per annum (75 MT per hour). The palm kernel expeller plant (PKX) is capable of processing up to 26,500 MT of PK per annum.

UPOIC's current revenues come mainly from domestic sales. Its main products, namely CPO, PKO, PKC, CPO and PKO, are important raw materials for products such as edible (cooking) oil, pet food, butter, margarine, soap, shampoo, detergent, cleansing liquid, cosmetics as well as food ingredients for snacks and ice cream. PKC is mainly supplied to local poultry farmers and feed millers.

### Revenue structure

Product/Services	2011		2012		2013	
	Mil. Bht.	%	Mil. Bht.	%	Mil. Bht.	%
CPO	1,233	83.76	1,311	85.35	1,133	83.80
CPKO	188	12.77	128	8.33	134	9.91
Others	51	3.47	97	6.32	85	6.29
<b>Total Sales</b>	<b>1,472</b>	<b>100.00</b>	<b>1,536</b>	<b>100.00</b>	<b>1,352</b>	<b>100.00</b>

Note : All sales are carried out by UPOIC itself.

### News Highlights of previous year

#### 1. The appointment of Vice-Chairman of the Board, Managing Director, new Director

- The Board Meeting No. 3/2013 on 26 April 2013 resolved to appoint Ms. Anchalee Suebchantasiri, Executive Director, to be Vice-Chairman of the Board, replacing Mr. Somchai Chongsawadchai, as proposed by the Nomination Committee, with immediate effect.
- The Board Meeting No. 6/2013 on 30 August 2013 resolved to appoint Ms. Anchalee Suebchantasiri, Executive Director, to be Managing Director, replacing Mr. Somchai Chongsawadchai, as proposed by the Nomination Committee, with effect from 1st September 2013.
- At the Annual General Meeting of Shareholders No. 36 held on 26 April 2013, it was resolved to appoint Mr. Ampol Simarajana as a Director, replacing Mr. Somchai Chongsawadchai, as proposed by the Board of Directors.

#### 2. The Certification of Roundtable on Sustainable Palm Oil (RSPO)

UPOIC has been certified for the Mass Balance (MB) Roundtable on Sustainable Palm Oil (RSPO) on 14 February 2013 covering its plantations, crushing mill, and plantations of smallholders group involved in the project. The production capacity of CPO with RSPO certified (CSPO) is about 20,000 MT/year.

#### 3. The purchase of land in Krabi for growing oil palm

As proposed by the Management, the Board Meeting No. 7/2013 on 22 October 2013 resolved to approve the purchase of land in Krabi province and to borrow fund from bank to secure the investment. The land is located in Muang Krabi District, Krabi province, which consists of 70 lots under title deeds, covering an aggregate area of 1,676 rai 51.5 sq. wah (268.16 ha) with 18,816 palm trees. The total investment is 480 million Baht. The objective is to grow oil palm trees. Sources of funds come from long-term loan from bank and the Company's own cashflow.



### 1. Part of Oil Palm Planted Areas Under Concession

The Company has around 21,349 rai of oil palm planted area held under concession, equivalent to 48% of the total planted area of the Company. This comprises Chaiburi estate of 12,881.50 rai, whose concession will expire in 1 year, and Khiansa estate of 8,467.44 rai in July 2014. The latter area overlaps with royal land whose leasing terms and conditions may be subject to alteration. There is a risk that in the future the government might not extend the concession. In such a case, the Company has to buy a higher proportion of FFB from outside sources and may face increased raw materials cost as a result. Being a major customer with good relations with growers in nearby areas and having continuously bought FFB from them, the Company is less likely to face raw material shortage. Moreover, the Company has a policy to invest more in land purchase for growing oil palms.

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

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

The government intervention created management difficulties to the Company due to its arbitrariness and lack of transparency. Furthermore, the period of time left before the ASEAN Economic Community (AEC) being effective in 2015 is not sufficient to strengthen the competitiveness. The Government has never implemented a coherent long-term policy to develop the palm oil industry to cope with such stiff competition in the future. Accordingly, intense competition from incoming free trade will have an adverse affect on farmers and all industry players.

### 3. Climate

Because the major raw material of the Company comes from agricultural product, its future financial performance is to a large extent dependent on uncontrollable factors such as weather condition, rainfall level, and the quantity of Fresh Fruit Bunch (FFB) harvested in Thailand in each season. Recently there have been fluctuations in weather phenomenon that is very uncommon. Heavy flooding in some years and severe drought in others caused the volatility in output each year or during the year, leading to government intervention.

### 4. Excess Capacity of CPO Crushing Mills

At present, there are approximately 91 CPO crushing mills, most of which are located in Krabi, Surat Thani, Chumporn, and Trang provinces, giving rise to a combined fresh fruit bunch (FFB) processing capacity of 22 million MT per year. Therefore, there is a mismatch between such overall high processing capacity and FFB output in 2013 at 12 million MT from 4.5 million rai of mature growing area. Utilisation of milling capacity is only 55% leading to competition in the buying of FFB and high prices, irrespective of quality.

The Company has taken steps to mitigate such high production cost, including its good management system, quality standard systems and participation in Energy Conservation Project and integration in the palm oil industry.

### 5. Selling of CPO to Major Customer

In 2012 and 2013, the Company sold 91% and 71% respectively of its products including CPO, CPKO, PKS and FFB to one major customer, namely Lam Soon (Thailand) Plc. (LST). While this constitutes a risk of over reliance on a single major customer, the Company has had continued good relations with LST, who is moreover also the Company's major shareholder. LST is a separate public listed company with strong financial background and has enjoyed a good reputation in the palm oil industry. For these reasons, the Company considers that the risk of losing LST as its customer or that it will encounter financial difficulty is remote. In any case, the Company can sell its products to other customers, whether for use as edible oil or as a source of alternative energy.

### **6. Major Shareholder Holds More Than 50% of Paid-Up Capital**

Lam Soon (Thailand) Public Company Limited currently holds 69.96% of the Company's paid-up capital. As a consequence, it deems that LST has the control power over the Company's policy, including over the general management. Further, having the same Managing Director might lead to the conflict of interests between the two companies arisen from the connected business transactions.

Nevertheless, the business transactions with majority shareholder, selling CPO to LST in particular, have been reviewed by the external auditor to ensure that the prices shall be the same as the transaction with the third party. In addition, the said transactions are declared in item 7 of the Notes to financial statements, as well as the transactions corresponding to the rules and regulations of the SET regarding related transactions are also mentioned.

### 2013 Overview

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

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

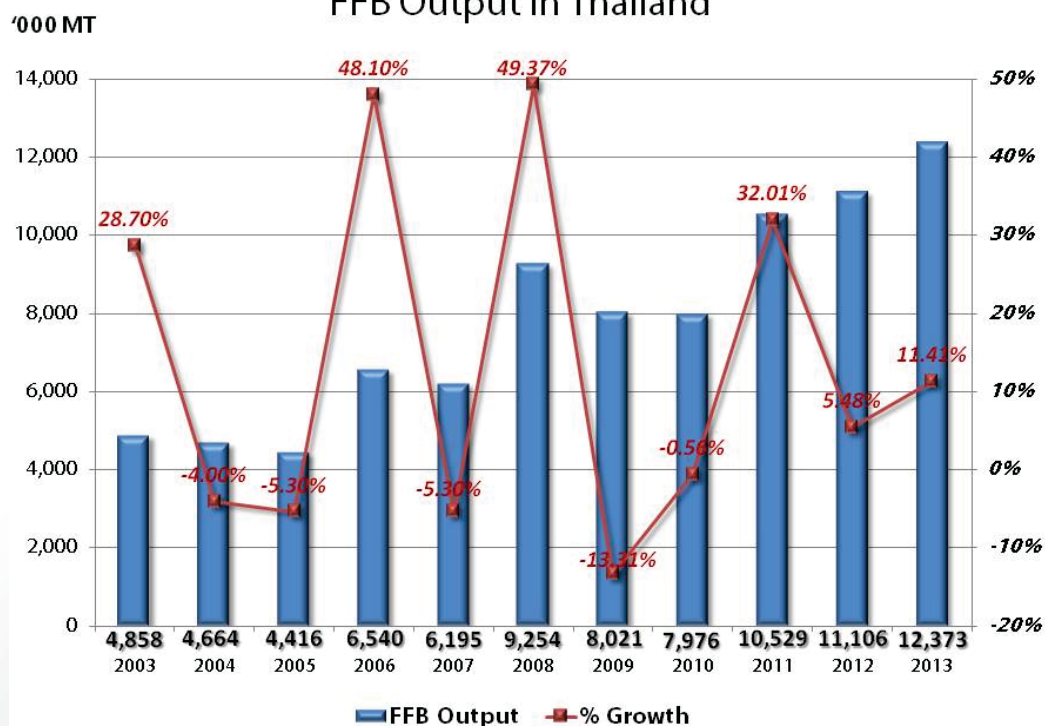
Further to the increase of the state official minimal daily wage with effect from April 2012 that has risen from 184 to 257 Baht in Krabi province. Later in January 2013, the daily wage in Krabi was announced to increase to 300 Baht, which nearly twice as high as the basic rate. As a consequence, the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

#### **FFB and CPO**

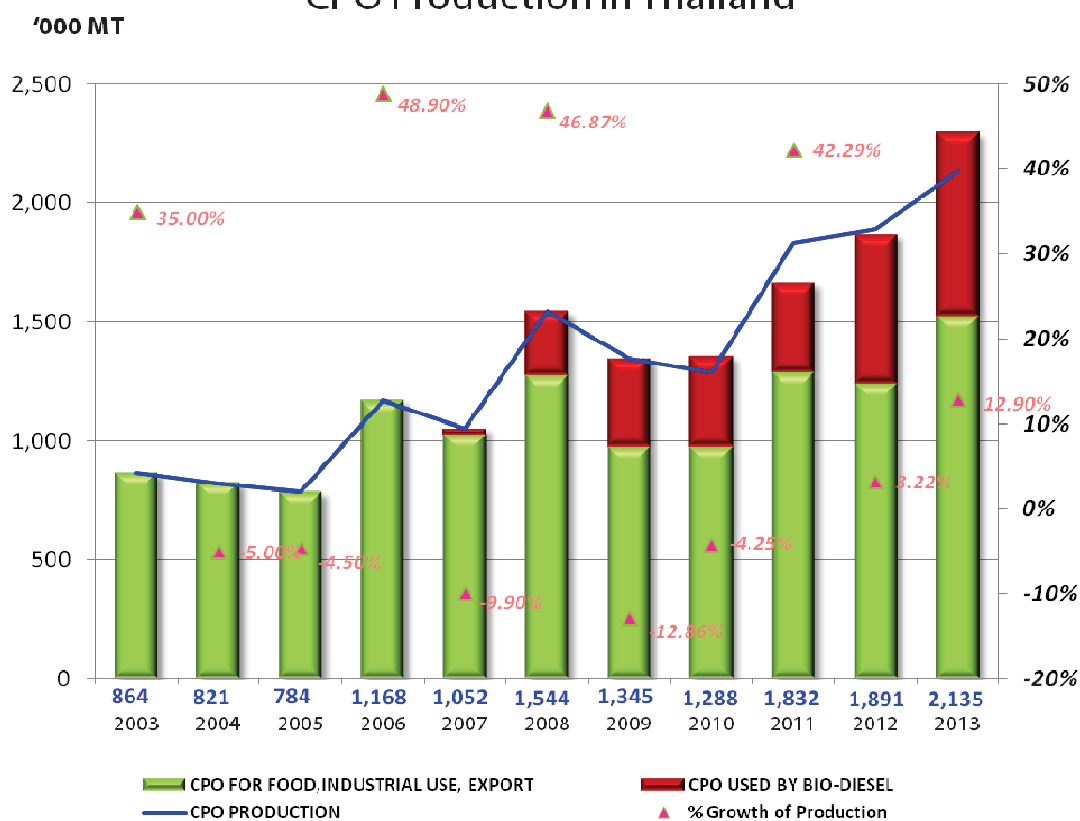
Fresh fruit bunch (FFB) produced in 2013 was 12 million MT which was higher than production in 2012 by 1,266,673 MT or 11.41%. The highest FFB output was 1,155,916 MT in January and the lowest was 717,997 MT in December. The main cause of higher crop was the increasing of mature palm planting areas of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

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

## FFB Output in Thailand



## CPO Production in Thailand





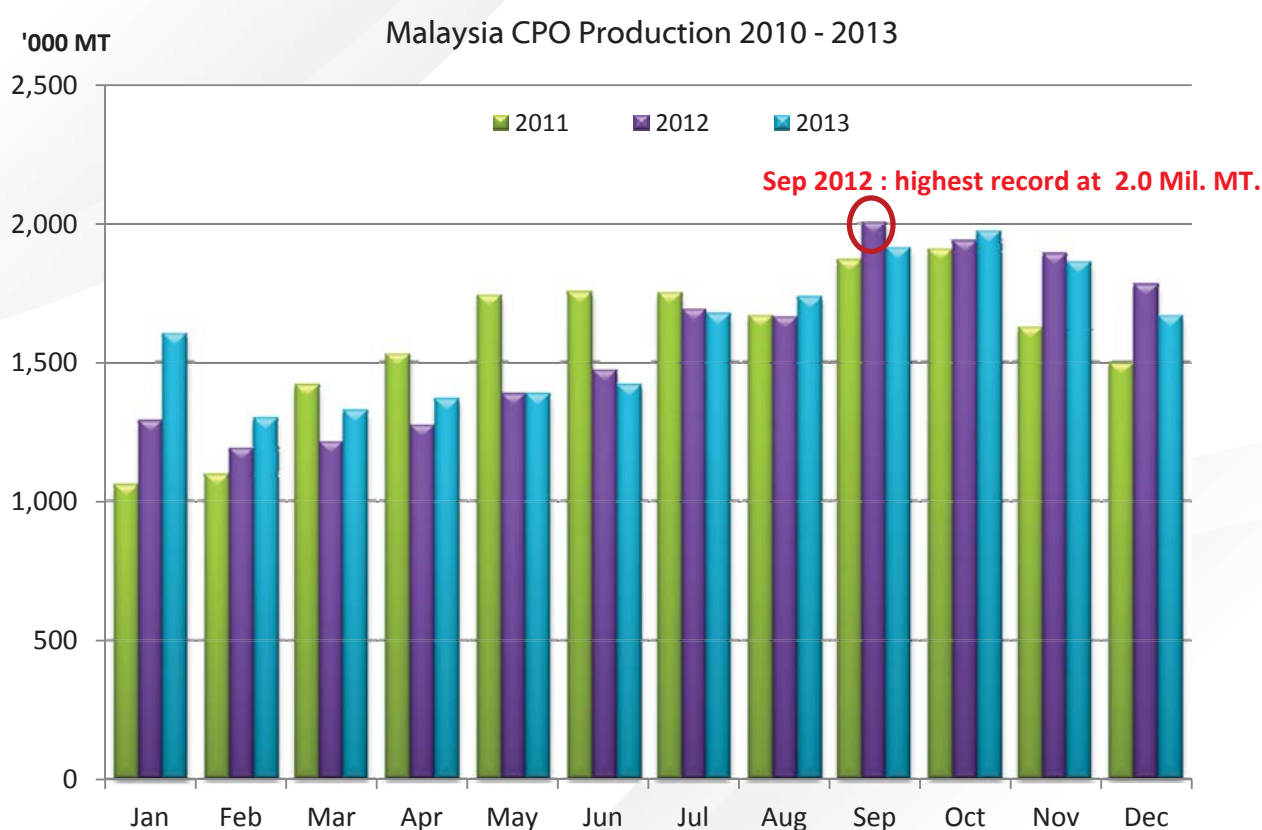
## PALM OIL INDUSTRY AND COMPETITIVENESS

### Processing capacity

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

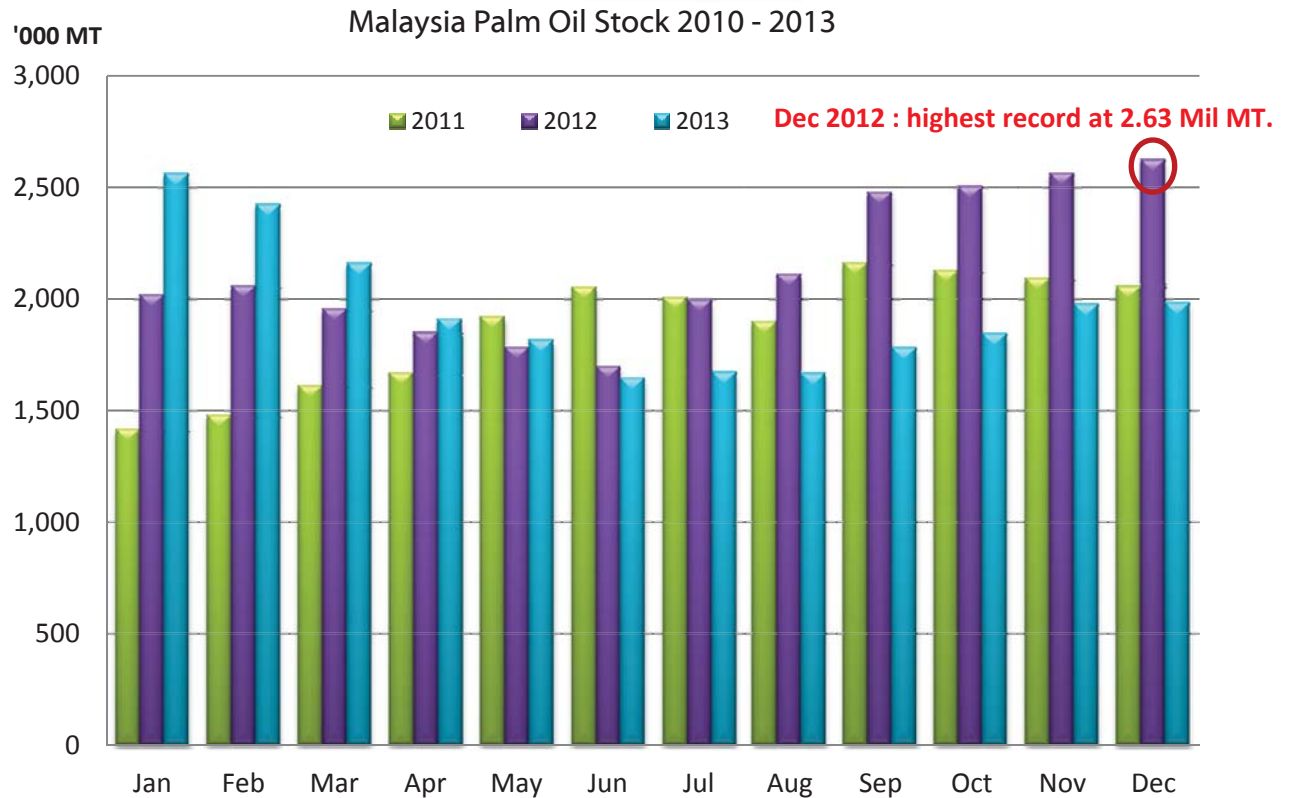
### Market Condition and Palm Oil Price

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



Source : Malaysian Palm Oil Board

## PALM OIL INDUSTRY AND COMPETITIVENESS



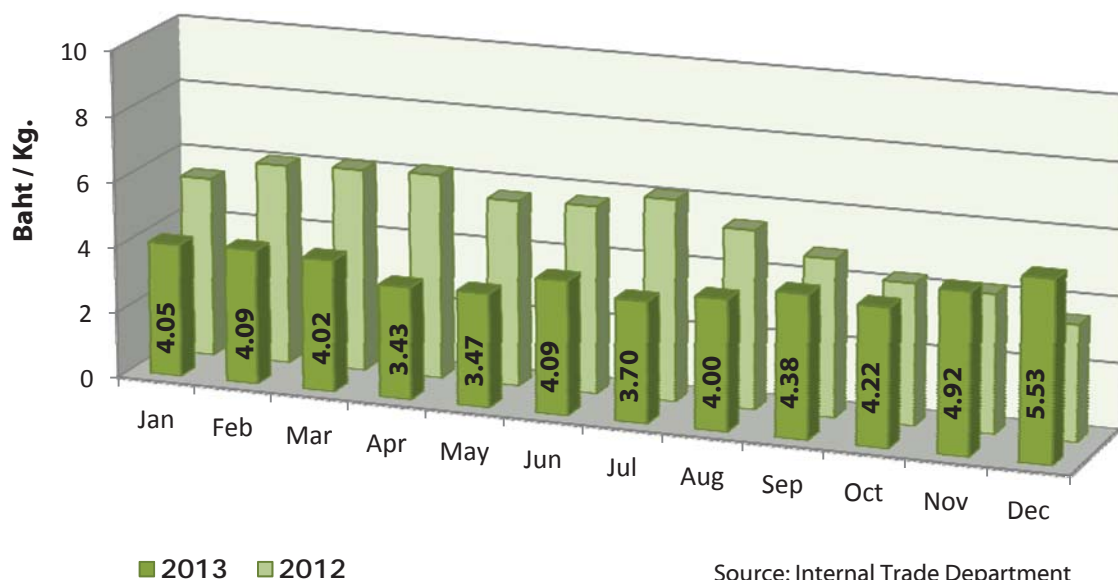
Source : Malaysian Palm Oil Board

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

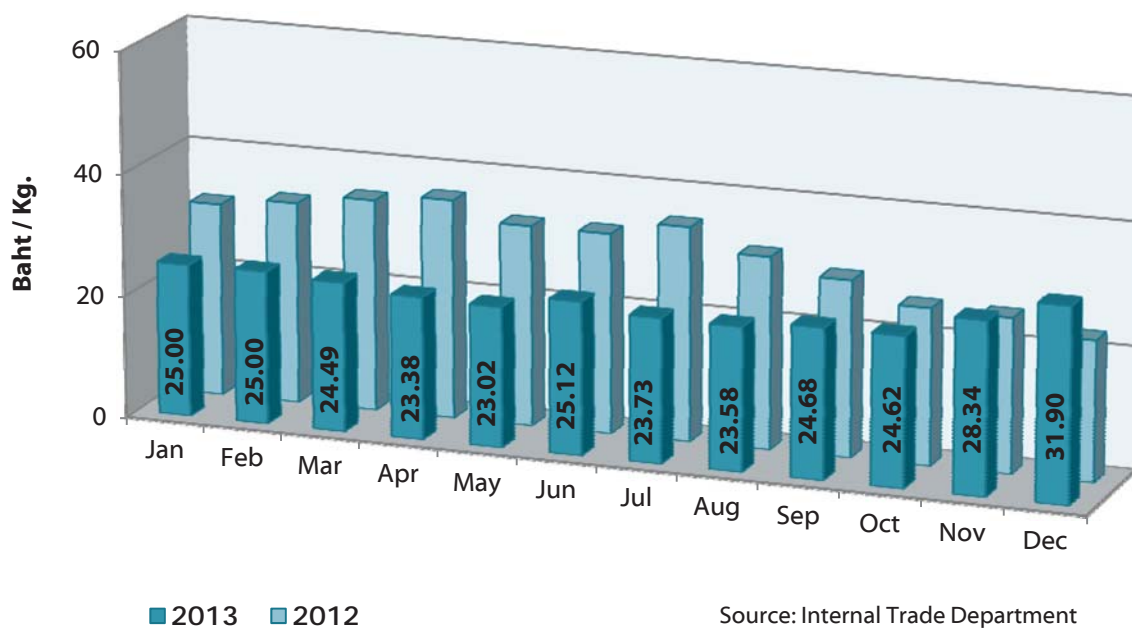


Source : Internal Trade Department

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



CPO Price movement in 2013 (Delivery to Refinery)



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

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

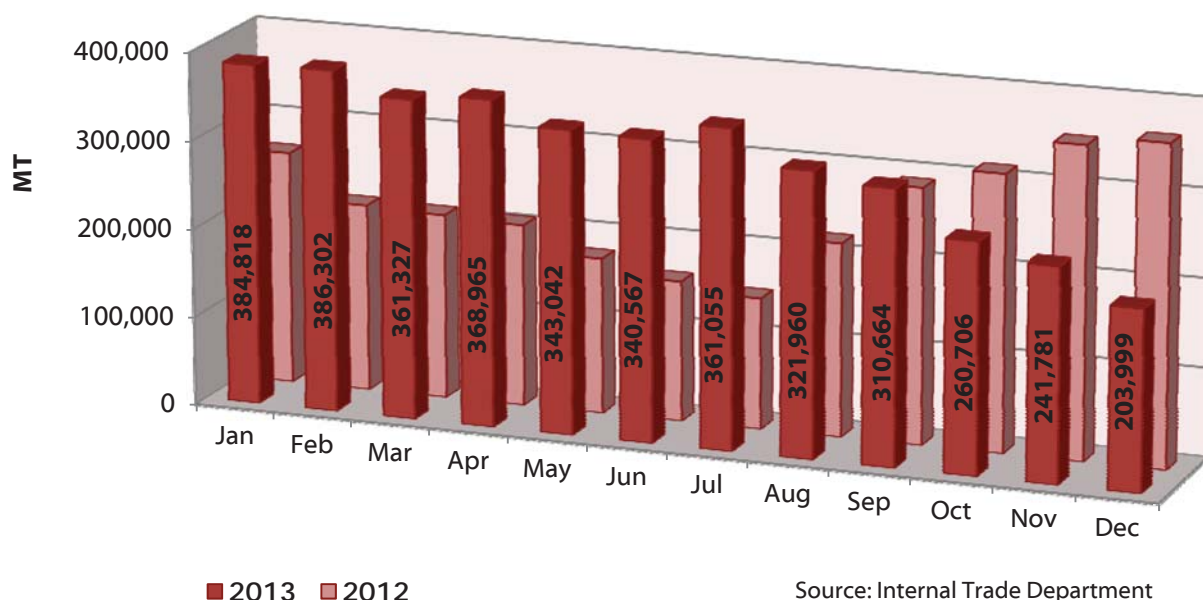
2. B7 mandatory policy, earlier announced to implement on 1 January 2014, pushed up the demand for CPO from Bio-diesel producers as they needed to prepare the B100 stock since November.

3. FFB output reduced sharply during the fourth quarter.

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

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

Stock of CPO Equivalent in 2013



### Palm Oil Production and Price Outlook for 2014

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

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



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

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

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

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

Note: \* Effective from 1<sup>st</sup> January 2013 until revised otherwise  
*Source: Malaysian Royal Customs Department*

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

## The Development of Oil Palm Industry

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

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

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

## PALM OIL INDUSTRY AND COMPETITIVENESS

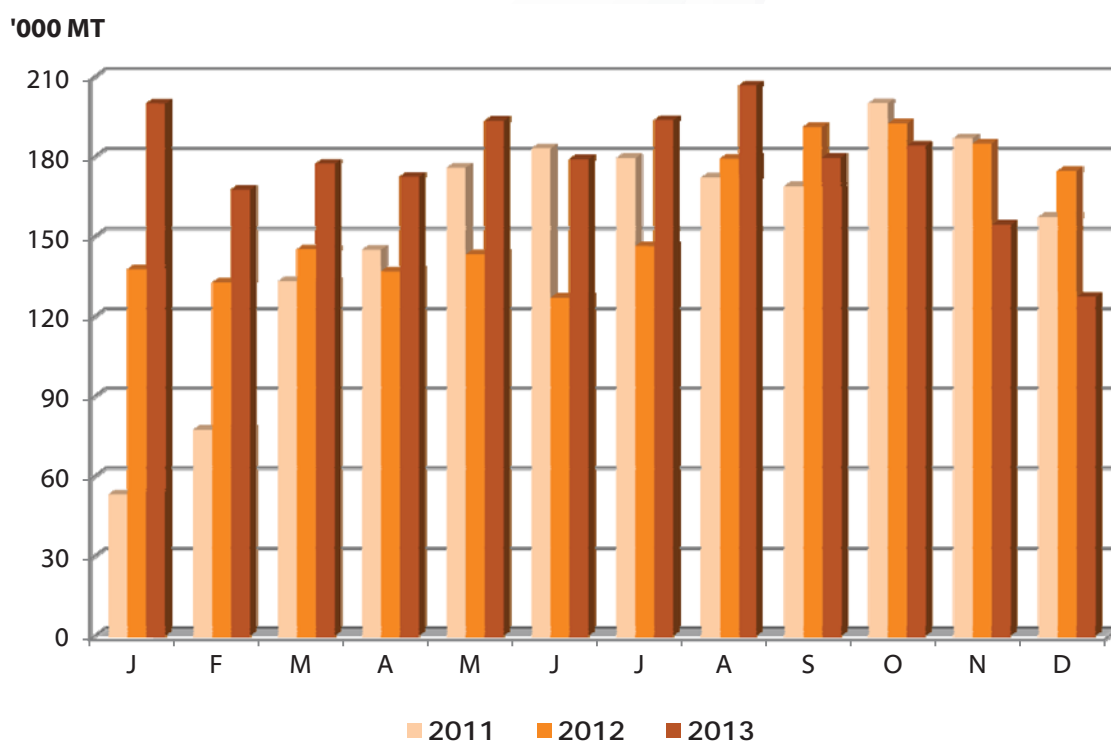
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An increase of palm oil blending proportion for Bio-diesel product worldwide will significantly increase the demand for palm oil and enhance instability of palm oil price in the absence of a comprehensive oil palm and palm oil industrial development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

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

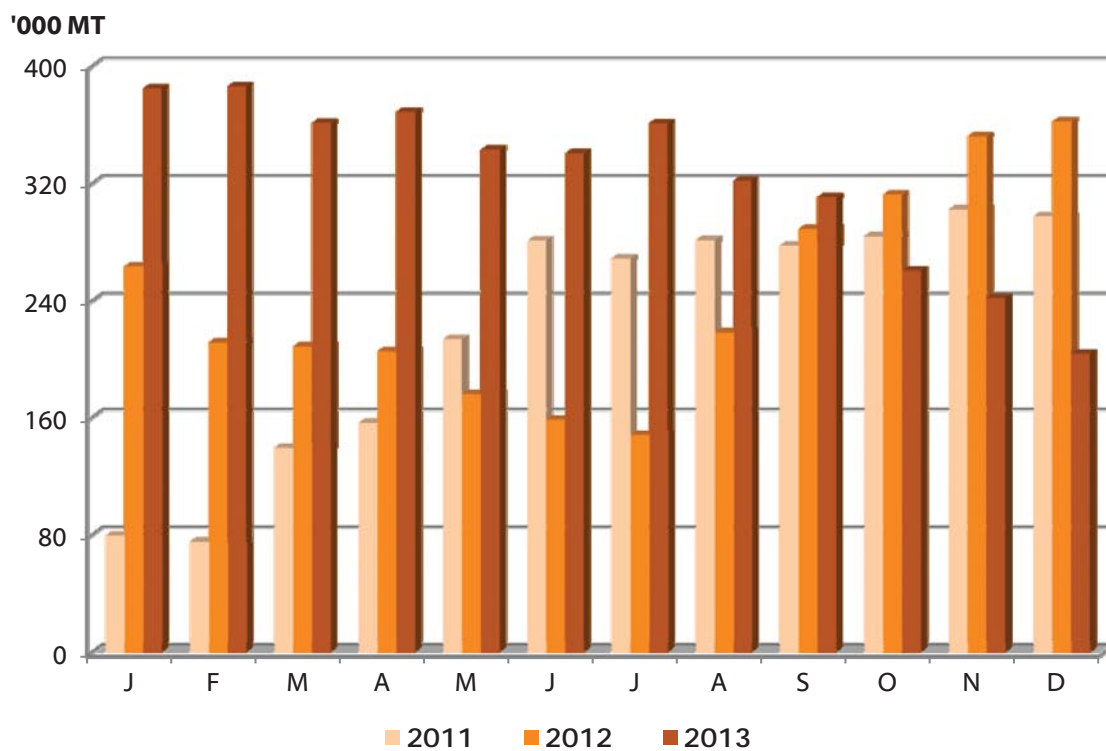
For the long term trend, the recent discovery of shale gas and tight gas as a new fossil- fuel energy source especially by the United States of America, Russia, and China is expected to have a long-term influence on stability of petroleum price for particular might not surge rapidly as happened in the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

## PRODUCTION OF CPO



Source: Internal Trade Department

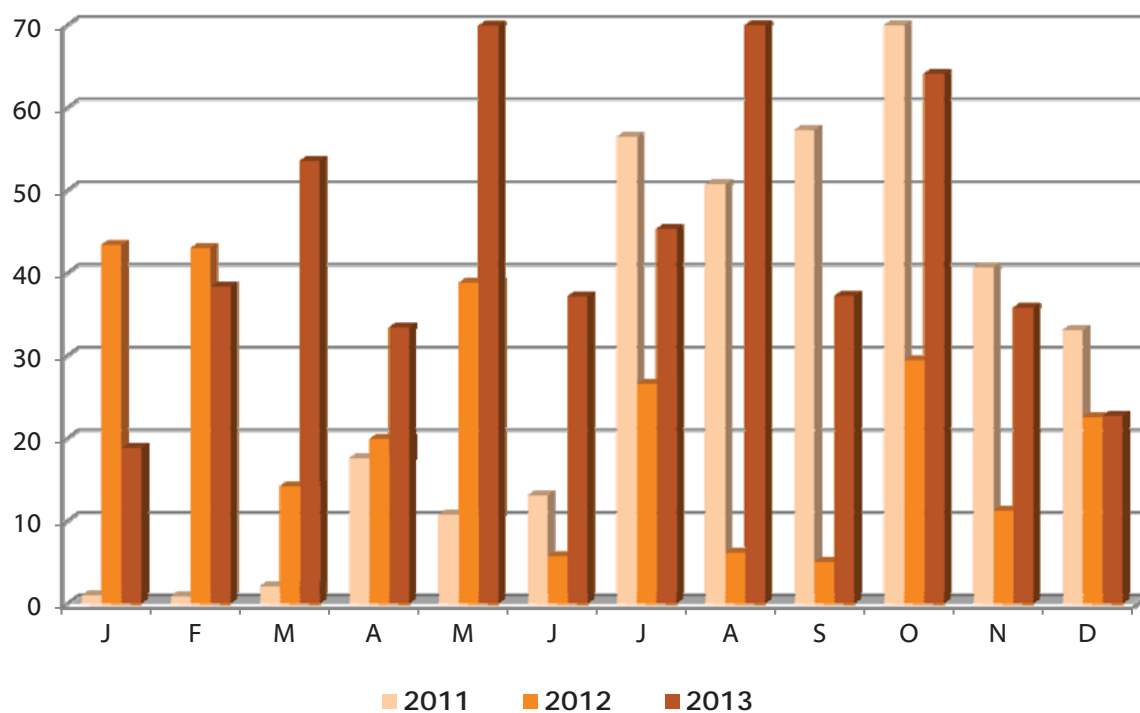
## CLOSING STOCK OF PALM OIL



Source: Internal Trade Department

## EXPORT OF PALM OIL

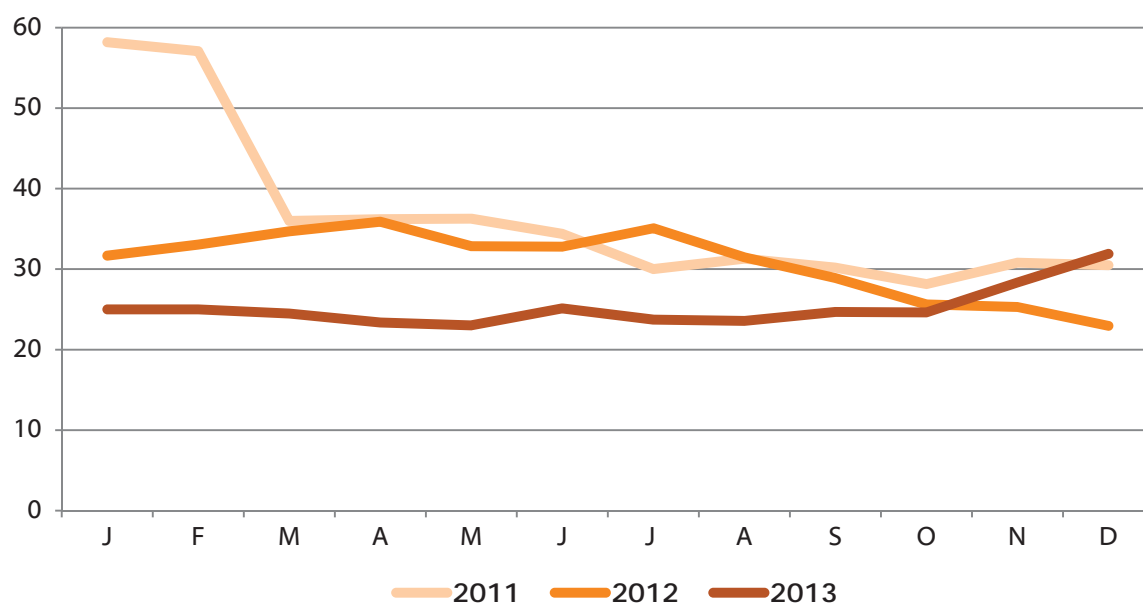
'000 MT



Source: Internal Trade Department

## LOCAL DELIVERED CPO PRICE

Baht/Kg



Source: Internal Trade Department



### Environment and Corporate Social Responsibility Overview

United Palm Oil Industry Public Company Limited conducts its business with the awareness of social and environmental responsibility to enhance the sustainable growth of the organisation as well as the society. Hence, the below Vision and Mission have been established in accordance with the normal operation.

#### Vision

The leading sustainable palm oil business company with operational excellence, international best practices, and world-class competitive strengths

#### Mission

1. Building capacity in entire palm oil business value chain from seeding, germinating, plantation, crop oil extraction and related business so as to be competitive and recognizing in the future
2. Performing the high value palm oil business by focusing in research and development of palm seed breeding of seed with high yield and adaptable to a range of cultivation area to fulfill grower requirements as well as providing the best services
3. Employing advanced technology in production, research and development with international management system as well as taking care of the environment, biodiversity, communities, and society.
4. Always ensuring the health, safety, and welfare of all employees and building trust and confidence among our customers, grower/suppliers and generate return to shareholders and other stakeholders appropriately.

The Company has a policy to focus on producing sustainable palm oil under RSPO (Roundtable on Sustainable Palm Oil) scheme. The Company's crushing mill and plantations have been certified the Mass Balance (MB) RSPO on 14 February 2013. The Company can also generate electricity power from biogas and biomass, and have been registered for the Clean Development Mechanism (CDM) Project. Furthermore, the Company respects the rights of the various groups of stakeholders, not only internal groups such as the employees but also other stakeholders such as shareholders, creditors, customers, trading partners, competitors, communities and society. The Company shall give fair treatment to all parties including employees, customers, trading partners, or any personnel regardless of nationality, race, religion, language, age, gender, and marital status or others. However, since the expectations of stakeholders might vary, the Company shall consider their legal rights thoroughly and carefully to ensure that such rights are protected and treated equitably. In respect of each group of stakeholders, the Company is resolved to follow the practices toward stakeholders which have been set up in the policy.

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

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

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

#### 2. anti-corruption

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

#### 3. Respect of human rights

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

#### 4. Treat employees on fair basis

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

### 5. Responsibility to customers

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

- ISO 9001 being a quality management system, aiming to the quality assurance and conformity.
- OHSAS 18001 being a standard for occupational health and safety management systems.
- ISO 14001, an environmental management system that exists to help organisation improve and develop the environment continuously.
- Roundtable on Sustainable Palm Oil (RSPO) being a good practice to promote the sustainable palm oil production in aspects of economic, social, communities, environment, and law conformity of various stakeholders from upstream to downstream.

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

### 6. Take care of environment

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

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

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

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

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

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

Furthermore, the Company has collaborated to develop oil palm planting material which is high yielding (around 4 – 5 MT/rai/year fresh fruit bunch for medium condition), drought tolerance, and slow vertical growth. As the result, the harvesting period can be extended to more than 30 years and contribute to efficient use of land and high return on investment that sustains environment.

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

### 1) Blood donation scheme

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



### 2) Support the National Children Day 2013

On 11 January 2013, UPOIC donated cash to support the National Children Day as follows:-

- Krabi Noi estate donated to Tung Pa Yom School
- Chaiburi estate granted scholarships for students with good academic result at Baan Klong Pung Klang School, Chaiburi, Surat Thani



### 3) Dam construction

On 12 February and 6 May 2013, Kao Khen estate of UPOIC built a first dam at Koke Sae, and a second dam at Kuan Tang, and planted vetiver grass to slow down water flow and store water for usage in drought season. In addition, this will give benefit the neighbor communities, and to build a good relationship between the Company and its communities around oil palm plantation area, responding to the King's initiated project on community irrigation.



### 4) Funded the procurement of crowd control uniform and equipments for ditch dredging and drains for Chaiburi Provincial Police Station

On 19 March 2013, Chaiburi estate of UPOIC donated funds to purchase crowd control uniform and equipments for ditch dredging and drains for Chaiburi Provincial Police Station.





### 5) Participated in exhibition of Economic Forest Plantation Conservation and Sustainable Development Project

On 12 February 2013, Chaiburi estate of UPOIC joining with the Klong Tom Forestry Office organised the exhibition of Economic Forest Plantation Conservation and Sustainable Development Project by constructing dams according to the King's initiated project. The Company funded to the youth training and dam construction.



### 6) Fish releasing charity dedicated to His Majesty the King and Her Majesty the Queen

On 7 March 2013, Koh Noi estate of UPOIC with community leaders in area of Moo 7, Tambon Bangsawan, Prasang District, Surat Thani and nearby people joined the project to release fish into the canal dedicating to the H.M. the King and H.M. the Queen.

On 6 August 2013, UPOIC together with Inland Fisheries Research and Development Center of Surat Thani and Nakhonsri Thamarat , including government officers and residents living at Bang Sawan Sub-District jointly released 300,000 fish into Morrakot Pool at Moo3, Bang Sawan Sub-District, Prasaeng District, Surat Thani, to create good relationship with communities around the Company's estates, and to preserve the environment.





### 7) Songkran Festival

On 12 April 2013, UPOIC organised the Songkran Day activities at Krabi office and made a merit by offering dry food to monks in the morning, doing "Rot Nam Dam Hua" (a traditional way to pour water on the hands of respected elders and ask for blessing), and bathing Buddhist statue to prolong the tradition and bless all employees.



### 8) Lectured and participated the exhibition of the National Oil Palm Project

On 24 April 2013, UPOIC and its jointly controlled entity Siam Elite Palm Co., Ltd. together with government agencies and the other related companies participated the exhibition and seminar for the National Oil Palm Project to educate to palm oil growers in Surat Thani and nearby area.



### 9) Supported and participated the “Baan Huay Rieng Cup” football competition

On 10 March 2013, Khiansa estate of UPOIC cooperatively held football competition namely the “Baan Huay Rieng Cup” to raise fund for the sport development in village at the Suksa Prachakom School’s field at Moo5, Tambon Kiansa, Ampur Kiansa, Surat Thani.



### 10) Construction of Police Booth for Koh Noi Village

On 2 August 2013, Koh Noi estate of UPOIC, together with Prasaeng Provincial Police Station, built a public service police booth at Moo2 Bangsawan Sub-District, Praseang District, Surat Thani, to use as a police booth for the village particularly.



### 11) Granted the educational toys for children development center, Huayyoong Sub-District Administrative Organization, Nua Klong District, Krabi

On 3 August 2013, UPOIC brought educational toys to children development center, Huayyoong Sub-District Administrative Organization, Nua Klong District, Krabi, so there would be modern toys and sufficient to the number of children, to help with the skill development for children, and to build a good relation between the Company and the community.



### 12) Virtue and Morality Camping Project

UPOIC participated in the Virtue and Morality Camping Project with Huay Yoong Sub-District Administrative Organization and 6 schools under the responsibility of OBEC (Office of The Basic Education Commission) from 21 – 23 August 2013 at Koke Kiem Temple, Tambon Huay Yoong, Nua Klong District, Krabi. The objective of this project was to allow young students to understand the virtue and morality, to utilize in daily life. Not only the company received good image, but this would also create good and happy students who has rational of living with virtue and morality in them to prevent them from illegal drugs.





### 13) Food offering to monk during Buddhist Lent Ceremony

On 22 September 2013, UPOIC Baan Mark Plantation making merit for the Buddhist Lent Ceremony in Community in Moo 6 (Baan Mark) Tambon Bangsawan, Praseang District, Suratthani to preserve the Thai cultures. People in Baan Mark community took turn, 3-4 families a day, to offer lunch to monk until the end of lent period. This activity allowed company staff and community residents to make merits together, get together, dine together, and build the community unity.



### 14) End of Buddhist Lent Ceremony at Plai-Rik Monk Sanctuary

On 2 November 2013, UPOIC Kiensa Plantation participated in the community activity to build good relation amongst staff and people in surrounding area, and to inherit the ceremony with the Buddhism religion at Plai-Rik Monk Sanctuary in Kiensa District, Surat Thani.



## Financial Overview

### Financial performance analysis and explanation

#### 1. Review of operations

##### Estate operations

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

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

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

##### Mill operations

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

The cost of purchased crops reduced by 19.9% from market mechanism and demand supply, whereas the cost of its own crops slightly increased by 0.5%. Therefore, the average cost of total FFB processed decreased by 14.1%. The CPO processing cost of crushing mill, on the contrary, increased by 17.2% when compared with 2012 because of machinery maintenance expenses increasing by 29.7% from 2012.

Under corporate income tax privilege no. 1043(2)/2548, dated January 18, 2005 from the Board of Investment for CPO and Palm Kernel Seed production capacity at 15 MT FFB/hour and for electricity produced from biomass power plant at 1.2 Megawatt, the Company is exempted from corporate income tax on business operation of an aggregate value not higher than 100% of investment value (excluding land value and working capital) for 8 years starting from the first date of realising income since January 7, 2009.

Under corporate income tax privilege no. 2245(9)/2550, dated December 18, 2007 from the Board of Investment for electricity produced from biogas power plant for 2 Megawatt, the Company is exempted from corporate income tax on business operation for 8 years starting from the first date of realising income since February 16, 2010.

Additionally the BOI privilege no. 1262(2)/2550, dated March 13, 2007 for the project of oil palm seed propagation provided exemption of corporate income tax on business operation for 8 years starting from the first date of realizing income. Its jointly controlled entity has not yet started to execute the BOI privilege for this project.

##### Sales

Total sales of the group in 2013 decreased by 184.1 million Baht or 12.0% from 2012. This was because of the decrease in average CPO and CPKO prices by 22.0% and 30.3% respectively. On the other hand, the sales volume of CPO and CPKO increased by 10.8% and 50% respectively.

##### Cost of Sales and Selling and Administrative Expenses

- Cost of sales in 2013 increased to 76.0% of net sales (2012 : 71.3%) because the average selling prices of CPO and CPKO decreased by 22.0% and 30.3% respectively.
- Administrative expenses dropped by 4.2 million Baht from salary, employee expenses and legal fee decreasing.



## MANAGEMENT DISCUSSION AND ANALYSIS

- Other expenses increased by 4.1 million Baht because of an expense on removing palms at Krabi Noi Estate 2.5 million Baht, and interest expense 1.6 million arisen from the loan to purchase land in Tub Prik Estate, Krabi.

### **Consolidated Profits**

As mentioned above, the decrease in sales turnover at 12%, caused by the average selling prices of CPO and CPKO decreasing by 22% and 30.3% respectively drove the group to record lower gross profit by 116.9 million Baht or 26.5%. Moreover, the Company recorded lower income from selling sludge oil by 24.4 million Baht. The group therefore recorded a decrease in net profit of 107.2 million Baht or 32.7% lower than 2012; earnings per share (EPS) in 2013 was 0.68 Baht (2012 : 1.01 Baht).

### **Return on Shareholders' Equity**

With the lower net profit by 107.2 million Baht, return on shareholders' equity reduced from 31.42% in 2012 to 20.02% in 2013.

### **Dividend payout ratio**

In May 2013 the Company paid dividend for the last quarter of the 2012 financial year at the rate of 0.30 Baht per share. Combining with the 0.60 Baht per share interim dividend of 2012, the total dividend paid for the 2012 financial year amounted to 0.90 Baht per share, representing a payout ratio of 89.11% of its net profit.

In addition, during 2013, UPOIC already paid an interim dividend for the 2013 operating result at the rate of 0.20 Baht/share, combining with the 0.40 Baht per share dividend of the last half 2013, the total dividend for the 2013 financial year amounted to 0.60 Baht per share, representing a payout ratio of 88.00% of its net profit. UPOIC has a policy of paying not less than 50% of net profit after tax as dividend.

### **Book value (weighted average number of ordinary shares)**

As at December 31, 2013, the book value per share of UPOIC was 3.40 Baht (weighted average number of shares at 324.05 million shares), a slight increase compared to 3.22 Baht in 2012 (weighted average number of shares at 324.05 million shares).

## **2. Financial position**

### **Assets**

The Company and its subsidiary have total assets of 1,500.9 million Baht, compared with 1,174.1 million in 2012, accounting to 27.8% increase. Return on assets decreased to 14.7% (2012 : 27.8%). The major factors for which are as follows:-

- Cash and cash equivalents decreased by 17.4 million Baht due to lower operating results.
- Trade accounts receivable decreased by 38.5 million Baht.
- Inventories decreased by 74 million Baht mainly due to the decrease in CPO stock of 68.7 million Baht.
- Net property, plant, and equipment increased by 442.7 million Baht, derived from the purchase of land in Tub Prik, Krabi.

## **3. Source of Fund**

### **The structure of capital**

The Company and its subsidiary had total debt to shareholders' equity ratio at 0.36 times in 2013 (2012 : 0.13). This was because of the debt amounting 300 million Baht occurred in 2013 derived from the investment to purchase the land in Tub Prik, Krabi. However, the major source of fund derived from shareholders' equity which stemmed from the operating performance of each year.

### **Shareholders' equity**

Even though the Company and its subsidiaries recorded net profit in 2013 decreasing from 2012 by 107.2 million Baht, shareholders' equity increased by 58.6 million Baht from 2012. This was because the Company paid the interim dividend of 2013 decreasing from 2012 by 194 million Baht.

### **Liabilities**

The Company and its subsidiary recorded liabilities at 398.9 million Baht, comprising current liabilities at 162.3 million Baht and non-current liabilities at 236.6 million Baht. This was an increase of 268.3 million Baht from 2012 or 205.5%, due to:-

- Trade accounts payable decreasing by 12.4 million Baht as a result of payables for fertilizer decreasing by 9.4 million Baht.
- Accrued corporate income tax decreasing by 20.9 million Baht following the lower net profit and tax rate.
- The reserve of the amount of employee benefits increasing by 4.5 million Baht according to the Accounting Standards No. 19 (IAS 19) re: Employee Benefits.
- The long-term loan increased by 300 million Baht from the borrowing from financial institution to purchase the land in Tub Prik, Krabi.

### **Financial liquidity**

#### **Cash flows**

At the end of 2013, the Company and its subsidiary recorded cash and cash equivalents at 172.8 million Baht, decreasing by 17.4 million Baht from 190.2 million Baht at the end of 2012. The major reasons are as follows:

- Net cash flows from operating activities of 401.4 million Baht increasing by 15.5 million Baht from 2012 was because of lower trade accounts receivable and inventories as stated above.
- Net cash flows used in investing activities of 556.7 million Baht increasing by 446.2 million Baht when compared with 110.5 million Baht in 2012 because of the investment in land in Tub Prik, Krabi.
- Net cash flows from financial activities amounting to 137.9 million Baht derived from the borrowing fund to invest in land purchase in Tub Prik, Krabi amounting 300 million Baht as explained above. Besides, dividend paid from the operating results of Q4/2012 and 6M/2013 at 162.1 million Baht decreased by 194.3 million Baht from 2012 which was paid at 356.4 million Baht.

Thus, in 2013 the Company and its subsidiary had net decrease in cash and cash equivalent of 17.4 million Baht combined with cash at the beginning of 2013 amounting 190.2 million Baht. Therefore, cash and cash equivalent at December 31, 2013 was 172.8 million Baht.

### **Financial ratios**

- The ratio of current assets to current liabilities was 1.65 times in 2013, decreasing from 4.04 times in 2012 because of lower trade accounts receivable and inventories.
- The quick ratio in 2013 was 1.30 times (2012 : 2.72 times) because of lower trade accounts receivable and higher current liabilities.
- The ratio of cash flow from operating activities to current liabilities was 2.47 times in 2013 (2012 : 3.92 times) owing to current liabilities increasing.

## **4. Capital expenditure**

Capital expenditure was incurred mostly for the land purchase of oil palm growing, replanting programme, and improvement of mill efficiency.

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

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

Since the raw material of the Company is the agricultural product, its financial performance therefore depends largely on uncontrollable factors including climate condition, rainfall amount, supply of raw material output in each season, and the volatility of palm oil price. Apart from those, renewal of the concession lands which are nearly expired within 2014 is also considerable factor which cannot be predicted depending on the government policy.

Furthermore, the rapidly increasing number of crushing mills enhances strong FFB procurement competition regardless the oil palm quality. All of mentioned above factors materially impact the future financial performance of the Company.

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

### Remuneration of statutory auditor

#### 1) Audit Fee

The Company, its subsidiaries, and the related companies nominated the same office of the statutory auditor and paid audit fee as follows:-

Audit Fee (Baht)	2013	2014
for the Company	930,000	930,000
for one subsidiary	60,000	60,000
for related companies	295,000	295,000
<b>Total</b>	<b>1,285,000</b>	<b>1,285,000</b>

#### 2) Non-Audit Fee

Apart from the Audit Fee, the Company paid a fee to the statutory auditor for verifying BOI project including imported machineries and corporate income tax submission at the rate of 100,000 Baht per project as follows:-

Non-Audit Fee (for BOI project) (Baht)	2013	2014
for the Company	100,000	200,000
for related company	-0-	100,000
<b>Total</b>	<b>100,000</b>	<b>300,000</b>

## SHAREHOLDERS AND MANAGEMENT

### Shareholders

As at 23 August 2013, the top 10 shareholders and their holdings are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Lam Soon (Thailand) Plc.*	69.96
(2) Wattanachote Co., Ltd.	5.79
(3) Mr. Somkiat Peetakanonda	1.68
(4) Thai NVDR Co., Ltd.	1.37
(5) Mr. Thammanoon Sahadithdamrong	1.18
(6) Wattanasophonpanich Co., Ltd.	1.12
(7) Mr. Dusadee Thanissaranont	0.74
(8) GreenSpot Co., Ltd.	0.73
(9) Mr. Chawalit Tsao	0.71
(10) Mrs. Nancy Chalermkanjana	0.62

**Source :** Thailand Securities Depository Co., Ltd.

\* Lam Soon (Thailand) Plc. is a manufacturer and distributor of vegetable oil products, margarine and shortening. As at 8 May 2013, shareholders holding not less than 10% of Lam Soon (Thailand) Plc. are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Lam Soon Holding Co., Ltd.	42.11
(2) Hap Seng Consolidated Berhad	20.00
(3) CIMB-Securities (Singapore) Pte Ltd	10.99

**Source :** Thailand Securities Depository Co., Ltd.

### Board of Directors and Management Committee

#### 1. The Composition of Board of Directors and Sub-committees

##### Board of Directors

(1) Mr. Thira Wipuchanin	Independent Director and Chairman of the Board
(2) Ms. Anchalee Suebchantasiri	Vice-Chairman of the Board of Directors and Managing Director
(3) Vilas Sinswat, Ph.D.	Independent Director
(4) ) Mr. Sangiam Santad	Independent Director
(5) Mr. Whang Shang Ying	Director
(6) Ms. Piyathida Sukchan	Executive Director
(7) Mr. Ampol Simarajana	Executive Director
(8) Mr. Yut Sakdejayont	Company Secretary

##### Audit Committee

(1) Mr. Thira Wipuchanin	Independent Director and Chairman of Audit Committee
(2) Vilas Sinswat, Ph.D.	Independent Director
(3) Mr. Sangiam Santad	Independent Director
(4) Mr. Yut Sakdejayont	Secretary to Audit Committee

##### Nomination Committee

(1) Vilas Sinswat, Ph.D.	Independent Director and Chairman of Nomination Committee
(2) Mr. Thira Wipuchanin	Independent Director
(3) Mr. Sangiam Santad	Independent Director
(4) Mr. Whang Shang Ying	Director

##### Remuneration Committee

(1) Vilas Sinswat, Ph.D.	Independent Director and Chairman of Remuneration Committee
(2) Mr. Thira Wipuchanin	Independent Director
(3) Mr. Sangiam Santad	Independent Director
(4) Mr. Whang Shang Ying	Director

The details of duties and responsibilities of the Board and Sub-committees were presented in item 5.2 under "REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE".

**The following member of the Audit Committee has an experience in reviewing financial statements.**

Member of the Audit Committee	Experience in reviewing financial statements
Mr. Thira Wipuchanin (The Chairman of the Audit Committee)	Was Senior Executive Vice President (SEVP), Export-Import Bank of Thailand (1997-2003)

#### 2. The Criteria on recruiting Directors and Management

The Nomination Committee is to recruit the suitable candidates to replace directors whose terms are expired in April 2014 by including the consideration of candidates proposed by shareholders under the rules and criteria regarding director nomination before submitting to the Board for further consideration. The Board shall submit a list of suitable candidates to the shareholders meeting for final approval. The qualification of such persons must conform to SEC regulations, and they must be knowledgeable and possess the relevant experience beneficial to the Company.

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

In accordance with the Company's Articles of Association, the Company has not determined the number of directors based on proportionate shareholdings in the Company but the election for directors can be done as cumulative voting, which will allow shareholders to vote electing Directors based on proportionate shareholdings.



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

In 2013, the Board of Directors held 8 meetings (4 regular meetings and 4 extra meetings), with attendance of each member shown as below:-

Name	Attendance / Total Meetings
(1) Mr. Thira Wipuchanin	8/8
(2) Ms. Anchalee Suebchantasiri	8/8
(3) Vilas Sinswat, Ph.D.	8/8
(4) Mr. Sangiam Santad	8/8
(5) Mr. Whang Shang Ying	5/8
(6) Ms. Piyathida Sukchan	7/8
(7) Mr. Ampol Simarojana	6/8

### 4. Names and Position of the Management

Name	Position
(1) Ms. Anchalee Suebchantasiri	Managing Director
(2) Ms. Piyathida Sukchan	Executive Director
(3) Mr. Ampol Simarojana	Executive Director
(4) Mrs. Yupadee Opaspimoltham	Sales & Quality Assurance Manager
(5) Mr. Supathrapong Chanpanich	Factory Manager
(6) Mr. Sarut Cholathan	Plantation Manager
(7) Ms. Tiamros Jinakun	Accounting Manager
(8) Mr. Chanutt Saengaroon	Human Resources Manager

### 5. Details of Executive Board and Company Executives

#### (1) Mr. Thira Wipuchanin

Independent Director, Chairman of the Board, Chairman of Audit Committee,  
Member of Remuneration Committee, Member of Nomination Committee

Age : 65 years

Nationality : Thai

% of share holding : None

The number of directorships in listed companies

- Chairman : 3 companies

- Director : 5 companies

Number of years as a director : 19 years (date of appointment : 24 May 1995)

Family relation with management : None

Education : BA Business Administration and Economics,  
University of Wisconsin, U.S.A.

Director Training Programme : Certificate of Completion DCP 6/2001, ACP 5/2005, DCP  
Refresher 1/2005 from Thai Institute of Directors (IOD)

Position in other listed companies :

■ Independent Director and Chairman of the Board, Precious Shipping Plc.

■ Independent Director and Member of Audit Committee, Siam Macro Plc.

■ Independent Director and Chairman of Audit Committee,  
Bangkok First Investment & Trust Plc.

■ Chairman, Interhides Plc.

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

Other Experience :

☐ Independent Director, Privatisation Committee of TOT, CAT, PTT, AAT

☐ Senior Executive Vice President (SEVP), Export-Import Bank of Thailand

Meeting Attendance in 2013 : Attending the Board Meeting 8 times out of 8 times  
Attending the AC Meeting 4 times out of 4 times  
Attending the RC Meeting 4 times out of 4 times  
Attending the NC Meeting 3 times out of 3 times

**Note :** ■ *present* □ *past*

- (2) **Ms. Anchalee Suebchantasiri**  
Vice-Chairman of the Board and Managing Director  
Age : 55 years  
Nationality : Thai  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 2 companies  
Number of years as a director : 11 years (date of appointment : 18 June 2003)  
Family relation with management : None  
Education : Bachelor's degree in Accountancy, Thammasat University;  
Director Training Programme : Certificate of Completion DCP 36/2003 and CSP 26/2008 from Thai Institute of Directors (IOD)
- Position in other listed companies :  
■ Managing Director, Lam Soon (Thailand) Plc.
- Other Experience :  
■ Director, Lam Soon Holding Co., Ltd.  
■ Director, Bangkok Edible Oil Co., Ltd.  
■ Director, Phansrivivat Co., Ltd.  
■ Director, Phansri Co., Ltd.  
■ Director, Prachak Vivat Co., Ltd.  
■ Chairman of Board of Directors, Siam Elite Palm Co., Ltd.
- Meeting Attendance in 2013 : Attending the Board Meeting 8 times out of 8 times
- (3) **Vilas Sinswat, Ph.D.**  
Independent Director, Member of Audit Committee,  
Chairman of Remuneration Committee, Chairman of Nomination Committee
- Age : 70 years  
Nationality : Thai  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 1 company  
Number of years as a director : 21 years (date of appointment : 28 May 1993)  
Family relation with management : None  
Education : Doctor of Philosophy (Engineering),  
Cambridge University, United Kingdom  
Director Training Programme : Certificate of Completion DAP 29/2004, ACP 4/2005,  
DCP 56/2005, FND 15/2005, QFR 3/2006 from Thai Institute of Directors (IOD)
- Position in other listed companies : None  
Position in companies with relating business (specify only non-executive director) : None
- Other Experience :  
■ Director, Chotechalit Co., Ltd.  
■ Director, C.S. Capital Co., Ltd.
- Meeting Attendance in 2013 : Attending the Board Meeting 8 times out of 8 times  
Attending the AC Meeting 4 times out of 4 times  
Attending the RC Meeting 4 times out of 4 times  
Attending the NC Meeting 3 times out of 3 times

**Note :** ■ *present* □ *past*

## SHAREHOLDERS AND MANAGEMENT

### (4) Mr. Sangiam Santad

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

Age : 67 years  
Nationality : Thai  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 1 company  
Number of years as a director : 2 years (date of appointment : 27 April 2012)  
Family relation with management : None  
Education : M.P.A., National Institute of Development Administration  
Bachelor Degree in Law, Ramkhamhang University  
The State Private & Political Sectors Course  
(Class of the 1<sup>st</sup>, 2003), National Defense College  
Certificate of Completion DAP 22/2004 and DCP 51/2004  
from Thai Institute of Directors (IOD)

Director Training Programme : Certificate of Completion DAP 22/2004 and DCP 51/2004  
from Thai Institute of Directors (IOD)

Position in other listed companies :  
☐ Director and member of the Audit Committee, T.K.S. Technology Plc.  
☐ Director and member of the Audit Committee, IRPC Plc.  
☐ Director, TISCO Bank Plc.

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

Other Experience :  
☒ Director, King Prajadhipok Institute's Society  
☐ Director, Neighbouring Countries Economic Development Cooperation Agency  
☐ Director, Provincial Electricity Authority  
☐ Director, Dairy Farming Promotion Organization of Thailand  
☐ Inspector General, the Ministry of Finance  
☐ Legal Advisor, the Ministry of Finance  
☐ Director of Regional Customs Bureau 1  
☐ Secretary to the Customs Department

Meeting Attendance in 2013 : Attending the Board Meeting 8 times out of 8 times  
Attending the AC Meeting 4 times out of 4 times  
Attending the RC Meeting 4 times out of 4 times  
Attending the NC Meeting 3 times out of 3 times

### (5) Mr. Whang Shang Ying

Member of Remuneration Committee and Member of Nomination Committee

Age : 53 years  
Nationality : Singaporean  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 2 companies  
Number of years as a director : 15 years (date of appointment : 26 April 1999)  
Family relation with management : None  
Education : Bachelor of Arts (Hons.) in Law,  
Oxford University, United Kingdom

Director Training Programme : None

Position in other listed companies :  
☒ Executive Director, Lam Soon (Thailand) Plc.

Position in companies with relating business (specify only non-executive director) :  
☒ Chairman and Executive Director, Universal Food Plc.  
☒ Chairman, Union Frost Co., Ltd.  
☒ Director, Lam Soon Holding Co., Ltd.  
☒ Director, Bangkok Edible Oil Co., Ltd.  
☒ Executive Director, Lam Soon (M) Berhad  
☒ Executive Director, Lam Soon Singapore Pte Ltd.

Other Experience :  
☐ Director, Jurong Cement Limited, a public listed company in Singapore

Meeting Attendance in 2013 : Attending the Board Meeting 5 times out of 8 times  
Attending the RC Meeting 3 times out of 4 times  
Attending the NC Meeting 1 times out of 3 times

**Note :** ☒ *present* ☐ *past*

## SHAREHOLDERS AND MANAGEMENT

### (6) Miss Piyathida Sukchan

Executive Director

Age : 45 years

Nationality : Thai

% of share holding : None

The number of directorships in listed companies

- Chairman : 0 company

- Director : 2 companies

Number of years as a director : 11 years (date of appointment : 18 June 2003)

Family relation with management : None

Education : M.A. (Hons.) in Development Economics,  
National Institute Development Administration;  
B.A. in Economics (Finance),  
Thammasat University

Director Training Programme : Certificate of Completion DCP 36/2003 from  
Thai Institute of Directors (IOD)  
Certificate of Thai Intelligent Investors 1/2012 (TIIP1) from  
Thai Investor Association and Stock Exchange of Thailand

Position in other listed companies :

■ Executive Director, Lam Soon (Thailand) Plc.

Other Experience :

■ Director, Bangkok Edible Oil Co., Ltd.

■ Director, Phansrivivat Co., Ltd.

■ Director, Phansri Co., Ltd.

■ Director, Prachak Vivat Co., Ltd.

■ Director, Siam Elite Palm Co., Ltd.

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

Meeting Attendance in 2013 : Attending the Board Meeting 7 times out of 8 times

### (7) Mr. Ampol Simarojana

Executive Director

Age : 57 years

Nationality : Thai

% of share holding : None

The number of directorships in listed companies

- Chairman : 0 company

- Director : 2 companies

Number of years as a director : 1 year (date of appointment : 21 March 2013)

Family relation with management : None

Education : Bachelor of Science (Chemical Engineering),  
Chulalongkorn University;

Director Training Programme : Certificate of Completion DCP 37/2003 from  
Thai Institute of Directors (IOD)

Position in other listed companies :

■ Executive Director and Factory Manager, Lam Soon (Thailand) Plc.

Other Experience :

■ Director, Lam Soon Holding Co., Ltd.

□ Manager of Melting Division, Siam Asahe-Technoglass Co., Ltd.

Meeting Attendance in 2013 : Attending the Board Meeting 6 times out of 8 times

### (8) Mr. Yut Sakdejayont

Company Secretary and Secretary to the Audit Committee

Age : 73 years

% of share holding : 0.07

Family relation with management : None

Education : M.A. (Sociology), University of Michigan, U.S.A.  
Barrister-at-law Thai Bar Association  
LL.B. (Hons), Thammasat University

Director Training Programme : None

Other Experience :

■ Attorney at law, Sak Law Office

**Note :** ■ *present* □ *past*

## SHAREHOLDERS AND MANAGEMENT

**(9) Mrs. Yupadee Opaspimoltham**  
Sales & Quality Assurance Manager

Age : 60 years  
 % of share holding : 0.01  
 Family relation with management : None  
 Education : Bachelor of Science in Chemistry,  
 Chulalongkorn University  
 Director Training Programme : None  
 Other Experience :  
☐ Chemist, SGS Far East Co., Ltd.

**(10) Mr. Supathrapong Chanpanich**

Factory Manager  
 Age : 46 years  
 % of share holding : None  
 Family relation with management : None  
 Education : Bachelor of Mechanical Engineering,  
 Srinakharinwirot University  
 Director Training Programme : None  
 Other Experience :  
☐ Assistant Factory Director, Chumporn Palm Oil Public Co., Ltd.  
☐ Factory Manager, Thai Tallow and Oil Co., Ltd.  
☐ Maintenance Supervisor, Sri Trang Agro – Industry Public Co., Ltd.  
☐ Maintenance Engineer, Dole Thailand Co., Ltd.

**(11) Mr. Sarut Cholathan**

Plantation Manager  
 Age : 52 years  
 % of share holding : None  
 Family relation with management : None  
 Education : MPA (Policy & Project Management),  
 National Institute Development Administration  
 Bachelor of Science, Kasetsart University  
 Director Training Programme : None  
 Other Experience :  
☐ Business Development Manager, United Palm Oil Industry Plc.

**(12) Ms. Tiamros Jinakun**

Accounting Manager  
 Age : 55 years  
 % of share holding : None  
 Family relation with management : None  
 Education : Bachelor of Business Administration, Rajabhat University  
 Director Training Programme : None  
 Other Experience :  
☐ Chief Accountant, South East Asia Tobacco Company Limited  
☐ Chief Accountant, Phansri Vivat Company Limited

**(13) Mr. Chanutt Saengaroon**

Human Resources Manager  
 Age : 52 years  
 % of share holding : None  
 Family relation with management : None  
 Education : Master of Public Administration,  
 National Institute of Development Administration (NIDA).  
 Bachelor Degree of Political Science,  
 Ramkhamhaeng University  
 Director Training Programme : None  
 Other Experience :  
☐ Human Resources Manager, Nan Yang Textile Group of Companies  
☐ Human Resources & Administration Manager, Thai Watana Phanich Press Co., Ltd.  
☐ Sr. Human Resources & Administration Manager, Carpet International Public Co., Ltd.  
☐ Human Resources & Administration Manager, Thai President Foods Public Co., Ltd.  
☐ Personnel & Administration Manager, Munkhong Real Estate Public Co., Ltd.

**Note :** ■ *present* □ *past*



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

Name	No. of shares as of 31 December 2012	Increase (Decrease) in no. of shares during the financial year	No. of shares as of 31 December 2013
(1) Mr. Thira Wipuchanin	-	-	-
(2) Ms. Anchalee Suebchantasiri	-	-	-
(3) Vilas Sinswat, Ph.D.	-	-	-
(4) Mr. Sangiam Santad	-	-	-
(5) Mr. Whang Shang Ying	-	-	-
(6) Ms. Piyathida Sukchan	-	-	-
(7) Mr. Ampol Simarajana	-	-	-
(8) Mr. Yut Sakdejayont	229,000	-	229,000
(9) Mrs. Yupadee Opaspoltham	30,000	-	30,000
(10) Mr. Supathrapong Chanpanich	-	-	-
(11) Mr. Sarut Cholathan	-	-	-
(12) Ms. Tiamros Jinakun	-	-	-
(13) Mr.Chanutt Saengaroon	-	-	-

## 7. Remuneration of Directors and Management

### Monetary Remuneration

(a) Director's fees : Total fees paid to all 7 members of the Board 5,986,000 Baht

Name of Directors	Position	Director's fees in 2013	
		Director	Audit Committee
(1) Mr. Thira Wipuchanin	Chairman of the Board of Directors, Chairman of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee	884,400	633,600
(2) Mr. Somchai Chongsawadchai (passed away on 11 March 2013) Mr. Ampol Simarajana (replaced Mr. Somchai on 21 March 2013)	Vice-Chairman of the Board of Directors and Managing Director (until 11 March 2013) Executive Director (with effect from 21 March 2013)	111,384 445,535	
(3) Ms. Anchalee Suebchantasiri	Managing Director	567,600	
(4) Vilas Sinswat, Ph.D.	Independent Director, Member of Audit Committee, Chairman of Remuneration Committee, Chairman of Nomination Committee	607,200	633,600
(5) Mr. Sangiam Santad	Independent Director, Member of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee	607,200	633,600
(6) Mr. Whang Shang Ying	Member of Remuneration Committee, Member of Nomination Committee	567,600	
(7) Ms. Piyathida Sukchan	Executive Director	567,600	

(b) Directors' fees paid to the Company's Directors as Directors of subsidiaries and the jointly controlled entity : -- None --

(c) Remuneration of all 9 persons of the Management including salary and bonus : 17,202,640 Baht\*

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

## SHAREHOLDERS AND MANAGEMENT

### Other Remuneration

The Company has paid no other remuneration, except the cost of air-ticket and accommodation for directors residing outside Thailand who attend the meetings, and the cost of director liability insurance for all members of the Board.

Other forms of remuneration for the Management include Company's cars and related expenses, health insurance, accidental insurance.

As for Provident Fund, the Management has been paid at 5% of salary for Provident Fund, the same rate as other employees. However, no Provident Fund has been paid to Directors.

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

Name	Company	Related Company			Subsidiaries			Jointly Controlled Entity Siam Elite Palm Co., Ltd.
		LST	UFC	UNF	Phansrivivat Co., Ltd.	Phansri Co., Ltd.	Prachakvivat Co., Ltd.	
(1) Mr. Whang Shang Ying	/	//	X	X				
(2) Ms. Anchalee Suebchantasiri	//	//			/	/	/	X
(3) Ms. Piyathida Sukchan	//	//			/	/	/	//
(4) Mr. Ampol Simarojana	//	//						

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

LST : Lam Soon (Thailand) Plc.  
UFC : Universal Food Plc.  
UNF : Union Frost Co., Ltd.

### 9. Control system of utilising insider information

The following policy and guidelines of the Company prevents the Management from utilising insider information of the Company for personal gain:

1. Directors and Management are obliged to report to the Board on each person's securities holding and the holding of securities in the Company by his spouse and minor children. This includes penalty provisions under the Securities and Exchange Act B.E. 2535 and the regulations of the Stock Exchange of Thailand;
2. Management is obliged to report their holdings of securities in the Company to the Board in every quarter on which the Board meeting is called;
3. Material insider information of the Company should not be revealed to others. This includes impacts on the Company's securities, and the penalty provisions of a law that the Management may face according to the Securities and Exchange Act B.E. 2535, as a result of their violation;
4. Management is prohibited from trading in the Company's shares 1 month prior to the Company's financial statements being announced.

The Company has established the rules for prevention of using inside information including the penalties for violator stated in item 5.8.1 under "REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE".

### 10. Internal Control Management

The Company places importance on internal control system which it regards as a vital management tool to reduce business risk, to build up a confidence of business management, to assist the Company operating efficiency and fulfill expected goal. The internal control system also enhances shareholders' benefits and investment, supports verification and creditability of financial statement reports and operating reports of the Company, prevents loss of assets and assists employees working under laws and regulations.

The Company employed Dr. Virach & Associates Office to be the Company internal auditors. The Company assigns the Office to prepare quarterly internal audit plans, which are to evaluate the efficiency of the Company's internal control system and create effectively internal control system for the Company and practice in consistency.

During the Board Meeting No.1/2014 held on 20 February 2014, in the presence of 3 independent directors and audit committee members, the Board reviewed the internal control system of the Company by using the evaluation form initially completed and presented by the management and reviewed by the audit committee. The evaluation of the internal control system of the Company covered 5 areas, namely organisation and environment, risk management, operational control of the management, information system and communication, and monitoring. The Board concluded and provided an opinion that the Company has adequate internal control system for the above mentioned areas.

Besides, the business transactions with majority shareholder and subsidiary companies are declared in item 7 of the Notes to financial statements, as well as complied with the rules and regulations of the SET regarding related transactions. The Board provided the opinion that the Company maintains adequate internal control measures.

Other significant items of internal control have been reviewed every quarter by the audit committee and the Company's internal auditor, Dr. Virach & Associates. Major issues are reported to the Board by the audit committee. The Board provided an opinion that Company's internal control measure is further strengthened by the quarterly review as well.

Regarding the Company's subsidiaries and the jointly controlled entity, most of assets are oil palm plantations, which are monitored and supervised by the Management of the Company.

#### Details of Internal Auditor

##### Mr. Apiruk Ati-anuwat

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

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

**Note :** ■ *present* □ *past*

### **Dividend Payout Policy**

With effect from 1993, the Company has a policy of paying approximately 50% of net profit after tax as dividend, subject to prevailing economic situation and capital expenditure requirements.

At the Board Meeting No. 1/2014 on 20 February 2014, the Company's Board of Directors passed a resolution to propose the payment of a final dividend of 0.40 Baht/share in respect of 1 July to 31 December 2013 earnings. For the six-month period of 2013, the Company already paid an interim dividend at the rate of 0.20 Baht/share. Thus, the total dividend for 2013 shall be 0.60 Baht/share, accounting for 88.0% of net profit, compared with 0.90 Baht/share in 2012 at accounting for 89.1% of net profit.

For its subsidiary and the jointly controlled entity, as no dividend payout policy, has been determined yet, dividend is paid based on its financial performance and cash flow.

## COMMON INTERESTED PERSONS AND CONNECTED TRANSACTIONS

### Connected transactions with common interested persons, necessity and reasons for connected transactions

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

(a) With Lam Soon (Thailand) Public Company Limited (LST)

(Unit: million Baht)

Relation	Transactions	Value of Transactions		Pricing Policy	Necessity
		2013	2012		
Major Shareholder	Sales of CPO and CPKO	943	1,355	Market prices on the contract's Date	The Company sold CPO to LST who is its major shareholder and customer. LST owns and operates a refinery in Thailand and has over 30 years experience in the palm oil business. As such, LST has assisted the Company to develop CPO quality.
	Sales of FFB and PKS	5	24	Market price	Being the support among the group which was happened when there is an excess supply of palm fruits, which could not be put in the process in time, or during the period of machinery break-down and maintenance.

(b) With Siam Elite Palm Company Limited (SEP)

(Unit: million Baht)

Relation	Transactions	Value of Transactions		Pricing Policy	Necessity
		2013	2012		
Jointly controlled entity	Land rental income	1	1	Agreed between the parties	SEP requires land for doing business of propagation and distribution of CIRAD® oil palm seeds in Thailand. During the process of getting the land documents, SEP has rented the land from the Company.
	Purchase of oil palm seeds and FFB	6	6	Market price	

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



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

In 2013, 71% of the Company's total CPO, CPKO, PKS, and FFB sales were sold to LST. The selling was based on the ongoing market price as normal business transactions on an arm's length basis. It was done without any commitment, but on the basis of the CPO selling contract and in compliance with normal business practice in the palm oil industry.

Ms. Anchalee Suebchantasiri, Managing Director of the Company and of LST, approved the CPO sold to LST. The approval was based on the market price references of various customers at the same or the following day.

### **Connected transactions in the future**

The Company has had business transaction with LST before the latter became a major shareholder, owing to LST's high usage of CPO, its strong financial status, and its being a reliable customer. The Company will continue to sell CPO to LST on an arm's length basis.

### **Legal conflicts**

Phansrivivat Company Limited received notification from the Surat Thani Provincial Treasury Office of the Finance Ministry, informing that a land concession previously granted was state property, under the jurisdiction of the Ministry of Finance, by virtue of a ruling issued by the Judicial Council. Such concession land at Khiansa belongs to Prachakvivat Company Limited, and is leased to Phansrivivat Company Limited for oil palm plantation and Phansrivivat also rents this plantation to the Company. The notice called to enter into a land lease agreement for a period of 3 years, commencing January 1, 2001, and to pay retroactive land rental for the years 1991 to 2000, amounting to approximately 12 million Baht. However, the subsidiary recorded the provision of land rental charges retroactively from 1991 to 2007 for the entire amount.

Save for the above, there was no litigation involving the Company which could have a material adverse impact on the assets of the Company or its subsidiaries amounting higher than 5% of shareholders' equity in consolidated financial statements at December 31, 2013.

### **Obligations on future share issuance**

- None -

## INFORMATION ON DEBENTURES OR PROMISSORY NOTES

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- None -

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity  
Report and consolidated financial statements  
31 December 2013 and 2012

United Palm Oil Industry Public Company Limited,  
its subsidiaries and its jointly controlled entity  
Report and consolidated financial statements  
31 December 2013



## **Independent Auditor's Report**

To the Shareholders of United Palm Oil Industry Public Company Limited

I have audited the accompanying consolidated financial statements of United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity, which comprise the consolidated statement of financial position as at 31 December 2013, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of United Palm Oil Industry Public Company Limited for the same period.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity and of United Palm Oil Industry Public Company Limited as at 31 December 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

### **Emphasis of matter**

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



Thipawan Nananuwat  
Certified Public Accountant (Thailand) No. 3459

Ernst & Young Office Limited  
Bangkok: 20 February 2014

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Statement of financial position

As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		<u>31 December 2013</u>	<u>31 December 2012</u>	<u>1 January 2012</u>	<u>31 December 2013</u>	<u>31 December 2012</u>	<u>1 January 2012</u>
			(restated)			(restated)	
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	8	172,812,024	190,198,512	271,225,901	159,322,265	171,896,702	252,383,715
Trade and other receivables	9	33,322,411	71,789,316	47,497,302	33,322,411	71,789,316	47,497,302
Short-term loans and advance to employees		616,263	280,115	2,273,736	616,263	280,115	2,273,736
Inventories	10	56,525,068	130,562,842	109,317,078	49,457,438	124,180,578	109,195,646
Other current assets		4,614,137	5,058,144	3,053,664	4,605,893	4,962,179	2,935,055
<b>Total current assets</b>		<u>267,889,903</u>	<u>397,888,929</u>	<u>433,367,681</u>	<u>247,324,270</u>	<u>373,108,890</u>	<u>414,285,454</u>
<b>Non-current assets</b>							
Investment in subsidiary	11	-	-	-	307,895,303	307,895,303	307,895,303
Investment in joint venture	12	-	-	-	25,000,000	25,000,000	25,000,000
Property, plant and equipment	13	937,743,837	495,027,574	476,949,889	927,865,783	489,954,125	474,978,343
Cost of forest land rights and cost of palm plantation	14	273,330,468	264,653,006	290,781,932	252,857,273	225,340,668	232,742,805
Intangible assets	15	10,109,479	9,754,331	10,256,879	1,460,810	732,331	861,549
Deferred tax assets	4	6,324,867	5,401,758	4,101,428	6,324,867	5,401,758	4,101,428
Other non-current assets		5,526,039	1,340,448	1,942,139	5,526,039	281,148	1,942,139
<b>Total non-current assets</b>		<u>1,233,034,690</u>	<u>776,177,117</u>	<u>784,032,267</u>	<u>1,526,930,075</u>	<u>1,054,605,333</u>	<u>1,047,521,567</u>
<b>Total assets</b>		<u><u>1,500,924,593</u></u>	<u><u>1,174,066,046</u></u>	<u><u>1,217,399,948</u></u>	<u><u>1,774,254,345</u></u>	<u><u>1,427,714,223</u></u>	<u><u>1,461,807,021</u></u>

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

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Statement of financial position (continued)

As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		<u>31 December 2013</u>	<u>31 December 2012</u>	<u>1 January 2012</u>	<u>31 December 2013</u>	<u>31 December 2012</u>	<u>1 January 2012</u>
			(restated)			(restated)	
<b>Liabilities and shareholders' equity</b>							
<b>Current liabilities</b>							
Trade and other payables	16	16,803,514	29,257,760	37,025,453	347,643,398	342,562,946	338,954,306
Current portion of long-term loan	19	100,000,000	-	-	100,000,000	-	-
Income tax payable		13,057,762	33,951,642	56,774,282	11,002,688	31,093,157	53,834,093
Other current liabilities	17	<u>32,427,206</u>	<u>35,242,974</u>	<u>25,865,094</u>	<u>30,973,944</u>	<u>32,792,193</u>	<u>25,267,780</u>
<b>Total current liabilities</b>		<u>162,288,482</u>	<u>98,452,376</u>	<u>119,664,829</u>	<u>489,620,030</u>	<u>406,448,296</u>	<u>418,056,179</u>
<b>Non-current liabilities</b>							
Provision for land rental charge	18	20,468,000	20,468,000	20,468,000	-	-	-
Long-term loan, net of current portion	19	200,000,000	-	-	200,000,000	-	-
Provision for long-term employee benefits	20	<u>16,111,150</u>	<u>11,654,592</u>	<u>5,178,420</u>	<u>16,111,150</u>	<u>11,654,592</u>	<u>5,178,420</u>
<b>Total non-current liabilities</b>		<u>236,579,150</u>	<u>32,122,592</u>	<u>25,646,420</u>	<u>216,111,150</u>	<u>11,654,592</u>	<u>5,178,420</u>
<b>Total liabilities</b>		<u>398,867,632</u>	<u>130,574,968</u>	<u>145,311,249</u>	<u>705,731,180</u>	<u>418,102,888</u>	<u>423,234,599</u>
<b>Shareholders' equity</b>							
Share capital							
Registered							
324,050,000 ordinary shares of Baht 1 each		<u>324,050,000</u>	<u>324,050,000</u>	<u>324,050,000</u>	<u>324,050,000</u>	<u>324,050,000</u>	<u>324,050,000</u>
Issued and fully paid up							
324,050,000 ordinary shares of Baht 1 each		324,050,000	324,050,000	324,050,000	324,050,000	324,050,000	324,050,000
Share premium		321,544,740	321,544,740	321,544,740	321,544,740	321,544,740	321,544,740
Retained earnings							
Appropriated-statutory reserve	21	60,305,000	60,305,000	60,305,000	32,405,000	32,405,000	32,405,000
Unappropriated		<u>396,157,221</u>	<u>337,591,338</u>	<u>366,188,959</u>	<u>390,523,425</u>	<u>331,611,595</u>	<u>360,572,682</u>
<b>Total shareholders' equity</b>		<u>1,102,056,961</u>	<u>1,043,491,078</u>	<u>1,072,088,699</u>	<u>1,068,523,165</u>	<u>1,009,611,335</u>	<u>1,038,572,422</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,500,924,593</u>	<u>1,174,066,046</u>	<u>1,217,399,948</u>	<u>1,774,254,345</u>	<u>1,427,714,223</u>	<u>1,461,807,021</u>
		-	-	-	-	-	-

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

Directors

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Statement of comprehensive income

For the year ended 31 December 2013

(Unit: Baht)

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(restated)		(restated)
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales		1,352,429,488	1,536,483,766	1,335,005,581	1,517,707,891
Other income					
Dividend income	11	-	-	17,291,980	17,121,250
Others		45,204,352	69,592,673	45,925,788	70,063,307
<b>Total revenues</b>		<u>1,397,633,840</u>	<u>1,606,076,439</u>	<u>1,398,223,349</u>	<u>1,604,892,448</u>
<b>Expenses</b>					
Cost of sales		1,027,618,532	1,094,769,754	1,018,773,538	1,086,245,913
Selling expenses		48,908,902	48,898,589	48,548,746	48,663,503
Administrative expenses		46,456,470	50,612,726	45,124,799	49,785,892
Other expenses		2,480,644	6,701	2,481,711	-
<b>Total expenses</b>		<u>1,125,464,548</u>	<u>1,194,287,770</u>	<u>1,114,928,794</u>	<u>1,184,695,308</u>
<b>Profit before finance cost and</b>					
<b>income tax expenses</b>		272,169,292	411,788,669	283,294,555	420,197,140
Finance cost		(1,598,157)	-	(17,883,527)	(15,536,951)
<b>Profit before income tax expenses</b>		<u>270,571,135</u>	<u>411,788,669</u>	<u>265,411,028</u>	<u>404,660,189</u>
Income tax expenses	23	(49,985,272)	(83,960,440)	(44,479,218)	(77,195,426)
<b>Profit for the year</b>		<u>220,585,863</u>	<u>327,828,229</u>	<u>220,931,810</u>	<u>327,464,763</u>
<b>Other comprehensive income for the year</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>220,585,863</u>	<u>327,828,229</u>	<u>220,931,810</u>	<u>327,464,763</u>
<b>Earnings per share</b>	25				
Basic earnings per share		<u>0.68</u>	<u>1.01</u>	<u>0.68</u>	<u>1.01</u>

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



**United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity**

**Cash flow statement**

**For the year ended 31 December 2013**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>				
Profit before tax	270,571,135	411,788,669	265,411,028	404,660,189
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	99,239,739	94,645,110	79,050,792	75,011,852
Loss on write off property, plant and equipment	219,521	-	-	-
Loss on write off of cost of palm plantation	2,480,644	6,701	2,480,644	-
Decrease of inventories to net realisable value	158,987	25,489	158,987	25,489
Gain on sales of property, plant and equipment	(3,924,036)	(289,254)	(3,924,036)	(289,254)
Provision for long-term employee benefits	6,678,468	6,538,461	6,678,468	6,538,461
Dividend income	-	-	(17,291,980)	(17,121,250)
Interest expenses	1,598,157	-	17,883,527	15,536,951
Profit from operating activities before changes in operating assets and liabilities	377,022,615	512,715,176	350,447,430	484,362,438
Operating assets (increase) decrease				
Trade and other receivables	38,466,905	(24,292,014)	38,466,905	(24,292,014)
Short-term loans and advance to employees	(336,148)	1,993,621	(336,148)	1,993,621
Inventories	82,090,165	(14,894,831)	81,539,526	(8,681,161)
Other current assets	444,007	(2,004,480)	356,286	(2,027,124)
Other non-current assets	(4,185,591)	601,691	(5,244,891)	1,660,991
Operating liabilities increase (decrease)				
Trade and other payables	(13,711,056)	10,588,154	8,853,424	28,385,003
Other current liabilities	(4,247,547)	9,377,880	(3,250,028)	7,524,413
Cash paid for long-term employee benefits	(2,221,910)	(62,289)	(2,221,910)	(62,289)
Cash flows from operating activities	473,321,440	494,022,908	468,610,594	488,863,878
Cash paid for interest expenses	(117,122)	-	(21,432,274)	(21,957,467)
Cash paid for corporate income tax	(71,802,261)	(108,083,410)	(65,492,796)	(101,236,692)
<b>Net cash flows from operating activities</b>	<b>401,402,057</b>	<b>385,939,498</b>	<b>381,685,524</b>	<b>365,669,719</b>

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

**United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity**

**Cash flow statement (continued)**

**For the year ended 31 December 2013**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Cash flows from investing activities</b>				
Proceeds from sales of property, plant and equipment	5,647,030	487,077	5,647,030	487,077
Acquisitions of property, plant and equipment and payment of payables for purchases of equipment	(511,161,284)	(101,017,836)	(505,222,696)	(97,570,274)
Increase in cost of palm plantation	(49,970,168)	(9,730,526)	(48,672,152)	(9,489,183)
Increase in intangible assets	(1,234,887)	(279,752)	(1,234,887)	(279,752)
Dividend received	-	-	17,291,980	17,121,250
<b>Net cash flows used in investing activities</b>	<u>(556,719,309)</u>	<u>(110,541,037)</u>	<u>(532,190,725)</u>	<u>(89,730,882)</u>
<b>Cash flows from financing activities</b>				
Increase in short-term loan from financial institution	50,000,000	-	50,000,000	-
Decrease in short-term loan from financial institution	(50,000,000)	-	(50,000,000)	-
Cash receipt from long-term loan	300,000,000	-	300,000,000	-
Dividend paid	(162,069,236)	(356,425,850)	(162,069,236)	(356,425,850)
<b>Net cash flows from (used in) financing activities</b>	<u>137,930,764</u>	<u>(356,425,850)</u>	<u>137,930,764</u>	<u>(356,425,850)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(17,386,488)</u>	<u>(81,027,389)</u>	<u>(12,574,437)</u>	<u>(80,487,013)</u>
Cash and cash equivalents at beginning of year	<u>190,198,512</u>	<u>271,225,901</u>	<u>171,896,702</u>	<u>252,383,715</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>172,812,024</u></u>	<u><u>190,198,512</u></u>	<u><u>159,322,265</u></u>	<u><u>171,896,702</u></u>
	-	-	-	-
<b>Supplemental cash flows information:</b>				
Non-cash transaction				
Transferred nursery to inventories	8,211,378	6,376,422	6,975,373	6,329,259
Purchase of equipment for which no cash has been paid	2,766,803	1,509,993	2,766,803	1,509,993

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

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Statement of changes in shareholders' equity

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements				
	Issued and paid-up		Retained earnings		Total shareholders' equity
	share capital	Share premium	Appropriated	Unappropriated	
<b>Balance as at 31 December 2011 - as previously reported</b>	324,050,000	321,544,740	60,305,000	362,087,531	1,067,987,271
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	4,101,428	4,101,428
<b>Balance as at 31 December 2011 - as restated</b>	324,050,000	321,544,740	60,305,000	366,188,959	1,072,088,699
Dividend paid (Note 28)	-	-	-	(356,425,850)	(356,425,850)
Total comprehensive income for the year (restated)	-	-	-	327,828,229	327,828,229
<b>Balance as at 31 December 2012 - as restated</b>	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,305,000</u>	<u>337,591,338</u>	<u>1,043,491,078</u>
					-
<b>Balance as at 31 December 2012 - as previously reported</b>	324,050,000	321,544,740	60,305,000	332,189,580	1,038,089,320
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	5,401,758	5,401,758
<b>Balance as at 31 December 2012 - as restated</b>	324,050,000	321,544,740	60,305,000	337,591,338	1,043,491,078
Dividend paid (Note 28)	-	-	-	(162,019,980)	(162,019,980)
Total comprehensive income for the year	-	-	-	220,585,863	220,585,863
<b>Balance as at 31 December 2013</b>	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,305,000</u>	<u>396,157,221</u>	<u>1,102,056,961</u>

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(Unit: Baht)

	Separate financial statements				
	Issued and paid-up		Retained earnings		Total shareholders' equity
	share capital	Share premium	Appropriated	Unappropriated	
<b>Balance as at 31 December 2011 - as previously reported</b>	324,050,000	321,544,740	32,405,000	356,471,254	1,034,470,994
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	4,101,428	4,101,428
<b>Balance as at 31 December 2011 - as restated</b>	324,050,000	321,544,740	32,405,000	360,572,682	1,038,572,422
Dividend paid (Note 28)	-	-	-	(356,425,850)	(356,425,850)
Total comprehensive income for the year (restated)	-	-	-	327,464,763	327,464,763
<b>Balance as at 31 December 2012 - as restated</b>	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>331,611,595</u>	<u>1,009,611,335</u>
					-
<b>Balance as at 31 December 2012 - as previously reported</b>	324,050,000	321,544,740	32,405,000	326,209,837	1,004,209,577
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	5,401,758	5,401,758
<b>Balance as at 31 December 2012 - as restated</b>	324,050,000	321,544,740	32,405,000	331,611,595	1,009,611,335
Dividend paid (Note 28)	-	-	-	(162,019,980)	(162,019,980)
Total comprehensive income for the year	-	-	-	220,931,810	220,931,810
<b>Balance as at 31 December 2013</b>	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>390,523,425</u>	<u>1,068,523,165</u>

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

**United Palm Oil Industry Public Company Limited, its subsidiaries  
and its jointly controlled entity**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2013**

**1. General information**

United Palm Oil Industry Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Lam Soon (Thailand) Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture of crude palm oil and palm kernel oil. The registered office of the Company is at 64, 1<sup>st</sup> Floor, Soi Bangna-Trad 25, Bangna, Bangkok. Branch office and factory are located at 98 Moo 6, Nuaklong-Khao Phanom Road, Huayyoong Sub-District, Nuaklong District, Krabi.

**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 United Palm Oil Industry Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”) and jointly controlled entity (“the jointly controlled entity”):

Company's name	Nature of business	Country of Incorporation	Percentage of shareholding	
			<u>2013</u> Percent	<u>2012</u> Percent
<u>Shares held by the Company</u>				
Phansrivivat Co., Ltd.	Owner of oil palm plantation	Thailand	100	100
<u>Jointly controlled entity</u>				
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	Thailand	50	50

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			<u>2013</u>	<u>2012</u>
			Percent	Percent
<u>Shares held by subsidiary company</u>				
Prachak Vivat Co., Ltd. (100 percent shares held by Phansrivivat Co., Ltd.)	Holder of concessions to use forest reserve land	Thailand	100	100
Phansri Co., Ltd. (100 percent shares held by Phansrivivat Co., Ltd.)	Holder of concessions to use forest reserve land	Thailand	100	100

- b) The subsidiaries and the jointly controlled entity are consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries and the jointly controlled entity are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company, the subsidiary companies and the jointly controlled entity have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements, which present investments in subsidiaries and joint venture under the cost method, have been prepared solely for the benefit of the public.

### 3. New accounting standards

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

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

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets



## Accounting Treatment Guidance for Transfers of Financial Assets

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

**TAS 12 Income Taxes**

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

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

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014

		<u>Effective date</u>
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

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

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

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

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

	(Unit: Thousand Baht)		
	Consolidated financial statements/Separate financial statements		
	As at	As at	As at
	31 December 2013	31 December 2012	1 January 2012
<b>Statements of financial position</b>			
Increase in deferred tax assets	6,325	5,402	4,101
Increase in unappropriated retained earnings	6,325	5,402	4,101

	(Unit: Thousand Baht)	
	Consolidated financial statements/ Separate financial statements	
	For the years ended 31 December	
	<u>2013</u>	<u>2012</u>
<b>Statements of comprehensive income</b>		
<b>Profit or loss:</b>		
Decrease in income tax expenses	923	1,301
Increase in profit for the year	923	1,301
Increase in basic earnings per share (Baht)	0.003	0.004

#### 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, cash 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 debtor aging.

## **5.4 Inventories**

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

Raw materials, chemicals, spare parts and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs wherever consumed.

## **5.5 Investments**

Investments in subsidiaries and joint venture are accounted for in the separate financial statements using the cost method.

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

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

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

Buildings and construction	-	20 years
Machinery and equipment	-	5-20 years
Furniture, fixtures and office equipment	-	5-10 years
Motor vehicles	-	5-15 years

Depreciation is included in determining income.

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

## **5.7 Cost of forest land rights and cost of palm plantation/Amortisation**

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

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

Amortisation is included in determining income.

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

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

## **5.8 Intangible assets**

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses (if any).

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

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

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

## **5.9 Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an asset, it is deducted in calculating the carrying amount of the asset. The grant is recognised over the useful life of a depreciable asset by way of a reduced depreciation charge.



### **5.10 Related party transactions**

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

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

### **5.11 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 the 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 performs impairment reviews in respect of the property, plant, equipment, cost of forest land rights and cost of palm plantation 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.

An impairment loss is recognised in profit or loss.

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

##### *Defined benefit plans*

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats 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 profit or loss.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost.

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

### **5.14 Provisions**

Provisions are recognised when the Company, its subsidiaries and its jointly controlled entity 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, its subsidiaries and its jointly controlled entity 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, its subsidiaries and its jointly controlled entity 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, its subsidiaries and its jointly controlled entity record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

## **6. Significant accounting judgments and estimates**

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

### **Allowance for doubtful accounts**

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

**Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

**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.

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.

**Cost of forest land rights and cost of palm plantation/Amortisation**

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

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

**Intangible assets**

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

### 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.

### Litigation

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

## 7. Related party transactions

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

(Unit: Million Baht)					
	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
<u>Transactions with parent company</u>					
Sales of crude palm oil and crude palm kernel oil	943	1,355	943	1,355	Market price on the contract's date
Sales of fresh fruit bunch and palm kernel	5	24	5	24	Market price
<u>Transactions with subsidiary company</u> (eliminated from the consolidated financial statements)					
Dividend income	-	-	17	17	As declared by subsidiary
Palm plantation rental expenses	-	-	21	21	Fixed rental charge of Baht 21 million per annum
Interest expenses	-	-	16	16	MLR - 1.5% per annum



(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
<u>Transactions with jointly controlled entity</u>					
Land rental income	-	-	1	1	Agreed between the parties
Purchases of oil palm seeds and fresh fruit bunch	3	3	6	6	Market price

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b><u>Trade and other receivables - related party (Note 9)</u></b>				
Parent company	29,194	68,762	29,194	68,762
<b><u>Other payable - related parties (Note 16)</u></b>				
Subsidiary	-	-	330,875	315,707
Related company (related by common shareholders and directors)	26	-	53	-
	26	-	330,928	315,707
<b><u>Advance from related parties (Note 16)</u></b>				
Parent company	64	64	64	64
Related company (related by common shareholders and directors)	19	6	-	6
Total advance from related parties	83	70	64	70

**Directors and management's benefits**

During the year ended 31 December 2013 and 2012, the Company had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	<u>2013</u>	<u>2012</u>
Short-term employee benefits	23,213	23,025
Post-employment benefits	442	645
Total	23,655	23,670

## 8. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash	1,867	618	1,851	604
Bank deposits	120,901	79,634	107,427	61,347
Investment in Bank of Thailand Bonds	50,044	109,946	50,044	109,946
Total	<u>172,812</u>	<u>190,198</u>	<u>159,322</u>	<u>171,897</u>

As at 31 December 2013, bank deposits in saving accounts and investment in Bank of Thailand Bonds carried interests between 0.10 and 2.50 percent per annum (2012: between 0.20 and 2.72 percent per annum).

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	<u>2013</u>	<u>2012</u>
<u>Trade receivables - related party</u>		
Aged on the basis of due dates		
Not yet due	29,194	29,414
Past due		
Up to 3 months	-	39,348
Total trade receivables - related party, net (Note 7)	<u>29,194</u>	<u>68,762</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	3,484	2,021
Past due		
Up to 3 months	80	-
Total trade receivables - unrelated parties, net	<u>3,564</u>	<u>2,021</u>
Total trade receivables - net	<u>32,758</u>	<u>70,783</u>
<u>Other receivables</u>		
Accrued income	564	1,006
Total other receivables	<u>564</u>	<u>1,006</u>
Total trade and other receivables - net	<u>33,322</u>	<u>71,789</u>

## 10. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	35,993	105,645	-	-	35,993	105,645
Work in process	1,018	4,068	-	-	1,018	4,068
Spare parts, supplies and others	20,389	21,566	(875)	(716)	19,514	20,850
<b>Total</b>	<b>57,400</b>	<b>131,279</b>	<b>(875)</b>	<b>(716)</b>	<b>56,525</b>	<b>130,563</b>

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	31,096	104,221	-	-	31,096	104,221
Work in process	956	1,737	-	-	956	1,737
Spare parts, supplies and others	18,280	18,939	(875)	(716)	17,405	18,223
<b>Total</b>	<b>50,332</b>	<b>124,897</b>	<b>(875)</b>	<b>(716)</b>	<b>49,457</b>	<b>124,181</b>

## 11. Investment in subsidiary

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(%)	(%)				
Phansrivivat Co., Ltd.	Baht 274 million	Baht 274 million	100	100	307,895	307,895	17,292	17,121
<b>Total</b>					<b>307,895</b>	<b>307,895</b>	<b>17,292</b>	<b>17,121</b>

## 12. Investment in joint venture

### 12.1 Details of investment in joint venture:

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

		(Unit: Thousand Baht)			
		Separate financial statements			
Jointly controlled entity	Nature of business	Shareholding		Cost	
		percentage			
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(%)	(%)		
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	50	50	25,000	25,000
Total				25,000	25,000

### 12.2 Summarised financial information of jointly controlled entity

#### Siam Elite Palm Company Limited

The Company's proportionate shares of the assets, liabilities, revenue and expenses of Siam Elite Palm Company Limited, according to proportion under joint venture agreement, is as follows:

		(Unit: Thousand Baht)	
		As at 31 December	
		<u>2013</u>	<u>2012</u>
Current assets		15,610	20,968
Non-current assets		22,507	17,545
		38,117	38,513
Current liabilities		(1,558)	(5,464)
Net assets		36,559	33,049

		(Unit: Thousand Baht)	
		For the year ended 31 December	
		<u>2013</u>	<u>2012</u>
Revenue		20,434	21,673
Cost of sales		(14,231)	(13,722)
Selling and administrative expenses		(1,809)	(946)
Profit before income tax expenses		4,394	7,005
Income tax expenses		(884)	(1,611)
Profit for the year		3,510	5,394

### 13. Property, plant and equipment

	Consolidated financial statements						(Unit: Thousand Baht)
		Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Cost:</b>							
1 January 2012	126,035	236,842	523,555	28,859	124,736	27,631	1,067,658
Additions	-	27	8,612	858	13,634	59,531	82,662
Disposals / write off	-	-	(2,737)	(342)	-	-	(3,079)
Transfer in / (out)	-	16,513	18,718	299	24,297	(59,827)	-
31 December 2012	126,035	253,382	548,148	29,674	162,667	27,335	1,147,241
Additions	453,093	120	5,273	1,676	18,206	34,050	512,418
Disposals / write off	-	-	(5,329)	(1,298)	(14,674)	-	(21,301)
Transfer in / (out)	-	6,974	15,605	866	5,924	(29,369)	-
31 December 2013	579,128	260,476	563,697	30,918	172,123	32,016	1,638,358

(Unit: Thousand Baht)

	Consolidated financial statements					
	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction
<b>Accumulated depreciation:</b>						
1 January 2012	-	143,764	310,197	26,423	95,687	-
Depreciation for the year	-	10,793	37,675	978	14,939	-
Depreciation on disposals / write off	-	-	(2,545)	(336)	-	-
31 December 2012	-	154,557	345,327	27,065	110,626	-
Depreciation for the year	-	9,932	39,688	1,235	16,904	-
Depreciation on disposals / write off	-	-	(3,967)	(1,276)	(14,115)	-
31 December 2013	-	164,489	381,048	27,024	113,415	-
<b>Allowance for impairment loss:</b>						
31 December 2012	14,638	-	-	-	-	-
31 December 2013	14,638	-	-	-	-	-
<b>Net book value:</b>						
31 December 2012	111,397	98,825	202,821	2,609	52,041	27,335
31 December 2013	564,490	95,987	182,649	3,894	58,708	32,016
<b>Depreciation for the year</b>						
2012 (Baht 62 million included in manufacturing cost, and the balance in selling and administrative expenses)						64,385
2013 (Baht 65 million included in manufacturing cost, and the balance in selling and administrative expenses)						67,759





(Unit: Thousand Baht)

	Separate financial statements				
	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Assets under installation and under construction
<b>Allowance for impairment loss:</b>					
31 December 2012	14,638	-	-	-	-
31 December 2013	14,638	-	-	-	-
<b>Net book value:</b>					
31 December 2012	111,382	97,130	202,259	2,553	24,863
31 December 2013	564,475	88,773	181,430	3,233	31,951
<b>Depreciation for the year</b>					
2012 (Baht 62 million included in manufacturing cost, and the balance in selling and administrative expenses)					64,040
2013 (Baht 64 million included in manufacturing cost, and the balance in selling and administrative expenses)					66,844

As at 31 December 2013, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 331 million (2012: Baht 331 million) (The Company only: Baht 318 million, 2012: Baht 319 million).

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

(Unit: Thousand Baht)

	Consolidated financial statements		
	Cost of forest land rights and cost of palm plantation ready for harvest	Cost of palm plantation not ready for harvest	Total
<b>Cost:</b>			
1 January 2012	572,601	47,498	620,099
Additions	-	9,731	9,731
Write off	(466)	-	(466)
Transfer in / (out)	38,313	(44,690)	(6,377)
31 December 2012	610,448	12,539	622,987
Additions	27,600	22,370	49,970
Write off	(3,223)	-	(3,223)
Transfer in / (out)	-	(8,211)	(8,211)
31 December 2013	634,825	26,698	661,523
<b>Accumulated amortisation:</b>			
1 January 2012	329,317	-	329,317
Amortisation charged for the year	29,476	-	29,476
Amortisation on write off	(459)	-	(459)
31 December 2012	358,334	-	358,334
Amortisation charged for the year	30,601	-	30,601
Amortisation on write off	(742)	-	(742)
31 December 2013	388,193	-	388,193
<b>Net book value:</b>			
31 December 2012	252,114	12,539	264,653
31 December 2013	246,632	26,698	273,330
<b>Amortisation for the year</b> (included in manufacturing cost)			
2012			29,476
2013			30,601

(Unit: Thousand Baht)

	Separate financial statements		
	Cost of forest land rights and cost of palm plantation ready for harvest	Cost of palm plantation not ready for harvest	Total
<b>Cost:</b>			
1 January 2012	236,750	47,262	284,012
Additions	-	9,489	9,489
Write off	(408)	-	(408)
Transfer in / (out)	38,313	(44,642)	(6,329)
31 December 2012	274,655	12,109	286,764
Additions	27,600	21,072	48,672
Write off	(3,223)	-	(3,223)
Transfer in / (out)	-	(6,975)	(6,975)
31 December 2013	299,032	26,206	325,238
<b>Accumulated amortisation:</b>			
1 January 2012	51,270	-	51,270
Amortisation charged for the year	10,561	-	10,561
Amortisation on write off	(408)	-	(408)
31 December 2012	61,423	-	61,423
Amortisation charged for the year	11,700	-	11,700
Amortisation on write off	(742)	-	(742)
31 December 2013	72,381	-	72,381
<b>Net book value:</b>			
31 December 2012	213,232	12,109	225,341
31 December 2013	226,651	26,206	252,857
<b>Amortisation for the year</b> (included in manufacturing cost)			
2012			10,561
2013			11,700

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

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

## 15. Intangible assets

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

	(Unit: Thousand Baht)		
	Consolidated financial statements		Separate financial statements
	License	Computer software	Computer software
As at 31 December 2013:			
Cost	10,764	3,397	3,397
<u>Less</u> Accumulated amortisation	(2,116)	(1,936)	(1,936)
Net book value	8,648	1,461	1,461
As at 31 December 2012:			
Cost	10,764	2,162	2,162
<u>Less</u> Accumulated amortisation	(1,742)	(1,430)	(1,430)
Net book value	9,022	732	732

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Net book value at beginning of year	9,754	10,257	732	862
Acquisition of computer software	1,235	279	1,235	279
Amortisation	(880)	(782)	(506)	(409)
Net book value at end of year	10,109	9,754	1,461	732

In April 2008, the jointly controlled entity paid royalty for the use of a trademark in the production and distribution of oil palm seed amounting to EUR 150,000 (proportionate to the control exercised by the Company) and technical assistance fees amounting to EUR 50,000 (proportionate to the control exercised by the Company) to a foreign shareholder. The jointly controlled entity recorded the amounts paid under “intangible assets” in the statements of financial position.

#### 16. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Trade payables - unrelated parties	10,370	25,674	10,359	23,272
Other payables for purchase of machineries -				
unrelated parties	2,767	1,510	2,767	1,510
Other payables - related party (Note 7)	26	-	330,928	315,707
Other payables - unrelated parties	3,557	2,004	3,525	2,004
Advance received from related parties (Note 7)	83	70	64	70
Total trade and other payables	<u>16,803</u>	<u>29,258</u>	<u>347,643</u>	<u>342,563</u>

#### 17. Other current liabilities

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Dividend payable	3,123	2,569	3,123	2,569
Accrued expenses	26,149	25,436	25,363	25,202
Others	3,155	7,238	2,488	5,021
Total other current liabilities	<u>32,427</u>	<u>35,243</u>	<u>30,974</u>	<u>32,792</u>



## 18. Provision for land rental charge

In 2001, a subsidiary company received notification from the Surat Thani Provincial Treasury Office of the Finance Ministry that land with an area of 8,600 rai covered by a concession previously granted to the subsidiary company by the Forestry Department was state property, under the jurisdiction of the Ministry of Finance, by virtue of a ruling issued by the Judicial Council. The notice called for the subsidiary company to enter into a land lease agreement commencing 1 January 2001, and also to pay retroactive land rental for the years 1991 to 2000. At present, the subsidiary company is in the process of negotiating with the relevant government agencies. However, for prudent reasons the subsidiary company has set up a full provision for its estimated liabilities in the accounts.

## 19. Long-term loan

		(Unit: Thousand Baht)	
		Consolidated financial statements / Separate financial statements	
Interest rate (%)	Repayment schedule	2013	2012
BIBOR+1	Quarterly installments as from February 2014 to November 2016	300,000	-
Less: Current portion		(100,000)	-
Long-term loans, net of current portion		200,000	-

The loan is not secured.

Under the loan agreement, the Company must comply with the conditions set out in such agreement, for example, the parent company is required to maintain its shareholding percentage at least 51% of the total shares of the Company.

## 20. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements/ Separate financial statements	
	2013	2012
<b>Defined benefit obligation at beginning of year</b>	24,133	21,817
Current service cost	1,706	1,633
Interest cost	813	745
Benefits paid during the year	(2,222)	(62)
<b>Defined benefit obligation at end of year</b>	24,430	24,133
Unrecognised transitional provisions	(8,319)	(12,478)
<b>Provisions for long-term employee benefits at end of year</b>	16,111	11,655

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

	(Unit: Thousand Baht)	
	Consolidated financial statements/ Separate financial statements	
	2013	2012
Current service cost	1,706	1,633
Interest cost	813	745
Transitional liability recognised during the year	4,159	4,160
<b>Total expense recognised in profit or loss</b>	6,678	6,538
Line items under which such expenses are included in profit or loss		
Cost of sales	5,920	5,743
Selling and administrative expenses	758	795

Principal actuarial assumptions at the valuation date were as follows:

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

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

		(Unit: Thousand Baht)
		Defined benefit obligation
		Consolidated financial statements/ Separate financial statements
Year 2013		24,430
Year 2012		24,133
Year 2011		21,817
Year 2010		23,417
Year 2009		21,236

## 21. 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.

## 22. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Salary and wages and other employee benefits	213,432	196,050	209,445	194,565
Depreciation	67,759	64,385	66,844	64,040
Amortisation expenses	31,480	30,259	12,206	10,971
Transportation expenses	47,392	47,286	47,348	47,286
Rental expenses from operating lease agreements	948	936	21,663	21,662
Repair and maintenance expenses	47,949	36,175	47,855	36,151
Raw materials and consumables used	552,732	749,909	530,537	738,538
Changes in inventories of finished goods and work in process	72,702	(22,206)	73,906	(18,451)

## 23. Income tax

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
<b>Current income tax:</b>				
Current income tax charge	50,908	85,260	45,402	78,495
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(923)	(1,300)	(923)	(1,300)
<b>Income tax expense reported in the statement of comprehensive income</b>	<u>49,985</u>	<u>83,960</u>	<u>44,479</u>	<u>77,195</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
Accounting profit before tax	270,571	411,789	265,411	404,660
Applicable tax rate	15 and 20 percent	15 and 23 percent	20 percent	23 percent
Accounting profit before tax multiplied by applicable tax rate	55,150	95,795	53,082	93,071
Effects of:				
Promotional privileges (Note 24)	(5,073)	(12,128)	(5,073)	(12,128)
Non-deductible expenses	4,031	4,525	397	258
Additional expense deductions allowed	(4,123)	(4,232)	(3,927)	(4,006)
Total	(5,165)	(11,835)	(8,603)	(15,876)
Income tax expenses reported in the statement of comprehensive income	<u>49,985</u>	<u>83,960</u>	<u>44,479</u>	<u>77,195</u>

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Statements of financial position		
	Consolidated financial statements/ Separate financial statements		
	As at	As at	As at
	31 December	31 December	1 January
	2013	2012	2012
		(Restated)	
<b>Deferred tax assets</b>			
Allowance for diminution in value of inventories	175	143	138
Allowance for asset impairment	2,928	2,928	2,928
Provision for long-term employee benefits	3,222	2,331	1,035
Total	6,325	5,402	4,101

In 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, the Cabinet also passed a resolution to reduce corporate income tax rate for companies with registered share capital of not over Baht 5 million and revenue of not over Baht 30 million, as follows:

For 2012

<u>Net profit</u>	<u>Tax rate</u>
0 - 150,000	0%
150,000 - 1,000,000	15%
Over 1,000,000	23%

For 2013 onwards

<u>Net profit</u>	<u>Tax rate</u>
0 - 150,000	0%
150,000 - 1,000,000	15%
Over 1,000,000	20%

In 2011, in order to comply with the resolution of the cabinet, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. However, in 2013 the royal decree announced corporate income tax rate for companies with registered share capital of not over Baht 5 million and revenue of not over Baht 30 million for 2013 onwards, as follows:

For 2013 onwards

<u>Net profit</u>	<u>Tax rate</u>
0 - 300,000	0%
300,000 - 1,000,000	15%
Over 1,000,000	20%

The Company, its subsidiaries and its jointly controlled entity reflected the changes in tax rates in its deferred tax calculation, as presented above.

#### **24. Promotional privileges**

The Company has received promotional privileges from Board of Investment for the manufacture of crude palm oil and dry palm kernels up to a capacity stipulated in the certificates, subject to certain imposed conditions. Details are as follow:

<u>Certificate No.</u>	<u>Principal privileges</u>
1043(2)/2548	- Exemption from corporate income tax on income from the promoted operations for a period of eight years from the date of first earning operating income (7 January 2009), with such tax exemption capped at 100 percent of the amount invested excluding in land and working capital.

In addition, the Company has been granted promotional privileges by the Board of Investment for the generation of electricity from biogases up to a capacity stipulated in the certificate, subject to certain imposed conditions. Details are as follow:

<u>Certificate No.</u>	<u>Principal privileges</u>
2245(9)/2550	- Exemption from corporate income tax on income from the promoted operations for a period of eight years commencing as from the date of first earnings operating income (16 February 2010).



The jointly controlled entity has received promotional privileges from the Board of Investment for the manufacture of palm seeds up to a capacity stipulated in the certificate, subject to certain imposed conditions. Details are as follow:

<u>Certificate No.</u>	<u>Principal privileges</u>
1262(2)/2550	- Exemption from corporate income tax on income from the promoted operations for a period of eight years from the date of first earning operating income, with such tax exemption capped at 100 percent of the amount invested excluding in land and working capital. The jointly controlled entity has not yet begun utilising such privileges.

The Company's operating revenues for the years are below shown divided according to promoted and non-promoted operations.

(Unit: Thousand Baht)					
	<u>Promoted operations</u>		<u>Non-promoted operations</u>		<u>Total</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u> <u>2012</u>
Sales	236,983	311,720	1,098,023	1,205,988	1,335,006      1,517,708

## 25. Earnings per share

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

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

	<u>Consolidated</u>		<u>Separate</u>	
	<u>financial statements</u>		<u>financial statements</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(Restated)		(Restated)	
Profit for the year (Thousand Baht)	220,586	327,828	220,932	327,465
Weighted average number of ordinary shares (Thousand shares)	324,050	324,050	324,050	324,050
Earnings per share (Baht)	0.68	1.01	0.68	1.01

## **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 Company, the subsidiaries and the jointly controlled entity's business operations involve three principal segments (1) oil palm plantation, crude palm oil and crude palm kernel oil processing (2) generation of electricity from biogases (3) production and distribution of oil palm seeds. These activities are carried on exclusively in the single geographic area of Thailand. During the year, there were no material activities pertaining to the generation of electricity from biogases segment and the production and distribution of oil palm seeds segment for the Company, its subsidiaries and the jointly controlled entity. Accordingly, most of the revenues, profit and assets as reflected in these financial statements pertain to the industry segment (1) and geographic area mentioned above.

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

For the year 2013, the Company has revenue from one major customer in amount of Baht 943 million (2012: Baht 1,355 million), arising from oil palm plantation, crude palm oil and crude palm kernel oil processing.

## **27. Provident fund**

The Company its jointly controlled entity and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Its employees, the Company and its jointly controlled entity contributed to the fund monthly at the rate of 5 percent of basic salary. However, for employees who joined the Company and its jointly controlled entity from 15 January 2010, the contribution rates are 2 - 5 percent of basic salary. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2013, the Company and its jointly controlled entity contributed Baht 2 million (2012: Baht 2 million) to the fund.

## 28. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividends per share (Baht)
Final dividends for 2011	Annual General Meeting of the shareholders on 27 April 2012	162	0.50
Interim dividends from the net profit for the period of January to June 2012	Board of Directors' meeting on 9 August 2012	97	0.30
Interim dividends from the net profit for the period of July to September 2012	Board of Directors' meeting on 8 November 2012	97	0.30
Total for 2012		356	1.10
Final dividends for 2012	Annual General Meeting of the shareholders on 26 April 2013	97	0.30
Interim dividends from the net profit for the period of January to June 2013	Board of Directors' meeting on 8 August 2013	65	0.20
Total for 2013		162	0.50

## 29. Commitments and contingent liabilities

### 29.1 Capital commitments

As at 31 December 2013, the Company, its subsidiaries and its jointly controlled entity had capital commitments of approximately Baht 7 million (2012: Baht 10 million), relating to the acquisition of building and equipments.

### 29.2 Long-term service commitments

Under the agreements with a foreign shareholder in relation to the use of its trademark in the production and distribution of oil palm seed, the jointly controlled entity is obliged to pay royalty fee calculated as a percentage of the net annual sales of the products, as defined in the agreements. The jointly controlled entity and such foreign shareholder are also required to comply with conditions stipulated in the contracts.

### 29.3 Guarantees

As at 31 December 2013, there were outstanding bank guarantees of approximately Baht 2 million (2012: Baht 2 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

#### **29.4 Contingent liabilities**

- a) In 2004, the Company received a letter of invitation from the Agricultural Land Reform Office (ALRO) concerning the issue of land overlapping with ALRO land. On 6 October 2004 the Company attended a fact-finding consultation meeting with ALRO and handed over various relevant documents for use by ALRO in considering this issue. The result of this matter is not known at this time.
- b) On 11 April 2008, the Company met with the working committee responsible for reviewing practical methods and negotiations for distributing land belonging to holders of large plots in land reform areas to farmers, which was set up by the Surat Thani Land Reform Commission. The purpose of the meeting was to find a practical solution to the land issue arising as a result of the Company holding land amounting to approximately 1,210 rai in designated forest areas and another 276 rai in land reform areas. These land plots represent 3 percent of the total planted area of the Company. The 276 rai in land reform areas represents a large landholding and a holding in excess of the area that can be owned under Section 30 of the Land Reform for Agriculture Act.

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

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

- c) In 2008, the subsidiaries received notification from the Surat Thani Provincial Office of Natural Resources, ordering it to enter into a memorandum of acknowledgement and consent to comply with the conditions of the Forestry Department regulation concerning permission to exploit National Reserved Forest land B.E. 2548, to lodge an application for permission to gather forest produce in accordance with Section 15 of the National Reserved Forest Act B.E. 2507, and to pay official royalty fees at the rate of 10 percent of the market price of oil palm and forest maintenance fees, at a rate of double the official royalty fees, when harvesting the oil palm crops planted.

On 6 August 2009, the subsidiaries entered into a memorandum of acknowledgement and consent to comply with the conditions stipulated by the Forestry Department. On 18 December 2009, the subsidiaries lodged an application for permission to gather forest produce in a National Reserved Forest. At present, the relevant government agencies are processing the application.

### **30. Financial instruments**

#### **30.1 Financial risk management**

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

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

The Company and its jointly controlled entity are exposed to credit risk primarily with respect to trade accounts receivable since the majority of sales are supplied to a limited number of customers. However, due to those customers' creditworthiness, the Company and its jointly controlled entity do not anticipate material losses from its debt collection.

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

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

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)

As at 31 December												
Consolidated financial statements												
	Fixed interest rates				Floating		Non-interest		Total		Effective	
	Within 1 year		1 - 5 years		interest rate		bearing				interest rate	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<u>Financial Assets</u>												
Cash and cash equivalents	50	110	-	-	121	79	2	1	173	190	0.10 - 2.50	0.20 - 2.70
Trade and other receivables	-	-	-	-	-	-	33	72	33	72	-	-
	50	110	-	-	121	79	35	73	206	262		
<u>Financial liabilities</u>												
Trade and other payables	-	-	-	-	-	-	17	29	17	29	-	-
Long-term loans	-	-	-	-	300	-	-	-	300	-	3.60	-
	-	-	-	-	300	-	17	29	317	29		





### **Foreign currency risk**

The Company and its jointly controlled entity exposure to foreign currency risk arises mainly from machinery purchase transactions that are denominated in foreign currency. The Company and its jointly controlled entity manages its exposure to foreign currency risk by considering purchase/sale of forward contracts from time to time so as to reduce exposure to the foreign currency risk which may incur. The Company and its jointly controlled entity had no forward contracts outstanding at the end of reporting period.

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

Foreign currency	Financial liabilities as at 31 December		Average selling rate as at 31 December	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	-	0.03	-	30.7775

### **30.2 Fair value of financial instruments**

Since the majority of the Company, its subsidiaries and its jointly controlled entity's financial instruments are short-term in nature or loan bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statements of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

### **31. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2013, the Group's debt-to-equity ratio was 0.36:1 (2012: 0.13:1) and the Company's was 0.66:1 (2012: 0.41:1).

### **32. Subsequent events**

On 20 February 2014, a meeting of the Company's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.40 per share in respect of July to December 2013 earnings, or a total of Baht 130 million, for approval by the annual general meeting of the Company's shareholders.

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

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2014.