



บริษัท วิจิตรภัณฑ์ปาล์มออยล์ จำกัด (มหาชน)

Vichitbhan Palmoil Public Company limited

รายงานประจำปี 2559

Annual Report 2016



We grow. We sustain.

Palm today, prospect tomorrow.

พัฒนาไม่หยุดยั้ง สร้างสรรค์ความยั่งยืน

Annual Report 2016



บริษัท วิจิตรภัณฑ์ปาล์มออยล์ จำกัด (มหาชน)

VICHITBHAN PALMOIL PUBLIC COMPANY LIMITED



Contents

| | Page |
|---|------|
| General Information _____ | 1 |
| Message from the Chief Executive Officer _____ | 2 |
| Audit Committee Report _____ | 4 |
| Board of Directors' Responsibilities for financial statement Report _____ | 5 |
| We are Vichitbhan Palmoil _____ | 6 |
| Vision & Mission _____ | 7 |
| Nature of Business _____ | 8 |
| Palm Oil Industry _____ | 33 |
| Risk Factors _____ | 42 |
| Financial Highlight _____ | 49 |
| Management Discussion and Analyst _____ | 52 |
| Shareholder Structure and Management _____ | 59 |
| Board of Directors _____ | 76 |
| Shareholding of the Board of Directors and Management _____ | 81 |
| Corporate Governance _____ | 83 |
| Corporate Social Responsibility _____ | 94 |
| Related Transactions _____ | 97 |
| Issuing other securities _____ | None |
| Auditor's Report and Financial Statement _____ | Enc. |





General information

Name

Vichitbhan Palmoil Public Company Limited

Registered Head Office

2044 Chavananand Building Phetburi Extension Road, Bangkabi, Huai kwang, Bangkok 10320 Thailand

Telephone 0-2314-4101-5 Facsimile 0-2319-7989, 0-2319-0921

Factory

1. Tha-Sae

29 Moo 3 Petchkasem Road, Sup-anun, Tha-Sae District, Chumphon 86140

Telephone 077 – 630 – 891 – 3 Facsimile 077 – 630 - 894

2. Thung-Kha

170 Moo 6 Thung-Kha, Mueang Chumphon District, Chumphon 86100

Telephone 077-641-603,077-641-606 Facsimile 077-641-606

Website:

<http://www.vcbpalmoil.com/>

Registered No

0107557000071

Type of Business

Producing and distributing crude palm oil, by-products and electricity produced from the treated waste water disposed from the crude palm oil refinery

Registered Capital

940,000,000 common shares

Registered Paid-up Capital

Baht 940 million

Par Value per Share

Baht 1.00

Share Registrar Thailand Securities Depository Company Limited

Thailand Securities Depository Co., Ltd. 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand

Telephone: 0-2009-9000 Facsimile 0-2009-9991

Auditor

Mr. Pisit Thangtanagul Certified Public Accountant Registration (Thailand) No. 4095

of Pricewaterhousecooper ABAS LTD.

“Investors could get more information about us by annual information form (form 56-1)”





Message from the Managing Director

For the year 2016, agricultural industry was affected from one of the strongest El Nino phenomenon; as the same time, palm oil industry also impacted by this drought crisis. According to the statistic from Department of Internal Trade of Thailand, the total quantity of palm fruit supply using in production were 11 million tonnes which was the lowest amount during the last five years due to shortage of supply. Moreover, CPO was under the government's control in term of import limitation and overcapacity of crushing mills which led to intense competition among competitors. At the same time, the government's intervention of market mechanisms by using Biodiesel affected on an efficiency of fruit supply management, inventory management and selling plan. Therefore, the mentioned factors were industry condition that impacted every company in palm oil industry.

For our company that mainly bought the fruits supply from outsider, the company received huge impact from the drought and high level of palm fruit competition. Thus, the company tried to reduce these impacts by expanding the company own buying point which aims to cover all areas in Chumphon. The company also emphasized on buying directly from palm growers in order to give them full benefits without middle man together with improved the relationship between the company and palm growers through the various projects. For example, the company launched annual seminar of palm leaves analysis to improve the palm growers' knowledge and skills together with enhance the sustainability of palm oil industry in Thailand in terms of palm fruit production and quality.

Over the limitation of raw material structure, the company's production capacity that had been a strength point during peak season of palm became a weakness due to the current lower supply comparing with smaller companies. However, we had adjusted ourselves by creating one of palm oil crushing mill and Biogas factory of its subsidiary which located in Thung Khadistrict, Muang, Chumphon since May 1, 2016. This adjustment could decrease administrative expenses and also restructure the human resource to be accordance with the production plan. As a consequence, the company can reduce cost of production by 30.83% however, this cost of production was 10-15% of total costs so, it cannot compensate the impact of increasing in palm fruit price thus, the company still loss in operational performance.

Apart from the aforementioned factors, the Company is also severely affected by the expiration of its license for the plantation of palm oil in the National Forest, Rapro Forest, and Salui Forest that were in the process of government's consideration. The company and its subsidiaries appealed to the Central Administrative Court for quicken the concession renewal, the government had argued with the Administrative Court of First Instance. Therefore, the company and its subsidiaries are replying this argument to the Administrative Court of First Instance within the specific period. For the temporary protection orders from the Central Administrative Court, the Royal Forest Department had appealed to the



Supreme Administrative Court in order to repeal this protection orders. Afterward, the company and its subsidiaries had argued with the Royal Forest Department and it is still in the consideration process of the Supreme Administrative Court.

For the industry trend of palm in 2017, there will be positive factors from commodity price that tend to increase from the previous year and the expected of heavy rain (La Nina) but there still has a negative factor of overproduction capacity which approximately to 1 time. Therefore, it could expect that market competition in term of palm fruit supply still high during 2017.

In 2017, the company will focus on human resource development by using “Proactive strategy” which expected to improve working efficiency and adaptable to industry changes and competitions. This strategy also mainly emphasizes on finding fruits supply together with supply management, production, inventory and cost controlling which aims to enhance the company’s result of operation.

In the name of the representative of the Board of directors and its employees, we would like to thank all shareholders, customers, palm planters, the Company’s partners, as well as the community for always giving the Company valuable support. We vow to carry out the business by strictly holding on to our principle of competently and knowledgeably overseeing the Company, in order to promote continued and sustainable progress, following the Company’s vision: **“Unstoppable Development for Versatile Creativity”**



Mr. Krisada Chavananand

Managing Director

Audit Committee Report

The Audit Committee contains the following independent members:

- | | |
|------------------------------|--------------------------|
| 1. Mr. Bandhoo Supakavanich | Audit Committee Chairman |
| 2. Mr. Jiraphant Asvatanakul | Audit Committee |
| 3. Mr. Rachada Singalavanija | Audit Committee |

In the year 2016, the Audit Committee operated according to the scope and responsibilities stated in the regulations of the Stock Exchange of Thailand (SET) and the authority provided by the company's Board of Directors.

Periodically, it had a total of 4 meetings that covered the following key points:

1. Evaluated the quarterly and annual financial statements of the company. Presented information on the financial statements to the Board of Directors to evaluate the correctness and completeness of the financial status, performance, and cash flow of the company and its affiliates. The information on the financial statements must be presented with details according to the standards of financial reporting. Sufficient key information must also be presented under the remarks section of the financial statements.
2. Evaluated the report of the internal auditors' analysis and recommendations pertaining to the company's internal control system. The internal auditing was conducted based on the annual auditing plan and reported to management for appropriate implementation and development. For the year 2016, it can be concluded that the company's internal control system was appropriate and effective, with transparent management and freedom from major risks.
3. Held a meeting between external and internal auditors to develop recommendations useful for management. The Audit Committee presented recommendations for management to implement accordingly, enhancing the effectiveness of the business.
4. Evaluated corporate relationships supporting business activities based on market value. To made conclusions on the company's business practices, evaluating its adherence to the principles of good corporate governance and efforts to prevent conflicts of interest.
5. Requested the agreement in appointing the selected auditors (PricewaterhouseCoopers ABAS Ltd.) and its remuneration rate for an approval in 2017 Annual General Meeting of Shareholders session.
6. To acknowledge and understand the risks that may affect the operating results of the Company from Risk Management Team.

The Auditing Committee concluded that the company's management effectively performed according to corporate governance policies without violating any rules and regulations.



Mr. Bandhoo Supakavanich
Audit Committee Chairman

24 February 2017



Responsibility of the Board of Directors on Corporate Financial Statements

The Board of Directors was responsible for the financial statements of the company and its affiliates, including the financial information publicized in the company's annual report of the year 2016. The financial reports were prepared according to the financial reporting standards of Thailand, using appropriate and consistent accounting practices. The company exercised prudence and best practices to publicize relevant information for the best interest of shareholders and investors, underscoring the company's transparency.

The Board of Directors established a risk management system and maintained appropriate and effective internal control systems to ensure the completeness and correctness of accounting information. The systems were also developed to protect the company's assets and safeguard against corruption and inappropriate business practices.

The Board of Directors appointed an Audit Committee to evaluate the company's accounting practices, financial statement quality, internal control systems, risk management, and information sharing policies. Results and recommendations of the Audit Committee are included in the annual report.

The financial statements of the company and affiliates were evaluated by independent external auditors. The Board of Directors supported the Audit Committee with necessary information and documents to complete the auditing process according to accounting standards. The analysis results of the auditors were included in the annual report.

The Board of Directors believes that the company's internal control systems are of high quality, assuring the credibility of the financial statements of the company and its affiliates for the year ended 31 December 2016. The company adhered to financial reporting regulations and relevant laws.

Mr. Pisanu Chavananand

President

Mr. Krisada Chavananand

Chief Executive Officer

We are Vichitbhan Palmoil.

“Vichitbhan Palmoil” was established by the Chavananand family since March 25, 1987 to operate the production and distribution business of crude palm oil in Chumphon province. Inspired by the interest in the palm oil industry, considered as one of the most successful businesses that can strongly maintain a sustainable growth based on the basic needs for consumption and utilization regardless of the upward or downward trends of the national economy, or the increase in consumption trend, population size and demand for alternative fuel, the company has realized the significance and potential growth of a valuable economic crop generally grown in the south of Thailand known as oil palm.



We are engrossed in developing our process to be “The professor of crude palm oil production” and now we are one of the leaders in crude palm oil business in Thailand. We are trusted by leading customer in both domestic and foreign with advanced production and high quality in inspection systems and the biggest capacity of Chumphon province.



Exception in main business, we are investing in subsidiary companies by 100 percent of the issued and paid-up registered capital, including VPP which do the oil palm plantation business, VGE which operates the business of renewable energy from recyclable waste provided by a palm oil factory and VBL is engaged in the transportation of crude palm oil, palm seed, treated water and other related businesses.

Vision

“We grow. We sustain. Palm Today, Prospect Tomorrow.”

Mission

1. To be business leader by professional management and operation.
2. To make the customer satisfaction.
3. To maximize efficiency and productivity.
4. To control production's cost at appropriately.
5. To focus on development in production technology and personal skills.
6. To be friendly with environment and community.



Nature of Business





Nature of Business

The Company produces and sells crude palm oil in Chumphon province. It has 2 manufacturing plants with the total capacity of 180 tons of fresh Palms per hour. Additionally, the Group operates alternative energy production by using waste water, and residues from the production of crude palm oil to produce biogas to be used as fuel for electricity production sold to the Provincial Electricity Authority. Currently, the Group operates two main businesses as follows:

Production and distribution of crude palm oil

1. Palm oil plantation

Vichitbhan Palmoil Co., Ltd., a subsidiary of Vichitbhan Palmoil Public Co., Ltd. received permission to use the national sanctuary land by the Royal Forest Department in the form of concession in the Rabror and Salui forest areas, the deforested area in Hongcharean sub-district, Thasae district, Chumphon province for palm oil plantations within an area of 19,835 Rai 3 Ngan 75 square Wah with the license expired on February 11th, 2015. Presently, it's still in the process of reinstating the license. Additional, the permission had been granted to use another National Reserve Forest area by the Royal Forest Department for oil palm plantations amounting to 9,334 Rai, 75 square Wah in Hongcharean sub-district, Thasae district, Chumphon province with the name being Vichitbhan Palm Oil Plc. with the license expired on October 17th, 2015. Presently, it's still in the process of reinstating the license. The company uses fresh palms as raw material in the production of crude palm oil.

2. Palm Oil Crushing Mill

As on December 31st, 2016, the Company has 2 crude palm oil extraction plants with the total production capacity of 180 tons of fresh palms per hour. This is deemed that the company had the largest total capacity of in Chumphon province, a major palm oil source of the country resulting in the Company having earned the trust of farmers and fresh palm trading entrepreneurs because the company is able to handle large amount of fresh palm. The company's palm oil crushing mill used Automation and Monitoring System technology in the production, which has helped increase production efficiency and resulting in good quality crude palm oil produced meeting the standards that is recognized by leading companies both domestic and abroad. It also allows the company to control crude palm oil Loss in the production resulting in the Company production rate being good.



The Company's products produced from palm oil are crude palm oil, palm Kernel, and by-products such as Palm Kernel Shell. The main income for the company is from sales of crude palm oil and because the products quality meets international standards, the Company's distribution channels are both local and foreign. However, since the year 2015, there was no exportation of crude palm oil due to the intervention of the government by specifying the purchasing price of palm oil resulted in the crude palm oil production costs and crude palm oil prices being much higher than prices abroad.

Production and distribution of electricity

3. The production and distribution of electricity from biogas

VG Energy Co., Ltd. is a company producing electrical energy from biogas as per the electricity purchasing contract from very small power producers (VSPP or producers of electric power not over 10 MW.) with the Provincial Electricity Authority. The company has 2 biogas plants in Chumphon province with the total capacity of 8.4 MW with Thung Kha power plant has the production capacity at 2.8 MW power plant and Thasae power plant at 5.6 MW. The said biofuels is from biogas generated from the wastewater treatment process and decanter cake from the extraction of palm oil then the electric energy is sold to the Provincial Electricity Authority. Besides, adding value to the waste from crude palm oil factory, It also reduces the environmental impact on the communities include reducing odor from waste water. The biogas plant also contributes to reducing greenhouse gas emissions, the cause of global warming. Additionally, the company was registered as a Clean Development Mechanism (CDM) Project under the United Nations Framework Convention on Climate Change (UNFCCC) in October 2011 and April 2012.

Additionally, the Company is also entitled to the tax benefits from The Board of Investment of Thailand for the production and distribution of electricity from biogas for a period of 8 years from 2011 to 2019 with the corporate income tax exemption and a 5 year period from the year 2020 to 2025 for the 50% income tax deduction.



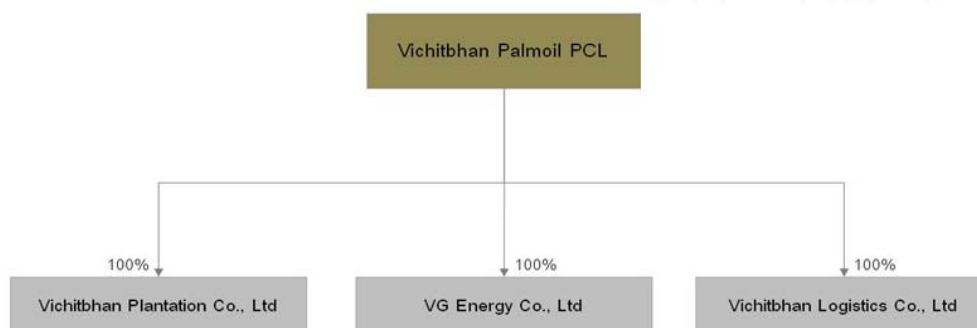
The shareholding structure of the Group

As at December 31st, 2016, the shareholding structure of the Company and its subsidiaries is as follow:

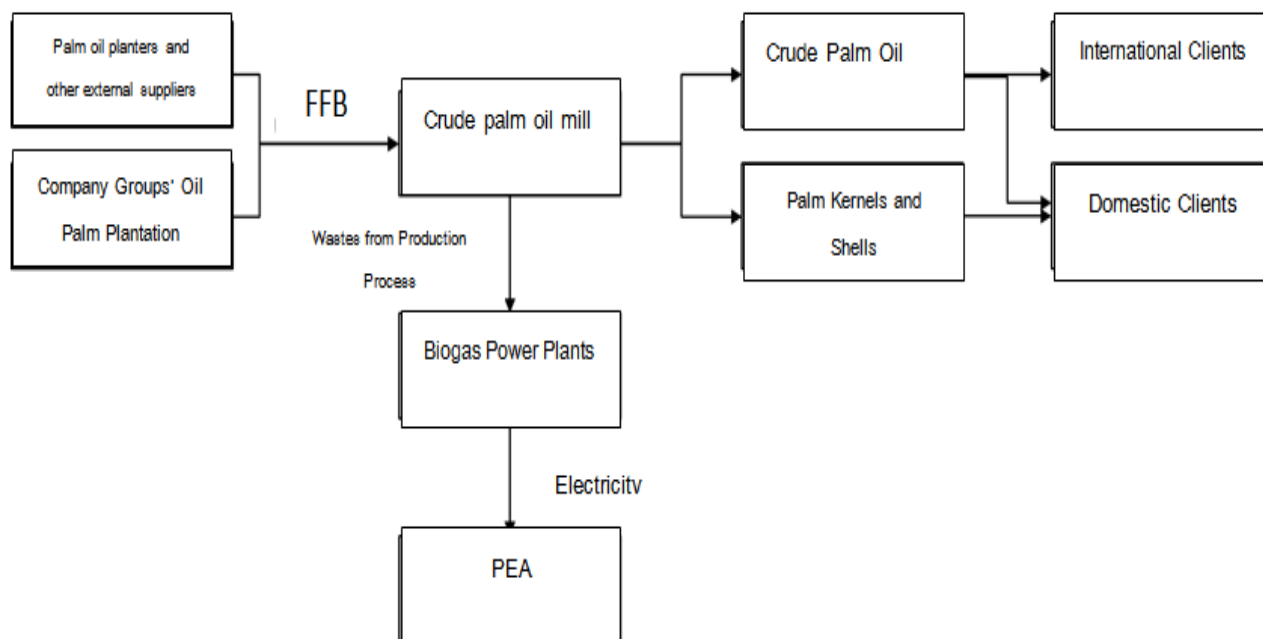
| Company | Nature of Business | Registered Capital | Shareholding |
|---------------------------------------|--|--------------------|--------------|
| Vichitbhan Palmoil Public Co., Ltd. | crude palm oil and by-product producer and distributor | 940 million THB | - |
| Vichitbhan Plantation Co., Ltd. (VPP) | oil palm plantations operator | 42.5 million THB | 100.0 |
| VG Energy Co., Ltd. (VGE) | Producer and distributor of electricity generated from waste or residues of crude palm oil factory | 470 million THB | 100.0 |
| Vichitbhan Logistics Co., Ltd. (VBL) | Transportation operator of crude palm oil, palm kernel, waste treatment and others | 8 million THB | 100.0 |

The shareholding structure of the Company Group

As on December 31st, 2016, the shareholding structure of the Company and its subsidiaries is as follows.



The Company classified the products manufactured and sold into 2 major categories: (1) product on manufacturing and supplying crude palm oil business including the production and distribution of crude palm oil and by-products from the production of crude palm oil and by-products such as seeds, and palm kernel shells (2) manufacturing and distribution of electricity from wastes or residues from the production of crude palm oil to produce electricity. This can be illustrated by the diagram as follows;



Product Characteristics - Production and distribution of crude palm oil

Products manufacturer and supplier of crude palm oil can be classified into 3 types;

- (1) Crude Palm Oil or CPO



The product is extracted from the palm squeeze. This is a reddish brown liquid and the company has no control at all production steps. The oil extracted from palm oil production process meets international standards. The standard features of crude palm oil and crude palm oil, the properties of the company's production may be summarized as follows:

| Properties | PORAM Standard ¹ | Value obtained | Average value in 2016 from the Company's lab |
|--|-----------------------------|----------------|--|
| Free Fatty Acid as PALMATIC | $\leq 5.00\%$ | 3.50 - 4.50 % | 3.63% |
| Moisture & Impurity (M&I) | $\leq 0.25\%$ | 0.12 - 0.20 % | 0.12% |
| Deterioration of Bleach ability Index (DOBI) | ≥ 2.30 | > 2.50 | 2.60 |

Note¹ Palm Oil Refiners Association of Malaysia - PORAM refers to the quality of crude palm oil in Malaysia.

Crude palm oil is the raw material of various types. Generally, the use of crude palm oil can be divided into 2 main types of uses for consumption and used as a raw material in the production of renewable energy. The amount of each type can be accounted for approximately 54.76 % and 45.24 % of the palm oil used in the country (source: the average of the year 2016 for the Agricultural Trade Office, Department of Internal Trade of Thailand) in respect of the company, the company manufactures and distributes crude palm oil to its crude palm oil refineries both domestic and international to be used in the food industry and other industries such as the production of biscuits, Non-dairy creamer, ice cream, shampoo, and cosmetics industries, including manufacturing, industrial Oleo chemicals. These include the production of fatty acids and methyl ester, etc.

(2) Palm Kernel



Production of crude palm from palm bunches the company will get palm kernel, which the innermost core of the fruit. The kernel are white opaque and very hard, mostly used for extracting oil. Then the palm kernel oil is used as an ingredient in the production of bread, margarine, and fats used in cooking, cosmetics, health supplements, as raw material for oleo chemicals industry and the pulp is used as an ingredient in animal feed.

(3) By-product (Palm Kernel Shell, empty fruit bunches, decanter cake, and palm fiber



Palm Shell



Empty Fruit Bunches



Decanter Cake



Palm Fiber

After the crude palm oil, the company would end up with Palm Kernel Shell, empty fruit bunches, decanter cake, and palm fiber:

- Palm Kernel Shell is between the palm fiber attached to the outer shell and palm kernel inside. The brown solid meat is mostly used for fuel.
- Empty Fruit Bunches (EFB) will be used as fertilizer for mushroom.
- Decanter Cake is used for animal feed and raw material in the production of biogas.
- Palm fiber is used as fuel to produce electricity and thermal energy to be used in the production of crude palm oil. This reduces having to purchase power from outside.

Raw material procurement, production, and sales - crude palm oil manufacturer and supplier

1. Raw material procurement

The major raw material in the production, fresh fruit bunches were approximately to 88.83 % of the total costs of sales for the past 3 years and procured from the entire country with the plantation of the company Group accounted for 9.35 % per year. However, for the past year, the license to use the reserved National Forest land from the Royal Forest Department in the concession area in Hongcharean sub-district, Thasae district, Chumphon province area of 19,835 Rai 3 Ngan 75 square Wah and the area of 9,334 Rai, 75 square Wah expired on February 11th, 2015 and on October 17th, 2015 respectively, making the palm from plantation of the company reduced to only 2.06 % of the Group's total palm fruit bunches used in production with the remaining of the company's raw palm fruit bunches purchased from outside.

(1) Raw palm fruit bunches purchased from outside

The company procurement of fruit bunches from third parties by cash with the purchasing price depending on the volume, market conditions, and the company's policies. In each year The Company buys palm fruit bunches from the outside through three channels, namely:



1. From the company trading points to facilitate small farmers to be able to sell palm fruit bunches to the company without having to travel to sell them at the crude palm oil extraction plant.

Therefore, the company has invested to spread out the trading points to the area's farmers to facilitate the purchase. Each nearby trading point is not the buying point for any company trade partner so it does not cause any problem on poaching palm fruit bunches with the company trade partners.

2. The company trade partner trading points do not have a palm oil mill themselves and are the recipients of palm fruit bunches to be sold to the company; the company has policies relating to the purchase from each trade partner trading point in the vicinity, such as the queuing for partners that trade regularly. The priorities of trade partners is consider in setting up queue to buy palm fruit bunches with the large capacity of the Company. However, to have the highest efficiency in production. The Company would continue to strictly monitor the quality control policy of palm fruit bunches. And the marketing team can enter the areas. And random fruit bunches quality inspections are done periodically to control the process systems to be the highest standards.

3. Most farmers have good relationships with the Company and are ready to transport fruit bunches yourself. Farmers will deliver the palm fruit bunches at the Crude palm oil mill themselves.

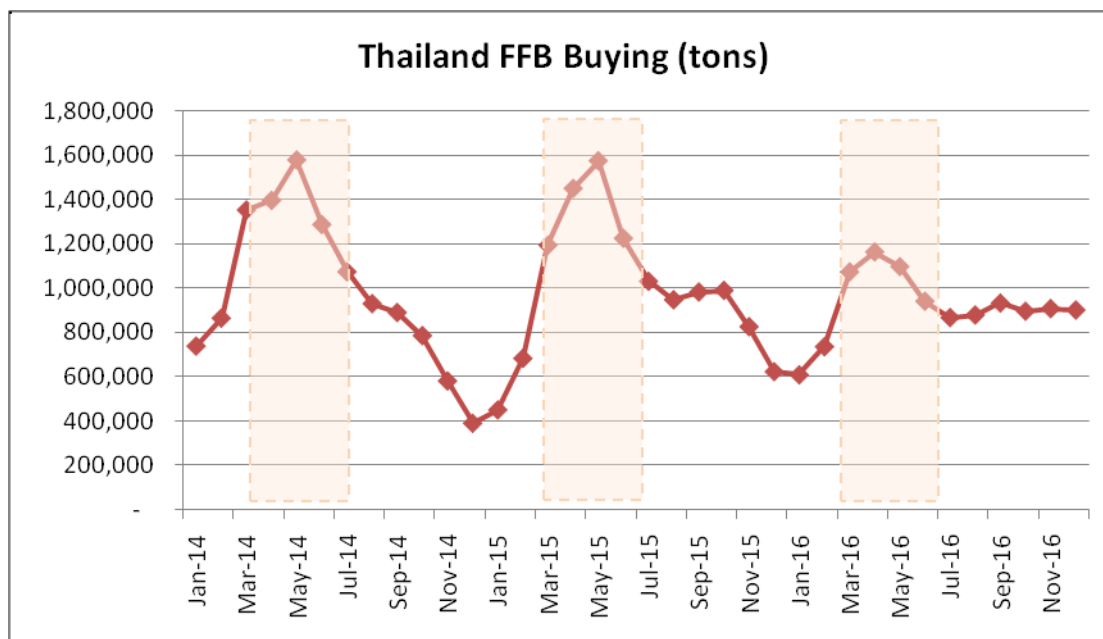
(2) Raw palm fruit bunches from the Company

The Company's local area for cultivating and harvesting was approximately to 6,804 Rai. The Vichitbhan Plantation Co., Ltd. has cultivating and harvesting area of approximately 15,984 Rai, resulting in the company palm plantations totaling 22,788 Rai, with the output of 65,000 to 75,000 tons per year in 2016. The contracts on the 2 plots of land have gradually expired in February 2015, but the Administrative Court had temporary protection order that the company and its subsidiary can collect the palm fruits in these areas since June 2015. However, the order also decreased cultivating and harvesting area approximately to 7,109 Rai for the company and 16,256 Rai for subsidiaries. Moreover, there were the old age of palm trees and lack of fertilization before the Administrative Court's order. As a result, the production reduced to 3,918.64 tons per year in 2016.

Problems with the supply of raw materials

There are many factors in Thailand resulting the cost of cultivation of palm oil being higher than countries that are leader in the palm oil industry in the region; most farmers have cultivation area is not very large, It is impossible to have a comprehensive management and investment in technology and development to increase productivity per acreage, palm varieties yielded low product and the standard of care and harvest

are not standard enough. The harvesting of palm fruit bunches is also dependent on rainfall of the season each year and palm trees age. These factors are the main factors affecting the quantity and quality of fruit bunches and the CPO from the fruit bunches during the three years there were large volume of palm fruit bunches products to the market between the months of March to July Because of the rain, and palm trees grow well in tropical climate. However, the volume of palm fruit bunches sent to the market is less during the months of December-January.



2. Production - Production and distribution of palm oil business

The company has a total of 2 palm oil crushing mills located in Chumphon province. Thasae crude palm oil extraction plant has the production capacity of 120 tons of fresh Palms per hour and Thung Kha CPO mill with a capacity of 60 tons of fresh Palms per hour. The total production capacity is 180 tons of fresh Palms per hour, as detailed below.



Detailed information on the production of the Group for the year 2013 - 2015

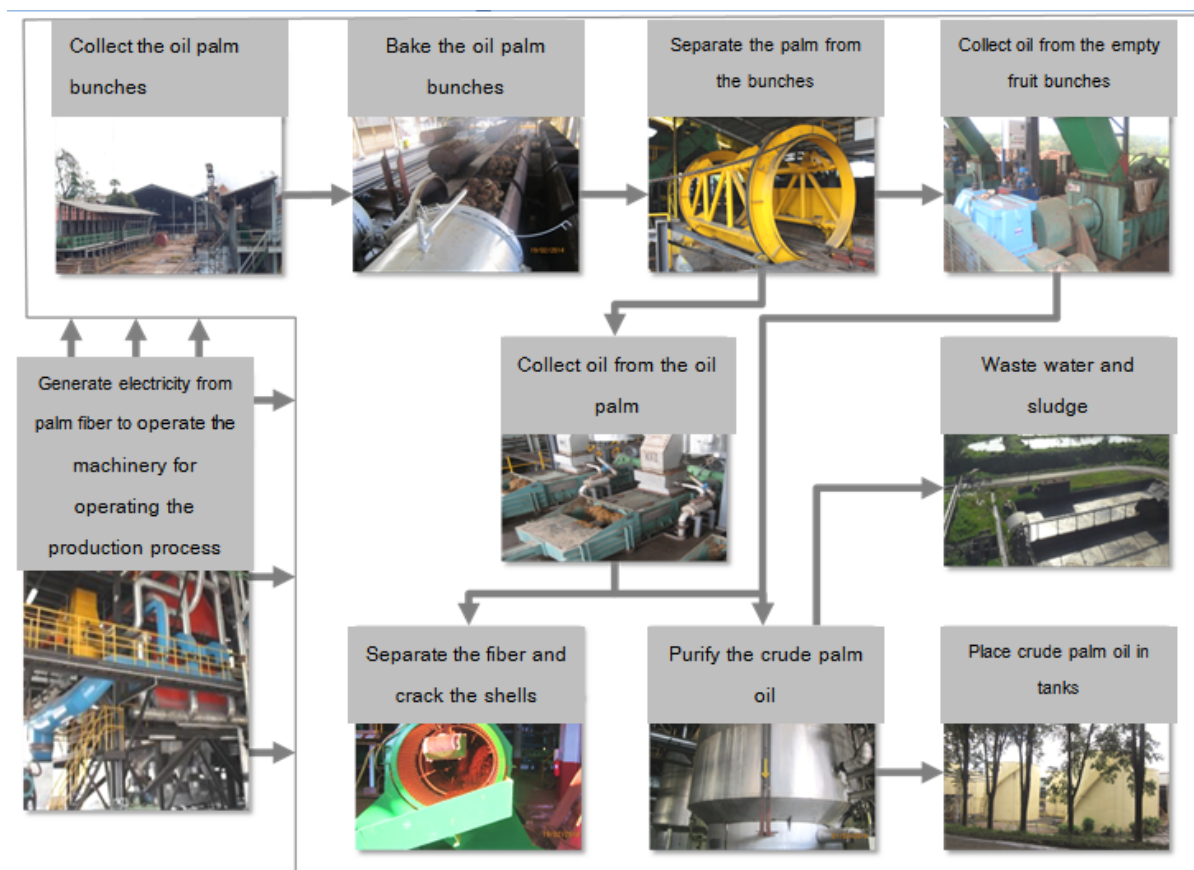
| | 2014 | 2015 | 2016 |
|--|---------|---------|---------|
| Production capacity (tons of fresh palms per hour) | 180 | 180 | 180 |
| The palm put into manufacturing (tons) | 367,975 | 305,370 | 188,991 |
| crude palm oil produced (tons) | 62,391 | 51,496 | 31,308 |
| palm kernel produced (tons) | 19,620 | 17,775 | 10,384 |

The palm fruit bunches production will be different at different Seasons of the year, weather conditions during each year. Therefore, the company constructed crude palm oil extraction plant with a high capacity to handle palm fruit bunches during the period with high palm volume in the market resulting in low price, the time the company is more profitable than the other resulting in the company's average production capacity CPO rate being lower than the installation capacity.





The Company implemented advanced technology with good performance, such as Automation and Monitoring System to be used in the manufacturing process to make the process more efficient and effective. It can also quickly analyze data unlike other palm oil mill that still use the old system controlled by the workers. The monitoring and analysis of the production is difficult and time-consuming resulting in lower productivity and the potential of productivity loss because the situation cannot be remedied immediately.

Manufacturing process control and management by the Automation and Monitoring System start from controlling the transport of fruit to the sterilizer to steam the palm with steam so the fruit is soft and can easily fall out of the core. It is followed by the process of separating the palm fruit from the palm bunches oil to be forwarded to the screw press. The next process is the oil cleaning process by separating oil from water impurities such as sand, decanter cake pellets, which the company has an oil separator machine with special technology to reduce the time of separation with oil contamination five times faster than the original duration. This results in a shorter duration, better quality of the Company's CPO, and the deterioration of Bleachability Index (DOBI) of CPO being better. Then, it will go through the moisture elimination to yield quality CPO and various by-products from the production. While some crude palm oil extraction plant production process is by seed compression results in deteriorated palm oil quality due to a the palm oil and palm kernel oil being mixed.

Brief description of crude palm oil production



The details of each station are as follows:

| Figures of production process | Description |
|---|--|
|  | <p>The fruit bunches reception – is a palm fruit bunches reception process from various sources of factory and taken to the Palm reception area. When the process begins, the fruit bunches will be onto the conveyor belt sending the Palm fruit bunches to be loaded onto the truck waiting to be baked.</p> |
|  | <p>Palm baking – the transport system moves the loaded truck into a sterile pot, which is controlled by System Automation System with sterile casserole baking by steaming palm with steam at a pressure of three atmospheres. The palm fruit bunches ripen and then taken out to be forwarded to the separation process. The Automation System will enhance efficiency and precision in controlling the temperature, pressure, and time resulting in the steaming process being complete and meets the desired formula. In addition to reducing Human Error, it is also a tool to help employees to work more efficiently.</p> |
|  | <p>Separating the fruit from the bunch - truck loaded with baked palm to Tipper to pour out on to the conveyor belt to the Threshing Machine to separate the fruit from the fruit bunch then the fruit is transported by conveyor to the fruit oil extractor while the empty fruit bunch is transported by conveyor to the fruit bunch oil extractor.</p> |
|  | <p>Extracting oil from fruit – the fruit is transported to the digester using steam and then into the Screw Press by squeezing oil from palm fruit. In this process, the fiber of palm and palm kernel will be left over. The crude palm oil will flow into the oil cleaning station. The fiber palm and palm kernel will be sent to separate fiber and seed crackers.</p> |

| Figures of production process | Description |
|---|---|
|  | <p>Cleaning palm oil - crude palm oil will be separated by a sieve to separate sand and impurities from crude palm oil. Then sent to the oil reservoir to be sent to through a sand separator system torque again and to the oil separator. the oil floating on the top will be sent to storage tanks for oil separation, purification, and drying by vacuum system. Then the oil is sent to storage tanks waiting to be distributed. The oil in the bottom is returned to the tank for a three-phase separation: oil, water, and fiber then returned to the storage tank to repeat the above steps.</p> |
|  | <p>Separating palm fiber and cracking kernel - the palm fiber, palm kernel from the extractor will be transported into fibers separator using air suction. Fiber is fed as fuel for the Boiler. The palm kernel is dried in silos then sent to grain crackers to separate the palm kernel and Palm Kernel Shell. The small palm kernel that is still mixed with the shell will be separated again by a separator. The specific gravity of palm kaolin will be transported to a separate tank for distribution. The palm kernel will be sent to the drying process and stored in silos to await distribution.</p> |
|  | <p>Extracting oil from palm empty fruit bunch – the empty bunch will be forwarded to the extraction process with the Crude palm oil flowing to the tank to extract sand. It then will be sent to be cleansed.</p> |
|  | <p>Power plants - palm fiber from the production process will be transported to be used as a fuel to produce steam that will be converted into electrical energy for propulsion machinery on the production line.</p> |



Environmental Impact - CPO production and distribution

Group's policies and practices in the care and preservation of the environment are clear to ensure that the company's production process yields minimal environmental impact. The focus is on the ongoing management. This starts from the company staffs and managements having to be ethical in its operations, the company is committed to reducing the environmental impact by continuously investing and improving the management of pollution from manufacturing and investment in systems such as particulate traps and oxygen analyzer to measure the amount of excess air resulting from the combustion of the boiler in crude palm oil. The company is also ready to invest in order to fix the environment resulting from the cultivation process and other management systems; water and waste resulting from the manufacturing process. The company has invested in technology that use waste water and waste from the production of crude palm oil through a fermentation process to produce biogas and used as fuel to produce electricity. The remaining water from the biogas process still possesses benefits to organic palm oil company so it is used for watering the oil palm plantations of the group the company. Currently, trials have begun to implement a wastewater wetland treatment, treatment system for water left over from the production of biogas. The system has sandy soil for planting water plant species and rock bottom of the pond to absorb organic compounds left in the water.

The extraction plant takes into account the usage of crude palm oil residues from the manufacturing process for the maximum benefit and reduction of pollution that may occur, such as boilers powered by turning palm fibers into fuel to produce steam then converted into electrical energy for powering machinery in the production process.

3. The distribution and channels

The company will not enter into any long term CPO sales contract and there's no policy on entering into advance sales contract or hoarding large amount of oil for speculation. This is to prevent the risk of fluctuations in the price of crude palm oil that may arise due to many factors controllable by the Company. However in some periods of price intervention from the government, the company has been under pressure resulted in the inability to release products and it was necessary to maintain higher inventory volume than usual.

Domestic distribution

The company distributes products; crude palm oil and palm kernel directly to the crude palm oil refinery, the biodiesel producers, and palm kernel oil extraction plants.



International distribution

The company exports only palm oil products. The Company also regularly considers the proportion of domestic and abroad distribution. The keys factors used in the company consideration; prices, the demand in the domestic and abroad market.

Customers and Target Customer Groups

There are 2 Company's Target Customer Groups: Domestic and Abroad

1. Domestic Customers

Customers in this Group are crude palm oil refinery that will bring the company's CPO to be refined, palm kernel oil extraction plants that will bring the company's palm kernel to be extracted for oil. The Company can supply many refinery and extraction plants in bulk due to the stability in the production of crude palm oil and palm kernel, product quality being acceptable, and punctuality in delivery. The competitions based on pricing for domestic customers segments are as follows.

| Types of products | Customers |
|-------------------|-------------------------------------|
| CPO | Morakot Industries Public Co., Ltd |
| | Patum Vegetable Oil Co.,Ltd. |
| | Lam Soon (Thailand) Public Co., Ltd |
| Palm kernel | Kimkee-Kijcharoen Co., Ltd |
| | S.C. Kernel Co., Ltd |
| | Anattagreen Co., Ltd |

2. International customers

Although in recent years the company has not been exporting crude palm oil due to the government intervention in the market to determine the price of palm and palm oil. However, the Company still has the potential to export. The company has a high production capacity, Product quality meeting the international standards and the company having earned the trust of foreign customers. The Company will consider the terms of trade and the credibility of the CPO multinational partner companies. Additionally, the Company is one of the few domestic producers with the ability to compete in export markets alone due to the raw material handling efficiency, production capacity, and product quality management that international standards.



Raw material procurement, production, and sales - electricity production and distribution business

Product characteristics: - Production and distribution of electricity

The company has established VG Energy Co., Ltd., a subsidiary with the Company holding 100% share, to produce and sell electricity from alternative energy to be distributed to the public sector; the Provincial Electricity Authority as per the policies to support the production of electricity from alternative energy. Currently, the Group's operating 2 power plants producing electricity from biogas with the generating capacity at 8.4 MW in Chumphon Province. The biogas is from the waste water from the extraction process of crude palm oil in the crude palm oil mill, which contains organic compounds decomposed by biological fermentation under oxygen-free conditions in order to obtain methane, biogas that is qualified to be used as fuel in power generation operations. VG Energy has a power purchase agreement with the Provincial Electricity Authority for the two power projects from biogas and has been selling power commercially in March and May 2011, respectively.

Production and distribution of electric energy from biogas

VG Energy Co., Ltd. is in the business of electricity from biogas production and sale in 2 projects with the total capacity of 8.4 MW. VG Energy Co., Ltd. has entered into 2 power purchase agreement with the Provincial Electricity Authority the subject matter of the power purchase agreement (PPA) between VG Energy Co., Ltd. and Provincial Electricity Authority can be summarized as follows:

| Project Name | Biogas power plant project Sapanan subdistrict, Thasae district, Chumphon | Biogas power plant project Thung Kha subdistrict, Muang district, Chumphon |
|------------------------------------|---|---|
| Contract number | VSPP-PEA 092/2551 | VSPP-PEA 093/2551 |
| Signing Date | 27 November 2008 | 18 December 2008 |
| Contractual volumes | 4.5 MW | 2.5 MW |
| Generating capacity | 5.6 MW | 2.8 MW |
| Pressure Level | 22,000 Volts | 22,000 Volts |
| Commercial operation date (COD) | 10 May 2011 | 10 March 2011 |
| Power purchase point | 29 Moo. 3, Phetkasem Road, Sapanan subdistrict, Thasae district, Chumphon 86140 | 170 Moo. 6, Phetkasem Road, Thung Kha subdistrict, Muang district, Chumphon 86100 |
| Duration of contract | 5 years and continuously for 5 years until the agreement is terminated | |

1) Biogas power plant projects, Sapanan sub-district, Tha Sae district, Chumphon province

Biogas power plant project, Sapanan sub-district, Tha Sae district, Chumphon province has generating capacity of 5.6 MW, is located at No. 29 Moo 3 Phetkasem Road, Sapanan sub-district, Tha Sae district, Chumphon province 86140 on the plot of land with area of roughly 43,000 M² meters of land being a plot with lease rights over land for the purpose of producing electricity from biogas for the company. The project commercial operation date was May 10th, 2011 and received adder for very small power producers of renewable energy types, biogas at the rate of 0.30 THB per kilowatt – hour with 7 years support from the commercial power distribution date as announced by the Provincial Electricity Authority on additional purchase price for electricity from small renewable energy according to resolution of the National Energy Policy Committee, dated March 9th, 2009.



2) Biogas Power Plant Project, Thung Kha sub-district, Muang district Chumpon province

Biogas Power Plant in Thung Kha sub-district, Muang district Chumpon province project has the generating capacity at 2.8 MW is located at No. 170 Moo 6 Phetkasem Road, Thung Kha sub-district, Muang district, Chumpon province 86100 with the area of approximately 47,200 M² meters of land being a plot with lease rights over land for the purpose of producing electricity from biogas for the company. The project commercial operation date was March 10th, 2011 and received adder for very small power producers (VSPP) of renewable energy types, biogas at the rate of 0.30 THB per kilowatt - hour with 7 years support from the commercial power distribution date as announced by the Provincial Electricity Authority on additional purchase price for electricity from small renewable energy according to resolution of the National Energy Policy Committee, dated March 9th, 2009.



Details of the biogas power plant projects

| | |
|---------------------|--|
| Project Name | <ul style="list-style-type: none"> ● Biogas power plant, Sapanan sub-district, Tha Sae district, Chumphon province project ● Biogas Power Plant, Thung Kha sub-district, Muang district Chumpon province project |
| Project Location | <ul style="list-style-type: none"> ● 29 Moo 3 Phetkasem Road, Sapanan sub-district, Tha Sae district, Chumphon province 86140 deemed by the company to be on a high ground with no risk of flood and there has never been flooded. ● 170 Moo 6 Phetkasem Road, Thung Kha sub-district, Muang district Chumpon province 86100 deemed by the company to be on a high ground with no risk of flood and there has never been flooded. |
| Generating Capacity | <ul style="list-style-type: none"> ● Sapanan Biogas power plant generating capacity is at 5.6 MW. ● Thung Kha Biogas power plant generating capacity is at 2.8 MW. |
| Project Detail | <p>Biogas power plant producing electric from waste water and residues from processing crude palm oil. The Group's Aims to take advantage of waste in the form of renewable energy by putting the waste through a treatment system to produce biogas to be used as fuel for electricity sold to the Provincial Electricity Authority. Additionally, the program can also help reduce the emission of carbon dioxide and methane into the atmosphere, a major cause of global warming. The materials and technology used in the production process:</p> <ol style="list-style-type: none"> 1. Waste water from palm oil (POME), 2. Treatment type high performance A + CSTR, A + UASB and A + HCSR 3. Biogas Engine 4. Electrical distribution system |
| Technology | <p>-The working principle of the Production system starts with the production of raw materials; waste water and decanter cake from crude palm oil going through closed treatment in the Appropriate Completely Stirred Tank Reactor and Appropriate Upflow Anaerobic Sludge Blanker, and Appropriate High concentration Sludge Reactor, respectively. The biogas produced would be going through removal of water and hydrogen sulfide (H₂S) using cleaning bio-Filter before being used as fuel to produce electricity by using biogas. Engine to produce supplemental electricity to be sent to the transformers and Provincial Electricity Authority distribution system.</p> |

For the operation and maintenance of power plants, the company has entered into a contract with ITALTHAI Industrial co., Ltd. to provide Operation and Maintenance(O & M) service for this project area for the biogas engine for a period of 59,999 hours of running after project construction completion with the detailed scope of work; operation, monitoring, and controlling the capabilities to produce the amount of electricity according to the contractual terms and monitoring plan for maintenance of biogas plants to prevent the disruption of production efficiency. Subsequently, on April 11th, 2012, ItalThai Industrial Co., Ltd. has agreed



to transfer such contracts to Navigat Energy (Thailand) Co., Ltd. to take over the contract terms and conditions.

The project is entitled to benefits, including tax exemption and reduction of corporate income tax. And exemption and reduction of import duty on machinery as approved by the Board of Investment approval for Investment in the production of electrical energy of biogas according to the BOI Certificate No. 1474 (1) / 2009 and 1662 (1) / 2009 of the Board of Investment dated March 24th, 2009 and July 28th, 2009, respectively.

1. Raw material procurement - electricity Production and distribution business

Due to the power generation of the Group being from the waste from the production of crude palm oil, including waste water from the crude palm oil production to produce bio-gas and Slough from palm oil production as well. The Group has strategy for the raw material procurement from various sources to be used for the production of crude palm oil in the mill for the whole year. Additionally, the group also recognizes the use of raw materials to achieve the maximum benefit and the plant was designed to meet the crude palm oil extraction plant production capacity of the group.

2. Production - Electricity Production and distribution business

(1) Production capacity and utilization

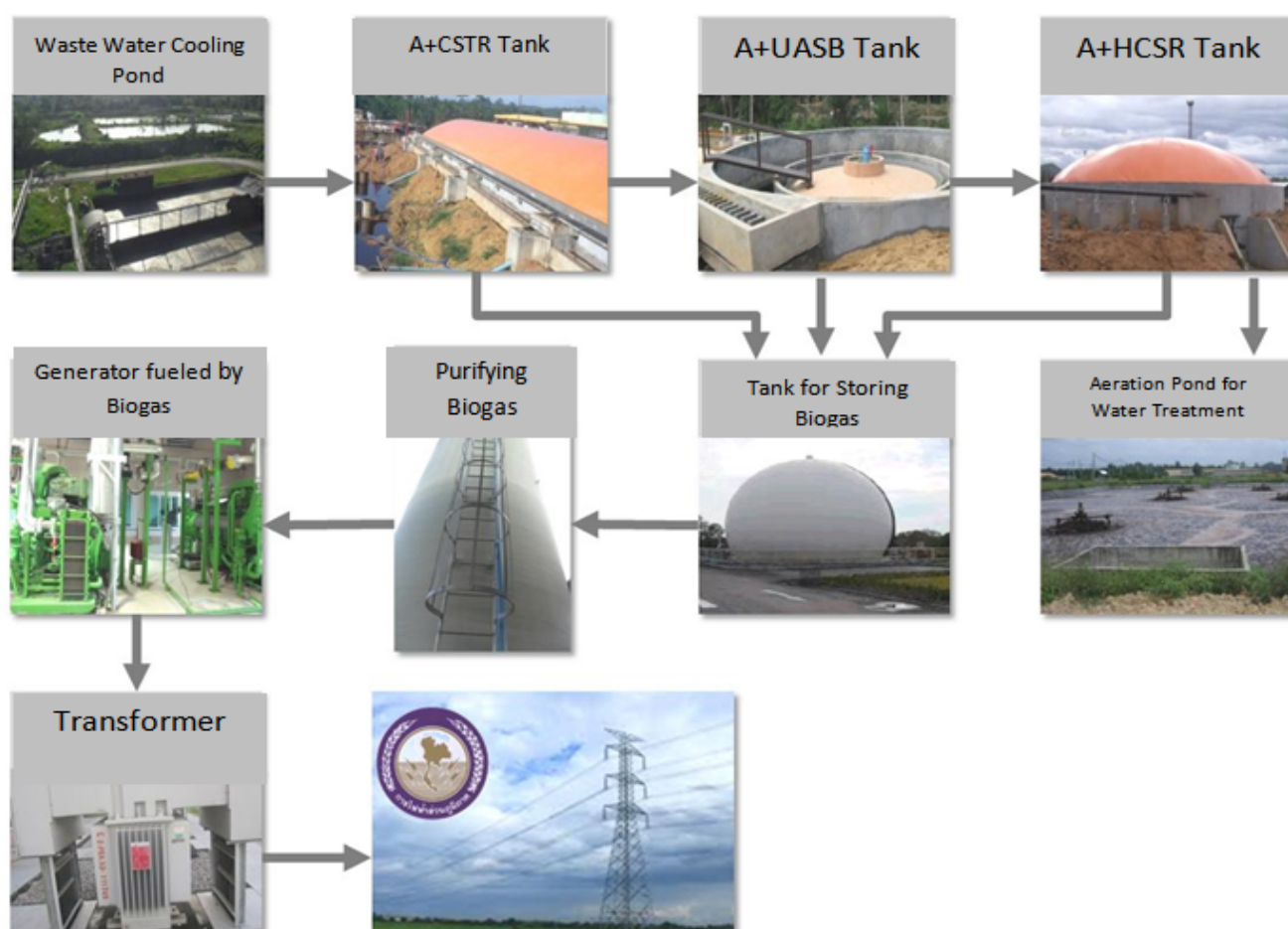
The generating capacities of the 2 biogas power plants are as followed.

| Project name | Production capacity | Commercial operation date (COD) |
|--|---------------------|---------------------------------|
| Biogas power plant project Sapanan subdistrict, Thasae district, Chumphon | 5.6 MW | 10 May 2011 |
| Biogas power plant project Thung Kha subdistrict, Muang district, Chumphon | 2.8 MW | 10 March 2011 |

The installed capacity of the two power plants with a capacity utilization rate of the production is summarized as follows:





| Items | Thasae project | | | Thung Kha project | | |
|--|----------------|------------|------------|-------------------|------------|------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Ability to produce power (kilowatt - hours per year) | 20,877,000 | 20,877,000 | 20,877,001 | 12,936,000 | 12,936,000 | 12,936,000 |
| The amount of electricity produced. (kilowatt - hours per year) | 15,928,648 | 10,791,364 | 8,401,511 | 10,131,175 | 7,684,100 | 5,543,300 |
| The rate of capacity utilization (%) | 76.29 | 51.69 | 40.24 | 78.32 | 59.40 | 42.85 |

Production of electricity from the waste water from the crude palm oil extraction process



Details Production Process

Raw materials for biogas production include waste water and decanter cake extracted from the Group's CPO with the total capacity of 180. Tons of palm fruit bunches per hour.

| Figures of production process | Biogas production processes |
|---|---|
|  | <p>Waste water from the crude palm oil extraction process is pumped into the Cooling Pond to reduce the temperature and it is the primary waste water management, that is to separate waste water and suspended solids; sand, gravel, etc.</p> |
|   | <p>Anaerobic Wastewater Treatment process due to water coming in the system being highly concentrated so it needs to be treated by A + CSTR (Appropriate Completely Stirred Tank Reactor, which is responsible for trapping sediment deformation and degradation of organic matter in wastewater and sludge and slurry as organic matter into biogas. The wastewater that has gone through the A + CSTR treatment system will have a low concentration. It then passed into the treatment system, an A + UASB (Appropriate Upflow Anaerobic Sludge Blanket) for treatment of wastewater with left over biodegradable and not very high concentration to end up with the high quality enough to be manipulated by the next treatment system.</p> |
|  | <p>The process of managing waste and sludge from the plant using The A + HCSR (Appropriate High concentration Sludge Reactor) treatment system, which completely manages water and waste resulting from the crude palm oil production mill. The system will have the sludge from A + CSTR and A + UASB mixed with - decanter cake from crude palm oil extraction mill in order to enhance the biogas degradation. The sludge left over from the treatment plant would have low COD and can be used as fertilizer for the palm garden. The wastewater from the treatment would be sent to be treated in the aeration pond. The waste water that has gone through plant treatment would</p> |

| Figures of production process | Biogas production processes |
|---|--|
|  | <p>be to water the factory palm garden.</p> |
|    | <p>Biogas production will be directed to the elimination and removal of hydrogen sulfide (H₂S) system using a clean biogas Bio-Filter before being used as fuel to produce electricity in the Biogas Engine with biogas being ignited mixed with the air in the cylinder. Thermal energy from the combustion is converted into mechanical energy to spin the generator to produce electricity for the transformer and connected to the Provincial Electricity Authority distribution system further</p> |

Environmental Impact - Electricity Production and distribution business

The Company is aware of about the impact on the environment. The environmental management is implemented to have an international standard for environmental management and to have rules and procedures in the field of the environment care that is appropriate with the law and can be examined using the Initial Environmental Examination: IEE), which is a standard that has a role in controlling the impact on the environment from the operation and must be strictly completed before the start of construction of the power plant. The environmental impact reduction measures must be implemented and the measures to monitor environmental quality along with continuously reporting the implementation to the relevant departments.

The implementation of measures to reduce environmental impact as defined in the IEE report include the physical resources, biodiversity, human Usage, and quality of life. The conditions have to be fulfilled starting with the construction period until the current operation and measures continued to be developed to more effectively reduce the environmental impact with the focus being on the Pollution Prevention policy.



3. Sales and marketing - electricity production and distribution business

The business of production and distribution of electrical energy from biogas of Group is considered a business with low demand risk because the product is a necessity and is becoming increasingly important.

The company is committed to being a leader in the production and distribution of crude palm oil. It also takes into account the raw material management to maximize the benefits and the environment impact that may be caused by waste and residues from the crude palm oil production. The Group modern technology usage can be seen from the selection of equipment and technology from manufacturers with quality and efficiency in power generation. The company's power plants efficiently produce electricity. The power supply is consistent and stable.

The government policy is to support the production and distribution of electricity from renewable energy from very small power producers by purchasing all electricity produced by the very small power plant with power purchase agreements with the Provincial Electricity Authority. This results in power plants of the Group being at low risk of distributing electricity to the PEA. Additionally, power plants that are emerging in the future will not affect the electricity sales volume of group.



Competitive strategy

The palm oil plant business is in the agricultural industry. Therefore, the main factors affecting the results of operations and financial condition of the Company are the amount of crop going into the production process. The key factors affecting crop production are the factors affecting the weather and rainfall, external factors that cannot be controlled coupled with the total crude palm oil extraction plant production capacity in the whole country is roughly doubled higher than all crops produced in the country making the competition for the purchase of raw materials today very serious. Further, new competitors are entering the market or the existing competitor capacity expansion so it can be predicted that competition for the purchase of raw materials are steadily increasing, and all companies are affected. The advantage of each company would be internal management.

Thus, the company focuses on the plan for internal management structure improvement and information systems improvement to enhance competitiveness by focusing on improvement in 3 areas;

1. Raw materials stability

The company realizes that raw materials is the key element of the business resulted in the navigation system being used for date processing in order to bring the date to be used in determining the strategy on appropriate raw material sourcing along with providing customer relation team training courses on information systems and analysis techniques to be used when establishing strategies to buy Palm for both quantity and quality. Additionally, the customer relation team also has a role in building confidence in the company including listening to problems and suggestions from various palm vendors to adopt guidelines on how to improve the services to meet the needs of palm vendors.

2. The production process improvement

The company is a leader in manufacturing technology by foreseeing that efficient manufacturing process affect product quality that Build the company credibility and end up with distribution advantage. The manufacturing process of the company is done with automation and monitoring system, which can quickly and efficiently monitor and analyze production processes and machines performance so it also helps with production loss reduction and reduces production disruption.

Even though, the Company has advanced production technology, however, the company still continues to focus on personnel by training staff in the production department to understand the processes of the production line in order to use the machines to their full potential and maximize efficiency. It also helps reduce accidents in the workplace.

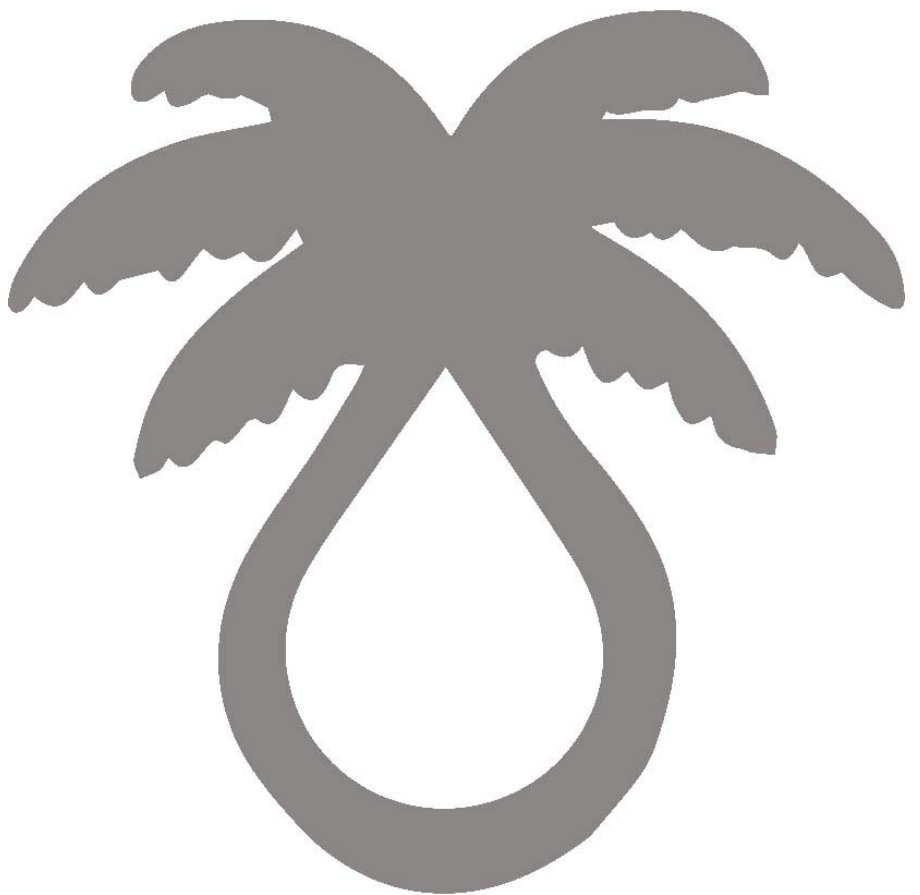


3. Cost control and production cost planning

Due to the high competition surrounding coupled with the Company's products being in the group of commodities, the company decided to focus on costs and production costs by introducing the information system to assist in the management and repairs planning. This will increase confidence that the company in the aspect of the cost control will not affect the performance, product quality, and employee safety.

In 2017, the company will focus on human resource development by applying proactive manner which expected to improve working efficiency and adaptable to industry changes and competitions. This strategy also mainly emphasizes on finding fruits supply together with raw materials management, production plan, inventory management and cost controlling which aims to enhance the company's result of operation.

Palm Oil Industry

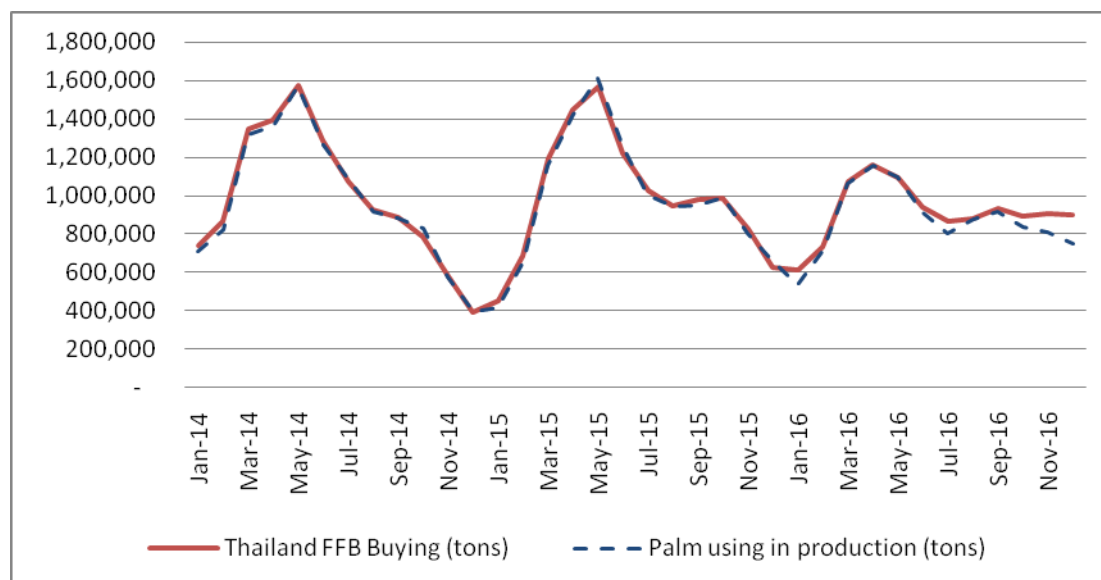


Industry

Competitive Conditions in the Industry

Crude palm oil and palm kernel are agricultural products whose the price mechanism is determined by the supply and demand. An important factor that affects the supply is the weather, which has a direct impact on the yield of palm oil and other crop oil in the world market. The factors affecting the demand are the market demand, most of the needs of the various industrial sectors both domestic and abroad in the aspect of product and energy consumption due to population growth, the economy of the countries that consume vegetable oils and policies on import tariffs of the countries that consume oil with the world's largest being India and China, this has a direct impact on the demand for consumption of palm oil and vegetable oil. During the last 3 years, the total palm fruit bunch amount purchased has been roughly 11.00 to 11.97 million per year.

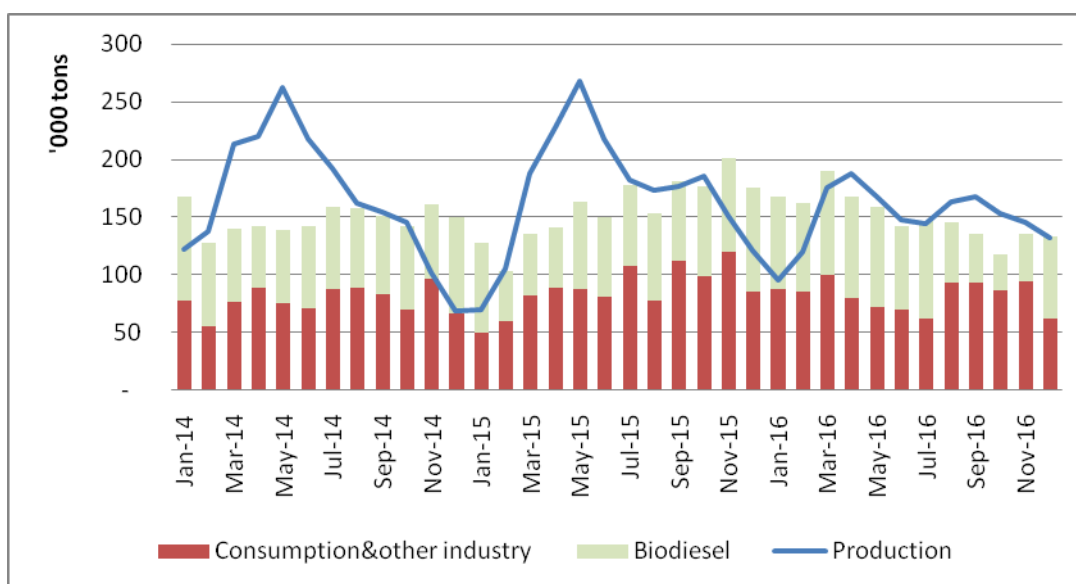
Palm fruit bunches production compared to the amount of palm fruit bunches used in palm oil production



Source: Office of Agricultural Economics, Department of Internal Trade

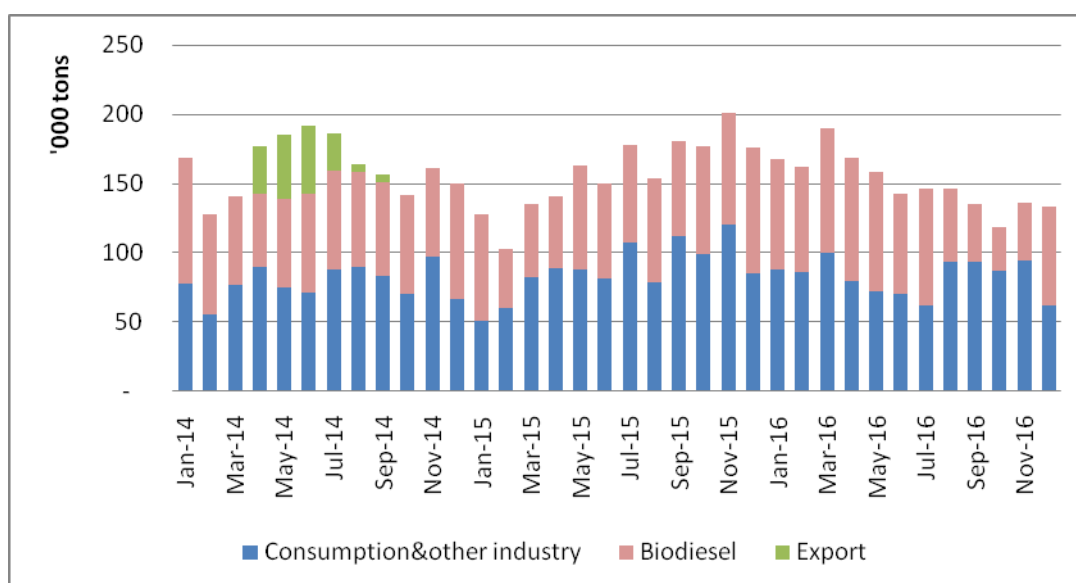
The volume of crude palm oil production in the country would be in line with the volume of palm fruit bunches used in the crude palm oil production. The duration of the last 3 years (2014 to 2016), the demand for palm oil would focus on consumption. In 2016, 54.76 % of crude palm oil was used in the food industry. And other related industries and an average of roughly 45.24 % was used to produce biodiesel.

The volume of crude palm oil compared to crude palm oil demand in the country



Source: Office of Agricultural Economics. Department of Internal Trade

The proportion of crude palm oil in Thailand



Source: Office of Agricultural Economics, Department of Internal Trade

With the good production management, the company has achieved products quality standards being acceptable and competitive in the global market coupled with the company high production capacity. This leads to the company being the leader in the crude palm oil production in the country. It is also the leading exporters of crude palm oil to the international market.

Competition

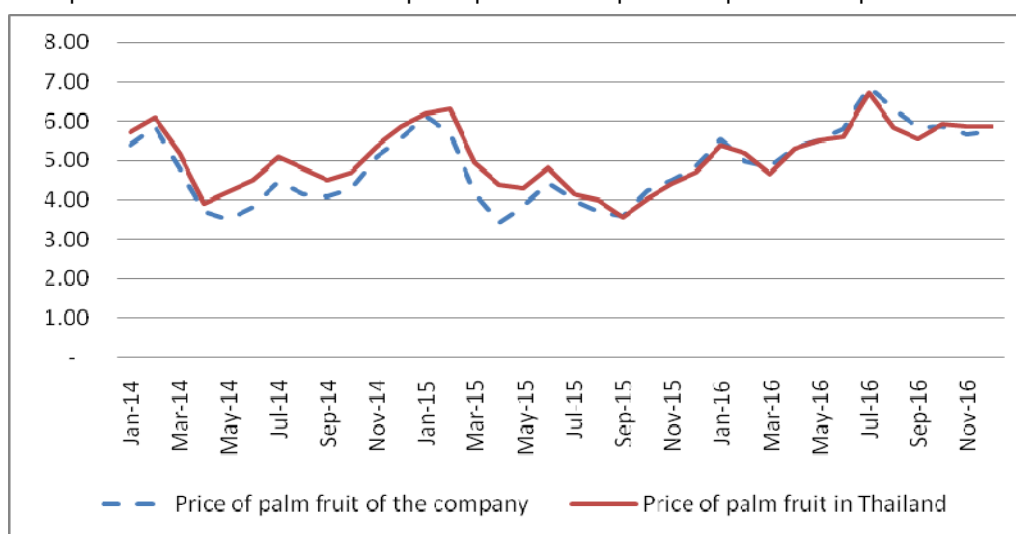
The palm oil industry is directly related to the use of raw palm fruit bunches. Thus, there are 2 types of competition in the industry; the competition to purchase raw materials from farmers to be used in crude palm oil mill and the competition for the sale of crude palm oil and palm kernel to customers. The competition for the purchase of raw materials is more violent than the competition in the sale of crude palm oil and palm kernel.

Competition in purchasing raw palm fruit bunches

The competitors of the Group in purchasing palm fruit bunches are palm oil mills located close to the CPO mill in the group. The palm fruit bunches harvested from palm oil should be processed within 24 hours in order to get good quality on CPO. The Group has good capability to access the farmer products with effective administration by using information technology to assist in the management and storage of agricultural and purchase partner, creating a good relationship with large farmers and the trading points to continuously provide feedstock to the Company including the development of the continuous oil palm cultivation support for small farmers in the community so that small farmers can reduce costs and increase productivity. As a result, quality and quantity raw product being fed to the Company, the Group will have to adjust the price of palm fruit bunches in accordance with the rate of extraction of crude palm oil at the production facilities to encourage small farmers to submit quality fruit bunches into crude palm oil production.

In the year 2013 and early 2016, Thailand was faced with the El Nino phenomenon resulted in little rainfall across the region. The rainfall is the important to productivity and quality of palm fruit bunches, which resulted in fewer amounts of fruit bunches and the CPO in the market coupled with the yield-to-market being lower than production capacity of approximately 100%, resulting in competition for purchased fruit bunches rising.

Price of palm fruit bunches of the Group compared to the purchase price of the palm fruit bunches

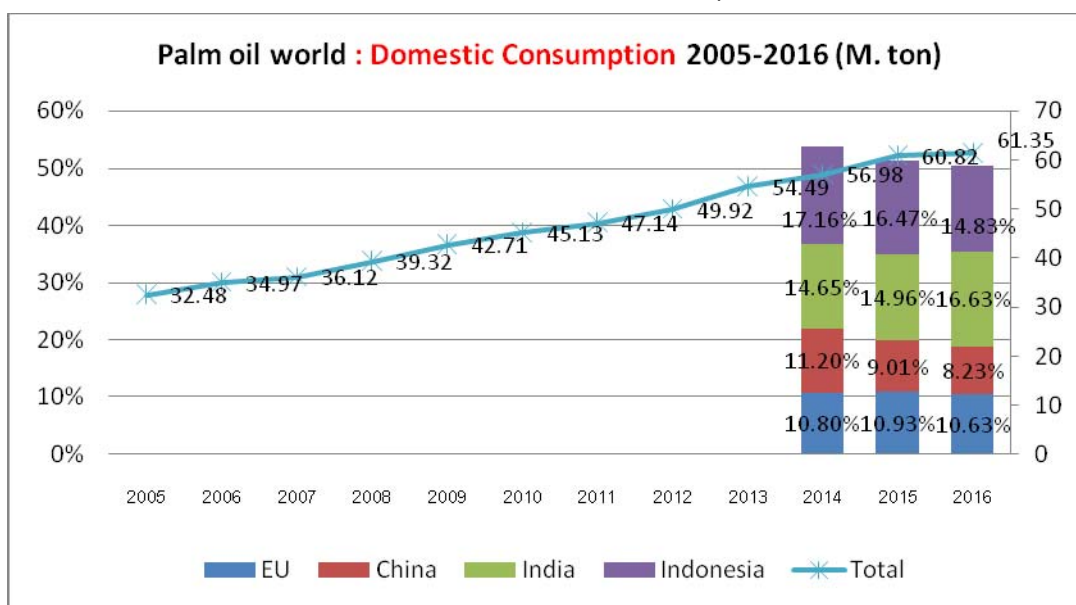


Source: Office of Agricultural Economics, Department of Internal Trade

Overall demand and supply of palm oil

Palm oil is a vegetable oil that has been popular for the oil consumption. The overall palm oil consumption in the world market is likely to rise steadily each year. The palm oil consumption worldwide increased from approximately 32.48 million tons in 2005 to 60.82 million tons in 2015 and 61.35 million tons in 2016.

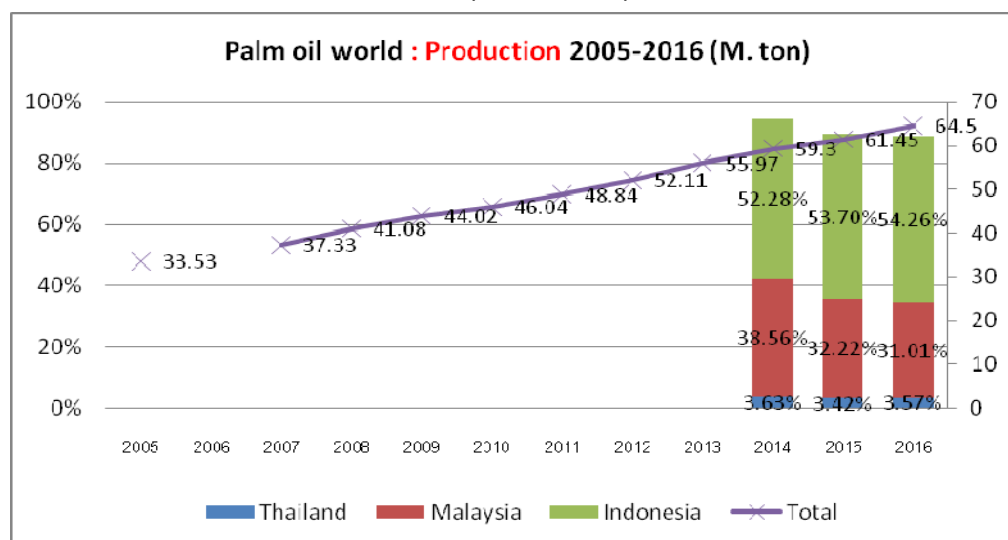
World Palm oil consumption



Source: Asia Palm Oil Conference (APOC)

Palm oil production in the world market is likely to rise steadily each year as well. The world's palm oil production worldwide increased from approximately 33.53 million tons in 2005 to 61.45 million tons in 2015 and 64.50 million tons in 2016.

World production of palm oil



Source: Asia Palm Oil Conference (APOC)

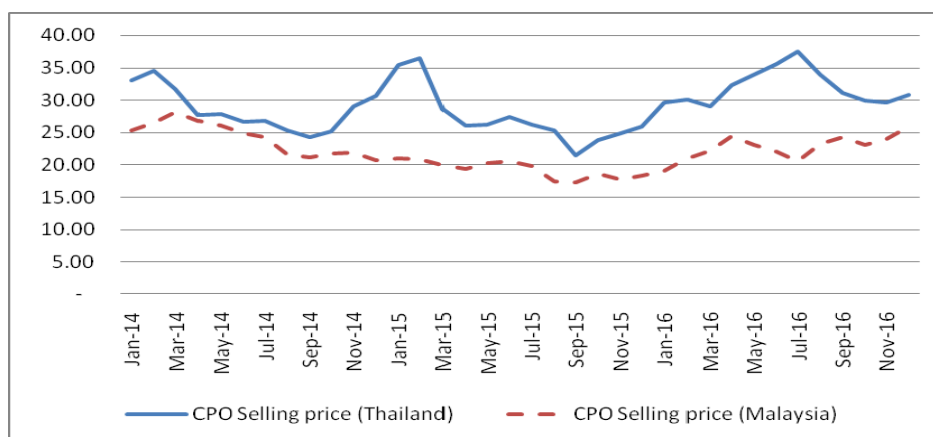
Production of plant oil in the world vegetable oil market

| Types of oil | Production quantity and percentage in 2016 | |
|-----------------|--|------------|
| | Production quantity | Percentage |
| | (Million tons) | |
| Palm oil | 59.40 | 33.42 |
| Soybean oil | 51.99 | 29.25 |
| Rapeseed oil | 27.63 | 15.55 |
| Sunflower oil | 15.13 | 8.51 |
| Palm kernel oil | 7.16 | 4.03 |
| Cotton seed oil | 5.43 | 3.06 |
| Peanut oil | 4.48 | 2.52 |
| Coconut oil | 3.42 | 1.92 |
| Olive oil | 3.09 | 1.74 |
| Total | 177.73 | 100.00 |

Source: Foreign Agricultural Service, US Department of Agriculture data a month. December 2016

The normal selling price of crude palm oil in the country and abroad will be mainly determined by the Malaysia market price. Thailand designates palm oil to be a controlled import products coupled with the intervention of the government by announcing the purchase price of palm fruit bunches and palm oil, the crude palm oil prices varies from the prices in the Malaysian market in some periods. The crude palm oil prices in Thailand and Malaysia are likely to continue in the same direction. The fluctuations in the price of crude palm oil will depend on factors such as the uncertainty of the economic climate and the volatility of oil prices on the world market. The following graph shows the price of crude palm oil in the past.

CPO selling price of the Group compared to the average sales price of Thailand and Malaysia



Source: Office of Agricultural Economics, Department of Internal Trade



However, in 2016, the domestic prices are higher than international prices. The main reason was the amount of palm being little earlier in the year. Moreover, in recent years, the government has set the fruit and crude palm oil purchase price to be higher than world prices. The impact caused the price of crude palm oil in the country being higher than the world market price. The government has not bought CPO as announced resulted in after Palm season Thailand stock of CPO being three times higher than the demand, but after the government has informed the court that. Such a declaration is not legally enforceable it was just asking for cooperation. As a result, prices in Thailand declined in line with international prices. That resulted in the previous year being the year for crude palm oil price being very high volatility with fluctuation between 17-27 baht per kilogram. While international prices stabilized in the range 16-20 baht per kilogram, which the government intervening on the price or guaranteeing the price of palm fruit bunches and CPO to be the price of palm fruit bunches as feedstock all the way to the refined palm oil the final product resulted in the price not being in line with world prices at certain times. As a result, past the palm oil industry in the market has not truly reflected supply and demand. This situation is putting pressure on the exports of palm oil making it impossible to perform certain export activities.

Even though, Thailand is enter into the ASEAN Economic Community, but the government is still in charge of the import of crude palm oil in order not to affect small farmers who may be affected due to the price of crude palm oil in the world market today has dropped the price of other products.

It obviously, affects the competitiveness of free trade. Palm oil industry has to adapt both the price mechanism and the trade mechanism to meet the world market. When there is no policy intervention from the government, the operators are allowed to compete fully and increase the likelihood of effective overseas distribution. Therefore, the Group expects that the ASEAN Economic Community will have a significant impact on the Group.

Domestic market

Palm oil industry is one of the major agribusinesses. Most operators in the country operate palm oil production to meet domestic needs as well. Because the domestic demand is still relatively high coupled with the most operator ability is limited to domestic market, the target market of palm oil is in the food industry. The CPO price in normal market price is based on Malaysia as a base and the demand and supply in the country. The main factors that affect the price of oil are as follows:

- The prices of other vegetable oils that can be used interchangeably such as soybean oil,
- Domestic palm oil demand,
- Weather conditions, which affect the production and prices of palm fruit bunches in the market, and
- Other policies such as the oil export tax on biodiesel, etc.

The crude palm oil demand trend for the production of biodiesel rose up due to the policy announced by the government on the use of B-7 biodiesel.

International market

U.S. Department of Agriculture, the Government agency collected data on worldwide palm oil production. Recently, exports of palm oil worldwide is volume at approximately 47.41 million tons per year, Indonesia is the world's largest producer and exporter of palm oil with 54.85 % of the export market share, followed Malaysia with 36.92 % market share, since the two countries have the climate suitable for planting oil palm, high quality and large amount of harvest, and government support. While Thailand palm farmers mostly are minor, little production in the manufacturing sector, and palm fruit bunches yield and quality is at levels lower than most major manufacturers in both countries. As a result, the volume of palm oil production is lower and the left over from domestic consumption to be exported was in small amount. Moreover, in 2016 the price of palm oil in the country was higher than overseas resulted in the domestic production cannot be exported.

Major palm oil exporting countries in 2016

| Country | Export quantity (Million tons) | Export market share (percentage) |
|------------------|-----------------------------------|-------------------------------------|
| Indonesia | 26.00 | 54.85 |
| Malaysia | 17.50 | 36.92 |
| Benin | 0.58 | 1.22 |
| Papua New Guinea | 0.56 | 1.18 |
| Guatemala | 0.49 | 1.02 |
| Other | 2.28 | 4.81 |
| Total | 47.41 | 100.00 |

Source: Foreign Agricultural Service, US Department of Agriculture

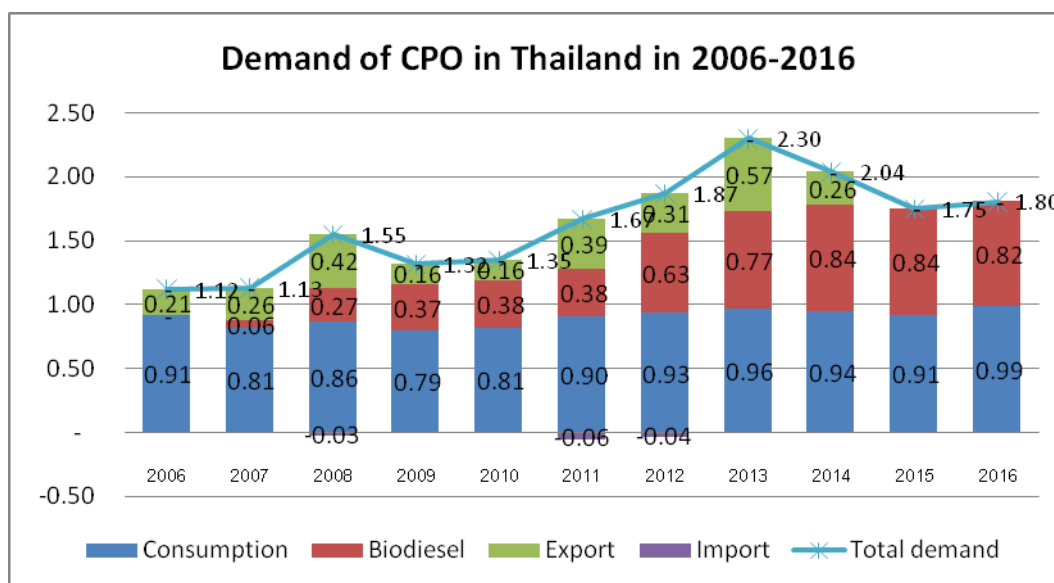
However, Thailand has an advantage compared to the country's major palm oil producers such as the structure of the labor force in Malaysia is higher than Thailand. While Indonesia lacks the infrastructure, especially in transportation. Therefore, it is believed that if the public sector provides correct support the cultivation of palm oil to farmers. Thailand would have competitiveness in the international market. Additionally, the EU is also more interested in importing palm oil from Thailand do the current anti-palm oil products from major manufacturing countries resulted in the encroachment of forests for palm oil plantations.

Thailand's image as a good environmental management and the palm oil plantations areas in Thailand take into account the growing ecosystem.

Future Trend in Competition

The competition on the purchasing of palm fruit bunches future is expected to go up in the future due to the drought conditions that directly affect the yield of palm fruit bunches in the market. However, the Ministry of Agriculture and Cooperatives has prepared a development plan for oil palm plantations in the last 10 years, from 2007 to 2016. The yield of oil palm in the country increased by an average of 6.70% per year and average fresh fruit bunches increased to 6.34% per year, which was necessary situation to monitor.

The sale of crude palm oil in the country is expected that the demand for palm oil will increase based on the demand in the country for the last 10 years, which increased by an average 5.41% per year, making conditions of CPO flood the domestic market trend better, the CPO usage mainly in the food industry. The consumption of CPO in the last 10 years has grown an averaged 0.37% per year and can be used in both biodiesel and renewable electricity generation as well. The crude palm oil as renewable energy over the last 10 years has grown an average 47.55% per year on, it can be seen that the distribution of palm oil can be done through a variety of channels. And the absence of government intervention it can also be exported. The prices are expected to be based on the Malaysia palm fruit bunch market price.



Source: Department of Land Development Conference 2015, to study the potential of agricultural products for the ASEAN Economic Community (AEC.): A case study on palm oil

Risk Factors





Risk Factors

The risk factors listed in this section may negatively impact the financial position, performance, corporate value, and common stock investments of the company. There may be other risks that the company is unable to perceive or those that the company views as not having imminent negative impacts on the business.

Risks from the Crude Palm Oil Production and Distribution Business

1. Risk of Crude Palm Oil Price Volatility based on Global Market Pricing Mechanisms

As agricultural products, crude palm oil and palm kernel oil have prices that are affected by forces of demand and supply. Key factors influencing demand and supply are weather conditions that determine global agricultural productivity, economic conditions of countries demanding crude palm oil, as well as import tariff regulations of countries that are major consumers of palm oil (India and China.)

Crude palm oil is also used as a source of renewable energy, replacing biodiesel. This causes the price of crude palm oil to move in tandem with the global fluctuations of crude oil prices. Thus, the demand for fuel and factors pertaining to renewable energy such as biogas prices can influence the price volatility of crude palm oil.

The local and international crude palm oil prices are benchmarked on the prices in Malaysia. Since crude palm oil is considered a control product in Thailand, its local prices may experience periods of varying fluctuations to the Malaysian market movements based on demand and supply forces. Prices in the Thai market are similar to those of international markets except during periods of crude palm oil supply surplus/shortage in Thailand.

Thus, a downward pressure on global crude palm oil prices will affect the revenue of the company. The company, however, does not perceive global price volatility to have significant impacts on the business. This is because a decrease in global crude palm oil prices will also exert a downward pressure on raw materials of the product, reducing the company's production costs. The company does not intentionally stock large quantities of the product to speculate profit, protecting the business from being largely impacted from global price volatility.

2. Risk from Seeking Raw Materials with Appropriate Prices

Factors affecting the quantity of raw materials are as follow:

(1) Changing area of land for plantation due to government policies such as fiscal support for renewable energy crop plantation, price guarantee regulations, or policies for using agricultural products as credit. These policies may slow the agriculturalists' rate of planting crops while the production capacities of crude palm oil businesses are continuously growing.



(2) Changing weather conditions such as precipitation and droughts which affect the quantity and quality of oil palm collected from the plantations.

(3) Currently, the palm oil crushing mills has a production capacity of extraction higher than palm output at around one times , making the high competition in purchase of raw materials.

Moreover, a shortage in oil palm supply will lead to intense competition between crude palm oil businesses to acquire the limited raw materials, driving up resource prices and production costs of the company. This may affect the performance and financial position of the company.

However, the company also established oil palm purchase locations in areas of dense oil palm plantation in Chumphon province to provide transaction convenience for all parties, with a strategic plan to continuously expand these purchase locations. Effective raw material management through the company's customer relations team and informational technology development granted trust and confidence of partners and agriculturalists for the company.

3. Risk from Changing Government Policies

From the previous year, the Company was affected from the government's policy, which is intervene palm oil domestic market by announce a recommended price of palm fruit bunches and also set a refinery palm oil ceiling price. So if the government has any policy changes. It may adversely affect the results of operations and financial condition of the Company.

However, the Company has followed a policy of the government closely and the Company will determine the direction to fit the situation.

4. Risk from Lease and Concession Regulations of the Plantation Land

In the year 2016, the company purchased 97.94 % of total oil palm supplies from external sources. The remaining 2.06 % were oil palm harvested from plantations of the company and affiliates. The concession agreement expired in October 2558 and February 2558, The Company has filed for permission to serve the area in question, which is under consideration of the government. However, the company and its subsidiary got the temporary protection from Administrative Court during the concession renewal.

If there was no temporary protection and/or the two concession agreements are inability to renew, the company has to purchase all palm fruits supply from external sources, leading to higher production costs. If the company cannot find external sources to purchase additional oil palm, it may face impacts on performance and financial position.

If the concession agreements can be renewed, the company may face risks from increased concession fees and required investments to plant new palm trees for replacing the aged ones. The planting process takes 3 years, taking 7-8 years to yield harvests. These risks may impact the firm's performance and financial position.



Nevertheless, the company established an effective system of purchasing oil palm from external sources, including agriculturalists and oil palm retailers by covering plantation area in Chumphon and applying information technology.

5. Risks from Depending on Large Clients

The company generated up to 63.36% and 42.63% of total revenues from exporting crude palm oil to a particular large client in the years 2013 and 2014, respectively. The company also received 8.21% and 40.97% of total revenues from selling products to a local crude palm oil refinery during the years 2013 and 2014, respectively. In the year 2016, the Company had revenue from sales to one oil refineries company in the biggest amount at 76.70 % of total sales revenue. So the Company may risk if losing these large clients may affect the company's performance and financial position.

The company is dedicated to control its product quality to be of international standards, establishing competitive prices and implementing effective logistics to satisfy customers' demands. This led to long-term, positive relationships with clients. The commodity nature of crude palm oil also allows it to be swiftly sold to other clients should large clients decide to terminate purchases from the company.

6. Risks from Substitute Products

Substitute products of palm oil include soybean oil, sunflower oil, coconut oil, olive oil, corn oil, and rice bran oil. If customers shift their preferences to these substitutes, the consumption of the company's key product will decrease.

However, each vegetable oil often has different properties thus, some industries or products required to use palm oil. In addition, palm oil can also be used in various industries such as animal feed and biodiesel.

7. Risks from Sale Revenue Volatility between Accounting Years

The revenue from crude palm oil sales may experience volatility due to varying oil palm production from seasonal effects. In usual circumstances, oil palms are usually harvested during March-May and September-November, yielding high revenues for the company during these periods. The varying profit and sales figures in each quarter of the year are natural characteristics of agricultural businesses.

8. Exchange Rate Risks

In the years 2012-2014, the company generated 42.61%, 63.65%, and 42.63% of total revenue from crude palm oil exports, respectively. Even though the company did not make an export during 2015-2016 due to the government intervene of palm fruits and crude palm oil pricing, but there will be a chance that the company could export the product again according to the high production capacity. The export prices are



benchmarked on global market rates in US dollars. Volatility in the US dollar and Baht exchange rate may impact the company's performance and financial position.

The company protects itself from exchange rate risks by completing contracts with the forward rate.

Risks from Electricity Generation and Distribution Business

1. Risks of the Electricity Selling Price not reflecting the Actual Costs of the Company

The company engaged in a PPA contract with the PEA, under the category of VSPPs for renewable energy generation. The electricity selling price based on the contract are set to reflect changes in fuel price, interest rates, exchange rates, etc. These factors, however, may be irrelevant to the sources of the company's costs, leading to lower profitability and impacting the company's performance and financial position.

2. Risks from Material Shortages for Generating Electricity

A raw material for generating electricity is biogas from waste water released from the crude palm oil production process. Shortages in oil palm supplies used to produce crude palm oil will hinder the production process, which in turn reduces the byproducts used as raw materials for generating electricity. This may decrease the company's revenue from electricity distribution.

The company is dedicated to improving the stability of its raw material supply, utilizing a sustainable strategic approach to raw material management to maximize the effectiveness of its businesses in all market conditions. The biogas power plants also serve as a sustainable business supporting the crude palm oil production facilities, which require treatment of the waste water released from the production process.

Other Risk Factors

1. Interest Rate Risk

On 31 December 2016, the company has a credit loan from financial institutions of 1,944.53 million Baht, with a payable amount of 103.00 million Baht. The loan has a floating interest rate; placing the company at risks from interest rate rises up, which will affect the company performance.

2. Risks from Production and Transportation Problems

The company's business performance depends on sustainable production and effective logistics, both during delivering raw materials to the facility and transporting the crude palm oil to the clients and/or port of shipment. This places the company at risks from production stoppages or unanticipated accidents halting the production and logistics process. Inability to promptly respond to these incidents may affect the performance and financial position of the firm.



Moreover, production and transportation problems may negatively affect the electricity generation business of the company, since the raw materials for power generation are biogas produced from the crude palm oil production's waste water. Other factors that may hinder the electricity generation business include staff performance, power plant technology, and equipment quality. Inability to maintain power plant effectiveness will hinder the performance of the company's business.

The company has 4 policies to prevent production stoppages. The first policy is the use of the Preventive Maintenance System (PM) to inspect and maintain machinery, reducing the risks of breakdown during operations. The second policy is to halt production during off peak oil palm seasons to hold a facility overhaul, preparing necessary machinery and equipment for supporting upcoming peak seasons of harvest. The third policy involves data collection on production stoppages and close inspection to promptly and effectively respond to the situation. Should a facility experience production stoppage, the company has a second facility to compensate for the lost productivity. This is because the company has 2 crude palm oil refineries located in different areas. The last policy involves having backup machinery and equipment to prevent production stoppages. The similar technological designs of the two crude palm oil refineries allow identical machinery and equipment to be applied to both facilities.

In terms of logistics, the company continuously collaborates with numerous contractors, ensuring adequate number of trucks for each product delivery. For palm oil exports, the company calculates a sufficient or slightly higher number of trucks needed to transport the goods. This is to ensure that the products are punctually transported regardless of spontaneous issues or incidents. The company established Vichitbhan Logistics Ltd to transport crude palm oil for the company, supporting sustainable growth.

Moreover, the company utilized the Automation and Monitoring System to control production processes of crude palm oil refineries and biogas power plants with automated computer systems. The system sends signals from designated areas requiring control to the SCADA system, analyzing and presenting results on the monitor for the controller to evaluate and take necessary actions promptly. The system reduces the risk of human error. The company also has annual facility shutdown plans to overhaul all machineries and equipment, preparing them for long-term, effective performance.

3. Risks from the Company's Major Shareholders (Holding Greater than 50% of Total Shares)

On 31 December 2016, the Chavananand group held a total of 710,011,000 shares in the company, equivalent to 75.53% of total shares. This grants the Chavananand group the authority to control most of the decisions made in shareholder meetings, including board member appointments and other agendas requiring majority approval. The group does not have the authority to make decisions on topics requiring approval from 75% of all shareholders. This may create a risk for other shareholders who do not have



sufficient voting rights to request for inspection and balance of power on topics proposed by the major shareholders.

To ensure transparency and establish a system of checks and balances, the company organized a management structure consisting of the Board of Directors, the Auditing Committee, and the Executive Committee. Committee members are highly qualified, with each of the three management structure constituents holding clear scope of authority and responsibility. Transaction reports between committees, major shareholders, executives, and personnel with possibilities for conflicts of interest are required. The company also appointed 3 independent parties to be a part of the Auditing Committee, with the responsibility to inspect, balance decision-making authority, and consider the approval of matters before presenting to shareholders. The company also requires an internal auditing committee to manage the business' internal control system.

Financial Highlight





Financial Highlight

| Capital Information | 2016 | 2015 | 2014 |
|--|----------------|----------------|----------------|
| Registered Capital (Common Share) (Share) | 940,000,000.00 | 940,000,000.00 | 816,109,589.00 |
| Registered Paid-up Capital (Baht millions) | 940.00 | 940.00 | 940.00 |
| Par Value per Share (Baht/Share) | 1.00 | 1.00 | 1.00 |
| Financial Status (Baht millions) | | | |
| Total assets | 1,708.69 | 1,729.55 | 1,994.52 |
| Total accounts receivable, net | 66.91 | 33.18 | 46.61 |
| Property, plant & equipment, net | 1,359.32 | 1,506.07 | 1,656.02 |
| Total liabilities | 806.60 | 622.32 | 715.29 |
| Current liabilities | 464.85 | 185.33 | 196.76 |
| Non-Current liabilities | 341.75 | 436.99 | 518.53 |
| Total shareholders' equity | 902.09 | 1,107.23 | 1,279.22 |
| Operating Performance (Baht millions) | | | |
| Sales | 1,181.56 | 1,476.32 | 2,287.46 |
| Total revenues | 1,183.39 | 1,481.80 | 2,304.89 |
| Total expenses | -1,091.36 | -1,577.21 | - 2,138.34 |
| Interest expenses | -26.07 | -26.95 | - 49.29 |
| Gross profit margin | -48.38 | 76.15 | 445.85 |
| Earnings before income Tax | -211.19 | -122.36 | 117.26 |
| Income tax | -1.17 | -2.63 | - 23.43 |
| Net profit | -212.37 | -124.99 | 93.83 |
| Cash Flow (Baht millions) | | | |
| Net cash flow from operating activity | -180.36 | -71.68 | 247.53 |
| Net cash flow from investing activity | -17.83 | 69.25 | - 123.71 |
| Net cash flow from financing activity | 192.74 | -100.96 | - 35.62 |
| Net increase (decrease) in cash | -5.45 | -103.38 | 88.21 |
| Beginning cash | 8.46 | 111.83 | 23.63 |
| Ending Cash Balance | 3.00 | 8.46 | 111.83 |
| Financial Ratios | | | |
| Earnings (Baht/Share) | -0.23 | -0.13 | 0.11 |
| Book Value (Baht/Share) | 0.96 | 1.18 | 1.57 |
| Net Profit margin (%) | -17.97% | -8.44% | 4.10% |
| Current ratio (Times) | 0.73 | 1.15 | 1.65 |
| Return On Assets (ROA) (%) | -12.35% | -6.71% | 4.62% |
| Return on shareholders' equity (ROE) (%) | -21.14% | -10.48% | 8.54% |
| Debt to Equity Ratio (Times) | 0.89 | 0.56 | 0.56 |



Note: On April 24, 2014 the company changed the par value of ordinary shares from Baht 1,000 to Baht 1 per share, resulting the company's common stock changed from 200,000 shares to 200,000,000 shares. On April 28, 2014 the company increased its registered capital from Baht 200,000,000 to Baht 1,070,000,000 by issuing 870,000,000 new ordinary shares at par value of Baht 1 per share, making shares of the company increased from 200,000,000 shares to 1,070,000,000 shares. On April 29, 2014 Paid up another Bath 600,000,000 in capitals resulting paid up capital increased from Baht 200,000,000 to Baht 800,000,000. On November 14 and 17-18, 2014, the Company offered its new common shares to public by issuing 140,000,000 shares and paid up Baht 140,000,000 on November 20, 2014. Therefore; the Company had paid-up share capital totally Baht 940,000,000. Conclusion: The issued and paid up of the Company. Year 2014, the Company has 940,000,000 ordinary shares of Baht 1 per share. Year 2013, the Company had 200,000 shares of common stock, par value of 1,000 baht per share. However, number of weighted average share that used to calculate basic earnings per share of the company for the year 2014 and 2013 were 816,109,589 shares and 800,000,000 shares, respectively.

Management Discussion and Analyst

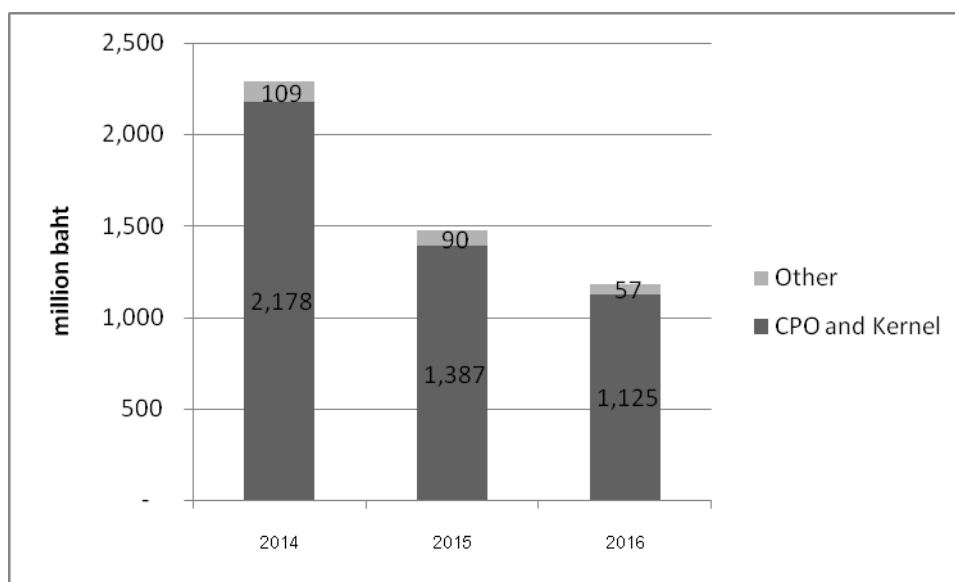


Management's Discussion and Analysis

Analysis of Operating Results

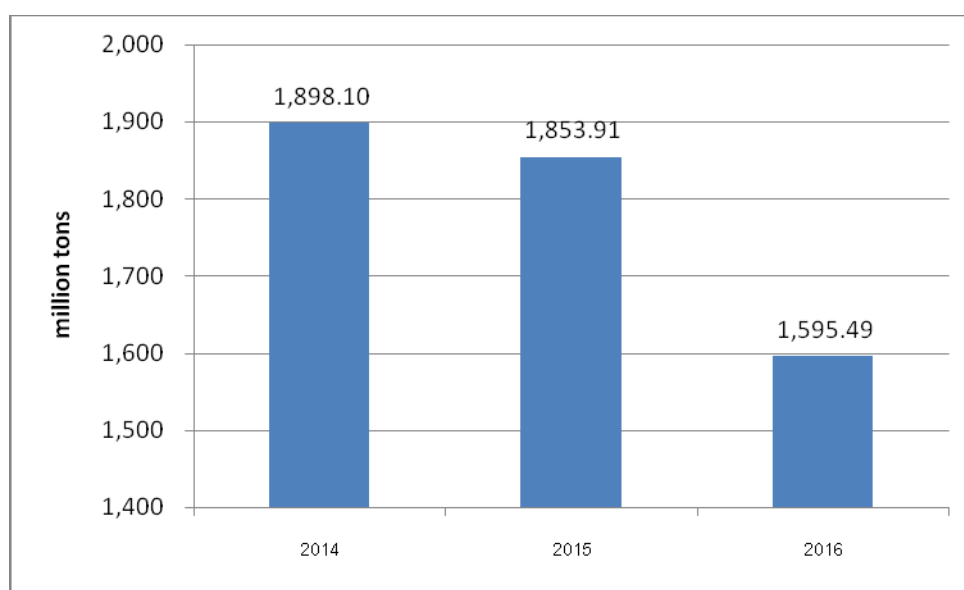
Revenue

Revenue Structure of the Company



In 2016, the total revenues decreased by 19.97% from THB 1,476.32 million in 2015 to THB 1,181.56 million. The major revenues from crude palm oil and palm kernel were THB 1,124.60 million, which slightly less than THB 1,383.74 million in 2015, due to the falling in sales volume of crude palm oil and palm kernel by 36.13% and 41.12% respectively. The main reasons that affected sales volume were the decreasing in palm fruit supply by 38.11% caused by a continuous drought that reduced the quantity of palm fruit in Chumphon and the overall country by 12.60% and 8.12% respectively. Moreover, an intense competition among palm oil crushing mills reduced the company's market share in Chumphon from 16.72% in 2015 to 11.72% in 2016. Furthermore, there were some backlog contracts of 2,631.5 tons or THB 80.93 million at the end of 2016 and the company completed all distribution in January 2017. According to the market conditions, the company's selling price of crude palm oil and palm kernel were increased by 23.88% and 56.97% respectively, together with domestic prices of crude palm oil and costs of production that remain higher than the others so, all local companies cannot make an export since 2015.

Palm quantity in Chumphon



Source: Department of Internal Trade, Chumphon

Cost of sales and Gross profits

Cost of sales for the year 2016 decreased from THB 1,400.16 million to THB 1,229.93 million or 12.16% from the previous year which was less than the decrement of sales revenues due to the intense competition of palm fruit supply among palm oil crushing mills that affected prices increased in palm fruit by 40.78% which was higher than the growing rate of crude palm oil price of 23.88%.

As a consequence, the ratio of costs of sales to revenues increased from 94.84% in 2015 to 104.09% in 2016 which led to the declining in gross profits by 163.53% from THB 76.15 million in 2015 to be loss THB 48.38 million in 2016.

Selling and Administrative Expenses

Selling expenses decreased by 43.92% from THB 34.15 million in 2015 to THB 19.15 million in 2016 which was larger than the decrement of total sale volumes. In order to reduce costs of transportation, the company adjusted term of shipment and condition for some customers to deliver the products at the factory, instead of customers' locations.

Administrative expenses declined by 16.42% from THB 142.90 million in 2015 to THB 119.43 million in 2016 resulting from the company's costs controlling strategy such as employee expenses, supplies used expenses and other administrative expenses.

Net Income

According to the incremental proportion of cost of sales to revenues, the company generated net loss for the year 2016 equal to THB 212.37 million or 17.97% of total revenues which loss higher than 2015 that the company generated net loss of THB 124.99 million or 8.47% of total revenues.



Cash flow

The net cash flow decreased by 5.45 million THB from the initial cash flow at 8.46 million THB with the remaining cash flow at 3.00 million THB.

The net cash flow used in operations was 180.36 million THB from the Company's net income before non-cash expenses of 19.159 billion THB, with a increase in accounts receivable of 34.04 million THB, an increase in inventories of 95.30 million THB, spent on paying accounts payable of 1.97 million THB, interest rate of 26.09 million THB and tax of 0.03 million THB.

There was net cash flow from investing activities was 17.83 million THB. The money used in the purchase of property, plant and equipment amounting to 18.01 million THB and purchased intangible assets of 0.37 million THB.

And net cash flow received by financing equal to 192.74 million THB from short-term loans from financial institutions of 1,107.00 million THB for working capital and debt repayment. The company paid short-term debt from financial institution equal to 808.00 million THB, long-term for 91.01 million THB and financial lease for 9.26 million THB.

Return on assets (ROA)

Return on assets of the company in 2016 was negative 12.35% which increased from negative 6.17% of 2015 due to the lower incomes and loss from operations by the following factors.

(1) Decreasing in palm fruit supply for production caused by the continuous drought that reduced the quantity of palm fruit by 38.11% and the intense competition in term of buying palm fruit led to the falling in the company's market share to 11.72%.

(2) Cost of palm fruit increased higher than the growing rate of crude palm oil price due to lower amount of palm fruit supply in the market and intense competition among palm oil crushing mills.

Return on equity (ROE)

Return on equity of the company in 2016 was negative 21.14% which increased from negative 10.48% of 2015 due to the factors mentioned in Return on assets. Moreover, the company's financial risk increased because of the operating loss that reduced the proportion of shareholders' equity hence, the ratio of total assets to total shareholders' equity was equal to 1.71 times, increased from 1.56 times of the previous year.



Financial status analysis

Assets

At the end of 2016, total assets of the company was THB 1,708.69 million which decreased from THB 1,729.55 million of the previous year by THB 20.86 million, due to the major fixed assets as property, plant and equipment that depreciated by THB 146.75 million. As the same time, the current assets increased by THB 126.68 million in accordance with the raising in inventories by THB 95.96 million and account receivables by THB 33.73 million, which these trade account receivables were not yet due in term of payment.

Liabilities

The company had total liabilities of THB 806.60 million which increased from THB 622.32 million in 2015 by THB 184.28 million due to the following reasons.

- (1) Short-term loans from financial institutions increased by THB 301.44 million and the company mainly used for long-term loan payments followed by trade account receivables, inventories and invested in assets.
- (2) Long-term loans from financial institutions decreased by THB 77.21 million followed an installment plan.

Shareholders' Equities

At the end of 2016, total shareholders' equities of the company was THB 902.09 million which lower than THB 1,107.23 million in 2015 by THB 205.14 million. As a result of operations, the retained earnings of 2016 declined in accordance with the net loss of THB 212.37 million.

Key Financial Ratios

■ Liquidity (current ratio)

The company's current ratio was 0.73 times, decreased from 1.15 times of the previous year due to the incremental current liabilities by THB 279.52 million, which was higher than THB 126.68 million increasing in current assets. In 2016, the company mainly used short-term loans for long-term loan and interest payments including investment in property, plant and equipment.

■ Quick ratio

Quick ratio decreased from 0.23 times in 2015 to 0.16 times in 2016 due to the current liabilities especially an increasing in short-term loan from financial institution of 301.44 million THB. According to the declining of sales channels, the proportion of inventories was approximately to 78.48% to 80.10% of current assets.

■ Account receivable turnover

The Company's accounts receivable turnover decreased from 45.91 times in 2015 to 26.90 times in 2016, as the Company gave more trade credit to customers as a normal business depended on distribution date thus, account receivable increased from 26.28 million THB to 64.56 million THB in



2016. Considering the list of debtors, the Company has quality accounts receivable with doubtful account only of 1.50 million THB or 0.13 % of revenues.

■ Inventory turnover

The Company has inventory turnover ratio to slow down from the previous round from 15.95 times in 2015 to 6.30 times in 2016 due to the selling contracts that have not distribute of 2,631.50 tones and during quarter 4 of 2016 the company can purchase palm fruit supply higher than quarter 4 of 2015 around 109.50%.

■ Debt / Equity Ratio

Debt-to-Equity increased from 0.56 times in 2015 to 0.89 times in 2016 because the amount of shareholders' equity decreased by THB 205.14 million from the previous year, which mainly due to net loss generating and the increasing in total liabilities of THB 184.28 million.

Factors affecting operations and the financial position of the Company in the future

According to an announcement of Thai Meteorological Department, there was a weak La-Niña phenomenon from December 2015 to the middle of February 2017. As a consequence, there were heavy rains over the southern of Thailand along with flooding in many areas including Chumphon. For short-term effects, the quantity of palm fruit supply decreased because flooding had destroy some growing areas and palm growers could not harvest the fruits including with the reduction of palm oil extraction rate due to lower quality of palm fruits. As the same time, this continuous rainfall will enhance the quantity of palm fruits in 2016. However, there will be other factors that affect the output of palm trees thus, the company has to monitor these factors closely. If the palm fruit supply increased to an appropriate level, the company will start operating palm oil crushing mills and Biogas power production of its own subsidiaries, located in Thung Kha distric, Muang, Chumphon which creasing since May 1, 2016 due to an inadequate of palm fruit supply. However, there might be the risk of insufficient amount of labors caused by the creasing plant and layoffs strategy.

For the progress of government concession renewal of the company and its subsidiaries, at the moment, it is still in the process of the government's consideration. The company and its subsidiaries have managed and collected fresh fruit bunch in the ordered areas according to a temporary protection orders from the Central Administrative Court since June 28th, 2016. However, the quality of fresh fruit bunch could not be harvested as much as expected due to the factors that there were the old age of palm trees and lack of fertilization during the period before the policy has carried out, including invaders who illegally cut down the palm fruits. Therefore, the company has to purchase palm fruit from the outsiders at higher portion from 91.78% in 2015 to 97.93% in 2016.



According to an indictment that the company and its subsidiaries appealed to the Central Administrative Court for quicken the concession renewal, the government had argued with the Administrative Court of First Instance. Therefore, the company and its subsidiaries are replying this argument to the Administrative Court of First Instance within the specific period. For the temporary protection orders from the Central Administrative Court, the Royal Forest Department had appealed to the Supreme Administrative Court in order to repeal this protection orders. Afterward, the company and its subsidiaries had argued with the Royal Forest Department and it is still in the consideration process of the Supreme Administrative Court.

Shareholder Structure and Management





Shareholding Structure and Management

Securities and Shareholder Information

Registered and Paid-In Capital

The company has a registered capital of 940,000,000 Baht, with 940,000,000 shares at 1 Baht par value. The paid-in capital is 940,000,000 Baht.

Restrictions on Transferring Shares

The shares of the company can be transferred without any restrictions. The transfer must not lead to foreigner ownership greater than 49% of the company's total shares.

Shareholders

List of top 10 major shareholders in the company:

| Rank | Shareholders | On 31 December 2016 | |
|------|-------------------------------------|---------------------------|------------|
| | | Number of Shares (Shares) | Percentage |
| 1. | MR. KRISADA CHAVANANAND | 366,500,000 | 38.99 |
| 2. | MRS. SUPALUCK TIASEVANAKUL | 72,000,000 | 7.66 |
| 3. | MS. KACHIT CHAVANANAND | 56,000,000 | 5.96 |
| 4. | MR. VITHAYA CHAVANANAND | 43,500,000 | 4.63 |
| 5. | MR. VATCHARA CHAVANANAND | 40,000,000 | 4.26 |
| 6. | Mr. SUMRUENG MANOONPHON | 37,162,600 | 3.95 |
| 7. | MS.KEM-NGURN CHUTCHAIYUN | 24,000,000 | 2.55 |
| 8. | MRS.RATTIYA OEUSOONTHORNWATTANA | 24,000,000 | 2.55 |
| 9. | MRS. ANGSANA WATTHANANUKIJ | 24,000,000 | 2.55 |
| 10. | CHAVANANAND HOLDING COMPANY LIMITED | 16,000,000 | 1.70 |

Dividend Payment Policy

The company has a policy of paying no less than 40% of net profit after corporate income tax and legal reserve deductions. Dividend payment also depends on corporate investment plans, liquidity, business plan, as well as binding contractual terms and conditions. The committee may alter the company's dividend payment policy under its own discretion.

The company may pay dividends based on, but not limited, to the following factors:

- Cash level, liquidity, financial position
- Investment expenditures and planning

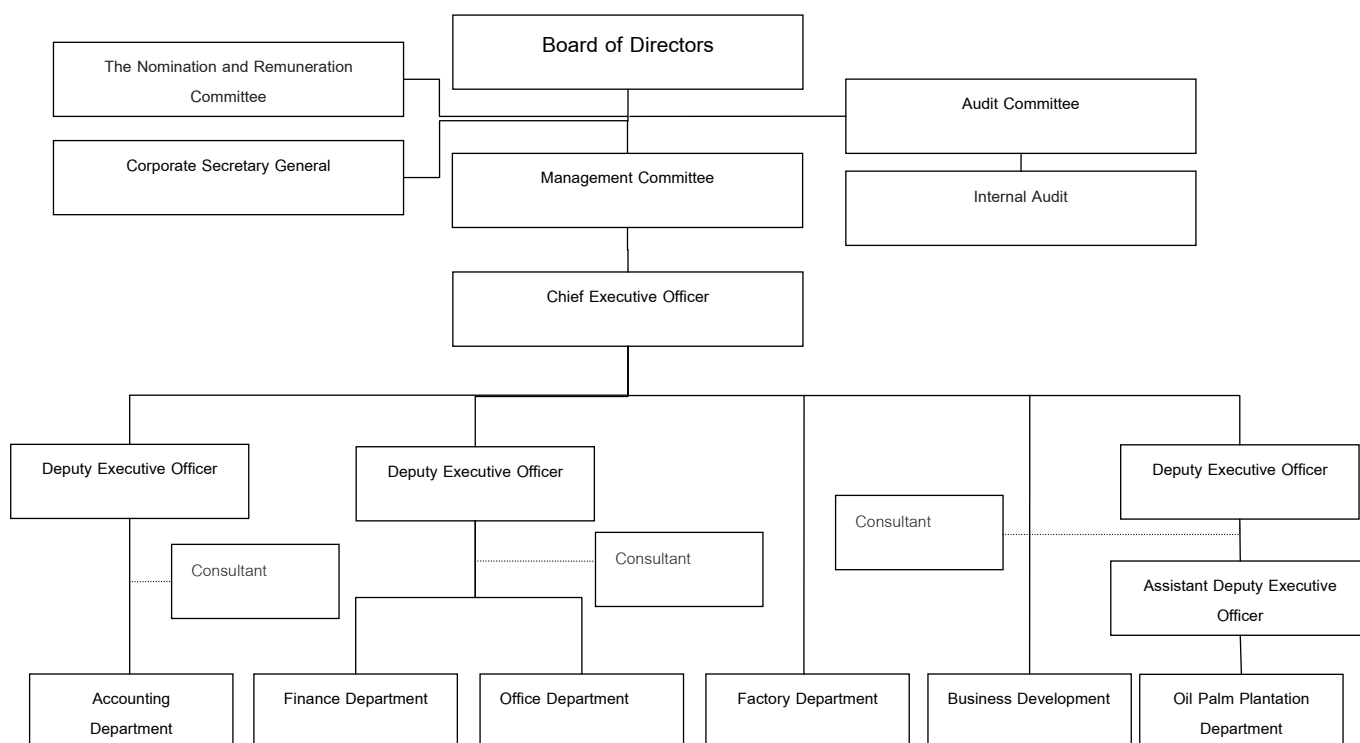


- Other restrictions on dividend payments

The committee's decision to issue dividend payment must be approved at the Shareholders' Meeting unless the payment is interim dividends, which the committee is authorized to issue while reporting details at the next Shareholders' Meeting.

Management Structure

On 31 December 2016, the management structure of the company consists of the Board of Directors and two committees – the Audit Committee and the Management Committee:



1. Board of Directors

As of 31 December 2016, the company's Board of Directors consists of the following 9 members:

| Full Name | Position |
|-------------------------------|---|
| 1. Mr. Phisanu Chavananand | President |
| 2. Mr. Voravith Chavananand | Vice President |
| 3. Mr. Vithaya Chavananand | Vice President |
| 4. Mr. Krisada Chavananand | Director |
| 5. Mrs. Supaluck Tiasevanakul | Director |
| 6. Mr. Vatchara Chavananand | Director |
| 7. Mr. Bandhoun Supakavanich | Audit Committee Chairman and Independent director |
| 8. Mr. Jiraphant Asvatanakul | Audit Committee and Independent director |
| 9. Mr. Rachada Singalavanija | Audit Committee and Independent director |



Mr. Vithaya Chavanand is the Deputy Secretary General of the Board of Directors

Committee Members with the Authority to Enter Corporate Binding Agreements

Mr. Phisanu Chavananand (President), Mr. Voravith Chavananand (First Vice President), and Mr. Vithaya Chavananand (Second Vice President), Mr. Krisada Chavananand (Chief Executive Officer), Mrs. Supaluck Tiasevanakul (Director), Mr. Vatchara Chavananand (Director). Any two of these members must sign and place the company's stamp to enter the company into binding agreements.

Board of Directors' Meeting

Details of the Board of Directors' meetings of the accounting year ended 31 December 2015 and 31 December 2016 are as follow:

| Full Name | Number of Meetings Attended/Total Number of Meetings | |
|-------------------------------|--|------|
| | 2015 | 2016 |
| 1. Mr. Phisanu Chavananand | 6/7 | 5/6 |
| 2. Mr. Voravith Chavananand | 6/7 | 5/6 |
| 3. Mr. Vithaya Chavananand | 7/7 | 6/6 |
| 4. Mr. Krisada Chavananand | 7/7 | 5/6 |
| 5. Mrs. Supaluck Tiasevanakul | 7/7 | 6/6 |
| 6. Mr. Vatchara Chavananand | 7/7 | 5/6 |
| 7. Mr. Bandhoon Supakavanich | 6/7 | 6/6 |
| 8. Mr. Jiraphant Asvatanakul | - | 4/6 |
| 9. Mr. Rachada Singalavanija | - | 3/6 |

Audit Committee

As of 31 December 2016, the Audit Committee has the following 3 members:

| Full Name | Position |
|------------------------------|--------------------------|
| 1. Mr. Bandhoon Supakavanich | Audit Committee Chairman |
| 2. Mr. Jiraphant Asvatanakul | Audit Committee |
| 3. Mr. Rachada Singalavanija | Audit Committee |

Mr. Jiraphant Asvatanakul a committee member with knowledge and experience to audit the company's financial statements, while Mr. Vithaya Chavanand serves as the Deputy Secretary General of the Audit Committee.

**Audit Committee Meetings**

Details of the Audit Committee meetings of the accounting year ended 31 December 2015 and 31 December 2016 are as follow:

| Full Name | Number of Meetings Attended/Total Number of Meetings | |
|------------------------------|--|------|
| | 2015 | 2016 |
| 1. Mr. Bandhoo Supakavanich | 5/5 | 4/4 |
| 2. Mr. Jiraphant Asvatanakul | 5/5 | 3/4 |
| 3. Mr. Rachada Singalavanija | 5/5 | 1/4 |

Nomination and Remuneration Committee

Nomination and Remuneration Committee was appointed by the Board of Directors in the Board of Directors' meeting at the end of 31 December 2016, the committee has the following 3 members:

| Full Name | Position |
|--------------------------------------|--|
| 1. Mr. Bandhoo Supakavanich | The Nomination and Remuneration Chairman |
| 2. Mr. Jiraphant Asvatanakul | Nomination and Remuneration Committee |
| 3. Mr. Peerapong Oeusoonthornwattana | Nomination and Remuneration Committee |

Note Nomination and Remuneration Committee had the first meeting in February 2016

Management Committee

As of 31 December 2016, the Management Committee has the following 5 members:

| Full Name | Position |
|-------------------------------|---------------------|
| 1. Mr. Vithaya Chavananand | Committee President |
| 2. Mr. Krisada Chavananand | Committee Member |
| 3. Mr. Vatchara Chavananand | Committee Member |
| 4. Mrs. Supaluck Tiasevanakul | Committee Member |
| 5. Ms. Kem-Ngurn Chutchaiyun | Committee Member |

Corporate Secretary General

The Board of Directors appointed Mr. Vithaya Chavananand to be the company's secretary since November 5, 2015, general at the Board of Directors' meeting (6/2015) held on 5 November 2015.



Authority, Work Scope, and Responsibility of the Secretary General

- 1.) Provide recommendations for the committee and executives on regulations and legalities that the Board of Directors should be informed.
- 2.) Manage activities of the Board of Directors, organizing Board of Directors meetings and Shareholders' Meetings. Record the minutes of these meetings and collaborate with relevant parties to ensure that the meetings' resolutions are implemented in the business.
- 3.) Prepare and file the following documents:
 - 1) Committee Registration
 - 2) Invitational Letter for the Board of Directors' Meeting, Board of Directors' Meeting Report, Company Annual Report
 - 3) Invitational Letter for the Shareholders' Meeting, Shareholders' Meeting Report
- 4.) Store transaction reports presented by the committee or executives
- 5.) Carry out other practices required by the SEC

Management

As of 31 December 2016, the Management has the following 5 members:

| Full Name | Position |
|-------------------------------|---|
| 1. Mr. Krisada Chavananand | Chief Executive Officer |
| 2. Mr. Vithaya Chavananand | Deputy Executive Officer of Finance & Office Department |
| 3. Mr. Vatchara Chavananand | Deputy Executive Officer of Oil Palm Department |
| 4. Mrs. Supaluck Tiasevanakul | Deputy Executive Officer of Accounting Department |
| 5. Ms. Kem-Ngurn Chutchaiyun | Assistant Deputy Executive Officer of Oil Palm Department |

Committee and Management Payment Scale

Committee Payments

- 1) Cash Payments

A summary of the committee compensation (excluding management compensation) for the year ended 31 December 2016 is as follows:



Unit: Baht

| Full Name | For the Year Ended 31 December 2016 | | |
|-------------------------------|-------------------------------------|----------------------|---------|
| | Amount of Payment | Meeting Compensation | Total |
| 1. Mr. Phisanu Chavananand | 210,000 | 125,000 | 335,000 |
| 2. Mr. Voravith Chavananand | 170,000 | 100,000 | 270,000 |
| 3. Mr. Vithaya Chavananand | - | - | - |
| 4. Mr. Krisada Chavananand | - | - | - |
| 5. Mrs. Supaluck Tiasevanakul | - | - | - |
| 6. Mr. Vatchara Chavananand | - | - | - |
| 7. Mr. Bandhoon Supakavanich | 210,000 | 280,000 | 490,000 |
| 8. Mr. Chakkrit Parapuntakul | 99,167 | 55,000 | 154,167 |
| 9. Mrs. Sudarat Kongtreekaew | 141,667 | 100,000 | 241,667 |
| 10. Mr. Jiraphant Asvatanakul | 70,833 | 155,000 | 225,833 |
| 11. Mr. Rachada Singalavanija | 28,333 | 80,000 | 108,333 |

2) Non-cash Payments

None

Executive Payments

Payments for the company's executives who are also committee members (excluding compensation for being committee members) and non-committee members in terms of bonuses and funds are summarized below:

Unit: Mn.Baht

| | For the Year Ended 31 December 2015 | For the Year Ended 31 December 2016 |
|-----------------------------|-------------------------------------|-------------------------------------|
| Quantity (Number of People) | 5 | 5 |
| Payment (Millions of Baht) | 10.39 | 9.27 |

Auditors' remuneration

In last 3 years the Company pays Auditors' remuneration as the following detail:

(unit : baht)

| For the fiscal year | Auditors | Remuneration of the Company | Remuneration of the Subsidiary Company | Other fees | Total |
|---------------------|----------------------------------|-----------------------------|--|------------|-----------|
| 31 December 2014 | ANS Audit Co., Ltd. | 1,050,000 | 400,000 | 164,036 | 1,614,036 |
| 31 December 2015 | PricewaterhouseCoopers ABAS Ltd. | 1,350,000 | 400,000 | 38,047 | 1,788,047 |
| 31 December 2016 | PricewaterhouseCoopers ABAS Ltd. | 1,400,000 | 350,000 | 78,475 | 1,828,475 |



Note Other fees are including traveling cost and photocopy

Employees

Manpower

The company has manpower in total amount of 618 people at December 31, 2015 and 487 people at December 31, 2016 (Excluding management) as the detail in below table.

| Department | Manpower (persons) | |
|--------------------------------|--------------------|------------------|
| | 31 December 2015 | 31 December 2016 |
| Factory Department | 428 | 363 |
| Business Development | 12 | 9 |
| Office Department | 17 | 17 |
| Finance Department | 6 | 4 |
| Accounting Department | 23 | 23 |
| Oil Palm Plantation Department | 132 | 71 |
| Total | 618 | 487 |

Employee Compensation

Total employee Compensation (Excluding management) which includes salaries, cost of living allowances, overtime pay, bonuses and other allowances are as follow:

Unit: Mn.Baht

| List | For 2015 | For 2016 |
|-----------------------|---------------|--------------|
| Employee Compensation | 124.52 | 97.82 |
| Total | 124.52 | 97.82 |

Employees have not set up the labor union. The Company has policy to treat all employees fairly and legally and the Company also has a good relationship with the staffs.

Labor dispute

-None-

Personnel Development Policy

The Company recognizes that the human resources are the most important to the company. So the Company has the policy to improve employee personal skill in management skill, service skill technical skill and teamwork for increase efficiency and safety at work. Due to the policy the company frequently has arranged in house training course and register to join the outsource training.



Provident Fund

The company has set up the provident fund since February 1, 2014

Corporate governance

The Company governance policy

The Company has significantly focused on good corporate governance considered as one of the most sustainable strategies of the company. The company has therefore specified its corporate governance policy, with principles and practices corresponding to the requirements of good corporate governance for the registered company listed on the Stock Exchange of Thailand in 2012.

The Committee

As 31 December 2016, the Company has a major committee which is Board of Directors and 3 sub-committees, including the audit committee, The Nomination and Remuneration Committee and the management committee.

Authority, Work Scope, and Responsibility of the Board of Directors

1. Conduct tasks according to legal frameworks, objectives, and regulations of the company. Carry out Shareholders' Meetings with transparency. Protect the company's best interest with prudence.
2. Evaluate and provide recommendations on corporate vision, strategy, policy, objective, and direction presented by the management team
3. Direct the operations and performance of the management team or other personnel appointed to carry out the relevant tasks, ensuring that their performances correspond to the regulations established by the Board of Directors
4. Continuously assess the performance of the company, ensuring that it corresponds to corporate strategy and budgeting.
5. Support the establishment of a credible accounting system, financial reporting, and auditing system for the management team. Ensure appropriate and sufficient internal control systems of the company.
6. Evaluate the company's risk management procedures, policies, and implementations
7. Consider the approval of asset acquisition or sales, investment, or other procedures, ensuring that each process corresponds to all related legalities, regulations, or announcements.



8. Consider the approval of corporate transactions, ensuring that each process corresponds to all related legalities, regulations, or announcements.
9. Prevent conflicts of interest between the company's stakeholders
10. Evaluate matters with fairness and transparency for the best interest of shareholders and stakeholders. The Board must promptly inform the company if its members have benefits associated with certain matters of transactions at hand. Such members will not have the right to vote on the approval of such matters to avoid issues stemming from conflicts of interest.
11. Establish written policies on good corporate governance, ensuring that the company is fairly responsible to all stakeholders.
12. Seek recommendations from professionals of external organizations when necessary to make effective decisions.
13. Consider the appointment of the president for the management team and committee members of the Audit Committee and the Management Committee, delegating clear scopes of authority to the committees for the purpose of ensuring that internal control systems and management correspond to corporate policies
14. Consider the approval of the company's secretary general to ensure that the committees and the firm adhere to legal frameworks, announcements, conditions, and regulations.
15. Consider modifying the authority scope and responsibility of the Audit Committee, Management Committee, and president of the management team as appropriate.
16. Evaluate the performance of the Board of Directors. The Board of Directors conducts annual self-assessments and considers methods to sustainably improve its performance.

The appointments by the Board of Directors must not empower any entities or parties to approve agendas that personally affect the approvers or other conflicting entities (based on the announcement of the SET and SEC.) Approvals must only pertain to matters that correspond to policies mutually agreed at Shareholders' Meeting or established by the Board of Directors.

Board of Directors Term Limits

In every Shareholders' Meeting, one-third of the Board of Directors are expected to leave their positions. If the proportion cannot be divided as one-third, the number of members leaving the Board must be



of the proportion closest to one-third. Board members leaving their positions during the first and second years of business commencement will be decided by draws. For the years after the period, Board members holding the longest terms are expected to leave. Board members leaving their positions may be nominated to serve new terms.

Authority, Work Scope, and Responsibility of the Audit Committee

1. Evaluate the accuracy of the company's financial statements (quarter and annual statements), ensuring that the statements disclose sufficient corporate information before presenting to the Board of Directors.
2. Evaluate the appropriateness and effectiveness of the company's internal control and audit systems. Evaluate the independence of the internal auditors, approving the appointment, rotation, or termination of internal control managers or other parties responsible for internal control
3. Inspect the effectiveness of the company's risk assessment and management systems
4. Ensure that the company adheres to regulations of the SET and SEC or other legal bodies related to its business
5. Appoint independent auditors and establish auditing fees, communicating objectives, boundaries, plans, issues, and other relevant information to the auditors. Attend meetings with auditors at least once a year, without the presence of the management team.
6. Evaluate corporate transactions, ensuring that each process corresponds to all related legalities, regulations, or announcements of the SET. Ensure that relevant information on the transactions is accurately disclosed and that the transactions themselves are reasonable and meant for the best interest of the company.
7. Prepare a report on the performance of the Audit Committee to be included in the company's annual report. The report must be signed by the President of the Audit Committee.
8. Evaluate the performance of the Board of Directors, ensuring that their practices are effective and transparent.
9. The company must report the following observations, all of which may affect the company's performance and financial position, to the Board of Directors to implement prompt actions:
 - 1) Transactions leading to conflicts of interest
 - 2) Corruption, abnormalities, or flaws in the internal control system
 - 3) Breach of SEC and SET regulations or company policies



10. Implement other tasks assigned by the Board of Directors

The Audit Committee has the authority to request management, executives, or staffs to provide opinions and attend meetings, providing relevant information and documents to the committee.

The Board of Directors has the authority to fix or amend the qualities and scope of the Audit Committee to correspond to SET and SEC regulations and/or other related legal frameworks.

Audit Committee Term Limits

Audit Committee members have 3-year terms and may be nominated to serve in the committee again. If Audit Committee members leave their positions for reasons other than reaching the term limit, the Board of Directors must appoint qualified individuals to complete the minimum number of members required in the committee. These newly appointed members will serve the remaining terms of the previous members who left their positions.

Authority, Work Scope, and Responsibility of the Nomination and Remuneration Committee

1. Nomination

1.1 To determination rules and policies for recruiting for the Board of Directors and the sub committees together with considering the appropriateness of the committee structure and composition to propose to the Board of Directors for approve or propose to The Annual General Meeting of Shareholders to appropriate.

1.2 To recruitment, selection and offer the person who are suitable to take the position of Directors instead of the directors who are terminated or resign.

2. Remuneration

2.1 To consider the remuneration of the Board of Directors and Sub-Committees and propose to the Board of Directors for approve or propose to The Annual General Meeting of Shareholders to appropriate.

2.2 To determine the method and criteria for determining compensation for the Board of Directors, both monetary and non-monetary board to propose to the Board of Directors for approve or propose to The Annual General Meeting of Shareholders to appropriate

Nomination and Remuneration Committee Term Limits

Nomination and Remuneration Committee members have 3-year terms and may be nominated to serve in the committee again. If the committee members leave their positions for reasons other than reaching the term limit, the Board of Directors must appoint qualified individuals to complete the minimum number of



members required in the committee. These newly appointed members will serve the remaining terms of the previous members who left their positions.

Authority, Work Scope, and Responsibility of the Management Committee

1. Manage and operate the business according the objectives, policies, directions, and plans established by the Board of Directors.
2. Establish corporate vision, strategy, policy, objective, direction, and plan to correspond to economic and competitive landscapes, presenting the information to the Board of Directors for approval.
3. Evaluate the effectiveness of the policies and management of the company, ensuring correspondence to the Board of Directors' approval
4. Establish organizational structure and authority
5. Appoint or hire consultants related to the company's business to maximize effectiveness
6. Consider the approval of general purchases, purchases of raw materials and consider the approval of investments according to authority by the Board of Directors approval.
7. Carry out other tasks appointed by the Board of Directors

The appointments by the Management Committee must not empower any entities or parties to approve agendas that personally affect the approvers or other conflicting entities (based on the announcement of the SET and SEC.) Approvals must only pertain to matters that correspond to regular business and trade policies.

Authority, Work Scope, and Responsibility of the Chief Executive Officer

1. Manage and operate the business according the objectives, policies, directions, and plans established by the Board of Directors and/or decisions of the Shareholders' Meeting.
2. Establish corporate vision, strategy, policy, objective, direction, and plan to correspond to economic and competitive landscapes, presenting the information to the Board of Directors for approval.
3. Establish or restructure the company's management to correspond with corporate policies and the industry's competitive dynamics.
4. Authorized to hire, appoint, rotate, establish salaries, and terminate employment of staffs under the ranking of president of the management team. The CEO may appoint a party to undertake these tasks as an authorized representative.



5. Determine standard bonuses, salary raises, compensations, and special bonuses for employees based on the approval of the Board of Directors and/or Management Committee.
6. Authorized to issue, amend, add, and improve regulations of the company's business to correspond with corporate policies.
7. Consider the approval of regular trade transactions such as purchasing products at market value and providing general trade terms under the approval of the Board of Directors.
8. Consider the approval of general purchases, purchases of raw materials and consider the approval of investments according to authority by the Board of Directors approval.
9. Carry out other tasks appointed by the Board of Directors

The appointments by the Chief Executive Officer must not empower any entities or parties to approve agendas that personally affect the approvers or other conflicting entities (based on the announcement of the SET and SEC.) Approvals must only pertain to matters that correspond to regular business and trade policies.

Appointing

Appointing Committee Members

Appointing Independent Committee Members

The Board of Directors established the following regulations for appointing independent committee members based on SEC regulations:

1. The individual must not possess more than 1 percent of total shares of the company, affiliates, partners, major shareholders, or decision-makers of the firm. Shares of parties related to the individual must also be taken into account.
2. Not currently a committee member, staff, employee, advisor, decision-maker, or shareholder of the company, affiliates, or partners. Individuals who used to be stakeholders of the company must be absent from their previous positions for at least 2 years from the day requesting for approval from the SEC. These prohibitions do not include independent committee members who used to be civil servants or advisors of government offices holding significant shares in the company.
3. The independent committee member must not be a family member or legally registered as a father, mother, spouse, sibling, child, or the spouse of the child of other committee members, executives, major shareholders, decision-makers, and individuals to be appointed as committee members.



4. The independent committee member must be free of business relationships with the company, affiliates, partners, major shareholders, or decision-makers of the firm that may hinder the individual's independent discretion. The committee member must not be shareholders of decision-makers of other entities related to the business of the company, affiliates, partners, major shareholders, or decision-makers of the company. Individuals who used to be in the aforementioned circumstance must have vacated the positions for at least 2 years before being eligible for appointment as a committee member. The committee member must not be involved in receiving or providing financial assistance (giving or taking loans, guaranteeing loans, providing collateral, etc.) to the company that leads to financial obligations with a value of 3% of net tangible assets (or obligations worth 20 million Baht and above), depending on which calculation yields the lower value. Calculations of the financial obligation must be according to regulations of the SEC on transaction value calculations. This involves incorporating financial obligations incurred one year before having business relations with the same individual.
5. The independent committee member must not be an auditor of the company, affiliates, partners, major shareholders, or decision-makers of the firm. The individual must not be shareholders, decision-makers, or partners of auditing companies consisting current auditors of the company, affiliates, partners, major shareholders, or decision-makers of the firm. Individuals who used to be in the aforementioned circumstance must have vacated the positions for at least 2 years before being eligible for appointment as a committee member.
6. The independent committee member must not provide professional services, including legal and financial advisor, to the company, affiliates, partners, major shareholders, or decision-makers of the firm that results in generating service revenue above 2 million Baht per year. The individual must also not be shareholders, decision-makers, or partners of such professional service companies. Individuals who used to be in the aforementioned circumstance must have vacated the positions for at least 2 years before being eligible for appointment as a committee member.
7. The independent committee member must not be appointed as a representative of the Board of Directors, major shareholders, or shareholders related to those major shareholders.
8. The independent committee member must not conduct business of the same form as the company and must not engage in business practices that compete with operations of the company and its affiliates. The individual must not be shareholders (or hold no more than 1% of total shares), committee members, employees, staffs, and full-time advisors of businesses that are competitors with the company and its affiliates.



9. The individual must be free from other characteristics that hinder independent judgment of the company and its operations.

Appointing Audit Committee Members

The Board of Directors consists of at least 3 members from the Audit Committee. The Board will nominate independent committee members and make appointment decisions at the Board of Directors' meeting or Shareholders' Meeting. The Audit Committee has authority and scope of responsibility according to the regulations announced by the SET.

Appointing Nomination and Remuneration Committee Members

The Board of Directors consists of at least 3 people by half of the committee will be selection from nominate of independent committee members and the chairman of the committee must be nominate of independent committee.

Appointing Management Committee Members

The company selects Management Committee members based on personal qualifications that correspond to the corporate strategy and plans. The candidates must be competent in knowledge, skills, experience, and dedication. Candidates must possess qualifications listed in Clause 68 of the Royal Decree for Public Company Limited (1935, amended), as well as regulations of the SET and SEC. The appointments must be approved from the Board of Directors or at the Shareholders' Meeting (depending on the case.)

Self-assessment of the Board of Directors

Board of Directors will do the self- assessment annually to assess the performance in the pervious-year and take result to improve the committee performance.

Remuneration of directors and executives

The Company's remuneration of the Board of Directors publish as the regulation of Securities and Exchange Commission (SEC). The remuneration shall be approved by The Annual General Meeting (AGM) annually. If the directors of the Company have assigned any more duties or responsibilities such as be the Audit Committee. The director has the right to received compensation for their duties and responsibilities as assigned.

However it must be consider with ability of the Company. The Remuneration of determining executive compensation is would be set relate to the Company performance and the personal performance annually.



The Boards' Conference

The Board of Directors has emphasized in monitoring and certification of quarterly operating performance and has reported from the Audit Committee to consider and take action for the best benefit of the company as well as the significant risk which may affect to the Company performance.

In the board meeting have to have a corporate secretary who prepared the agenda of meeting and send the document to the Board of Directors at least 7 days before the meeting including responding to minute of meeting by recording the suggestions and comments in separate a sub-committee such as the Board of Director Committee, The Audit Committee and The Management Committee. The minute of any meeting must be delivery to all directs and also be kept for checking by involve person.

Board of Directors





Board of Directors

Mr. Phisanu Chavananand

Age 65 years old **Percentage of Shareholders** 0.32%

Position President

Effective Date 21 March 1987

Degree/Certificate

Bachelor of Engineering, Metropolitan state university,
Colorado, USA

Working Experiences

1997 – Present: Board of Director / Chavananand
Holdings Co., Ltd.

1975 – Present: President / Vichitbhan Construction
Co., Ltd.

1975 – Present: President / Vichitbhan Construction
Co., Ltd.

1975 – Present: Vichitbhan Plantation Co., Ltd.

1975 – Present: President / Vichitbhan Real Estate
Co., Ltd.

1975 – Present: Board of Director / Visanu Cement
Co., Ltd.

Working Experiences with other listed company

None

Mr. Voravith Chavananand

Age 61 years old **Percentage of Shareholders** 0.32%

Position Vice President

Effective Date 21 March 1987

Degree / Certificate

Bachelor of Accountancy, Bangkok University

Working Experiences

2003 – Present: Managing Director / Vichitbhan
Construction Co., Ltd.

1996 – Present: Board of Director / Chavananand
Holding Co., Ltd.

1994 – Present: President / C.V.N Development Co.,
Ltd.

1992 – Present: Vice President / Vichitbhan Real estate
Co., Ltd.

1987 – Present: Vice President / Vichitbhan Palm oil
Public Co., Ltd.

1985 – Present: Vice President / Vichitbhan Plantation
Co., Ltd.

Working Experiences with other listed company

None

Mr. Vithaya Chavananand

Age 59 years old **Percentage of Shareholders** 4.63%

Position Vice President

Effective Date 21 March 1987

Degree/Certificate

- Master of Business Administration, Webster
University, USA

- Bachelor Degree of Political Science Finance,
Chulalongkorn University

Working Experiences

2012 – Present: Director / Vichitbhan Logistics Co.,
Ltd.

2011 – Present: Director / Setran Ferry Company
Limited



1996 – Present: Board of Director / Chavananand Holding Co., Ltd.

1994 – Present: Managing Director / V.C.N.

Development Co., Ltd.

1992 – Present: Board of Director / Vichitbhan Real Estate Co. Ltd.

1987 – Present: Vice President / Vichitbhan Palm oil Public Co., Ltd.

1985 – Present: Managing Director / Vichitbhan Plantation Co., Ltd.

1979 – Present: Board of Director / Vichitbhan Construction Co., Ltd.

2001 – 2016: Director / Heritage Townhome Co., Ltd.

2000 – 2016: Director / Phuket Heritage Townhome Co., Ltd.

Working Experiences with other listed company

2007 – Present: Nomination & Remuneration Committee / Robinson Department Store PCL

2006 – Present: Director, Independent Director and Audit Committee / Robinson Department Store PCL

2010 – 2016: President of Risk Management Committee / Robinson Department Store PCL

Mr. Krisada Chavananand

Age 56 years old **Percentage of Shareholders** 38.99%

Position Director and Managing Director

Effective Date 3 November 1994

Degree / Certificate

- Certificate (Class 56), Certificate of the National Defense College of Thailand

- Master of Science, the Trustees of Columbia University, USA.

- Bachelor of Science in Computer Science, Sam Houston state University, USA.

Working Experiences

2015 – Present: Advisor of Subcommittee to Study for agricultural production / The National legislative Assembly

2012- Present: Board of Director/ Vichitbhan Logistics Co., Ltd.

2011-Present: Chairman of the Federation of Thai Industries Palm Oil Industry Club / the Federation of Thai Industries

2011 – Present: Director /Chavananand Holdings Co., Ltd.

2008 – Present: Board of Director/ VG Energy Co., Ltd.

2008 - Present: Director /The national palm oil policy Committee.

2008 - Present: President/Palm Oil Crushing Mill Association.

2002 – Present: Managing Director / Vichitbhan Palmoil Public Co., Ltd.

1991 – Present: Deputy Managing Director / Vichitbhan Plantation Co., Ltd.

Working Experiences with other listed company

None

Mr. Vatchara Chavananand

Age 53 years old **Percentage of Shareholders** 4.26%

Position Director

Effective Date 21 March 1987

Degree/Certificate

High School

Working Experiences

2012 – Present: Director / Vichitbhan Logistics Co., Ltd.



2008 – Present: Board of Director / VG Energy Co., Ltd.

1996 – Present: Board of Director / Chavananand Holding Co., Ltd.

1992 – Present: Managing Director / Vichitbhan Real Estate Co., Ltd.

1987 – Present: Deputy Managing Director / Vichitbhan Palmoil PCL

1985 – Present: Deputy Managing Director / Vichitbhan Plantation Co., Ltd.

Working Experiences with other listed company

None

Mrs. Supaluck Tiasevanakul

(Name – Maiden Name : Miss Supaluck

Chavananand)

Age 54 years old **Percentage of Shareholders** 7.66%

Position Director

Effective Date 2 October 1997

Degree/Certificate

- Master of Business Administration, University of New Haven, USA

- Bachelor of Economics, Chulalongkorn University

Working Experiences

2008 – Present: Board of Director / VG Energy Co., Ltd.

1998 – Present: Board of Director / Chol Pattana Co., Ltd.

1988 – Present: Managing Director / Vichitbhan Farm Co., Ltd.

1987 – Present: Deputy Managing Director / Vichitbhan Palmoil PCL

1985 – Present: Deputy Managing Director / Vichitbhan Plantation Co., Ltd.

Working Experiences with other listed company

None

Mr. Bandhoo Supakavanich

Age 68 years old **Percentage of Shareholders** -

Position Chairman of Audit Committee and

Independent Director

Effective Date 28 August 2013

Degree/Certificate

- Master of Public Administration, Eastern Kentucky University, USA

- Bachelor of Science in Forestry, Kasetsart University

- Bachelor of Political Science, Ramkhamhaeng University

Working Experiences

2011 – 2012: The Secretarial of the Prime Minister/ The Government: Yingluck Shinawatra

2011: Member of the House of Representative – Party list / Pheu Thai Party

2010 – 2011: Committee / National Broadcasting and Telecommunication Commission

2008 – 2009: Budget Director / Bureau of the Budget, Office of the Prime Minister

Working Experiences with other listed company

None

Mr. Jiraphant Asvatanakul

Age 57 years old **Percentage of Shareholders** 0.00022%

Position Audit Committee and Independent Director

Effective Date 9 May 2016

Degree/ Certificate

- Master of Professional Accounting, University of Texas at Austin, U.S.A.



- Bachelor Degree of Economics, Thammasat University

Working Experiences

2014 – Present: Board Treasurer / Thai Chamber of Commerce & Board of Trade of Thai

2014 – Present: Director / Federation of Thai Insurance Organizations

2014-Present: Director / Thai General Insurance Association

2010 – Present: Director / T.I.I. Co., Ltd. (Thailand - Insurance Institute)

2000 – Present: Director / Road Accident Victims Protection Co., Ltd.

2009 – 2014: President / Thai General Insurance Association

Working Experiences with other listed company

1992 – Present: Director / Thai Reinsurance PCL.

1993 – Present: Director and CEO / Thaivivat Insurance PCL.

2014 – Feb 2016: Director / Re Life Assurance PCL.

Mr. Rachada Singalavanija

Age 68 years old Percentage of Shareholders -

Position Audit Committee and Independent Director

Effective Date 10 August 2016

Degree/ Certificate

- Certificate, Director Accreditation Program 67/2007, Thai Institute of Directors

- Certificate, Civil Service Executive Development Program (Class 29), Office of the Civil Service Commission

- National Defence College Diploma (Class 45)

- Diploma, Senior Executive Program (Class 16), Sasin Graduate Institute of Business Administration of Chulalongkorn University, Thailand

- Bachelor of Law, Ramkhamhaeng University, Thailand

- Bachelor of Engineering(Industrial Engineering), Chulalongkorn University, Thailand

- M.S.E. (Industrial), West Virginia University, U.S.A.

Working Experiences

2009 – Retired: Deputy Permanent Secretary / Ministry of Industry

2006-2009: Director General Department of Industrial Works / Department of Industrial Works

2004-2006: Deputy Permanent Secretary / Ministry of Industry

2003-2004: Chief of Inspector General / Ministry of Industry

2001-2003: Inspector General / Ministry of Industry

1998-2001: Deputy Director-General, Department of Industrial Works / Ministry of Industry

1998: Director Industrial Pollution Management

Bureau Technology / Department of Industrial

Working Experiences with other listed company

None



Shareholding of the Board of Directors and Management





Shareholding of the Board of Directors and Management

| Name | At Dec 31,2015 (shares) | At Dec 31,2016 (shares) | +/(-) (shares) |
|--|----------------------------|----------------------------|-------------------|
| 1. Mr. Phisanu Chavananand Spouse and Minor Child | 3,000,000 | 3,000,000 | - |
| 2. Mr. Voravith Chavananand Spouse and Minor Child | 3,000,000 | 3,000,000 | - |
| 3. Mr. Vithaya Chavananand Spouse and Minor Child | 43,500,000 | 43,500,000 | - |
| 4. Mr. Krisada Chavananand Spouse and Minor Child | 366,500,000 | 366,500,000 | - |
| 5. Mrs. Supaluck Tiasevanakul Spouse and Minor Child | 72,000,000 | 72,000,000 | - |
| 6. Mr. Vatchara Chavananand Single | 40,000,000 | 40,000,000 | - |
| 7. Mr. Bandhoon Supakavanich Spouse and Minor Child | - | - | - |
| 8. Mr. Jiraphant asvatanakul Spouse, Minor Child and Entity | 200,000 | 300,000 | (100,000) |
| 9. Mr. Rachada Singalavanija Spouse and Minor Child | - | - | - |

Corporate Governance





Corporate Governance

The Company will send knowledgeable, skillful, and experienced personnel appropriate to the business of its subsidiaries or affiliates to be appointed as directors or executives in proportion to their shareholding in the Company in subsidiaries or affiliates to set policy and control the operations of its subsidiaries or affiliates to make sure that the operation is going in the right direction and to maximize the Group's overall benefits. Additionally, the company representative is responsible for monitoring the operations of its subsidiaries or associates closely and reports the results of operations of its subsidiaries or affiliates to the Board of Directors.

Inside information and conflicts of interest maintenance

The Company has a policy to protect the directors and executives from illegitimately using inside information to benefit themselves as the follows:

- 1) The Company has established a requirement for the company's data protection by stating that agencies that know the information are prohibited to disclose it to the authorities or unrelated individuals.
- 2) The Company administrators have been informed that the significant and financial information of the company that affect stock prices must not be taken advantage of prior to the public disclosure. The executives are prohibited from trading the Company securities for a period of one month before the financial statements or material is made public.
- 3) When the securities of the companies was listed on the Stock Exchange of Thailand, the Company has determined that the directors and management have a duty to report the company securities holding under section 59 as required by the Securities and Exchange Commission regarding the preparation and disclosure of shareholding of directors and management including management's spouse and minor children, directly or indirectly such as held by a nominee through private funds, and so on.
- 4) The Company has determined disciplinary action for the exploitation or disclosure of inside information that may cause damage with the penalty appropriate to the case including verbal warning, written warning, probation, as well as dismissal depending on the intention of the act and the seriousness of the offense.



Good Corporate Governance Policy

Vichitbhan Palmoil Public Company Limited has significantly focused on good corporate governance considered as one of the most sustainable strategies of the company. The company has therefore specified its corporate governance policy, with principles and practices corresponding to the requirements of good corporate governance for the registered company listed on the Stock Exchange of Thailand in 2012. The company's corporate governance policy is divided into 5 sections as follows.

Section 1: Rights of shareholders

The company has always recognized the importance of the shareholders' rights, encouraging all shareholders to appropriately exercise their own rights. Additionally, the basic rights of shareholders vary in selling or transferring shares, possessing a share in the company's profit, obtaining sufficient information, participating in general meetings to vote for the appointment or removal of the Board of Directors, appointing an authorized auditor and other influential matters affecting the company's integrity such as the allocation of dividends, the formulation and amendment of regulations and memorandums of association, the increase or decrease of investment capital and the approval of special transactions.

The company's policy is expected to be implemented in various affairs to support and facilitate the shareholders in exercising their rights effectively and appropriately.

- The company shall send a meeting invitation letter with other related documents to all shareholders at least 7 days or at a certain period of time specified by the law or notification prior to an actual shareholder meeting date. The invitation letter shall specify the date, time, place, regulations of the company related to the shareholder meeting and meeting agendas containing explanations, reasons and comments of the Board of Directors, proxy approved by the Ministry of Commerce and list of the independent Board of Directors where a shareholder shall consent to the appointment of a representative to attend a shareholder meeting on behalf of such shareholder. Additionally, the company will declare significant information about a shareholder meeting in the Stock Exchange of Thailand's website as well as the company's website prior to an actual shareholder meeting date.
- Before a shareholder meeting gets started, the company shall inform the shareholders about the voting principles and the counting of votes in the meeting. When significant information has been declared in accordance with the meeting agendas, the chairman of the meeting is required to appropriately offer a chance for all shareholders to freely express their opinions and feedback. In



doing so, directors and executives are required to attend the meeting to respond to the opinions and feedback raised by the shareholders. However, the company will provide an opportunity for the shareholders to raise and submit their inquiries prior to the actual shareholder meeting date.

- In cases where there are several items on a proposed agenda, such as the appointment of the Board of Directors, the company will arrange a consensus vote for each item.
- As a shareholder meeting is finished, the company will record the meeting minutes accurately, specifying the voting procedures, inquiries and solutions and voting results including the agreement, disagreement and abstentions for certain votes. The company will also record the name list of the Board of Directors who are present or absent from the meeting. Meanwhile, the company will report on the voting results in the Stock Exchange of Thailand's website within the voting date or not later than 09:00 hrs. of the following date and shall submit the shareholder meeting report to the Stock Exchange of Thailand within 14 days following the meeting date and shall display such report in the company's website accordingly.

Section 2: Equal treatment of shareholders

Vichitbhan Palmoil Public Company Limited is committed to treating all shareholders fairly and equally, whether they are executives, non-executives or foreigners. The company has set its sights on proceeding with the following implementations:

- The company will prepare a meeting invitation letter in both Thai and English versions to be delivered to all shareholders.
- The company will proceed with the shareholder meeting in accordance with the proposed agenda specified in the meeting invitation letter and shall not consider the addition of any addition to the agenda unless informed in advance, particularly any important agenda item that requires the shareholders' thorough study before making any decision.
- The company shall provide an opportunity for minor shareholders to nominate a person to be elected as a member of the Board of Directors by submitting a set of required information of the nominated person with written consent to the Chairman of the Board of Directors under the requirements specified by the company.



- The company will encourage the shareholders to use a ballot paper in every vote, where all ballot papers will be collected from a certain shareholder meeting for vote counting. For transparency and accountability, the company is determined to collect and keep ballot papers safely at all times.
- The company always gives importance to the complete disclosure of the company's information in an accurate, complete and timely manner. All shareholders will be fairly and equally exposed to the information provided in the Stock Exchange of Thailand's website as well as the company's website.
- The company has successfully developed a protection policy to hinder the Board of Directors or other executives from wrongful or illegal use of any private information belonging to the company for their own benefits or that of other shareholders.
- The company has also developed a strict policy for any member of the Board of Directors who owns a stake in any agenda in a meeting to refrain from participating in such meeting or having an authority to consider such agenda.

Section 3: Roles and responsibilities of interested person

Vichitbhan Palmoil Public Company Limited has always emphasized the rights of interested people who own stakes in the business including the clients, staff members, partners, shareholders, investors, creditors and community where the company is located as well as other interested people outside the business realm such as competitors and independent auditors. The company will always treat these people fairly and equally, believing that a concrete relationship between the company and all parties involved as stakeholders will help stimulate the company to achieve sustainable growth.

Shareholder

1. The company is set to support and facilitate shareholders to exercise their basic rights effectively and appropriately including the selling and transferring of shares, possessing a share in the company's profit, obtaining sufficient information, participating in general meetings to vote for the appointment or removal of the Board of Directors, appointing an authorized auditor and other influential matters affecting the company's integrity such as the allocation of dividends, the formulation and amendment of regulations and memorandums of association, the increase or decrease of investment capital and the approval of special transactions.

2. The company shall encourage shareholders to exercise their rights in other affairs related to the company's general shareholder meeting such as the right to nominate a person to be appointed as the Board of Directors and the right to express a certain opinion or feedback related to a proposed agenda.



3. The company shall also refrain from any misconduct or exploitation considered as a violation or infringement of others' rights such as the failure to submit an important document to the shareholders prior to the meeting and the unexpected addition or amendment of significant information in any certain agenda without the shareholders' prior notice.

Staff member

1. The company is committed to offering compensation to its staff fairly and equally by referring to the staff member's performance, where the company will apply the most effective performance evaluation to be used with each and every staff member in accordance with the standards specified by the company.

2. The company has shifted its strategic focus to the enforcement of the policy concerning human resource development by launching a training program aimed to provide knowledge for both staff members and executives. Meanwhile, the company has sent selected staff members and executives for training programs on work-related knowledge with outside agencies.

3. The company has always maintained a hygienic environment that can encourage greater working performance while fostering safety of lives and property of staff members and executives of the company as a whole.

4. The company is also committed to protecting the privacy of all staff members and executives, not disclosing personal information, such as salary or medical records of staff members or executives to any third party, unless the company is required to disclose such information in accordance with the relevant laws and regulations.

Client

1. The company has always been expected to build a good relationship and collaboration with its clients for the long-term benefit by relying on faith and loyalty in business.

2. The company puts its main focus on the highest degree of satisfaction and confidence for customers from all levels, offering quality products and services with non-hostile properties in accordance with the requirements, while strictly complying with the terms and conditions required for each customer's needs.

Partner and Creditor

1. The company has remained firm for the emphasis of fairness, equality and honesty in operating its business by complying with the laws and mutual requirements strictly.

2. The company will always maintain its ethical business practices without requesting any benefit considered as illegal and dishonest conduct with any of its business partners.



Competitor

1. The company has focused on a strategic policy to support and encourage free trade competition in a liberated and fair manner

2. The company will treat all business competitors lawfully, while relying on good corporate governance. In addition, the company will never attempt to discredit its business competitors by issuing any false accusation without fact or conducting any unfair practice to tarnish the competition.

Government Organization

1. The company is set to comply with the rules, regulations and other laws corresponding to its business operations.

2. The company has given importance to the transparency and honesty in dealing with business transactions required by any government organization. Strategically, the company always remains firm in combating bribery and corruption that may illegally facilitate or benefit the company.

Environment, Society and Community

1. The company has established a firm policy of operating an environmentally friendly business, with a sharp focus on natural resource conservation while promoting effective energy consumption.

2. The company has also managed to run its business with regard to the quality of lives of those in the society and community by strictly complying with all required laws, rules and regulations.

The company stakeholders are allowed to seek the company's information or file a complaint via the company committee. Such complaints are expected to be filed and sent via postal mail to the company's Office of the Secretary according to the company's address or email vpo.cs@vcbpalmoil.com. In such a case, the complaint will be kept strictly confidential and the committee will proceed with the investigation of such complaint, seek further solutions and report to the committee accordingly.

Section 4: Transparency and Disclosure of Information

Vichitbhan Palmoil Public Company Limited consistently recognizes the importance of the disclosure of information with accuracy, timeliness and transparency in order to provide significant information for the shareholders and interested people equally and reliably. Furthermore, the company will keep its own website updated regularly.

The Company has successfully developed its policy for the complete disclosure of information via information technology to the public such as the company's vision and mission, type of business, list of the committees and executives, financial statements, financial reports, risk and risk management policies, direct



and indirect shareholding of the Board of Directors, major shareholders and high-ranking executives, audit fees and other service fees related to the auditor and remunerations for the committees and the Board of Directors.

In addition, the company is keeping the establishment of the investor relations agency in progress aiming to provide the company's information for the shareholders, investors, securities analysts and general public.

Section 5: Responsibilities of the Board of Directors

On April 30, 2014, the company successfully developed its management structure consisting of a major committee and 2 sub-committees, including the audit committee and the management committee appointed to monitor and supervise the business aiming for the highest benefit of the company and shareholders in the long run.

Structure of the Board of Directors

The Board of Directors consists of highly skilled and experienced people who are required to work on the consideration of significant affairs related to the company's management. In the meantime, all committee members can feel free to offer comments and cast their votes on a certain agenda, as part of the goal to make the company's business operations and implementations achievable with the highest levels of efficiency and transparency.

On April 30, 2014, the Board of Directors consisting of 9 committee members, where 3 of them are independent committee members, is required to possess at least one-third the total member of the Board of Directors and not less than 3 committee members. Meanwhile, the independent committee members shall possess no prohibition in accordance with the notifications of the Capital Market Supervisory Board and the Stock Exchange of Thailand.

Roles and Responsibilities of the Board of Directors

The Board of Directors is required to proceed with the consideration and the approval of important matters related to the business operations, including the specification of vision and mission, strategy and financial target, risk and budget management as well as the monitoring and supervision of business operations in accordance with efficiently enforced policies and requirements, the Board of Directors shall exercise their judgment and prudence in making decisions and performing their duties with the required responsibility and honesty aiming for the company's long-term benefit.



Self-Assessment of the Board of Directors

The Board of Directors will provide annual self-assessment to evaluate their performance in the previous year while seeking ways to maximize performance efficiency of the Board of Directors.

Remuneration of the Board of Directors and executives

Vichitbhan Palmoil Public Company Limited has clearly specified the remuneration to be offered to the Board of Directors and other executives in accordance with the requirements of the Securities and Exchange Commission (SEC). The remuneration shall be approved by the shareholders of the annual general meeting every year. In cases where the Board of Directors is assigned to deal with additional duties or responsibilities, for instance, audit management, the Board of Directors will be offered compensation at an appropriate rate regarding the additional duties or responsibilities consisting of the approval of executive compensation related to the company's performance and the annual performance of each executive.

Meeting of the Board of Directors

The meeting of the Board of Directors always recognizes the importance of monitoring and certification of quarterly performances as well as the report from the Board of Directors and risk management plan that is expected to be submitted to executives for consideration of implementation and to proceed to put it into action aiming for the highest benefit of the company.

A secretary will be provided for each general meeting to work on the preparation of meeting agendas and the delivery of meeting-related documents to the Board of Directors at least 7 days prior to the actual meeting date, as well as for the recording of meeting minutes provided by suggestions and comments of the subcommittees including the Board of Directors, the audit committees and the executive management committees. Overall, the company has successfully proceeded with the recording of meeting minutes, the delivery of meeting-related documents for the Board of Directors, individually and appropriately, and the collection of meeting agendas that were systematically approved by the Board of Directors, and these can be inspected by relevant parties at all times.

Corruption Prevention Policy

The Company gives importance on the fight against dishonesty and corruption. The Company has announced the guidelines for the implementation of the policy against corruption to ensure that the Company has a policy is to assign responsibility.



Guidelines and requirements for proper operation to prevent corruption in all Company business activities and to make business decisions and operations that may be at risk of fraud, corrupt practice to be carefully considered. The details are as follows.

Guidelines for the Corruption Prevention Policy Implementation

1. It is prohibited for the directors, executives and employees of the Company and subsidiaries to perform, accept, or support all forms of corruption both directly and indirectly. The prohibition covers all related subsidiaries including contractors or subcontractors. The implementation of the policy against corruption also required to be regularly reviewed. The guidelines are reviewed in accordance with policy, compliance with laws and regulations, announcement, rules, and business change.

2. Anti-corruption standard is a part of the business and is the responsibility of the company Board of Directors, management, supervisor, and all employees at all levels, suppliers or subcontractors are involved in commenting on the implementation of anti-corruption to achieve the policy goal.

3. The Company has developed measures to combat fraud and corruption in accordance with applicable laws and moral principles by providing a risk assessment of the relevant activity vulnerable to corruption and corrupt practices. A guide has also been developed for those involved to be implemented.

4. The Company does not engage in or support bribery in any form. All activities are supervised. This includes controlling donations to charity, donations to political parties, and business gifts giving. The company also support activities for transparency and is not intended to convince the public official or private sector to inappropriately conduct any activity.

5. The Company provides an appropriate internal control to regularly prevent employees to improper conduct particularly in the aspects of sales, marketing, and purchasing.

6. The company provides knowledge on anti-corruption and corruption to the Board of Directors, the management, and staff to promote honesty and responsibility in fulfilling their responsibilities including the media expressing the Company determination.

7. The Company provides a mechanism for reporting financial transparency and accuracy.

8. The Company encourages diverse communication channels so that employees and stakeholders can notify suspicious clues by ensuring that the whistleblower is protected without being penalized, unfairly



transfer, or bullied in any way. This includes appointing a person to monitor all incoming notifications of clues.

Internal controls and risk management

The Board of Directors' opinion regarding the internal control of the Company

The Company recognizes the importance of a good internal control system according to the principles of good corporate governance; that is a fair, transparent, and secure system that can be checked. This will lead to the best interests of shareholders, employees, suppliers, communities, and other relevant parties.

The Company has appointed D.I.A. and Associates Co., Ltd. to audit and evaluates the Company internal control systems. D.I.A. and Associates Co., Ltd. has announced the results of monitor and evaluating internal control systems. The Company has taken to monitor and assess to continuously improve the Company's internal control system.

Additionally, the internal control in any of internal control system aspect will be reviewed by the D.I.A. and Associates Co., Ltd., which is planning the audit to cover all segments along with presenting it to the Board of Directors for approval on the audit plan to be monitored and reported to the Audit Committee on a quarterly basis. The Board of Directors is of the opinion that the Company's internal control systems are appropriate and sufficient.

The Company has established sufficient internal controls to monitor the operations of its subsidiaries to protect the assets of the Company and its subsidiaries from being illegitimately used the directors or executives as well as transactions with persons who may have conflicts of interest and related party.

The company stakeholders are allowed to seek the company's information or file a complaint via the company committee. Such complaints are expected to be filed and sent via postal mail to the company's Office of the Secretary according to the company's address or email vpo.cs@vcbpalmoil.com. In such a case, the complaint will be kept strictly confidential and the committee will proceed with the investigation of such complaint, seek further solutions and report to the committee accordingly.

Corporate Social Responsibility





Corporate Social Responsibility

Corporate Social Responsibility Policy, these six are below.

1. Good Corporate Governance

Vichitbhan Palmoil is committed to operating its business in a lawful manner, complying with required regulations corresponding to the business operations with transparency, fairness and integrity where important information can be inspected at all times. The company has also focused on benefits and impacts on shareholders, clients, partners, employees and everyone involved in the business.

Meanwhile, the company always recognizes the importance of good corporate governance to be used as a guideline in running the business. The company has specified various policies on good corporate governance consistent with the principle of good corporate governance for listed companies enforced in 2012.

2. Fair Business Operation

The company is pleased to support free trade while avoiding all undesirable actions that may cause a conflict of interest or the violation of intellectual property as well as promoting anti-corruption activity of all types. At the same time, the company will also encourage a sense of social responsibility in all processes starting from the processing of raw materials through to the distribution of finished products to clients.

3. Human Rights and Employee Treatment

The company has always recognized the importance of its employees and fostered a desirable organizational tradition in respect of fair and equal human rights. In addition, the company has successfully arranged the benefit of welfare, safety and sanitation in the workplace while encouraging knowledge-sharing program at all work levels aiming for greater development and professionalism among employees. Meanwhile, the company has strategically specified the rules and regulations of employee treatment corresponding to other requirements, such as labour laws, to ensure that all employees are treated fairly and appropriately.

4. Customer Responsibility

The company has retained its clear focus on developing quality products and services in accordance with or beyond customer expectation under the fairly agreed terms and conditions, providing accurate, credible and unexaggerated information of products and services while always promising not to disclose any



confidential client information to any third party or use such information for personal benefit unfairly and unlawfully.

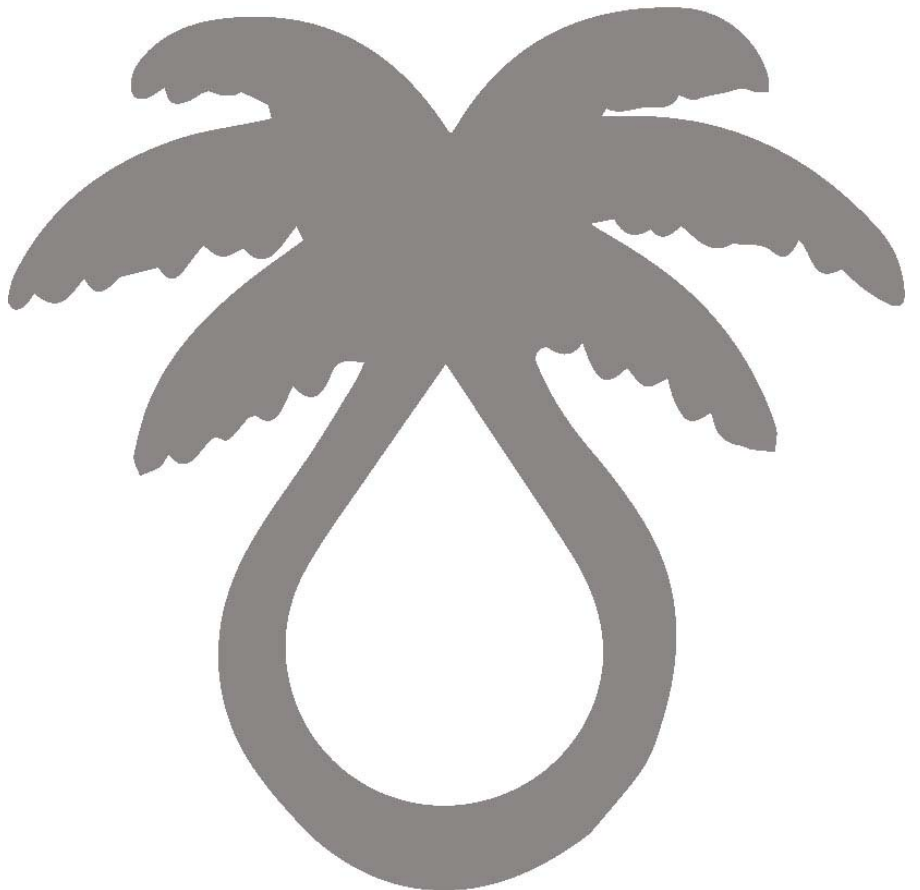
5. Environment and Safety

The company has remained firm in eliminating any environmental impact caused by its business operations. The company has also developed effective management of natural resources aiming for the highest benefit and the lowest waste returning to the environment. In the production process, the company always relies on the use of efficient and powerful machines that ensures no severe impact on the environment, while applying strict rules to control the operations, as part of the goal to generate the highest safety for lives and property involved in the business.

6. Community and Society Development

The company is committed to promoting the distribution of income to the agricultural sector aiming to upgrade the quality of life of palm oil growers as well as build economic integrity for all communities in the country.

Related Transactions



Transactions

Summary of Transactions between the Company Group and Other Companies/Individuals that may develop Conflicts of Interest

The transactions between the company group and other companies/individuals that may develop conflicts of interest for the accounting years ended 31 December 2015 and 31 December 2016 are listed below:

| Company/Related Parties | Relationships | Characteristics | Value (Millions of Baht) | | Necessity, Rationale, and Opinion of the Audit Committee |
|---|---|--|--|--|---|
| | | | For the Year Ended 31 Dec. 2015 | For the Year Ended 31 Dec. 2016 | |
| 1. Chavananund Holding Ltd. (Chavananund Holding) | 1. The committee consists of 5 members : Mr. Pisanu Chavananund, Mr. Voravith Chawanant, and Mr. Vithaya Chavananund, Mr. Kritsada Chavananund, Mr. Vachara Chavananund 2. The Chavananund group is the major shareholder of the company and also holder of 100% of paid-in capital in Chavananund Holding. 3. Chavananund Holding is the major shareholder of the company. On 31 December 2014, Chavananund Holding possessed 1.7% worth of shares in paid-in capital. | The company paid rental fees and office building service charges to Chavananund Holding. | 3.00 | 3.11 | The company rented the office building from Chavananund Holding, with rental fees and conditions based on the prices of renting office buildings in nearby areas. The Auditing Committee perceives that the transactions are reasonable. |
| | | <u>Creditors</u> | Beginning balance 0.00 Added 3.00 Paid <u>(3.00)</u> Ending Balance <u>0.00</u> | Beginning balance 0.00 Added 3.11 Paid <u>(3.11)</u> Ending Balance <u>0.00</u> | |

| Company/Related Parties | Relationships | Characteristics | Value (Millions of Baht) | | Necessity, Rationale, and Opinion of the Audit Committee |
|---|---|---|--|--|--|
| | | | For the Year Ended 31 Dec. 2015 | For the Year Ended 31 Dec. 2016 | |
| 2. Chok Anan Chumphon Ltd. (Chok Anan Chumphon) | Mr. Phuwanarot Tiasevanakul, a board member, is the husband of Ms. Suphalak Tiasevanakul, a board member of the company. The Tiasevanakul group is a major shareholder of Chok Anan Chumphon, holding 80% of paid-in capital. | The company purchases fuel oil from Chok Anan Chumphon as fuel for logistics of Vichitbhan Logistics Ltd. | 19.30 | 11.44 | <p>The company purchases fuel oil from Chok Anan Chumphon as fuel for transporting crude palm oil, oil palm fruit bunch, and treated waste water. The price and conditions are according to market mechanisms.</p> <p>The Auditing Committee perceives that the transactions are reasonable.</p> |
| | | <u>Creditors</u> | Beginning balance 1.33 Added 19.30 Paid <u>(20.12)</u> Ending Balance <u>0.51</u> | Beginning balance 0.51 Added 11.44 Paid <u>(10.61)</u> Ending Balance <u>1.34</u> | |



Transaction Necessity and Appropriateness

Transactions between the company and other entities or individuals that may have conflicts of interest include revenue from asset sales, rental fees, and service fees of office buildings. The committee implemented preliminary inspection on the transactions, with the conclusion that the specific transactions have equitable, reasonable prices and conditions established for the overall benefit of the company.

Policies or Procedures for Approving Transactions

These policies and procedures were established to ensure that the transactions are transparent and aimed for the overall benefit of the company. The company strictly adheres to legal regulations of the SEC and SET pertaining to such transactions. The Board of Directors, executives, and stakeholders are prohibited from attending the meeting for approval of the transactions. In cases where specific transactions require the Board of Directors authorization, the company will require the Audit Committee to attend the meeting to evaluate and present recommendations on the appropriateness of such transactions. The following policies apply to trade agreement transactions with general conditions and specialized conditions:

Trade Agreement Transactions with General Conditions

The transactions will be evaluated by the Audit Committee before being presented to the Board of Directors, which will then authorize the relevant departments to approve the transactions. The transactions must have a basis of fair trade, where all parties have bargaining power independent of influences from professional positions and authorities (e.g. board members, executives.)

The company will create a summary of all transactions to report to the Audit Committee and Board of Directors in every quarter.

Trade Agreement Transactions with Specialized Conditions

The transactions will be evaluated by the Audit Committee before being presented to the Board of Directors and/or shareholders for further assessment for approval. The practices must correspond to regulations of the SEC and SET.

If the Audit Committee is inexperienced in evaluating a certain type of transaction, the company may request specialized personnel from external sources, such as financial analysts, experts, and independent asset valuers to assess the transaction. The analysis of the Audit Committee and specialized personnel will be used as a factor for the Board of Directors or the shareholders' decision in approving the transaction. This will provide confidence that the transactions will not provide inequitable benefits to companies or particular



shareholders, but rather a transparent maximization of every shareholder's wealth. The company will disclose transaction information annually and as a remark for financial statements approved by auditors.

Prospects and Policies for Future Transactions

The company expects future transactions with companies and/or parties due to the necessity and overall benefit for its business. The prospects of the company's future transactions are summarized below:

1. Regular Business Support Activities: These include office building leases and purchase of fuel oil, with prices and trade conditions according to market mechanisms. The company expects these transactions to be continuous.

2. Transactions related to Assets or Services: These include purchase and sale of assets such as sale of automobiles to Vichitbhan Construction. The company expects these transactions to occur based on necessities.

After selling shares to the public, the company strictly follows regulations of SET and SEC in dealing with all transactions

Enclosure



VICHITBHAN PALMOIL PUBLIC COMPANY LIMITED

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

Independent Auditor's Report

To the shareholders and the Board of Directors of Vichitbhan Palmoil Public Company Limited

My opinion

In my opinion, the consolidated financial statements of Vichitbhan Palmoil Public Company Limited (the Company) and its subsidiaries (the Group) and the separate financial statements of the Company present fairly, in all material respects, the consolidated and separate financial position of the Group and of the Company as at 31 December 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

I have audited the accompanying consolidated and separate financial statements of the Group and the Company, which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the related consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of my report. I am independent of the Group and the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

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

| Key audit matter | How my audit addressed the key audit matter |
|--|--|
| <i>Valuation of impairment of investment in subsidiaries</i> Refer to Note 5.1 'Critical accounting estimates and judgements', and Note 11 'Investment in subsidiaries' to the financial statements. At 31 December 2016, the net book value (NBV) of the investment in subsidiaries was Baht 391 million, which is net allowance of impairment in investment of Baht 140 million. This NBV represented 22% of the total company assets. Following a reduction in the operating performance of the business in a power plant, subsidiary VG Energy has continuously incurred losses over the past eight years. The management has performed an impairment assessment of investment in this subsidiary. | I obtained, understood, and evaluated management's impairment model included the valuation approach and assumption used by the external valuers to determine the fair value of entity. I assessed the independence external valuer's qualifications and expertise and found that it is well-known firm with experience in the markets in which the company operates. I tested the reasonableness of key assumptions used in the impairment review model by comparing them to the market. I also assessed the accuracy and appropriateness of key inputs in the calculations such as the number of assets and cost of assets, by reconciling with source of data. |

| Key audit matter | How my audit addressed the key audit matter |
|--|--|
| <p>The management assessed recoverable amount based on fair value of entity evaluated by an independent external valuer. The company recorded an impairment charge of Baht 30 million in the current year.</p> <p>I focused on this area because of the significant value of investment in subsidiaries and the subjectivity of management judgement on the reasonableness and impact of key assumptions used in the valuations to support the fair value of assets and the assessment of the external valuer as management's expert.</p> | <p>Based on my audit work, I found that the key assumptions used by management were supportable and appropriate in light of the current environment and circumstances.</p> |
| <p><i>Valuation of impairment of property, plant and equipment</i></p> <p>Refer to Note 5.1 'Critical accounting estimates and judgements' and Note 12 'Property Plant and Equipment' to the financial statements.</p> <p>At 31 December 2016, the net book value (NBV) of property plant and equipment was Baht 1,359 million, which included allowance for impairment of property plant and equipment of Baht 72 million. This NBV represented 79% of the total consolidated assets.</p> <p>Management considered that there was an indication of impairment of property, plant and equipment in the Group, because the Toong-ka factory has been temporary shut down since May 2016 and the Ta-Sae factory's operating yield has been low. Thus, the management assessed recoverable amount of property plant and equipment at the higher of value in use and fair value less cost to sell.</p> <p>Assessing the recoverable amount of value in use, management estimates and judgements are required including the following significant assumptions:</p> <ul style="list-style-type: none"> - cash flow forecasts derived from internal forecasts and future performance; - the discount rate and long term growth rate; and - the palm fruit unit <p>I focused on this areas due to the significant of amount and the fact that determining the recoverable amount requires significant management judgement which based on assumptions that are affected by expected future market or economic conditions, particularly those related to the cash flow forecasts.</p> <p>Management believes that productivity will significantly improve due to the fact that the less-arid climate should result in increased palm fruit production and the Group have rights to harvest palm fruits in concession areas. Management concluded the Baht 72 million allowance for asset impairment for property plant and equipment is adequate.</p> | <p>I obtained, understood and assessed the methodologies used by management and evaluated the appropriateness of key assumptions used in estimating the recoverable amount.</p> <p>My procedures included a detailed evaluation of the Group's budgeting procedures upon which forecasts are based, and an assessment of the principles of management's discounted cash flow models.</p> <p>I tested the mathematical accuracy of the calculations of the forecast model and assessed key assumptions used in the calculations such as revenue growth, productivity and the discount rate, by challenging management on:</p> <ul style="list-style-type: none"> (i) management's key assumptions for long-term growth rates in forecast by comparing them to historical results and available industry data; (ii) the discount rate used in the model by assessing the Group's cost of capital and comparing it to the industry; and (iii) the palm fruit production unit used in the model by comparing with it with historical data and the production capacity. <p>I found, that the key assumptions used by management were supportable and appropriate in light of the current environment and circumstance.</p> |

Other information

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

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

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee assists the directors in discharging their responsibilities for overseeing the Group and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

PricewaterhouseCoopers ABAS Ltd.

Pisit Thangtanagul

Certified Public Accountant (Thailand) No. 4095

Bangkok

21 February 2017

Vichitbhan Palmoil Public Company Limited
Statement of Financial Position
As at 31 December 2016

| | | Unit: Baht | | | |
|------------------------------------|--------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | Consolidated financial statements | | Separate financial statements | |
| Notes | | 2016 | 2015 | 2016 | 2015 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 8 | 6,286,561 | 9,296,480 | 4,948,965 | 7,825,008 |
| Trade and other receivables | 9 | 66,911,534 | 33,175,534 | 62,132,876 | 29,259,188 |
| Short-term loan to related parties | 29 IV) | - | - | 63,822,500 | 14,645,000 |
| Inventories | 10 | 266,916,405 | 170,958,624 | 266,432,459 | 172,021,593 |
| Total current assets | | 340,114,500 | 213,430,638 | 397,336,800 | 223,750,789 |
| Non-current assets | | | | | |
| Investments in subsidiaries | 11 | - | - | 391,108,348 | 416,108,348 |
| Property, plant and equipment | 12 | 1,359,321,866 | 1,506,070,576 | 952,631,096 | 1,051,221,501 |
| Investment property | 13 | 1,150,000 | 1,150,000 | - | - |
| Deferred palm plantation cost | 14 | - | - | - | - |
| Intangible assets | 15 | 3,070,489 | 3,886,946 | 2,864,773 | 3,561,679 |
| Deferred tax assets | 16 | 2,049,222 | 4,551,769 | 1,676,131 | 3,185,526 |
| Other non-current assets | | 2,987,009 | 461,729 | 1,632,257 | 441,728 |
| Total non-current assets | | 1,368,578,586 | 1,516,121,020 | 1,349,912,605 | 1,474,518,782 |
| Total assets | | 1,708,693,086 | 1,729,551,658 | 1,747,249,405 | 1,698,269,571 |

Director _____

Director _____

The notes to the consolidated and Company financial statements are an integral part of these financial statements.

Vichitbhan Palmoil Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2016

| | | Unit: Baht | | | |
|---|-------|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | | Consolidated financial statements | | Separate financial statements | |
| | Notes | 2016 | 2015 | 2016 | 2015 |
| Liabilities and equity | | | | | |
| Current liabilities | | | | | |
| Bank overdraft and Promissory Note | 18 | 359,284,810 | 57,840,552 | 357,483,074 | 57,840,552 |
| Trade and other payables | 17 | 14,405,091 | 16,166,747 | 14,400,066 | 13,943,441 |
| Current portion of liabilities under financial lease agreements | 18 | 9,006,820 | 9,095,441 | 3,441,086 | 3,826,117 |
| Current portion of long-term borrowing | 18 | 82,152,000 | 101,956,878 | 64,152,000 | 64,152,000 |
| Income tax payable | | - | 273,874 | - | - |
| Total current liabilities | | 464,848,721 | 185,333,492 | 439,476,226 | 139,762,110 |
| Non-current liabilities | | | | | |
| Liabilities under financial lease agreements | 18 | 5,083,987 | 14,253,408 | 2,443,438 | 6,047,123 |
| Long-term borrowings | 18 | 323,414,619 | 400,615,400 | 194,695,106 | 258,847,106 |
| Retention | | 435,798 | 951,639 | 435,797 | 839,560 |
| Employee benefit obligations | 19 | 12,381,650 | 21,165,978 | 9,800,900 | 13,969,270 |
| Deferred tax liabilities | 16 | 434,044 | - | - | - |
| Total non-current liabilities | | 341,750,098 | 436,986,425 | 207,375,241 | 279,703,059 |
| Total liabilities | | 806,598,819 | 622,319,917 | 646,851,467 | 419,465,169 |
| Equity | | | | | |
| Share capital | | | | | |
| Authorised share capital | | | | | |
| Ordinary shares, 940,000,000 shares (2015: 940,000,000 shares) | | | | | |
| at par value of Baht 1 each | 20 | <u>940,000,000</u> | <u>940,000,000</u> | <u>940,000,000</u> | <u>940,000,000</u> |
| Issued and fully paid-up share capital | | | | | |
| Ordinary shares, 940,000,000 shares at paid-up of Baht 1 each | | | | | |
| | 20 | 940,000,000 | 940,000,000 | 940,000,000 | 940,000,000 |
| Share premium | 20 | 227,888,500 | 227,888,500 | 227,888,500 | 227,888,500 |
| Discount from business combination under common control | | (71,756,742) | (71,756,742) | - | - |
| Retained earnings (deficit) | | | | | |
| Appropriated | | | | | |
| Legal reserve | | | | | |
| | 21 | 25,300,000 | 25,300,000 | 25,300,000 | 25,300,000 |
| Unappropriated | | | | | |
| | | (219,337,491) | (14,200,017) | (92,790,562) | 85,615,902 |
| Equity attributable to owners of the parent | | <u>902,094,267</u> | <u>1,107,231,741</u> | <u>1,100,397,938</u> | <u>1,278,804,402</u> |
| Total equity | | 902,094,267 | 1,107,231,741 | 1,100,397,938 | 1,278,804,402 |
| Total liabilities and equity | | <u>1,708,693,086</u> | <u>1,729,551,658</u> | <u>1,747,249,405</u> | <u>1,698,269,571</u> |

The notes to the consolidated and Company financial statements are an integral part of these financial statements.

Vichitbhan Palmoil Public Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2016

| | | Unit: Baht | | | |
|-------|---|-----------------------------------|----------------------|-------------------------------|---------------------|
| | | Consolidated financial statements | | Separate financial statements | |
| Notes | | 2016 | 2015 | 2016 | 2015 |
| | Revenue from sales | 1,181,555,517 | 1,476,316,123 | 1,153,754,982 | 1,427,811,059 |
| | Cost of sales | (1,229,933,368) | (1,400,164,825) | (1,175,177,775) | (1,348,947,176) |
| | Gross (loss) profit | (48,377,851) | 76,151,298 | (21,422,793) | 78,863,883 |
| 22 | Other operating income | 1,828,171 | 5,485,618 | 3,538,675 | 4,908,249 |
| | Selling expenses | (19,145,697) | (34,145,129) | (18,634,159) | (33,261,669) |
| | Administrative expenses | (119,428,192) | (142,899,964) | (96,393,749) | (100,104,246) |
| 11 | Loss on impairment investment | - | - | (30,000,000) | - |
| 24 | Finance costs | (26,070,628) | (26,951,485) | (18,338,420) | (16,933,617) |
| | Loss before income tax | (211,194,197) | (122,359,662) | (181,250,446) | (66,527,400) |
| 25 | Income tax | (1,172,994) | (2,632,303) | (638,719) | (994,518) |
| | Loss for the period | (212,367,191) | (124,991,965) | (181,889,165) | (67,521,918) |
| | Other comprehensive income: | | | | |
| | Items that will not be reclassified to profit or loss | | | | |
| | Remeasurements of employee benefit obligations | 8,993,315 | - | 4,353,376 | - |
| | Income tax on items that will not be reclassified | (1,763,598) | - | (870,675) | - |
| | Total items that will not be reclassified to profit or loss | 7,229,717 | - | 3,482,701 | - |
| | Other comprehensive income, net of tax | 7,229,717 | - | 3,482,701 | - |
| | Total comprehensive expense for the period | <u>(205,137,474)</u> | <u>(124,991,965)</u> | <u>(178,406,464)</u> | <u>(67,521,918)</u> |
| | Loss attributable to: | | | | |
| | Owners of the parent | (212,367,191) | (124,991,965) | (181,889,165) | (67,521,918) |
| | Non-controlling interests | - | - | - | - |
| | | <u>(212,367,191)</u> | <u>(124,991,965)</u> | <u>(181,889,165)</u> | <u>(67,521,918)</u> |
| | Total comprehensive expense for the period | | | | |
| | Owners of the parent | (205,137,474) | (124,991,965) | (178,406,464) | (67,521,918) |
| | Non-controlling interests | - | - | - | - |
| | | <u>(205,137,474)</u> | <u>(124,991,965)</u> | <u>(178,406,464)</u> | <u>(67,521,918)</u> |
| | Loss per share for loss attributable to the parent | | | | |
| 26 | Basic loss per share | (0.23) | (0.13) | (0.19) | (0.07) |

The notes to the consolidated and Company financial statements are an integral part of these financial statements.

Vichitbhan Palmoil Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2016

| | | | | | | | Unit: Baht |
|--|----------------------------------|--------------------|---|------------------------------|----------------------|----------------------------|----------------------|
| Consolidated financial statements | | | | | | | |
| Attributable to owners of the parent | | | | | | | |
| Note | Issued and paid-up share capital | Share premium | Premium (discount) from business combination under common control | Retained earnings | | Total owners of the parent | Total equity |
| | | | | Appropriated - legal reserve | Unappropriated | | |
| Opening balance at 1 January 2015 | 940,000,000 | 227,888,500 | (71,756,742) | 25,300,000 | 157,791,948 | 1,279,223,706 | 1,279,223,706 |
| Changes in equity for year | | | | | | | |
| Dividends | 27 | - | - | - | (47,000,000) | (47,000,000) | (47,000,000) |
| Comprehensive expense for the year | | - | - | - | (124,991,965) | (124,991,965) | (124,991,965) |
| Closing balance at 31 December 2015 | <u>940,000,000</u> | <u>227,888,500</u> | <u>(71,756,742)</u> | <u>25,300,000</u> | <u>(14,200,017)</u> | <u>1,107,231,741</u> | <u>1,107,231,741</u> |
| Opening balance at 1 January 2016 | 940,000,000 | 227,888,500 | (71,756,742) | 25,300,000 | (14,200,017) | 1,107,231,741 | 1,107,231,741 |
| Changes in equity for year | | | | | | | |
| Comprehensive expense for the year | | - | - | - | (205,137,474) | (205,137,474) | (205,137,474) |
| Closing balance at 31 December 2016 | <u>940,000,000</u> | <u>227,888,500</u> | <u>(71,756,742)</u> | <u>25,300,000</u> | <u>(219,337,491)</u> | <u>902,094,267</u> | <u>902,094,267</u> |

The notes to the consolidated and Company financial statements are an integral part of these financial statements.

Vichitbhan Palmoil Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2016

| Unit: Baht | | | | | |
|-------------------------------------|---------------|-------------|-------------------|----------------|---------------|
| Separate financial statements | | | | | |
| | | | Retained earnings | | |
| | Issued and | Share | Appropriated - | | Total |
| Note | paid-up | premium | legal | Unappropriated | equity |
| | share capital | | reserve | | |
| Opening balance at 1 January 2015 | 940,000,000 | 227,888,500 | 25,300,000 | 200,137,820 | 1,393,326,320 |
| Changes in equity for year | | | | | |
| Dividends | 27 | - | - | (47,000,000) | (47,000,000) |
| Comprehensive expense for the year | | - | - | (67,521,918) | (67,521,918) |
| Closing balance at 31 December 2015 | 940,000,000 | 227,888,500 | 25,300,000 | 85,615,902 | 1,278,804,402 |
| Opening balance at 1 January 2016 | 940,000,000 | 227,888,500 | 25,300,000 | 85,615,902 | 1,278,804,402 |
| Changes in equity for year | | | | | |
| Comprehensive expense for the year | | - | - | (178,406,464) | (178,406,464) |
| Closing balance at 31 December 2016 | 940,000,000 | 227,888,500 | 25,300,000 | (92,790,562) | 1,100,397,938 |

The notes to the consolidated and Company financial statements are an integral part of these financial statements.

Vichitbhan Palmoil Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2016

| | | Unit: Baht | | | |
|--|----|-----------------------------------|---------------|-------------------------------|---------------|
| | | Consolidated financial statements | | Separate financial statements | |
| Notes | | 2016 | 2015 | 2016 | 2015 |
| Cash flows from operating activities | | | | | |
| Loss before income tax | | (211,194,197) | (122,359,662) | (181,250,446) | (66,527,400) |
| Adjustments for: | | | | | |
| Depreciation | 12 | 164,209,739 | 178,809,389 | 116,254,311 | 125,408,001 |
| Amortised palm plantation cost | 14 | - | 154,529 | - | 28,415 |
| Amortisation of intangible assets | 15 | 1,187,007 | 1,474,975 | 1,067,456 | 927,481 |
| Impairment charge on investment | 11 | - | - | 30,000,000 | - |
| Loss on devaluation value of inventories (reversal) | | (1,282,410) | (1,678,292) | (1,282,410) | (5,386,487) |
| Loss from write-down of obsolete inventory | | 628,789 | 99,835 | 480,901 | 241,450 |
| Loss from impairment of fixed assets | 12 | 715,648 | 8,541,459 | - | 363,274 |
| Loss on intangible assets impairment | 15 | - | 702,000 | - | - |
| Loss from write off of palm trees | 14 | 245,616 | 5,520 | 18,708 | 5,520 |
| (Reversal of) loss from impairment of palm trees | 14 | (245,616) | 427,851 | (18,708) | 82,073 |
| Loss on write-off of equipment | | 481 | 23,352 | 3 | 15,585 |
| (Gain) loss on disposal of equipment | | (412,287) | 227,849 | (370,646) | (3,472) |
| Doubtful debts (reversal) | | - | (348,414) | - | (239,917) |
| Unrealised gain from sales of investment | | - | (179,250) | - | (179,250) |
| (Gain) loss from exchange rate | | (73,907) | (542,256) | 6,639 | (542,256) |
| Employee benefit obligations | 19 | 1,108,009 | 1,995,860 | 846,726 | 1,420,608 |
| Write-off account payable | | - | (1,244,266) | - | (1,244,266) |
| Interest expenses | | 26,070,628 | 26,951,485 | 18,338,420 | 16,933,617 |
| Interest income | | (106,802) | (871,932) | (2,083,571) | (1,067,845) |
| Changes in operating assets and liabilities | | | | | |
| Trade and other receivables | | (34,043,024) | 12,713,798 | (31,738,089) | 15,908,469 |
| Inventories | | (95,304,160) | (109,919,805) | (93,609,357) | (110,671,704) |
| Other non-current assets | | (2,525,280) | 811,494 | (1,190,529) | 772,792 |
| Trade and other payables | | (1,974,991) | (27,722,814) | 178,536 | (90,758,640) |
| Retention | | (515,841) | (12,616) | (403,763) | 629,390 |
| Employee benefit paid | | (899,022) | (336,039) | (661,720) | (121,380) |
| Cash generated from operations | | (154,411,620) | (32,275,950) | (145,417,539) | (114,005,942) |
| Interest paid | | (26,089,931) | (27,211,754) | (18,347,613) | (17,181,586) |
| Interest received | | 106,802 | 1,014,398 | 427,436 | 1,929,992 |
| Income tax paid | | 33,150 | (13,203,932) | 520,537 | (76,741) |
| Net cash (used in) generated from operating activities | | (180,361,599) | (71,677,238) | (162,817,179) | (129,334,277) |

The notes to the consolidated and Company financial statements are an integral part of these financial statements.

| Unit: Baht | | | | | |
|---|--------|-----------------------------------|------------------|-------------------------------|------------------|
| | | Consolidated financial statements | | Separate financial statements | |
| | Notes | 2016 | 2015 | 2016 | 2015 |
| Cash flows from investing activities | | | | | |
| Short-term loans to related parties | 29 IV) | - | - | (78,997,000) | (29,729,500) |
| Loan payments received from related parties | 29 IV) | - | - | 29,819,500 | 40,653,590 |
| Payment for investment in subsidiary | 11 | - | - | (5,000,000) | - |
| Purchase of property, plant and equipment | | (18,008,559) | (36,508,083) | (17,471,852) | (32,482,605) |
| Proceeds from disposals of equipment | | 550,232 | 83,000 | 459,232 | 5,000 |
| Payment for purchase of short-term investments | | - | (6,000,000) | - | (6,000,000) |
| Proceeds from sales of short-term investments | | - | 112,720,655 | - | 112,720,655 |
| Purchases of intangible assets | 15 | (370,550) | (1,041,057) | (370,550) | (1,024,225) |
| Net cash (used in) generated from investing activities | | (17,828,877) | 69,254,515 | (71,560,670) | 84,142,915 |
| Cash flows from financing activities | | | | | |
| Repayments of short-term borrowings | | 1,107,000,000 | 374,000,000 | 1,107,000,000 | 374,000,000 |
| Proceeds from short-term borrowings | | (808,000,000) | (317,000,000) | (808,000,000) | (317,000,000) |
| Repayments of finance lease liabilities | | (9,258,042) | (8,999,375) | (3,988,716) | (4,006,876) |
| Repayments of long-term borrowings | 18 | (97,005,659) | (101,956,878) | (64,152,000) | (64,152,000) |
| Proceeds from short-term loan from related companies | | - | - | 205,000 | - |
| Repayments short-term loan from related companies | | - | - | (205,000) | - |
| Dividends paid to shareholders | 27 | - | (47,000,000) | - | (47,000,000) |
| Net cash generated from (used in) financing activities | | 192,736,299 | (100,956,253) | 230,859,284 | (58,158,876) |
| Net decrease in cash and cash equivalents | | (5,454,177) | (103,378,976) | (3,518,565) | (103,350,238) |
| Opening balance of cash and cash equivalents | | 8,455,928 | 111,834,904 | 6,984,456 | 110,334,694 |
| Closing balance of cash and cash equivalents | | 3,001,751 | 8,455,928 | 3,465,891 | 6,984,456 |
| Cash and cash equivalents | | | | | |
| Cash and cash equivalents | 8 | 6,286,561 | 9,296,480 | 4,948,965 | 7,825,008 |
| Bank overdrafts | 18 | (3,284,810) | (840,552) | (1,483,074) | (840,552) |
| | | 3,001,751 | 8,455,928 | 3,465,891 | 6,984,456 |
| Non-cash transactions | | | | | |
| Increase in motor vehicle under finance lease | | - | 381,780 | - | 381,780 |
| Purchases of property, plant and equipment on credit | | 592,042 | 285,498 | 549,020 | 285,498 |
| Transfer from other non current assets to intangible assets | | - | 84,000 | - | 84,000 |
| Transfer from other non current assets to property, plant and equipment | | - | 241,285 | - | 241,285 |

The notes to the consolidated and Company financial statements are an integral part of these financial statements.

1 General information

Vichitbhan Palmoil Public Company Limited (“the Company”) is a Public Company Limited which is incorporated and resident in Thailand. The address of the Company’s registered office is as follows:

The Company’s registered head office is located at 2044, Chavananand Building, Phetburi Extension Road, Bangkapi, Huaykwang, Bangkok.

The Company’s Thasae factory is located at 29 Moo 3, Sap Anan, Thasae, Chumporn.

The Company’s ThungKha factory is located at 170 Moo 6, ThungKha, Mueang, Chumporn.

The Company is listed on the Stock Exchange of Thailand. For reporting purposes, the Company and its subsidiaries are referred to as “the Group”.

These Group consolidated and separate financial statements was authorised for issue by the Board of Directors on 21 February 2017.

2 Financial position

As of 31 December 2016, in consolidated and company financial statements, the Group and the Company has the total current liabilities exceeding total current assets by Baht 124.73 million and Baht 42.14 million and loss for the period of Baht 212.36 million and Baht 181.89 million, respectively. In addition, there were negative cash flows from operating activities of Baht 180.36 million and Baht 162.82 million which resulted in significant doubt on the entity’s ability to continue as a going concern. However, management has prepared a cash flow forecast and an analysis that will likely improve the situation based on the assumption that palm oil market price would rise in 2017 together with higher palm fruits due to less arid weather and rights of one subsidiary to harvest their palm fruits. Accordingly, the Group could continue its operations as a going concern, and to fulfil all its financial obligations now and in the future. The undertaking was provided for a minimum period of twelve months from 31 December 2016. Furthermore, the Group has enough borrowing facilities if the assumptions are achieved not as expected.

3 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below:

3.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

The consolidated and separate financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

An English version of the consolidated and separate financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

3 Accounting policies (Cont'd)

3.2 New/revised financial reporting standards, and related interpretations

3.2.1 New/revised financial reporting standards and interpretations are effective on 1 January 2016.

- a) New/revised financial reporting standards and interpretation which are relevant and have a significant impact to the Group:

TAS 36 (revised 2015) Impairment of assets

TAS 36 (revised 2015), 'Impairment of assets' is amended to provide additional disclosure requirement when the recoverable amount of the assets is measured at fair value less costs of disposal. The disclosures include 1) the level of fair value hierarchy and 2) when fair value measurement categorised within level 2 and level 3, disclosures is required for valuation technique and key assumption. The Group, has made disclosures in Note 12.

- b) Revised financial reporting standards and interpretations with minor changes and do not have impact to the Group are as follows:

| | |
|-----------------------|--|
| TAS 1 (revised 2015) | Presentation of financial statements |
| TAS 2 (revised 2015) | Inventories |
| TAS 7 (revised 2015) | Statement of cash flows |
| TAS 8 (revised 2015) | Accounting policies, changes in accounting estimates and errors |
| TAS 10 (revised 2015) | Events after the reporting period |
| TAS 11 (revised 2015) | Construction contracts |
| TAS 12 (revised 2015) | Income taxes |
| TAS 16 (revised 2015) | Property, plant and equipment |
| TAS 17 (revised 2015) | Leases |
| TAS 18 (revised 2015) | Revenue |
| TAS 19 (revised 2015) | Employee benefits |
| TAS 20 (revised 2015) | Accounting for government grants and disclosure of government assistance |
| TAS 21 (revised 2015) | The effects of changes in foreign exchange rates |
| TAS 23 (revised 2015) | Borrowing costs |
| TAS 24 (revised 2015) | Related party disclosures |
| TAS 26 (revised 2015) | Accounting and reporting by retirement benefit plans |
| TAS 27 (revised 2015) | Separate financial statements |
| TAS 28 (revised 2015) | Investments in associates and joint ventures |
| TAS 29 (revised 2015) | Financial reporting in hyperinflationary economies |
| TAS 33 (revised 2015) | Earnings per share |
| TAS 34 (revised 2015) | Interim financial reporting |
| TAS 37 (revised 2015) | Provisions, contingent liabilities and contingent assets |
| TAS 38 (revised 2015) | Intangible assets |
| TAS 40 (revised 2015) | Investment property |
| TAS 41 (revised 2015) | Agriculture |
| TFRS 2 (revised 2015) | Share-based payment |
| TFRS 3 (revised 2015) | Business combinations |
| TFRS 4 (revised 2015) | Insurance contracts |
| TFRS 5 (revised 2015) | Non-current assets held for sale and discontinued operations |
| TFRS 6 (revised 2015) | Exploration for and evaluation of mineral resources |

3 Accounting policies (Cont'd)

3.2 New/revised financial reporting standards, and related interpretations (Cont'd)

3.2.1 New/revised financial reporting standards and interpretations are effective on 1 January 2016. (Cont'd)

- b) Revised financial reporting standards and interpretations with minor changes and do not have impact to the Group are as follows: (Cont'd)

| | |
|-------------------------|--|
| TFRS 8 (revised 2015) | Operating segments |
| TFRS 10 (revised 2015) | Consolidated financial statements |
| TFRS 11 (revised 2015) | Joint arrangements |
| TFRS 12 (revised 2015) | Disclosure of interests in other entities |
| TFRS 13 (revised 2015) | Fair value measurement |
| TSIC 10 (revised 2015) | Government assistance - No specific relation to operating activities |
| TSIC 15 (revised 2015) | Operating leases - Incentives |
| TSIC 25 (revised 2015) | Income taxes - changes in the tax status of an entity or its shareholders |
| TSIC 27 (revised 2015) | Evaluating the substance of transactions involving the legal form of a lease |
| TSIC 29 (revised 2015) | Service concession arrangements: Disclosures |
| TSIC 31 (revised 2015) | Revenue - barter transactions involving advertising services |
| TSIC 32 (revised 2015) | Intangible assets - Web site costs |
| TFRIC 1 (revised 2015) | Changes in existing decommissioning, restoration and similar liabilities |
| TFRIC 4 (revised 2015) | Determining whether an arrangement contains a lease |
| TFRIC 5 (revised 2015) | Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds |
| TFRIC 7 (revised 2015) | Applying the restatement approach under TAS 29 Financial reporting in hyperinflationary economies |
| TFRIC 10 (revised 2015) | Interim financial reporting and impairment |
| TFRIC 12 (revised 2015) | Service concession arrangements |
| TFRIC 13 (revised 2015) | Customer loyalty programmes |
| TFRIC 14 (revised 2015) | TAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction |
| TFRIC 15 (revised 2015) | Agreements for the construction of real estate |
| TFRIC 17 (revised 2015) | Distributions of non-cash assets to owners |
| TFRIC 18 (revised 2015) | Transfers of assets from customers |
| TFRIC 20 (revised 2015) | Stripping costs in the production phase of a surface mine |

3 Accounting policies (Cont'd)

3.2 New/revised financial reporting standards, and related interpretations (Cont'd)

3.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2017. The Group has not yet early adopted these revised standards.

a) Financial reporting standards, which have significant changes and are relevant to the Group:

| | |
|------------------------|--------------------------------------|
| TAS 1 (revised 2016) | Presentation of financial statements |
| TAS 16 (revised 2016) | Property, plant and equipment |
| TAS 19 (revised 2016) | Employee benefits |
| TAS 27 (revised 2016) | Separate financial statements |
| TAS 34 (revised 2016) | Interim financial reporting |
| TAS 38 (revised 2016) | Intangible assets |
| TAS41(revised 2016) | Agriculture |
| TFRS 10 (revised 2016) | Consolidated financial statements |

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.

OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

TAS 16 (revised 2016), key amendments are 1) The amendments clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate and 2) The amendments include bearer plants in scope of TAS 16.

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

3 Accounting policies (Cont'd)

3.2 New/revised financial reporting standards, and related interpretations (Cont'd)

3.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2017. The Group has not yet early adopted these revised standards. (Cont'd)

a) Financial reporting standards, which have significant changes and are relevant to the Group: (Cont'd)

TAS 27 (revised 2016), the amendments allow an entity a policy choice to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in TAS 28. While current TAS 27 allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value (when announced). The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.

TAS 34 (revised 2016), the amendments clarify that what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

TAS 38 (revised 2016), the amendments include a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either the intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or it can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

TAS 41 (revised 2016), the amendments align with the accounting guidance for the measurement and recognition of bearer plants issued by the FAP in 2015.

TFRS 10 (revised 2016), the amendments clarify that: 1) the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities and 2) an investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

The management has assessed and considered that the above revised standards will not have a material impact on the Group.

b) Revised financial reporting standards and interpretations with minor changes and do not have impact to the Group are as follows:

| | |
|-----------------------|--|
| TAS 2 (revised 2016) | Inventories |
| TAS 7 (revised 2016) | Statement of cash flows |
| TAS 8 (revised 2016) | Accounting policies, changes in accounting estimates and errors |
| TAS 10 (revised 2016) | Events after the reporting period |
| TAS 11 (revised 2016) | Construction contracts |
| TAS 12 (revised 2016) | Income taxes |
| TAS 17 (revised 2016) | Leases |
| TAS 18 (revised 2016) | Revenue |
| TAS 20 (revised 2016) | Accounting for government grants and disclosure of government assistance |
| TAS 21 (revised 2016) | The effects of changes in foreign exchange rates |
| TAS 23 (revised 2016) | Borrowing costs |
| TAS 24 (revised 2016) | Related party disclosures |
| TAS 26 (revised 2016) | Accounting and reporting by retirement benefit plans |
| TAS 29 (revised 2016) | Financial reporting in hyper-inflationary economies |
| TAS 33 (revised 2016) | Earnings per share |
| TAS 36 (revised 2016) | Impairment of assets |
| TAS 37 (revised 2016) | Provisions, contingent liabilities and contingent assets |
| TAS 40 (revised 2016) | Investment property |
| TFRS 2 (revised 2016) | Share-based payment |

3 Accounting policies (Cont'd)

3.2 New/revised financial reporting standards, and related interpretations (Cont'd)

3.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2017. The Group has not yet early adopted these revised standards. (Cont'd)

b) Revised financial reporting standards and interpretations with minor changes and do not have impact to the Group are as follows:

| | |
|-------------------------|--|
| TFRS 3 (revised 2016) | Business combinations |
| TFRS 4 (revised 2016) | Insurance contracts |
| TFRS 6 (revised 2016) | Exploration for and evaluation of mineral resources |
| TFRS 8 (revised 2016) | Operating segments |
| TFRS 13 (revised 2016) | Fair value measurement |
| TSIC 10 (revised 2016) | Government Assistance - No specific relation to operating activities |
| TSIC 15 (revised 2016) | Operating leases - Incentives |
| TSIC 25 (revised 2016) | Income taxes - Changes in the tax status of an entity or its shareholders |
| TSIC 27 (revised 2016) | Evaluating the substance of transactions in the legal form of a lease |
| TSIC 29 (revised 2016) | Service Concession Arrangements: Disclosures |
| TSIC 31 (revised 2016) | Revenue - Barter transactions involving advertising services |
| TSIC 32 (revised 2016) | Intangible assets - Web site costs |
| TFRIC 1 (revised 2016) | Changes in existing decommissioning, restoration and similar liabilities |
| TFRIC 4 (revised 2016) | Determining whether an arrangement contains a lease |
| TFRIC 5 (revised 2016) | Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds |
| TFRIC 7 (revised 2016) | Applying the restatement approach under TAS 29 Financial reporting in hyper-inflationary economies |
| TFRIC 10 (revised 2016) | Interim financial reporting and impairment |
| TFRIC 12 (revised 2016) | Service concession arrangements |
| TFRIC 13 (revised 2016) | Customer loyalty programmes |
| TFRIC 14 (revised 2016) | TAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction |
| TFRIC 15 (revised 2016) | Agreements for the construction of real estate |
| TFRIC 17 (revised 2016) | Distributions of non-cash assets to owners |
| TFRIC 18 (revised 2016) | Transfers of assets from customers |
| TFRIC 20 (revised 2016) | Stripping costs in the production phase of a surface mine |
| TFRIC 21 (revised 2016) | Levies |
| TAS 104 (revised 2016) | Accounting for Troubled Debt Restructurings |
| TAS 105 (revised 2016) | Accounting for Investments in Debt and Equity Securities |
| TAS 107 (revised 2016) | Financial Instruments: Disclosure and Presentation |

3 Accounting policies (Cont'd)

3.3 Group accounting - Investments in subsidiaries

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the company's separated financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

3 Accounting policies (Cont'd)

3.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and company financial statements are presented in Thai Baht, which is the Company's functional and the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

3.5 Cash and cash equivalents

In the consolidated and Company statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated and Company statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3.6 Trade accounts receivable

Trade accounts receivable are carried at original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the income statement within administrative expenses.

3.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Costs of goods and supplies are determined by the first-in, first-out (FIFO) method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

3 Accounting policies (Cont'd)

3.8 Investments

Investments other than investments in subsidiaries, associates and joint ventures are available-for-sale investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Available for sale investments are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

Available for sale investments are subsequently measured at fair value. The fair value of investments is based on quoted bid price at the close of business on the statement of financial position date by reference to the National Stock Exchange of India Limited. The unrealised gains and losses of available for sale investments are recognised in other comprehensive income.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the income statement.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss. When disposing of part of the Company's holding of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined by the weighted average carrying amount of the total holding of the investment.

3.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated on the straight-line basis to write off the cost of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life or, if it is shorter, the lease term, as follows:

| | |
|-----------------------------------|---------------|
| Building and building improvement | 10 - 44 years |
| Machinery | 5 - 27 years |
| Tool equipment and fixture | 4 - 20 years |
| Office equipment | 1 - 24 years |
| Vehicle | 4 - 20 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in income statements.

3 Accounting policies (Cont'd)

3.10 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Land is not depreciated.

3.11 Deferred palm plantation cost

Palm plantation cost is recorded by cost method less accumulated amortisation. Amortisation is calculated when palm trees begin to bear fruits which are expected to be in the fourth year by using the straight line method throughout the fruit bearing life of palm trees, which is expected to be for 20 years from the first fruit bearing year. The maintaining cost of palm trees after the first fruit bearing year is recorded as expense in the income statement as soon as it occurred.

Palm seedlings cost is recorded by the cost method until they are ready for sales. Cost is calculated on weighted average method.

3.12 Other intangible assets

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line method basis over the period of its expected benefit, not exceeding 5 years.

3 Accounting policies (Cont'd)

3.12 Other intangible assets (Cont'd)

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 5 years.

Deferred authorisation fee

Deferred authorisation fee is stated at cost, net of accumulated amortisation. The amortisation is charged by the straight-line method through the authorised period of utilising and occupying in a national forest for 28 years, ended in February 2015 for a subsidiary and October 2015 for the Company.

3.13 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Assets other than goodwill that suffered an impairment are reversed for possible impairment loss of the estimation of the recoverable amount were changed in subsequent period after the Group's recognition of impairment.

3.14 Leases

Leases - where the Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain building and equipment. Leases of building or equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter period of the useful life of the asset and the lease term.

3 Accounting policies (Cont'd)

3.15 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective yield method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting date.

3.16 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Accounting policies (Cont'd)

3.17 Employee benefits

Retirement benefits

Group companies operate various retirement benefits schemes. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group pays contributions to a separate fund which is managed by an external fund manager in accordance with the provident fund Act, B.E. 2530. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a retirement plan that is not a defined contribution plan. Typically defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit obligations is the present value of the defined benefit obligation at the end of the reporting period with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

3.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

3 Accounting policies (Cont'd)

3.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services net of output tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements.

Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from providing services is recognised when the services are rendered.

Other revenues are recognised on the following basis:

- Interest income - on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.
- Dividend income - when the right to receive payment is established.

3.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.22 Segment reporting

Segment information has been prepared based on the internal report of the Group, which disaggregates its business by services or products.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive Officer that makes strategic decisions.

3.23 Non-current asset held for sales

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. The Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment excess liquidity.

4 Financial risk management (Cont'd)

4.1 Financial risk factors (Cont'd)

4.1.1 Foreign exchange risk

The Group has no significant exposure to foreign currency risk relates due to its accounts receivable and accounts payable are mainly made in Thai Baht. The Group does not use any derivative financial instruments to hedge foreign currency exposure.

4.1.2 Interest rate risk

The Group's income and operating cash flows are not substantially independent of changes in market interest rates. Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The Group has no significant interest-bearing assets. The Group borrows at variable rates and uses interest rate swaps as cash flows hedges of future interest payments. Any differential to be paid or received on an interest rate swap agreement is recognized as a component of interest revenue or expense are the period of the agreement.

4.1.3 Credit risk

The Group has no significant concentrations of credit risks due. The Group has policies in place to ensure that sales of products and services are made to customers with appropriate credit history. Cash transactions are limited to high credit quality financial institutions.

4.1.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

4.2 Accounting for derivative financial instruments and hedging activities

The Company is party to derivative financial instruments, which comprise interest rate swap agreements. Such instruments are not recognised in the financial statements on inception.

Interest rate swap agreements protect the Group from movements in interest rates. Any differential to be paid or received on an interest rate swap agreement is recognised as a component of interest revenue or expense over the period of the agreement. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to profit or loss.

Disclosures about derivative financial instruments to which the Company is a party are provided in Note 28.

4.3 Fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The book values of financial assets and financial liabilities with a maturity of less than one year are approximate their fair values. Loans made with related parties carried an interest at the market interest rate. Management believe that their net book values are assumed to approximate their fair value.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Estimated impairment of asset

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.13. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or fair value less cost to sell as appropriate. These calculations require the use of estimates.

(b) Allowance for obsolete, slow-moving and defective inventories

The Group has made allowance, where necessary, for obsolete, slow-moving and defective inventories by estimating the net realisable value was calculated from the selling price in the ordinary course of business, less the cost of completion and selling expenses. Furthermore, the calculation of the net realisable estimation was based on historical experiences, management's knowledge of the industry and future market trends.

(c) Retirement benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will have an impact on the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 19.

6 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

7 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Managing Director that makes strategic decisions which is reported as two operating segment information as follows:

1. Oil palm plantations, crushing mills and seedling production; and
2. Electric plant with methane capture biogas project.

In 2015, the Company has adjusted the financial information by segments which are classified by information provided to the chief operating decision-maker. The Company classified business segment by considering the significant financial information which related to the material operating result. Additionally, the operating segment in the interim consolidated financial information is clear enough to administrate and make decision.

The Company's total sales of the electric plant with methane capture biogas project represented 2.40% of the total balance in the interim consolidated financial information. There was no material activity pertaining to the electric plant with methane capture biogas project. Therefore, the segment reporting is reported as one operating segment information.

Geographic segment

The Company is operating in Thailand only. Therefore, the Company considers that there is only one geographic area.

8 Cash and cash equivalents

| | Unit: Baht | | | |
|------------------|--|------------------|--------------------------------------|------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Cash on hand | 107,231 | 2,659,572 | 35,310 | 2,597,267 |
| Cash at banks | | | | |
| Current accounts | 929,096 | 888,905 | 602,855 | 358,305 |
| Saving accounts | 5,250,234 | 5,748,003 | 4,310,800 | 4,869,436 |
| | <u>6,286,561</u> | <u>9,296,480</u> | <u>4,948,965</u> | <u>7,825,008</u> |

9 Trade and other receivables

| | Unit: Baht | | | |
|---|-----------------------------------|-------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Third parties | | | | |
| - Trade accounts receivable | 58,844,881 | 25,162,704 | 55,549,893 | 23,349,533 |
| - Unbilled revenue | 2,713,298 | 1,112,465 | - | - |
| Total | 61,558,179 | 26,275,169 | 55,549,893 | 23,349,533 |
| <u>Less</u> Allowance for doubtful accounts | - | - | - | - |
| Trade accounts receivable, net | 61,558,179 | 26,275,169 | 55,549,893 | 23,349,533 |
| Amounts due from related parties (Note 29) | 8,306 | 14,986 | 2,579,226 | 913,013 |
| Prepaid expenses | 2,782,137 | 3,756,638 | 2,293,096 | 2,637,552 |
| Advances | 171,362 | 157,094 | 162,584 | 107,094 |
| Prepaid corporate income tax | 1,653,433 | 1,960,457 | 1,008,960 | 1,529,497 |
| Others | 2,233,813 | 2,933,724 | 654,944 | 838,326 |
| Total other receivable | 6,849,051 | 8,822,899 | 6,698,810 | 6,025,482 |
| <u>Less</u> Allowance for doubtful accounts | (1,495,696) | (1,922,534) | (115,827) | (115,827) |
| Other receivable, net | 5,353,355 | 6,900,365 | 6,582,983 | 5,909,655 |
| Trade and other receivables, net | 66,911,534 | 33,175,534 | 62,132,876 | 29,259,188 |

Outstanding trade accounts receivable can be analysed as follows:

| | Unit: Baht | | | |
|---|-----------------------------------|------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Third parties | | | | |
| Unbilled revenue | 2,713,298 | 1,112,465 | - | - |
| Trade accounts receivable | | | | |
| Current | 58,458,260 | 24,739,836 | 55,163,272 | 22,948,171 |
| Overdue less than 3 months | 243,121 | 92,159 | 243,121 | 92,159 |
| 3 - 6 months | - | - | - | - |
| 6 - 12 months | - | - | - | - |
| Over 12 months | 143,500 | 330,709 | 143,500 | 309,203 |
| Total | 61,558,179 | 26,275,169 | 55,549,893 | 23,349,533 |
| <u>Less</u> Allowance for doubtful accounts | - | - | - | - |
| Trade accounts receivable, net | 61,558,179 | 26,275,169 | 55,549,893 | 23,349,533 |

10 Inventories

| | Unit: Baht | | | |
|--|-----------------------------------|-------------|-------------------------------|-------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Finished good | 245,002,085 | 145,420,960 | 247,135,901 | 149,751,877 |
| Work in process | - | 3,126,771 | - | 3,126,771 |
| Raw materials | - | - | - | - |
| Spare parts | 15,673,863 | 19,171,993 | 13,701,719 | 17,100,477 |
| Supplies | 7,400,844 | 5,159,350 | 6,513,548 | 3,869,122 |
| Total | 268,076,792 | 172,879,074 | 267,351,168 | 173,848,247 |
| <u>Less</u> Allowance for decline values of inventories and obsolete | (1,160,387) | (1,920,450) | (918,709) | (1,826,654) |
| Inventories, net | 266,916,405 | 170,958,624 | 266,432,459 | 172,021,593 |

The cost of inventories recognised as expense and included in 'cost of sales' amounted to Baht 1,057,162,881 (2015: Baht 1,255,180,114).

The Group reversed Baht 1,282,410 of a previous inventory write-down. The amount reversed has been included in 'administrative expenses' in the statement of comprehensive income.

As at 31 December 2016, there was no inventory carried at net realisable value, this being lower than cost. (2015: Baht 4,093,756).

11 Investments in subsidiaries

| | Unit: Baht | |
|---------------------------------------|-------------------------------|---------------|
| | Separate financial statements | |
| | 2016 | 2015 |
| Investment in subsidiaries - at cost | 531,108,348 | 526,108,348 |
| <u>Less</u> Allowance for impairment | (140,000,000) | (110,000,000) |
| Closing net book amount | 391,108,348 | 416,108,348 |
| For the year ended 31 December | | |
| Opening net book amount | 416,108,348 | 416,108,348 |
| Share increase | 5,000,000 | - |
| Impairment charge | (30,000,000) | - |
| Closing net book amount | 391,108,348 | 416,108,348 |

The details of investments in subsidiaries are as follows:

| Subsidiaries | Nature of business | Country of incorporation | % Ownership interest | |
|---------------------------------|---|--------------------------|----------------------|-------|
| | | | 2016 | 2015 |
| Vichitbhan Plantation Co., Ltd. | Oil palm plantation and distribution its production | Thailand | 99.99 | 99.99 |
| VG Energy Co., Ltd. | Generating and selling electric power | Thailand | 99.99 | 99.99 |
| Vichitbhan Logistics Co., Ltd. | Transportation business | Thailand | 99.99 | 99.99 |

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertaking included in the Group.

At the Board of Directors' Meeting No. 6/2559 held on 9 December 2016, approved a capital increase of 50,000 shares, totaling to Baht 5.0 million, in Vichitbhan Logistics Co., Ltd.

12 Property, plant and equipment

| | | | | | | | | | Unit: Baht |
|--|------------|-----------------------------------|---------------|----------------------------|-------------------------------|---------------|--------------------------------|--------------------------|-----------------|
| Consolidated financial statements | | | | | | | | | |
| | Land | Building and building improvement | Machinery | Factory equipment and tool | Office equipment and fixtures | Vehicle | Equipment for sprinkle project | Construction in progress | Total |
| At 1 January 2015 | | | | | | | | | |
| Cost | 81,364,277 | 554,060,017 | 2,036,693,799 | 43,861,723 | 59,822,926 | 105,770,758 | 33,970,261 | 12,015,544 | 2,927,559,305 |
| <u>Less</u> Accumulated depreciation | - | (212,296,138) | (806,936,853) | (24,812,572) | (42,187,772) | (89,361,468) | (33,145,857) | - | (1,208,740,660) |
| Allowance for impairment | - | - | (62,800,000) | - | - | - | - | - | (62,800,000) |
| Net book value | 81,364,277 | 341,763,879 | 1,166,956,946 | 19,049,151 | 17,635,154 | 16,409,290 | 824,404 | 12,015,544 | 1,656,018,645 |
| Reclassification | - | - | (27,874,549) | - | - | 27,874,549 | - | - | - |
| Net book value - Reclassification | 81,364,277 | 341,763,879 | 1,139,082,397 | 19,049,151 | 17,635,154 | 44,283,839 | 824,404 | 12,015,544 | 1,656,018,645 |
| For the year ended 31 December 2015 | | | | | | | | | |
| Opening net book value | 81,364,277 | 341,763,879 | 1,139,082,397 | 19,049,151 | 17,635,154 | 44,283,839 | 824,404 | 12,015,544 | 1,656,018,645 |
| Additions | 6,173,850 | 936,491 | 1,468,052 | 4,083,317 | 2,167,868 | 30,495 | - | 22,315,288 | 37,175,361 |
| Transfer in (out) | - | 2,640,705 | 11,931,969 | 3,091,705 | 10,486 | - | - | (17,113,246) | 561,619 |
| Disposals, net | - | (309,321) | - | - | (1,528) | - | - | - | (310,849) |
| Write-off, net | - | (246) | (1) | (6,014) | (17,091) | - | - | - | (23,352) |
| Depreciation charge | - | (18,796,793) | (143,678,087) | (3,828,700) | (3,602,168) | (8,683,339) | (220,302) | - | (178,809,389) |
| Impairment charge | - | (8,227,817) | (313,642) | - | - | - | - | - | (8,541,459) |
| Closing net book value | 87,538,127 | 318,006,898 | 1,008,490,688 | 22,389,459 | 16,192,721 | 35,630,995 | 604,102 | 17,217,586 | 1,506,070,576 |
| At 31 December 2015 | | | | | | | | | |
| Cost | 87,538,127 | 555,124,878 | 2,016,472,840 | 50,987,160 | 61,646,542 | 139,055,253 | 33,970,261 | 17,217,586 | 2,962,012,647 |
| <u>Less</u> Accumulated depreciation | - | (228,890,163) | (944,868,510) | (28,597,701) | (45,453,821) | (103,424,258) | (33,366,159) | - | (1,384,600,612) |
| Allowance for impairment | - | (8,227,817) | (63,113,642) | - | - | - | - | - | (71,341,459) |
| Net book value | 87,538,127 | 318,006,898 | 1,008,490,688 | 22,389,459 | 16,192,721 | 35,630,995 | 604,102 | 17,217,586 | 1,506,070,576 |

12 Property, plant and equipment (Cont'd)

| | | | | | | | | | Unit: Baht |
|--|------------|-----------------------------------|-----------------|----------------------------|-------------------------------|---------------|--------------------------------|--------------------------|-----------------|
| Consolidated financial statements | | | | | | | | | |
| | Land | Building and building improvement | Machinery | Factory equipment and tool | Office equipment and fixtures | Vehicle | Equipment for sprinkle project | Construction in progress | Total |
| At 1 January 2016 | | | | | | | | | |
| Cost | 87,538,127 | 555,124,878 | 2,049,726,840 | 50,987,160 | 61,646,542 | 105,801,253 | 33,970,261 | 17,217,586 | 2,962,012,647 |
| <u>Less</u> Accumulated depreciation | - | (228,890,163) | (954,013,361) | (28,597,701) | (45,453,821) | (94,279,407) | (33,366,159) | - | (1,384,600,612) |
| Allowance for impairment | - | (8,227,817) | (63,113,642) | - | - | - | - | - | (71,341,459) |
| Net book value | 87,538,127 | 318,006,898 | 1,032,599,837 | 22,389,459 | 16,192,721 | 11,521,846 | 604,102 | 17,217,586 | 1,506,070,576 |
| Reclassification | - | - | (24,109,149) | - | - | 24,109,149 | - | - | - |
| Net book value (adjusted) | 87,538,127 | 318,006,898 | 1,008,490,688 | 22,389,459 | 16,192,721 | 35,630,995 | 604,102 | 17,217,586 | 1,506,070,576 |
| For the year ended 31 December 2016 | | | | | | | | | |
| Opening net book value | 87,538,127 | 318,006,898 | 1,008,490,688 | 22,389,459 | 16,192,721 | 35,630,995 | 604,102 | 17,217,586 | 1,506,070,576 |
| Additions | 4,650,000 | - | 1,228,870 | 147,046 | 911,031 | 246,945 | - | 11,131,211 | 18,315,103 |
| Transfer in (out) | - | 8,060,228 | 178,767 | 1,784,462 | - | - | - | (10,023,457) | - |
| Disposals, net | - | (49,365) | (74,563) | (4) | (4,060) | (9,953) | - | - | (137,945) |
| Write-off, net | - | - | - | - | (481) | - | - | - | (481) |
| Depreciation charge | - | (18,141,128) | (131,492,845) | (4,105,573) | (2,734,489) | (7,567,950) | (167,754) | - | (164,209,739) |
| Impairment charge | - | (715,648) | - | - | - | - | - | - | (715,648) |
| Closing net book value | 92,188,127 | 307,160,985 | 878,330,917 | 20,215,390 | 14,364,722 | 28,300,037 | 436,348 | 18,325,340 | 1,359,321,866 |
| At 31 December 2016 | | | | | | | | | |
| Cost | 92,188,127 | 559,273,874 | 2,017,737,085 | 52,864,256 | 62,471,875 | 134,856,682 | 33,970,261 | 18,325,340 | 2,971,687,500 |
| <u>Less</u> Accumulated depreciation | - | (243,169,424) | (1,076,292,526) | (32,648,866) | (48,107,153) | (106,556,645) | (33,533,913) | - | (1,540,308,527) |
| Allowance for impairment | - | (8,943,465) | (63,113,642) | - | - | - | - | - | (72,057,107) |
| Net book value | 92,188,127 | 307,160,985 | 878,330,917 | 20,215,390 | 14,364,722 | 28,300,037 | 436,348 | 18,325,340 | 1,359,321,866 |

12 Property, plant and equipment (Cont'd)

| | | | | | | | | | Unit: Baht |
|--|--------------------|-----------------------------------|--------------------|----------------------------|-------------------------------|-------------------|--------------------------------|--------------------------|----------------------|
| Separate financial statements | | | | | | | | | |
| | Land | Building and building improvement | Machinery | Factory equipment and tool | Office equipment and fixtures | Vehicle | Equipment for sprinkle project | Construction in progress | Total |
| At 1 January 2015 | | | | | | | | | |
| Cost | 138,880,179 | 336,272,093 | 1,079,720,930 | 33,949,475 | 22,296,953 | 37,659,272 | 14,804,750 | 10,900,887 | 1,674,484,539 |
| <u>Less</u> Accumulated depreciation | - | (66,997,832) | (407,504,716) | (13,434,797) | (10,769,506) | (17,977,161) | (14,481,240) | - | (531,165,252) |
| Net book value | <u>138,880,179</u> | <u>269,274,261</u> | <u>672,216,214</u> | <u>20,514,678</u> | <u>11,527,447</u> | <u>19,682,111</u> | <u>323,510</u> | <u>10,900,887</u> | <u>1,143,319,287</u> |
| For the year ended 31 December 2015 | | | | | | | | | |
| Opening net book value | 138,880,179 | 269,274,261 | 672,216,214 | 20,514,678 | 11,527,447 | 19,682,111 | 323,510 | 10,900,887 | 1,143,319,287 |
| Additions | 6,173,850 | - | 1,317,812 | 3,526,887 | 1,895,117 | - | - | 20,215,318 | 33,128,984 |
| Transfer in (out) | - | 1,859,441 | 9,757,515 | 3,091,704 | 10,486 | - | - | (14,157,528) | 561,618 |
| Disposals, net | - | - | - | - | (1,528) | - | - | - | (1,528) |
| Write-off, net | - | - | - | - | (15,585) | - | - | - | (15,585) |
| Depreciation charge | - | (13,331,476) | (100,950,652) | (3,407,055) | (2,829,560) | (4,827,605) | (61,653) | - | (125,408,001) |
| Impairment charge | - | (49,632) | (313,642) | - | - | - | - | - | (363,274) |
| Closing net book value | <u>145,054,029</u> | <u>257,752,594</u> | <u>582,027,247</u> | <u>23,726,214</u> | <u>10,586,377</u> | <u>14,854,506</u> | <u>261,857</u> | <u>16,958,677</u> | <u>1,051,221,501</u> |
| At 31 December 2015 | | | | | | | | | |
| Cost | 145,054,029 | 338,131,534 | 1,090,796,257 | 40,568,066 | 23,879,939 | 37,659,272 | 14,804,750 | 16,958,677 | 1,707,852,524 |
| <u>Less</u> Accumulated depreciation | - | (80,329,308) | (508,455,368) | (16,841,852) | (13,293,562) | (22,804,766) | (14,542,893) | - | (656,267,749) |
| Allowance for impairment | - | (49,632) | (313,642) | - | - | - | - | - | (363,274) |
| Net book value | <u>145,054,029</u> | <u>257,752,594</u> | <u>582,027,247</u> | <u>23,726,214</u> | <u>10,586,377</u> | <u>14,854,506</u> | <u>261,857</u> | <u>16,958,677</u> | <u>1,051,221,501</u> |

12 Property, plant and equipment (Cont'd)

| | | | | | | | | | Unit: Baht |
|--|-------------|-----------------------------------|---------------|----------------------------|-------------------------------|--------------|--------------------------------|--------------------------|---------------|
| Separate financial statements | | | | | | | | | |
| | Land | Building and building improvement | Machinery | Factory equipment and tool | Office equipment and fixtures | Vehicle | Equipment for sprinkle project | Construction in progress | Total |
| At 1 January 2016 | | | | | | | | | |
| Cost | 145,054,029 | 338,131,534 | 1,090,796,257 | 40,568,066 | 23,879,939 | 37,659,272 | 14,804,750 | 16,958,677 | 1,707,852,524 |
| <u>Less</u> Accumulated depreciation | - | (80,329,308) | (508,455,368) | (16,841,852) | (13,293,562) | (22,804,766) | (14,542,893) | - | (656,267,749) |
| Allowance for impairment | - | (49,632) | (313,642) | - | - | - | - | - | (363,274) |
| Net book value | 145,054,029 | 257,752,594 | 582,027,247 | 23,726,214 | 10,586,377 | 14,854,506 | 261,857 | 16,958,677 | 1,051,221,501 |
| For the year ended 31 December 2016 | | | | | | | | | |
| Opening net book value | 145,054,029 | 257,752,594 | 582,027,247 | 23,726,214 | 10,586,377 | 14,854,506 | 261,857 | 16,958,677 | 1,051,221,501 |
| Additions | 4,650,000 | - | 1,060,040 | 74,213 | 837,031 | - | - | 11,131,211 | 17,752,495 |
| Transfer in (out) | - | 8,060,228 | 178,767 | 1,784,462 | - | - | - | (10,023,457) | - |
| Disposals, net | - | (14) | (74,563) | (1) | (4,058) | (9,950) | - | - | (88,586) |
| Write-off, net | - | - | - | - | (3) | - | - | - | (3) |
| Depreciation charge | - | (13,878,697) | (91,616,389) | (3,744,847) | (2,743,907) | (4,207,127) | (63,344) | - | (116,254,311) |
| Closing net book value | 149,704,029 | 251,934,111 | 491,575,102 | 21,840,041 | 8,675,440 | 10,637,429 | 198,513 | 18,066,431 | 952,631,096 |
| At 31 December 2016 | | | | | | | | | |
| Cost | 149,704,029 | 342,932,707 | 1,091,891,672 | 42,420,588 | 24,685,025 | 33,898,106 | 14,804,750 | 18,066,431 | 1,718,403,308 |
| <u>Less</u> Accumulated depreciation | - | (90,948,964) | (600,002,928) | (20,580,547) | (16,009,585) | (23,260,677) | (14,606,237) | - | (765,408,938) |
| Allowance for impairment | - | (49,632) | (313,642) | - | - | - | - | - | (363,274) |
| Net book value | 149,704,029 | 251,934,111 | 491,575,102 | 21,840,041 | 8,675,440 | 10,637,429 | 198,513 | 18,066,431 | 952,631,096 |

12 Property, plant and equipment (Cont'd)

Capital expenditure contracted for at the statement of financial position date, but not recognised in the financial statements is presented as follows:

| | | Unit: Baht | | | |
|-------------------------------|----------|-----------------------------------|---------|-------------------------------|--------|
| | | Consolidated financial statements | | Separate financial statements | |
| | Currency | 2016 | 2015 | 2016 | 2015 |
| Property, plant and equipment | USD | 20,782 | 20,782 | 20,782 | 20,782 |
| | EUR | 10,000 | 10,000 | - | - |
| | THB | 5,899,678 | 889,500 | 5,010,178 | - |

Depreciation expense of Baht 164,209,739 and Baht 116,254,311 (2015: Baht 178,809,389 and Baht 125,408,001) has been charged in 'cost of goods sold', Baht 146,251,679 and Baht 102,176,085 (2015: Baht 160,792,185 and Baht 112,997,490) in 'selling expense' and Baht 17,958,060 and Baht 14,078,226 (2015: Baht 18,017,204 and Baht 12,410,511) in 'administrative expense' in consolidated and company statements of comprehensive income, respectively.

As at 31 December 2016 there was no addition assets leased under finance leases (where the Group is the lessee) (2015: Baht 609,220).

The impairment charge of Baht 765,000 in consolidated financial statements in 2016 for buildings and land improvement of one subsidiary was made during the year as a result of higher net book value over. The recoverable amount which was determined at the cash-generating unit level being business operation. It represents market price of equivalent assets assessed by the valuer certified by Securities and Exchange Commission of Thailand. The fair values are within level 3 of the fair value hierarchy.

Leased assets included above, where the Group and the Company is a lease under a finance lease, comprise vehicles:

| | | Unit: Baht | | | |
|--------------------------------------|--|-----------------------------------|-------------------|-------------------------------|-------------------|
| | | Consolidated financial statements | | Separate financial statements | |
| | | 2016 | 2015 | 2016 | 2015 |
| Cost - capitalised finance leases | | 52,468,797 | 53,046,797 | 23,984,797 | 24,562,797 |
| <u>Less</u> Accumulated depreciation | | (24,430,271) | (17,052,707) | (14,697,804) | (10,374,944) |
| Net book amount | | <u>28,038,526</u> | <u>35,994,090</u> | <u>9,286,993</u> | <u>14,187,853</u> |

As at 31 December 2016, the Company and subsidiaries have mortgaged the land together with construction and part of machines at the book value of Baht 897,702,758 (2015: Baht 1,003,644,673). In the Company financial statements, the Company has mortgaged its land together with construction and part of machines at the book value of Baht 532,916,475 (2015: Baht 599,806,000) as collaterals for bank overdraft, short-term and long-term borrowings (Notes 18).

13 Investment property

| | | Unit: Baht | |
|--------------------------------------|--|-----------------------------------|------------------|
| | | Consolidated financial statements | |
| For the years ended 31 December | | 2016 | 2015 |
| Cost - Land | | 1,150,000 | 1,150,000 |
| <u>Less</u> Accumulated depreciation | | - | - |
| Closing net book amount | | <u>1,150,000</u> | <u>1,150,000</u> |
| Fair value | | <u>2,318,625</u> | <u>2,318,625</u> |

The fair value of investment properties are based on the valuation of Department of Land. The fair values are within level 2 of the fair value hierarchy.

14 Deferred palm plantation cost

| | Unit: Baht | | |
|--|-----------------------------------|------------------------|---------------|
| | Consolidated financial statements | | |
| | Palm Plantation | Palm Seedlings cost | Total |
| At 1 January 2015 | | | |
| Cost | 243,372,637 | 23,401 | 243,396,038 |
| <u>Less</u> Accumulated amortisation | (242,808,138) | - | (242,808,138) |
| Net book value | 564,499 | 23,401 | 587,900 |
| For the year ended 31 December 2015 | | | |
| Opening net book value | 564,499 | 23,401 | 587,900 |
| Write-off | (5,520) | - | (5,520) |
| Amortisation | (154,529) | - | (154,529) |
| Impairment | (404,450) | (23,401) | (427,851) |
| Closing net book value | - | - | - |
| At 31 December 2015 | | | |
| Cost | 241,556,817 | 23,401 | 241,580,218 |
| <u>Less</u> Accumulated amortisation | (241,152,367) | - | (241,152,367) |
| <u>Less</u> Allowance for impairment | (404,450) | (23,401) | (427,851) |
| Net book value | - | - | - |
| For the year ended 31 December 2016 | | | |
| Opening net book value | - | - | - |
| Write-off, net | (245,616) | - | (245,616) |
| Amortisation | - | - | - |
| Impairment (Reverse) | 245,616 | - | 245,616 |
| Closing net book value | - | - | - |
| At 31 December 2016 | | | |
| Cost | 200,344,298 | 23,401 | 200,367,699 |
| <u>Less</u> Accumulated amortisation | (200,185,464) | - | (200,185,464) |
| <u>Less</u> Allowance for impairment | (158,834) | (23,401) | (182,235) |
| Net book value | - | - | - |

14 Deferred palm plantation cost (Cont'd)

| | Unit: Baht | | |
|--|-------------------------------|------------------------|--------------|
| | Separate financial statements | | |
| | Palm Plantation | Palm Seedlings cost | Total |
| At 1 January 2015 | | | |
| Cost | 62,205,718 | - | 62,205,718 |
| <u>Less</u> Accumulated amortisation | (62,089,710) | - | (62,089,710) |
| Net book value | 116,008 | - | 116,008 |
| For the year ended 31 December 2015 | | | |
| Opening net book value | 116,008 | - | 116,008 |
| Write-off | (5,520) | - | (5,520) |
| Amortisation | (28,415) | - | (28,415) |
| Impairment | (82,073) | - | (82,073) |
| Closing net book value | - | - | - |
| At 31 December 2015 | | | |
| Cost | 60,389,898 | - | 60,389,898 |
| <u>Less</u> Accumulated amortisation | (60,307,825) | - | (60,307,825) |
| <u>Less</u> Allowance for impairment | (82,073) | - | (82,073) |
| Net book value | - | - | - |
| For the year ended 31 December 2016 | | | |
| Opening net book value | - | - | - |
| Write-off, net | (18,708) | - | (18,708) |
| Amortisation | - | - | - |
| Impairment | 18,708 | - | 18,708 |
| Closing net book value | - | - | - |
| At 31 December 2016 | | | |
| Cost | 47,973,024 | - | 47,973,024 |
| <u>Less</u> Accumulated amortisation | (47,909,659) | - | (47,909,659) |
| <u>Less</u> Allowance for impairment | (63,365) | - | (63,365) |
| Net book value | - | - | - |

The deferred palm plantation cost was on the land where permit has been granted for beneficial utilisation or residing in the sanctuary of the Nation Rub-Ror Reserve Forest and Sa-Lui Forest by the director-general of Royal Forest Department (Note 30).

15 Intangible assets

Unit: Baht

| | Consolidated financial statements | | | | | Separate financial statements | | |
|--|-----------------------------------|------------------------------|---|--|--------------|-------------------------------|------------------------------|-------------|
| | Computer program | Computer program in progress | Environmental impact study and project development cost | Cost of research and development in progress | Total | Computer program | Computer program in progress | Total |
| At 1 January 2015 | | | | | | | | |
| Cost | 10,680,727 | - | 2,805,500 | 8,042,000 | 21,528,227 | 8,245,481 | - | 8,245,481 |
| <u>Less</u> Accumulated amortisation | (7,143,316) | - | (2,106,047) | - | (9,249,363) | (4,864,546) | - | (4,864,546) |
| Allowance for impairment | - | - | - | (7,340,000) | (7,340,000) | - | - | - |
| Closing net book value | 3,537,411 | - | 699,453 | 702,000 | 4,938,864 | 3,380,935 | - | 3,380,935 |
| For the year ended 31 December 2015 | | | | | | | | |
| Opening net book value | 3,537,411 | - | 699,453 | 702,000 | 4,938,864 | 3,380,935 | - | 3,380,935 |
| Additions | 997,057 | 44,000 | - | - | 1,041,057 | 980,225 | 44,000 | 1,024,225 |
| Transfer in | - | 84,000 | - | - | 84,000 | - | 84,000 | 84,000 |
| Amortisation | (913,875) | - | (561,100) | - | (1,474,975) | (927,481) | - | (927,481) |
| Impairment charge | - | - | - | (702,000) | (702,000) | - | - | - |
| Closing net book value | 3,620,593 | 128,000 | 138,353 | - | 3,886,946 | 3,433,679 | 128,000 | 3,561,679 |
| At 31 December 2015 | | | | | | | | |
| Cost | 11,677,784 | 128,000 | 2,805,500 | 8,042,000 | 22,653,284 | 9,225,706 | 128,000 | 9,353,706 |
| <u>Less</u> Accumulated amortisation | (8,057,191) | - | (2,667,147) | - | (10,724,338) | (5,792,027) | - | (5,792,027) |
| Allowance for impairment | - | - | - | (8,042,000) | (8,042,000) | - | - | - |
| Closing net book value | 3,620,593 | 128,000 | 138,353 | - | 3,886,946 | 3,433,679 | 128,000 | 3,561,679 |

15 Intangible assets (Cont'd)

Unit: Baht

| | Consolidated financial statements | | | | | Separate financial statements | | |
|--|-----------------------------------|------------------------------|---|--|--------------|-------------------------------|------------------------------|-------------|
| | Computer program | Computer program in progress | Environmental impact study and project development cost | Cost of research and development in progress | Total | Computer program | Computer program in progress | Total |
| For the year ended 31 December 2016 | | | | | | | | |
| Opening net book value | 3,620,593 | 128,000 | 138,353 | - | 3,886,946 | 3,433,679 | 128,000 | 3,561,679 |
| Additions | - | 370,550 | - | - | 370,550 | - | 370,550 | 370,550 |
| Transfer in (out) | 470,550 | (470,550) | - | - | - | 470,550 | (470,550) | - |
| Amortisation | (1,048,655) | - | (138,352) | - | (1,187,007) | (1,067,456) | - | (1,067,456) |
| Closing net book value | 3,042,488 | 28,000 | 1 | - | 3,070,489 | 2,836,773 | 28,000 | 2,864,773 |
| At 31 December 2016 | | | | | | | | |
| Cost | 12,148,334 | 28,000 | 2,805,500 | 8,042,000 | 23,023,834 | 9,696,256 | 28,000 | 9,724,256 |
| <u>Less</u> Accumulated amortisation | (9,105,846) | - | (2,805,499) | - | (11,911,345) | (6,859,483) | - | (6,859,483) |
| Allowance for impairment | - | - | - | (8,042,000) | (8,042,000) | - | - | - |
| Closing net book value | 3,042,488 | 28,000 | 1 | - | 3,070,489 | 2,836,773 | 28,000 | 2,864,773 |

Amortisation of Baht 1,187,007 and Baht 1,067,456 (2015: Baht 1,474,975 and Baht 927,481) is included in administrative expenses in consolidated and company statements of comprehensive income, respectively.

16 Deferred income tax assets and liabilities

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

| | Unit: Baht | | | |
|--|-----------------------------------|------------------|-------------------------------|------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Deferred tax assets: | | | | |
| Deferred tax asset to be recovered within 12 months | - | 232,026 | - | 99,003 |
| Deferred tax asset to be recovered after more than 12 months | 2,049,222 | 4,319,743 | 1,676,131 | 3,086,523 |
| Total | <u>2,049,222</u> | <u>4,551,769</u> | <u>1,676,131</u> | <u>3,185,526</u> |
| Deferred tax liabilities: | | | | |
| Deferred tax liability to be recovered within 12 months | - | - | - | - |
| Deferred tax liability to be recovered after more than 12 months | (434,044) | - | - | - |
| Total | <u>(434,044)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred tax assets, net | <u>1,615,178</u> | <u>4,551,769</u> | <u>1,676,131</u> | <u>3,185,526</u> |

The gross movement in the deferred income tax account is as follows:

| | Unit: Baht | | | |
|--------------------------------------|-----------------------------------|------------------|-------------------------------|------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| At 1 January | 4,551,769 | 5,456,598 | 3,185,526 | 4,004,836 |
| (Charged) credited to profit or loss | (1,172,993) | (904,829) | (638,720) | (819,310) |
| Tax charged directly to equity | (1,763,598) | - | (870,675) | - |
| At 31 December | <u>1,615,178</u> | <u>4,551,769</u> | <u>1,676,131</u> | <u>3,185,526</u> |

16 Deferred income taxes (Cont'd)

The movement in deferred tax assets and liabilities during the year is as follows:

| | Unit: Baht | | | |
|---|-----------------------------------|--|----------------------------------|---------------------------|
| | Consolidated financial statements | | | |
| | At 1 January 2016 | (Charged) credited to profit or loss | Charged directly to equity | At 31 December 2016 |
| Deferred tax assets | | | | |
| Allowance for decline values of inventory | 365,907 | (181,589) | - | 184,318 |
| Employee benefit | 4,159,521 | (593,747) | (1,763,598) | 1,802,176 |
| Impairment loss of assets | 26,341 | 36,387 | - | 62,728 |
| Total | 4,551,769 | (738,949) | (1,763,598) | 2,049,222 |

| | Unit: Baht | | | |
|---|-----------------------------------|--|----------------------------------|---------------------------|
| | Consolidated financial statements | | | |
| | At 1 January 2015 | (Charged) credited to profit or loss | Charged directly to equity | At 31 December 2015 |
| Deferred tax assets | | | | |
| Allowance for doubtful debt | 88,048 | (88,048) | - | - |
| Allowance for decline values of inventory | 1,547,965 | (1,182,058) | - | 365,907 |
| Employee benefit | 3,820,585 | 338,936 | - | 4,159,521 |
| Impairment loss of assets | - | 26,341 | - | 26,341 |
| Total | 5,456,598 | (904,829) | - | 4,551,769 |

| | Unit: Baht | | | |
|---------------------------------|-----------------------------------|--|----------------------------------|---------------------------|
| | Consolidated financial statements | | | |
| | At 1 January 2016 | (Charged) credited to profit or loss | Charged directly to equity | At 31 December 2016 |
| Deferred tax liabilities | | | | |
| Depreciation | - | (434,044) | - | (434,044) |
| Total | - | (434,044) | - | (434,044) |

| | Unit: Baht | | | |
|---------------------------------|-----------------------------------|--|----------------------------------|---------------------------|
| | Consolidated financial statements | | | |
| | At 1 January 2015 | (Charged) credited to profit or loss | Charged directly to equity | At 31 December 2015 |
| Deferred tax liabilities | | | | |
| Depreciation method difference | - | - | - | - |
| Total | - | - | - | - |

16 Deferred income taxes (Cont'd)

The movement in deferred tax assets and liabilities during the year is as follows: (Cont'd)

| Unit: Baht | | | |
|---|----------------------|--|----------------------------------|
| Separate financial statements | | | |
| | At 1 January 2016 | (Charged) credited to profit or loss | Charged directly to equity |
| | | | At 31 December 2016 |
| Deferred tax assets | | | |
| Allowance for decline values of inventory | 365,331 | (181,589) | - |
| Employee benefit | 2,793,854 | (493,518) | (870,675) |
| Impairment loss of assets | 26,341 | 36,387 | - |
| Total | 3,185,526 | (638,720) | (870,675) |
| | | | 1,676,131 |

| Unit: Baht | | | |
|---|----------------------|--|----------------------------------|
| Separate financial statements | | | |
| | At 1 January 2015 | (Charged) credited to profit or loss | Charged directly to equity |
| | | | At 31 December 2015 |
| Deferred tax assets | | | |
| Allowance for doubtful debt | 47,983 | (47,983) | - |
| Allowance for decline values of inventory | 1,422,845 | (1,057,514) | - |
| Employee benefit | 2,534,008 | 259,846 | - |
| Impairment loss of assets | - | 26,341 | - |
| Total | 4,004,836 | (819,310) | - |
| | | | 3,185,526 |

The financial position of deferred tax assets and liabilities is as follows:

| Unit: Baht | | | |
|--------------------------------------|-----------|----------------------------------|-----------|
| Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 |
| | | | 2015 |
| Deferred tax assets | 2,049,222 | 4,551,769 | 1,676,131 |
| Deferred tax liabilities | (434,044) | - | - |
| Deferred tax, net | 1,615,178 | 4,551,769 | 1,676,131 |
| | | | 3,185,526 |

Deferred income tax assets are recognised for tax loss and carry forwards only to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of Baht 90,468,751. (2015: Baht 48,520,630) in respect of tax losses Baht 452,343,755 (2015: Baht 242,603,150) to carry forward against future taxable income.

16 Deferred income taxes (Cont'd)

A summary of the tax losses carried forward and the expiry dates are set out below:

| Expiry year | Unit: Baht | |
|-------------|-----------------------------------|-------------------------------|
| | Consolidated financial statements | Separate financial statements |
| 2017 | 2,814,338 | - |
| 2018 | 2,587,901 | - |
| 2019 | 1,863,076 | - |
| 2020 | 61,712,975 | 60,838,425 |
| 2021 | 120,333,359 | 106,473,461 |
| 2022 | - | - |
| 2023 | 216,022,205 | - |
| 2024 | 47,009,901 | 47,009,901 |

The Group have been granted investment promotion certificates. The privileges received include 8 years carry forward of tax loss.

17 Trade and other payables

| | Unit: Baht | | | |
|--|-----------------------------------|-------------------|-------------------------------|-------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Trade account payables - third parties | 967,374 | 1,864,535 | 967,374 | 1,864,535 |
| Trade account payables - related parties (Note 29) | - | - | 4,146,528 | 130,254 |
| Amounts due to related parties (Note 29) | 1,342,720 | 512,400 | 1,015,373 | 1,583,717 |
| Payable for purchase of supplies | 5,043,097 | 4,349,030 | 3,880,209 | 2,973,340 |
| Payable for purchase of assets | 592,042 | 285,498 | 549,020 | 268,378 |
| Accrued expenses | 5,411,483 | 8,034,664 | 3,241,671 | 6,230,397 |
| Withholding tax payable | 371,664 | 541,729 | 298,260 | 442,995 |
| Other | 676,711 | 578,891 | 301,631 | 449,825 |
| Trade and other payables | <u>14,405,091</u> | <u>16,166,747</u> | <u>14,400,066</u> | <u>13,943,441</u> |

18 Borrowings

| | Unit: Baht | | | |
|---|-----------------------------------|--------------------|-------------------------------|--------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Current portion | | | | |
| Bank overdraft | 3,284,810 | 840,552 | 1,483,074 | 840,552 |
| Short-term loans from financial institutions | 356,000,000 | 57,000,000 | 356,000,000 | 57,000,000 |
| Total bank overdraft and short-term loans from financial institutions | 359,284,810 | 57,840,552 | 357,483,074 | 57,840,552 |
| Current portion of long-term borrowings | | | | |
| - Finance lease liabilities | 9,006,820 | 9,095,441 | 3,441,086 | 3,826,117 |
| - Bank borrowings | 82,152,000 | 101,956,878 | 64,152,000 | 64,152,000 |
| Total current portion of long-term borrowings | 91,158,820 | 111,052,319 | 67,593,086 | 67,978,117 |
| Non-current portion of long-term borrowings | | | | |
| - Finance lease liabilities | 5,083,987 | 14,253,408 | 2,443,438 | 6,047,123 |
| - Bank borrowings | 323,414,619 | 400,615,400 | 194,695,106 | 258,847,106 |
| Total non-current portion of long-term borrowings | 328,498,606 | 414,868,808 | 197,138,544 | 264,894,229 |
| Total borrowings | 778,942,236 | 583,761,679 | 622,214,704 | 390,712,898 |

The borrowings include secured liabilities (lease and bank borrowings) in a total amount of Baht 405,566,619 (2015: Baht 502,572,278). The bank borrowings are secured over a part of the land and buildings of the Group/Company and over certain of the inventories (Note 12). Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The interest rates exposure on the borrowings of the Group and the Company (excluded finance leases liabilities) are as follows:

| | Unit: Baht | | | |
|------------------|-----------------------------------|--------------------|-------------------------------|--------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Borrowings: | | | | |
| - Fixed rates | 335,000,000 | 40,000,000 | 335,000,000 | 40,000,000 |
| - Floating rates | 429,851,429 | 520,412,830 | 281,330,180 | 340,839,658 |
| | <u>764,851,429</u> | <u>560,412,830</u> | <u>616,330,180</u> | <u>380,839,658</u> |

18 Borrowings (Cont'd)

The exposure of the Group's and the Company's borrowings (excluded finance leases liabilities) to interest rate changes and the contractual re-pricing dates at the statement of financial position dates are as follows:

| | | | | Unit: Baht |
|-----------------------------------|---------------------|------------------|----------------|-------------|
| Consolidated financial statements | | | | |
| | 6 months or less | 6 - 12 months | 1 - 5 years | Total |
| At 31 December 2016 | | | | |
| Total borrowings | 764,851,429 | - | - | 764,851,429 |
| At 31 December 2015 | | | | |
| Total borrowings | 560,412,830 | - | - | 560,412,830 |
| | | | | Unit: Baht |
| Separate financial statements | | | | |
| | 6 months or less | 6 - 12 months | 1 - 5 years | Total |
| At 31 December 2016 | | | | |
| Total borrowings | 616,330,180 | - | - | 616,330,180 |
| At 31 December 2015 | | | | |
| Total borrowings | 380,839,658 | - | - | 380,839,658 |

The effective interest rates at the statement of financial position date are as follows:

| | | | | Unit: % |
|-----------------------------------|-------------|-------------------------------|-------------|-------------|
| Consolidated financial statements | | Separate financial statements | | |
| | 2016 | 2015 | 2016 | 2015 |
| - Bank overdrafts | 7.12 - 8.62 | 6.67 - 8.88 | 7.12 - 8.62 | 6.68 - 8.88 |
| - Bank borrowings | 2.71 - 4.25 | 3.46 - 4.11 | 2.71 - 4.25 | 3.46 - 4.11 |

The carrying amounts and fair values of certain long-term borrowings (excluded finance leases liabilities) are as follows:

| | | | | Unit: Baht |
|-----------------------------------|-------------|-------------------------------|-------------|-------------|
| Consolidated financial statements | | Separate financial statements | | |
| | 2016 | 2015 | 2016 | 2015 |
| Long-term bank borrowings | 405,566,619 | 502,572,278 | 258,847,106 | 322,999,106 |
| | 405,566,619 | 502,572,278 | 258,847,106 | 322,999,106 |

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant.

18 Borrowings (Cont'd)

Finance lease liabilities-minimum lease payments are as follows:

| | Unit: Baht | | | |
|--|-----------------------------------|-------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Not later than 1 year | 9,538,888 | 10,104,792 | 3,665,488 | 4,231,392 |
| Later than 1 year but not later than 5 years | 5,255,562 | 14,957,050 | 2,534,208 | 6,362,295 |
| Later than 5 years | - | - | - | - |
| | 14,794,450 | 25,061,842 | 6,199,696 | 10,593,687 |
| <u>Less</u> Future finance charges on finance leases | (703,643) | (1,712,993) | (315,172) | (720,447) |
| Present value of finance lease liabilities | 14,090,807 | 23,348,849 | 5,884,524 | 9,873,240 |

The present value of finance lease liabilities is as follows:

| | Unit: Baht | | | |
|-----------------------|-----------------------------------|------------|-------------------------------|-----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Not later than 1 year | 9,006,820 | 9,095,441 | 3,441,086 | 3,826,117 |
| Later than 1 year | 5,083,987 | 14,253,408 | 2,443,438 | 6,047,123 |
| | 14,090,807 | 23,348,849 | 5,884,524 | 9,873,240 |

The movements in bank borrowings (exclude finance lease liabilities) can be analysed as follows:

| | Unit: Baht | | | |
|-----------------|-----------------------------------|---------------|-------------------------------|--------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Opening balance | 502,572,278 | 604,529,156 | 322,999,106 | 387,151,106 |
| Repayments | (97,005,659) | (101,956,878) | (64,152,000) | (64,152,000) |
| Closing balance | 405,566,619 | 502,572,278 | 258,847,106 | 322,999,106 |

Maturity of bank borrowings (exclude finance lease liabilities) is as follows:

| | Unit: Baht | | | |
|-----------------------------|-----------------------------------|-------------|-------------------------------|-------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Within 1 year | 82,152,000 | 101,956,878 | 64,152,000 | 64,152,000 |
| Between 1 year and 2 years | 176,304,000 | 203,913,757 | 128,304,000 | 128,304,000 |
| Between 2 years and 5 years | 147,110,619 | 196,701,643 | 66,391,106 | 130,543,106 |
| | 405,566,619 | 502,572,278 | 258,847,106 | 322,999,106 |

18 Borrowings (Cont'd)

Borrowing facilities

The Group and the Company have the following undrawn committed borrowing facilities.

| | Unit: Baht | | | |
|----------------------------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Floating rate | | | | |
| - expiring within one year | 1,944,530,390 | 2,252,989,650 | 1,933,252,130 | 2,231,724,650 |
| - expiring beyond one year | 103,000,000 | 103,000,000 | - | - |
| | <u>2,047,530,390</u> | <u>2,355,989,650</u> | <u>1,933,252,130</u> | <u>2,231,724,650</u> |

The Group mortgages lands together with construction, machinery and equipment as collaterals against the above loans as well as the transfer of beneficiary on the insurance to the lenders. These are also guaranteed by the directors of the Company and subsidiaries.

Under the loan agreement, the Group has to comply with loan covenants such as maintaining the debt to equity ratio and debt service coverage ratio.

19 Employee benefit

The amounts recognised in the statement of financial position are as follows:

| | Unit: Baht | | | |
|--|-----------------------------------|-------------------|-------------------------------|-------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Present value of unfunded obligation | 12,381,650 | 21,165,978 | 9,800,900 | 13,969,270 |
| Liability in the statement of financial position | <u>12,381,650</u> | <u>21,165,978</u> | <u>9,800,900</u> | <u>13,969,270</u> |

The movement in the defined benefit obligation over the year is as follows:

| | Unit: Baht | | | |
|--|-----------------------------------|-------------------|-------------------------------|-------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| At 1 January | 21,165,978 | 19,506,157 | 13,969,270 | 12,670,042 |
| Current service cost | 768,341 | 1,140,358 | 578,525 | 799,472 |
| Past service cost | 7,648,087 | - | 5,098,364 | - |
| Interest cost | 339,668 | 855,502 | 268,201 | 621,136 |
| Measurement of employee benefit obligation | (8,993,315) | - | (4,353,376) | - |
| Benefit paid | <u>(8,547,109)</u> | <u>(336,039)</u> | <u>(5,760,084)</u> | <u>(121,380)</u> |
| At 31 December | <u>12,381,650</u> | <u>21,165,978</u> | <u>9,800,900</u> | <u>13,969,270</u> |

19 Employee benefit (Cont'd)

The amounts recognised in the income statements are as follows:

| | Unit: Baht | | | |
|--------------------------------|-----------------------------------|-----------|-------------------------------|-----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Current service cost | 768,341 | 1,140,358 | 578,525 | 799,472 |
| Interest cost | 339,668 | 855,502 | 268,201 | 621,136 |
| Total, included in staff costs | 1,108,009 | 1,995,860 | 846,726 | 1,420,608 |

Of the total charge, Baht 266,519 and Baht 210,887 (2015: Baht 737,962 and Baht 462,156) are included in "cost of sales" and Baht 841,490 and Baht 635,839 (2015: Baht 1,257,898 and Baht 958,452) "administrative expenses" in consolidated and company financial statements, respectively.

The principal actuarial assumptions used are as follows:

| | Unit: % | | | |
|-------------------------|-----------------------------------|-------------|-------------------------------|------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Discount rate | | | | |
| For monthly employees | 2.56 - 3.68 | 4.63 - 4.87 | 2.59 | 4.70 |
| For daily employees | 2.56 - 3.07 | 4.70 - 4.89 | 2.87 | 4.70 |
| Future salary increases | | | | |
| For monthly employees | 5.26 | 7.91 | 5.26 | 7.91 |
| For daily employees | 5.44 | 8.51 | 5.44 | 8.51 |

| | Impact on defined benefit obligation | | | | | |
|----------------------|--------------------------------------|------|------------------------|-------------------|------------------------|-------------------|
| | Change in assumption | | Increase in assumption | | Decrease in assumption | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Discount rate | 0.5% | 0.5% | Decrease by 3.18% | Decrease by 3.74% | Increase by 3.37% | Increase by 3.75% |
| Salary growth rate | 0.5% | 0.5% | Increase by 3.67% | Increase by 4.75% | Decrease by 3.50% | Decrease by 4.45% |
| Turnover growth rate | 0.5% | 0.5% | Decrease by 4.13% | Decrease by 4.21% | Increase by 4.38% | Increase by 4.55% |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The weighted average duration of the defined benefit obligation is 11 years.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit retirement benefit plans other long-term employee benefit, the company is exposed to a number of risks, the most significant of which are detailed below:

| | |
|------------------------|---|
| Changes in bond yields | A decrease in Government bond yields will increase plan liabilities, |
| Inflation risk | The some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities |

19 Employee benefit (Cont'd)

Expected maturity analysis of undiscounted retirement benefits:

| | | | | | Unit: Baht |
|-----------------------------------|---------------------|----------------------|----------------------|-----------------|------------|
| Consolidated financial statements | | | | | |
| | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
| At 31 December 2016 | | | | | |
| Retirement benefits | - | 2,162,606 | 5,550,287 | 9,834,372 | 17,547,265 |
| Total | - | 2,162,606 | 5,550,287 | 9,834,372 | 17,547,265 |

| | | | | | Unit: Baht |
|-----------------------------------|---------------------|----------------------|----------------------|-----------------|------------|
| Consolidated financial statements | | | | | |
| | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
| At 31 December 2015 | | | | | |
| Retirement benefits | - | 1,160,131 | 11,231,352 | 15,092,350 | 27,483,833 |
| Total | - | 1,160,131 | 11,231,352 | 15,092,350 | 27,483,833 |

| | | | | | Unit: Baht |
|-------------------------------|---------------------|----------------------|----------------------|-----------------|------------|
| Separate financial statements | | | | | |
| | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
| At 31 December 2016 | | | | | |
| Retirement benefits | - | 2,055,150 | 4,392,726 | 7,118,222 | 13,566,098 |
| Total | - | 2,055,150 | 4,392,726 | 7,118,222 | 13,566,098 |

| | | | | | Unit: Baht |
|-------------------------------|---------------------|----------------------|----------------------|-----------------|------------|
| Separate financial statements | | | | | |
| | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
| At 31 December 2015 | | | | | |
| Retirement benefits | - | 495,017 | 8,345,923 | 9,097,044 | 17,937,984 |
| Total | - | 495,017 | 8,345,923 | 9,097,044 | 17,937,984 |

20 Share capital

| | Authorised | | Issued and fully paid-up | | |
|----------------------------|---------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | Number of shares | Ordinary shares Baht | Number of shares | Ordinary shares Baht | Share premium Baht |
| At 1 January 2015 | 1,070,000,000 | 1,070,000,000 | 940,000,000 | 940,000,000 | 227,888,500 |
| Deduction of shares | (130,000,000) | (130,000,000) | - | - | - |
| At 31 December 2015 | 940,000,000 | 940,000,000 | 940,000,000 | 940,000,000 | 227,888,500 |
| Issuance of shares | - | - | - | - | - |
| At 31 December 2016 | 940,000,000 | 940,000,000 | 940,000,000 | 940,000,000 | 227,888,500 |

The Annual General Meeting of Shareholders, held on 20 April 2015, approved a reduction in authorised share capital from Baht 1,070 million to Baht 940 million. The unissued ordinary shares of 130,000,000 shares at a par value of Baht 1 per share, amounting to Baht 130 million were cancelled. Therefore, the Company registered such decreased in authorised share capital at Business Development Department, Ministry of Commerce on 28 April 2015.

21 Legal reserve

| | Unit: Baht | | | |
|-------------------------------|-----------------------------------|------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| At 1 January | 25,300,000 | 25,300,000 | 25,300,000 | 25,300,000 |
| Appropriation during the year | - | - | - | - |
| At 31 December | 25,300,000 | 25,300,000 | 25,300,000 | 25,300,000 |

Under the Public Limited Company Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital of the Company. The reserve is non-distributable.

22 Other income

| | Unit: Baht | | | |
|-------------------------------|-----------------------------------|-----------|-------------------------------|-----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Interest income | 106,802 | 871,932 | 2,083,571 | 1,067,845 |
| Gain from exchange rate | 80,547 | 733,942 | - | 714,591 |
| Insurance claim | 16,300 | 638,631 | 12,094 | 627,838 |
| Gain on sales of investments | - | 499,816 | - | 499,816 |
| Gain on disposal of equipment | 461,161 | - | 370,646 | - |
| Others | 1,163,361 | 2,741,297 | 1,072,364 | 1,998,159 |
| | 1,828,171 | 5,485,618 | 3,538,675 | 4,908,249 |

23 Expenses by nature

| | Unit: Baht | | | |
|---|-----------------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Depreciation of property and equipment (Note 12) | 164,209,739 | 178,809,389 | 116,254,311 | 125,408,001 |
| Amortisation of intangible assets (Note 15) | 1,187,007 | 1,474,975 | 1,067,456 | 927,481 |
| Amortised palm plantation cost (Note 14) | - | 154,529 | - | 28,415 |
| Transportation expense | 22,832,957 | 54,164,157 | 22,822,237 | 54,128,647 |
| Impairment of assets | 715,648 | 9,671,310 | - | 445,347 |
| Repairs and maintenance expenditure | 20,529,466 | 49,427,426 | 16,736,830 | 42,118,204 |
| Salary and wages and other employee benefits | 121,350,099 | 147,302,813 | 97,823,525 | 121,548,201 |
| Doubtful debts and bad debts (reversal) | - | (348,414) | - | (239,917) |
| Loss on diminution in value of inventories (reversal) | (755,932) | (1,578,457) | (903,814) | (5,249,994) |
| Fertiliser research fee | - | - | - | - |
| Raw material and supplies used | 1,123,945,534 | 1,274,043,520 | 1,112,017,101 | 1,247,299,478 |
| Changes in finished goods increase (decrease) | 98,358,958 | 115,277,743 | 98,666,434 | 115,277,743 |

24 Finance costs

| | Unit: Baht | | | |
|---------------------------------------|-----------------------------------|------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Interest expense: | | | | |
| Bank borrowings | 25,061,276 | 25,468,075 | 17,933,145 | 16,316,575 |
| Short-term loans from related parties | - | - | - | 18,310 |
| Finance lease | 1,009,352 | 1,483,410 | 405,275 | 598,732 |
| | 26,070,628 | 26,951,485 | 18,338,420 | 16,933,617 |

25 Income tax

| | Unit: Baht | | | |
|---|-----------------------------------|-----------|-------------------------------|---------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Current tax: | | | | |
| Current tax on profits for the year | - | 1,101,452 | - | - |
| Adjustments in respect of prior year | - | 626,022 | - | 175,208 |
| Total current tax | - | 1,727,474 | - | 175,208 |
| Deferred tax: | | | | |
| Origination and reversal of temporary differences | 1,172,994 | 904,829 | 638,719 | 819,310 |
| Total deferred tax | 1,172,994 | 904,829 | 638,719 | 819,310 |
| Total tax expense | 1,172,994 | 2,632,303 | 638,719 | 994,518 |

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the Company as follows:

| | Unit: Baht | | | |
|--|-----------------------------------|---------------|-------------------------------|--------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Loss before tax | (211,194,197) | (122,359,662) | (181,250,446) | (66,527,400) |
| Tax calculated at a tax rate of 20% (2015: 20%) | (42,238,839) | (24,471,932) | (36,250,089) | (13,305,480) |
| Tax effect of: | | | | |
| Income not subject to tax | (867,892) | (764,225) | (250,310) | - |
| Expenses not deductible for tax purpose | 1,376,511 | 3,355,403 | 6,944,984 | 983,459 |
| Expense that are deductible at a greater amount from actual expenses | (141,416) | (172,806) | - | - |
| Utilisation of previously unrecognised tax losses | - | (584,623) | - | - |
| Tax losses for which no deferred income tax asset was recognised | 43,431,179 | 24,789,848 | 29,699,176 | 13,142,817 |
| Deferred tax expense relating to the origination and reversal of temporary differences | 634,964 | 163,123 | 494,958 | (1,486) |
| Unrealised losses from intercompany transaction | (1,455,557) | (308,508) | - | - |
| Recognition of previously unrecognized Deferred taxes | 434,044 | - | - | - |
| Adjustment in respect of prior year | - | 626,022 | - | 175,208 |
| Tax charge | 1,172,994 | 2,632,303 | 638,719 | 994,518 |

The weighted average applicable tax rate was 0.56% and 0.35% (2015: 2.15% and 1.49%) for consolidated and company financial statements, respectively. The Group and the Company have loss from operation, consequently, the weighted average tax rate for 2016 decrease from 2015.

26 Loss per share

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary share in issue during the year.

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|---------------|-------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Loss attributable to ordinary shareholders of the Company (Baht) | (212,367,191) | (124,991,965) | (181,889,165) | (67,521,918) |
| Weighted average number of ordinary shares outstanding (Shares) | 940,000,000 | 940,000,000 | 940,000,000 | 940,000,000 |
| Basic loss per share (Baht per share) | (0.23) | (0.13) | (0.19) | (0.07) |

There are no potential dilutive ordinary share in issue during the years.

27 Dividends

At the Annual General Meeting of Shareholders, held on 20 April 2015, the shareholders passed a resolution to approve dividends payment in respect of the operating results for the year 2014 at Baht 0.05 per share, totaling Baht 47 million. The dividend had been distributed to shareholders on 19 May 2015.

28 Derivative instruments

| | | Unit: Baht | | | |
|--|---------------------------|-------------|------------|-------------|-------------|
| | | 2016 | | | |
| Type | Objective | National | Fair value | | Net |
| | | | Assets | Liabilities | |
| Interest rate swap | Manage interest rate risk | 257,040,000 | - | (4,872,826) | (4,872,826) |
| Total derivative financial instruments | | 257,040,000 | - | (4,872,826) | (4,872,826) |
| | | Unit: Baht | | | |
| | | 2015 | | | |
| Type | Objective | National | Fair value | | Net |
| | | | Assets | Liabilities | |
| Interest rate swap | Manage interest rate risk | 321,360,000 | - | (6,756,128) | (6,756,128) |
| Total derivative financial instruments | | 321,360,000 | - | (6,756,128) | (6,756,128) |

Fair value is within in level 2 of the fair value hierarchy.

Fair value of interest rate swap agreement is measured by valuation method which is discounted cash flow using market parameters.

29 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The significant investments in subsidiaries, are set out in Note 11.

Other related companies are companies belonging to directors and directors' family of the Company and is therefore related parties.

Relationships with related parties that control the Company or are being controlled by the Company or have transactions with the Group were as follows:

| Company's name | Relationship | Related by |
|-----------------------------------|-----------------|---|
| Vichitbhan Plantation Co., Ltd. | Subsidiary | Direct shareholding |
| VG Energy Co., Ltd. | Subsidiary | Direct shareholding |
| Vichitbhan Logistics Co., Ltd. | Subsidiary | Direct shareholding |
| Vichitbhan Construction Co., Ltd. | Related company | Common directors |
| TC. Joint Venture | Related company | Common directors |
| C.V.N. Development Co., Ltd. | Related company | Common directors |
| Chavananand Holding Co., Ltd. | Related company | Common directors and direct and indirect shareholding |
| Chokananchumporn Co., Ltd. | Related company | Related person |

The following significant transactions were carried out with related parties:

i) Sales of goods and services and others

| | Unit: Baht | | | |
|-------------------------------|-----------------------------------|--------|-------------------------------|---------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Sales of decanter cake | | | | |
| Subsidiaries | - | - | 544,921 | 895,134 |
| | - | - | 544,921 | 895,134 |
| Interest income | | | | |
| Subsidiaries | - | - | 2,013,235 | 241,750 |
| | - | - | 2,013,235 | 241,750 |
| Sales of services | | | | |
| Subsidiaries | - | - | 41,799 | 51,043 |
| Related parties | 49,701 | 59,455 | 49,701 | 59,455 |
| | 49,701 | 59,455 | 91,500 | 110,498 |

29 Related party transactions (Cont'd)

The following significant transactions were carried out with related parties: (Cont'd)

ii) Purchases of goods and services and others

| | Unit: Baht | | | |
|---|-----------------------------------|------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Purchase of goods | | | | |
| Subsidiaries | - | - | 13,241,668 | 36,935,028 |
| Interest expense | | | | |
| Subsidiaries | - | - | - | 18,310 |
| Rental and service for office building | | | | |
| Related parties | 3,106,963 | 3,066,682 | 1,419,926 | 1,379,645 |
| Transportation expense | | | | |
| Subsidiaries | - | - | 13,439,389 | 20,775,505 |
| Purchasing supplies | | | | |
| Related parties | 11,442,840 | 19,296,120 | 5,506,400 | 10,412,510 |

As at 31 December 2016, the Group entered into lease and service agreements relating to the rental of offices with related company. The term is 3 years started on 1 September 2014 till 31 August 2017 (Automatically effect for another 1 year if there is on change at the expiry date) with the yearly rental fee of Baht 2.95 million.

As at 31 December 2016, a subsidiary company entered into a right of superficies agreement with the Company where the Company granted the right of superficies for the land on which the biogas power projects are located for the period of 30 years without any fee charged commencing from April 2009 and July 2009 and the contractual periods can be extended for another 10 years. The subsidiary company agrees to purchase the Decanter Cake, which incurred from the production process of the plants on the said land, from the Company to use in the projects.

iii) Outstanding balances arising from sales/purchases of goods/services and others

| | Unit: Baht | | | |
|-------------------------------|-----------------------------------|---------|-------------------------------|-----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Other receivable | | | | |
| Subsidiaries - Non - trade | - | - | 863,370 | 846,612 |
| - Interest receivable | - | - | 1,707,550 | 51,415 |
| Related parties | 8,306 | 14,986 | 8,306 | 14,986 |
| | 8,306 | 14,986 | 2,579,226 | 913,013 |
| Trade account payables | | | | |
| Subsidiaries | - | - | 4,146,528 | 130,254 |
| Other payables | | | | |
| Subsidiaries | - | - | 490,253 | 1,583,717 |
| Related parties | 1,342,720 | 512,400 | 525,120 | - |
| | 1,342,720 | 512,400 | 1,015,373 | 1,583,717 |

29 Related party transactions (Cont'd)

The following significant transactions were carried out with related parties: (Cont'd)

iv) Short-term loans to related parties

| | Unit: Baht | | | |
|----------------------------|-----------------------------------|------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Short-term loans to | | | | |
| Subsidiaries | - | - | 63,822,500 | 14,645,000 |
| | - | - | 63,822,500 | 14,645,000 |

The movements of short-term loans to related parties are shown below.

| | Unit: Baht |
|---|-------------------------------|
| | Separate financial statements |
| For the year ended 31 December 2016 | |
| Subsidiaries: | |
| Opening balance | 14,645,000 |
| Loans advanced during the period | 78,997,000 |
| Loans repayments received during the period | (29,819,500) |
| Closing balance | 63,822,500 |

vii) Key management compensation

| | Unit: Baht | | | |
|------------------------------|-----------------------------------|------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Short-term employee benefits | 10,777,248 | 12,787,692 | 9,270,440 | 10,390,440 |
| Retirement benefits | 406,054 | 701,236 | 356,323 | 593,328 |
| | 11,183,302 | 13,488,928 | 9,626,763 | 10,983,768 |

30 Commitments and contingencies

30.1) Commitments on land lease agreements

The Group have commitment obligations in terms of long-term land - lease agreements. The agreements have 10 - 30 years terms.

Future minimum lease payments required under these non-cancellable land - lease contracts are as follows:

| | Unit: Baht | | | |
|--|-----------------------------------|------------------|-------------------------------|------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Not later than 1 year | - | - | - | - |
| Later than 1 year but not later than 5 years | 930,000 | 760,000 | 930,000 | 760,000 |
| Later than 5 years | 1,705,000 | 1,875,000 | 1,705,000 | 1,875,000 |
| | <u>2,635,000</u> | <u>2,635,000</u> | <u>2,635,000</u> | <u>2,635,000</u> |

30.2) Commitments for the beneficial utilisation or residing in the sanctuary

The Company and one of its subsidiary have been permitted for the beneficial utilisation or residing in the sanctuary of the National Rub - Ror Reserve Forest and Sa - Lui Forest, Chumphon Province, by the director-general of Royal Forest Department with the objective to plant palm trees on temporary basis. The beneficial utilisation of the Company and its subsidiary were expired on 17 October 2015 and 11 February 2015, respectively.

On 20 March 2014, the Company and the its subsidiary submitted to Royal Forest Department, Ministry of Natural Resources and Environment, an application for palm oil plantation in the area of national forest, which was the same area previously approved by the relevant government agency, located in Chumphorn province for the beneficial utilisation of the public land.

The Company and its subsidiary have filed the petition to Nakhon Si Thammarat Administrative Court in order to expedite the case on 18 January 2016 and 26 January 2016, respectively. Nakhon Si Thammarat Administrative Court has submitted this case to Federal Administrative Court, and the Court appointed the Company and its subsidiary to examine on 10 May 2016. The required procedures for the aforesaid examination depend on relevant protocols and policy of the government.

On 17 June 2016, the Administrative Court permitted the Company and its subsidiary to collect palm fruit with paying a fee to Royal Forest Department.

30.3) Capital commitments

The Group and the Company have outstanding commitment under the construction agreements and machine purchase agreements as follows:

| Currencies | Unit: Million Baht | | | |
|------------|-----------------------------------|--------------------------------|-------------------------------|--------------------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| | Contractual amount | Outstanding contractual amount | Contractual amount | Outstanding contractual amount |
| USD | 0.25 | 0.02 | 0.25 | 0.02 |
| EURO | 0.35 | 0.01 | - | - |
| Baht | 8.40 | 5.90 | 5.50 | 5.01 |

30.4) Bank guarantee

As at 31 December 2016 and 2015, the Company had outstanding bank guarantee issued on behalf of the Company for the usage of electricity amounted Baht 3.88 million and Baht 5.08 million, respectively.

31 Investment promotion privileges

The Group have been granted investment promotion certificates under the Promotion of Investment Act B.E. 2520. The privileges so received include exemption or allowance from customs duties on machinery as approved by the Board of Investment and exemption from income tax for the profit for the year generated from the promoted business activities for a period of 8 years from the first day revenues are earned from the promoted business activities with the detail as follows:

| Certificate No. | Date | Promoted activity types | Commencing date of revenues generated | Expire date |
|--|--|---|---------------------------------------|------------------|
| 1404(2)/0./2557 (Original 1459(2)/2548) | 31 March 2014 (Original dated 30 May 2005) | Production of crude palm oil and dried palm kernel in category 1.12: Production of oil and fat from vegetables or animals | 8 January 2007 | 7 January 2015 |
| 2115(2)/2551 | 27 November 2008 | Production of crude palm oil and dried palm kernel in category 1.12: Production of oil and fat from vegetables or animals | 24 April 2011 | 23 April 2019 |
| 1662(1)/12552 | 28 July 2009 | Generating electricity from biogas | 25 April 2011 | 24 April 2019 |
| 1474(1)/2552 | 24 March 2009 | Generating electricity from biogas | 17 June 2011 | 16 June 2019 |
| 1405(2)/0./2557 (Original 1679(2)/2549) | 31 March 2014 (Original dated 12 July 2006) | Production of organic fertilizer in category 1.3: Production of organic fertilizer | 11 December 2013 | 10 December 2021 |

A subsidiary has transferred the rights and investment promotion privileges certificate No. 1459(2)/2548 dated 30 May 2005 to the Company as per certificate No. 1404(2)/012557 dated 31 March 2014, and transferred the certificate No. 1679(2)/0./2549 dated 12 July 2006 to the Company as per certificate No. 1405(2)/0./2557 dated 31 March 2014.

Profits for the years ended 31 December 2016 and 2015 are classified into promoted business and non-promoted business as follows:

A summary of sales from BOI promoted and non-promoted activities for the year is set out below:

| | Unit: Baht | | |
|---------------------|-------------------------------|-------------------------|---------------|
| | Separate financial statements | | |
| | 2016 | | |
| | Promoted activities | Non-promoted activities | Total |
| Sales | 973,581,406 | 151,819,672 | 1,125,401,078 |
| Sales of by product | 24,678,629 | 3,675,275 | 28,353,904 |
| Total revenues | 998,260,035 | 155,494,947 | 1,153,754,982 |
| | | | |
| | Unit: Baht | | |
| | Separate financial statements | | |
| | 2015 | | |
| | Promoted activities | Non-promoted activities | Total |
| Sales | 698,129,809 | 688,000,950 | 1,386,130,759 |
| Sales of by product | 23,263,886 | 18,416,414 | 41,680,300 |
| Total revenues | 721,393,695 | 706,417,364 | 1,427,811,059 |



บริษัท วิจิตรภัณฑ์ปาล์มออยล์ จำกัด (มหาชน)

Vichitbhan Palmoil Public Company limited

www.vcbpalmoil.com