

*We grow. We sustain.
Palm today, prospect tomorrow.*



บริษัท วิจิตรภัณฑ์ปาล์มออยล์ จำกัด (มหาชน)
Vichitbhan Palmoil Public Company limited

รายงานประจำปี 2560

Annual Report 2017

พัฒนาไม่หยุดยั้ง สร้างสรรค์ความยั่งยืน

Annual Report 2017

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
Vision & Mission _____	6
Nature of Business & Palm Oil Industry _____	7
Financial Highlight & Management Discussion and Analyst _____	44
Management and Corporate Governance _____	51
<ul style="list-style-type: none">• Shareholder Structure• Management Structure• Corporate Governance• Corporate Social Responsibility• Related Transactions	
Board of Directors _____	80
Issuing other securities _____	None
Auditor's Report and Financial Statement _____	Enc.



General information

Name

Vichitbhan Palmoil Public Company Limited

Registered Head Office

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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

In the year 2017, Palm Oil Industry The palm fruit market reached 15 million tons, which is the highest record. The factor is the elimination of El Niño and into the La Nina, resulting in a higher yield per rai. Also the government support to planting oil palm, the percentage of planted area increased 7%. In the year 2017, palm oil production increased by 46% while demand increased by 18%, resulting in surplus supply and export of crude palm oil. In the year 2017, crude palm oil was exported 0.30 million tons (according to the announcement of the Department of Internal Trade).

In the world's market crude palm oil price increased by 5% from last year's low stock but the crude palm oil price have continued to decline throughout 2017. However, the average selling price of Thailand has decreased by 22%. As in 2016, the price of crude palm oil in Thailand was higher than the world market price as volume of output was low and the imports are not allowed. So when the palm oil output of the market is higher in 2017, it is a factor that will pressure the price of palm oil to adapt to the global market mechanism. So crude palm oil price in Thailand have continued to decline throughout the year. And this was a pressure for selling.

The year 2017 is a lot of positive factors for the palm oil industry. However, the over capacity of palm oil extraction mill is still a problem. As a result of, buying palm fruit competition remains. Although the intensity of the buying fruit competition was reduced by increasing quantity of palm fruit. There is still too high purchase price of palm fruit compared to the price of crude palm oil.

For the company's operating results in the year 2017, palm fruit suppliers increased 37% from the previous year, resulting in an increase of 30,000 tons of palm fruit from the plantation of company and its subsidiary and increasing of buying palm fruit around 22%, the cost of palm oil production could be reduced by around 10%. However, due to the declining selling price, the company still loss of Baht 196 million, a decrease of 8% from the previous year.

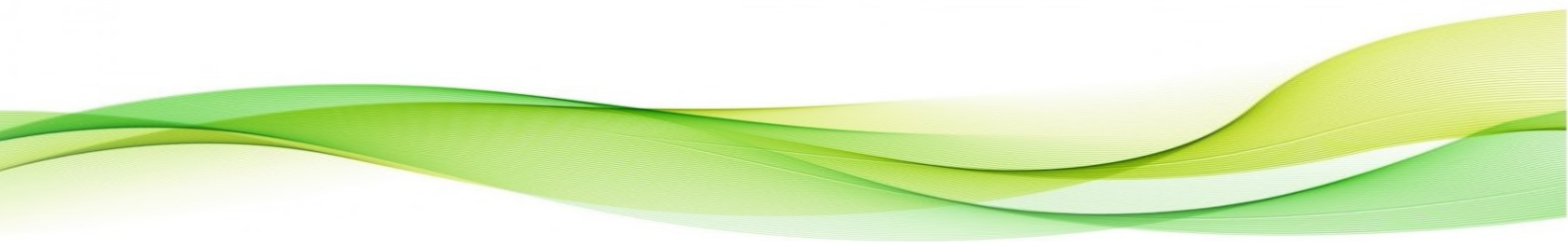
For 2018 the Office of Agricultural Economics, predicted the palm oil fruit branch will rise by 9.18% from previous year by more harvesting area and higher yield as the higher average rainfall in 2017. The Office of Agricultural Economics forecast that the domestic demand will be rise by 4.37% or equal 2.15 million tons which is mean the supply will over than demand around 0.36 million tons (Calculated by OER at 17.00%). It is expected that exports will be one of the importance distribution channel for crude palm oil. Therefore the company is an exporter of crude palm oil in Thailand. So the company may have opportunity to export. However, the palm oil crushing mills is still in the high competitive level in the purchase of



raw materials due to over capacity. In addition, the forecasts of palm oil production and crude palm oil prices are volatile. It also requires close monitoring of market movements. Including, government policies must be monitored, which may affect market movements.

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. Executives and employees of the Company will be fully operational to improve the performance of the company. By keep balance of price, volume and quality of fresh fruit bunch. Cost control Maintain production efficiency and maintain product quality to the standard with Good Corporate Governance Principles.

Mr. Krisada Chavananand
Managing Director





Audit Committee Report

The Audit Committee contains the following independent members:

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

In the year 2017, 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. Review of Financial Statements and Financial Analysis Report the results of the quarterly and annual operations of the Company and its subsidiaries together with the management and auditors of the Company. The Audit Committee has considered that the financial statements are prepared in accordance with the financial reporting standards and reliable. And the disclosure of material information in the financial statements is enough. There is also a formal auditor meeting to discuss independently about the important information for preparing financial statements.
2. Review the results of internal audit every quarter by the internal auditor's recommendation was also considered to support the internal audit activity independently, and the Company has transparent along with ensuring appropriate and effective solutions are available.
3. Meeting with external auditors and internal auditors to obtain useful suggestions for managing the business. The executives have been informed and adjusted accordingly suggestions to make the workers more efficient.
4. To consider related transactions that may has conflicts of interest to the Company including review the disclosure of information accurately and completely in accordance with the guidelines of the Securities and Exchange Commission, the Stock Exchange of Thailand (SET) and other related to ensure that the transaction is reasonable, transparent and disclosed. Moreover complying with good corporate governance principles and maximize benefits to the Company.
5. Review the suitability, the effectiveness of risk management and internal control systems from the internal audit report to ensure that the Company's operations are effective and achieved goals.
6. Present to the Board of Directors to propose to the Annual General Meeting of Shareholders for the year 2018 to appoint the auditors from PricewaterhouseCoopers ABAS LTD. is the Company's auditor for the year 2018 with auditing fee.

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

Mr. Bandhoon Supakavanich
Audit Committee Chairman

21 February 2018



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 2017. 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 2017. The company adhered to financial reporting regulations and relevant laws.

Mr. Bandhoon Supakavanich

President

Mr. Krisada Chavananand

Chief Executive Officer

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 & Palm Oil Industry

**Business****1. Policy and Business****1.1 Performance policy of company**

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 squares 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.

After expired license, Vichitbhan Palmoil Co., Ltd., and subsidiary of Vichitbhan Palmoil Public Co., Ltd. have ceased the collection of palm fruit in the area. Until on June 28, 2016, the Central Administrative Court has ordered the Company and its subsidiaries to maintain and collect the palm fruit by paying a monthly fee to the Royal Forest Department as agreed by the Company.

2. Palm Oil Crushing Mill

As on December 31st, 2017, 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 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.

1.2 The shareholding structure of the Group

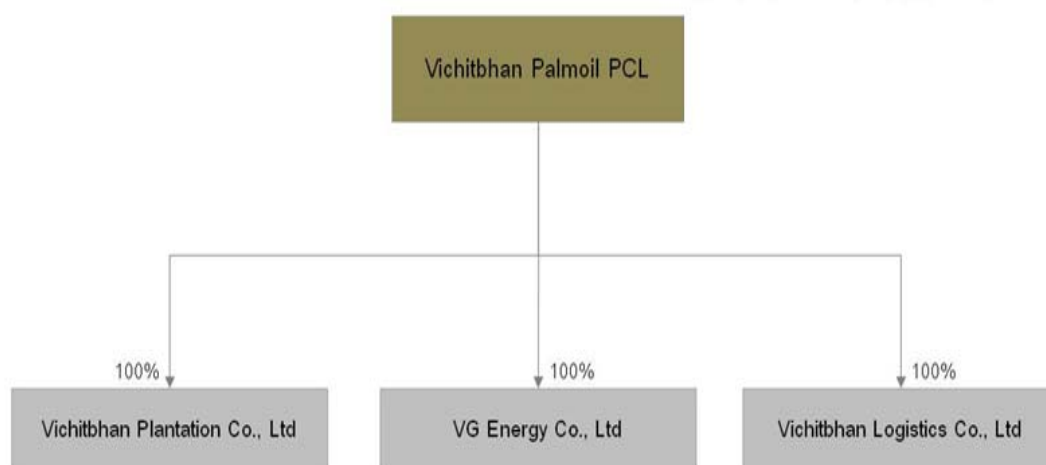
The shareholding structure of the Company and its subsidiaries is as follow:

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, 2017, the shareholding structure of the Company and its subsidiaries is as follows.



1.3 Relationship with major shareholder group.

-N/A -

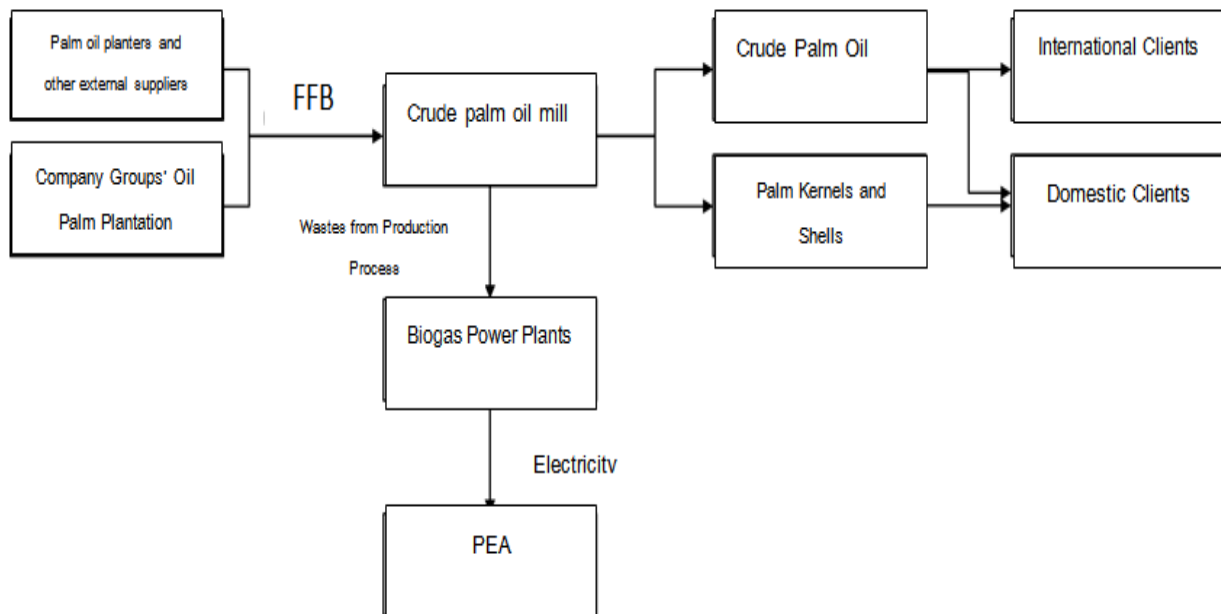
2. Business structures

2.1 Income Structure

This table showed income structure of company group.

Lists	annual financial statement					
	31-Dec.-15		31-Dec.-16		31-Dec.-17	
	Million	%	Million	%	Million	%
Revenue from CPO and KER	1,387.00	93.91	1,124.59	95.18	1,323.73	95.34
Revenue from other.	90.00	6.09	57.00	4.82	64.78	4.66
Total revenue	1,477.00	100.00	1,181.59	100.00	1,388.50	100.00

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;



2.2 Production and distribution of crude palm oil and by-products

Currently, the Group There are 2 crude palm oil extraction plants in Tha Sae district Chumphon province and Thung Kha district Chumphon province with a total capacity of 180 FFB tons per hour.

2.2.1 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 2017 from the Company's lab
Free Fatty Acid as PALMATIC	$\leq 5.00\%$	3.50 - 4.50 %	4.00%
Moisture & Impurity (M&I)	$\leq 0.25\%$	0.12 - 0.20 %	0.12%
Deterioration of Bleach ability Index (DOBI)	≥ 2.30	> 2.50	2.57

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.

2.2.2 Sales and Marketing - Production and distribution of crude palm oil

(1) Competition Strategy

Business of crude palm oil is an agricultural industry. Therefore, the main factors affecting the Company's performance and financial status are amount of palm fruit that goes into the production process. The major factors affect the quantity of palm fruit are weather and rainfall as uncontrollable external factor. At present, the production capacity of the crude palm oil extraction plant in the country is 1 times higher than the amount of palm oil produced in the whole country and it is expected that the production capacity will be higher. The competition in raw material procurement is very serious. It may also be entered into a new competitor's industry or an expansion of the existing competitor. Therefore, the Company's strategy focused on internal management to be in line with the industry situation and increase its competitiveness. Focus on the development of production processes to reduce production costs.

1. Focus on sustainable the material.

The company recognizes that raw materials are the main factor. Information systems are used to store data to use the information to decide the strategy of raw material procurement along with project develops the potential of customer relations by providing training to develop data entry system. And analytical techniques for using data to prove a palm purchase strategy. In addition, our customer relations team has a role to play in assuring our company. This is a guideline to improve the service development to meet the needs of the palm.

2. Focus on efficiency development of procedure.

The company is a leader in manufacturing technology that the efficient production process will affect product quality, establish credibility and have the advantage of distribution. The production process uses Automation and Monitoring System which fast checks and analyzes process of production and machines. It also helps in analysis to correct various defects on time to reduce the loss of production and the impact of production disruptions.



Although the company has high production technology but the company still attends to people by providing training to staff to understand the process of machinery in the production line to maximize the efficiency of the machine and help reduce accidents in work.

3. Cost planning and cost control.

In the high competition, the company's products are commodity products. Therefore, the Company has paid attention to expenditure and production cost. The company has used the information system to assist in the management and planning of repair to ensure that the control does not affect production, products or healthy and safety.

This year, the company focuses on develop personnel through pro-active work and expects to work quickly and adapt to changes in the industry to competition in the other. The focus is on increasing the potential for raw materials along with raw material, production, inventory management and continuous in production cost control to improve the Company's performance.

(2) Distribution and channels

The Company does not a long-term crude palm oil contract as well as no derivatives policy. Include the policy of hoarding numerous oil for speculation. This is to prevent the risk of fluctuations in the price of crude oil which may arise from many factors that the Company can not control. However the market is highly competitive and speculative. The Company may need to manage the sales according to market conditions. In some cases, the company may have inventory higher than normal demand for palm oil and the policy of using biodiesel in the government.

Domestic distribution.

The Company distributes crude palm oil and palm kernel directly to Biodiesel producer and seed oil extraction plant.

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.

(3) Customers and Target Customer Groups

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

1. Domestic costumers

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.

2. International costumers

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.

2.2.3 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 85% to 90% 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 2% to 5% 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 other.

(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 transport 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.

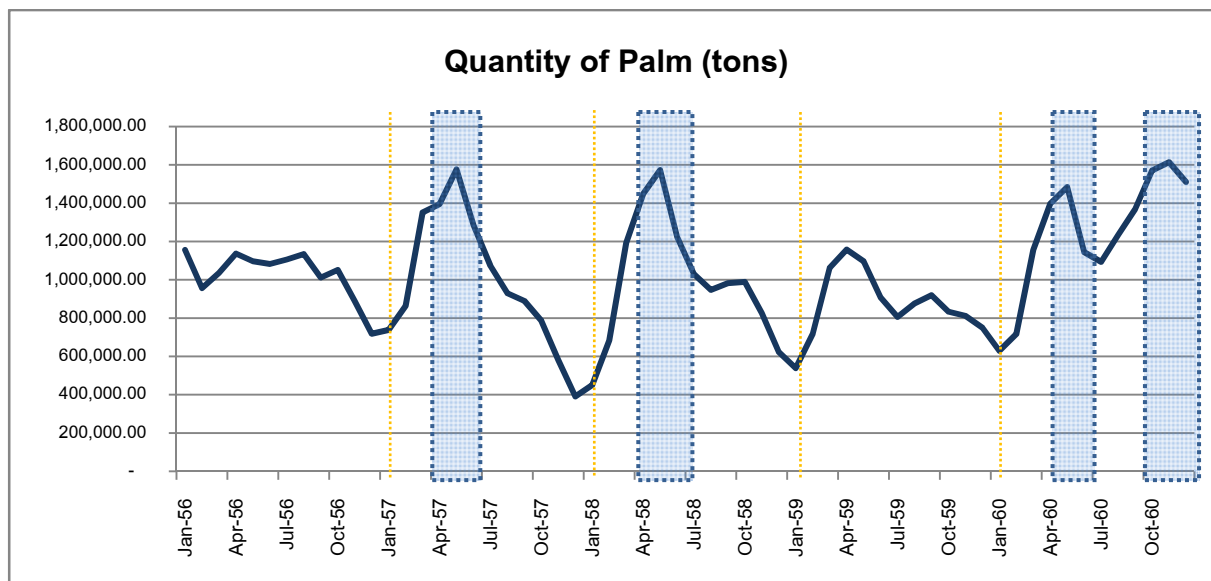
3. Most farmers have good relationships with the Company and are ready to transport fruit bunches yourself. Farmers will deliver the palm fruit bunches at the Crude palm oil mill themselves.

(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 period from 2013 to 2016, high season of palm fruit was in March-July. Because of the high rainfall, warm and humid and the low season was in December to January. However in 2017 the season of palm fruit changed by palm fruit continue come out and had twice high season in a year. Due to improve in climate and harvesting area.



Reference: Office of Agricultural Economics

In 2017, Thailand palm fruit reach 14.92 million tons, which increase of 10.48 million tons or 42.36% from year 2016. In Chumphon province, there is 2.15 million tons, which higher than the year 2016 by 1.60 million tons or 34.97% of the market. Even though in 2017 there is more fruit bunches. The oil extraction rate in Chumphon province decreased. There are many factors affect to oil extraction rate. The major causes are weather and accelerated harvest before appropriated.

The company buys palm fruit by considering about quality in order to motivate the farmers to send quality palm fruit to the palm oil churshing mill. In the current situation, the total capacity of the whole plant is still higher than the oil palm production. The competition to buy more raw materials and the quality control of raw materials is more difficult as well.

However, the company is trying to promote the development of smallholder farmers' palm oil production. Training on oil palm plantation was conducted by examining the nutrients needed for palm trees. And use of fertilizer formula suitable for the condition of the palm by using the palm leaf analysis method of the farmers from the laboratory of the company. To achieve higher productivity, it also reduces the cost of production of farmers which makes the farmers more competitive. Acknowledge on how to cut palm. It also protects the quality of palm by incubation. Hopefully, the Company could get good quality palm.

In 2017, the company was increasing in palm fruit supply 38.23% of palm fruit to production process which was higher than the increase of palm fruit in Chumphon Province by only rose 34.97%.

2.2.4 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 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.

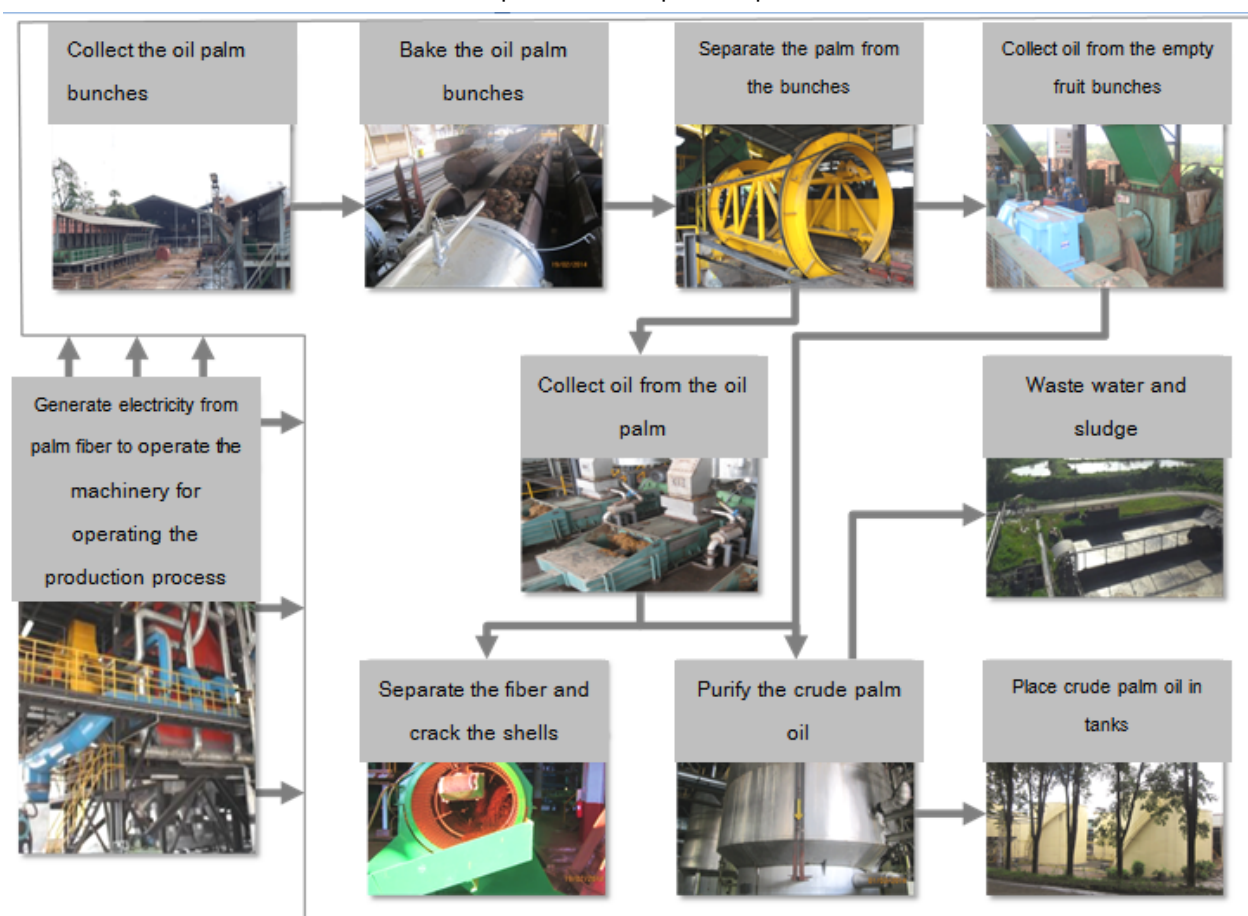
Detailed information on the production of the Group for the year 2015 - 2017

	Year 2015	Year 2016	Year 2017
Production capacity (tons of fresh palms per hour)	180	180	180
The palm put into manufacturing (tons)	305,370	188,991	258,432
crude palm oil produced (tons)	51,496	31,308	42,940
palm kernel produced (tons)	17,775	10,384	14,003

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 has been controlled and managed by the Automation and Monitoring System start from the fruit conveyer to the sterilizer to steam 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






Reference: Company

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>

Figures of production process	Description
	<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>
	<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>

Figures of production process	Description
	<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>

2.2.5 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 manufacturin 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.

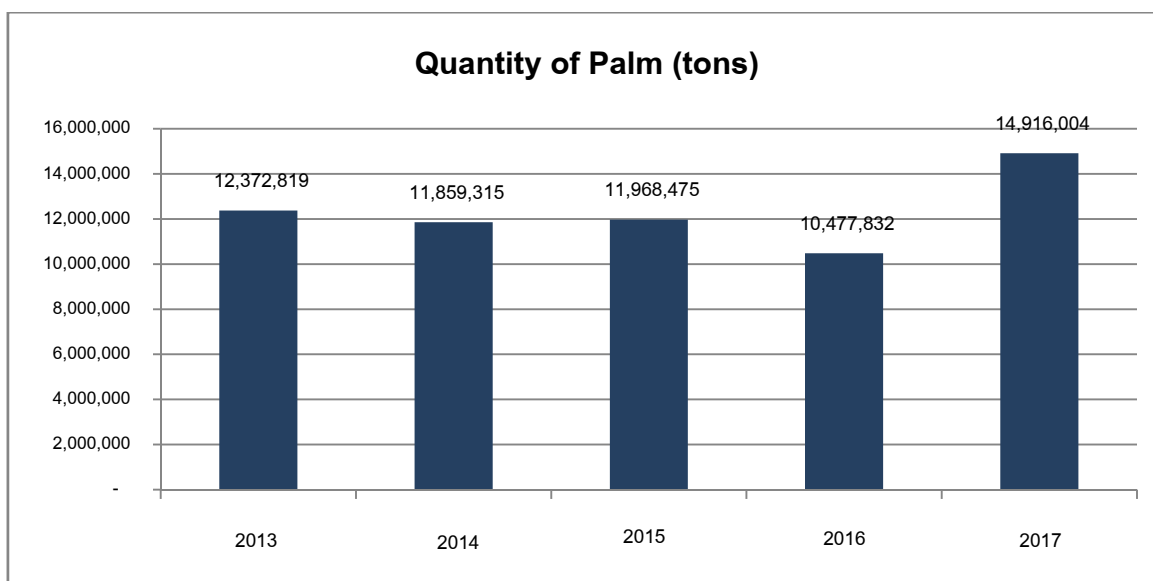
The extraction plant takes into account the usage of crude palm oil residues from the manufacturing process for the maximum benefit and reduction of pollution that may occur, such as boilers powered by turning palm fibers into fuel to produce steam then converted into electrical energy for powering machinery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

2.2.6 Market condition of crude palm oil

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 5 years, Thailand has purchased 11 to 15 million palm trees per year.

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

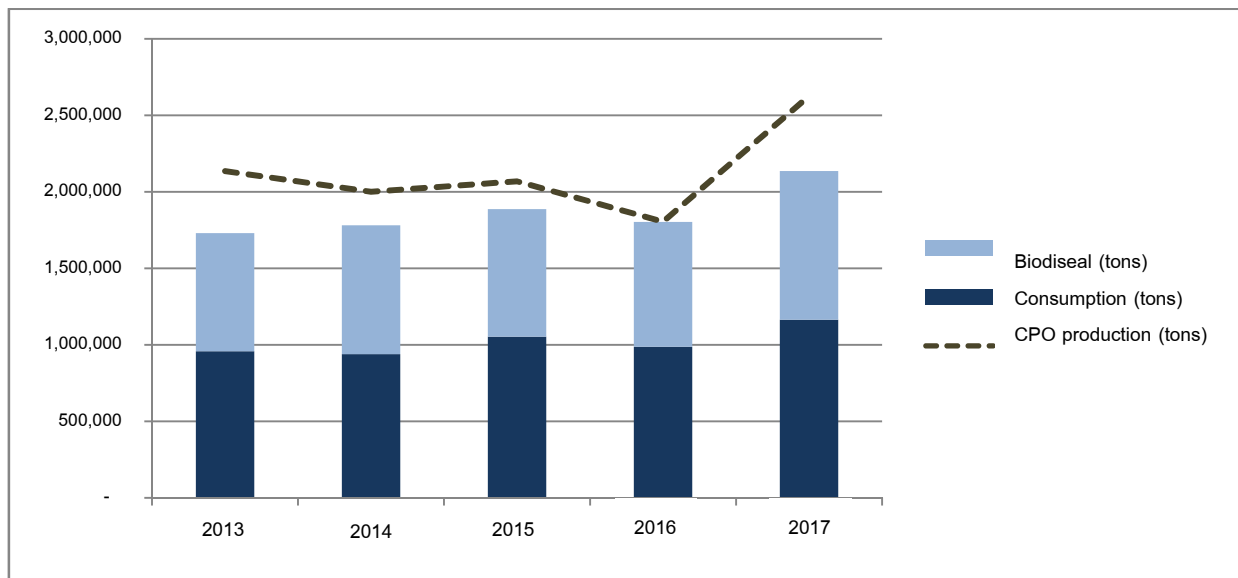


Reference: Office of Agricultural Economics



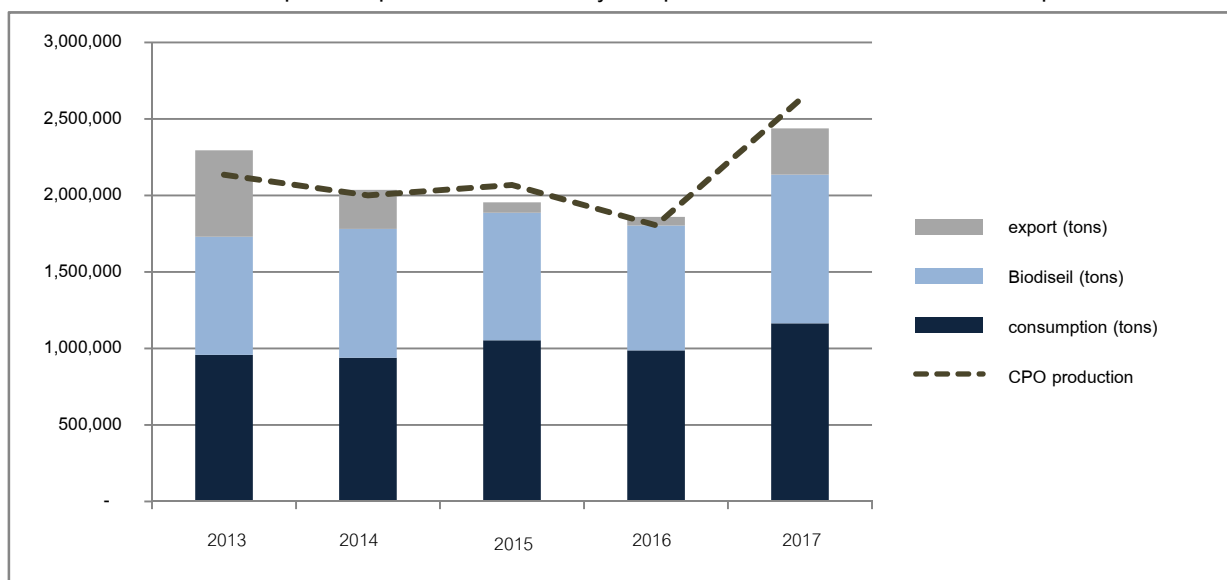
The volume of crude palm oil production in the country would be in line with the volume of palm fruit bunches used in the crude palm oil production. Most of demand for crude oil palm is consumption. In 2017, 55 % of crude palm oil was used in the food industry. And other related industries and an average of roughly 45 % was used to produce biodiesel.

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



Reference: Office of Agricultural Economics

Total crude palm oil production in country compared to domestic demand and export.



Reference: Office of Agricultural Economics

In the past showed that the market of palm oil in Thailand is an over supply market which must be exported. But with fluctuating climate, there is drought in the period from 2015 to 2016 and also the government has policies such as recommended pricing Modification of biodiesel consumption rate and despite the fact that it does not produce concrete results, the industry is adversely affected. Palm oil producers lack the ability to compete with



other palm oil exporters. The company, one of Thailand's major exporters of palm oil, was affected. But the amount of palm fruit is increasing in 2560, with the government reducing the role of intervention. As a result, the price of palm oil and domestic palm oil prices have returned to the same level as the international market. As a result, the palm oil operator in the country started to export again in July, 2017, and with good management in production that made the company's products. Quality standards are recognized and competitive in the global market. The recovery of the domestic market has brought the company back to the market at the end of the fourth quarter of 2017. However, the industry still needs to be monitored the quantity of palm fruit and the policy closely.

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.

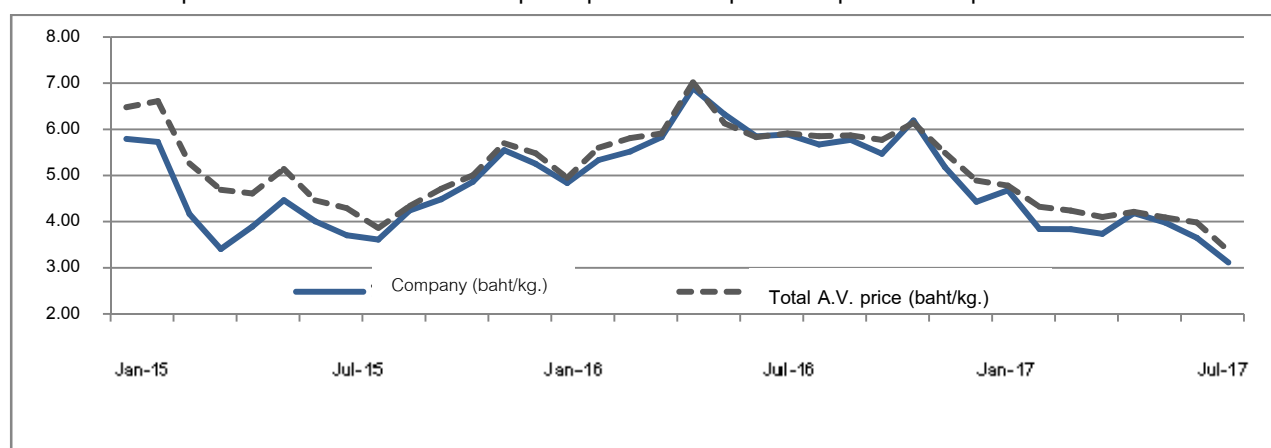
Competition in purchasing raw palm fruit bunches

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. Even in 2017, the quantity of palm fruit in Thailand was increased but it still in the over capacity.



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



Reference: Office of Agricultural Economics

Demand and supply of palm oil overview

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 amount is 33.65% of total demand, and average growth rate is 2.28%.

Production of plant oil in the world vegetable oil market

(Million tons)

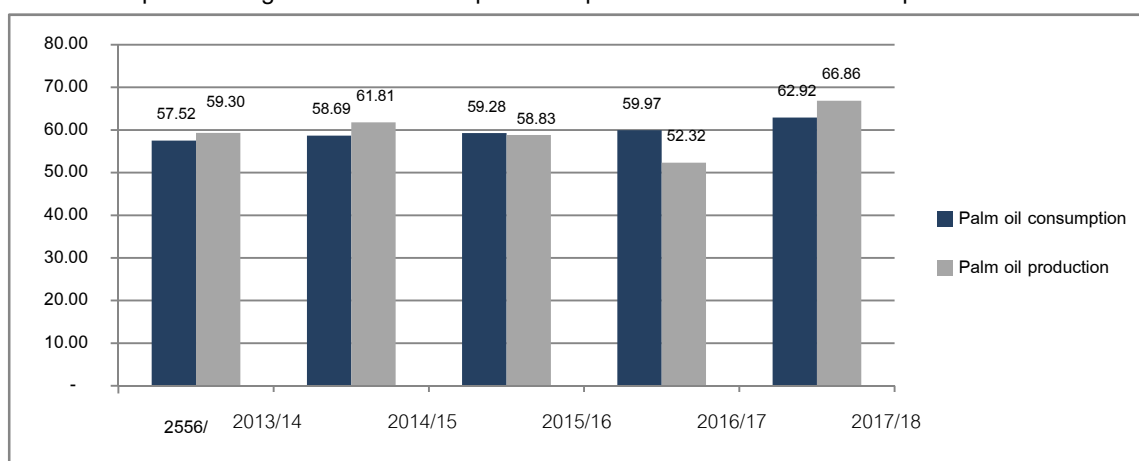
Vegetable oil	2013/14	2014/15	2015/16	2016/17	2017/18
Palm oil	57.52	58.69	59.28	59.97	62.92
Soy oil	45.27	47.83	52.15	53.62	55.99
Sunflower oil	14.14	14.11	15.18	16.52	16.79
Kernel palm oil	6.58	7.22	6.81	7.02	7.21
Peanut oil	5.68	5.51	5.44	5.77	5.99
Cotton oil	5.09	5.06	4.40	4.38	4.93
Coconut oil	3.34	3.29	3.26	3.17	3.22
Olive oil	2.97	2.64	2.81	2.63	2.64
Rapeseed oil	26.17	27.29	28.18	29.22	29.35
Total	166.76	171.64	177.51	182.30	189.04

Reference: Foreign Agricultural Service, US Department of Agriculture as December 2018

Palm oil production in the world market is increase continuously every year. The average growth rate of 4.00%, palm oil production fluctuate movement yet. In some years, the amount of palm oil reduced because palm fruit depend on the climate. There are also other factors such as the care of the palm growers and their replacement. The supply of palm oil fluctuates. Despite demand continues to increase.



Graph showing the amount of palm oil produced and the use of palm oil in the world market.



Reference: Foreign Agricultural Service, US Department of Agriculture as December 2018

vegetable oil's quantity in global market.

Types of oil	Production and proportion in 2017	
	Productions (million tons)	Percent
Palm oil	64.87	34.38
Soy oil	53.90	28.57
Rapeseed oil	27.99	14.84
Sunflower oil	18.21	9.65
Kernel palm oil	7.59	4.02
Peanut oil	5.86	3.11
Cotton oil	4.40	2.33
Coconut oil	3.36	1.78
Olive oil	2.49	1.32
Total	188.67	100.00

Reference: Foreign Agricultural Service, US Department of Agriculture as December 2018

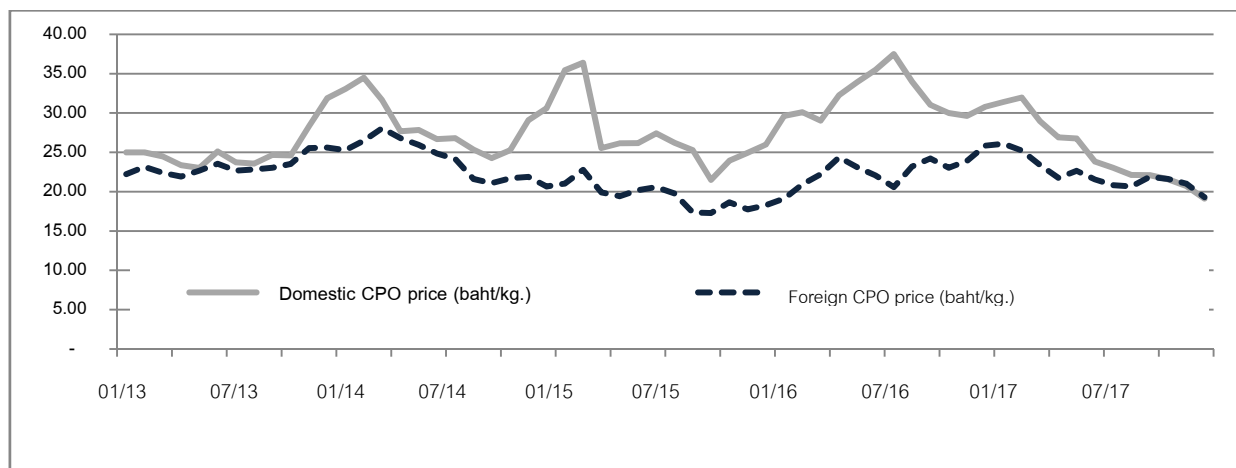
The normal selling price of crude palm oil in the country and abroad will be mainly determined by the Malaysia market price. Thailand designates palm oil to be a controlled import products coupled with the intervention of the government by announcing the purchase price of palm fruit bunches and palm oil, the crude palm oil prices varies from the prices in the Malaysian market in some periods.

During 2015 to the 3rd quarter of 2017, domestic prices are very different from the foreign markets. As the number of factories increases and reduced palm composed of government control. However, in the end of 3rd quarter of 2017, the domestic price drop to the foreign price. Due to the higher volume of output, CPO's stockpile



in the country has been pressuring domestic prices to follow the global market mechanism in order to be able to drain crude palm oil. The price of crude palm oil in the past is shown follow;

Averaged CPO price compared with Thailand and Malaysia

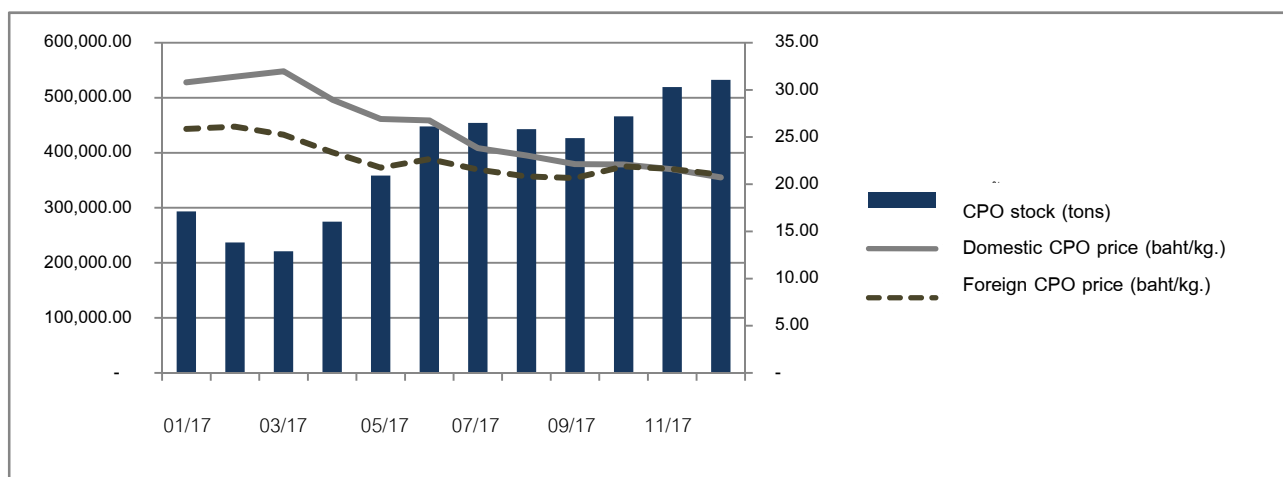


Reference: Department of International Trade

In the beginning of 2017, the domestic price was still higher than the foreign price. Since the end of 2016, the stocks had only 293,467 tons. These don't concern to palm oil market. In addition to the above factors, the high competition of purchasing palm fruits affect to raw material price and CPO price in domestic increase, and higher than international price. As a result, the market mechanism of palm oil industry in Thailand does not reflect the real demand and supply. This situation is a pressure on the export of palm oil. In the past year, the Company could not export crude palm oil. Palm oil is still are controlled from government. The government is also trying to manage the price and the stock of crude palm oil by tools such as the mixing ratio of crude palm oil into biodiesel with increasing of used biodiesel when crude palm oil stocks are high or fall in palm fruit prices in order to reduce the impact on farmers. In the year 2017, the production and stock of crude palm oil continued to increase. The government has revised up the use of biodiesel from B5 to B7 on 8 May 2017, and measures to increase the stock of biodiesel from 50 million liters to 90 million liters a day on 20 June 2017. However, due to the increase in palm oil production, the domestic supply increased by only 42.36%, while the domestic demand increased only 18.39%. The stock is ending of the year at 485,379 tons, an increase of 39.45% from the end of 2016, leading to a decline in domestic prices in 2017 and a return to normalcy close to the global market. Follow the chart below.



CPO price between Thai and Malay, stock of CPO.



Reference: Department of International Trade

Domestic market

Palm oil industry is one of the major agribusinesses. Most operators in the country operate palm oil production to meet domestic needs. 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

Contries	2013/14	2014/15	2015/16	2016/17	2017/18
Indonesia	21.72	25.96	22.91	27.50	26.20
Malasia	17.34	17.38	16.62	16.30	17.30
Khulalumper	0.41	0.45	0.61	0.70	0.70
Benin	0.60	0.50	0.46	0.52	0.57
Papua New Guinea	0.56	0.61	0.58	0.56	0.55
Other	2.56	2.47	2.55	2.70	2.67
Total	43.19	47.37	43.73	48.28	47.99

Source: Foreign Agricultural Service, US Department of Agriculture in 2017.

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.

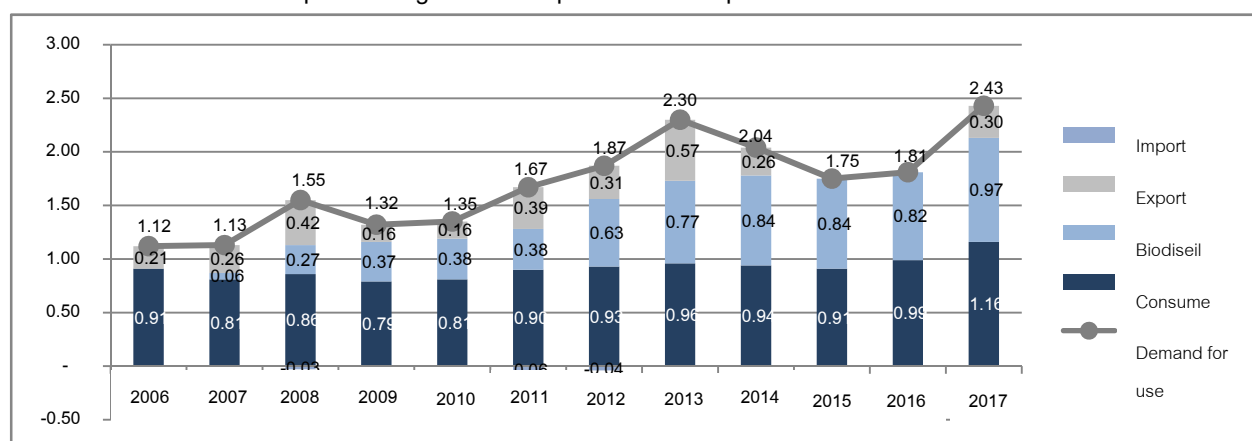
Future Trend in Competition

In the future, there will be a high competition for palm fruit. Due to the structure of the present industry, the capacity of the plant is higher than that of the palm. It also takes time to balance the capacity of the plant and the amount of raw materials. However, the Ministry of Agriculture and Cooperatives of Thailand has developed a plan to develop palm oil production. In the past 5 years from 2013 to 2017, the area of palm production in the country increased by 5.72 percent per year in the year. In the year 2017 has an area of 4.77 million rai, an increase of 8.90% which may reduce the competitive pressure in purchasing. But the amount of palm fruit market also includes other factors such as Climate, rainfall, palm and palm plantation that are concerned.

The use of crude palm oil in the country, based on data from the Office of Agricultural Economics, over the past 5 years, showed that the demand for consumption increased by 3.14% Biodiesel production increased by 4.34%, but most of it was consumed in the food industry. According to the data, the increase in the area over the past 5 years is higher than the increase in demand. However, with the palm oil can produce a variety of products. And in the overall market of vegetable oil, palm oil is also the most used oil. If the government allows to the trading of palm oil is market mechanism, Thai's Palm oil is also available export.



Graph showing the use of palm oil and exports from 2006 to 2017.



Source: Conference on Land Development Case Study of Oil Palm Products and Department of Internal Trade.

2.2.7 Outstanding contracts

On 31 December 2016 and 31 December 2017, the Company had commitments to deliver goods to 2,630 tons and 13,000 tons of sell contracts, respectively. The contract value was 80.93 million baht and 8.09 million USD, respectively.

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

2.3.1 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 Chumphon province

Biogas Power Plant in Thung Kha sub-district, Muang district Chumphon 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, Chumphon 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	-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 (H ₂ S) 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.
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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.

The revenue and volume of the Group for power generation and distribution business can be summarized as follows.

Product Category	For the fiscal year ended					
	31 Dec 2015		31 Dec 2016		31 Dec 2017	
	Income (Million baht)	volume (KWh)	Income (Million baht)	volume (KWh)	Income (Million baht)	volume (KWh)
Electricity produced for sale	46	12,367,226	26	6,837,780	29	8,201,640
Electricity Price Increase	6		2		2	
Total revenue from sales of electricity	49	12,367,226	28	6,837,780	31	8,201,640
Average electricity price	3.96		4.09		3.78	
Basic electricity tariff (Baht per unit)	4.22		4.22		4.22	



2.3.2 Distribution and Market – Production and distribution of electricity

Business of production and distribution Electricity from biogas is less of risk in demand side. Because the demand is continually increment.

The Company is committed to be a leader in the palm oil business. It also takes into account the management of raw materials to maximize benefits and take into account the possible environmental impacts of waste and residues from the production process of crude palm oil. The company use high technology for high efficiency in electricity production. The Company's power plant projects efficiently generate electricity, distribute constantly and stably.

The government's policy is to support the generation and distribution of electricity from renewable energy by small-scale power producers (VSPPs), which will purchase all electricity generated from very small power producers that have electricity agreements with PEA. The power plant of company is a risk of low power distribution to PEA. And future power plants will not affect the Group's sales volume.

2.3.3 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.

2.3.4 Production - Electricity Production and distribution business

(1) Production capacity and utilization

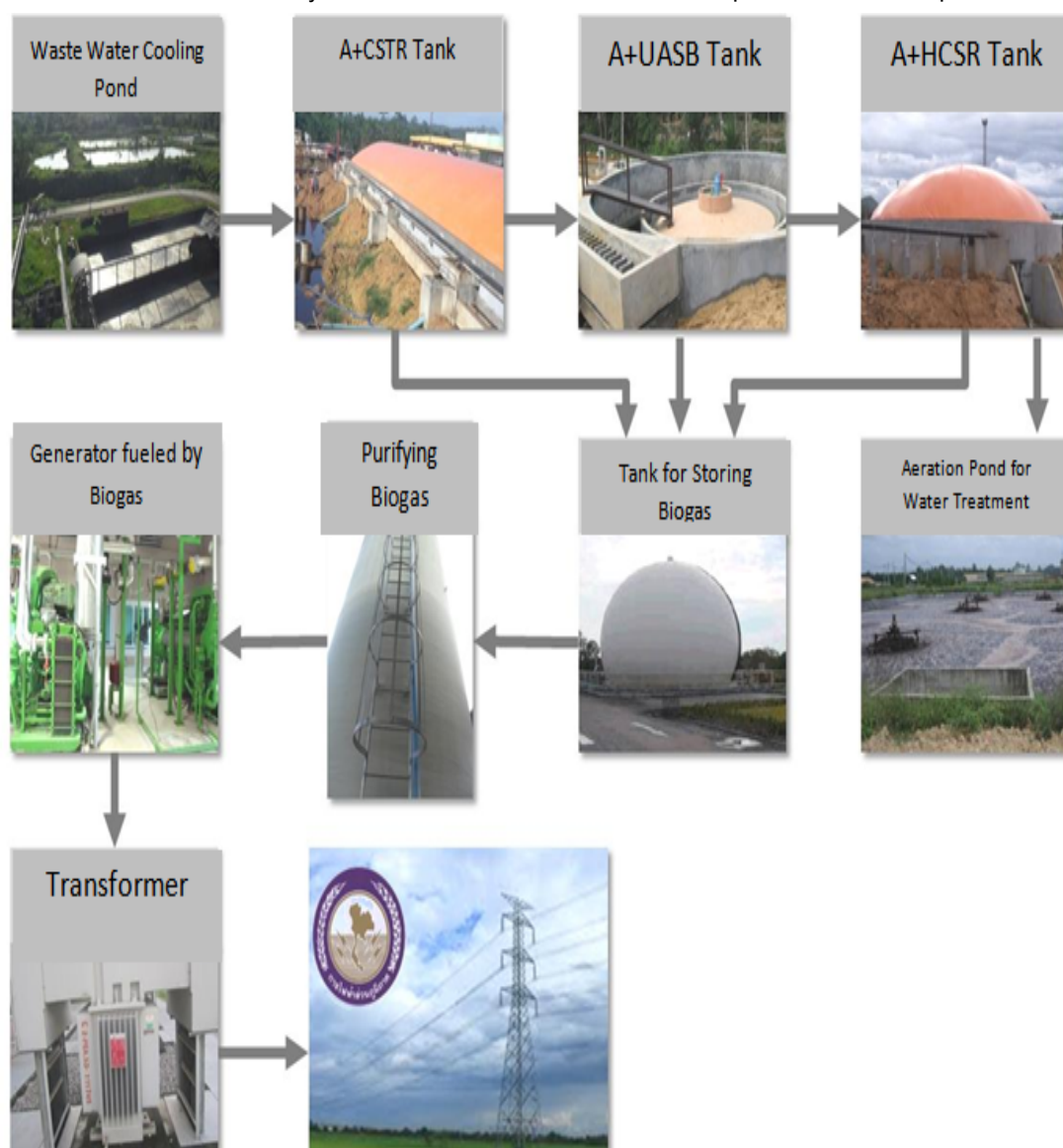
The generating capacities of the 2 biogas power plants are as followed.

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		
	2015	2016	2017	2015	2016	2017
Ability to produce power (kilowatt - hours per year)	20,877,000	20,877,000	20,877,000	12,936,000	12,936,000	12,936,000
The amount of electricity produced. (kilowatt - hours per year)	8,401,511	7,187,280	9,049,266	5,543,300	271,100	0.00
The rate of capacity utilization (%)	40.24	34.43	43.35	42.85	2.10	0.00




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







Reference: Company

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>

2.3.5 Environmental Impact - CPO production and distribution

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.

2.3.6 Outstanding contracts

- None –



3. 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.

3.1 Risks from the Crude Palm Oil Production and Distribution Business

3.1.1 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.

3.1.2 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.

3.1.3 Risk from changing government policies

From the past, the government has a policy to intervene or announce the price of palm fruit. By advanced pricing for domestic palm oil sales. Including the policy of blending biodiesel into diesel, which will affect the demand in crude palm oil. So if the government has any policy changes. It may affect the performance and financial status of the company.

However, the Company has closely followed up the policy of the government in order to be able to adapt to change.

3.1.4 Risk from palm plantation of the Company Concession area and leased area from government agencies

In the year 2017, the Company had 87.07% of total palm oil purchased from outer. Another is 12.93% of the total palm oil from palm oil plantation. The concession expired in October 2015 and February 2015, respectively but it was ordered temporarily by the Central Administrative Court to apply for extension of concession area.

If the company does not receive temporary protection and / or renewal will make the company must buy palm fruit from all outsiders for use in production. This will lead to higher production costs. And if the company can not be compensated for missing parts may impact the performance and financial status of the company.

Has been granted of concession, the company is going to have cost from replant palm. This will take 3 years to start producing and 7-8 years before the palm tree grows to full yield. These risks may affect performance and financial status of the company.



Nevertheless, the Company has established a system and network to buy palm fruit from outside, both from farmers and operators from expanding palm collecting point to cover palm plantation in Chumphon province, including to the application of information systems.

3.1.5 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 2015, 2016 and 2017, respectively. The company also received 83.83%, 76.70% and 41.80% 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.

3.1.6 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.

3.1.7 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.

3.1.8 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. In the year 2560, the company re-exported crude palm oil again at the proportion of 15.40% of total revenue. The export price will be the reference price from the world market in US dollars. As a result, the exchange rate fluctuation between Thai Baht and US Dollar may affect the Company's performance and financial status of the company.



However, the Company has planned the hedging foreign exchange contracts (Forward contracts) to prevent the impact on the company's profits from the exchange rate fluctuations.

3.2 Risks from Electricity Generation and Distribution Business

3.2.1 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.

3.2.2 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.

3.3 Other factors

3.3.1 Interest Rate Risk

On 31 December 2017, the company has a credit loan from financial institutions of 1,475.34 million Baht, with liabilities amount of 699.77 million Baht. If interest effective rates rise, it will raise interest burden, and effect to performance and position of company as well.

3.3.2 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.


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

On 31 December 2017, the Chavananand group held a total of 705,011,000 shares in the company, equivalent to 75.00% 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 & Management Discussion and Analyst



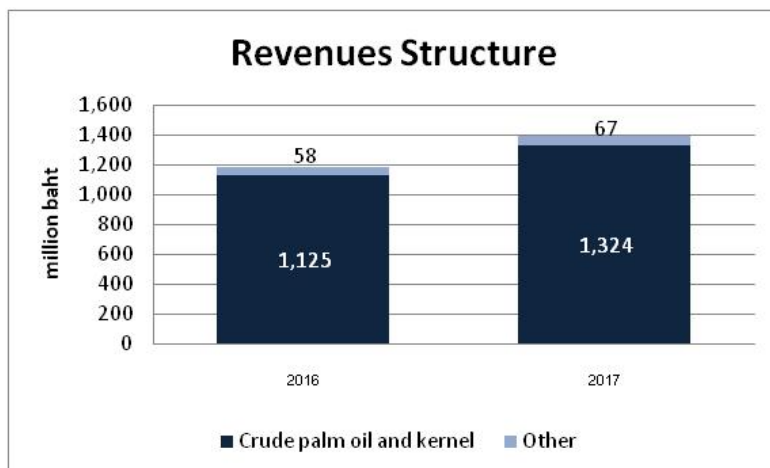
Financial Highlight

Capital Information	2017	2016	2015
Registered Capital (Common Share) (Share)	940,000,000.00	940,000,000.00	940,000,000.00
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	1,485.90	1,708.69	1,729.55
Total accounts receivable, net	16.22	66.91	33.18
Property, plant & equipment, net	1,211.09	1,359.32	1,506.07
Total liabilities	776.48	806.60	622.32
Current liabilities	531.86	464.85	185.33
Non-Current liabilities	244.62	341.75	436.99
Total shareholders' equity	709.42	902.09	1,107.23
Operating Performance (Baht millions)			
Sales	1,388.50	1,181.56	1,476.32
Total revenues	1,391.19	1,183.39	1,481.80
Total expenses	- 1,554.91	-1,091.36	-1,577.21
Interest expenses	- 28.31	-26.07	-26.95
Gross profit margin	- 14.50	-48.38	76.15
Earnings before income Tax	- 192.03	-211.19	-122.36
Income tax	- 3.85	-1.17	-2.63
Net profit	- 195.89	-212.37	-124.99
Cash Flow (Baht millions)			
Net cash flow from operating activity	89.96	-180.36	-71.68
Net cash flow from investing activity	- 20.57	-17.83	69.25
Net cash flow from financing activity	- 71.33	192.74	-100.96
Net increase (decrease) in cash	- 1.94	-5.45	-103.38
Beginning cash	3.00	8.46	111.83
Ending Cash Balance	1.06	3.00	8.46
Financial Ratios			
Earnings (Baht/Share)	- 0.21	-0.23	-0.13
Book Value (Baht/Share)	0.75	0.96	1.18
Net Profit margin (%)	-14.08%	-17.97%	-8.44%
Current ratio (Times)	0.50	0.73	1.15
Return On Assets (ROA) (%)	-10.25%	-12.35%	-6.71%
Return on shareholders' equity (ROE) (%)	-24.31%	-21.14%	-10.48%
Debt to Equity Ratio (Times)	1.09	0.89	0.56

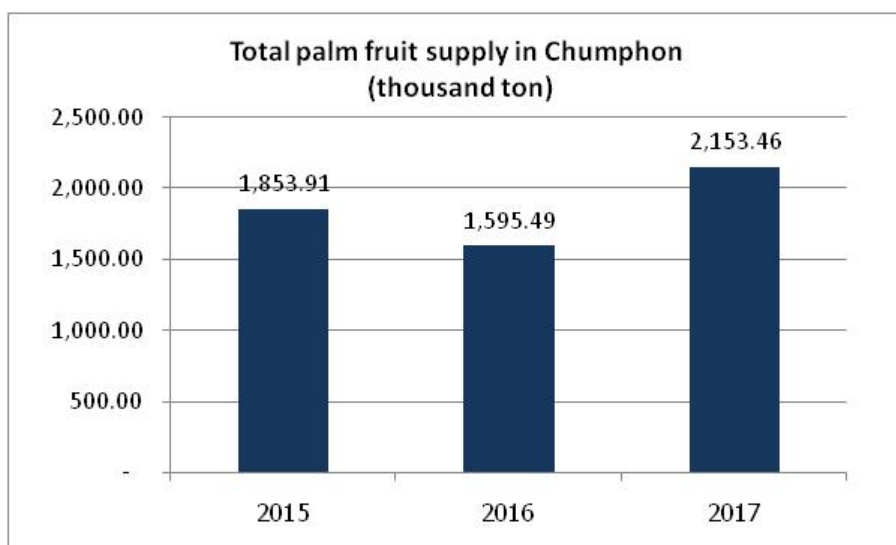
Mangement Discussion and Analyst

Operational Analysis

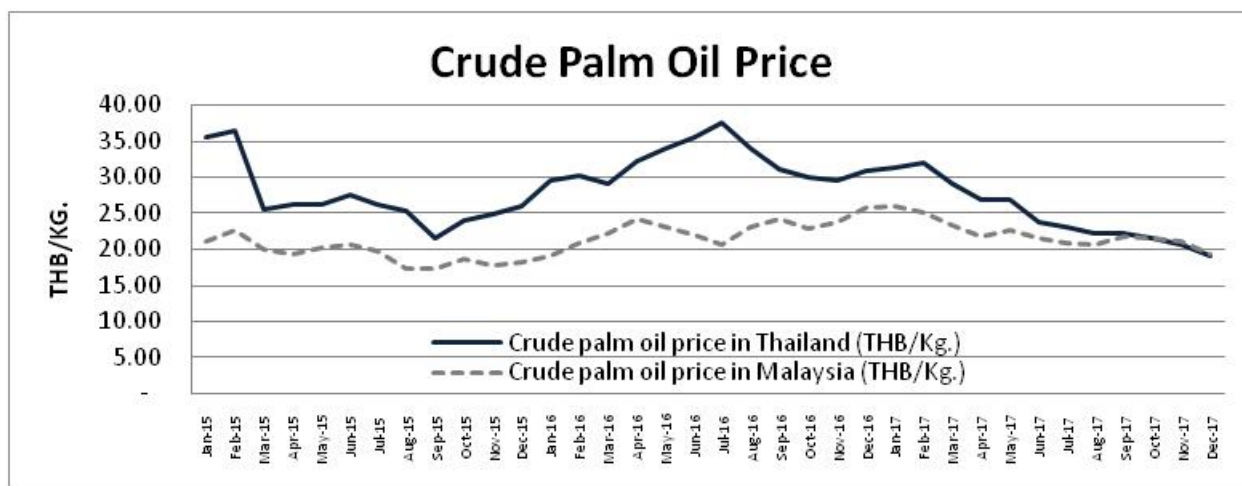
Revenues



In 2017, the total revenues increased by 17.51% from THB 1,181.56 million in 2016 to THB 1,388.50 million. The major revenues from crude palm oil and palm kernel were THB 1,323.73 million, which slightly growth from THB 1,125.40 million in 2016 due to the rise in sales volume of crude palm oil and palm kernel by 41.27% and 33.22% respectively. The main reasons that affected sales volume were the increasing in palm fruit supply by 36.74% caused by good weather and expanding in harvesting area. The quantity of palm fruit in Thailand and also in Chumphon rise by 42.36% and 34.97% respectively. The company has steady market share in purchasing palm fruit compare to total production of Chumphon, at 11.85% in 2016 and 11.98% in 2017. The company sold crude palm oil and palm kernel by 97.17% and 98.54% of total production. The average selling price of crude palm oil and average selling price of palm kernel was down 16.91% and 10.93%, the selling price in 2017 is continued decline due to the increment in crude palm oil stocks as palm fruit climb to the new record.



Source: Department of Internal Trade of Chumphon Province



Source: Department of Internal Trade of Thailand

Cost of sales and Gross profits

Cost of sales for the year 2017 increased from THB 1,229.93 million to THB 1,403.00 million or 14.07% from the previous year which was less than the increment of sales revenues due to palm fruit supply from the company and its subsidiary have increase from 1.28% to 8.56% of total amount of palm fruit that was in the process, that affected palm fruit's prices decreased. Moreover, the increment of palm fruit volume caused to reduce in halt cost by 17.91% from previous year.

As a consequence, the ratio of costs of sales to revenues decreased from 104.09% in 2016 to 101.04% in 2017. The gross loss had improved by 70.03% from loss THB 48.38 million in 2016 to be loss THB 14.50 million in 2017.

Selling and Administrative Expenses

Selling expenses increased by 44.76% from THB 19.15 million in 2016 to THB 27.71 million in 2017 which was larger than the increment of total sale volumes by increment diesel in the market.

Administrative expenses rise by 4.00% from THB 119.43 million in 2016 to THB 124.20 million in 2017 resulting from the company had the property impairment cost THB 10.80 million in this year, so the other normal administrative has been control.

Net Profits

the company generated net loss for the year 2017 equal to THB 195.89 million or 14.11% of total revenues which loss lower than 2016 that the company generated net loss of THB 212.37 million or 17.97% of total revenues.

Cash flow

The net cash flow decreased by 1.94 million THB from the initial cash flow at 3.00 million THB with the remaining cash flow at 1.06 million THB.

The net cash flow used in operations was 89.96 million THB. Although the company generated net loss in amount of 192.03 million THB, but the Company's net income before change in operating asset and liabilities was 6.52 million THB, with a decrease in accounts receivable of 50.31 million THB, an increase in accounts payable of 46.70 million THB, decrease in inventories of 18.95 million THB, interest payment at 27.85 million THB.



There was net cash flow from investing activities was 20.57 million THB. The money used in the purchase of property, plant and equipment amounting to 24.41 million THB in supports palm fruit supply project.

And net cash flow received by financing equal to 71.33 million THB from short-term loans from financial institutions of 994.00 million THB for working capital and debt repayment. The company paid short-term debt from financial institution equal to 975.00 million THB, long-term for 82.15million THB and financial lease for 9.54 million THB.

Return on Assets

Return on assets of the company in 2017 was negative 12.26% which increased from negative 12.35 % of 2016 even the company had more incomes but the loss from operations cause the negative return on asset.

Return on Equity

Return on equity of the company in 2017 was negative 24.31 % which increased from negative 21.14% of 2016 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.

Financial status analysis

Asset

At the end of 2017, total assets of the company was THB 1,485.90 million which decreased from THB 1,708.69 million of the previous year by THB 222.79 million, due to the major fixed assets as property, plant and equipment that depreciated by THB 148.23 million. As the same time, the current assets increased by THB 74.55 million in accordance with the raising in inventories by THB 18.64 million and account receivables by THB 50.96 million, which these trade account receivables were not yet due in term of payment.

Liabilities

The company had total liabilities of THB 776.48 million which decreased from THB 806.60 million in 2016 by THB 30.12 million due to payment to Long-term loans from financial institutions decreased by THB 88.15 million followed an installment plan.

Shareholders' Equities

At the end of 2017, total shareholders'equities of the company was THB 709.42 million which lower than THB 902.10 million in 2016. As a result of operations, the retained earnings of 2017 declined in accordance with the net loss of THB 195.89 million. However the company had other comprehensive income after net loss of THB 3.21 million.

Financial Ratio

- Liquidity



The company's current ratio was 0.50 times, decreased from 0.73 times of the previous year due to the incremental current liabilities by THB 67.01 million as the increment in trade accounts payable was Baht 46.23 million and the short-term loan from financial institutions increased by Baht 17.07 million.

■ Quick ratio

Quick ratio decreased from 0.16 times in 2016 to 0.03 times in 2017 due to the current liabilities especially an increasing in account payable of 46.24 million THB as the normal credit term and increasing in short-term loan from financial institution of 17.07 million, the proportion of current liabilities was approximately to 320.97% to 4.75%, respectively. Meanwhile, trade receivables decreased 76% from normal term.

■ Account receivable turnover

The Company's accounts receivable turnover increased from 23.61 times in 2016 to 33.40 times in 2017, resulting of account receivable decreased from 66.91million THB to 16.22 million THB in 2017. The Company can be collected as scheduled and considering the list of debtors, the Company has a good quality accounts receivable.

■ Inventory turnover

The Company has inventory turnover ratio to slow down from the previous round from 6.30 times in 2016 to 5.45 times in 2017, Although the sales volume of crude palm oil and palm kernel in 2017 is higher than the previous year by 41.27% and 33.22%, respectively, but the average stock of crude palm oil remains higher than 2016 due to the selling contract that will be deliverly in January 2018, the amount of 13,000 tons resulted in the inventory turnover showing a slower rotation rate.

■ 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 Influencing the Company's Financial Position and Results of Operations

According to the Office of Agricultural Economics, predicted the palm oil fruit branch will rise by 9.18% from previous year by more harvesting area and higher yield as the higher average rainfall in 2017. The Office of Agricultural Economics forecast that the domestic demand will be rise by 4.37% or equal 2.15 million tons which is mean the supply will over than demand around 0.36 million tons (Calculated by OER at 17.00%). It is expected that exports will be one of the importance distribution channel for crude palm oil.

According to the Office of Agricultural Economics, the company may be benefited from the increase in palm fruit. The company is an exporter of crude palm oil in Thailand. So the company may have opportunity to export.



However, the palm oil crushing mills is still in the high competitive level in the purchase of raw materials due to over capacity. In addition, the forecasts of palm oil production and crude palm oil prices are volatile. It also requires close monitoring of market movements. Including, government policies must be monitored, which may affect market movements.

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Management and Corporate Governance



Management and Corporate Governance

1. Shareholding Structure and Management

1.1 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.

1.2 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.

1.3 Shareholders

List of top 10 major shareholders in the company:

Rank	Shareholders	On 31 December 2017	
		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.	MS.KEM-NGURN CHUTCHAIYUN	24,000,000	2.55
7.	MRS.RATTIYA OEUSOONTHORNWATTANA	24,000,000	2.55
8.	MRS. ANGSANA WATTHANANUKIJ	24,000,000	2.55
9.	MR. SUMRUENG MANOONPHON	19,873,900	2.11
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:

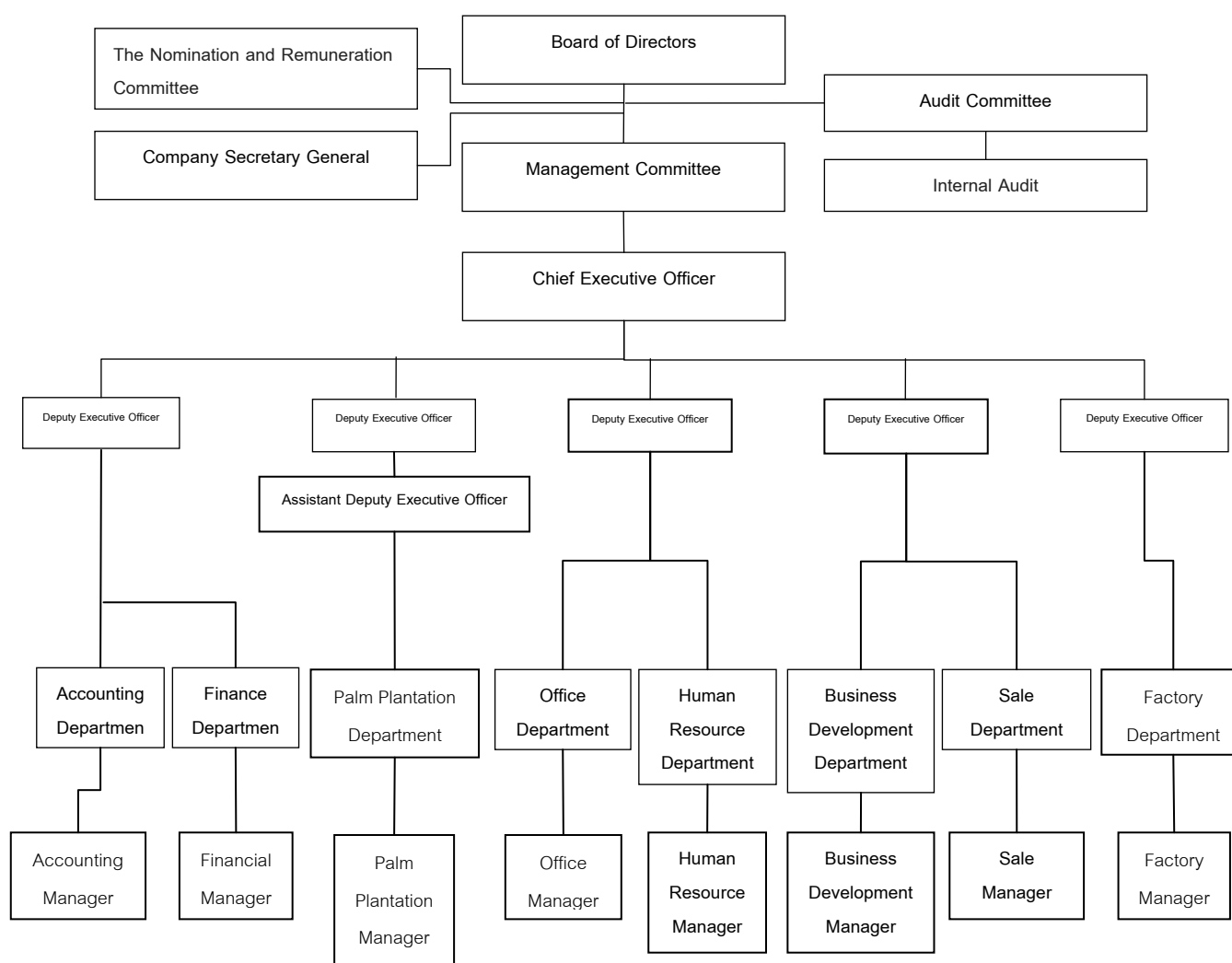
- Cash level, liquidity, financial position
- Investment expenditures and planning
- Other restrictions on dividend payments



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.

2. Management Structure

On 31 December 2017



Shareholding of the Board of Directors and Management

Name	At Dec 31,2016 (shares)	At Dec 31,2017 (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	-



Name	At Dec 31,2016 (shares)	At Dec 31,2017 (shares)	+/(-) (shares)
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 Minor Child	-	-	-
8. Mr. Jiraphant Asvatanakul Spouse, Minor Child and Entity	200,000	200,000	-
9. Mr. Rachada Singalavanija Spouse and Minor Child	-	-	-

2.1 Board of Directors

As of 31 December 2017, the company's Board of Directors consists of the following 8 members:

ชื่อ - นามสกุล	ตำแหน่ง
1. Mr. Bandhoon Supakavanich	President Independent director and Audit Committee Chairman
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. Jiraphant Asvatanakul	Audit Committee and Independent director
8. 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. 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 2016 and 31 December 2017 are as follow:

Full Name	Number of Meetings Attended/Total Number of Meetings	
	2016	2017
1. Mr. Phisanu Chavananand	5/6	4/5
2. Mr. Voravith Chavananand	5/6	5/5
3. Mr. Vithaya Chavananand	6/6	5/5
4. Mr. Krisada Chavananand	5/6	5/5
5. Mrs. Supaluck Tiasevanakul	6/6	4/5
6. Mr. Vatchara Chavananand	5/6	4/5
7. Mr. Bandhoon Supakavanich	6/6	5/5
8. Mr. Jiraphant Asvatanakul	4/6	4/5
9. Mr. Rachada Singalavanija	3/6	5/5

Note: Mr. Phisanu Chavananand resigned from the Board of Directors, Effective from 30 November 2017.

2.2 Audit Committee

On 31 December 2017 Audit Committee consists of 3 members as follows:

Full Name	Position
1. Mr. Bandhoon Supakavanich	Audit Committee Chairman and Independent director
2. Mr. Jiraphant Asvatanakul	Audit Committee
3. Mr. Rachada Singalavanija	Audit Committee

Mr. Jiraphant Asvatanakul is Audit Committee that has sufficient knowledge and experience to review the reliability of the financial statements.

Audit Committee Meetings

Details of the Audit Committee meetings of the accounting year ended 31 December 2016 and 31 December 2017 are as follow:



Full name	Number of Meetings Attended/Total Number of Meetings	
	2016	2017
1. Mr. Bandhoo Supakavanich	4/4	4/4
2. Mr. Jiraphant Asvatanakul	3/4	3/4
3. Mr. Rachada Singalavanija	1/4	4/4

2.3 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 2017, 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

Nomination Committee Meetings

Details of the Audit Committee meetings of the accounting year ended 31 December 2016 and 31 December 2017 are as follow:

Full Name	Number of Meetings Attended/Total Number of Meetings	
	2016	2017
1. Mr. Bandhoo Supakavanich	3/3	1/1
2. Mr. Jiraphant Asvatanakul	1/3	1/1
3. Mr. Peerapong Oeusoonthornwattana	3/3	1/1

2.4 Management Committee

As of 31 December 2017, the Management Committee has the following 5 members:

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



2.5 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 2017, the Management has the following 5 members:

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

2.6 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 2017 is as follows:



Unit: Baht

Full name	For the Year Ended 31 December 2017		
	Amount of Payment	Amount of Payment	Amount of Payment
1. Mr. Phisanu Chavananand	210,000	100,000	310,000
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	220,000	430,000
10. Mr. Jiraphant Asvatanakul	170,000	155,000	325,000
11. Mr. Rachada Singalavanija	170,000	180,000	350,000

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 2016	For the Year Ended 31 December 2017
Quantity (Number of People)	5	5
Payment (Millions of Baht)	9.27	5.78

2.7 Employees

Manpower

The company has manpower in total amount of 487 people at December 31, 2016 and 348 people at December 31, 2017 (Excluding management) as the detail in below table.



Department	Manpower (persons)	
	31 December 2016	31 December 2017
Factory Department	363	288
Business Development	9	9
Office Department	17	10
Finance Department	4	3
Accounting Department	23	13
Oil Palm Plantation Department	71	25
Total	487	348

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 2016	For 2017
Employee Compensation	97.82	69.46
Total	97.82	69.46

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-

2.8 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.

2.9 Provident Fund

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



3. Corporate governance

3.1 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.

3.2 The committee

As 31 December 2017, 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 determine 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.

3.3 Appointing Committee Members

1) Appointing Independent Committee Members

Qualifications of Independent Directors

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.

2) 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.

3) 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.



4) 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.)

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.

3.4 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.

3.5 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 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
31 December 2017	PricewaterhouseCoopers ABAS Ltd.	1,600,000	650,000	58,465	2,308,465

Note Other fees are including traveling cost and photocopy

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.

4. Corporate Social Responsibility

4.1 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.

4.2 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.

5. 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.

5.1 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.

5.2 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.

5.3 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



Board of Directors



Board of Directors

Mr. Bandhoon 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. Voravith Chavananand

Age 62 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 60 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 57 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

2018 – Present : Chairman of Palm Oil Industry Group FTI

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.

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

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

2016 – 2017 : Vice Chairman of Palm Oil Industry Group FTI

2008 – 2015 : President/Palm Oil Crushing Mill Association.

Working Experiences with other listed company

None

Mr. Vatchara Chavananand

Age 54 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

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. Jiraphant Asvatanakul

Age 58 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

2017 – Present: President of Thai General Insurance Association

2017 – Present: Director, Thai General Insurance Fund

2017 – Present: Director of Secretary / Thai Chamber of Commerce & Board of Trade of Thai

2016 – Present: President of Thai-Iran Business Council

2015 – Present: Treasurer, Thai-Chinese Business Council

2014 – Present: Director / Federation of Thai Insurance Organizations

2014-Present: Director / Thai General Insurance Association

Mrs. Supaluck Tiasevanakul

(Name – Maiden Name : Miss Supaluck

Chavananand)

Age 55 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.



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

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

2015 – 2017: Board Treasurer / Thai Chamber of Commerce & Board of Trade of Thai

2009 – 2014: President / Thai General Insurance Association

Working Experiences with other listed company

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

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

Mr. Rachada Singalavanija

Age 69 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



Enclose

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 2017, 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

The consolidated financial statements and the separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2017;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include 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
<p>Valuation of impairment of investment in subsidiaries</p> <p>Refer to Note 5.1 'Critical accounting estimates and judgements', and Note 11 'Investment in subsidiaries' to the financial statements.</p> <p>At 31 December 2017, the net book value (NBV) of the investment in subsidiaries was Baht 371 million, which is net allowance of impairment in investment of Baht 160 million. This NBV represented 24% of the total company assets.</p> <p>Following a reduction in the operating performance of the business in a power plant, subsidiary VG Energy has continuously incurred losses over the past nine years. The management has performed an impairment assessment of investment in this subsidiary.</p> <p>The management assessed recoverable amount based on fair value of entity's assets evaluated by an independent external valuer and deduct with entity's liabilities which were evaluated by an independent external valuer. The company additionally recorded an impairment charge of Baht 20 million in the current year.</p> <p>I focused on this areas 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>I obtained, understood, and evaluated management's valuation approach for assessing the impairment of investment in subsidiaries (using net enterprise value, fair values of assets less debts) included the valuation approach and assumption used by the external valuers to determine the fair value of entity.</p> <p>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.</p> <p>I challenged management and evaluated the reasonableness of key assumptions used in the impairment assessment of investment by comparing them to the market. I also tested the accuracy of key inputs that the independence external valuer used in the calculations such as the number of assets and cost of assets, by reconciling with source of data.</p> <p>Based on the above procedures my audit work, I found that the key assumptions used by management in assessing the impairment of investment were supportable and appropriate in light of the current environment and circumstances.</p>
<p>Valuation of impairment of property, plant and equipment</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 1,211 million, which included allowance for impairment of property plant and equipment of Baht 82 million. This NBV represented 81% 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>The management assessed recoverable amount based on fair value of property, plant and equipment evaluated by an independent external valuer. The company additionally recorded an impairment charge of Baht 10.83 million in the current year.</p> <p>I focused on this areas because of the significant value of property, plant and equipment 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>I obtained, understood, and evaluated management's impairment valuation approach for assessing the impairment of property, plant and equipment model included the valuation approach and assumption used by the external valuers to determine the fair value of entity property, plant and equipment.</p> <p>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.</p> <p>I challenged management and evaluated the reasonableness of key assumptions used in the impairment assessment of property, plant and equipment investment by comparing them to the market. I also tested the accuracy of key inputs that the independence external valuer used in the calculations such as the number of assets and cost of assets, by reconciling with source of data.</p> <p>Based on my audit work the above procedures, I found that the key assumptions used by management in assessing the impairment of property, plant and equipment were supportable and appropriate in light of the current environment and circumstances.</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 and separate 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.

VICHITBHAN PALMOIL PUBLIC COMPANY LIMITED

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

Vichitbhan Palmoil Public Company Limited
Statement of Financial Position
As at 31 December 2017

		Unit: Baht			
		Consolidated		Separate	
		financial statements		financial statements	
Notes		2017	2016	2017	2016
Assets					
Current assets					
Cash and cash equivalents	7	1,061,096	6,286,561	502,820	4,948,965
Trade and other receivables	8	16,220,126	66,911,534	15,740,405	62,132,876
Short-term loan to related parties	27 IV)	-	-	76,506,000	63,822,500
Inventories	9	248,281,149	266,916,405	250,925,990	266,432,459
Total current assets		265,562,371	340,114,500	343,675,215	397,336,800
Non-current assets					
Investments in subsidiaries	10	-	-	371,108,348	391,108,348
Property, plant and equipment	11	1,211,090,789	1,359,321,866	850,239,514	952,631,096
Investment property	12	1,150,000	1,150,000	-	-
Deferred palm plantation cost	13	-	-	-	-
Intangible assets	14	2,239,530	3,070,489	2,013,700	2,864,773
Deferred tax assets	15	3,469,473	2,049,222	965,991	1,676,131
Other non-current assets		2,388,997	2,987,009	1,034,246	1,632,257
Total non-current assets		1,220,338,789	1,368,578,586	1,225,361,799	1,349,912,605
Total assets		1,485,901,160	1,708,693,086	1,569,037,014	1,747,249,405

Director _____

Director _____

The notes to the consolidated and separate 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 2017

		Unit: Baht			
		Consolidated financial statements		Separate financial statements	
	Notes	2017	2016	2017	2016
Liabilities and equity					
Current liabilities					
Bank overdraft and Promissory Note	17	376,359,113	359,284,810	375,000,270	357,483,074
Trade and other payables	16	60,640,867	14,405,091	72,226,448	14,400,066
Current portion of liabilities under financial lease agreements	17	3,865,410	9,006,820	1,713,929	3,441,086
Current portion of long-term borrowing	17	88,152,000	82,152,000	64,152,000	64,152,000
Income tax payable		2,845,078	-	-	-
Total current liabilities		531,862,468	464,848,721	513,092,647	439,476,226
Non-current liabilities					
Liabilities under financial lease agreements	17	1,218,577	5,083,987	729,509	2,443,438
Long-term borrowings	17	235,262,619	323,414,619	130,543,106	194,695,106
Retention		556,054	435,798	556,054	435,797
Employee benefit obligations	18	7,041,409	12,381,650	4,052,776	9,800,900
Deferred tax liabilities	15	542,524	434,044	-	-
Total non-current liabilities		244,621,183	341,750,098	135,881,445	207,375,241
Total liabilities		776,483,651	806,598,819	648,974,092	646,851,467
Equity					
Share capital					
Authorised share capital					
Ordinary shares, 940,000,000 shares					
(2016: 940,000,000 shares)					
at par value of Baht 1 each	19	940,000,000	940,000,000	940,000,000	940,000,000
Issued and fully paid-up share capital					
Ordinary shares, 940,000,000 shares					
at paid-up of Baht 1 each					
		940,000,000	940,000,000	940,000,000	940,000,000
Share premium	19	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					
	20	25,300,000	25,300,000	25,300,000	25,300,000
Unappropriated (deficit)					
		(412,014,249)	(219,337,491)	(273,125,578)	(92,790,562)
Equity attributable to owners of the parent		709,417,509	902,094,267	920,062,922	1,100,397,938
Total equity		709,417,509	902,094,267	920,062,922	1,100,397,938
Total liabilities and equity		1,485,901,160	1,708,693,086	1,569,037,014	1,747,249,405

The notes to the consolidated and separate 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 2017

		Unit: Baht			
		Consolidated		Separate	
		financial statements		financial statements	
Notes		2017	2016	2017	2016
	Revenue from sales	1,388,496,537	1,181,555,517	1,357,939,680	1,153,754,982
	Cost of sales	(1,402,995,203)	(1,229,933,368)	(1,403,886,127)	(1,175,177,775)
	Gross loss	(14,498,666)	(48,377,851)	(45,946,447)	(21,422,793)
21	Other operating income	2,695,504	1,828,171	31,889,146	3,538,675
	Selling expenses	(27,714,929)	(19,145,697)	(27,153,689)	(18,634,159)
	Administrative expenses	(124,203,457)	(119,428,192)	(121,270,235)	(126,393,749)
23	Finance costs	(28,313,421)	(26,070,628)	(22,013,200)	(18,338,420)
	Loss before income tax	(192,034,969)	(211,194,197)	(184,494,425)	(181,250,446)
24	Income tax	(3,851,014)	(1,172,994)	263,769	(638,719)
	Loss for the period	(195,885,983)	(212,367,191)	(184,230,656)	(181,889,165)
	Other comprehensive income:				
	Items that will not be reclassified to profit or loss				
	Remeasurements of employee benefit obligations	3,983,059	8,993,315	4,869,550	4,353,376
	Income tax on items that will not be reclassified	(773,834)	(1,763,598)	(973,910)	(870,675)
	Total items that will not be reclassified to profit or loss	3,209,225	7,229,717	3,895,640	3,482,701
	Other comprehensive income, net of tax	3,209,225	7,229,717	3,895,640	3,482,701
	Total comprehensive expense for the period	(192,676,758)	(205,137,474)	(180,335,016)	(178,406,464)
	Loss attributable to:				
	Owners of the parent	(195,885,983)	(212,367,191)	(184,230,656)	(181,889,165)
	Non-controlling interests	-	-	-	-
		(195,885,983)	(212,367,191)	(184,230,656)	(181,889,165)
	Total comprehensive expense attributable to:				
	Owners of the parent	(192,676,758)	(205,137,474)	(180,335,016)	(178,406,464)
	Non-controlling interests	-	-	-	-
		(192,676,758)	(205,137,474)	(180,335,016)	(178,406,464)
	Loss per share				
	Basic loss per share	25	(0.21)	(0.20)	(0.19)

The notes to the consolidated and separate 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 2017

	Unit: Baht					
	Consolidated financial statements					
	Attributable to owners of the parent					
	Issued and paid-up share capital	Share premium	Premium (discount) from business combination under common control	Retained earnings (deficit)		Total owners of the parent
				Appropriated - legal reserve	Unappropriated	
						Total equity
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
Changes in equity for the year						
Total comprehensive expense for the year	-	-	-	-	(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>
Opening balance at 1 January 2017	940,000,000	227,888,500	(71,756,742)	25,300,000	(219,337,491)	902,094,267
Changes in equity for the year						
Total comprehensive expense for the year	-	-	-	-	(192,676,758)	(192,676,758)
Closing balance at 31 December 2017	<u>940,000,000</u>	<u>227,888,500</u>	<u>(71,756,742)</u>	<u>25,300,000</u>	<u>(412,014,249)</u>	<u>709,417,509</u>

The notes to the consolidated and separate 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 2017

	Unit: Baht				
	Separate financial statements				
	Retained earnings (deficit)				
	Issued and paid-up share capital	Share premium	Appropriated - legal reserve	Unappropriated	Total equity
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 the year					
Total 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
Opening balance at 1 January 2017	940,000,000	227,888,500	25,300,000	(92,790,562)	1,100,397,938
Changes in equity for the year					
Total comprehensive expense for the year	-	-	-	(180,335,016)	(180,335,016)
Closing balance at 31 December 2017	940,000,000	227,888,500	25,300,000	(273,125,578)	920,062,922

The notes to the consolidated and separate 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 2017

		Unit: Baht			
		Consolidated		Separate	
		financial statements		financial statements	
Notes		2017	2016	2017	2016
Cash flows from operating activities					
Loss before income tax		(192,034,969)	(211,194,197)	(184,494,425)	(181,250,446)
Adjustments for:					
Depreciation	11	157,096,256	164,209,739	110,685,174	116,254,311
Amortisation of intangible assets	14	1,056,330	1,187,007	1,076,444	1,067,456
Impairment charge on investment	10	-	-	20,000,000	30,000,000
Loss on devaluation value of inventories (reversal)		-	(1,282,410)	-	(1,282,410)
Loss from write-down of obsolete inventory		43,802	628,789	45,448	480,901
Loss from impairment of fixed assets	11	10,830,500	715,648	10,815,000	-
Loss from write off of palm trees	13	-	245,616	-	18,708
(Reversal of) loss from impairment of palm trees	13	-	(245,616)	-	(18,708)
Loss on write-off of equipment		2	481	-	3
Loss (gain) on disposal of equipment		240,261	(412,287)	(2,841,030)	(370,646)
Loss (gain) from exchange rate		16,354	(73,907)	16,354	6,639
Employee benefit obligations	18	1,074,078	1,108,009	834,986	846,726
Interest expenses	23	28,313,421	26,070,628	22,013,200	18,338,420
Interest income	21	(119,549)	(106,802)	(2,958,898)	(2,083,571)
Dividend income		-	-	(23,999,718)	-
Write-off withholding tax		5,201	-	-	-
Changes in operating assets and liabilities					
Trade and other receivables		50,311,779	(34,043,024)	51,457,165	(31,738,089)
Inventories		18,591,454	(95,304,160)	15,461,021	(93,609,357)
Other non-current assets		598,012	(2,525,280)	598,011	(1,190,529)
Trade and other payables		46,697,265	(1,974,991)	58,292,304	178,536
Retention		120,256	(515,841)	120,257	(403,763)
Employee benefit paid	18	(2,431,260)	(899,022)	(1,713,560)	(661,720)
Cash generated from (used in) operations		120,409,193	(154,411,620)	75,407,733	(145,417,539)
Interest paid		(27,848,060)	(26,089,931)	(21,865,724)	(18,347,613)
Interest received		119,549	106,802	452,444	427,436
Withholding tax paid		(3,567,273)	(646,186)	(276,400)	(158,799)
Withholding tax received		850,160	679,336	850,160	679,336
Net cash generated from (used in) operating activities		89,963,569	(180,361,599)	54,568,213	(162,817,179)

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

Vichitbhan Palmoil Public Company Limited
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2017

		Unit: Baht			
		Consolidated		Separate	
		financial statements		financial statements	
Notes		2017	2016	2017	2016
Cash flows from investing activities					
Short-term loans to related parties	27 IV)	-	-	(43,167,000)	(78,997,000)
Loan payments received from related parties	27 IV)	-	-	30,483,500	29,819,500
Payment for investment in subsidiary	10	-	-	-	(5,000,000)
Dividend income	10	-	-	23,999,718	-
Purchase of property, plant and equipment		(20,409,645)	(18,008,559)	(19,816,779)	(17,471,852)
Proceeds from disposals of equipment		62,148	550,232	11,448	459,232
Purchases of intangible assets	14	(225,371)	(370,550)	(225,371)	(370,550)
Net cash (used in) generated from investing activities		(20,572,868)	(17,828,877)	(8,714,484)	(71,560,670)
Cash flows from financing activities					
Proceeds from short-term borrowings		994,000,000	1,107,000,000	994,000,000	1,107,000,000
Repayments of short-term borrowings		(975,000,000)	(808,000,000)	(975,000,000)	(808,000,000)
Repayments of finance lease liabilities		(9,538,469)	(9,258,042)	(3,665,070)	(3,988,716)
Repayments of long-term borrowings	17	(82,152,000)	(97,005,659)	(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)
Net cash (used in) generated from financing activities		(72,690,469)	192,736,299	(48,817,070)	230,859,284
Net decrease in cash and cash equivalents		(3,299,768)	(5,454,177)	(2,963,341)	(3,518,565)
Opening balance of cash and cash equivalents		3,001,751	8,455,928	3,465,891	6,984,456
Closing balance of cash and cash equivalents		(298,017)	3,001,751	502,550	3,465,891
Cash and cash equivalents					
Cash and cash equivalents	7	1,061,096	6,286,561	502,820	4,948,965
Bank overdrafts	17	(1,359,113)	(3,284,810)	(270)	(1,483,074)
		(298,017)	3,001,751	502,550	3,465,891
Non-cash transactions					
Purchases of property, plant and equipment on credit		180,487	592,042	143,251	549,020
Sales of equipment, not yet received cash		-	-	3,132,000	-

The notes to the consolidated and separate 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, Bangkok, 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’s is engaged in palm plantation and palm oil extraction.

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 2018.

2 Accounting policies

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

2.1 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 4.

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.

2.2 Revised accounting standards, revised financial reporting standards, and related interpretations

2.2.1 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2017 and 2018.

The management has assessed and considered that the revised standards do not have significant impact to the Group.

2 Accounting policies (Cont'd)

2.3 Group accounting - Investments in subsidiaries

(1) 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.

(2) 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.

(3) 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.

(4) Separate financial statement

In the separate 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.

2 Accounting policies (Cont'd)

2.4 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.

2.5 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 statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.6 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.

2.7 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.

2 Accounting policies (Cont'd)

2.8 Investments

Investments other than investments in subsidiaries, associates and joint ventures are classified into the following four categories: (1) trading investments; (2) held-to-maturity investments; (3) available-for-sale investments; and (4) general 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.

1. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets.
2. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity.
3. 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.
4. Investments in non-marketable equity securities are classified as general investments.

All categories of investment are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

Trading investments and available for sale investments are subsequently measured at fair value. The unrealised gains and losses of trading investments are recognised in profit or loss. The unrealised gains and losses of available for sale investments are recognised in other comprehensive income.

Held-to-maturity investments are carried at amortised cost using the effective yield method less impairment loss.

General investments are carried at cost less impairment loss.

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 profit or loss.

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.

2.9 Property, plant and equipment

Property, plant and equipment are stated at historical 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

2 Accounting policies (Cont'd)

2.9 Property, plant and equipment (Cont'd)

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

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

2.10 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.

2.11 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.

2.12 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.

2 Accounting policies (Cont'd)

2.12 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.

2.13 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. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 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.

2 Accounting policies (Cont'd)

2.15 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.

2.16 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.

2 Accounting policies (Cont'd)

2.17 Employee benefits

Retirement benefits

The Group operate various post-employment 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.

2.18 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.

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.

2 Accounting policies (Cont'd)

2.19 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.

2.20 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. |

2.21 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.

2.22 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.

2.23 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.

3 Financial risk management

3.1 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.

3.1.1 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect US Dollars. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

Entities in the Group use forward contracts, transacted with the Group treasury, to hedge their exposure to foreign currency risk in connection with measurement currency. The Group treasury is responsible for hedging the net position in each currency by using currency borrowings and external forward currency contracts.

For financial reporting purposes, each subsidiary designates contracts with the Group treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at group level as hedges of foreign exchange risk on specific assets, liabilities and future transactions.

The Group hedges at 100% of anticipated export sales in each major currency for the following 12 months. Approximately 94% of sales contract or projected sales in each major currency qualified as 'highly probable' for which hedge accounting was used in 2017.

3.1.2 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 over the period of the agreement.

3.1.3 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.

3.1.4 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.

3.2 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 27.

3 Financial risk management (Cont'd)

3.3 Fair value

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.

4 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.

4.1 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 2.13. 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 18.

5 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.

6 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 decision.

The Company's total sales of the electric plant with methane capture biogas project represented 2.26% 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.

7 Cash and cash equivalents

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash on hand	126,159	107,231	36,736	35,310
Cash at banks				
Current accounts	661,964	929,096	379,816	602,855
Saving accounts	272,973	5,250,234	86,268	4,310,800
	<u>1,061,096</u>	<u>6,286,561</u>	<u>502,820</u>	<u>4,948,965</u>

As at 31 December 2017, deposits held at call with banks carry interest at the rate of 0.13% - 0.63% per annum (2016: 0.04% - 0.63% per annum).

8 Trade and other receivables

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Third parties				
- Trade accounts receivable	7,854,561	58,844,881	4,125,475	55,549,893
- Unbilled revenue	3,435,019	2,713,298	-	-
Total	11,289,580	61,558,179	4,125,475	55,549,893
<u>Less</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable, net	11,289,580	61,558,179	4,125,475	55,549,893
Amounts due from related parties (Note 27)	3,578	8,306	8,233,314	2,579,226
Prepaid expenses	2,270,770	2,782,137	1,784,347	2,293,096
Advances	578,637	171,362	559,930	162,584
Prepaid corporate income tax	1,273,804	1,653,433	435,200	1,008,960
Others	2,299,453	2,233,813	717,966	654,944
Total other receivable	6,426,242	6,849,051	11,730,757	6,698,810
<u>Less</u> Allowance for doubtful accounts	(1,495,696)	(1,495,696)	(115,827)	(115,827)
Other receivable, net	4,930,546	5,353,355	11,614,930	6,582,983
Trade and other receivables, net	16,220,126	66,911,534	15,740,405	62,132,876

Outstanding trade accounts receivable can be analysed as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Third parties				
Unbilled revenue	3,435,019	2,713,298	-	-
Trade accounts receivable				
Current	7,854,561	58,458,260	4,125,475	55,163,272
Overdue less than 3 months	-	243,121	-	243,121
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
Over 12 months	-	143,500	-	143,500
Total	11,289,580	61,558,179	4,125,475	55,549,893
<u>Less</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable, net	11,289,580	61,558,179	4,125,475	55,549,893

9 Inventories

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Finished good	231,677,900	245,002,085	236,564,515	247,135,901
Work in process	-	-	-	-
Raw materials	-	-	-	-
Spare parts	12,907,312	15,673,863	11,115,541	13,701,719
Supplies	4,892,664	7,400,844	4,202,629	6,513,548
Total	249,477,876	268,076,792	251,882,685	267,351,168
<u>Less</u> Allowance for decline values of inventories and obsolete	(1,196,727)	(1,160,387)	(956,695)	(918,709)
Inventories, net	248,281,149	266,916,405	250,925,990	266,432,459

The cost of inventories recognised as expense and included in 'cost of sales' amounted to Baht 1,307,495,468 (2016: Baht 1,057,162,881).

The Group have not reversed 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 2017, there was no inventory carried at net realisable value, this being lower than cost. (2016: nil).

10 Investments in subsidiaries

	Unit: Baht	
	Separate financial statements	
	2017	2016
Investment in subsidiaries - at cost	531,108,348	531,108,348
<u>Less</u> Allowance for impairment	(160,000,000)	(140,000,000)
Closing net book amount	371,108,348	391,108,348
For the year ended 31 December		
Opening net book amount	391,108,348	416,108,348
Share increase	-	5,000,000
Impairment charge	(20,000,000)	(30,000,000)
Closing net book amount	371,108,348	391,108,348

The details of investments in subsidiaries are as follows:

Subsidiaries	Nature of business	Country of incorporation	% Ownership interest	
			2017	2016
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.

Dividends income

During 2017, the Company received dividends income from subsidiaries (Vichitbhan Plantation Co., Ltd.) amounting to Baht 23,999,718 included in "Other income" in the company income statement.

11 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 2016									
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
Less 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
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
Less 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

Vichitbhan Palmoil Public Company Limited
Notes to the Consolidated and Separate Financial Statements
For the year ended 31 December 2017

11 Property, plant and equipment (Cont'd)

	Consolidated financial statements								Unit: Baht
	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 2017									
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	<u>92,188,127</u>	<u>307,160,985</u>	<u>878,330,917</u>	<u>20,215,390</u>	<u>14,364,722</u>	<u>28,300,037</u>	<u>436,348</u>	<u>18,325,340</u>	<u>1,359,321,866</u>
For the year ended 31 December 2017									
Opening 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
Additions	4,400,000	219,241	3,179,976	252,330	2,035,228	300,000	-	9,611,315	19,998,090
Transfer in (out)	-	14,050,124	7,780,605	3,236,350	44,940	-	-	(25,112,019)	-
Disposals, net	-	-	(10,119)	(194,908)	(96,585)	(796)	(1)	-	(302,409)
Write-off, net	-	-	-	(1)	(1)	-	-	-	(2)
Depreciation charge	-	(18,579,012)	(124,222,522)	(4,022,805)	(2,700,714)	(7,411,603)	(159,600)	-	(157,096,256)
Impairment charge	-	(10,445,800)	-	-	(384,700)	-	-	-	(10,830,500)
Closing net book value	<u>96,588,127</u>	<u>292,405,538</u>	<u>765,058,857</u>	<u>19,486,356</u>	<u>13,262,890</u>	<u>21,187,638</u>	<u>276,747</u>	<u>2,824,636</u>	<u>1,211,090,789</u>
At 31 December 2017									
Cost	96,588,127	572,833,771	2,028,626,729	55,670,166	63,401,063	135,152,692	33,520,149	2,824,636	2,988,617,333
<u>Less</u> Accumulated depreciation	-	(261,494,021)	(1,200,454,230)	(36,183,810)	(49,753,473)	(113,965,054)	(33,243,402)	-	(1,695,093,990)
Allowance for impairment	-	(18,934,212)	(63,113,642)	-	(384,700)	-	-	-	(82,432,554)
Net book value	<u>96,588,127</u>	<u>292,405,538</u>	<u>765,058,857</u>	<u>19,486,356</u>	<u>13,262,890</u>	<u>21,187,638</u>	<u>276,747</u>	<u>2,824,636</u>	<u>1,211,090,789</u>

11 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

11 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 2017										
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
Less	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
For the year ended 31 December 2017										
Opening 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
Additions		4,400,000	219,241	3,062,765	205,096	1,912,593	-	-	9,611,315	19,411,010
Transfer in (out)		-	14,050,124	7,780,605	3,236,350	44,940	-	-	(25,112,019)	-
Disposals, net		-	-	(10,128)	(194,908)	(96,585)	(796)	(1)	-	(302,418)
Write-off, net		-	-	-	-	-	-	-	-	-
Depreciation charge		-	(14,554,493)	(85,910,012)	(3,749,960)	(2,774,005)	(3,633,360)	(63,344)	-	(110,685,174)
Impairment charge		-	(10,445,800)	-	-	(369,200)	-	-	-	(10,815,000)
Closing net book value		154,104,029	241,203,183	416,498,332	21,336,619	7,393,183	7,003,273	135,168	2,565,727	850,239,514
At 31 December 2017										
Cost		154,104,029	357,202,072	1,093,955,938	45,191,234	25,514,569	33,894,116	14,354,638	2,565,727	1,726,782,323
Less	Accumulated depreciation	-	(105,503,457)	(677,143,964)	(23,854,615)	(17,752,186)	(26,890,843)	(14,219,470)	-	(865,364,535)
	Allowance for impairment	-	(10,495,432)	(313,642)	-	(369,200)	-	-	-	(11,178,274)
Net book value		154,104,029	241,203,183	416,498,332	21,336,619	7,393,183	7,003,273	135,168	2,565,727	850,239,514

11 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		2017	2016	2017	2016
Property, plant and equipment	USD	-	20,782	-	20,782
	EUR	-	10,000	-	-
	THB	1,976,800	5,899,678	1,976,800	5,010,178

Depreciation expense of Baht 157,096,256 and Baht 110,685,174 (2016: Baht 164,209,739 and Baht 116,254,311) has been charged in 'cost of goods sold', Baht 138,108,963 and Baht 95,413,688 (2016: Baht 146,251,679 and Baht 102,176,085) in 'selling expense' and Baht 18,987,293 and Baht 15,271,486 (2016: Baht 17,958,060 and Baht 14,078,226) in 'administrative expense' in consolidated and company statements of comprehensive income, respectively.

The impairment charge of Baht 10,830,500 and 10,815,000 in consolidated and separate financial statements respectively in 2017 for buildings, building improvement, office equipment and fixtures since net book value was higher than the recoverable amount. This 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	
		2017	2016	2017	2016
Cost - capitalised finance leases		52,468,797	52,468,797	23,984,797	23,984,797
<u>Less</u> Accumulated depreciation		(31,041,630)	(24,430,271)	(18,460,763)	(14,697,804)
Net book amount		<u>21,427,167</u>	<u>28,038,526</u>	<u>5,524,034</u>	<u>9,286,993</u>

As at 31 December 2017, the Company and subsidiaries have mortgaged the land together with construction and part of machines at the book value of Baht 799,027,981 (2016: Baht 897,702,758). In the Company financial statements, the Company has mortgaged its land together with construction and part of machines at the book value of Baht 470,910,293 (2016: Baht 532,916,475) as collaterals for bank overdraft, short-term and long-term borrowings (Notes 17).

12 Investment property

		Unit: Baht	
		Consolidated financial statements	
For the years ended 31 December		2017	2016
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>2,503,380</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.

13 Deferred palm plantation cost

	Unit: Baht		
	Consolidated financial statements		
	Palm Plantation	Palm Seedlings cost	Total
At 1 January 2016			
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	-	-	-
For the year ended 31 December 2017			
Opening net book value	-	-	-
Write-off, net	-	-	-
Amortisation	-	-	-
Impairment (Reverse)	-	-	-
Closing net book value	-	-	-
At 31 December 2017			
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	-	-	-

13 Deferred palm plantation cost (Cont'd)

	Unit: Baht		
	Separate financial statements		
	Palm Plantation	Palm Seedlings cost	Total
At 1 January 2016			
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	-	-	-
For the year ended 31 December 2017			
Opening net book value	-	-	-
Write-off, net	-	-	-
Amortisation	-	-	-
Impairment	-	-	-
Closing net book value	-	-	-
At 31 December 2017			
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 28).

14 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 2016								
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
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

14 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 2017								
Opening net book value	3,042,488	28,000	1	-	3,070,489	2,836,773	28,000	2,864,773
Additions	183,371	42,000	-	-	225,371	183,371	42,000	225,371
Transfer in (out)	70,000	(70,000)	-	-	-	70,000	(70,000)	-
Amortisation	(1,056,330)	-	-	-	(1,056,330)	(1,076,444)	-	(1,076,444)
Closing net book value	2,239,529	-	1	-	2,239,530	2,013,700	-	2,013,700
At 31 December 2017								
Cost	12,401,705	-	2,805,500	8,042,000	23,249,205	9,949,627	-	9,949,627
<u>Less</u> Accumulated amortisation	(10,162,176)	-	(2,805,499)	-	(12,967,675)	(7,935,927)	-	(7,935,927)
Allowance for impairment	-	-	-	(8,042,000)	(8,042,000)	-	-	-
Closing net book value	2,239,529	-	1	-	2,239,530	2,013,700	-	2,013,700

Amortisation of Baht 1,056,330 and Baht 1,076,444 (2016: Baht 1,187,007 and Baht 1,067,456) is included in administrative expenses in consolidated and company statements of comprehensive income, respectively.

15 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	
	2017	2016	2017	2016
Deferred tax assets:				
Deferred tax asset to be recovered within 12 months	-	-	-	-
Deferred tax asset to be recovered after more than 12 months	3,469,473	2,049,222	965,991	1,676,131
Total	3,469,473	2,049,222	965,991	1,676,131
Deferred tax liabilities:				
Deferred tax liability to be recovered within 12 months	-	-	-	-
Deferred tax liability to be recovered after more than 12 months	(542,524)	(434,044)	-	-
Total	(542,524)	(434,044)	-	-
Deferred tax assets, net	2,926,949	1,615,178	965,991	1,676,131

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

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
At 1 January	1,615,178	4,551,769	1,676,131	3,185,526
(Charged) credited to profit or loss	2,085,605	(1,172,993)	263,770	(638,720)
Charged directly to equity	(773,834)	(1,763,598)	(973,910)	(870,675)
At 31 December	2,926,949	1,615,178	965,991	1,676,131

15 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 2017	(Charged) credited to profit or loss	Charged directly to equity	At 31 December 2017
Deferred tax assets				
Allowance for decline values of inventory	184,318	7,597	-	191,915
Employee benefit	1,802,176	336,229	(773,834)	1,364,571
Impairment loss of assets	62,728	1,495,802	-	1,558,530
Tax losses	-	354,457	-	354,457
Total	2,049,222	2,194,085	(773,834)	3,469,473

	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 2017	(Charged) credited to profit or loss	Charged directly to equity	At 31 December 2017
Deferred tax liabilities				
Depreciation	(434,044)	(108,480)	-	(542,524)
Total	(434,044)	(108,480)	-	(542,524)

	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)

15 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 2017	(Charged) credited to profit or loss	Charged directly to equity
			At 31 December 2017
Deferred tax assets			
Allowance for decline values of inventory	183,742	7,597	-
Employee benefit	1,429,661	318,901	(973,910)
Impairment loss of assets	62,728	(62,728)	-
Total	1,676,131	263,770	(973,910)

	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)

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

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Deferred tax assets	3,469,473	2,049,222	965,991	1,676,131
Deferred tax liabilities	(542,524)	(434,044)	-	-
Deferred tax, net	2,926,949	1,615,178	965,991	1,676,131

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 136,154,427. (2016: Baht 90,468,751) in respect of tax losses Baht 680,772,134 (2016: Baht 452,343,755) to carry forward against future taxable income.

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

	Unit: Baht	
Expiry year	Consolidated financial statements	Separate financial statements
2018	2,587,901	-
2019	20,729,796	19,700,584
2020	61,366,029	60,491,388
2021	109,439,952	106,434,821
2022	101,021,153	99,994,003
2023	117,983,953	117,983,953
2024	261,131,300	-
2025	5,071,428	5,071,428

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

16 Trade and other payables

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade account payables - third parties	39,080,205	967,374	39,072,206	967,374
Trade account payables - related parties (Note 27)	-	-	16,757,795	4,146,528
Amounts due to related parties (Note 27)	1,160,810	1,342,720	1,018,405	1,015,373
Payable for purchase of supplies	12,180,430	5,043,097	10,063,693	3,880,209
Payable for purchase of assets	180,487	592,042	143,251	549,020
Accrued expenses	6,743,329	5,411,483	4,401,096	3,241,671
Withholding tax payable	569,694	371,664	449,418	298,260
Other	725,912	676,711	320,584	301,631
Trade and other payables	<u>60,640,867</u>	<u>14,405,091</u>	<u>72,226,448</u>	<u>14,400,066</u>

17 Borrowings

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Current portion				
Bank overdraft	1,359,113	3,284,810	270	1,483,074
Short-term loans from financial institutions	<u>375,000,000</u>	<u>356,000,000</u>	<u>375,000,000</u>	<u>356,000,000</u>
Total bank overdraft and short-term loans from financial institutions	<u>376,359,113</u>	<u>359,284,810</u>	<u>375,000,270</u>	<u>357,483,074</u>
Current portion of long-term borrowings				
- Finance lease liabilities	3,865,410	9,006,820	1,713,929	3,441,086
- Bank borrowings	<u>88,152,000</u>	<u>82,152,000</u>	<u>64,152,000</u>	<u>64,152,000</u>
Total current portion of long-term borrowings	<u>92,017,410</u>	<u>91,158,820</u>	<u>65,865,929</u>	<u>67,593,086</u>
Non-current portion of long-term borrowings				
- Finance lease liabilities	1,218,577	5,083,987	729,509	2,443,438
- Bank borrowings	<u>235,262,619</u>	<u>323,414,619</u>	<u>130,543,106</u>	<u>194,695,106</u>
Total non-current portion of long-term borrowings	<u>236,481,196</u>	<u>328,498,606</u>	<u>131,272,615</u>	<u>197,138,544</u>
Total borrowings	<u><u>704,857,719</u></u>	<u><u>778,942,236</u></u>	<u><u>572,138,814</u></u>	<u><u>622,214,704</u></u>

The borrowings include secured liabilities (lease and bank borrowings) in a total amount of Baht 323,414,619 (2016: Baht 405,566,619). The bank borrowings are secured over a part of the land and buildings of the Group/Company (Note 11). Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

17 Borrowings (Cont'd)

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	
	2017	2016	2017	2016
Borrowings:				
- Fixed rates	375,000,000	335,000,000	375,000,000	335,000,000
- Floating rates	324,773,732	429,851,429	194,695,376	281,330,180
	<u>699,773,732</u>	<u>764,851,429</u>	<u>569,695,376</u>	<u>616,330,180</u>

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

	Unit: %			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
- Bank overdrafts	6.68 - 8.37	7.12 - 8.62	6.68 - 8.37	7.12 - 8.62
- Bank borrowings	3.14 - 4.25	2.71 - 4.25	3.14 - 4.25	2.71 - 4.25

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	
	2017	2016	2017	2016
Long-term bank borrowings	323,414,619	405,566,619	194,695,106	258,847,106
	<u>323,414,619</u>	<u>405,566,619</u>	<u>194,695,106</u>	<u>258,847,106</u>

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

Finance lease liabilities-minimum lease payments are as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Not later than 1 year	4,008,882	9,538,888	1,788,558	3,665,488
Later than 1 year but not later than 5 years	1,247,099	5,255,562	746,068	2,534,208
Later than 5 years	-	-	-	-
	<u>5,255,981</u>	<u>14,794,450</u>	<u>2,534,626</u>	<u>6,199,696</u>
<u>Less</u> Future finance charges on finance leases	<u>(171,994)</u>	<u>(703,643)</u>	<u>(91,188)</u>	<u>(315,172)</u>
Present value of finance lease liabilities	<u>5,083,987</u>	<u>14,090,807</u>	<u>2,443,438</u>	<u>5,884,524</u>

17 Borrowings (Cont'd)

The present value of finance lease liabilities is as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Not later than 1 year	3,865,410	9,006,820	1,713,929	3,441,086
Later than 1 year	1,218,577	5,083,987	729,509	2,443,438
	<u>5,083,987</u>	<u>14,090,807</u>	<u>2,443,438</u>	<u>5,884,524</u>

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

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Opening balance	405,566,619	502,572,278	258,847,106	322,999,106
Repayments	(82,152,000)	(97,005,659)	(64,152,000)	(64,152,000)
Closing balance	<u>323,414,619</u>	<u>405,566,619</u>	<u>194,695,106</u>	<u>258,847,106</u>

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

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Within 1 year	88,152,000	82,152,000	64,152,000	64,152,000
Between 1 year and 2 years	178,704,000	176,304,000	128,304,000	128,304,000
Between 2 years and 5 years	56,558,619	147,110,619	2,239,106	66,391,106
	<u>323,414,619</u>	<u>405,566,619</u>	<u>194,695,106</u>	<u>258,847,106</u>

Borrowing facilities

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

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Floating rate				
- expiring within one year	1,372,342,786	1,944,530,390	1,355,601,630	1,933,252,130
- expiring beyond one year	103,000,000	103,000,000	-	-
	<u>1,475,342,786</u>	<u>2,047,530,390</u>	<u>1,355,601,630</u>	<u>1,933,252,130</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.

18 Employee benefit

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

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Present value of unfunded obligation	7,041,409	12,381,650	4,052,776	9,800,900
Liability in the statement of financial position	7,041,409	12,381,650	4,052,776	9,800,900

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

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
At 1 January	12,381,650	21,165,978	9,800,900	13,969,270
Current service cost	730,833	768,341	560,508	578,525
Past service cost	-	7,648,087	-	5,098,364
Interest cost	343,245	339,668	274,478	268,201
	13,455,728	29,922,074	10,635,886	19,914,360
Remeasurements:				
Gain from change in financial assumptions	(2,179,673)	(6,348,357)	(1,443,691)	(5,141,331)
Experience (gain)/loss	(1,803,386)	(2,644,958)	(3,425,859)	787,955
	(3,983,059)	(8,993,315)	(4,869,550)	(4,353,376)
Payment from plans:				
Benefit paid	(2,431,260)	(8,547,109)	(1,713,560)	(5,760,084)
At 31 December	7,041,409	12,381,650	4,052,776	9,800,900

The amounts recognised in the income statements are as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Current service cost	730,833	768,341	560,508	578,525
Interest cost	343,245	339,668	274,478	268,201
Total, included in staff costs	1,074,078	1,108,009	834,986	846,726

Of the total charge, Baht 281,677 and Baht 198,532 (2016: Baht 266,519 and Baht 210,887) are included in "cost of sales" and Baht 792,401 and Baht 636,454 (2016: Baht 841,490 and Baht 635,839) "administrative expenses" in consolidated and company financial statements, respectively.

18 Employee benefit (Cont'd)

The principal actuarial assumptions used are as follows:

	Unit: %			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Discount rate				
For monthly employees	1.82 - 3.09	2.56 - 3.68	2.52	2.59
For daily employees	2.22 - 3.47	2.56 - 3.07	2.68	2.87
Future salary increases				
For monthly employees	2.61	5.26	2.61	5.26
For daily employees	1.73	5.44	1.73	5.44

Consolidated financial statements						
Change in assumption	Impact on defined benefit obligation					
	Increase in assumption		Decrease in assumption			
	2017	2016	2017	2016	2017	2016
Discount rate	0.5%	0.5%	Decrease by 3.14%	Decrease by 3.18%	Increase by 3.27%	Increase by 3.37%
Salary growth rate	0.5%	0.5%	Increase by 3.19%	Increase by 3.67%	Decrease by 3.09%	Decrease by 3.50%
Turnover rate	0.5%	0.5%	Decrease by 3.59%	Decrease by 4.13%	Increase by 3.74%	Increase by 4.38%

Separate financial statements						
Change in assumption	Impact on defined benefit obligation					
	Increase in assumption		Decrease in assumption			
	2017	2016	2017	2016	2017	2016
Discount rate	0.5%	0.5%	Decrease by 3.57%	Decrease by 3.13%	Increase by 3.77%	Increase by 3.32%
Salary growth rate	0.5%	0.5%	Increase by 3.70%	Increase by 3.64%	Decrease by 3.53%	Decrease by 3.47%
Turnover rate	0.5%	0.5%	Decrease by 4.11%	Decrease by 4.08%	Increase by 4.34%	Increase by 4.32%

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 10 years for monthly employees.

The weighted average duration of the defined benefit obligation is 12 years for daily employees.

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

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 2017					
Retirement benefits	101,382	-	3,892,573	6,888,894	10,882,849
Total	101,382	-	3,892,573	6,888,894	10,882,849

18 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
Separate financial statements					
	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
At 31 December 2017					
Retirement benefits	101,382	-	2,029,599	4,651,119	6,782,100
Total	101,382	-	2,029,599	4,651,119	6,782,100
					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

19 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 2016	940,000,000	940,000,000	940,000,000	940,000,000	227,888,500
Deduction of shares	-	-	-	-	-
At 31 December 2016	940,000,000	940,000,000	940,000,000	940,000,000	227,888,500
Issuance of shares	-	-	-	-	-
At 31 December 2017	940,000,000	940,000,000	940,000,000	940,000,000	227,888,500

The total number of authorised ordinary shares is 940,000,000 shares (2016: 940,000,000 shares) with a par value of Baht 1 per share (2016: Baht 1 per share). All issued shares are fully paid.

20 Legal reserve

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
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.

21 Other income

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Dividend income	-	-	23,999,718	-
Interest income	119,549	106,802	2,958,898	2,083,571
Gain from exchange rate	818,040	80,547	835,799	-
Insurance claim	92,826	16,300	35,370	12,094
Gain on disposal of equipment	-	461,161	2,841,030	370,646
Others	1,665,089	1,163,361	1,218,331	1,072,364
	<u>2,695,504</u>	<u>1,828,171</u>	<u>31,889,146</u>	<u>3,538,675</u>

22 Expenses by nature

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Depreciation of property and equipment (Note 11)	157,096,256	164,209,739	110,685,175	116,254,311
Amortisation of intangible assets (Note 14)	1,056,331	1,187,007	1,076,444	1,067,456
Transportation expense	21,171,798	22,832,957	40,650,096	22,822,237
Impairment of investment (Note 10)	-	-	20,000,000	30,000,000
Impairment of assets	10,830,500	715,648	10,815,000	-
Repairs and maintenance expenditure	36,310,051	20,529,466	32,680,932	16,736,830
Salary and wages and other employee benefits	104,930,982	121,350,099	84,685,624	97,823,525
Obsolete	43,802	(755,932)	45,448	(903,814)
Raw material and supplies used	1,140,611,758	1,123,945,534	1,123,748,949	1,112,017,101
Changes in finished goods increase (decrease)	(10,616,578)	98,358,958	(10,571,387)	98,666,434
Outsource wages	17,221,827	1,584,756	-	-

23 Finance costs

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Interest expense:				
Bank borrowings	27,781,772	25,061,276	21,789,216	17,933,145
Finance lease	531,649	1,009,352	223,984	405,275
	<u>28,313,421</u>	<u>26,070,628</u>	<u>22,013,200</u>	<u>18,338,420</u>

24 Income tax

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Current tax:				
Current tax on profits for the year	5,936,619	-	-	-
Adjustments in respect of prior year	-	-	-	-
Total current tax	5,936,619	-	-	-
Deferred tax:				
Origination and reversal of temporary differences	(2,085,605)	1,172,994	(263,769)	638,719
Total deferred tax	(2,085,605)	1,172,994	(263,769)	638,719
Total tax expense	3,851,014	1,172,994	(263,769)	638,719

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	
	2017	2016	2017	2016
Loss before tax	(192,034,969)	(211,194,197)	(184,494,425)	(181,250,446)
Tax calculated at a tax rate of 20% (2016: 20%)	(38,406,994)	(42,238,839)	(36,898,885)	(36,250,089)
Tax effect of:				
Income not subject to tax	(377,123)	(867,892)	(4,799,944)	(250,310)
Expenses not deductible for tax purpose	3,061,802	1,376,511	6,865,651	6,944,984
Expense that are deductible at a greater amount from actual expenses	(507,784)	(141,416)	(507,785)	-
Utilisation of previously unrecognised tax losses	(353,754)	-	-	-
Tax losses for which no deferred income tax asset was recognised	42,409,663	43,431,179	35,166,368	29,699,176
Deferred tax expense relating to the origination and reversal of temporary differences	(62,728)	634,964	(62,728)	494,958
Unrealised losses from intercompany transaction	144,992	(1,455,557)	-	-
Recognition of previously unrecognised deferred taxes	(2,057,060)	434,044	(26,446)	-
Tax charge	3,851,014	1,172,994	(263,769)	638,719

The weighted average applicable tax rate was 11.96% and 11.37% (2016: 12.05% and 14.40%) for consolidated and company financial statements, respectively. The Group has increased operation of BOI proportion.

25 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	
	2017	2016	2017	2016
Loss attributable to ordinary shareholders of the Company (Baht)	(195,885,984)	(212,367,191)	(184,230,656)	(181,889,165)
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)	(0.21)	(0.23)	(0.20)	(0.19)

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

26 Derivative instruments

Interest rate swap

Interest rate swap					Unit: Baht
					2017
					Fair value
Type	Objective	National	Assets	Liabilities	Net
Interest rate swap	Manage interest rate risk	192,720,000	-	(3,533,413)	(3,533,413)
		192,720,000	-	(3,533,413)	(3,533,413)
					Unit: Baht
					2016
					Fair value
Type	Objective	National	Assets	Liabilities	Net
Interest rate swap	Manage interest rate risk	257,040,000	-	(4,872,826)	(4,872,826)
		257,040,000	-	(4,872,826)	(4,872,826)

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.

Forward contracts

The Company's forward exchange contracts outstanding is as follow:

		31 December 2017		
		Contract		
Currency	Amount per Contract	exchange rate Baht	Fair value rate Baht	
Sell	USD	9,000,000	32.475 - 32.845	32.557 - 32.576

Net fair value

The net fair values of the open forward foreign exchange contracts is as follows:

		Unit: Baht	
		30 December 2017	31 December 2016
Favourable forward foreign exchange contracts		37,971	-

As at 31 December 2016, there was no forward contracts.

Fair value of forward foreign contracts are within level 2 of the value hierarchy.

The fair values of foreign exchange forward contracts have been calculated using the net present value technique which is the estimated amount that a bank would receive or pay to terminate the forward contracts at the financial position date.

27 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 10.

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	
	2017	2016	2017	2016
Sales of decanter cake				
Subsidiaries	-	-	797,322	544,921
	-	-	797,322	544,921
Interest income				
Subsidiaries	-	-	2,905,063	2,013,235
	-	-	2,905,063	2,013,235
Sales of services				
Subsidiaries	-	-	36,067	41,799
Related parties	42,127	49,701	42,127	49,701
	42,127	49,701	78,194	91,500
Sale of assets				
Subsidiaries	-	-	3,132,000	-
	-	-	3,132,000	-

27 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	
	2017	2016	2017	2016
Purchase of goods				
Subsidiaries	-	-	86,266,415	13,241,668
Rental and service for office building				
Related parties	3,106,963	3,106,963	1,419,926	1,419,926
Transportation expense				
Subsidiaries	-	-	19,484,936	13,439,389
Purchasing supplies				
Related parties	14,767,410	11,442,840	5,254,450	5,506,400

As at 31 December 2017, 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 2017, 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	
	2017	2016	2017	2016
Other receivable				
Subsidiaries - Non - trade	-	-	4,015,732	863,370
- Interest receivable	-	-	4,214,004	1,707,550
Related parties	3,578	8,306	3,578	8,306
	3,578	8,306	8,233,314	2,579,226
Trade account payables				
Subsidiaries	-	-	16,757,795	4,146,528
Other payables				
Subsidiaries	-	-	395,795	490,253
Related parties	1,160,810	1,342,720	622,610	525,120
	1,160,810	1,342,720	1,018,405	1,015,373

27 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	
	2017	2016	2017	2016
Short-term loans to				
Subsidiaries	-	-	76,506,000	63,822,500
	-	-	76,506,000	63,822,500

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

	Unit: Baht
	Separate financial statements
For the year ended 31 December 2017	
Subsidiaries:	
Opening balance	63,822,500
Loans advanced during the period	43,167,000
Loans repayments received during the period	(30,483,500)
Closing balance	76,506,000

Loan to subsidiaries are unsecured and carry interest at rate 4.25% per annum (2016: 4.25% - 4.50% per annum). Such loans are in the form of promissory notes and are due at call.

vii) Key management compensation

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Short-term employee benefits	8,923,248	10,777,248	5,778,660	9,270,440
Retirement benefits	1,721,301	406,054	1,551,694	356,323
	10,644,549	11,183,302	7,330,354	9,626,763

28 Commitments and contingencies

28.1) 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	
	2017	2016	2017	2016
Not later than 1 year	70,000	-	70,000	-
Later than 1 year but not later than 5 years	1,030,000	930,000	1,030,000	930,000
Later than 5 years	1,535,000	1,705,000	1,535,000	1,705,000
	2,635,000	2,635,000	2,635,000	2,635,000

28 Commitments and contingencies (Cont'd)

28.2) 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, Chumphorn 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.

28.3) 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			
	2017		2016		2017		2016	
	Contractual amount	Outstanding contractual amount	Contractual amount	Outstanding contractual amount	Contractual amount	Outstanding contractual amount	Contractual amount	Outstanding contractual amount
USD	-	-	0.25	0.02	-	-	0.25	0.02
EURO	-	-	0.09	0.01	-	-	-	-
Baht	2.47	1.98	8.40	5.90	2.47	1.98	5.50	5.01

28.4) Bank guarantee

As at 31 December 2017 and 2016, the Company had outstanding bank guarantee issued on behalf of the Company for the usage of electricity amounted Baht 3.73 million and Baht 3.88 million, respectively.

28.5 Commitment from royalties and forest maintenance fees from Royal Forest Department

On 1 November 2017, the Company has received Royal Forest Department letter refer to Ministerial Regulation No.1221(B.E. 2549) issued under the National Reserved Forests Act, B.E. 2507 clause 3 (3) the Company shall be bound to pay of such damaged; royalties, and forest maintenance fees from 24 May 2010 to 17 October 2015, totaling 152,878,343.58 Baht.

At the time the Royal Forest Department stipulated in the letter to collect royalties, and forest maintenance fees as per the contract between the Company and the Royal Forest Department; the Company is obliged to grow palm forest for recovering of degraded forest. According to the contract, the Company is bound to pay the compensation which is the rent only and the Company is not obliged to pay any royalties, and forest maintenance fees.

The company's legal consultants has given an opinion that pursuant to the rent agreement of the parties specified that the company must remunerate for making use on the national reserved forest area by making the annual rental fee as specified in the agreement. According to the agreement and laws, the company shall not be obliged to pay any royalties and forest maintenance fees as claim in the Royal Forest Department letter. Thus, the Company has no obligation to pay the compensation. Nevertheless, the Company will prepare the clarification letter.

Management considers the legal consultants' opinion and believe that the Company has no any obligations. Therefore, the Company does not record any provision in financial statements.

On 28 November 2017, the company sent the clarification letter to Royal Forest Department for refusing to pay any royalties and forest maintenance fees.

29 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)/2552	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 2017 and 2016 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			
2017			
	Promoted activities	Non-promoted activities	Total
Sales	1,078,741,868	244,991,456	1,323,733,324
Sales of by product	28,375,599	5,830,757	34,206,356
Total revenues	1,107,117,467	250,822,213	1,357,939,680

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



บริษัท วิจิตรภัณฑ์ปาล์มออยล์ จำกัด (มหาชน)

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