



Annual Report 2018

QUALITY + CORPORATE SOCIAL RESPONSIBILITY



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

FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

(Unit : Million Baht)

	2016	2017	2018
Total Assets	1,547	1,520	1,361
Total Liabilities	397	451	311
Shareholders' Equity	1,150	1,069	1,050
Sales	946	763	628
Total Revenues	972	781	683
Gross Profit	150	54	59
Net Profit (Loss)	72	(18)	14

FINANCIAL RATIOS

(Unit : %)

	2016	2017	2018
Net Profit (Loss) Margin	7.41	(2.30)	2.05
Return (Loss) on Equity	6.26	(1.68)	1.33
Return (Loss) on Total Assets	4.65	(1.18)	1.03

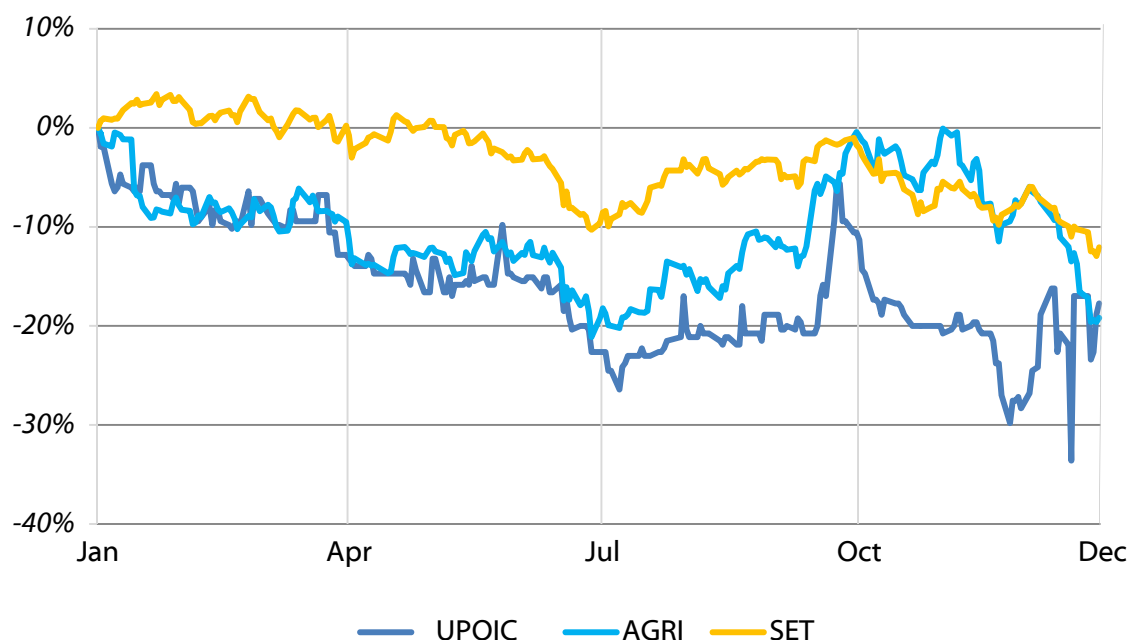
PER SHARE DATA

(Unit : Baht)

	2016	2017	2018
Earnings (Loss) per Share	0.22	(0.06)	0.04
Dividend Paid per Share	0.10	0.15	0.10
Dividend per Share (operational year)	0.15	0.10	0.08 ⁽¹⁾
Book Value per Share	3.55	3.30	3.24

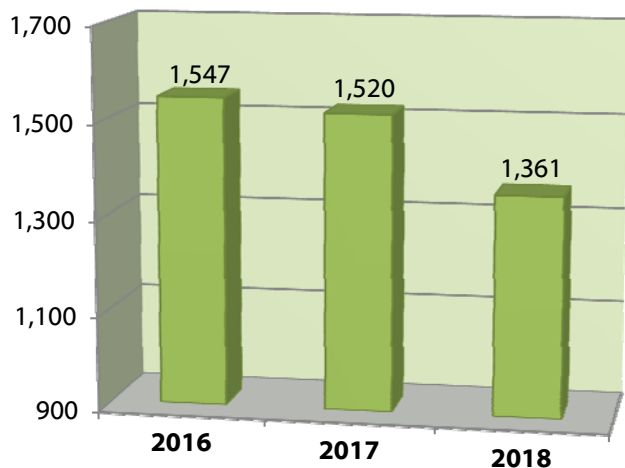
Note : ⁽¹⁾ According to the resolution of BOD meeting on 21 February 2019, to be proposed to AGM no. 42

2018 STOCK PRICE PERFORMANCE

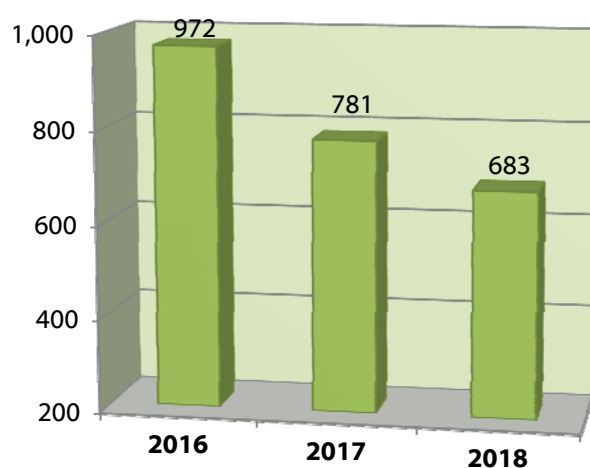


FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

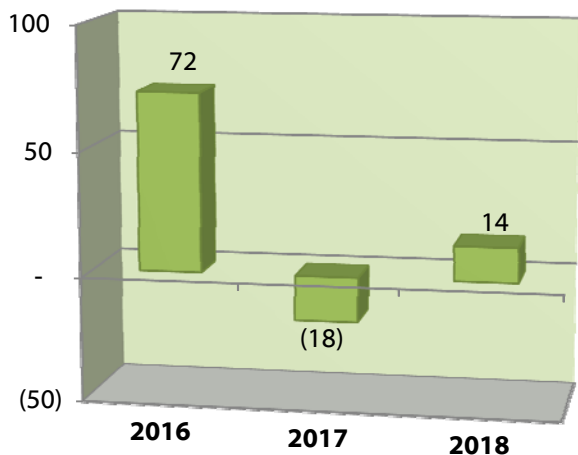
TOTAL ASSETS
(Million Baht)



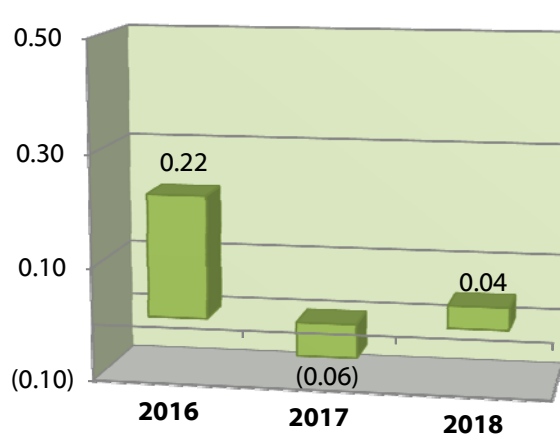
TOTAL REVENUES
(Million Baht)



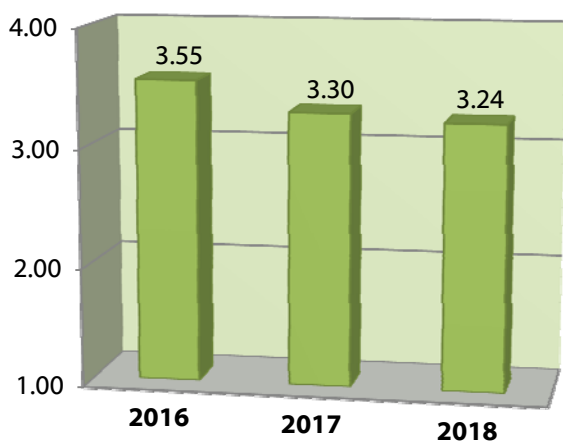
NET PROFIT
(Million Baht)



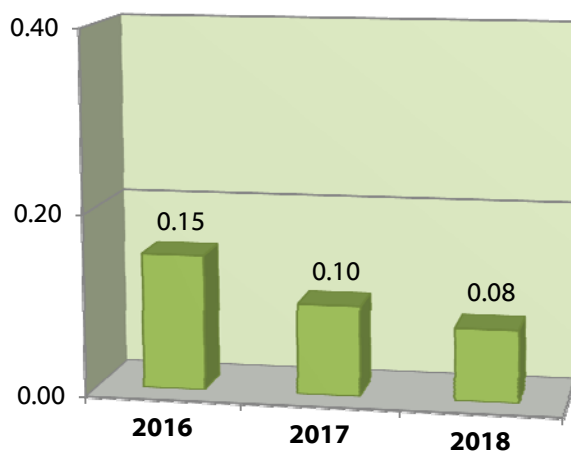
EARNINGS PER SHARE
(Baht)



BOOK VALUE PER SHARE
(Baht)



DIVIDEND PER SHARE
(Baht)



2018 Overview



In 2018, as the global supply of FFB and CPO remained abundant, CPO price softened and inventory piled up. The global supply of CPO increased by 13% to 70 million MT in 2018 (2017 : 62 million MT).

The output of FFB in the Kingdom was around 15 million MT, about the same level as the previous year, while total CPO production in the Kingdom was the highest recorded at 2.8 million MT (2017 : 2.6 million MT). The CPO stock nationwide was maintained at a high level throughout the year. Monthly CPO price in the Kingdom in 2018 ranged between 16.22 - 23.20 Baht/Kg. The annual average CPO price was 19.57 Baht/Kg (2017 : 24.88 Baht/Kg), the lowest average level in 12 years, and in some months lower than or close to global market price. During the year 372,950 MT of palm oil was exported to overseas markets, mainly to India.

Several negative factors dampened industry sentiment namely anti-palm oil campaigns in EU and the West, trade tension between the United States and China, and hike in the import duty of palm oil in India. As a result, global CPO price reached a two-year low since 2016.

During the year, the government made efforts to manage CPO stock. It passed a resolution to accelerate CPO export, amounting to 300,000 MT, by supporting crushing mills with transportation cost and other expenses. Besides, it encouraged the usage of Bio-diesel B20 for large trucks, effective on 1 July 2018. The response, however, was below the expectation because of many limitations that could not be addressed. At the year-end, the Energy Ministry planned to absorb 160,000 MT of CPO to replace fossil fuels for power generation plant in Bangpakong, Chachoengsao Province.

In short, such measures did not significantly improve the situation and CPO price continued to its trend downwards till the year-end (please refer to "**Industry Overview and Competitiveness**" for details).

While the average selling prices of both CPO and CPKO decreased, a higher proportion of FFB was purchased from outside due to concession land having expired. It had been given an permission to extend the lease only half of the utilised area under the expired permit. Therefore your Company implemented replanting programme in such renewal concession area. These negatively affected your Company's performance. To enhance the operating performance, your Company has established the Corporate Strategic Direction and enhanced Good Corporate Governance with sustainable growth by seeking to expand the plantation area as well as planting alternative crop apart from oil palm.

Company's Performance

The average selling prices of both CPO and CPKO decreased by 18.3% and 22.7% respectively. At the same time, the sales volume of CPO decreased by 4.5%. Overall the Company recorded total sales at 628 million Baht (2017 : 763 million Baht), or a decrease of 17.7%. Despite the difficult circumstances, your Company's performance improved year on year with a net profit at 14 million Baht (2017 : net loss at 18.3 million Baht).

The total volume of FFB processed decreased by 7.2% from 2017.

- (i) The crop from own estates decreased by 9.4%
- (ii) The crop from concession land increased by 21.5%
- (iii) The purchased crop decreased by 12.9%

The proportion of FFB from outside source and own estate was 57.3% and 42.7% (2017 : 61.0% and 39.0% respectively).

During the year, the Krabi prosecutor filed a lawsuit against the Company in connection with 4,376 rai of land reform area, currently, the case is in process of scheduling dates for witness examination. As a matter of prudence, the Company has set aside an allowance amounting to 28.5 million Baht. The Company does not otherwise expect the litigation to have a material impact on the Company.



Investment

In 2018 your Company did not invest in any major projects but still put effort on improving the productivity, harvesting, and maintenance programme.

An area of 1,246 rai which was replanted in 2015 has started to generate FFB output in 2018. While the output is still low, it will gradually increase until yield per rai achieving its normal level in the next 2-3 years. The area replanted in 2016 is expected to start generating the FFB output in mid of 2019 and your Company is planning to start replanting of another 1,434 rai in 2020. FFB output in those area will drop during the transition period, but the production efficiency will be improved in the long term.

Responsibility to Community, Society and the Environment

Your Company is committed to operate under good corporate governance along with RSPO standard by adhering to responsibility on impacts which occurred from Company's business operation to environment social and communities. The business operation principle is also based mainly on ethical manner, transparency, accountability, respect for human rights, compliance with legal requirements, taking into account the interests of stakeholders including the commitment to develop corporate social responsibility continuously and sustainably.

In 2018, the Company engaged in various CSR programmes including fostering and developing the quality of life for social and communities to improve natural and water resources and develop relationship between its crushing mill and local communities under the Sufficiency Economy Philosophy.

Human Resources and Corporate Culture

Your Company considers human resource as major asset for the success and long-term growth by strictly committing with the goals to retain quality employees with awareness on the professional ethic and cuts down on staff turnover.

The health care, workplace, safety, welfare, and labour relations are provided to create harmony, foster a more productive and satisfying work environment in the organisation.

Employees are encouraged to expand their responsibilities for their individual growth and career advancement. This will build their motivation and working spirit, lead to great productivity, loyalty and create driving force for seamless transfer of working knowledge and skills between generations. Your Company also supports employees to plan a clear career path with the Company.

Your Company provides relevant training course to assure that all staff are capable to achieve high level of operation standards such as ISO 9001 , ISO14001 or RSPO standard. In addition, to ensure new employee to comply with the established policy, vision and mission, and the Corporate value the Code of Business Conduct is contained as a part of the orientation. Your Company also provides relevant and disciplinary rules and regulations for both levels of supervisor and sub-ordinate as measures of good practices.

In 2018, your Company received the Outstanding Labor Relations and Labor Welfare Award from the Department of Labour Protection and Welfare, Ministry of Labour, proving that your Company respects the importance of taking care of people as well as building trust and our continuous aim to be the best place to work.

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



Mr. Thira Wipuchanin
The Chairman



Ms. Anchalee Suebchantasiri
Vice-Chairman and Managing Director

REPORT OF THE AUDIT COMMITTEE

The Audit Committee comprised three independent directors as follows:-

Mr. Thira Wipuchanin	Chairman of the Audit Committee and Independent Director
Mr. Sangiam Santad	Member of the Audit Committee and Independent Director
Mr. Wasin Patchakapati	Member of the Audit Committee and Independent Director
Mr. Yut Sakdejayont	Secretary to the Audit Committee

In 2018, the Audit Committee has fulfilled and executed its duties and responsibilities in compliance with the Stock Exchange of Thailand's regulations and other activities assigned by the Board. The Committee held four meetings within the year, with substantive agenda as follows:

1. Approval of quarterly financial statements and review of annual financial statements including the disclosures of information in Notes to Financial Statements, submitted to the Board of Directors. The financial statements were in accordance with generally accepted accounting principles. The disclosures of information in Notes to Financial Statements were found to be adequate and accurate;
2. Examination of the reports and recommendations of internal audit regarding the internal control and risk management as set out in the annual audit plan, with proposals to the management to take necessary actions. In 2018, the Company was found to have exercised an appropriate and effective internal control and risk management system, with transparent governance and no material management failures;
3. Consultative meetings with the management, external and internal auditors in order to make suggestions and practical guidelines for management. The management has subsequently adopted these suggestions to improve the Company's working efficiency; In addition, in 2018 the AC had one meeting with the external auditors without the management attending. The information disclosed by the management to the auditors was found to be adequate without any deficiencies;
4. Consultative meetings with the management and external auditors regarding the implementation of new Thai Accounting Standard and the readiness of the Company;
5. Proposal to the Board of Directors to consider the 2018 annual audit plan and renewal of the appointment of Dr. Virach and Associates to be outsourced internal auditor for a further two-year term, to 31 December 2019, including appropriate remuneration;
6. Consideration of the principles of Good Governance for Listed Companies, which Thai Institute of Directors (IOD) and the Stock Exchange of Thailand (SET) updated and improved to meet the standards of ASEAN CG Scorecard;
7. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
8. Proposal to the Board of Directors for approval at the 2019 Annual General Meeting of Shareholders, the appointment of EY Office Limited to be the statutory auditor of the Company for 2019 including appropriate remuneration;
9. Consideration of "Board Self-Assessment" Form, a part of the Corporate Government Self-Assessment, as an instrument to internally practice for good corporate governance principles.

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



Mr. Thira Wipuchanin
Chairman of the Audit Committee
21 February 2019

REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

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

The Audit Committee considered the operational performance of the Company during the year 2018 and provided the opinion that the Board of Directors and the Management made a great effort to achieve the Company's objectives without any relevant statutes and regulations having been contravened, and attach importance to the effective internal control system and to the adequacy of the risk management. Information system has also been prepared to support the good corporate governance principles. In sum, the overall internal control system of the Company has been at satisfactory level which can assure the credibility of the consolidated financial statements of the Company and its subsidiaries as of December 31, 2018.

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



Mr. Thira Wipuchanin
The Chairman



Ms. Anchalee Suebchantasiri
Vice-Chairman and Managing Director

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Securities and Exchange Commission (SEC) with the collaboration of the Task Force for Sustainability in Listed Companies has developed the Corporate Governance Code 2017 (the "CG CODE") by integrating Environmental, Social, and Governance issues (ESG) into the business process for the Board of Directors, as the leader and governing body of a listed company, who can apply as a guideline to supervise the listed company to conduct the business with integrity, respect for the rights, responsibilities for stakeholders, development or reduction of negative impacts on the environment as well as the adaptation to any changing conditions. This is in accordance with sustainable development under the philosophy of Sufficiency Economy.

United Palm Oil Industry Public Company Limited (UPOIC) recognises the importance of Corporate Governance Code in promoting transparency in UPOIC's operations, fair and equitable treatment to all stakeholders as well as an efficient management system in parallel with Corporate Social Responsibility aiming at the Company's long-term sustainable value creation. The Board of Directors therefore considered the application of the CG CODE Principles as deemed appropriate, and resolved to apply the Principles by means that are suitable for the Company's business. If any of the Principles cannot be applied or are not applicable, an explanation shall be provided at the Board Meeting.

8 Principles of the Corporate Governance Code

Principle 1	Establish Clear Leadership Role and Responsibilities of the Board
Principle 2	Define Objectives that Promote Sustainable Value Creation
Principle 3	Strengthen Board Effectiveness
Principle 4	Ensure Effective CEO and People Management
Principle 5	Nurture Innovation and Responsible Business
Principle 6	Strengthen Effective Risk Management and Internal Control
Principle 7	Ensure Disclosure and Financial Integrity
Principle 8	Ensure Engagement and Communication with Shareholders

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

Principle 1 Establish Clear Leadership Role and Responsibilities of the Board

1. Structure of the Board

According to the Articles of Association of the Company, The Board composes of not less than 5 Directors. The Board of Directors must be qualified and not subject to the prohibitions under the law of public company limited and other relevant laws. In addition, the Board composition shall have a wide range of skills, experiences, abilities and specific characteristic as well as gender and age. At least one-third of the total number of directors are independent directors. Independent directors shall not be less than 3 persons, and must be complied with the qualification announced by SEC.

2. Duties and Responsibilities of the Board

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

9. To set guideline for reviewing the suitability of transaction with potential conflict of interest;
10. To arrange at least one board meeting in every quarter, and convene the shareholders' meeting at least once a year;
11. At a meeting of the Board of Directors, there must be present not less than one half of the total number of directors to form a quorum;

In the event that the Chairman is absent or is unable to perform his duties, if there is a Vice-Chairman, the Vice-Chairman shall be the chairman of the meeting. In the absence of the Vice-Chairman or if the Vice-Chairman is unable to perform his duties, the directors present at the meeting shall elect one among themselves to be the chairman of the meeting.

12. Such other duties and responsibilities stipulated by law, the Articles of Association, and resolutions passed at shareholders' meeting.

3. Scope of Authority of the Board of Directors

1. Each director shall have one vote and decisions of the meeting shall be by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have an additional casting vote. In case of a vacancy on the Board of Directors otherwise than by rotation, the resolution of the Board of Directors must be passed by a vote of not less than three-fourths of the number of subsisting directors.
2. Director who has a personal interest in any matter shall have no right to vote on such matters.
3. Two directors shall be authorised to jointly sign together with the Company's seal affixed.
4. The Board of Directors may appoint other persons to carry out the Company's business under the Board of Directors' supervision or may confer upon such other persons such powers as they think fit and for such time as they think expedient and any revoke, withdraw, alter or vary any such powers.
5. The Board of Directors may pay interim dividends to the shareholders from time to time when the Board of Directors finds the Company has sufficient profit and a report thereof shall be made to the shareholders' meeting at the next meeting.
6. Although various transactions are under the authority of the Board of Directors, there are the following cases stated in the Articles of Association to be conducted at the shareholders' meeting.
 - (1) Reviewing the report of the Board of Directors covering the work done during the preceding year as proposed to the meeting by the Board of Directors;
 - (2) Considering and approving the statements of financial position and statements of comprehensive income of the preceding fiscal year;
 - (3) Considering the appropriation of profits, reviewing directors' remuneration and the appropriation of a reserved fund;
 - (4) Election of new directors in place of those who must retire on the expiration of their terms;
 - (5) Appointment of the auditor and fixing his remuneration;
 - (6) The sales or transfer of the whole or substantial part of the business of the Company to other persons;
 - (7) The purchase or acceptance of transfer of business of other companies or private companies to the Company;
 - (8) The making, amendment or termination of contracts relating to the leasing out of the whole or substantial part of the businesses of the Company, the assignment to any other persons to manage the businesses of the Company, or the consolidation of the business with other persons with an objective towards profit and loss sharing;
 - (9) The amendment of Memorandum or Articles of Association;
 - (10) The increase or decrease in the Company's capital or the issuance of debentures;
 - (11) The amalgamation or dissolution of the Company;
 - (12) Other businesses.

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

4. The Chairman of the Board

The Chairman of the Board shall be an independent director or non-executive director. The Chairman must be a different person from the Managing Director so that the two roles are clearly separated. The duties and responsibilities are as follows:-

1. In calling a board meeting, the Chairman or assigned delegate shall serve a written notice calling for such meeting to members of the Board not less than 7 days prior to the date of the meeting so that the directors may have adequate time to study, review, and make proper decisions. However, in a case of necessity or urgency for the purpose of maintaining the rights and interests of the Company, the summoning of the meeting may be made by other methods and the date of the meeting may be sooner fixed;
2. Jointly with the Managing Director, defines the agenda of each meeting;
3. To ensure the efficiency of each meeting by allocating enough time for the executives to present information, encouraging and allowing directors' queries and expression of free views, controlling the issues under discussion, and summarising the meeting's resolutions;
4. To play a key role in encouraging the Board of Directors' conformance to corporate governance principles, including identifying themselves, refraining from voting, and leaving the meeting in case of having conflicts of interest in any agenda;
5. To inform the Board of Directors all significant matters;
6. To encourage the Board of Directors to attend shareholders' meeting and preside over such meeting to ensure the meeting efficiency and address shareholders' queries;
7. To encourage the Board of Directors to perform their duties under the scope of authority given by laws, and the corporate governance.

5. The Managing Director

The Managing Director is assigned by the Board of Directors to conduct the Company business under the approved plans and budgets with rigor, integrity and the duty of good corporate governance to ensure that the Company, shareholders and stakeholders are properly and fairly engaged in the business including the disclosure of general information and financial information of the Company in accordance with good practices and does not have any interest or conflict of interest with the Company and its subsidiaries.

6. Company Secretary

The Company shall appoint a Company Secretary in accordance to section 89/15 of the Securities and Exchange Act B.E. 2551 with the following duties and responsibilities:-

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

In addition, the Company Secretary is assigned to function as a compliance unit to supervise and oversee the operation of the Company, directors and executives to ensure that they been correctly complied with the regulations of the SET, the SEC, the Public Company Limited Act, and other related laws.

7. Qualification of Independent Directors

The Board has set the qualification of the independent directors as follow:-

- a) holding shares not exceeding 0.5% of the total number of voting rights of the Company, its parent company, subsidiary, associate, joint venture, major shareholder or controlling persons, including the shares held by related persons of the independent director;
- b) neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the Company, its parent company, subsidiary, associate, joint venture, subsidiary in the same level, major shareholder or controlling person unless the foregoing status has ended not less than 2 years prior to the date of application filing with the Office. Such prohibitions shall not, however, include cases where the independent director previously served as a government officer or an advisor to a government agency which is a major shareholder or controlling person of the Company;
- c) not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children of other directors, executives, major shareholders, controlling persons, or persons to be nominated as directors, executives or controlling persons of the Company or its subsidiary;
- d) not having a business relationship with the Company, its parent company, subsidiary, associate, joint venture, major shareholder or controlling person, in the manner which may interfere with his independent judgment, and neither being nor having been a significant shareholder or controlling person of any person having business relationship with the Company, its parent company, subsidiary, associate, joint venture, major shareholder or controlling person unless the foregoing relationship has ended not less than 2 years prior to the date of application filing with the Office.

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

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

- e) neither being nor having been an auditor of the Company, its parent company, subsidiary, associate, joint venture, major shareholder or controlling person, and not being a significant shareholder, controlling person or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, associate, joint venture, major shareholder or controlling person unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;
- f) neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding 2 million Baht from the Company, its parent company, subsidiary, associate, joint venture, major shareholder or controlling person, and neither being nor having been a significant shareholder, controlling person or partner of the professional advisor unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;
- g) not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder;
- h) not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, neither being nor having been a significant partner in a partnership or director with management authority, employee, staff member or advisor who receives salary or holds shares exceeding 0.5% of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary;

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- i) not having any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.

In the case where the person appointed by the Company as independent director has or used to have a business relationship or provide professional service exceeding the value specified under (d) or (f) of the first paragraph, the Company shall be granted an exemption from such prohibition only if the Company has provided the opinion of the Company's Board of Directors indicating that, by taking into account the provision in Section 89/7, the appointment of such person does not affect performing of duty and expressing of independent opinions. The following information shall be disclosed in the notice calling the shareholders' meeting under the agenda for the appointment of independent director.

- a) The nature of the business relationship or professional service which such person's qualification not in compliance with the prescribed rules;
- b) The reason and necessity for maintaining or appointing such person as independent director;
- c) The opinion of the Company's Board of Directors for proposing the appointment of such person as independent director.

For the purpose of (e) and (f) of the first paragraph, the term "partner" shall mean a person assigned by audit firm or a provider of professional service to sign on the audit report or the professional service report (as the case may be) on behalf of such juristic person.

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

8. Director's Term of Office

According to the Article 12 of the Articles of Association of the Company, the terms of one-third of the directors are due to expire by rotation at every Annual General Meeting of Shareholders.

9. Directors Concurrently Being Directors of Other Companies

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

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

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

10. Executives Holding Directorship in Other Companies

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

Principle 2 Define Objectives that Promote Sustainable Value Creation

The Board defined the Company's objectives and goals to promote sustainable value creation in the form of the Company's vision, mission, corporate culture, and code of business conduct, including encouraging the communication among personnel at every level to move forward the Company in the same direction. Furthermore, the Board of Directors monitors and ensures that the Company's strategies are put into practice. At least once a year, the Board of Directors follow up on the management performance and requires that there must be a report on the Company's operation and business performance, especially the performance against financial targets and action plans, to make sure that the established strategies are being accomplished.

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1. Vision

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

2. Mission

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

3. Code of Business Conduct

The Company recognises that following code of conduct on the part of executives and employees is necessary for the sustainability and achievement of the Company in the long term. The Company believes that the code of business conduct is a basic foundation for promoting and upgrading good corporate governance. The Company has updated its code of business conduct as a codification of good behaviour patterns which have been approved by the Board of Directors and announced to all directors, executives and employees. The Company has subsequently monitored the compliance to the code strictly and regularly.

Code of Business Conduct was first compiled in officially written format in 2009. This current version is the first revision (R.01) which was clearly divided into categories, and its content was improved to cover relevant comprehensive regulations and policy with wider range of practical guidelines for stakeholders. This version was also included the policy of Anti-Corruption to accommodate the current business implementation.

Principle 3 Strengthen Board Effectiveness

1. Procedure for Director Nomination

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

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

2. Criteria

The foremost criteria for nominating director candidates shall be the candidates' skills and experiences, professional qualification, business knowledge and experience as well as personal qualities and integrity. Consideration shall also be given to the benefits of diversity such as gender, age, ethnicity, and nationality.

3. Sub-committees

3.1 Audit Committee

The Audit Committee shall comprise at least 3 independent directors. The members of the Audit Committee must be appointed by the Board of Directors with at least 1 committee member possessing sufficient knowledge and experience in order to perform his/her/their

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duties of reviewing the credibility of the financial statements. The members of the Audit Committee must be directors of the Company who are qualified as "independent directors" pursuant to the definition announced by the Company and in accordance with the stipulations of the Capital Market Commission and the regulations of the Stock Exchange of Thailand. The Chairman of the Audit Committee can be the same person as the Chairman of the Board. The term of office shall be 1 year to be ended at the Annual General Meeting of Shareholders (AGM). A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee.

Finance and Accounting Manager shall be designated as Secretary to the Audit Committee to provide support to the Audit Committee's proceedings, including setting up meeting appointments, preparing meeting agendas, distributing meeting documents, taking minutes of meeting, and other tasks as assigned by the Audit Committee.

Duties and Responsibilities of the Audit Committee

1. To review the credibility and sufficiency of the financial reporting;
2. To approve the disclosure of quarterly financial statements to the SET;
3. To review the adequacy and effectiveness of internal control systems and internal audit functions and the independence of internal auditing unit as well as to approve the appointment, transfer, dismissing of the head of internal auditing unit or any other unit responsible for internal auditing;
4. To review compliance with the Securities and Exchange Acts, Regulations of the SET, and any other relevant laws;
5. To consider, select, propose the appointment of, and terminate an independent person to work as the external auditors including the audit fee. The Audit Committee shall hold at least one meeting with the auditor without the management's presence at the meeting;
6. To consider all connected transactions or the conflict-of-interests transactions disclosures in compliance with the laws and regulations of the SET, to ensure that the transaction is justified and for the best benefit of the Company;
7. To report the operating results of the internal audit to the Board of Directors on quarterly basis, which including the Audit Committee's opinion on the internal audit, opinions on financial reports, adequacy of internal control systems, and other applicable topics to the Board of Directors as deemed appropriate;
8. To report the activities of the Audit Committee in the Company's annual report, which must be signed by the Chairman of the Audit Committee. The following information should be included in the report:-
 - (8.1) Comments on the Company's financial reporting process and the disclosure of its financial information, which must be correct, sufficient, and credible
 - (8.2) Comments on the adequacy of the Company's internal control systems
 - (8.3) Comments on compliance with the Securities and Exchange Acts, regulations of the SET, and any other relevant laws
 - (8.4) Comments on whether the Company's auditor is suitable
 - (8.5) Comments on the transaction with potential conflicts of interest
 - (8.6) The number of Audit Committee's meetings and meeting attendance of each member
 - (8.7) General comments or observation from the performing of duties according to the Charter
 - (8.8) Other statements that shareholders and general investors deem to be considered under the scope of the functions and responsibilities assigned to them by the board
9. To ensure that the management has a mechanism to receive complaints and supervise the proper handling of complaint receipt;
10. To ensure that the Chairman and the members of Audit Committee shall attend the shareholders' annual general meeting in order to classify issues associated with the Audit Committee or appointment of the external auditors;
11. To assess its own performance (Self-Assessment) and report the findings to the Board of Directors for acknowledgment as a whole and on individual basis;
12. To regularly review the Charter of Audit Committee;
13. To take care of any other matters assigned by the Board of Directors;
14. There shall be at least 4 meetings of the Audit Committee per year. At a meeting, at least half the number of the members of the Audit Committee must be present to constitute a quorum;
15. The Audit Committee performs duties within its authority and responsibilities under the order of the Board of Directors. The Board of Directors is responsible for the Company's operations and is directly accountable to shareholders, stakeholders, and the public.

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In 2018, the Audit Committee held 4 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Mr. Thira Wipuchanin	Chairman of the Audit Committee	2018-2019	4/4
(2) Mr. Sangiam Santad	Independent Director	2018-2019	3/4
(3) Mr. Wasin Patchakapati	Independent Director	2018-2019	4/4

3.2 Remuneration Committee

The Remuneration Committee shall comprise at least 3 independent directors, majority of whom should be independent directors. The Chairman of the Remuneration Committee must be an independent director who shall not be the same person as the Chairman of the Board. The term of office shall be 1 year to be ended at the AGM. A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee.

Duties and Responsibilities of the Remuneration Committee

- To set the criteria and procedure for determining remuneration of directors, executive directors, managing director and proposed to the Board of Directors and/or the shareholders' meeting for approval;
- To consider the remuneration of the Board of Directors and executives, as compared to the remuneration offered by other listed companies operating in the same business, to motivate them to foster the Company's continuous development;
- To propose guidelines for assessing the performance outcomes and compensation for managing director for the Board's approval;
- To report regularly on progress and performance results to the Board of Directors after every meeting of the Remuneration Committee;
- To assess its own performance (Self-Assessment) and report the findings to the Board for acknowledgment as a whole and on individual basis;
- To regularly review the Charter of Remuneration Committee;
- To take care of any other matters assigned by the Board of Directors;
- Meetings of the Remuneration Committee are to be called whenever the Committee or the Chairman of the Committee sees fit. Nevertheless, there shall be at least 2 meetings per year. At a meeting of the Remuneration Committee, at least half the number of the members of the Remuneration Committee who should be independent director, must be present to constitute a quorum;

In 2018, the Remuneration Committee held 2 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Mr. Sangiam Santad	Chairman of the Remuneration Committee	2018-2019	2/2
(2) Mr. Thira Wipuchanin	Independent Director	2018-2019	2/2
(3) Mr. Wasin Patchakapati	Independent Director	2018-2019	2/2
(4) Mr. Whang Shang Ying	Director	2018-2019	2/2

3.3 Nomination Committee

The Nomination Committee shall comprise at least 3 independent directors, majority of whom should be independent directors. The Chairman of the Nomination Committee shall not be the same person as the Chairman of the Board. The term of office shall be 1 year to be ended at the AGM. A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee.

Duties and Responsibilities of the Nomination Committee

- To consider and review the current structure of the Board of Directors whether it fits the Company's business strategies and provide improvement, recommendations including the director nomination to suit the corresponding structure by presenting the Director Qualifications and Skills Matrix showing competencies of the existing

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- directors and the attributes being sought to suit the needs of the Board of Directors at that time;
2. To define nomination process and criteria in accordance with the composition and qualifications stated in 1;
 3. To assess director independence qualification in accordance with the SEC regulations;
 4. To select, assess and recommend to the Board based on a due diligence investigation and interviews, technically competent persons of integrity, principle and who foster and practice highest standard of professionalism for appointment as directors;
 5. To allow minority shareholders to nominate a director candidate to the Nomination Committee; a time frame for the nomination process must be in place to ensure that the Nomination Committee will have sufficient time to perform due diligence on the candidate's background before the shareholders' annual meeting;
 6. To disclose the director nomination policies and procedures to shareholders with a view to ensure transparency in selection of directors. A director nomination form should be available and contain relevant appointment information including supporting reasons and willingness of the nominated candidates;
 7. To consider the characteristics of the nominees for the Board members by following guidelines in selecting director candidates:-
 - (7.1) General characteristics of individual director
 - integrity and accountability
 - informed judgment
 - prudence and maturity i.e. able to engage in constructive debates and give independent opinions
 - principled and professional
 - other characteristics as the Nomination Committee deems appropriate
 - (7.2) Competencies in the following areas to ensure the Board's overall suitability
 - accounting and finance
 - organisation and human resource management
 - risk management
 - crisis management
 - legal and compliances
 - industry knowledge
 - international marketing
 - strategic planning
 - other competencies as the Nomination Committee deems appropriate
 8. To consider and review Board members development programme in order to ensure that all directors receive appropriate continuous training programmes in order to keep abreast with developments in the industry and with changes in the relevant statutory and regulatory requirements, the annual budget of which should be set at an appropriate amount;
 9. To supervise and ensure that the Company arranges orientation programmes and provide welcoming package that is beneficial to the newly appointed director(s) to perform the roles and responsibilities;
 10. To assess its own performance (Self-Assessment) and report the findings to the Board for acknowledgment as a whole and on individual basis;
 11. To regularly review the Charter of Nomination Committee;
 12. To be responsible for establishing a succession plan the Company's Managing Director and propose to the Board of Directors;
 13. To be responsible for recruiting suitable executive candidates, providing training programme and retaining the executives;
 14. To take care of any matters assigned by the Board of Directors;
 15. Meetings of the Nomination Committee are to be called whenever the Committee or the Chairman of the Committee sees fit. Nevertheless, there shall be at least 2 meetings per year. At a meeting of the Nomination Committee, at least half the number of the members of the Nomination Committee who should be independent director, must be present to constitute a quorum.

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In 2018, the Nomination Committee held 3 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meeting
(1) Mr. Sangiam Santad	Chairman of the Nomination Committee	2018-2019	3/3
(2) Mr. Thira Wipuchanin	Independent Director	2018-2019	3/3
(3) Mr. Wasin Patchakapati	Independent Director	2018-2019	3/3
(4) Mr. Whang Shang Ying	Director	2018-2019	3/3

3.4 Risk Management Committee

The Board of Directors, on 22 February 2018, approved to formalise the Risk Management Committee (RMC) with the below duties and responsibilities. At present, the RMC includes the following 2 members.

Name	Position	Period of Directorship	Attendance / Total Meeting
(1) Ms. Piyathida Sukchan	Executive Director	2018-2019	1/1
(2) Mr. Ampol Simarojana <i>(was appointed on 9 August 2018, replacing Ms. Jirasuda Sumpaotong)</i>	Non - Executive Director	2018-2019	1/1

The Risk Management Committee shall comprise a minimum of 2 members who are appointed by the Board from senior management. The term of office shall be 1 year to be ended at the AGM. A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee. Nevertheless, a retiring member is eligible for re-appointment. The Committee reports directly to the Board through Audit Committee review.

Duties and Responsibilities of the Risk Management Committee

- To assist the Board in setting a policy of risk management, including annually agreeing risk tolerance and appetite levels, in liason with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and integrated reporting;
- To ensure that an appropriate policy and plan for a system of risk management is developed by the management, approved by the Board and distributed throughout the Company;
- To annually review, assess the quality, integrity and effectiveness of the risk management plan and systems and ensure that the risk policies and strategies are effectively managed by management and that risks taken are within the agreed tolerance and appetite levels;
- To review and assess the nature, role, responsibility and authority of the risk management function within the Company and outline the scope of risk management work;
- To ensure that the Company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Company's appetite or tolerance for risk. A framework and process to anticipate unpredictable risks should also be implemented;
- To ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually;
- To oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that the Company's objectives are attained;
- To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;
- To monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;
- To provide an independent and objective oversight and view of the information on corporate accountability and specifically associated risk, also proposing to the Audit

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Committee and then to the Board on all categories of identified risks facing the Company.

11. To review the strategy, policy and risk tolerance and appetite recommended by the management. The Committee will ensure compliance with such policies in accordance with the overall risk profile of the Company. Risk in the widest sense, i.e. enterprise-wide risk, will be considered by the Committee;
12. To review the management reports detailing the adequacy and overall effectiveness of risk management, its implementation by management, reports on internal control and any recommendations and confirm that appropriate action has been taken;
13. To address key risk areas and key performance indicators (KPI) of the Company, and monitor these factors as part of a regular review of processes and procedures to ensure the effectiveness of its internal systems of control;
14. To assist the Board in its responsibility for disclosure in relation to risk management in the annual report, and acknowledgement that it is accountable for the risk management function.

4. Board of Directors' Meeting

The Company shall meet at least once in every quarter provided always that the Chairman of the Board may call special meetings as he deems necessary. Two or more directors may ask the Chairman of the Board to convene a Board of Directors' meeting. In the event a meeting is required by at least 2 directors, the date of the meeting shall be fixed with 14 days from the date of receipt of the request.

In case of regular meetings, the meeting schedule shall be set in advance annually and inform to each director in November every year.

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

The Company shall send to all directors meeting document with the meeting notice, clearly stating the matter as for information, for approval or for consideration as the case may be, at least 7 days prior to the meeting date to enable each director to have time to study the information before the meeting. However, in a case of necessity or urgency for the purpose of maintaining the rights and interests of the Company, the summoning of the meeting may be made by other methods and the date of the meeting may be sooner fixed. During the meeting, the Chairman will allocate sufficient time for the management to present detail information and answer additional questions from the directors, and allow sufficient time for the directors to the matters.

In 2018, the Board of Directors held 6 regular meetings. The attendance of each member is as follows:-

Name	Period of Directorship	Attendance / Total Meeting		
		Regular	Extra	Total
(1) Mr. Thira Wipuchanin	2018-2019	6/6	-	6/6
(2) Mr. Sangiam Santad	2018-2019	6/6	-	6/6
(3) Mr. Wasin Patchakapati	2018-2019	5/6	-	5/6
(4) Mr. Whang Shang Ying	2018-2019	4/6	-	4/6
(5) Ms. Anchalee Suebchantasiri	2018-2019	6/6	-	6/6
(6) Ms. Piyathida Sukchan	2018-2019	6/6	-	6/6
(7) Ms. Jirasuda Sumpaotong <i>(resigned from director on 20 June 2018)</i>	2018-2019	3/3	-	3/3
Mr. Ampol Simarojana <i>(was appointed on 20 June 2018, replacing Ms. Jirasuda Sumpaotong)</i>	2018-2019	3/3	-	3/3

The minutes of the meeting shall be in writing stating the date, time of meeting commencement and termination, names of directors attending the meeting and directors absent from the meeting, summary of topics and issues as well as observation of the directors, resolutions and opinion of dissenting directors, name of persons recording the

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minutes and certifying the minutes. After being confirmed, the minutes shall be kept by the Company Secretary and will be ready for examination by related parties.

Non-executive directors may hold meetings among themselves without the management present at the meeting in order to discuss management issues of interest. The result of the meeting shall be reported to the Managing Director. In 2018, there was one meeting of non-executive Directors which were not attended by Executive Directors, in relation to, new accounting standards that would affect the Company including the collaboration of the management team working with the external auditor, and other general matters.

5. Board Self Assessment

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

5.1 Self Assessment of the Board of Directors and Sub-Committees (individual basis)

Principles

Self-Assessment form of the Board of Directors and sub-committees (individual basis) has been implemented to evaluate performance of individual director as a tool for reviewing his/her own duty and further enhancing the efficiency and effectiveness. Categories of the assessment, in compliance with good corporate governance principles, are as follows:-

1. Board structure and qualifications
2. The Board Meeting
3. Roles, duties and responsibilities of the Board

In 2018, overall evaluation results of the three categories indicated **"Very Good"**

5.2 Self Assessment of the Board of Directors and Sub-Committees as a whole

Principles

Self-Assessment form of the Board of Directors and Sub-Committees as a whole has been implemented to evaluate performance of the Board and Sub-Committees as a whole by applying the guideline from the SET with the nature and structure of the Board and Sub-Committees. The result of the assessment is served as a tool for the Board of Directors and Sub-Committees to review its own duty and further enhancing the efficiency and effectiveness. Six categories of the assessment of opinion and action level are as follows:-

1. Board structure and qualifications
2. Roles, duties and responsibilities of the Board and Sub-Committees
3. The Board and Sub-Committees Meeting
4. Duties of directors
5. Relationship with management
6. Director's self improvement and management training

In 2018, overall evaluation results of the six categories indicated **"Very Good"**

The average score of 2018 assessment of the Board of Directors and Sub-Committees were summarised as follows:-

1. The Board of Directors was **"Very Good"**
2. The Audit Committee was **"Very Good"**
3. The Remuneration Committee was **"Very Good"**
4. The Nomination Committee was **"Very Good"**.

Remark: "Very good" has scored in the range of 81-100 scores.

5.3 Assessment of Managing Director

The Board of Directors conducts an annual performance assessment of Managing Director by determining the Key Performance Indicators reflected by the Company's operating performance in both quantitative and qualitative terms. The Remuneration Committee, comprises majority of whom are independent directors and its Chairman is an independent director, is responsible to consider such key indicators which are transparent and suitable with the business of the Company. Categories of the assessment are as follows:-

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1. Leadership
2. Strategic planning and performance
3. Financial planning and financial performance
4. Relationship with the Board of Directors
5. Risk management and internal control
6. Wealth creation to shareholders

Principle 4 Ensure Effective CEO and People Management

1. Remuneration of Directors and Executives

1.1 Remuneration of Directors

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

Remuneration of the Board of Directors and Sub-Committees	2017		2018	
	No. of Persons	Baht	No. of Persons	Baht
Board of Directors	7	4,369,200	8	4,369,200
Audit Committee	3	1,900,800	3	1,900,800
Remuneration Committee	4	-	4	-
Nomination Committee	4	-	4	-

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

1.2 Remuneration of Executives

The remuneration of Executives shall be in accordance with guidelines and policy set by the Remuneration Committee from time to time. The remuneration shall be commensurate to job scope competence and the performance of the Company. The Remuneration Committee shall recommend the appropriateness of remuneration to the Board for review and approval. The remuneration structure rewards individual performance and incentivises the Executive Directors, Managing Director and key executives to act in support of the Company's objectives and goals, and fosters the long-term commitment of the Company performance.

In 2018 Executive Directors, Managing Director and Executives jointly defined Key Performance Indicators (KPIs) for assessment criteria used by the Remuneration Committee in assessing the performance of Executive Directors, Managing Director and Executives.

Remuneration	2017		2018	
	No. of Persons	Baht	No. of Persons	Baht
Executives	7	18,859,595	7	13,212,355

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

Some directors concurrently holding positions as directors and executives of subsidiary companies and the joint venture will not receive remuneration from those companies.

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2. Board and Management Training

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

1. Listed Company Director Handbook containing topics such as roles and responsibilities, restrictions that directors should not do as they are prohibited by relevant law, roles and responsibilities of sub-committees
2. Principles of Good Corporate Governance and Code of Business Conduct of the Company
3. Memorandum and Articles of Association of the Company
4. The latest annual report and Form 56-1 annual submission

Furthermore, the Board of Directors has a policy to encourage and promote continuous training and development of directors, Managing Director, executives, and employees, which is relevant to their roles to enhance their knowledge, skills and useful experiences related to the operation including useful information related to the business that will drive the Company toward its goals.

In 2018, director who attended the major training sessions was as follows:

No.	Director	Position	Training Session	Objectives
1	Ms. Piyathida Sukchan	Executive Director	1. Palm & Lauric Oils Price Outlook Conference & Exhibition (POC 2018) in Kuala Lumpur, Malaysia 2. 14 th Indonesian Palm Oil Conference and 2019 Price Outlook (IPOC 2018) in Bali, Indonesia	To update the situation of palm oil in the global market in the current year including factors that determine the direction of future palm oil prices.

3. Succession Plan

The Company has prepared for succession plan by recruiting management trainees to develop knowledge and ability for being company future executives. In addition, the Company assigns the following persons to take charge and act on behalf in case the Managing Director is unable to function, namely,

1. Ms. Somrak Krajangsod to act and make decision regarding the finance and accounting of the Company and its subsidiaries;
2. Ms. Piyathida Sukchan to act and make decision in other matters of the Company and its subsidiaries.

Principle 5 Nurture Innovation and Responsible Business

1. Nurture Innovation

The Board of Directors prioritises and promotes research & technology development and innovation that create value for the business together with the benefits for its customers, other stakeholders, society, and the environment, in support of sustainable growth of the Company. The Board also supervises the management to allocate and manage resources efficiently and effectively throughout all aspects of the value chain to enable the Company to meet its objectives with sustainability.

2. Role of Stakeholders

The Company has a policy that recognises the rights and interests of all groups of stakeholders whether they are employees, shareholders, creditors, customers, trade-counterparts, competitors, community and society. The expectations of one group of stakeholders may be different from another group. Therefore, the Company shall ensure that

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the rights of each group will be protected according to relevant laws and handled carefully and with sensitivity. Procedures are stated as the Company's policy namely Policy and Practice toward stakeholders, and published on the Company's website as follows:-

- Policy and Practice toward shareholders
- Policy and Practice toward customers
- Policy and Practice toward business partners
- Policy and Practice toward competitors
- Policy and Practice toward creditors
- Policy and Practice toward employees
- Policy and Practice toward community, society, and environment
- Policy and Practice toward human-right respect
- Policy and Practice toward the intellectual property and copyright
- Policy and practice towards quality, safety, and occupational health
- Policy and Practice toward anti-corruption and bribery

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

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

The Company conducts its activities with the concern of safety, health and environment. Management and employees at all levels have committed to carry out their functions with responsibility. In 2018, there were 9 accidents. However, there was no any death in workplace.

3. Human Resources Development Policy

The Company commits to support and maintain working environment enhancing their efficient contributions. The Company engages in teamwork building and continuous improvement to ensure high performance of human resources as it is believed that the continuous development would strengthen their capability and competence, following an increase in efficiency of the operation and serving customer satisfaction along with building awareness of all employees on the professional ethic. In 2018, the average training hours of employees was 23.46 hours / person and there were a total of 31 training courses provided to employees including the training on environmental management.

4. Anti-Corruption Policy

The Company Group has announced an official anti-corruption policy which was reviewed and approved by the Board of Directors. The details are as follows:

"Directors, management, and employees of the Group are prohibited from requesting, performing or accepting corruption in any form, whether directly or indirectly. This shall be applicable to all business units of the Group. Regular reviews on compliance with the anti-corruption policy shall be made, as well as reviews on implementation to ensure compliance with the policy, practices, regulations, rules, notifications, and laws. In case of breach of the policy, any act considered as facilitative to, or implicated in corruption, shall be subject to penalties as stipulated by the Group policies."

Communication and public relation activities under anti-corruption policy including complaint/suggestion making and whistle-blowing channels are carried out via both internal and external media e.g. electronic mail, announcement, the Group's website, annual report, orientation for directors and employees including arranging a discussion on yearly basis to ensure mutual understanding among employees. Such policy is complied with the law of Thailand for the actions against corruption.

In each year, the risk management committee evaluates the potential risk of corruption and reports the concerns to the Audit Committee and the Board.

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5. Practice towards oversight and control for safeguarding and monitoring the corruption risk

The Company establishes the practice towards oversight and control for safeguarding and monitoring the corruption risk summarised as follows:-

1. To provide internal control system, internal audit function, and risk management covering key business functions such as accounting, payment, procurement in order to prevent and monitor the corruption risk as well as to recommend any appropriate solutions
2. To put in place complaint-making and whistle-blowing channels, covering complaint-filing, verification, and summary of findings, together with protection of the complainants and related parties. The purpose is to handle complaints, comments, or suggestions from stakeholders that are affected or potentially affected by the Group's business or conduct of its directors, executives, or employees resulting from law-breaking or violation of the code of conduct, as well as suspected corrupt practices.

The Group will keep their complaints confidential and not disclose them to unrelated parties except when required by law.

Those with knowledge of complaints or related information must maintain confidentiality and not disclose it except when required by law. If this is intentionally violated, the Group will punish them under its regulations or the law, or both, as seen fit.

3. Executives in each unit are responsible for monitoring the progress of the complaint and report to the Audit Committee and the Board of Directors for acknowledgement.

6. Guidelines for monitoring and evaluating the actions to prevent the involvement in Corruption

The Company establishes the following guidelines for monitoring and evaluating the actions to prevent the involvement in corruption.

1. The Company's internal audit unit is assigned to conduct auditing according to the annual audit plan which is approved by the Audit Committee, and report any significant issues including provide recommendations to the Audit Committee.
2. Relevant business unit is required to regularly monitor and evaluate the corruption risk to ensure the effective implementation of the anti-corruption policy including follow up, review, and improve the policy from time to time. The risk evaluation result must be reported to the Risk Management Committee, the Audit Committee and the Board of Directors respectively in a timely and consistent manner.
3. In fact-finding process, if the information from the investigation or complaints have shown an explicit evidence which may have a significant impact on the financial position and the operating performance of the Company including the violation of law or code of business conduct, or any suspicious issues in the financial report or internal control system, the Audit Committee shall report the concerns to the Board of Directors for further improvement and correction.

Principle 6 Strengthen Effective Risk Management and Internal Control

1. Risk Management

The Board of Directors realised the importance of the Risk Management. Therefore, in 2018, the Board approved to formalise the Risk Management Committee comprising senior managements. Duties and responsibilities of the Risk Management Committee were presented in Principle 3 item 3.4. The Management then has to evaluate the risk in every unit and work process, assess the efficiency and existing control measure, and propose plan and method to reduce risk to the Board of Directors.

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

2. Controlling System and Internal Audit

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

In 2018 the Audit Committee approved the Company to renew the contract with Dr. Virach & Associates Office to be the Company's internal auditor. The internal auditor shall report directly to the Audit Committee every quarter. The contract has a 2-year term of service with the following expiration on 31 December 2019.

3. Conflict of Interests

3.1 Prevention of use of inside information

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

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

"Executives" means directors, managers or first 4 management officers ranking immediately below the Managing Director. This shall include management level of accounting or finance officers or equivalence who have the duty to prepare and file report of shareholding in his own name, spouse and minor child to the SEC.
- Directors, executives, managers and employees who have access to inside information shall be prohibited from disclosing such information to outside parties who has no duty involving the Company and shall refrain from buying and selling UPOIC's shares in the period of one month prior to the Company's financial statements being announced and at least one day after the date of the financial statements being disclosed.
- Directors and executives shall report to the Board of Directors or the delegated person about their transaction (buy and sell) of the Company's shares at least 1 day before the transaction date and notify SEC within 3 business days after transaction date as specified by the Securities and Exchange Act.
- Directors, executives, managers and employees shall be prohibited from using inside information that may materially affect the UPOIC share price, which has not yet disclosed to the public, for personal gains and/or persuading other persons to buy or sell UPOIC shares. The Company shall take action against violation of the rule which shall be punishable by law.
- In case directors, executives managers and employees intentionally commit any criminal act according to law on securities and exchange, the Company shall punish the violators by any one or more penalties as follows:-
 - cut wages or compensation or other benefits
 - layoff, dismiss, or discharge from the post of director, executive, manager and employee as it would be deemed intentionally causing damage to the Company. In case the violator is a director, the matter shall be submitted to the shareholders' meeting to consider the penalty.
 - report the violation to the SET and/or the SEC
 - report to the police to take action according to the law
 - take other measures according to the resolution of the Board or the shareholders' meetings.

3.2 Approval of transaction containing conflict of interest

Directors, executives, or other persons, who enter into related party transaction or transaction containing potential conflict of interest and transaction regarding acquisition or disposal of

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material assets as defined by the Notifications of the SEC and the SET which are in force on the date of such transaction, shall strictly follow the Notifications. The Company has set the criteria to approve the transaction as follows:-

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

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

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

The management shall report transaction with value over 500,000 Baht to the quarterly Board meetings.

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

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

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

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

3.4 Mechanism for stakeholders to do whistle blowing or make complaints

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

1. **Provide channel for stakeholders to do whistle blowing or make complaints :** Any stakeholder wishes to communicate to the Board of Directors directly without passing through the management of the Company to express his opinions about the operation of the Company's business including whistle blowing or complaints such as incorrect

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financial report, violation of the law or ethics or deficiency of internal control system, etc. may address his communication directly to the Audit Committee.

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

By email: acthira@hotmail.co.th

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

Principle 7 Ensure Disclosure and Financial Integrity

1. Disclosure and Transparency

The Company recognises the importance of timely disclosure of information that shareholders may use for their investment decision as well as decision in exercise their votes at the shareholders' meeting. The Company periodically assesses the efficiency of information disclosure. The following information is regularly disclosed.

- Disclosure of the following in Thai and English and update of the information in the Company's website
 - Principles of Good Corporate Governance
 - Policy and Practice toward stakeholders including environment policy; anti-corruption policy; quality, safety, and occupational health policy etc.
 - Code of Business Conduct
 - Nature of Business
 - Business Structure
 - Shareholder Structure
 - Structure of the Board of Directors
 - Vision/Mission
 - Articles of Association
 - Annual Report
 - Form 56-1 (Thai version)
 - Financial Statements
 - Meeting notices and meeting documents
 - Minutes of the Shareholders' Meetings
 - News published by the Company
- Periodically submit accurate, complete, and timely information to the SET and the SEC such as Financial Statements, Form 56-1, Annual Report
- News on important changes which may have material impact on the share price according to the regulations of the SET
- The Board of Directors assumes the responsibility for the accuracy, completeness and timely manner of the Company's financial reporting and information disclosure in accordance with relevant guidelines including rules and generally accepted accounting standards with appropriate accounting policies which are applied and consistently conformed. The report shall be audited by an external auditor and reviewed by the Audit Committee to ensure that sufficient disclosure is made and it can reflect the Company's financial status and operating performance.

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- The Executive Directors shall be responsible for communicating with investors both individual and institutional, shareholders, security analysts and relevant government sectors. Information can be requested from Tel: 02-361 8959-87 or Fax: 02-361 8988-9 or by email: upoic.secretary@upoic.co.th or through the Company's website.

2. Financial Liquidity and Solvency

The Board of Directors assigns the management to regularly monitor and evaluate the Company's financial status and report to the Board of Directors on regular basis. The Board of Directors and the management will ensure that any potential threats to the Company's financial liquidity and solvency are promptly addressed and remedied.

The Company emphasises its trustworthiness and therefore, strictly conforms with conditions and agreements made with creditors in order to create reliability. The Company always pays all interest and principle accurately, timely, and completely. Also, the Company shall not use loans proceeds in the way that is contrary to its objectives nor conceal any information that may be harmful to creditors.

In the event that the Company is unable to comply with any condition of an agreement, the Company will immediately inform the creditor so as to find a reasonable and mutually-acceptable solution. The Company strives to maintain good relationships and mutual trust with creditors. However, the Company has controlled the capital management at appropriate level to prevent the Company from experiencing difficulties in repaying creditors. There is also a liquidity management on debt repayment to meet the maturity in a timely manner. The management is responsible for planning, monitoring and controlling the financial position of business sector to cover the significant risks under either normal circumstances or crisis.

Principle 8 Ensure Engagement and Communication with Shareholders

1. Right of Shareholders

- The Company shall hold an Annual General Meeting of Shareholders (AGM) within 4 months of the end of the Company's fiscal year. The meeting will consider the Annual Report of the Board of Directors presenting the operational performance of the past year, statements of financial position, statements of comprehensive income, dividend distribution and legal reserve appropriation, election of directors to fill the vacancy caused by expiration of service term, director's remuneration, appointment of auditor and auditor's remuneration.
- For Annual General Meeting of Shareholders (AGM), the Company shall separate the agendas between the appointment of directors and the director's remuneration. The Company provides the ballot to shareholders to use for proposing candidates and voting directors as an individual.
- The Company shall hold an extraordinary general meeting of shareholders as the Board of Directors thinks fit. Shareholders holding shares amounting to not less than one-fifth of the total shares issued, or shareholders numbering not less than 25 persons holding shares amounting to not less than one-tenth of the total shares issued, shall be entitled to direct the Board of Directors to convene a shareholders' meeting. The name of such persons and the reasons for calling such meeting shall be clearly stated in such request. The Board of Directors shall proceed to call a shareholders' meeting to be held within one month of the date of receipt of such request from the said shareholders.
- The Company shall disclose the Board resolutions regarding the determination of AGM date and the meeting agendas with the reasonable details through the SET online system and the Company's website no later than the next working day after the Board having resolution.
- In calling a shareholders' meeting, the Company shall prepare a written notice calling the meeting that states the place, date, time, agenda of the meeting and the matters to be proposed to the meeting with reasonable details by indicating clearly whether it is the matter proposed for information, for approval or for consideration, as the case may be, including the opinions of the Board of Directors in the said matters, and the said notice shall be delivered to the shareholders and the Registrar for their information at least 21 days prior to the date of the meeting.

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- At a shareholders' meeting, in order to constitute a quorum, there shall be shareholders and proxies (if any) amounting to not less than 25 persons and holding shares amounting to not less than one-third of the total number of shares issued. The Chairman of the Board of Directors shall be the chairman of the meeting and conducting the meeting according to the sequence in the agenda stated in the meeting notice, and it is the policy not to add items to the agenda without advance notice to shareholders.
- In a regular agenda, the ballot shall be used in the event any shareholder would like to cast a negative vote or abstain from voting. The ballot shall always be used in important agenda such as election of directors, approving connected transactions, acquisition or disposal of assets, amendment of memorandum of association and articles of association.
- The Company shall ensure that shareholders have the opportunity to propose the agenda for AGM as it deems material and beneficial including to propose candidate for selection as director in advance, and to submit questions which are related to the Company prior the meeting date, the procedures of which are published on the Company's website.
- Adequate time shall be allocated for the meeting and equal opportunities provided for shareholders to express their opinions and ask questions.
- The Company's policy to facilitate and encourage shareholders to attend and participate at the shareholders' meeting has been established and posted on its website.
- The Company shall post meeting documents and meeting notices in both Thai and English languages on its website at least 30 days prior to the meeting date so that the shareholders can study the information for the meeting in advance.
- The Company shall ensure that shareholders have the opportunity to ask questions and shall record important issues raised by the shareholders and explanation of the Board as well as recording clearly the number of affirmative votes, negative votes, and abstained votes, in the meeting minutes, once having votes in any respective agenda. Two shareholders are invited to act as witness in the counting of votes, and VDO has been recorded during the meeting until the meeting finishes.
- The Company shall disclose the resolutions together with voting result through the SET online system within the next day after the meeting date.
- The Company shall post a draft minutes of the shareholders' meeting on the Company's website within 14 days of the completion of the meeting. The shareholders may inspect the correctness and may make objection if necessary without having to wait until the next meeting to do so.
- The Company participates in SET Opportunity Day, arranged by the Stock Exchange of Thailand. The objective of the event is to provide an opportunity for listed companies to carry out investor relations activities and to clarify information about the business and operations to security analysts, investors and the media who attending the event. The Company always joins the activity at least once a year with approximately 20-30 participants attended the meeting (excluding audience participation through online channel).

2. Equitable Treatment of Shareholders

- Regardless of their gender, age, skin color, race, nationality, religion, belief, political preference, or any physical handicap, the Company values all shareholders by protecting their fundamental rights equally and fairly, including applies the one share one vote principle to ensure the investment confidence.
- The Company shall provide a proxy form B, in which a shareholder can give comments on his votes, enclosed in the meeting notices stating clearly the required documents and procedure for appointment of proxy to attend the meeting. A shareholder who cannot attend the meeting in person but would like to exercise his voting right may appoint another person as proxy to attend and vote at the meeting. He may also appoint an independent director as his proxy.

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- The Company establishes the policy for prevention of utilising insider information, and informs the same to employees, executives, and directors (details in Principle 6 item 3.1).
- The Company discloses business connected transactions with its subsidiary, which is normal business on fair and at arm's length basis (details in Principle 6 item 3.2).

The Implementation of Corporate Governance Code for Listed Companies 2018

The Company has reviewed the Corporate Governance Policy, developed from the 2012 Good Corporate Governance Principles for listed Companies in aligning with the guideline set by the Stock Exchange of Thailand, and the 2017 Corporate Governance Code for Listed Companies as prescribed by the Office of Securities and Exchange Commission. After consideration, the Board of Director founded that the Company has adopted most of 8 principles that are suitable for the Company's business. If any of the Principles cannot be applied or are not applicable, an explanation shall be provided at the Board Meeting.

However, there are some principles that the Company has not adopted or put into practice, which the management clarified the reasons at the Board Meeting to adjust and ensure the suitability for the Company's business at the next step. The key non-conformed principles are included as follows:-

Principles not exercised	Reasons for not exercising
The Board of Directors to determine that independent directors can continually assume director positions for not longer than 9 years since the date of the first appointment	Every Director has knowledge, capability, experience and an understanding in the business operation, with independence in expressing opinions deemed beneficial for the Company. The experience of Directors from long-term tenure will support them to understand the Company's operation which has the particular nature of business.
To arrange the Board Meeting of more than 6 times a year	In 2018, the Board of Directors held 6 regular meetings. The Company determines that the meeting shall be held at least once in every quarter, which is considered suitable, adequacy and up to date.
To determine a minimum quorum of at least 2/3 when the Board making the decision	According to the Company's AOA, at the Board Meeting, there must be presented not less than one half of the total number of Directors to form a quorum which is legitimacy and compliance with international principle. With such principle, it is able to conduct meeting orderly, transparency and efficiency.
The appointment of the Corporate Governance Committee (CG Committee)	The Company does not establish CG Committee in particular but assigns the Audit Committee to oversee the matters, including the CG principles and business ethics. This is to encourage everyone in the organisation to conform to the principles. The Company believes that is adequate for the current business scope of the Company while still ensuring efficiency of its operation.
The Board members not comprise independent directors more than 50%	The Board of Directors comprises 7 members, 3 of whom are independent directors (representing less than 50% but more than one-third of the total number of Directors), and the Chairman of the Board is an independent director. Such composition is considered to reflect the appropriate balance of power. In addition, independent directors are able to work effectively with all directors with independence in expressing their opinions.

Company Profile

Name of Company	:	United Palm Oil Industry Public Company Limited
No. of Registration	:	0107536000404 (formerly Bor Mor Jor 114)
Website	:	www.upoic.co.th
Nature of Business	:	A plantation company that produces crude palm oil (CPO) and crude palm kernel oil (CPKO)
Registered Share Capital	:	324,050,000 Baht
Outstanding common shares	:	324,050,000 shares
Par value	:	1 Baht
Corporate Headquarters	:	64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260 Tel 02-744 1046-8 Fax 02-361 8989
Krabi Office and Crushing Mill	:	98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5 Huayyoong Sub-District, Nuaklong District, Krabi 81130 Tel 075-666 075 Fax 075-666 072
Oil Palm plantation	:	Oil palm planted area of the Company and subsidiaries comprised 2 parts as follows:-

1. Own Planted Area

Classified by the areas that have document of rights i.e. title deeds, Nor Sor 3 kor, Nor Sor 3, and Sor Kor 1, with total area of 13,643.14 rai, comprises of the following areas;

1. Krabi Noi Estate	78 Moo 4, Krabi Noi Sub-District, Muang District, Krabi
2. Khao Phanom Estate	38/2 Moo 8, Khao Phanom Sub-District, Khao Phanom District, Krabi
3. Khao Khen Estate	Ao Luk Tai Sub-District, Ao Luk District, Krabi
4. Ban Mark Estate	65/1 Moo 6, Bangsawan Sub-District, Prasaeng District, Surat Thani
5. Koh Noi Estate	904 Moo 2, Bangsawan Sub-District, Prasaeng District, Surat Thani
6. Tub Prik Estate	Tub Prik Sub-District, Muang District, Krabi

2. Subsidiaries Planted Area

2.1 Lease of State Property from the Treasury Department, located at 229 Moo 2, Khiansa Sub-District, Khiansa District, Surat Thani, which are classified into 2 parts;

Part 1 : 4,294.34 rai is the lease for a period of 15 years from 9 July 2014 to 8 July 2029

Part 2 : 4,294.34 rai; the Treasury Department has a policy to allocate to poor people who own no land at the rate of 10 rai/person. Pending such allocation, the Treasury Department granted the subsidiary to exploit the land and pay the determined rental fee.

2.2 The concession from the Royal Forest Department, located at 16 Moo 5, Chaiburi Sub-District, Chaiburi District, Surat Thani, was expired since 1 January 2015, which is currently under renewal request. However, the Company was granted a permission to gather forest product in the National Reserved Forest for the area of 6,515 rai for a period of one year and will be renewed on yearly basis.

GENERAL INFORMATION

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

- 1 Name of Company : Phansrivivat Company Limited**
- Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81130
Tel 075-666 075
Fax 075-666 072
- Nature of Business : 99.99% shareholder in Phansri Company Limited^① and Prachakvivat Company Limited^②, which own the concession of oil palm plantation
- Registered Share Capital : 27,400 shares (par value of 10,000 Baht per share)
Shareholding (common shares) : 27,394 shares or 99.98%
- Remarks :**
- ① Phansri Company Limited**
- Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81130
Tel 075-666 075
Fax 075-666 072
- Estate Location : Chaiburi Sub-District, Chaiburi District, Surat Thani
Granted area : 6,515 rai
(under a permission granted to gather forest product in the National Reserved Forest)
Exploit Period : from 27 April 2018 to 26 April 2019
Registered Share Capital : 500 shares (par value of 10,000 Baht per share)
- ② Prachakvivat Company Limited**
- Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81130
Tel 075-666 075
Fax 075-666 072
- Estate Location : Khiansa and Kamvaree Sub-District, Khiansa District, Surat Thani
- Lease of State Property from the Treasury Department : classified into 2 parts:-
- Part 1 : 4,294.34 rai is the lease for a period of 15 years from 9 July 2014 to 8 July 2029
Part 2 : 4,294.34 rai; the Treasury Department will allocate to poor people who own no land at the rate of 10 rai/person. Pending such allocation, the Treasury Department granted the subsidiary to exploit the land and pay the determined rental fee.
- Registered Share Capital : 5,000 shares (par value of 1,000 Baht per share)
- 2 Name of Company : Siam Elite Palm Company Limited**
- Corporate Headquarters : 64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260
Tel 02-744 1046-8
Fax 02-361 8989
- Krabi Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81130
Tel 075-666 075
Fax 075-666 072
- Nature of Business : Oil palm seed propagation
Registered Share Capital : 5,000,000 shares (par value of 10 Baht per share)
Shareholding (common shares) : 2,500,000 shares or 50.00%

Other references

1. Registrar

Name : Thailand Securities Depository Co., Ltd.
Address : 93 The Stock Exchange of Thailand Building,
Ratchadapisek Road, Khwaeng Din Daeng, Khet Din Daeng,
Bangkok 10400

Tel 02-009 9000
Fax 02-009 9991

2. Auditor

Name : Ms. Vilailak Laohasrisakul
Certified Public Accountant No. 6140
Address : EY Office Limited
33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek Road,
Klong Toey, Bangkok 10110

Tel 02-264 0777
Fax 02-264 0789

No. of years being the Company's Auditor : 1
Relations or interests with the Company / : None
the Company's subsidiaries /
the management / major shareholders /
or any relevant persons of the aforementioned

NATURE OF BUSINESS

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

UPOIC and its subsidiaries have their own oil palm planted area with the documents of rights for 13,643.14 rai. Other areas belong to State Property comprising lease area and a permission to gather forest product with the total area of 15,103.69, located in Krabi and Surat Thani.

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

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

In 2018, CPO sales contributed about 77.71% of its total revenue. In the last year, the Company produced CPO equal to less than 5% of the total CPO produced in the Kingdom. The Company's crushing mill is one of 108 CPO crushing mills nationwide.

Revenue structure

Product/Services	2016		2017		2018	
	Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
CPO	771	81.50	625	85.27	488	77.71
CPKO	136	14.38	93	12.69	88	14.01
Others	39	4.12	45	2.04	52	8.28
Total Sales	946	100.00	763	100.00	628	100.00

Note : All sales are carried out by UPOIC itself.

News Highlights of Previous Year

1. Board of Directors : The Appointment of a New Director

On 10 May 2018, the Board of Directors approved the appointment of Mr. Ampol Simarojana, to be a new Director to fill the vacancy, replacing Ms. Jirasuda Sumpaotong with effect from 20 June 2018, as recommended by the Nomination Committee.

2. Risk Management Committee : The Appointment of a New Member

On 9 August 2018, the Board of Directors approved the appointment of Mr. Ampol Simarojana, to be a new member of Risk Management Committee to fill the vacancy, replacing Ms. Jirasuda Sumpaotong with effect from 9 August 2018.

3. Litigation : Krabi Prosecutor Filed a Lawsuit Against the Company

In July 2018, Krabi prosecutor filed a lawsuit against the Company, alleging that the Company utilised 4,376 rai of land reform area for oil palm plantation. The content has been disclosed in the Notes to interim financial statements for the three-month and six-month periods ended 30 June 2018 onwards. However, the auditor has not expressed its concern on material impact to the Company's financial position caused by the Complaint.

According to the lawsuit, in case the Company is ordered by the Court to return the disputed land, the damages which will arise from the cost of land and palm plantation is 28.5 million Baht. The Company has made an allowance for the full amount of such potential damages as in the consolidated financial statements for the current period as presented in Note 27.5.

1. More than 50% of Oil Palm Planted Areas Belong to State Owned Land

Approximately 15,103.69 rai composed of Khiansa estate 8,588.69 rai and Chaiburi estate 6,515 rai, are held by two subsidiaries which represent 52.5% of the total planted areas of the Company and its subsidiaries.

(a) Khiansa estate had been given permission from the Treasury Department to lease 4,294.34 rai of the State Property for a period of 15 years from 9 July 2014 to 8 July 2029. The replanting in such area started at 1,246 and 1,410 rai in 2015 and 2016 respectively, while the replanting of another 1,434 rai is planned for 2020. Therefore, FFB output in such area will drop during the relevant period, resulting in more purchase of outgrower crop, then increasing raw materials cost.

For the other 4,294.34 rai, the Treasury Department will allocate to poor people who own no land at the rate of 10 rai/person. Pending such allocation, the Treasury Department granted the subsidiary to exploit the land and pay the determined rental fee. However, the palm trees grown in the area are more than 30 years old and some varieties are very tall that hinder the harvesting operation, resulting in decreasing yield per rai.

(b) Chaiburi estate is currently under renewal request for a permit to exploit the area of 6,515 rai. In case, Chaiburi cannot get the permit, the Company has to buy a higher proportion of FFB from outside sources and may face increased raw materials cost as a result.

During the consideration period, the subsidiary was granted a permission to gather forest product in the National Reserved Forest upon the obligation to pay official royalty fees at the rate of 10% of market price of oil palm and forest maintenance fees at a double rate of the official royalty fee. Permission was granted since 27 April 2015 which can be renewed on yearly basis. The current permit will be expired on 26 April 2019. However, the palm trees grown in the area are more than 30 years old and some varieties are very tall that hinder the harvesting operation, resulting in decreasing yield per rai.

2. Part of Oil Palm Planted Areas Announced under the Land of Agricultural Land Reform Office (ALRO)

It was announced that two plots of land owned by the Company overlapped with the land of Agricultural Land Reform Office (ALRO) after having been planted with palms for 7 and 18 years respectively. In 2004, the ALRO issued a letter informing the Company to enter into the legal process of land reform. In 2005, the Company submitted related documents to ALRO to verify the right over the land which the Company had been exploiting and inhabiting before the ALRO announcement. In 2008, ALRO Krabi sent a letter informing the Company to enter into the land distribution process. Some parts of the land amounting to 4,994.1 rai were completely distributed in 2010. The Company later found that the distribution of the land of about 1,459 rai was in conflict with the Company's land title deed. The Company is now in a process to submit a request to the ALRO to nullify the status of such land under Sor Por Kor.

On 5 July 2016, the National Council for Peace and Order (NCPO) issued an order No. 36/2559 re: ordering ALRO to stipulate as the targeted areas land of more than 500 rai that has not undergone the agricultural land reform process. Anyone who possessed the said targeted lands is obliged to file a petition to Provincial ALRO to assert its rights on the lands in accordance with the land code or other laws. The Provincial ALRO will verify all evidence of ownership on the targeted lands. If the owners fail to present evidence of their ownership or if the evidence is proven to be invalid, local authorities appointed by ALRO secretary-general have the right to order the illegal landowners to vacate from the targeted lands within a certain period of time and refrain from any action on the targeted lands.

In July 2018, Krabi prosecutor filed a lawsuit against the Company, in connection with one plot, 4,376 rai of land reform area. Further details of the lawsuit are set out on Page 32.

In another case, if ALRO stipulates a plot as the targeted areas according to the order No. 36/2559 from the National Council for Peace and Order (NCPO) and the Company could not present the evidence of ownership, the Company may be obliged to surrender such lands to ALRO. As a consequence, the Company would have to buy a higher proportion of FFB from outside sources to compensate output from mentioned areas and may face increased raw materials cost as a result. Furthermore, the Company shall write off its assets by an amount of approximately 15.7 million Baht.

3. Palm Oil Price Volatility and Intervention from the Government

Being a commodity, the price of CPO is highly volatile. In some periods, there is a shortage while in other years there is an oversupply. The monthly average price of CPO in 2018 ranged between 16.22 – 23.20 Baht/Kg (2017 : 19.12 – 31.97 Baht/Kg). The average price in 2018 was 19.57 Baht/Kg, decreasing by 21.34% from 2017, compared with the average price in global market at 18.05 Baht/Kg. The high volatility of local price during the year is exacerbated by inadequate inventory management. Besides, the peak season of palm crop delivers abundant output leading to accumulated CPO stock balance which normally push the prices of FFB and CPO down sharply. Such circumstance may lead growers to protest and price intervention is likely to be introduced by the Government.

In 2017 Office of Central Commission on Prices of Goods and Services issued the Notifications in approximately every 30 days to recommend the minimum purchase prices of Fresh Fruit Bunch (FFB) and Fresh Fruit Loose (FFL). Later, starting from May 2018, the meeting of Subcommittee of Oil Palm and Palm Oil

RISK FACTORS

Marketing Management Board has resolved to revoke the Notifications by clarifying that recommendation of the minimum purchase prices did not create any benefit to farmers or buyers because the announcement of recommended prices in each month was considered not in real time and the announcement was made only once a month. It did not reflect the actual purchase prices in the market that is constantly changing all the time.

4. Climate

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

5. Excess Capacity of CPO Crushing Mills

At present, there are approximately 142 CPO crushing mills (of which only 108 mills are still in operation), most of which are located in Surat Thani, Krabi, Chumporn provinces, giving rise to a combined Fresh Fruit Bunch (FFB) processing capacity of 30 – 35 million MT per year. Therefore, there is a mismatch between such overall high processing capacity and FFB output in 2018 at 15 million MT from 5 million rai of mature growing area. Utilisation of milling capacity is below 50% leading to competition in the buying of FFB and high prices, irrespective of quality.

6. Selling of CPO to Major Customer

In 2017 and 2018, the Company sold 40% and 75% respectively of its products including CPO and CPKO to one major customer, namely Lam Soon (Thailand) Plc. (LST). While this constitutes a risk of over reliance on a single major customer, the Company has had continued good relations with LST, who is moreover also the Company's major shareholder. LST is a separate public listed company with strong financial background and has enjoyed a good reputation in the palm oil industry. For these reasons, the Company considers that the risk of losing LST as its customer or that it will encounter financial difficulty is remote. In any case, the Company can sell its products to other customers, whether for use as edible oil or as a source of alternative energy.

7. Major Shareholder Holds More Than 50% of Paid-Up Capital

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

Nevertheless, the business transactions with majority shareholder, selling CPO to LST in particular, have been reviewed by the external auditor to ensure that the prices shall be the same as the transaction with the third party. In addition, the said transactions as well as the transactions corresponding to the rules and regulations of the SET regarding related transactions are also mentioned and declared in item 6 of the Notes to financial statements.

INDUSTRY OVERVIEW AND COMPETITIVENESS

Figure 1 : Highlights by Quarter

2018	Production ('000 MT)		Price (Baht/Kg)		Highlights
	FFB	CPO	FFB (OER 18%)	CPO	
Q1	4,376 (2,501)	778 (431)	3.73 (5.80)	20.34 (30.78)	<p>The output of FFB in the Kingdom was up 75% when compared with Q1/2017. This caused the monthly average prices of FFB and CPO to sharply decreased, to 3.73 and 20.34 Baht/Kg respectively.</p> <p>The Indian central government announced on 1 March 2018 the fourth increase of import tax on palm oil within six months to protect own local farmers. Furthermore, the European Parliament banned palm oil blended in biofuel by 2021 as oil palm plantation led to deforestation.</p> <p>(Page 41 – 42)</p>
Q2	3,864 (4,026)	695 (706)	3.63 (4.66)	20.76 (25.84)	<p>To manage CPO stock, the government passed a resolution to the Palm Oil Balance Measure by accelerating CPO export, amounting to 300,000 MT. In addition, it encouraged the usage of Biodiesel B20 for large trucks, effective on 1 July 2018.</p> <p>Crude oil price has declined due to the concern over the trade war between the United States and China.</p> <p>(Page 37)</p>
Q3	3,126 (3,695)	566 (657)	3.54 (4.18)	20.24 (22.43)	<p>The monthly average price of CPO in Malaysia was as low as 17.36 Baht/Kg (Q3/2017: 21.12 Baht/Kg) (Source: Internal Trade Department). CPO stocks in both Malaysia and Indonesia are in the high range of 7.5-8.0 million MT while stock in Thailand was at 387,162 MT in September 2018 which was still higher than the optimum level.</p> <p>(Page 38 – 49)</p>
Q4	4,031 (4,694)	739 (832)	2.90 (3.81)	16.94 (20.48)	<p>The government launched three measures to reduce abundant palm oil stock and tackle low palm oil prices, including using 160,000 MT of CPO to produce electricity, increasing the blending ratio of palm oil used in biodiesel fuel from 6.5% to 7%, and restating to encourage CPO exports of 300,000 MT by subsidising expenses at 1.75 Baht/Kg.</p> <p>(Page 37)</p>
Total	15,396 (14,916)	2,778 (2,626)	3.45 (4.62)	19.57 (24.88)	

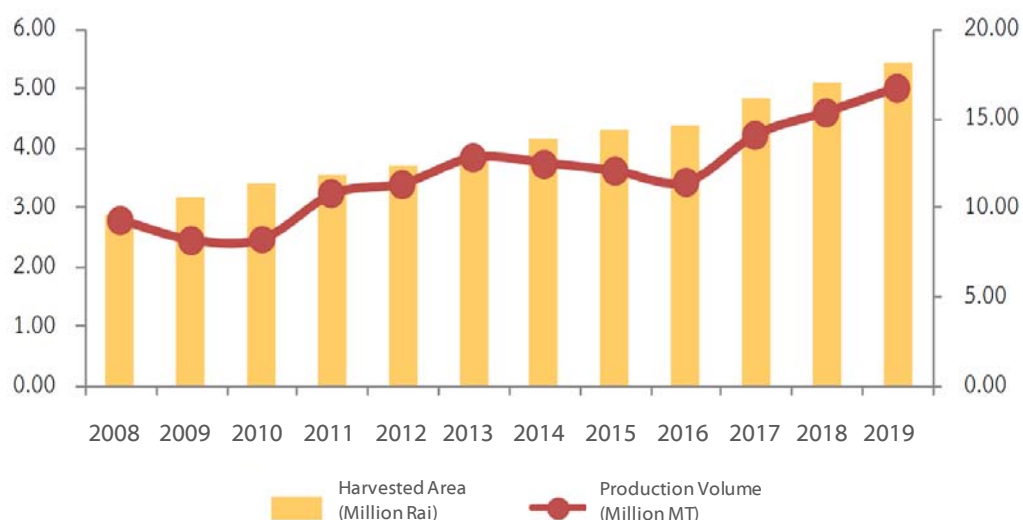
() refers to same period (quarter or year, as the case may be) in the preceding year

Source: Figures from Internal Trade Department

INDUSTRY OVERVIEW AND COMPETITIVENESS

The oil palm harvesting areas in the Kingdom is currently around 5 million rai. About 90% of the area is in southern region of the Kingdom due to the weather suitability. Since the late 2016 through 2018, the output of FFB in the Kingdom was improved significantly, mainly from 5 provinces i.e. Surat Thani, Krabi, Chumporn, Nakhon Si Thammarat, and Phang Nga, due to good weather condition with continual raining, and the expansion of harvesting areas. The FFB volume produced in 2018 overall was over 15 million MT (2017 : 14.91 million MT), and expected to increase further in 2019.

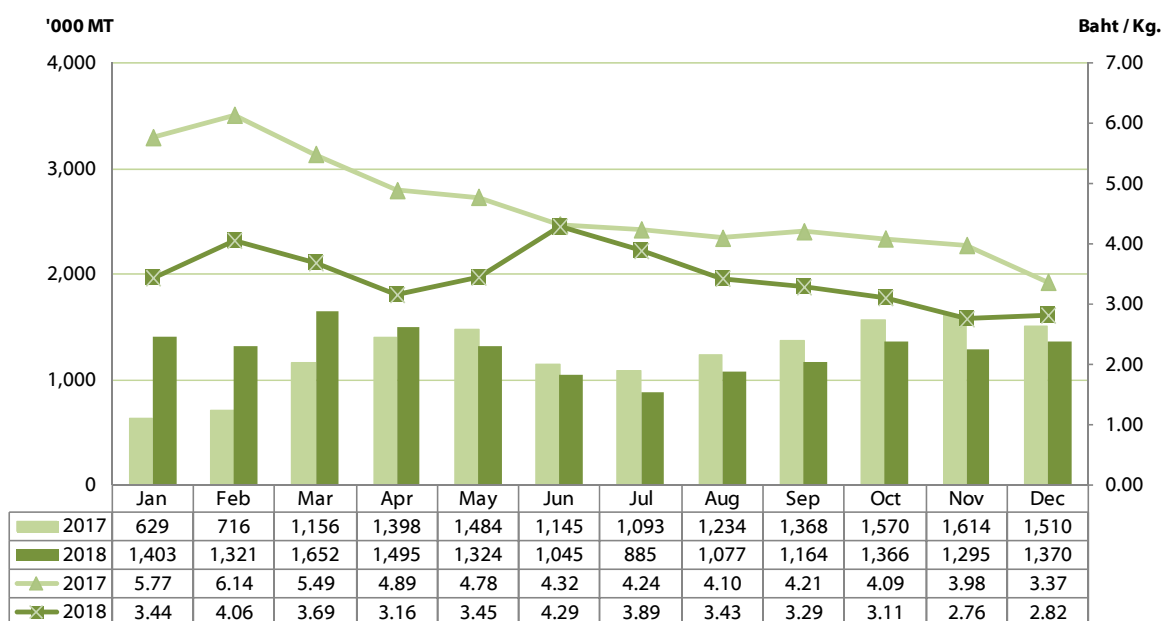
Figure 2 : Oil Palm Harvesting Area and FFB Output



Source : Office of Agricultural Economics, the Ministry of Agriculture and Cooperatives

Monthly FFB output ranged from its peak of 1.7 million MT in March and to its lowest at around 0.9 million MT in July. The annual average FFB price was at 3.45 Baht/Kg (2017 : 4.62 Baht/Kg), with the highest monthly average at 4.29 Baht/Kg in June and lowest at 2.76 Baht/Kg in November. The average price in 2018 was recorded at the lowest level in 12 years.

Figure 3 : Monthly FFB Output and FFB Price (OER 18%)



Source : Internal Trade Department

INDUSTRY OVERVIEW AND COMPETITIVENESS

Total CPO production in the Kingdom in 2018 was 2,778,108 MT (2017 : 2,626,006 MT). CPO demand was shared between :-

(MT)	2017	2018	% Change YOY
Consumption	1,165,633	1,227,350	5.29
Biodiesel	971,177	1,199,671	23.53

The excess supply caused by the higher production together with a series of negative news from global market, pushed the FFB and CPO price lower. The Government has taken efforts and launched several measures to reduce pressure on prices and bring the CPO stock to an optimum level about 250,000 MT, which include:-

1. encouraging CPO exports of 300,000 MT by subsidising expenses at 1.75 Baht/Kg,
2. encouraging the usage of Bio-diesel B20 for large trucks, effective on 1 July 2018,
3. using 160,000 MT of CPO to produce electricity.

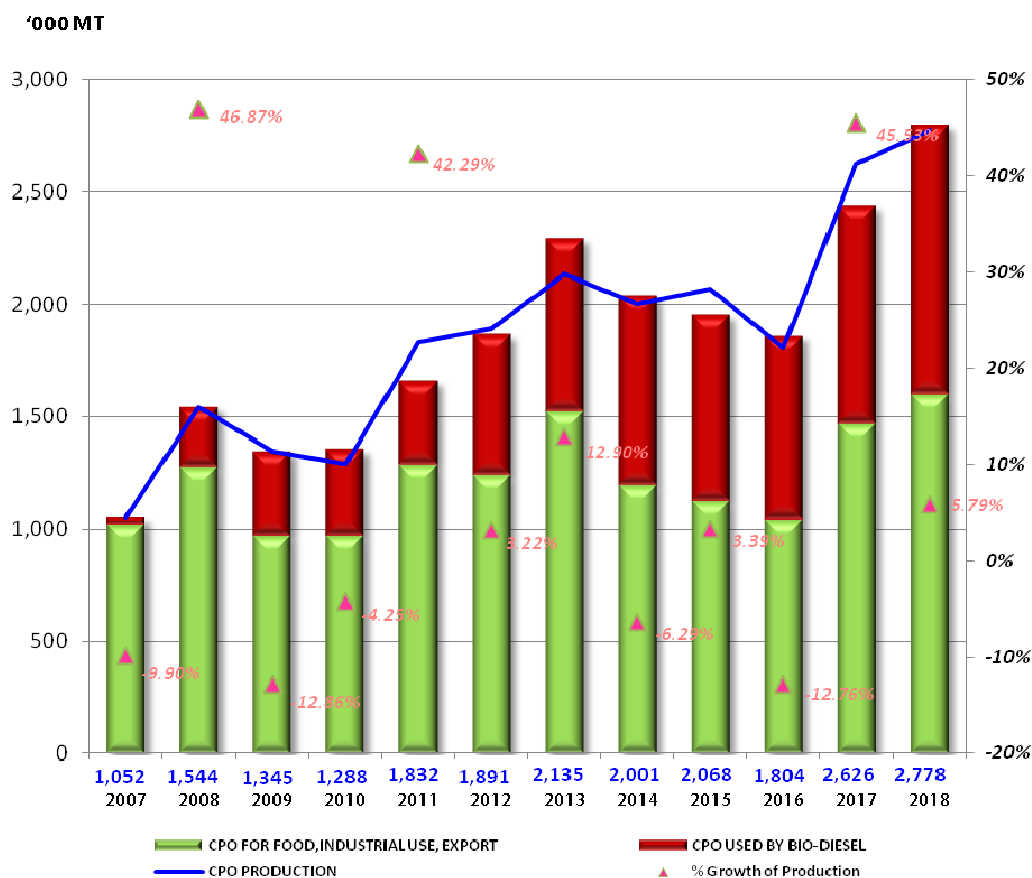
Moreover, in the past 5-6 years, the Government (c/o the Ministry of Energy) could successfully manage to adjust the palm oil blending in biodiesel from time to time to optimise CPO stock level and balance pricing between palm oil consumption and biodiesel usage. The present mandate of biodiesel B7 is the maximum warranty level of most automotive groups. To further increase the palm oil blending had to be on voluntary basis. Effective on 1 July 2018, the Ministry of Energy encouraged the usage of biodiesel B20 for large trucks but it delivered insignificant effectiveness. Furthermore, to accelerate the mandatory usage of B10 biodiesel within 2019 does not appear feasible due to technical challenges as well as the warranty becoming void.

The adjustments of mandate for biodiesel during 5-6 years are summarised as follows:-

Year	Effective Date	Palm oil blending in biodiesel
2013	At the year end	delay in implementation of B7, instead applying B4
2014	In early of May January	raise to B7 reduce to B3.5
2015	April August July	raise to B6 raise to B6.5-7 reduce to B5
2016	August November	reduce to B3 raise to B5
2017	May	raise to B6.5-7
2018	October	raise to B7 or B7 plus

Most of such measures were launched as a short-term solution so it is inevitable that the problem would be prolonged to 2019 when the FFB crop output is foreseen to increase further.

Figure 4 : CPO Production in Thailand

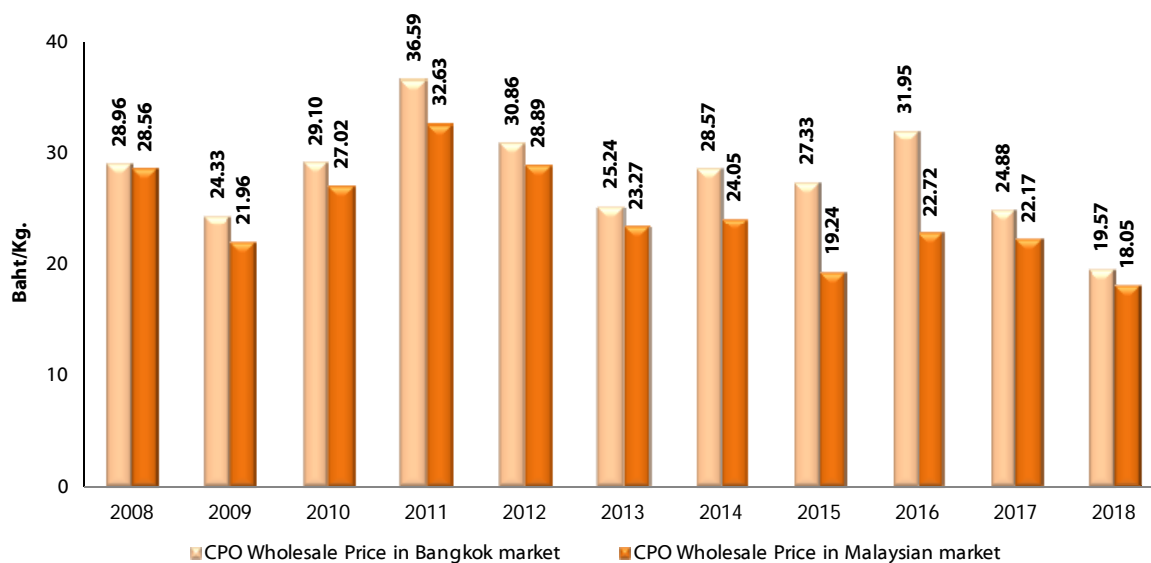


Source : Internal Trade Department

Monthly CPO price in the Kingdom in 2018 varied between 16.22 – 23.20 Baht/Kg (2017 : 19.12 – 31.97 Baht/Kg). The annual average CPO price was 19.57 Baht/Kg (2017 : 24.88 Baht/Kg), the lowest average level in 12 years. CPO price in the Kingdom had reached its lowest at around 14 Baht/Kg in November. The average price gap from the global market decreased to 1 – 2 Baht/Kg (2017 : 2 – 3 Baht/Kg).

Particularly during the 1H2018 when the local price of CPO closed to that of Malaysia, palm oil crushing mills hence started to export CPO mainly to India, with the total export volume of 300,000 MT. Later, during the 2H2018, Malaysian price came down further, the price gap between local and global market was widened, setting back the export volume.

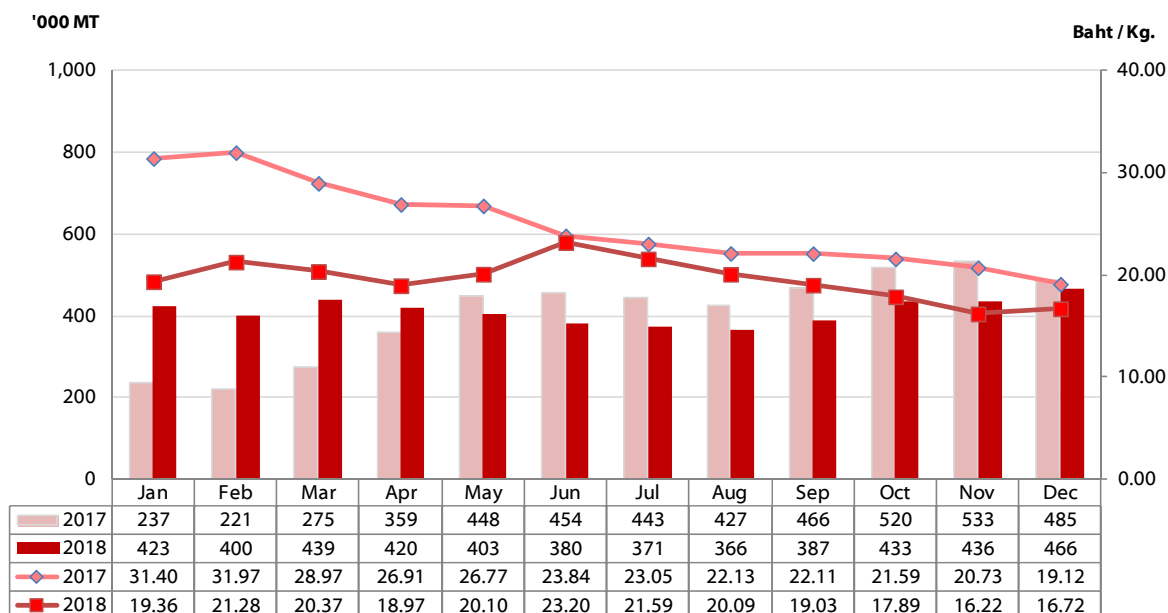
Figure 5 : Comparison of CPO Wholesale Price Between Bangkok and Malaysian Market



Source : Internal Trade Department

There was significantly less export volume of CPO during the 2H2018 when compared with 1H2018, while local consumption and B100 usage to blend for B7 Bio-diesel mandatory remained the same. As a result, the CPO stock equivalent was accumulated up to 466,076 MT at the year-end.

Figure 6 : CPO Stock Equivalent and CPO Price Movement



Source : Internal Trade Department

Summary of key events

- (1) **Palm oil stocks at highest record** : Global palm oil stockpiles at the end of 2018 rose above 8 million MT., mainly contributed by 4 million MT. from Indonesia and 3.2 Million MT. from Malaysia which was the highest record. In the circumstances, the average CPO price in global market in 2018 was lower than 2017. The average closing price of CPO as benchmarked by the Bursa Malaysia Derivatives : 3rd Month price at 2,299 RM/MT was 15% lower than in 2017 which was 2,703 RM/MT. The price hit its rock bottom level on 26 November 2018 at 1,965 RM/MT.

Figure 7 : Malaysian Palm oil Monthly Price



Figure 8 : Malaysia Palm Oil Stock

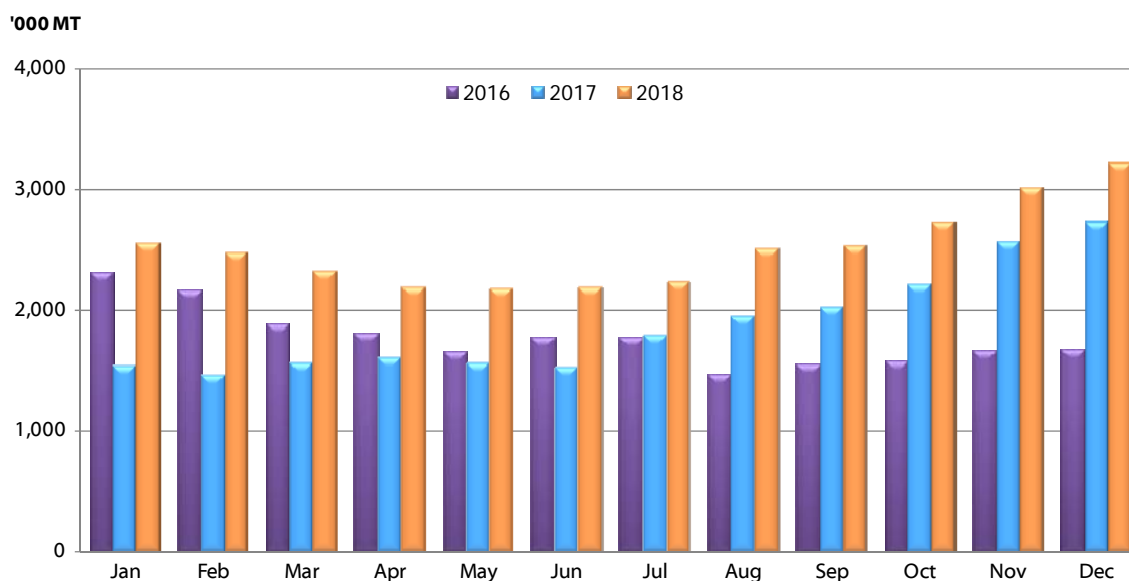
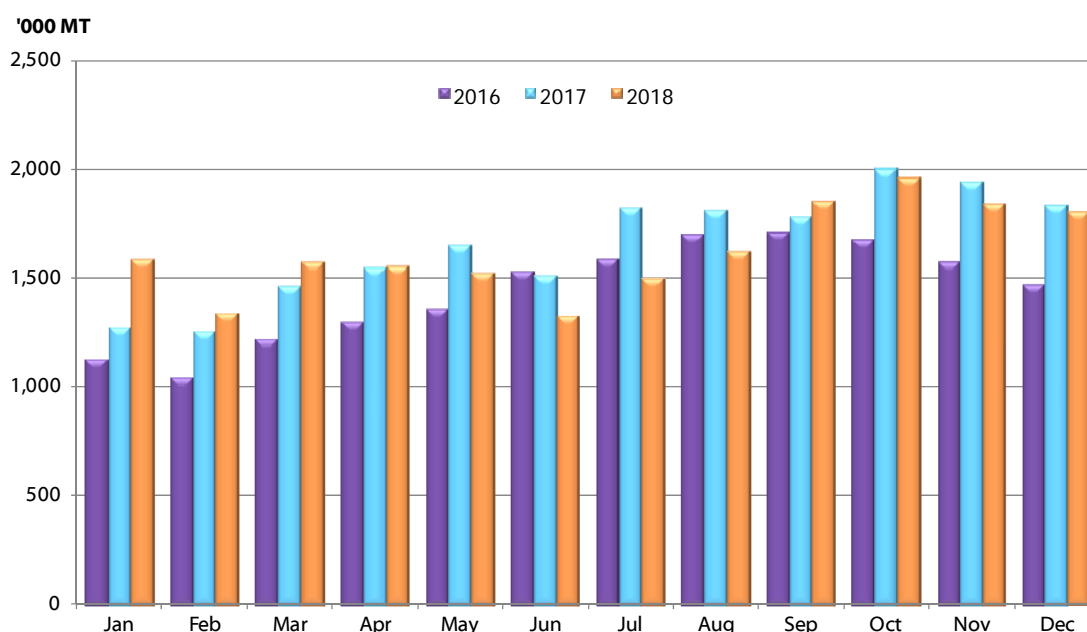


Figure 9 : Malaysia CPO Production



Source : Malaysian Palm Oil Board

(2) Petroleum price : Another important factor is petroleum price. Global oil supply surged in 2018 with the top-three producers — the United States, Russia and Saudi Arabia, growing ahead of demand. However, during the year, global oil prices rose to their highest close in nearly four years at 76 USD/barrel for WTI and 81 USD/barrel for Brent at the end of September – early of October 2018, fuelled by the imposition of US sanctions against oil exports from Iran which has emerged as one of the world’s fastest growing oil producers in recent years, while OPEC and its allies deciding to hold their production steady. Later oil prices came down again due to higher supply from the U.S. flooding the market. The average closing price for WTI Crude Oil in 2018 decreased by 25% from 2017 to 65 USD/barrel. EIA expects WTI Crude Oil price will average at 54 USD/barrel in 2019 and that Brent price will average about 7 USD/barrel higher than WTI price in 2019.

(3) India changed import duties on vegetable oils : To protect local farmers in India, in 2018 the Indian central government announced an increase of import tariffs imposed on almost types of vegetable oil, CPO in particular.

However, effective since 1 January 2019, the Indian government announced a reduction in import duties on CPO from Malaysia, Indonesia and other members of ASEAN to 40% from 44%, while the duty on refined palm oil was slashed to 45% from 54% if imported from Malaysia, and to 50%, if imported from Indonesia. The cut in import duties is a fulfillment of a commitment made in comprehensive economic cooperation agreement signed between Malaysia and India years ago.

As long as the Indian government keeps import duties of other vegetable oils unchanged, it would increase palm oil exports, lower stockpile, and lift palm oil prices. So there is a good chance that palm oil may regain some market share it lost previously.

(4) Impacts of Trade War China-USA : The trade war between China and the United States leading to higher tariffs on soybean has impacted the international market of vegetable oils. China, the world's top soybean buyer, usually gets most of its soybean imports from the United States. But its soybean imports from the United States plunged to zero in November 2018, the first time since the trade war started. Instead, China bought in 5.07 million MT. of soybeans from Brazil in November, up more than 80% from 2.76 million MT. a year ago. However, China resumed buying soybean from the U.S. in December, after the two countries agreed on 1 December to a truce in their trade war. This had the effect of reducing soybean oil price.

(5) EU postponed phasing out of palm oil until 2030 : Further to the EU policy framework for biofuels set for pre-2020, the European Parliament voted on 13 November 2018 on the post-2020 EU Renewable Energy Directive (RED II) by setting the EU-wide overall target of 32% for renewable energy in 2030, and the binding target of minimum 14% for renewables in transport in 2030, but capping crop-based biofuels at member states' 2020 levels, with a maximum of 7%. In addition, biofuels that produced from crops for which a significant expansion of the production area into land with high carbon stock is observed, shall decrease gradually to zero by 2030, implying the implementation of “zero palm oil” from transport fuel by 2030. The objective is to reform the energy market and reduce energy consumption for an attempt to meet the environmental conservation goal. According to an EU-funded study published in 2016, biodiesel produced from palm oil was three times more polluting than traditional diesel. This finding however is misleading conclusion as not all oil palm plantations produced from deforestation. Therefore, capping crop-based biofuels at 2020 levels unfairly penalises sustainable crop-based biofuels. Apart from the trend of “zero palm oil” in transport, “palm oil free” on food label in Europe has been widely implemented in 2018 arising from the perception of palm oil as the agent of high saturated fat, high contaminants, and high carcinogenic substance.

Processing capacity

The number of CPO crushing mills has increased from 91 in 2013 to about 142 mills at present (of which only 108 mills are still in operation), giving rise to a current total milling capacity of about 30-35 million MT of FFB per year. This remains significantly higher than the FFB output recorded in 2018 at about 15 million MT; capacity utilisation rate of crushing mills was below 50%. Because the significant imbalance between demand and supply persists, there is price volatility and FFB quality is compromised, ultimately hindering the development of the industry in Thailand.

Production and Price Outlook for 2019

The annual planting area in the Kingdom is expanding by an average of about 0.3 million rai as farmers had been promoted to grow oil palm replacing other crops especially para rubber plantation which affected by the long term low price. This factor increased the average FFB output year on year. Furthermore, influences from climatic phenomenal would significantly deliver benefit overall oil palm yield. Therefore, FFB output is expected to increase continuously from 2018 to be about 16 million MT equivalents to CPO production approximately at 2.8 - 3 million MT in 2019.

In terms of demand, the local edible consumption in 2019 is estimated to maintain at 1 million MT, and the usage from biodiesel will be at 1 million MT as well. The usage of biodiesel B20 for large trucks and to adjust the mandatory usage of B10 to start enforcing within 2019 is still facing challenging. Therefore, the situation of abundant CPO stock level will persist in 2019 especially in the first half. Hence, to export CPO seems to be the only solution to reduce the stock level under suitable market mechanism. Otherwise, the prompt actions from Government is required to manage balancing stock in nationwide.

Meanwhile, global CPO production in 2019 will remain high as well. The United States Department of Agriculture (USDA) reported that favorable growing conditions in Southeast Asia and surprisingly high yields on palm oil plantations are seen to lead to a 4.5% rise from 2017/18 to 72.8 million MT., mainly contributed by Indonesia.

Overall, it is expected that the local CPO price in 2019 would have the similar movement to the global CPO price at range around 16 - 18 Baht/Kg and FFB price at 3.00-3.50 Baht/Kg. Assuming petroleum price at 55-60 USD/barrel, the average global CPO price in 2019 is estimated at around 2,000 -2,300 RM/MT (2018 : 2,299 RM/MT). Other factors are expected to contribute to a industry sentiment; these include the anti-palm oil campaigns in EU and the West, trade tension between the United States and China, and high import duty of palm oil in India.

Environment and Corporate Social Responsibility Overview

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

Vision

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

Mission

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

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

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

1. Conducting business on fair basis

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

2. Anti-corruption

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

3. Respect of human rights

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

4. Treat employees on fair basis

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

MANAGEMENT DISCUSSION AND ANALYSIS

5. Responsibility to customers

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

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

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


6. Care for the environment

It is the Company's policy to conduct its business with full consideration of the environment. It will abide by laws and regulations pertaining to the environment. Accordingly, the Company always care for:-

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

7. CSR projects with surrounding communities and society

In 2018, the Company contributed a total of 1.57 million Baht (2017 : 0.93 million Baht) to CSR projects with surrounding communities and society.

CSR Activities	
QUARTER 1	
	<p>Support for the Project of a Happy Village of Economic Self-Sufficiency</p> <p>On 5 January 2018, UPOIC collaborated with Prachatham Village at Khian Sa Sub-District, Khian Sa District, Surat Thani Province to set up the Project of a Happy Village of Economic Self-Sufficiency. The objective of the project is to form the household group and honest livelihood group in the community, to manage public health, traffic and garbage for cleanliness development in the village. In this project, UPOIC as a representative of entrepreneur in the community, supported work on cleanliness to enhance harmony in the community nearby the mill.</p>

CSR Activities (cont.)



Tractor to Repair and Improve Road Surface in Ban Mak

On 10 February 2018, UPOIC supported a tractor to repair and improve road surface in Ban Mak, Bangsawan Sub-District, Prasaeng District, Surat Thani Province to facilitate passerby people and transportation of agricultural product in the community.



Allocation of Empty Fruit Bunch to Palm Growers

On 12 February 2018, UPOIC allocated its by-product (Empty Fruit Bunch) from its production to palm growers at Ban Plai Khlong, Chai Buri Sub-District, Chai Buri District, Surat Thani Province.

It also provided training to demonstrate the making of compost bio-fertiliser that will help farmer to reduce their expenses from using chemical fertiliser and reduce production cost in their planted area.



Purchase of Compost Bio-Fertiliser from Government Subsidised Project

On 28 February 2018, UPOIC supported the community by purchasing compost bio-fertiliser of 61.94 MT from Ban Sakaew fertiliser project, Bangsawan Sub-District, Prasaeng District, Surat Thani Province.

The project, which was subsidised by the government, would help the Company obtain the benefit of good quality fertiliser at lower price. At the same time, such purchases increase the income of the community under sustainable development direction.

CSR Activities (cont.)



Donation to Support Uniform for Volunteer Security Escort

On 10 March 2018, UPOIC donated 10,000 Baht to support uniform for volunteer security escort in villages nearby the Company's estates. The volunteers will help monitoring the security and keep peace in the village.

QUARTER 2



Reception for Students From Silpakorn University, Phetchaburi IT Campus

On 26 April 2018, UPOIC welcomed students from faculty of management science, Silpakorn University, Phetchaburi IT Campus for studying "Working Model for Systematic and Efficiency of Personnel in the Organisation".

The objective was to educate students from direct experiences and enhance relationship between educational institutions and the Company.



Support for Tractor for Landscape Improvement in School

On 11 May 2018, UPOIC supported a tractor to redecorate landscape in Ban Mak School, Bangsawan Sub-District, Prasaeng District, Surat Thani Province. This activity, the collaboration between community leader, people and staff in Ban Mak School, showed a strong unity of people in the Community.

CSR Activities (cont.)



Donation of Palm Trees to Don Yai Hom Temple

On 14 May 2018, Khiansa Estate donated 60 palm trees to Don Yai Hom Temple to plant in vacant area of 5 rai. This would generate revenue to help cover daily expenses in the temple. Moreover, staff in Khiansa Estate could join to make merit for the temple which is a center of the community.

QUARTER 3



Release of Fish on the Occasion of 12 August

UPOIC collaborated with Ban Na-Pong community and Huay Yoong Sub-district Administrative Organisation in releasing fish into natural water resource on the occasion of Mother's Day 12 August at Ban Huay Yoong Sub-District, Nuaklong District, Krabi.



Allocation of Compost Bio-Fertiliser made from Empty Fruit Bunch to Community in Ban Huay Yoong Sub-District

In September 2018, UPOIC allocated compost bio-fertiliser which made from its by-product (Empty Fruit Bunch) for use by the community in Ban Huay Yoong Sub-District, Nuaklong District, Krabi.

CSR Activities (cont.)	
<p style="text-align: center;">QUARTER 4</p> 	<p>Donation of Furniture to Ban Huai Kram Community</p> <p>In October 2018, UPOIC donated tables and chairs to Ban Huay Kram Community , Huay Yoong Sub-District, Nuaklong District, Krabi to be used in monthly meeting of community members.</p>

8. Develop and publicise innovation created from CSR operations

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

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

Financial Overview

Financial performance analysis and explanation

1. Review of operations

Estate operations

In 2018, the total volume of own crop was about the same as 2017 (FFB from own estates decreased by 9.4% and that from concession land increased by 21.5%), benefiting from the good weather condition with continual raining. Moreover, the Company and its subsidiary have implemented replanting in own estates area and the renewal concession area in line with the replanting programme.

The Company's concession area of approximately 21,348.94 rai has already expired. Under the current government policy, in cases where the concession area is allowed to be renewed, it will be only for 50% of the actual utilised area. The details of the concession area are as below:-

Location and Land Area	Expiry Date	Current Status
1) Khiansa estate 8,588 rai	8 July 2014	<p>Under the rental agreement with the Treasury Department on 11 December 2014:</p> <ul style="list-style-type: none"> An area of 4,294 rai, accounting for 50% of actual utilised area previously registered with the Forest Department on 9 July 1984, has been renewed by the Company's subsidiary and is valid from 9 July 2014 to 8 July 2029. The other half of the area would be allocated to poor people who own no land at the rate of 10 rai/person. Pending such allocation, the Treasury Department granted the subsidiary to exploit the land and pay the determined rental fee until the land allocation is completed.
2) Chaiburi estate 13,030 rai	1 January 2015	<ul style="list-style-type: none"> The subsidiary's request to the Forest Department to grant a permit to exploit an area of 6,515 rai is now under consideration. On 27 April 2015, the subsidiary was granted permission to gather forest product in the National Reserved Forest upon the obligation to pay official royalty fee at the rate of 10% of market price of oil palm and forest maintenance fee at a double rate of official royalty fee. Therefore, the subsidiary could start harvesting FFB from that area of the National Reserved Forest from May 2015 onwards. However, permission was granted for a period of one year and will be renewed on yearly basis. The existing permission will expire on 26 April 2019.

As the reasons mentioned above, the cost of own crops decreased by 6.0%.

Mill operations

The Company slowed down its purchase of FFB during the last quarter as excess supply had caused CPO price to drop significantly. As a result, FFB purchased from out-grower decreased by 12.9%; while the output of FFB crops from own estates was about the same as the previous year. The Company's crushing mill shut down of production for major maintenance. As a consequence, the total volume of FFB processed decreased by 7.2%. In 2018, the proportion of FFB from outside source and own estate were 57.3% and 42.7% of the total volume of FFB processed (2017 : 61.0% and 39.0%).

The cost of own crops and purchased crops decreased by 6.0% and 21.6% respectively in line with the market. The average cost of FFB processed hence dropped by 17.0%. Moreover, there was gain from change in fair value of inventory recognised in cost of sales. Therefore, cost of CPO decreased at a higher rate than average selling price of CPO, which decreased by 18.3%. The Company's gross profit accordingly increased by 4.3 million Baht or 7.8%.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Under the BOI Certificate no. 1043(2)/2548, dated 29 November 2007 for electricity produced from biomass power plant at 1.2 Megawatt, the Company is exempt from corporate income tax on the operation for 8 years starting from the first date of realising income since 21 August 2015.

Additionally, the Siam Elite Palm joint venture received the BOI Certificate no. 1262(2)/2550, dated 13 March 2007 for the project of oil palm seed propagation provided exemption of corporate income tax on the operation for 8 years starting from the first date of realising income since 20 February 2014.

Sales revenue

Total sales of the group in 2018 decreased by 134.6 million Baht or 17.6%. This was mainly due to average selling prices of CPO and CPKO decreasing by 18.3% and 22.7% respectively as well as the sales volume of CPO decreasing by 4.5%.

Cost of sales and Expenses

- The average selling price of CPO decreased by 18.3% while the average cost of sales slightly increased by 1.1%, resulting in lower cost of sales ratio of 90.6% (2017: 92.8%).
- Set up 28.5 million Baht provision for impairment of land and palm plantation as a consequence of a lawsuit filed by Krabi prosecutor against the Company with the Court, alleging that the Company utilised land reform area for oil palm plantation. Currently, a date for witness examination in this case has been set for June 2019.
- Selling expenses increased by 4.5 million Baht or 23.2% as transportation expenses increased from higher average diesel oil price in 2017 and decrease in proportion of customer's own goods collection.
- Gain arising from change in fair value of biological assets 39.3 million Baht (2017: Loss of 8.4 million Baht)
- Share of profit from investment in Joint Venture 9.5 million Baht (2017: Loss of 10.2 million Baht)

Consolidated Profits

While sales revenue decreased, the cost of sales decreased at a higher rate when compared with sales revenue. The group therefore recorded higher gross profit by 4.3 million Baht or 7.8%. Furthermore, the Company recorded gain from the change in fair value of biological assets including share profit from investment in Joint Venture net from provision for impairment of land and palm plantation. As a consequence, the group recorded an increase in net profit of 32.0 million Baht (2017: net loss of 18.3 million Baht). Earnings per share in 2018 was 0.04 Baht (2017: Loss per share 0.06 Baht).

Return on Shareholders' Equity

Return on shareholders' equity increased from -1.7% in 2017 to 1.3% in 2018.

Dividend payout ratio

In 2018, UPOIC paid dividend out of its unappropriated retained earnings as of 31 December 2017 at the rate of 0.10 Baht per share in May 2018 (2017 : 0.15 Baht per share).

UPOIC has a policy of paying not less than 50% of net profit after tax as dividend.

Book value (weighted average number of ordinary shares)

As at 31 December 2018 the book value per share of the group was 3.24 Baht (weighted average number of shares at 324.05 million shares), or a decrease of 2% from 3.30 Baht in 2017 (weighted average number of shares at 324.05 million shares).

2. Financial position

Assets

The group had total assets of 1,361 million Baht, a decrease of 159 million Baht or 10 % when compared with 2017. Return on assets increased to 1.0% (2017 : -1.2%). The major factors are as follows:-

- Cash and cash equivalents decreased by 89 million Baht from repayment of short-term loan.
- Property plant and equipment decreased by 28 million Baht from annual depreciation.
- Inventory decreased by 41 million Baht due to decrease in volume and average unit price.

3. Source of Fund

The structure of capital

Under the consolidated financial statements as at 31 December 2018, source of fund comprised 1,050 million Baht from shareholders' equity and 311 million Baht from liabilities, in the ratio of 77% : 23% respectively. Loans from financial institutions amounted to 270 million Baht or 20% of total liabilities, all of which was the short-term loan. The ratio of debt to equity was 0.30 times at the end of 2018 (2017 : 0.42 times) from short-term loan decreased.

Shareholders' equity

The group recorded net profit in 2018 at 14 million Baht. During the year, the Company paid dividend amounting to 32.4 million Baht for the 2017 financial year. As such, the shareholders' equity of the group decreased from 2017 by 19 million Baht.

Liabilities

The group liabilities of 311 million Baht comprised current liabilities at 298 million Baht and non-current liabilities at 13 million Baht. This was a decrease of 141 million Baht from 2017 or 31%, due to short-term loan decreasing by 130 million Baht.

Financial liquidity

At the end of 2018, the group recorded cash and cash equivalents at 23 million Baht, compared to 112 million Baht at the same period of 2017. The major reasons for the decreasing by 89 million Baht are as follows:-

- Net cash flows from operating activities amounted to 119 million Baht, an increase of 113 million Baht from the same period of 2017. This was derived from the better operating result as stated above, a reduction in trade AR and inventory.
- Net cash flows used in investing activities amounted to 46 million Baht, an increase of 44 million Baht when compared with 2 million Baht in 2017. Such investments comprised the purchase of new trucks to replace the old ones and tracked excavator for use in gardening and palm planting
- Net cash flows used in financial activities amounted to 162 million Baht compared to 11 million Baht used in 2017. This came from loans repayment and dividend payment.

Financial ratios

- The current ratio was 0.77 times, a slight decrease of 0.04 times from 2017 due to decreasing of cash and cash equivalents from loans repayment.
- The quick ratio was 0.12 times, a decrease of 0.26 times from 2017 due to decreasing of cash and cash equivalents from loans repayment.
- The ratio of cash flows from operating activities to current liabilities was 0.40 times, an increase of 0.39 times from 2017 owing to higher cash inflows from operating activities while short-term loan repayment.

4. Capital expenditure

- In 2018, the Company invested in land to expand oil palm seedling production at Ranong and Nakhon Si Thammarat provinces.
- Replanting programme in concession areas at Khiansa estate by a subsidiary. The programme is expected to be completed in 2020.
- For future investment, the Company has been exploring new land for oil palm plantation and secured equipment to replace the old ones as well as reduce labor intensity.

Factors which might affect financial performance in the future

Because the major raw material of the Company comes from agricultural product, its future financial performance is to a large extent dependent on uncontrollable factors such as weather condition, rainfall level, and the quantity of Fresh Fruit Bunch (FFB) harvested in Thailand in each season, including the volatility of palm oil price. Furthermore, the Government continues its policy to support farmers during peak season of FFB, hence creating market distortion. Moreover, there are 108 CPO crushing mills and capacity utilisation was lower than 50%, leading to the intense competition in buying FFB, irrespective of quality, resulting in higher cost of sales.

Another crucial factor is the areas of State Property which accounted for 52.5% of the plantation area. Subsidiaries can obtain the lease for only 14.9% of the total plantation area while other areas are still undergoing process. In case that the government would not extend the lease, the Company would have less plantation area and has to buy a higher proportion of FFB from outside sources, resulting in higher cost of sales.

Besides, some plots of land owned by the Company overlapped with the land of Agricultural Land Reform Office (ARLO). Hence, the Company may lose such land. More details are presented in Note 27.5 to the financial statements.

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

Remuneration of statutory auditor

1) Audit Fee

The group nominated the same office of the statutory auditor and paid audit fee as follows:-

Audit Fee (Baht)	2018	2019
for the Company	1,030,000	1,030,000
for related company (Siam Elite Palm)	315,000	315,000
for three subsidiaries	140,000	140,000
Total	1,485,000	1,485,000

2) Non-Audit Fee

Apart from the Audit Fee, the group paid a fee to the statutory auditor for verifying BOI project including imported machineries and corporate income tax submission as follows:-

Fee for verifying BOI project (Baht)	2018	2019
for the Company	-0-	-0-
for related company (Siam Elite Palm)	100,000	100,000
Total	100,000	100,000

SHAREHOLDERS AND MANAGEMENT

Shareholders

As at 8 May 2018, the major shareholders are as follows:-

No.	Shareholder's Name	Percentage of Paid-up Capital
1	Lam Soon (Thailand) Plc.*	69.96
2	Wattanachote Co., Ltd.	5.70
3	Mr. Somkiat Peetakanonda	1.68
4	Mr. Thammanoon Sahadithdamrong	1.17
5	Wattanasophonpanich Co., Ltd.	1.12
6	Ms. Duangkamol Thanitsaranont	0.74
7	GreenSpot Co., Ltd.	0.73
8	Mr. Chawalit Tsao	0.71
9	Mrs. Nancy Chalermkanjana	0.63

Source : Thailand Securities Depository Co., Ltd.

* Lam Soon (Thailand) Plc. is a manufacturer and distributor of vegetable oil products, margarine and shortening. As at 8 May 2018, shareholders holding not less than 10% of Lam Soon (Thailand) Plc. are as follows:-

No.	Shareholder's Name	Percentage of Paid-up Capital
1	Lam Soon Holding Co., Ltd.	42.11
2	Hap Seng Consolidated Berhad	20.00

Source : Thailand Securities Depository Co., Ltd.

Board of Directors and Management Committee

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

Board of Directors

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

Audit Committee

(1) Mr. Thira Wipuchanin	Independent Director and Chairman of Audit Committee
(2) Mr. Sangiam Santad	Independent Director and Member of Audit Committee
(3) Mr. Wasin Patchakapati	Independent Director and Member of Audit Committee
(4) Mr. Yut Sakdejayont	Secretary to Audit Committee

Nomination Committee

(1) Mr. Sangiam Santad	Independent Director and Chairman of Nomination Committee
(2) Mr. Thira Wipuchanin	Independent Director and Member of Nomination Committee
(3) Mr. Wasin Patchakapati	Independent Director and Member of Nomination Committee
(4) Mr. Whang Shang Ying	Director and Member of Nomination Committee

Remuneration Committee

(1) Mr. Sangiam Santad	Independent Director and Chairman of Remuneration Committee
(2) Mr. Thira Wipuchanin	Independent Director and Member of Remuneration Committee
(3) Mr. Wasin Patchakapati	Independent Director and Member of Remuneration Committee
(4) Mr. Whang Shang Ying	Director and Member of Remuneration Committee

Risk Management Committee

(1) Ms. Piyathida Sukchan	Executive Director
(2) Mr. Ampol Simarojana	Non-Executive Director

The details of duties and responsibilities of the Board and Sub-committees were presented in Principle 1 and 3 under **"REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE"**.

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

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

2. The Criteria on recruiting Directors and Executives

The Nomination Committee is to recruit the suitable candidates to replace directors whose terms are expired in April 2019 by including the consideration of candidates proposed by shareholders under the rules and criteria regarding director nomination before submitting to the Board for further consideration. The Board shall submit a list of suitable candidates to the shareholders' meeting for final approval. The qualification of such persons must conform to SEC regulations, and they must be knowledgeable and possess the relevant experience beneficial to the Company.

The qualifications of Independent Directors were presented in Principle 1 under **"REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE"**.

SHAREHOLDERS AND MANAGEMENT

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

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

In 2018, the Board of Directors held 6 regular meetings, with attendance of each member shown as below:-

Name	Attendance / Total Meetings
(1) Mr. Thira Wipuchanin	6/6
(2) Ms. Anchalee Suebchantasiri	6/6
(3) Mr. Sangiam Santad	6/6
(4) Mr. Wasin Patchakapati	5/6
(5) Mr. Whang Shang Ying	4/6
(6) Ms. Piyathida Sukchan	6/6
(7) Ms. Jirasuda Sumpaotong <i>(resigned from director on 20 June 2018)</i> Mr. Ampol Simarojana <i>(was appointed on 20 June 2018, replacing Ms. Jirasuda Sumpaotong)</i>	3/3 3/3

4. Names and Positions of the Executives

Name	Position
(1) Ms. Anchalee Suebchantasiri	Managing Director
(2) Ms. Piyathida Sukchan	Executive Director
(3) Mr. Theerapong Hoprasertwong	General Manager
(4) Ms. Tiamros Jinakun	Accounting Manager
(5) Mr. Chanutt Saengaroon	Lawsuit and Government Relations Manager
(6) Mr. Supoch Pangjan	Factory Manager

5. Details of Board of Directors and Executives

(1) Mr. Thira Wipuchanin

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

Age : 70 years

Nationality : Thai

Shareholdings (Ordinary Shares)

- Held personally : None

- Held by spouse or minor children : None

The number of directorships in listed companies

- Chairman : 2 companies

- Director : 3 company

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

Family relation with management : None

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

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

Position in other listed companies :

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

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

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

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

Other Experience :
 Independent Director and Chairman of Audit Committee, Bangkok First Investment & Trust Plc.
 Chairman, Interhides Plc.
 Independent Director, Privatisation Committee of TOT, CAT, PTT, AOT
 Senior Executive Vice President (SEVP), Export-Import Bank of Thailand
Meeting Attendance in 2018 : Attended the Board Meeting 6 times out of 6 times
Attended the AC Meeting 4 times out of 4 times
Attended the RC Meeting 2 times out of 2 times
Attended the NC Meeting 3 times out of 3 times

(2) Ms. Anchalee Suebchantasiri

Vice-Chairman of the Board of Directors and Managing Director

Age : 60 years

Nationality : Thai

Shareholdings (Ordinary Shares)

- Held personally : None

- Held by spouse or minor children : None

The number of directorships in listed companies

- Chairman : 0 company

- Director : 2 companies

Number of years as a director : 16 years (date of appointment : 18 June 2003)

Family relation with management : None

Education : Bachelor's degree in Accountancy, Thammasat University

Director Training Programme : Certificate of Completion DCP 36/2003 and CSP 26/2008 from Thai Institute of Directors (IOD)

Position in other listed companies :

■ Managing Director, Lam Soon (Thailand) Plc.

Other Experience :

■ Director, Lam Soon Holding Co., Ltd.

■ Director, Bangkok Edible Oil Co., Ltd.

■ Director, Phansrivivat Co., Ltd.

■ Director, Phansri Co., Ltd.

■ Director, Prachak Vivat Co., Ltd.

■ Chairman of Board of Directors, Siam Elite Palm Co., Ltd.

Meeting Attendance in 2018 : Attended the Board Meeting 6 times out of 6 times

(3) Mr. Sangiam Santad

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

Age : 72 years

Nationality : Thai

Shareholdings (Ordinary Shares)

- Held personally : None

- Held by spouse or minor children : None

The number of directorships in listed companies

- Chairman : 0 company

- Director : 1 company

Number of years as a director : 7 years (date of appointment : 27 April 2012)

Family relation with management : None

Education : M.P.A., National Institute of Development Administration

Bachelor Degree in Law, Ramkhamhang University

The State Private & Political Sectors Course

(Class of the 1st, 2003), National Defense College

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

Position in other listed companies :

Director and member of the Audit Committee, T.K.S. Technology Plc.

Director and member of the Audit Committee, IRPC Plc.

Director, TISCO Bank Plc.

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

Note : ■ present □ past

SHAREHOLDERS AND MANAGEMENT

Other Experience :

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

Meeting Attendance in 2018 :

- Attended the Board Meeting 6 times out of 6 times
- Attended the AC Meeting 4 times out of 4 times
- Attended the RC Meeting 2 times out of 2 times
- Attended the NC Meeting 3 times out of 3 times

(4) Mr. Wasin Patchakapati

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

Age : 65 years

Nationality : Thai

Shareholdings (Ordinary Shares)

- Held personally : None
- Held by spouse or minor children : None

The number of directorships in listed companies

- Chairman : 0 company
- Director : 1 company

Number of years as a director : 3 years (date of appointment : 26 April 2016)

Family relation with management : None

Education : Bachelor's Degree in Engineering,
Chulalongkorn University

Director Training Programme : None

Position in other listed companies : None

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

Other Experience :

- Director, Phansrivivat Co., Ltd.
- Director, Phansri Co., Ltd.
- Director, Prachak Vivat Co., Ltd.

Meeting Attendance in 2018 :

- Attended the Board Meeting 5 times out of 6 times
- Attended the AC Meeting 4 times out of 4 times
- Attended the RC Meeting 2 times out of 2 times
- Attended the NC Meeting 3 times out of 3 times

(5) Mr. Whang Shang Ying

Director, Member of Remuneration Committee and Member of Nomination Committee

Age : 58 years

Nationality : Singaporean

Shareholdings (Ordinary Shares)

- Held personally : None
- Held by spouse or minor children : None

The number of directorships in listed companies

- Chairman : 0 company
- Director : 2 companies

Number of years as a director : 20 years (date of appointment : 26 April 1999)

Family relation with management : None

Education : Bachelor of Arts (Hons.) in Law,
Oxford University, United Kingdom

Director Training Programme : None

Position in other listed companies :

- Executive Director, Lam Soon (Thailand) Plc.
- Director, Jurong Cement Limited, a public listed company in Singapore

Position in companies with relating business (specify only non-executive director) :

- Chairman and Executive Director, Universal Food Plc.
- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil Co., Ltd.
- Executive Chairman, Lam Soon (M) Berhad
- Executive Chairman, Lam Soon Singapore Pte Ltd.

Note : present past

SHAREHOLDERS AND MANAGEMENT

Other Experience :
■ Member of the Board of Governors, Singapore Polytechnic
■ Member of the Advisory Board, Asian Civilisations Museum, Singapore
Meeting Attendance in 2018 : Attended the Board Meeting 4 times out of 6 times
Attended the RC Meeting 2 times out of 2 times
Attended the NC Meeting 3 times out of 3 times

(6) Ms. Piyathida Sukchan

Executive Director
Age : 50 years
Nationality : Thai
Shareholdings (Ordinary Shares)
- Held personally : None
- Held by spouse or minor children : None
The number of directorships in listed companies
- Chairman : 0 company
- Director : 2 companies
Number of years as a director : 16 years (date of appointment : 18 June 2003)
Family relation with management : None
Education : M.A. (Hons.) in Development Economics,
National Institute Development Administration;
B.A. in Economics (Finance),
Thammasat University
Director Training Programme : Certificate of Completion DCP 36/2003 from
Thai Institute of Directors (IOD)
Certificate of Thai Intelligent Investors 1/2012 (TIIP1) from
Thai Investor Association and Stock Exchange of Thailand

Position in other listed companies :

■ Executive Director, Lam Soon (Thailand) Plc.

Other Experience :

■ Director, Lam Soon Holding Co., Ltd.

■ Director, Bangkok Edible Oil Co., Ltd.

■ Director, Phansrivivat Co., Ltd.

■ Director, Phansri Co., Ltd.

■ Director, Prachak Vivat Co., Ltd.

■ Director, Siam Elite Palm Co., Ltd.

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

Meeting Attendance in 2018 : Attended the Board Meeting 6 times out of 6 times

(7) Mr. Ampol Simarojana

Non-Executive Director
Age : 62 years
Nationality : Thai
Shareholdings (Ordinary Shares)
- Held personally : None
- Held by spouse or minor children : None
The number of directorships in listed companies
- Chairman : 0 company
- Director : 2 companies
Number of years as a director : 6 months (date of appointment : 20 June 2018)
Family relation with management : None
Education : Bachelor of Science (Chemical Engineering),
Chulalongkorn University
Director Training Programme : Certificate of Completion DCP 37/2003 from
Thai Institute of Directors (IOD)

Position in other listed companies :

■ Non-Executive Director and Operations Consultant, Lam Soon (Thailand) Plc.

□ Executive Director, Lam Soon (Thailand) Plc.

□ Executive Director, United Palm Oil Industry Plc.

Other Experience :

■ Director, Siam Elite Palm Co., Ltd.

□ Director, Lam Soon Holding Co., Ltd.

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

Meeting Attendance in 2018 : Attended the Board Meeting 3 times out of 3 times

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

(8) Mr. Yut Sakdejayont

Company Secretary and Secretary to the Audit Committee
Age : 78 years
Shareholdings (Ordinary Shares)
- Held personally : 229,000 shares (0.07%)
- Held by spouse or minor children : None
Family relation with management : None
Education : M.A. (Sociology), University of Michigan, U.S.A.
Barrister-at-law Thai Bar Association
LL.B. (Hons), Thammasat University
Director Training Programme : None
Other Experience :
■ Attorney at law, Sak Khosangruang Law Office

(9) Mr. Theerapong Hoprasertwong

General Manager
Age : 51 years
Shareholdings (Ordinary Shares)
- Held personally : None
- Held by spouse or minor children : None
Family relation with management : None
Education : Master of Business Administration (Marketing),
National Institute of Development Administration
Bachelor of Science
Faculty of Agro-Industry (Agro – Industrial Product
Development), Kasetsart University
Other Experience :
 Factory Manager, Almond(Thailand) Ltd.
 Chief Executive Officer, Agro-Fiber Co., Ltd.

(10) Ms. Tiamros Jinakun

Accounting Manager
Age : 60 years
Shareholdings (Ordinary Shares)
- Held personally : None
- Held by spouse or minor children : None
Family relation with management : None
Education : Bachelor of Business Administration, Rajabhat University
Other Experience :
 Chief Accountant, South East Asia Tobacco Co., Ltd.
 Chief Accountant, Phansri Vivat Co., Ltd.

(11) Mr. Chanutt Saengaroon

Lawsuit and Government Relations Manager
Age : 57 years
Shareholdings (Ordinary Shares)
- Held personally : None
- Held by spouse or minor children : None
Family relation with management : None
Education : Master of Public Administration,
National Institute of Development Administration
Bachelor Degree of Political Science,
Ramkhamhaeng University
Other Experience :
 Human Resources Manager, United Palm Oil Public Company Limited
 Human Resources Manager, Nan Yang Textile Group of Companies
 Human Resources & Administration Manager, Thai Watana Phanich Press Co., Ltd.
 Sr.Human Resources & Administration Manager, Carpet International Plc.
 Human Resources & Administration Manager, Thai President Foods Plc.
 Personnel & Administration Manager, Munkhong Real Estate Plc.

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

(12) **Mr. Supoch Pangjan**

Factory Manager

Age : 41 years

Shareholdings (Ordinary Shares)
- Held personally : None
- Held by spouse or minor children : None

Family relation with management: None

Education : Bachelor of Electrical Engineering,
King Mongkut's University of Technology North Bangkok

Other Experience :

- Mill Manager, Lam Soon (Thailand) PCL. (Trang)
- Assistant Engineering Manager, GFPT PCL.
- Engineer, ONPA Co., Ltd.

Note : *present* *past*

SHAREHOLDERS AND MANAGEMENT

6. Directors and Executives holding shares in the Company

Name	No. of shares as of 31 December 2017	Increase (Decrease) in no. of shares during the financial year	No. of shares as of 31 December 2018
(1) Mr. Thira Wipuchanin	-	-	-
(2) Ms. Anchalee Suebchantasiri	-	-	-
(3) Mr. Sangiam Santad	-	-	-
(4) Mr. Wasin Patchakapati	-	-	-
(5) Mr. Whang Shang Ying	-	-	-
(6) Ms. Piyathida Sukchan	-	-	-
(7) Mr. Ampol Simarojana	-	-	-
(8) Mr. Yut Sakdejayont	229,000	-	229,000
(9) Mr. Theerapong Hoprasertwong	-	-	-
(10) Ms. Tiamros Jinakun	-	-	-
(11) Mr. Chanutt Saengaroon	-	-	-
(12) Mr. Supoch Pangjan	-	-	-

7. Remuneration of Directors and Executives

Monetary Remuneration

- Director's fees : Total fees paid to all 8 members of the Board 6,269,999 Baht

Name	Position	Director's fees in 2018	
		Director	Audit Committee
(1) Mr. Thira Wipuchanin	Chairman of the Board of Directors, Chairman of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee	884,400	633,600
(2) Ms. Anchalee Suebchantasiri	Vice-Chairman of the Board of Directors and Managing Director	567,600	
(3) Mr. Sangiam Santad	Independent Director, Member of Audit Committee, Chairman of Remuneration Committee, Chairman of Nomination Committee	607,200	633,600
(4) Mr. Wasin Patchakapati	Independent Director, Member of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee	607,200	633,600
(5) Mr. Whang Shang Ying	Member of Remuneration Committee, Member of Nomination Committee	567,600	
(6) Ms. Piyathida Sukchan	Executive Director	567,600	
(7) Ms. Jirasuda Sumpaotong	Executive Director <i>(resigned from director on 20 June 2018)</i>	266,456	
(8) Mr. Ampol Simarojana	Non - Executive Director <i>(was appointed on 20 June 2018, replacing Ms. Jirasuda Sumpaotong)</i>	301,143	

- Directors' fees paid to the Company's Directors as Directors of subsidiaries and the joint venture -- None --
- Remuneration of all 7 persons of the Executives including salary and bonus : 13,212,355 Baht*

* **Note** : Remuneration of the Executives includes remuneration paid to Executive Directors, Managing Director, the first 4 Heads of Department ranking immediately below the Managing Director including every person in the same level of the 4th ranking (as specified in the Notification of the Office of the Securities and Exchange Commission).

SHAREHOLDERS AND MANAGEMENT

Other Remuneration

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

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

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

8. Directors and the Executives having positions in subsidiaries and related companies

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

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

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

9. Control system of utilising insider information

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

1. Directors and Executives are obliged to report to the Board on each person's securities holding and the holding of securities in the Company by his spouse and minor children. This includes penalty provisions under the Securities and Exchange Act B.E. 2535 and the regulations of the Stock Exchange of Thailand;
2. Executives are obliged to report their holdings of securities in the Company to the Board in every quarter on which the Board meeting is called;
3. Material insider information of the Company should not be revealed to others. This includes impacts on the Company's securities, and the penalty provisions of a law that the Executives may face according to the Securities and Exchange Act B.E. 2535, as a result of their violation;
4. Directors and Executives are prohibited from trading in the Company's shares one month prior to the Company's financial statements being announced and at least one day after the date of financial statements being disclosed.
5. Directors and Executives shall report to the Board of Directors or the delegated person all of their securities trading at least one day in advance in order to notify SEC within three business day after transaction date as specified by the Securities and Exchange Act.

The Company has established the rules for prevention of using inside information including the penalties for violator stated in Principle 6 under "**REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE**".

10. Internal Control Management

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

The Company does not set up an internal audit unit but it has employed Dr. Virach & Associates Office to be the Company's internal auditors since 1999 because the proper role of internal auditor is to independently perform auditing services to assist in the attainment of good corporate governance and develop the efficiency and effectiveness of operations. Internal auditing also delivers an advice on the Company's financial, operation and risk management supporting the Company to achieve its objectives and corporate goal. Therefore, internal auditing process requires transparency and real independence by implementing a check and balance measure. It also can provide an early warning sign of misconduct or corporate corruption. As a result, the consideration being given outsourcing the internal auditors to perform internal auditing functions is appropriate. The outsourced internal auditors can be an eligible intermediary between the management team and the operating units. Furthermore, it also mitigates the problem of internal coordination.

During the Board Meeting No.1/2019 held on 21 February 2019, in the presence of 3 independent directors and audit committee members, the Board reviewed the internal control system of the Company by using the evaluation form initially completed and presented by the management and reviewed by the audit committee. The evaluation of the internal control system of the Company covered 5 areas, namely organisation and environment, risk management, operational control of the management, information system and communication, and monitoring. The Board concluded and provided an opinion that the Company has adequate internal control system for the above mentioned areas.

Besides, the business transactions with majority shareholder and subsidiary companies are declared in item 6 of the Notes to financial statements, as well as complied with the rules and regulations of the SET regarding related transactions. The Board provided the opinion that the Company maintains adequate internal control measures.

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

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

Details of Internal Auditor

Mr. Apiruk Ati-anuwat

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

Age	:	48 years
% of share holding	:	None
Family relation with management	:	None
Education	:	MBA., Ramkhamhaeng University B.B.A. (Accounting), Ramkhamhaeng University LL.B., Thammasat University Certified Public Accountant
Training Course	:	COSO Internal Control System (The Committee of Sponsoring Organization of the Treadway Commission) Evaluation of internal control system COSO-ERM (The Committee of Sponsoring Organization of the Treadway Commission – Enterprise Risk Management)
Duties and responsibilities	:	Design the annual internal audit plan Review risk assessment of the internal control system Submit the finding reports to the Audit Committee
Present Experience	:	<ul style="list-style-type: none"> ■ Audit partner Dr. Virach and Associates Office Co., Ltd. ■ Internal auditor, United Palm Oil Industry Plc., 19 years ■ Internal auditor, Lam Soon (Thailand) Plc., 14 years

Dividend Payout Policy

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

The Board of Directors resolved to pay dividend for 2018 from the operating result at the rate of 0.08 Baht per share representing 65.67% of net profit, which would be later proposed to AGM for approval, compared with that of previous year at 0.10 Baht/share which was paid from its unappropriated retained earnings due to the operating loss in 2017.

For its subsidiary and the joint venture, as no dividend payout policy has been determined, dividend is paid based on its financial performance and cash flow.

COMMON INTERESTED PERSONS AND CONNECTED TRANSACTIONS

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

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

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

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2018	2017		
Major Shareholder	Sales of CPO and CPKO	421	308	Market prices on the contract's Date	The Company had business transactions with LST who owns and operates a refinery in Thailand and has over 30 years experience in the palm oil business. As such, LST has assisted the Company to develop CPO quality.
	Sales of FFB	2	-		

(b) With Phansrivivat Company Limited

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2018	2017		
Subsidiary Company	Dividend income	41	-	As declared by subsidiary	Being paid as a return on investment
	Palm plantation rental expenses	7	10	Contract rate	Being rental expenses for concession land
	Interest expenses	9	12	THBFIX + 1% per annum	Being interest from loan

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

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2018	2017		
Joint Venture	Land rental income	1	1	Agreed between the parties	SEP requires land for doing business of propagation and distribution of CIRAD [®] oil palm seeds in Thailand. During the process of getting the land documents, SEP has rented the land from the Company.
	Purchase of oil palm seeds and FFB	15	4	Market prices	
	Dividend income	3	1	As declared by joint venture	Being paid as a return on investment.

The balances of the accounts as at 31 December 2018 and 2017 between the Company and those related companies have been declared in Notes to financial statements item no. 6.

Measures or criteria to approve connected transactions

In 2018, 75.15% of the Company's total CPO and CPKO sales were sold to LST (2017 : 40.30%). The selling was based on the ongoing market price as normal business transactions on an arm's length basis. It was done without any commitment, but on the basis of the CPO selling contract and in compliance with normal business practice in the palm oil industry.

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

Connected transactions in the future

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

Legal conflicts

There was no litigation involving the Company which could have a material adverse impact on the assets of the Company or its subsidiaries amounting higher than 5% of shareholders' equity in consolidated financial statements at December 31, 2018.

Obligations on future share issuance

- None -

INFORMATION ON DEBENTURES OR PROMISSORY NOTES

- None -

United Palm Oil Industry Public Company Limited and its subsidiaries
Report and consolidated financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of United Palm Oil Industry Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of United Palm Oil Industry Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of United Palm Oil Industry Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Palm Oil Industry Public Company Limited and its subsidiaries and of United Palm Oil Industry Public Company Limited as at 31 December 2018, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

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

Recognition of revenue from sales to related party

As described in Note 6 to the financial statements, the Company had sales of crude palm oil and crude palm kernel oil to its parent company totaling approximately for Baht 421 million during the current year, accounting for 67% of total sales revenue. Such related party transactions could give rise to doubt as to the arm's length nature of the business transactions between the parties and there is a potential risk with respect to the amount of revenue recognised.

I have performed the following audit procedures regarding whether revenue was recognised on the basis of selling prices that are equivalent to the market prices of the goods:

- Assessed the processes used by management to set prices and record related party transactions.
- Read contracts and agreements with related party to understand the nature of the transactions.
- Examined the market prices used as a reference in setting the transfer prices for sales transactions occurring during the year.
- Examined credit notes that the Company issued during the year and after the year-end.
- Performed analytical procedures on disaggregated data to consider possible irregularities in sales transactions, particularly for accounting entries made through journal vouchers.

In addition, I reviewed the disclosure of information with respect to the related party transactions in the notes to the financial statements.

Fair value measurement of biological assets - palm fruit on trees

As described in Note 10 to the financial statements, the value of the biological assets - palm fruit on trees as of 31 December 2018 was Baht 38 million, which is a significant amount. The fair value measurement of biological assets - palm fruit on trees requires the use of estimates and assumptions, which included estimated harvesting volume and the selling price at each points of harvest, with consideration of whether these correspond with the nature and circumstances of the biological asset being measured, based on judgements made by the Company's agricultural officers and management as to the basis and assumptions relevant to the estimations.

There may be a risk with respect to the value of biological assets.

I gained an understanding of, assessed and tested controls of the Company related to the fair value estimation of the biological assets, including assessment of the methods applied by the Company to estimate data, set assumptions and calculate values. I reviewed the fair values by evaluating the data estimates and assumptions used in the valuation based on inquiry of the Company's agricultural officers and management, comparative analysis with historical data, and by testing the calculation. In addition, I reviewed the disclosure of information with respect to the fair value measurement of biological assets in the notes to the financial statements.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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



Vilailak Laohasrisakul

Certified Public Accountant (Thailand) No. 6140

EY Office Limited

Bangkok: 21 February 2019

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		
	As at		As at		
	<u>Note</u>	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Assets					
Current assets					
Cash and cash equivalents	7	22,900,489	111,729,005	10,512,742	56,111,107
Trade and other receivables	8	11,524,852	51,094,034	11,401,496	50,985,282
Short-term loans and advance to employees		236,206	264,629	236,206	264,629
Inventories	9	65,468,210	106,269,677	65,468,210	106,269,677
Biological assets	10	118,519,826	70,616,396	118,519,826	70,616,396
Other current assets		11,915,311	11,176,553	8,166,823	6,992,403
Total current assets		<u>230,564,894</u>	<u>351,150,294</u>	<u>214,305,303</u>	<u>291,239,494</u>
Non-current assets					
Investment in subsidiary	11	-	-	307,895,303	307,895,303
Investment in joint venture	12	38,601,652	31,594,398	25,000,000	25,000,000
Long-term loans to other companies	13	20,240,000	21,160,000	-	-
Property, plant and equipment	14	851,124,025	878,761,433	851,123,699	878,761,107
Bearer plants	15	213,199,927	230,729,888	213,199,927	230,729,888
Intangible assets		130,402	405,155	130,402	405,155
Deferred tax assets	19	4,660,530	3,595,848	5,023,553	3,847,883
Other non-current assets		2,806,500	2,716,965	2,806,500	2,716,965
Total non-current assets		<u>1,130,763,036</u>	<u>1,168,963,687</u>	<u>1,405,179,384</u>	<u>1,449,356,301</u>
Total assets		<u>1,361,327,930</u>	<u>1,520,113,981</u>	<u>1,619,484,687</u>	<u>1,740,595,795</u>

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

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	16	270,000,000	400,000,000	270,000,000	400,000,000
Trade and other payables	17	22,137,042	27,430,540	305,859,545	299,405,794
Income tax payable		908,892	1,397,967	-	-
Other current liabilities		4,670,607	4,870,386	4,670,607	4,870,386
Total current liabilities		297,716,541	433,698,893	580,530,152	704,276,180
Non-current liabilities					
Provision for long-term employee benefits	18	13,386,526	17,823,263	13,386,526	17,823,263
Total non-current liabilities		13,386,526	17,823,263	13,386,526	17,823,263
Total liabilities		311,103,067	451,522,156	593,916,678	722,099,443
Shareholders' equity					
Share capital					
Registered					
324,050,000 ordinary shares of Baht 1 each		324,050,000	324,050,000	324,050,000	324,050,000
Issued and fully paid up					
324,050,000 ordinary shares of Baht 1 each		324,050,000	324,050,000	324,050,000	324,050,000
Share premium		321,544,740	321,544,740	321,544,740	321,544,740
Retained earnings					
Appropriated - statutory reserve	20	60,805,000	60,805,000	32,405,000	32,405,000
Unappropriated		343,825,123	362,192,085	347,568,269	340,496,612
Total shareholders' equity		1,050,224,863	1,068,591,825	1,025,568,009	1,018,496,352
Total liabilities and shareholders' equity		1,361,327,930	1,520,113,981	1,619,484,687	1,740,595,795
		-	-	-	-

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

Directors

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Revenues					
Sales	22	628,626,518	763,221,313	628,626,518	763,221,313
Gains arising from change in fair value of biological assets		39,271,402	-	39,271,402	-
Other income					
Dividend income	11,12	-	-	43,596,999	750,000
Others		15,346,290	18,065,680	14,774,602	17,148,401
Total revenues		683,244,210	781,286,993	726,269,521	781,119,714
Expenses					
Cost of sales		569,670,956	708,510,269	571,854,981	713,937,559
Selling and distribution expenses		24,060,914	19,529,205	24,060,914	19,529,205
Administrative expenses		49,023,182	45,720,363	48,293,102	44,837,762
Impairment loss of assets	27.5	28,536,004	-	28,536,004	-
Losses arising from change in fair value of biological assets		-	8,425,857	-	8,425,857
Total expenses		671,291,056	782,185,694	672,745,001	786,730,383
Profit (loss) before share of profit (loss) from investment in joint venture, finance cost and income tax benefits (expenses)					
		11,953,154	(898,701)	53,524,520	(5,610,669)
Share of profit (loss) from investment in joint venture	12	9,507,253	(10,191,713)	-	-
Profit (loss) before finance cost and income tax benefits (expenses)					
		21,460,407	(11,090,414)	53,524,520	(5,610,669)
Finance cost		(6,712,671)	(9,016,005)	(15,501,652)	(20,744,183)
Profit (loss) before income tax benefits (expenses)					
		14,747,736	(20,106,419)	38,022,868	(26,354,852)
Income tax benefits (expenses)	19	(709,908)	1,767,540	1,453,579	5,298,246
Profit (loss) for the year		14,037,828	(18,338,879)	39,476,447	(21,056,606)

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

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Other comprehensive income :					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial losses		-	(18,418,332)	-	(18,418,332)
Less: Income tax effect	19	-	3,683,666	-	3,683,666
Share of other comprehensive income of investment in joint venture - actuarial gain	12	-	182,730	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		-	(14,551,936)	-	(14,734,666)
Other comprehensive income for the year		-	(14,551,936)	-	(14,734,666)
Total comprehensive income for the year		<u>14,037,828</u>	<u>(32,890,815)</u>	<u>39,476,447</u>	<u>(35,791,272)</u>
Earnings per share					
Basic earnings (loss) per share	23	<u>0.04</u>	<u>(0.06)</u>	<u>0.12</u>	<u>(0.06)</u>

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

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements				Total shareholders' equity
	Issued and paid-up share capital	Share premium	Retained earnings		
			Appropriated	Unappropriated	
Balance as at 1 January 2017	324,050,000	321,544,740	60,805,000	443,690,085	1,150,089,825
Loss for the year	-	-	-	(18,338,879)	(18,338,879)
Other comprehensive income for the year	-	-	-	(14,551,936)	(14,551,936)
Total comprehensive income for the year	-	-	-	(32,890,815)	(32,890,815)
Transfer to legal reserve	-	-	-	-	-
Dividend paid (Note 26)	-	-	-	(48,607,185)	(48,607,185)
Balance as at 31 December 2017	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,805,000</u>	<u>362,192,085</u>	<u>1,068,591,825</u>
Balance as at 1 January 2018	324,050,000	321,544,740	60,805,000	362,192,085	1,068,591,825
Profit for the year	-	-	-	14,037,828	14,037,828
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	14,037,828	14,037,828
Dividend paid (Note 26)	-	-	-	(32,404,790)	(32,404,790)
Balance as at 31 December 2018	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,805,000</u>	<u>343,825,123</u>	<u>1,050,224,863</u>

(Unit: Baht)

	Separate financial statements				Total shareholders' equity
	Issued and paid-up share capital	Share premium	Retained earnings		
			Appropriated	Unappropriated	
Balance as at 1 January 2017	324,050,000	321,544,740	32,405,000	424,895,069	1,102,894,809
Loss for the year	-	-	-	(21,056,606)	(21,056,606)
Other comprehensive income for the year	-	-	-	(14,734,666)	(14,734,666)
Total comprehensive income for the year	-	-	-	(35,791,272)	(35,791,272)
Dividend paid (Note 26)	-	-	-	(48,607,185)	(48,607,185)
Balance as at 31 December 2017	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>340,496,612</u>	<u>1,018,496,352</u>
Balance as at 1 January 2018	324,050,000	321,544,740	32,405,000	340,496,612	1,018,496,352
Profit for the year	-	-	-	39,476,447	39,476,447
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	39,476,447	39,476,447
Dividend paid (Note 26)	-	-	-	(32,404,790)	(32,404,790)
Balance as at 31 December 2018	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>347,568,269</u>	<u>1,025,568,009</u>

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

United Palm Oil Industry Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2018

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities				
Profit (loss) before tax	14,747,736	(20,106,419)	38,022,868	(26,354,852)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	64,517,874	75,097,163	64,517,874	75,078,362
Share of loss (profit) from investment in joint venture	(9,507,253)	10,191,713	-	-
Losses (gains) arising from change in fair value of biological assets	(39,271,402)	8,425,857	(39,271,402)	8,425,857
Gain on disposal and write off of plant and equipment	(821,104)	(4,324,244)	(821,104)	(4,324,244)
Loss on write off of cost of palm plantation	860,757	112,799	860,757	112,799
Impairment loss of assets	28,536,004	-	28,536,004	-
Reduction of inventory to net realisable value (reversal)	5,348,884	(6,448,576)	5,348,884	(6,448,576)
Long-term employee benefits expenses	2,142,964	2,013,257	2,142,964	2,013,257
Dividend income	-	-	(43,596,999)	(750,000)
Interest expenses	6,712,671	9,016,005	15,501,652	20,744,183
Profit from operating activities before changes in operating assets and liabilities	73,267,131	73,977,555	71,241,498	68,496,786
Operating assets (increase) decrease				
Trade and other receivables	39,569,182	(36,540,442)	39,583,786	(36,775,405)
Short-term loans and advance to employees	28,423	13,434	28,423	13,434
Inventories and biological assets	26,820,555	3,036,118	26,820,555	3,036,118
Other current assets	1,571,003	836,914	1,223,480	521,881
Other non-current assets	(89,535)	(1,650,900)	(89,535)	(1,650,900)
Operating liabilities increase (decrease)				
Trade and other payables	(3,939,219)	(14,663,255)	(980,951)	(8,546,452)
Other current liabilities	(199,779)	192,528	(199,779)	192,528
Cash paid for long-term employee benefits	(6,579,701)	(8,126,204)	(6,579,701)	(8,126,204)
Cash flows from operating activities	130,448,060	17,075,748	131,047,776	17,161,786
Cash paid for interest expenses	(6,705,082)	(8,971,347)	(6,705,082)	(8,971,347)
Cash receipt from income tax	2,065,129	4,585,145	1,819,243	4,080,759
Cash paid for income tax	(6,638,555)	(6,433,278)	(3,939,234)	(2,633,108)
Net cash flows from operating activities	119,169,552	6,256,268	122,222,703	9,638,090

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

United Palm Oil Industry Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2018

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash flows from investing activities				
Decrease in long-term loans to other companies	920,000	39,320,000	-	-
Proceeds from sales of plant and equipment	1,060,395	4,522,066	1,060,395	4,522,066
Cash paid for acquisition of property, plant and equipment	(33,618,568)	(21,141,411)	(33,618,568)	(21,141,411)
Increase in cost of bearer plants	(16,455,104)	(25,413,392)	(16,455,104)	(25,413,392)
Dividend received	2,499,999	750,000	43,596,999	750,000
Net cash flows used in investing activities	(45,593,278)	(1,962,737)	(5,416,278)	(41,282,737)
Cash flows from financing activities				
Increase (decrease) in short-term loan from financial institution	(130,000,000)	60,000,000	(130,000,000)	60,000,000
Dividend paid	(32,404,790)	(48,607,185)	(32,404,790)	(48,607,185)
Net cash flows from (used in) financing activities	(162,404,790)	11,392,815	(162,404,790)	11,392,815
Net increase (decrease) in cash and cash equivalents	(88,828,516)	15,686,346	(45,598,365)	(20,251,832)
Cash and cash equivalents at beginning of year	111,729,005	96,042,659	56,111,107	76,362,939
Cash and cash equivalents at end of year	22,900,489	111,729,005	10,512,742	56,111,107
	-	-	-	-
Supplemental cash flows information:				
Non-cash transactions				
Purchase of equipment for which no cash has been paid	1,579,682	2,941,550	1,579,682	2,941,550

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

United Palm Oil Industry Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2018

1. General information

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

2. Basis of preparation

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

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

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

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of United Palm Oil Industry Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2018</u> Percent	<u>2017</u> Percent
<u>Shares held by the Company</u>				
Phansrivivat Co., Ltd.	Owner of oil palm plantation	Thailand	100	100

Company's name	Nature of business	Country of incorporation	Percentage of indirect Shareholding	
			<u>2018</u> Percent	<u>2017</u> Percent
<u>Shares held by subsidiary company</u>				
Prachak Vivat Co., Ltd. (100 percent shares held by Phansrivivat Co., Ltd.)	Holder of concessions to use forest reserve land	Thailand	100	100
Phansri Co., Ltd. (100 percent shares held by Phansrivivat Co., Ltd.)	Holder of concessions to use forest reserve land	Thailand	100	100

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) The subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements present investments in subsidiaries and joint venture under the cost method.

3. New financial reporting standards

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

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018), which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue – Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries is currently evaluating the impact of this standard to the financial statement in the year when it is adopted.

(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the entity's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

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

4.5 Investments

Investment in joint venture is accounted for in the consolidated financial statements using the equity method.

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

4.6 Property, plant and equipment/Depreciation

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

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

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

Depreciation is included in determining income.

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

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

4.7 Forest land rights and bearer plants/Amortisation

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

Amortisation is calculated by reference to their cost on the straight-line basis over the remaining period of the forest reserve land concession or over the estimated remaining productive life of the bearer plants, whichever is shorter (the productive life of palm tree generally 25 years).

Amortisation is included in determining income.

No amortisation is provided on bearer plants not ready for harvest.

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

4.8 Intangible assets

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

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

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

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

4.9 Agriculture

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

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

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

The agricultural produce is included in inventories.

4.10 Related party transactions

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

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

4.11 Long-term leases

Leases of land and building which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

4.12 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment, cost of forest land rights and cost of palm plantation and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

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

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

4.15 Provisions

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

4.16 Income tax

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

Current tax

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

Deferred tax

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

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

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

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

4.17 Fair value measurement

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

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

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

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

5. Significant accounting judgments and estimates

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

Agriculture

The Company measured their biological assets - palm fruit on tree at their fair value less costs to sell. Such fair values were calculated using the discounted cash flows reference to price of palm fruit at the front of the Company's factory, less estimated point of harvest costs. The valuation involves certain assumptions and estimates such as price of palm fruit at the point of harvest, weight of palm fruit on tree and discount rate.

Post-employment benefits under defined benefit plans

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

6. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
<u>Transactions with parent company</u>					
Sales of crude palm oil and crude palm kernel oil	421	308	421	308	Market price on the contract's date
Sales of fresh fruit bunch	2	-	2	-	Market price on the contract's date
<u>Transactions with subsidiary companies</u> (eliminated from the consolidated financial statements)					
Dividend income	-	-	41	-	As declared by subsidiary
Palm plantation rental expenses	-	-	7	10	Contract rate
Interest expenses	-	-	9	12	THBFIX + 1% per annum
<u>Transactions with joint venture</u>					
Land rental income	1	1	1	1	Agreed between the parties
Dividend income	3	1	3	1	As declared by joint venture
Purchases of oil palm seeds and fresh fruit bunch	15	4	15	4	Market price

As at 31 December 2018 and 2017, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Trade and other receivables - related party (Note 8)</u>				
Parent company	-	40,879	-	40,879
Total trade and other receivables - related party	-	40,879	-	40,879
<u>Trade and other payables - related party (Note 17)</u>				
Subsidiary	-	-	285,105	273,145
Total trade and other payables - related party	-	-	285,105	273,145

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Advance from related party (Note 17)</u>				
Parent company	-	86	-	86
Total advance from related party	-	86	-	86

Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	18,986	23,444
Post-employment benefits	554	546
Termination benefits	-	1,543
Total	19,540	25,533

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash	1,176	2,716	1,171	2,709
Bank deposits	21,724	79,033	9,342	23,422
Investment in Bank of Thailand Bonds	-	29,980	-	29,980
Total	22,900	111,729	10,513	56,111

As at 31 December 2018, bank deposits in saving accounts and investment in Bank of Thailand Bonds carried interests between 0.10 and 0.38 percent per annum (2017: between 0.05 and 1.13 percent per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Trade receivables - related party</u>				
Aged on the basis of due dates				
Not yet due	-	40,879	-	40,879
Total trade receivables - relate party (Note 6)	-	40,879	-	40,879
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	11,220	9,787	11,220	9,787
Total trade receivables - unrelated parties	11,220	9,787	11,220	9,787
Total trade receivables	11,220	50,666	11,220	50,666
<u>Other receivables</u>				
Accrued income	305	428	182	319
Other receivables	305	428	182	319
Trade and other receivables	11,525	51,094	11,402	50,985

9. Inventories

(Unit: Thousand Baht)

	Consolidated/Separate financial statements					
	Cost		Reduce cost to		Inventories - net	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Finished goods	55,171	90,085	(5,450)	-	49,721	90,085
Work in process	1,986	1,961	-	-	1,986	1,961
Spare parts, supplies and others	14,096	14,659	(335)	(436)	13,761	14,223
Total	71,253	106,705	(5,785)	(436)	65,468	106,269

During the year 2018, the Company reduced cost of inventories by Baht 5.3 million, to reflect the net realisable value. This was included in cost of sales.

During the year 2017, the Company reversed the write-down of cost of inventories by Baht 6.4 million, and reduce the amount of inventories recognised as expense during the year.

10. Biological assets

Movements of the biological assets account for the years ended 31 December 2018 and 2017 are summarised below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements		
	Palm nursery		
	for sales	Palm fruit on tree	Total
Balance as at 1 January 2017	53,297	30,250	83,547
Gains arising from changes in fair value	34,707	234,855	269,562
Increases due to cultivate	1,940	-	1,940
Decreases due to harvest	-	(247,580)	(247,580)
Decreases due to sales	(25,225)	-	(25,225)
Decreases due to disposals	(11,628)	-	(11,628)
Balance as at 31 December 2017	53,091	17,525	70,616
Gains arising from changes in fair value	51,851	228,580	280,531
Increases due to cultivate	8,566	-	8,566
Decreases due to harvest	-	(196,317)	(196,317)
Decreases due to sales	(22,473)	(11,815)	(34,288)
Decreases due to disposals	(10,588)	-	(10,588)
Balance as at 31 December 2018	80,547	37,973	118,520

Significant assumptions for the calculation of fair value at the valuation date were as follows:

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

Weight of palm fruit on tree are estimated with references to the average weight for each age when harvest the palm fruit from historical information, including consideration on factors affecting fruit bearing and random sampling result.

Discount rate is estimated at the rate of 3 percent by weighted average cost of capital method.

The result of sensitivity analysis for significant assumptions that affect the fair value of biological assets as at 31 December 2018 and 2017 are summarised below:

(Unit: Thousand Baht)

	Consolidated/Separate financial statements			
	2018		2017	
	Increase by 10 percent	Decrease by 10 percent	Increase by 10 percent	Decrease by 10 percent
Prices of palm fruit at the point of harvest	7,391	(7,391)	4,209	(3,899)
Weight of palm fruit on tree	7,391	(7,391)	4,209	(3,899)

11. Investment in subsidiary

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2018	2017	2018	2017	2018	2017	2018	2017
			(%)	(%)				
Phansrivivat Co., Ltd.	Baht 274 million	Baht 274 million	100	100	307,895	307,895	41,097	-
Total					307,895	307,895	41,097	-

12. Investment in joint venture

12.1 Details of investment in joint venture

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

(Unit: Thousand Baht)

Joint venture	Nature of business	Consolidated financial statements					
		Shareholding percentage		Cost		Carrying amount based on equity method	
		2018	2017	2018	2017	2018	2017
		(%)	(%)				
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	50	50	25,000	25,000	38,602	31,594
Total				25,000	25,000	38,602	31,594

(Unit: Thousand Baht)

Joint venture	Nature of business	Separate financial statements			
		Shareholding percentage		Cost	
		2018	2017	2018	2017
		(%)	(%)		
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	50	50	25,000	25,000
Total				25,000	25,000

12.2 Share of comprehensive income and dividend received

During the years, the Company recognised its share of comprehensive income from investment in the joint venture in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Joint venture	Consolidated financial statements				Separate financial statements	
	Share of profit (loss) from investment in joint venture		Share of other comprehensive income from investment in joint venture		Dividend received	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Siam Elite Palm Co., Ltd.	9,507	(10,192)	-	183	2,500	750
Total	<u>9,507</u>	<u>(10,192)</u>	<u>-</u>	<u>183</u>	<u>2,500</u>	<u>750</u>

12.3 Summarised financial information about material joint venture

Siam Elite Palm Company Limited

Summarised information about financial position

(Unit: Thousand Baht)

As at 31 December

	<u>2018</u>	<u>2017</u>
Current assets	47,239	35,475
Non-current assets	36,838	36,934
Total assets	<u>84,077</u>	<u>72,409</u>
Current liabilities	(3,793)	(6,712)
Non-current liabilities	(3,080)	(2,509)
Total liabilities	<u>(6,873)</u>	<u>(9,221)</u>
Net assets	77,204	63,188
Shareholding percentage (%)	50	50
Share of net assets	38,602	31,594
Elimination entries	-	-
Carrying amount of joint venture based on equity method	<u>38,602</u>	<u>31,594</u>

Summarised information about comprehensive income

(Unit: Thousand Baht)

For the year ended
31 December

	<u>2018</u>	<u>2017</u>
Revenue	34,947	26,456
The differences between fair value and costs of agricultural produce	14,689	(15,695)
Cost of sales	(12,356)	(15,703)
Selling and administrative expenses	(18,138)	(15,741)
Profit (loss) before income tax expenses	19,142	(20,683)
Income tax expenses	(128)	(65)
Profit (loss) for the year	19,014	(20,748)
Other comprehensive income	-	365
Total comprehensive income	19,014	(20,383)
Shareholding percentage (%)	50	50
Comprehensive income as shareholding percentage	9,507	(10,191)
Elimination entries	-	-
Share of comprehensive income from investment in joint venture	9,507	(10,191)

13. Long-term loans to other companies

As at 31 December 2018, a subsidiary has loans to other companies of approximately Baht 20 million (2017: Baht 21 million). The loans have no collateral and carry interest at a rate of THBFIX plus 1% per annum. Principal payments are to be made at the end of June and December each year, with the final payment due in June 2040.

14. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						Total
	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	
Cost							
1 January 2017	659,007	278,950	614,801	29,399	169,105	19,391	1,770,653
Additions	-	77	1,588	1,896	282	19,342	23,185
Disposals / write-off	-	-	(461)	(251)	(12,130)	-	(12,842)
Transfer in (out)	-	5,514	6,004	-	-	(11,518)	-
31 December 2017	659,007	284,541	621,932	31,044	157,257	27,215	1,780,996
Additions	-	230	718	702	5,803	24,804	32,257
Disposals / write-off	-	(280)	(2,330)	-	(3,562)	-	(6,172)
Transfer in (out)	13,992	9,285	2,760	81	7,726	(33,844)	-
31 December 2018	672,999	293,776	623,080	31,827	167,224	18,175	1,807,081

(Unit: Thousand Baht)

Consolidated financial statements

	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Accumulated depreciation							
1 January 2017	-	192,064	477,346	27,143	138,281	-	834,834
Depreciation for the year	-	10,196	40,721	1,210	13,280	-	65,407
Depreciation on disposals / write-off	-	-	(424)	(247)	(11,973)	-	(12,644)
31 December 2017	-	202,260	517,643	28,106	139,588	-	887,597
Depreciation for the year	-	9,096	33,570	1,162	9,954	-	53,782
Depreciation on disposals / write-off	-	(280)	(2,159)	-	(3,494)	-	(5,933)
31 December 2018	-	211,076	549,054	29,268	146,048	-	935,446
Allowance for impairment loss							
31 December 2016	14,638	-	-	-	-	-	14,638
Impairment loss for the year	5,873	-	-	-	-	-	5,873
31 December 2018	20,511	-	-	-	-	-	20,511
Net book value							
31 December 2017	644,369	82,281	104,289	2,938	17,669	27,215	878,761
31 December 2018	652,488	82,700	74,026	2,559	21,176	18,175	851,124
Depreciation for the year							
2017 (Baht 63 million included in manufacturing cost, and the balance in selling and administrative expenses)							65,407
2018 (Baht 52 million included in manufacturing cost, and the balance in selling and administrative expenses)							53,782

(Unit: Thousand Baht)

Separate financial statements

	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Cost							
1 January 2017	659,007	262,498	614,801	29,399	169,105	19,391	1,754,201
Additions	-	77	1,588	1,896	282	19,342	23,185
Disposals / write-off	-	-	(461)	(251)	(12,130)	-	(12,842)
Transfer in (out)	-	5,514	6,004	-	-	(11,518)	-
31 December 2017	659,007	268,089	621,932	31,044	157,257	27,215	1,764,544
Additions	-	230	718	702	5,803	24,804	32,257
Disposals / write-off	-	(280)	(2,330)	-	(3,562)	-	(6,172)
Transfer in (out)	13,992	9,285	2,760	81	7,726	(33,844)	-
31 December 2018	672,999	277,324	623,080	31,827	167,224	18,175	1,790,629
Accumulated depreciation							
1 January 2017	-	175,632	477,346	27,143	138,281	-	818,402
Depreciation for the year	-	10,177	40,721	1,210	13,279	-	65,387
Depreciation on disposals / write-off	-	-	(424)	(247)	(11,973)	-	(12,644)
31 December 2017	-	185,809	517,643	28,106	139,587	-	871,145
Depreciation for the year	-	9,096	33,570	1,162	9,954	-	53,782
Depreciation on disposals / write-off	-	(280)	(2,159)	-	(3,494)	-	(5,933)
31 December 2018	-	194,625	549,054	29,268	146,047	-	918,994

(Unit: Thousand Baht)

Separate financial statements

	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Allowance for impairment loss							
31 December 2017	14,638	-	-	-	-	-	14,638
Impairment loss for the year	5,873	-	-	-	-	-	5,873
31 December 2018	20,511	-	-	-	-	-	20,511
Net book value							
31 December 2017	644,369	82,280	104,289	2,938	17,670	27,215	878,761
31 December 2018	652,488	82,699	74,026	2,559	21,177	18,175	851,124
Depreciation for the year							
2017 (Baht 63 million included in manufacturing cost, and the balance in selling and administrative expenses)							65,387
2018 (Baht 52 million included in manufacturing cost, and the balance in selling and administrative expenses)							53,782

As at 31 December 2018, certain items of plant and equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 566 million (2017: Baht 487 million) (The Company only: Baht 551 million, 2017: Baht 472 million).

15. Bearer plants

(Unit: Thousand Baht)

	Consolidated financial statements		
	Bearer plants	Bearer plants	Total
	ready for harvest	not ready for harvest	
Cost			
1 January 2017	528,144	68,026	596,170
Additions	16,821	8,592	25,413
Write-off	(170)	-	(170)
31 December 2017	544,795	76,618	621,413
Additions	16,455	-	16,455
Write off	(1,810)	-	(1,810)
Transfer in (out)	26,035	(26,035)	-
31 December 2018	585,475	50,583	636,058
Accumulated amortisation			
1 January 2017	381,405	-	381,405
Amortisation charged for the year	9,335	-	9,335
Amortisation on write-off	(57)	-	(57)
31 December 2017	390,683	-	390,683
Amortisation charged for the year	10,462	-	10,462
Amortisation on write-off	(949)	-	(949)
31 December 2018	400,196	-	400,196
Allowance for impairment loss			
31 December 2017	-	-	-
Impairment loss for the year	22,663	-	22,663
31 December 2018	22,663	-	22,663
Net book value			
31 December 2017	154,112	76,618	230,730
31 December 2018	162,616	50,583	213,199
Amortisation for the year (included in manufacturing cost)			
2017			9,335
2018			10,462

(Unit: Thousand Baht)

	Separate financial statements		
	Bearer plants ready for harvest	Bearer plants not ready for harvest	Total
Cost			
1 January 2017	235,426	68,026	303,452
Additions	16,821	8,592	25,413
Write off	(170)	-	(170)
31 December 2017	252,077	76,618	328,695
Additions	16,455	-	16,455
Write off	(1,810)	-	(1,810)
Transfer in (out)	26,035	(26,035)	-
31 December 2018	292,757	50,583	343,340
Accumulated amortisation			
1 January 2017	88,687	-	88,687
Amortisation charged for the year	9,335	-	9,335
Amortisation on write off	(57)	-	(57)
31 December 2017	97,965	-	97,965
Amortisation charged for the year	10,462	-	10,462
Amortisation on write off	(949)	-	(949)
31 December 2018	107,478	-	107,478
Allowance for impairment loss			
31 December 2017	-	-	-
Impairment loss for the year	22,663	-	22,663
31 December 2018	22,663	-	22,663
Net book value			
31 December 2017	154,112	76,618	230,730
31 December 2018	162,616	50,583	213,199
Amortisation for the year (included in manufacturing cost)			
2017			9,335
2018			10,462

As at 31 December 2018, the land used by the Company for palm oil plantation includes 13,265 rai for which there are land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). For the remaining land, possessory rights have been transferred to the Company and it is in the process of acquiring legal documentation of ownership.

A permit from Royal Forest Department granted to a subsidiary company for the exploitation or inhabitation in the National Reserved Forests expired in January 2015. The subsidiary has leased the land of 13,030 rai to the Company to grow oil palm. The subsidiary company is requesting the government unit to grant a permit to exploit or inhabit in such land of 6,515 rai, which is 50% of the usable land and the request is under consideration for the concession extension of such government unit.

On 27 April 2018, that subsidiary was granted a permit to harvest forest product in the Nation Reserved Forest. The existing permit is valid for one year, expired on 26 April 2019 and the subsidiary is required to pay official royalty fees at the rate of 10% of the market price of oil palm and forest maintenance fees, at a rate of double the official royalty fees, when harvesting the oil palm crops planted.

16. Short-term loans from financial institutions

	(Unit: Thousand Baht)			
	Interest rate (Percent per annum)		Consolidated/Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short-term loans from financial institutions	1.85 - 2.25	2.00 - 2.15	270,000	400,000
Total			<u>270,000</u>	<u>400,000</u>

17. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trade payables - unrelated parties	7,984	11,018	7,984	11,018
Payables for purchase of machineries - unrelated parties	1,580	2,942	1,580	2,942
Other payables - related party (Note 6)	-	-	285,105	273,145
Other payables - unrelated parties	1,402	2,347	1,402	2,347
Advance received from related party (Note 6)	-	86	-	86
Accrued expenses	11,171	11,038	9,788	9,868
Total trade and other payables	<u>22,137</u>	<u>27,431</u>	<u>305,859</u>	<u>299,406</u>

As at 31 December 2018, other payables - related parties are represented payable of rental charge and related accrued interest which carry an interest at a rate of THBFIX + 1% per annum (2017: MLR - 1.5% per annum) for past due balance of rental charge payable.

18. Provision for long-term employee benefits

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

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	<u>2018</u>	<u>2017</u>
Defined benefit obligation at beginning of year	17,823	5,517
Included in profit or loss:		
Current service cost	1,657	1,534
Interest cost	486	479
Included in other comprehensive income:		
Actuarial loss arising from		
Demographic assumptions changes	-	3,177
Financial assumptions changes	-	1,875
Experience adjustments	-	13,366
Benefits paid during the year	<u>(6,580)</u>	<u>(8,125)</u>
Defined benefit obligation at end of year	<u>13,386</u>	<u>17,823</u>

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

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	<u>2018</u>	<u>2017</u>
Cost of sales	2,012	1,508
Selling and administrative expenses	<u>131</u>	<u>505</u>
Total expenses recognised in profit or loss	<u>2,143</u>	<u>2,013</u>

The Company expects to pay Baht 1 million of long-term employee benefits during the next year (2017: Baht 7 million).

As at 31 December 2018 the weighted average duration of the liabilities for long-term employee benefit is 14 - 19 years (2017: 10 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated/Separate financial statements	
	<u>2018</u>	<u>2017</u>
	(% per annum)	(% per annum)
Discount rate	2.5 - 4.8	4.3 - 4.8
Future salary increase rate	5.0	5.0
Employee turnover rate	0.0 - 50.0	0.0 - 50.0

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

(Unit: Thousand Baht)

	Consolidated/Separate financial statements			
	2018		2017	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	(912)	945	(1,294)	1,376
Future salary increase rate	985	(953)	1,725	(1,594)
Employee turnover rate	71	(82)	(1,589)	1,731

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette and is not yet effective. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 6.9 million. The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

19. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current income tax:				
Current income tax charge	1,997	3,607	-	329
Adjustment in respect of current income tax of previous year	(222)	-	(278)	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,065)	(5,375)	(1,176)	(5,627)
Income tax expenses (benefits) reported in the statement of comprehensive income	<u>710</u>	<u>(1,768)</u>	<u>(1,454)</u>	<u>(5,298)</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax relating to actuarial losses	-	3,684	-	3,684
Total	<u>-</u>	<u>3,684</u>	<u>-</u>	<u>3,684</u>

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Accounting profit (loss) before tax	14,748	(20,106)	38,023	(26,335)
Applicable tax rates	0%, 15% and 20%	0%, 15% and 20%	20%	20%
Accounting profit (loss) before tax multiplied by applicable tax rates	2,867	(4,180)	7,605	(5,271)
Adjustment in respect of current income tax of previous year	(222)	-	(278)	-
Share of loss (profit) from investment in joint venture	(1,901)	2,038	-	-
Effects of:				
Non-deductible expenses	209	396	64	145
Additional expense deductions allowed	(243)	(22)	(126)	(22)
Dividend received	-	-	(8,719)	(150)
Total	(34)	374	(8,781)	(27)
Income tax expenses (benefits) reported in the statement of comprehensive income	710	(1,768)	(1,454)	(5,298)

As at 31 December 2018 and 2017, the components of deferred tax assets (liabilities) are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial		Separate financial	
	statements		statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax assets				
Allowance for diminution in value of inventories	1,157	87	1,157	87
Allowance for asset impairment	8,635	2,928	8,635	2,928
Provision for long-term employee benefits	2,677	3,565	2,677	3,565
Provision for land rental	247	202	610	454
Unused tax loss	6,937	-	6,937	-
Total	19,653	6,782	20,016	7,034

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax liabilities				
Change in fair value of biological assets and the differences between fair value and costs of agricultural produce	(14,992)	(3,186)	(14,992)	(3,186)
Total	(14,992)	(3,186)	(14,992)	(3,186)
Net	4,661	3,596	5,024	3,848

The unused tax loss amounting approximately to Baht 35 million will expire by 2023.

20. Statutory reserve

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

21. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Salary and wages and other employee benefits	130,430	143,102	130,430	143,102
Depreciation expenses	53,782	65,407	53,782	65,387
Amortisation expenses	10,736	9,692	10,736	9,692
Transportation expenses	22,973	18,903	22,973	18,903
Rental expenses	4,666	4,000	6,850	9,895
Repair and maintenance expenses	30,357	22,110	30,357	22,110
Raw materials and consumables used	280,685	394,541	280,685	394,541
Changes in inventories of finished goods and work in process	(34,889)	(3,503)	(34,889)	(3,503)

22. Promotional privileges

The Company has received promotional privileges from Board of Investment for the generation of electricity from biomasses up to a capacity stipulated in the certificates, subject to certain imposed conditions. Details are as follows:

<u>Certificate No.</u>	<u>Principal privileges</u>
1043(2)/2548	- Exemption from corporate income tax on income from the promoted operations for a period of eight years from the date of first earning operating income from electricity from biomasses product (21 August 2015).

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

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

The Company's operating revenues for the years ended 31 December 2018 and 2017, divided between promoted and non-promoted operations, are summarised below.

(Unit: Thousand Baht)

	<u>Promoted operations</u>		<u>Non-promoted operations</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Sales	-	-	628,627	763,221	628,627	763,221

23. Earnings per share

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

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

	<u>Consolidated</u>		<u>Separate</u>	
	<u>financial statements</u>	<u>financial statements</u>	<u>financial statements</u>	<u>financial statements</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Profit (loss) for the year (Thousand Baht)	14,038	(18,339)	39,476	(21,057)
Weighted average number of ordinary shares (Thousand shares)	324,050	324,050	324,050	324,050
Earnings (loss) per share (Baht)	0.04	(0.06)	0.12	(0.06)

24. Segment information

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

The Company's and its subsidiaries' business operations involve two principal segments (1) oil palm plantation, crude palm oil and crude palm kernel oil processing (2) generation of electricity from biogases and biomasses. During the years, there were no material activities pertaining to the generation of electricity from biogases and biomasses segment for the Company and its subsidiaries. Accordingly, most of the revenues, operating profit and assets as reflected in these financial statements pertain to the industry segment (1) as mentioned above.

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

For the year 2018, the Company and its subsidiaries have revenue from one major customer in amount of Baht 421 million (2017: has revenue from two major customers in amount of Baht 308 million and Baht 169 million), arising from oil palm plantation, crude palm oil and crude palm kernel oil processing.

25. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 5 percent of basic salary. However, for employees who joined the Company from 15 January 2010 onwards, the contribution rates are 2 - 5 percent of basic salary. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to Baht 2 million (2017: Baht 2 million) were recognised as expenses.

26. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividends per share (Baht)
Final dividends for 2016	Annual General Meeting of the shareholders on 26 April 2017	49	0.15
Total for 2017		49	0.15
Final dividends for 2017	Annual General Meeting of the shareholders on 27 April 2018	32	0.10
Total for 2018		32	0.10

27. Commitments and contingent liabilities

27.1 Capital commitments

As at 31 December 2018, the Company had capital commitments of Baht 2 million (2017: none), relating to the acquisition of machine, equipment and vehicles.

27.2 Operating lease commitments

The Company and its subsidiary have entered into lease agreements in respect of land. The terms of the agreements are 14 and 15 years. The Company and its subsidiary required to comply with conditions stipulated in the contracts.

As at 31 December 2018 and 2017, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Payable:				
In up to 1 year	5	3	7	4
In over 1 and up to 5 years	10	9	16	16
In over 5 years	13	15	22	25

27.3 Guarantees

As at 31 December 2018, there were outstanding bank guarantees of Baht 4 million (2017: Baht 4 million) issued by banks on behalf of the Company and its subsidiary in respect of certain performance bonds as required in the normal course of business.

27.4 Land exploit right

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

On 15 October 2005, the Company submitted related documents to ALRO to verify the right over the land. Consequently, ALRO sent a letter to the Company regarding the distribution of land. The land of 4,994.10 rai had been distributed. However, the Company found that the distribution of the land of about 1,459 rai, with the approximately cost of land and the net book value of the palm plantation development on such land as at 31 December 2018 totally Baht 9 million, was in conflict with the Company's land title deed. The Company is now processing with ALRO to nullify the status of being land under Sor Por Kor.

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

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

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

27.5 Litigation

In July 2018, Krabi prosecutor filed a lawsuit against the Company with the Court, alleging that the Company utilised 4,376 rais of land reform area for oil palm plantation, which was a violation of Section 9,108 Bis of the Land Code B.E. 2497, Revolutionary Council Decree No. 96 dated 29 February 1972, and Section 83 of the Criminal Code. The prosecutor asked the Court to give an eviction order to the Company. Currently, a date for witness examination in this case will be in June 2019.

According to the law-suit, in the case where the Company is ordered by the Court to return the land, the damage which will arise from the cost of land and palm plantation is Baht 28.5 million. The management has determined the allowance for such damage and has set aside the full amount of allowance in the financial statements for the current year.

28. Fair value hierarchy

As of 31 December 2018 and 2017, the Company had the assets that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated/Separate financial statements			
	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Biological assets	-	80,547	37,973	118,520

(Unit: Thousand Baht)

	Consolidated/Separate financial statements			
	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Biological assets	-	53,091	17,525	70,616

During the years 2018 and 2017, there was no transfer within the fair value hierarchy.

29. Financial instruments

29.1 Financial risk management

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

Credit risk

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

Interest rate risk

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

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

(Unit: Million Baht)

	As at 31 December											
	Consolidated financial statements											
	Fixed interest rates				Floating		Non-interest		Total		Effective	
	Within 1 year		1 - 5 years		interest rate		bearing				interest rate	
<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
(% per annum)												
<u>Financial Assets</u>												
Cash and cash equivalents	-	30	-	-	22	79	1	3	23	112	0.10 - 0.38	0.05 - 1.13
Trade and other receivables	-	-	-	-	-	-	12	51	12	51	-	-
Short-term loans to employees	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans to other companies	-	-	-	-	20	21	-	-	20	21	THBFIX + 1	THBFIX + 1
	-	30	-	-	42	100	13	54	55	184		
<u>Financial liabilities</u>												
Short-term loans from financial institution	270	400	-	-	-	-	-	-	270	400	1.85 - 2.25	2.00 - 2.15
Trade and other payables	-	-	-	-	-	-	22	27	22	27	-	-
	270	400	-	-	-	-	22	27	292	427		

(Unit: Million Baht)

As at 31 December

Separate financial statements

	Fixed interest rates		Floating		Non-interest		Total		Effective			
	Within 1 year		1 - 5 years		interest rate		bearing		interest rate			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		
											(% per annum)	
<u>Financial Assets</u>												
Cash and cash equivalents	-	30	-	-	9	23	1	3	10	56	0.1 - 0.375	0.05 - 1.13
Trade and other receivables	-	-	-	-	-	-	11	51	11	51	-	-
Short-term loans to employee	-	-	-	-	-	-	-	-	-	-	-	-
	-	30	-	-	9	23	12	54	21	107		
<u>Financial liabilities</u>												
Short-term loans from financial institution	270	400	-	-	-	-	-	-	270	400	1.85 - 2.25	2.00 - 2.15
Trade and other payables	-	-	-	-	285	273	21	26	306	299	THBFIX +1	MLR - 1.5
	270	400	-	-	285	273	21	26	576	699		

Foreign currency risk

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

29.2 Fair value of financial instruments

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

30. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2018, the Group's debt-to-equity ratio was 0.30:1 (2017: 0.42:1) and the Company's was 0.58:1 (2017: 0.71:1).

31. Subsequent events

On 21 February 2019, a meeting of the Company's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.08 per share in respect of unappropriated retained earning of the Company, or a total of Baht 26 million, for approval by the Annual General Meeting of the Company's shareholders.

32. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2019.