



United Palm Oil Industry Public Company Limited

รายงานประจำปี 2559

ANNUAL REPORT 2016

**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)

	2014	2015	2016
Total Assets	1,554	1,583	1,547
Total Liabilities	431	520	397
Shareholders' Equity	1,123	1,063	1,150
Sales	1,155	1,260	946
Total Revenues	1,205	1,289	972
Gross Profit	299	53	150
Net Profit (Loss)	188	(12)	72

FINANCIAL RATIOS

(Unit : %)

	2014	2015	2016
Net Profit (Loss) Margin	13.88	(0.93)	7.41
Return (Loss) on Equity	16.76	(1.13)	6.26
Return (Loss) on Total Assets	12.11	(0.76)	4.65

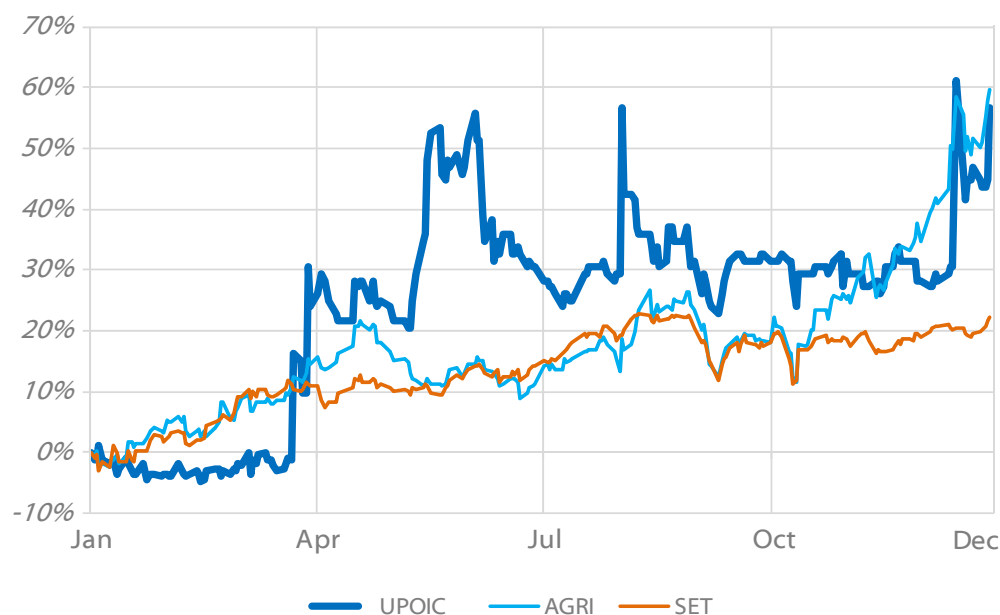
PER SHARE DATA

(Unit : Baht)

	2014	2015	2016
Earnings (Loss) per Share	0.52	(0.04)	0.22
Dividend Paid per Share	0.55	0.15	0.10
Dividend per Share (operational year)	0.30	0.10	0.15 ⁽¹⁾
Book Value per Share	3.47	3.28	3.55

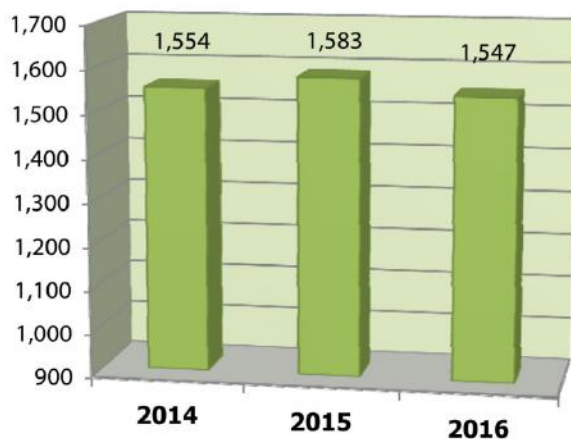
Note : ⁽¹⁾ According to the resolution of BOD meeting on 27 February 2017, to be proposed to AGM no. 40

2016 STOCK PRICE PERFORMANCE

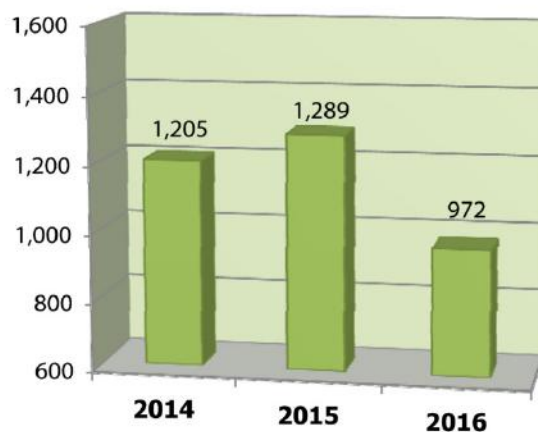


FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

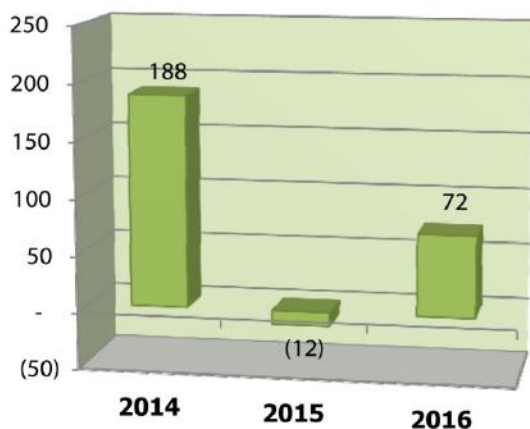
**TOTAL ASSETS
(Million Baht)**



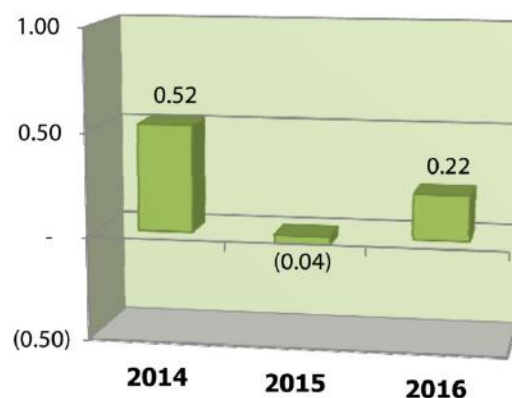
**TOTAL REVENUES
(Million Baht)**



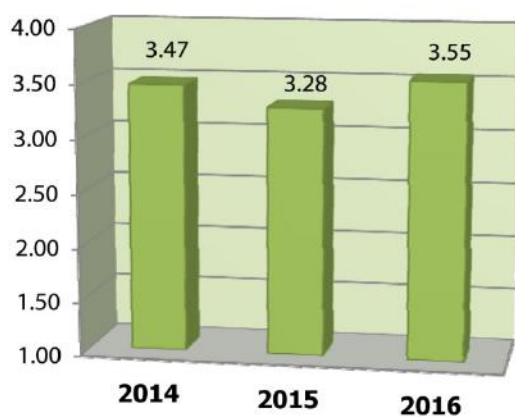
**NET PROFIT
(Million Baht)**



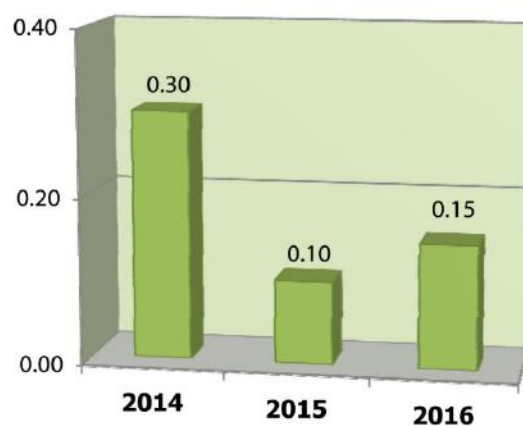
**EARNINGS PER SHARE
(Baht)**



**BOOK VALUE PER SHARE
(Baht)**



**DIVIDEND PER SHARE
(Baht)**



2016 Overview



In 2016 the global supply of FFB and CPO fell by more than 10% due to severe drought caused by the El Nino phenomenon in 2015. This in turn caused a dramatic increase in CPO price worldwide. Such higher price was benchmarked for Malaysia to raise its tax on CPO exports from zero to 6 – 6.50%, ending a duty-free policy held since May 2015.

The output of FFB in the Kingdom was around 10 million MT, decreasing by 12.5% when compared with 12 million MT in 2015. In the circumstance, the annual average prices of FFB and CPO were increased to 5.61 and 31.95 Baht/Kg respectively (2015 : 4.65 and 27.33 Baht/Kg.), the highest average levels in five years. The Government preferred to manage CPO stock and CPO price in the Kingdom at optimal level. Accordingly, the Department of Energy Business c/o the Ministry of Energy announced 3 times to adjust the CPO blending into diesel. The first time mandates for biodiesel was lowered from B7 to B5, effective on July 25, to release more cooking palm oil for the food sector. Nonetheless, such reduction of blending mandate was not enough to stimulate significantly lower price of both FFB and CPO. In August therefore, the Ministry of Energy announced as the second time to further lower biodiesel blending mandate from B5 to B3, effective on August 25. These two reductions of CPO blending in biodiesel mandate had the effect of pushing down CPO price at late September to the range of 29-30 Baht/Kg. However, FFB output in November – December was forecast to increase progressively. In such a scenario, the Ministry of Energy announced as the third time to reinstate biodiesel mandate from B3 to B5, effective on November 25, pushing back CPO price to the range of 31 – 32 Baht/Kg. at the yearend (for more details please refer to the section “**Industry Overview and Competitiveness**”).



During the fiscal year, your Company adopted TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant which became effective for fiscal years beginning on or after 1 January 2016. Under TAS 41 the Company has to

- (1) record biological assets from palm fruit on trees for the first time, measured at fair value less costs to sell.
- (2) change its accounting treatment for biological assets and agricultural produce, with palm nursery for sale and palm fresh fruit bunch, which were previously recognised at cost, being recognised at fair value less costs to sell.

The change has the effect of increasing the opening balance of retained earnings in the consolidated financial statements by 48 million Baht net of deferred tax effects (separate financial statements: increasing by 31 million Baht net of deferred tax effects). The cumulative effect of the change in accounting policy is presented as a separate item in statement of changes in shareholders' equity.

Moreover, the change also has the effect of decreasing the Company's profit (loss) in consolidated financial statements by 4 million Baht net of deferred tax (separate financial statements: increasing by 9 million Baht net of deferred tax effects). due to change in fair value of biological assets and agricultural produce during the year (additional info referred to the Notes to financial statements item 4.)

Company's Performance

Overall your Company's performance improved from the previous year with the net profit at 72 million Baht (2015 : net loss at 12 million Baht). The average selling prices of both CPO and CPKO were higher than 2015, increasing by 21.8% and 44.9% respectively, whereas the production cost of CPO and CPKO increased about 27.8% and 29.6% respectively. With the sales volume of CPO and CPKO in 2016 decreasing by 39.2% and 42.7% respectively, your Company recorded a lower sales turnover at 946 million Baht (2015 : 1,260 million Baht), or a 24.9% decrease.

The total volume of FFB processed decreased by 35.6% from 2015.

- (i) The crop from own estates decreased by 20.0% due to the prolonged drought and being occupied by outsiders; while
- (ii) The crop from concession land decreased by 24.4%, resulting from the expiration of concession land totalling 21,348.94 rai (representing 46.5% of the Company's total land area) as informed previously.

In sum, own FFB crops from our estates and concession lands declined by 21.6%. Furthermore, the outgrower crop decreased by 43.3% when compared to 2015. As a

MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

consequence, the total volume of FFB processed decreased by 35.6% from 2015. The proportion of FFB from outside source and own estate was 57.1% and 42.9% (2015 : 64.8% and 35.2% respectively).

The cost of our own crops increased by 4.4% as well as the cost of purchased crops increased by 20.5%. The average cost of total FFB processed accordingly increased by 12.9%.

Investment

The replanting in the renewal concession 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.

In the meantime, to compensate for the loss of concession lands, your Company has been seeking suitable new land for planting palms. However, your Company did not invest in major capital projects in 2016, but rather put more focus on productivity increase and maintenance programme.

In accordance with the project to produce 1 megawatts of power from Biomass under VSPP Programme (Very Small Power Producer), your Company has started operations and sold electricity since 27 July 2015. In 2016, this generated income at 0.46 million Baht.

Responsibility to Community, Society and the Environment

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

Human Resources and Corporate Culture

Employees have been recognised as an important asset to drive forward the Company. We commit to support and maintain working environment enhancing their efficient contributions. Your 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 staff on the professional ethic.

Furthermore, your Company treats equally to all staff without discrimination, and provides appropriate return and welfare, as well as respects the human rights principles according to the international basic standard and law including other relevant rules and regulation. Your Company also values the importance of the wellness and safety of life and assets, as well as good working environment aiming to be the **"Best Place to Work"** with 3 pillars namely Happy, Healthy and Harmony.

This is to create the Corporate Culture balancing in all aspects of efficiency, transparency, fairness and integrity which all staff is expected to strictly adhere with aim to achieve the goal of the organisation and individual level.

All mentioned above is for all employees as a major part to achieve the ultimate goal in accordance with vision and mission of the Company.

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 2016, the Audit Committee has fulfilled and executed its duties and responsibilities in compliance with the Stock Exchange of Thailand's regulations and other activities assigned by the Board. The Committee held four meetings within the year, with substantive agenda as follows:

1. Approval of quarterly financial statements and review of annual financial statements including the disclosures of information in Notes to Financial Statements, submitted to the Board of Directors. The financial statements were in accordance with generally accepted accounting principles. The disclosures of information in Notes to Financial Statements were found to be adequate and accurate;
2. Examination of the reports and recommendations of internal audit regarding the internal control as set out in the annual audit plan, with proposals to the management to take necessary actions. In 2016, the Company was found to have exercised an appropriate and effective internal control system, with transparent governance and no material management failures;
3. Consultative meetings with the management, external and internal auditors in order to make suggestions and practical guidelines for management. The management has subsequently adopted these suggestions to improve the Company's working efficiency; In addition, in 2016 the AC had one meeting with the External Auditor without the management attending. The information disclosed by the management to the Auditor was found to be adequate without any deficiencies.
4. Consultative meetings with the management and external auditors regarding the implementation of new Thai Accounting Standard and the readiness of the company;
5. Proposal to the Board of Directors to consider the 2016 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 2017, 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 2017 annual general meeting of shareholders, the appointment of EY Office Limited to be the statutory auditor of the Company for 2017 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 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
27 February 2017

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 2016 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, 2016.

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

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

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

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

1. Rights of Shareholders

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

2. Equitable Treatment of Shareholders

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

3. Role of Stakeholders

UPOIC has a policy that recognises the rights and interests of all groups of stakeholders whether they are employees, shareholders, creditors, customers, trade-counterparts, competitors, community and society. The expectations of one group of stakeholders may be different from another group. Therefore, UPOIC shall ensure that the rights of each group will be protected according to relevant laws and handled carefully and with 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 employees
- Policy and Practice toward shareholders
- Policy and Practice toward creditors
- Policy and Practice toward customers
- Policy and Practice toward business partners
- Policy and Practice toward competitors
- Policy and Practice toward society
- Policy and Practice toward environment
- Policy and Practice toward human-right respect
- Policy and Practice toward anti-corruption and bribery
- Policy and Practice toward the intellectual property and copyright

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- ISO 9001, a quality management system, aiming to the quality assurance and conformity which can be audited and compared with the written working procedure to ensure personnel of the organisation know their roles and responsibilities;
- OHSAS 18001, a standard for occupational health and safety management systems in working place, being a tool to control and mitigate danger and risk which could negatively affect health, life, and asset;
- ISO 14001, an environmental management system that exists to help organisation improve and develop the environment continuously;
- Roundtable on Sustainable Palm Oil (RSPO) being a good practice to promote the sustainable palm oil production in aspects of economic, social, communities, environment, and law conformity of various stakeholders from upstream to downstream.

4. Disclosure and Transparency

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

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

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

Mechanism for stakeholders to do whistle blowing or make complaints

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

By email: acthira@hotmail.co.th

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.

5. Board Responsibilities

5.1 Board of Directors

5.1.1 Structure of the Board

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

5.1.2 Duties and responsibilities of the Board

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

5.1.3 Company Secretary

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

5.1.4 Procedure for director nomination

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

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

5.1.5 The Chairman of the Board

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

5.1.6 Qualification of Independent Directors

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

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

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

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

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

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

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

5.1.7 Director's Term of Office

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

5.1.8 Directors concurrently being directors of other companies

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

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

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

5.1.9 Executives holding directorship in other companies

Executives may hold directorship or executive positions in subsidiary, affiliates or 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.

5.2 Sub-committees

5.2.1 Audit Committee

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

Duties and Responsibilities of the Audit Committee

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

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

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

In 2016 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	2016-2017	4/4
(2) Vilas Sinswat, Ph.D. <i>(Directorship expired on 26 April 2016)</i> Mr. Wasin Patchakapati <i>(replaced Vilas Sinswat, Ph.D. on 26 April 2016)</i>	Independent Director Independent Director	2015-2016 2016-2017	1/1 3/3
(3) Mr. Sangiam Santad	Independent Director	2016-2017	3/4

5.2.2 Remuneration Committee

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

Duties and Responsibilities of the Remuneration Committee

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

In 2016, the Remuneration Committee held 2 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Vilas Sinswat, Ph.D. <i>(Directorship expired on 26 April 2016)</i> Mr. Wasin Patchakapati <i>(replaced Vilas Sinswat, Ph.D. on 26 April 2016)</i>	Chairman of the Remuneration Committee Independent Director	2015-2016 2016-2017	1/1 1/1
(2) Mr. Thira Wipuchanin	Independent Director	2016-2017	2/2
(3) Mr. Sangiam Santad	Chairman of the Remuneration Committee	2016-2017	1/2
(4) Mr. Whang Shang Ying	Director	2016-2017	1/2

5.2.3 Nomination Committee

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

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Duties and Responsibilities of the Nomination Committee

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

In 2016, the Nomination Committee held 2 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meeting
(1) Vilas Sinswat, Ph.D. <i>(Directorship expired on 26 April 2016)</i>	Chairman of the Nomination Committee	2015-2016	2/2
Mr. Wasin Patchakapati <i>(replaced Vilas Sinswat, Ph.D. on 26 April 2016)</i>	Independent Director	2016-2017	0/0
(2) Mr. Thira Wipuchanin	Independent Director	2016-2017	2/2
(3) Mr. Sangiam Santad	Chairman of the Nomination Committee	2016-2017	1/2
(4) Mr. Whang Shang Ying	Director	2016-2017	1/2

5.3 Board of Directors' Meetings

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

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

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

In 2016, 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	2016-2017	6/6	-	6/6
(2) Ms. Anchalee Suebchantasiri	2016-2017	6/6	-	6/6
(3) Vilas Sinswat, Ph.D. <i>(Directorship expired on 26 April 2016)</i>	2015-2016	2/2	-	2/2
Mr. Wasin Patchakapati <i>(replaced Vilas Sinswat, Ph.D. on 26 April 2016)</i>	2016-2017	4/4	-	4/4
(4) Mr. Sangiam Santad	2016-2017	5/6	-	5/6
(5) Mr. Whang Shang Ying	2016-2017	5/6	-	5/6
(6) Ms. Piyathida Sukchan	2016-2017	6/6	-	6/6
(7) Ms. Jirasuda Sumpaotong	2016-2017	6/6	-	6/6

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

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directors, resolutions and opinion of dissenting directors, name of persons recording the minutes and certifying the minutes. After being confirmed the minutes shall be kept by the Company Secretary and will be ready for examination by related parties.

Non-executive directors may hold meetings among themselves without the management present at the meeting in order to discuss management issues of interest. The result of the meeting shall be reported to the managing director. In 2016, there was one meeting of non-executive Directors which were not attended by Executive Directors.

5.4 Board Self Assessment

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

5.5 Remuneration of Directors and Executives

1) Remuneration of Directors

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

Remuneration of Directors and Sub-Committees (Baht)	No. of Persons	2015	2016
Directors fees	8	4,369,200	4,369,200
Audit Committee fees	4	1,900,800	1,900,800
Remuneration Committee fees	5	-	-
Nomination Committee fees	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.

2) Remuneration of Executives

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

In 2016 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.

Executives	2015		2016	
	Remuneration (Baht)	No. of Persons	Remuneration (Baht)	No. of Persons
Executives	18,699,065	8	21,070,598	7

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

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

5.6 Board and Management Training

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

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

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

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

5.7 Code of Business Conduct

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

The Company believes that the code of business conduct is a basic foundation for promoting and upgrading good corporate governance. UPOIC has updated its code of business conduct as a codification of good 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.

5.8 Conflict of Interests

5.8.1 Prevention of use of inside information

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

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

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

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

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

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

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

5.8.2 Approval of transaction containing conflict of interest

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

(1) Person with interest or potential conflict of interest shall refrain from approving the transaction.

(2) The price or compensation for such transaction shall be under normal business terms and conditions with the benefit of the Company as the main consideration.

(3) The Audit Committee shall review and give opinion prior to the transaction. If the Audit Committee has no expertise in the matter, the Company shall arrange to have independent expert to give opinion to the Audit Committee which will be used in its scrutiny of the matter before submitting to the Board and the shareholder meeting for approval.

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

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

The management shall report transaction with value over 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.

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

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

➤ Directors, Executives and related persons who have transaction with interest in relation to management of the Company or its subsidiary with the value of 1 million Baht or more, or 0.03% of the Net Tangible Assets (NTA) of the Company or its subsidiary, whichever amount is higher, shall file a report to the Company Secretary, according to the report form, within 7 business days from the date of transaction. Every time there is a change of the transaction, such change must be reported within 7 business days from the date of change.

➤ The Company Secretary shall submit a copy of the report on interest under paragraph 1 to the Chairman of the Board and Chairman of the Audit Committee within 7 business days from the date of receipt of such report.

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- Directors and Executives who have interest in the agenda item under consideration of the meeting shall not participate in making decision and shall leave the meeting room. The Company will not send document related to the said agenda to such interested persons.
- The Company shall disclose such interest in the annual report and Form 56-1.

5.9 Controlling System and Internal Audit

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

In 2016 the Audit Committee approved the Company to renew the contract with Dr. Virach & Associates Office to be the Company internal auditors. 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 2017.

5.10 Risk Management

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

5.11 Succession Plan

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

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

1. Ms. Jirasuda Sumpaotong, Executive Director to act and make decision regarding the finance and accounting of the Company, its subsidiaries, and the joint venture;
2. Mr. Suwat Praekulthan to act and make decision regarding the factories of the Company, its subsidiaries, and the joint venture;
3. Ms. Piyathida Sukchan, Executive Director to act and make decision in other matters of the Company, its subsidiaries, and the joint venture.

GENERAL INFORMATION

Company Profile

Name of Company	:	United Palm Oil Industry Public Company Limited
No. of Registration	:	0107536000404 (formerly Bor Mor Jor 114)
Home Page	:	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 Floor 1, Soi Bangna-Trad 25, 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 31,815.777 rai (5,090.52 ha) excluding building sites, swamp reserves and nursery area

Details of Estates

1. Krabi Noi Estate 4,888.11 rai (782.10 ha)
78 Moo 4, Krabi Noi Sub-District, Muang District, Krabi
2. Khao Phanom Estate 4,392.34 rai (702.77 ha)
38/2 Moo 8, Khao Phanom Sub-District, Khao Phanom District, Krabi
3. Khao Khen Estate 3,032.25 rai (485.16 ha)
Ao Luk Tai Sub-District, Ao Luk District, Krabi
4. Ban Mark Estate 3,582.38 rai (573.18 ha)
65/1 Moo 6, Bangsawan Sub-District, Prasaeng District, Surat Thani
5. Koh Noi Estate 3,610.50 rai (577.68 ha)
904 Moo 2, Bangsawan Sub-District, Prasaeng District, Surat Thani
6. Tub Prik Estate 2,019.88 rai (323.18 ha)
Tub Prik Sub-District, Muang District, Krabi

Sub-total Company's Planted area 21,525.46 rai (3,444.07 ha)

7. Khiansa Estate 4,090.31 rai (654.45 ha) -- subsidiary's concession land
229 Moo 2, Khiansa Sub-District, Khiansa District, Surat Thani
8. Chaiburi Estate 6,200.00 rai (992.00 ha) -- subsidiary's concession land*
16 Moo 5, Chaiburi Sub-District, Chaiburi District, Surat Thani

Sub-total Subsidiaries Planted area 10,290.31 rai (1,646.45 ha)

Total Planted Area 31,815.77 rai (5,090.52 ha)

* under the renewal process
(Please refer to "RISK FACTORS" for more information on the status of the concession land.)

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 <u>Phansri Company Limited</u> ^① and <u>Prachakvivat Company Limited</u> ^② , which own the concession of oil palm plantation
	Registered Share Capital Shareholding (common shares)	:	27,400 shares (par value of 10,000 Baht per share) 27,394 shares or 99.98%
	Remarks :		
	<u>①Phansri Company Limited</u> Office	:	98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5 Huayyoong Sub-District, Nuaklong District, Krabi 81130 Tel 075-666 075 Fax 075-666 072
	Concession Site Concession Area Concession Period Registered Share Capital	:	Chaiburi Sub-District, Chaiburi District, Surat Thani 20,000 rai from 2 January 1985 to 1 January 2015 500 shares (par value of 10,000 Baht per share)
	<u>②Prachakvivat Company Limited</u> Office	:	98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5 Huayyoong Sub-District, Nuaklong District, Krabi 81130 Tel 075-666 075 Fax 075-666 072
	Concession Site Concession Area Concession Period Registered Share Capital	:	Khiansa and Kamvaree Sub-District, Khiansa District, Surat Thani 4,294 rai from 9 July 2014 to 8 July 2029 5,000 shares (par value of 1,000 Baht per share)
2	Name of Company	:	Siam Elite Palm Company Limited
	Corporate Headquarters	:	64 Soi Bangna-Trad 25, Bangna, Bangkok 10260 Tel 02-744 1046-8 Fax 02-361 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 Registered Share Capital Shareholding (common shares)	:	Oil palm seed propagation 5,000,000 shares (par value of 10 Baht per share) 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, Dindaeng, Dindaeng,
Bangkok 10400

Tel 02-009 9000
Fax 02-009 9991

2. Auditor

Name : Ms. Manee Rattanabunnakit
Certified Public Accountant No. 5313
Address : EY Office Limited
33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek Road,
Klongtoey, Bangkok 10110

Tel 02-264 0777
Fax 02-264 0789

No. of years being the Company's Auditor : 2
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 has a large holding under oil palm cultivation with a consolidated planted area of 31,815.77 rai (5,090.52 hectares) straddling Krabi and Surat Thani provinces.

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

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

Revenue structure

Product/Services	2014		2015		2016	
	Mil. Bht.	%	Mil. Bht.	%	Mil. Bht.	%
CPO	953	82.51	1,041	82.62	771	81.50
CPKO	146	12.64	164	13.01	136	14.38
Others	55	4.85	55	4.37	39	4.12
Total Sales	1,154	100.00	1,260	100.00	946	100.00

Note : All sales are carried out by UPOIC itself.

News Highlights of previous year

1. 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.

Therefore, in case the ALRO stipulates the two plots of land owned by the Company as the targeted areas and the Company could not present the evidence of ownership, the Company has to surrender such lands to ALRO, amounting to 20.6% of total planted area (more details in "Risk Factor").

2. On 26 April 2016, the Annual General Meeting of Shareholders No. 39 with a majority vote approved the re-election of the new Board of Directors consisted of 6 out-going directors including Mr. Thira Wipuchanin, Mr. Sangiam Santad, Mr. Whang Shang Ying, Ms. Anchalee Suebchantasiri, Ms. Piyathida Sukchan, and Ms. Jirasuda Sumpaotong, and one new director namely Mr. Wasin Patchakapati who replaced Dr. Vilas Sinswat, as recommended by the Nomination Committee.

1. Part of Oil Palm Planted Areas Under Concession

Approximately 21,349 rai composed of Khiansa estate 8,467.44 rai and Chaiburi estate 12,881.50 rai, are held by two subsidiaries under concessions which have expired in July 2014 and January 2015 respectively. These represent 47.1% of the total planted areas of the Company and its subsidiaries.

(a) Khiansa estate had been given permission from the Treasury Department to extend the lease of 4,294 rai of the state owned land for a further period of 15 years, half of the utilised land under the expired permit. Therefore, planted area has been reduced by 9.4% of total planted area. The replanting in the renewal 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.

(b) In the meantime, Chaiburi estate is waiting for a permit from the Forest Department to exploit or inhabit in the 50% of the utilised area as well, the outcome of which is uncertain. 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.

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

It was announced that 2 plots of land owned by the Company overlapped with the land of Agricultural Land Reform Office (ALRO) after having been planted with palms for 6 and 17 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 or 15.7% of total planted area of the Company were completely distributed in 2010. However, 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.

Therefore, in case the ALRO stipulates the two plots of land owned by the Company as mentioned above as the targeted areas and the Company could not present the evidence of ownership, the Company may be obliged to surrender such lands to ALRO, amounting to 20.6% of total planted area.

In the circumstances, the Company would have to buy a higher proportion of FFB from outside sources and may face increased raw materials cost as a result. Furthermore, the Company shall write off its assets by an amount of 63.2 million Baht approximately.

To date however, ALRO has not stipulated any actions to the Company with respect to the announcement.

3. Palm Oil Price Volatility and Intervention from the Government

Being a commodity, the price of CPO is highly volatile. The monthly average price of CPO in 2016 ranged between 29.02 and 37.49 Baht/Kg (2015 : 21.50 – 36.39 Baht/Kg). The average price in 2016 was 31.95 Baht/Kg, increasing by 16.90% from 2015, compared with the average price in global market at 22.72 Baht/Kg. The high volatility of local price during the year together with the huge price difference between local and global price 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 2016 Office of Central Commission on Prices of Goods and Services continued to issue the Notifications in approximately every 30 days to recommend the minimum purchase prices of Fresh Fruit Bunch (FFB) and Fresh Fruit Loose (FFL).

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 136 CPO crushing mills, most of which are located in Krabi, Surat Thani, Chumporn, and Trang provinces, giving rise to a combined fresh fruit bunch (FFB) processing capacity of 30 million MT per year. Therefore, there is a mismatch between such overall high processing capacity and FFB output in 2016 at 10 million MT from 4.6 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 2015 and 2016, the Company sold 60% and 55% 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 7](#) of the Notes to financial statements.

Figure 1 : Highlights by Quarter

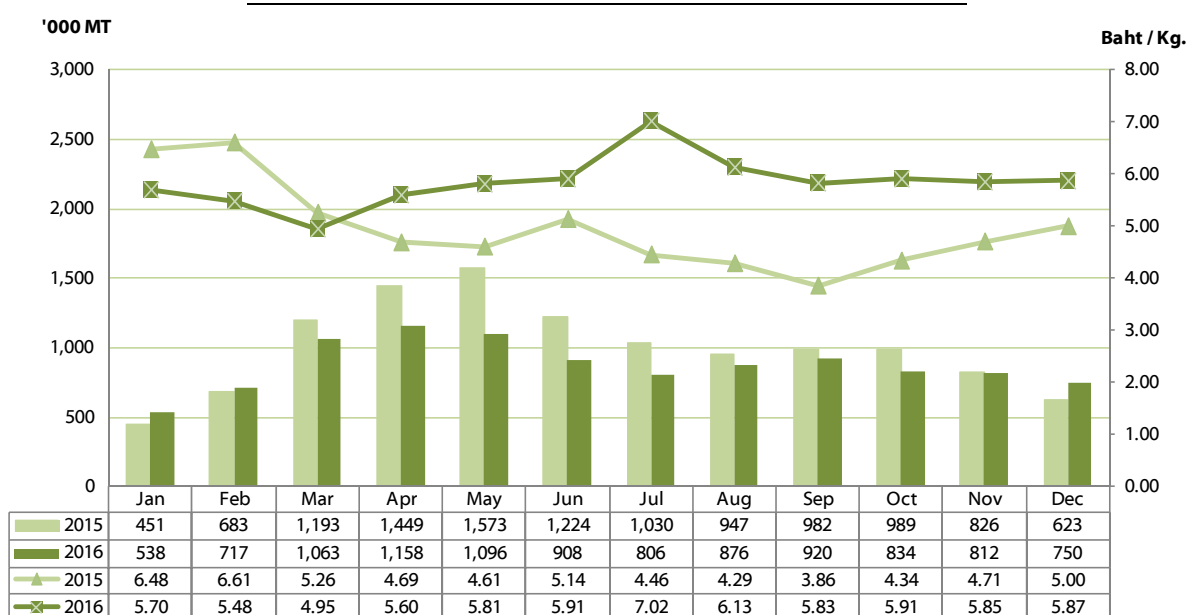
2016	Production (MT.)		Price (Baht/Kg.)		Highlights
	FFB	CPO	FFB (OER 18%)	CPO	
Q1	2,318,276 (Q1/15 : 2,326,485)	392,005 (Q1/15 : 363,059)	5.38 (Q1/15 : 6.12)	29.58 (Q1/15 : 33.46)	CPO stock in March was at the lowest level, 195,006 MT. The market expressed the concern that El Nino's dry weather effects would reduce global output by 2 – 3 million MT.
Q2	3,161,912 (Q2/15 : 4,245,500)	504,655 (Q2/15 : 713,767)	5.77 (Q2/15 : 4.81)	33.90 (Q2/15 : 26.58)	FFB output in the Kingdom was much less than Q2/15 caused by El Nino's dry weather effects. The FFB and CPO prices then increased. Malaysia implemented a CPO export tax w.e.f. April 2016, ending a duty free policy held since May 2015.
Q3	2,601,645 (Q3/15 : 2,958,550)	476,368 (Q3/15 : 533,100)	6.32 (Q3/15 : 4.20)	34.18 (Q3/15 : 24.34)	Both FFB and CPO prices increased continuously. CPO price in the Kingdom had hit its peak at 38 Baht/Kg. at the end of July, resulting in the price gap from the global market as high as 11-12 Baht/Kg. The Ministry of Energy announced 2 times to lower mandate for biodiesel i.e. from B7 to B5, effective on 25 July, and from B5 to B3, effective on 25 August.
Q4	2,395,999 (Q4/15 : 2,437,940)	431,421 (Q4/15 : 458,548)	5.88 (Q4/15 : 4.68)	30.14 (Q4/15 : 24.96)	FFB price did not drop much whereas CPO price getting softer. Then the Ministry of Energy announced to increase mandate for biodiesel from B3 to B5, effective on 25 November. Low palm oil stock level in Malaysia significantly pushed up the global palm oil price.
Total	10,477,832 (2015 : 11,968,475)	1,804,449 (2015 : 2,068,475)	5.84 (2015 : 4.95)	31.95 (2015 : 27.33)	

Source: Figures from Internal Trade Department

INDUSTRY OVERVIEW AND COMPETITIVENESS

The oil palm harvesting areas has been continuously extended to around 4.6 million rai, an increase of 7% from 4.3million rai in 2015. Nowadays, oil palm is planted even in the Northern provinces of Chiang Rai, Lei, and Phitsanulok; in the North East provinces around Khong River – Nongkai, Buengkan, and Nakorn Panom, etc. This was because the suitable land for expansion in Southern and Eastern parts is limited and commands very high price. In spite of this, the volume of FFB produced in 2016 overall was only 10 million MT, decreasing from 12 million MT obtained in 2015, caused by El Nino's dry weather since 2014 lasting until 2015. As a result, yield per rai in 2016 dropped by 13% to 2,436 Kg. (2015 : 2,803 Kg.) The FFB output hit its lowest at around 0.5 million MT in January and reached a monthly peak of 1.16 million MT in April. The annual average FFB price was at 5.84 Baht/Kg. with the lowest monthly average at 4.95 Baht/Kg. in March and highest at 7.02 Baht/Kg. in July. Noticeably unlike the past whereby the lowest price level was normally found during Q2 of each year caused by the peak season, pattern of price movement in 2015 and 2016 was quite different.

Figure 2 : Monthly FFB Output and FFB Price (OER 18%)



Source: Internal Trade Department

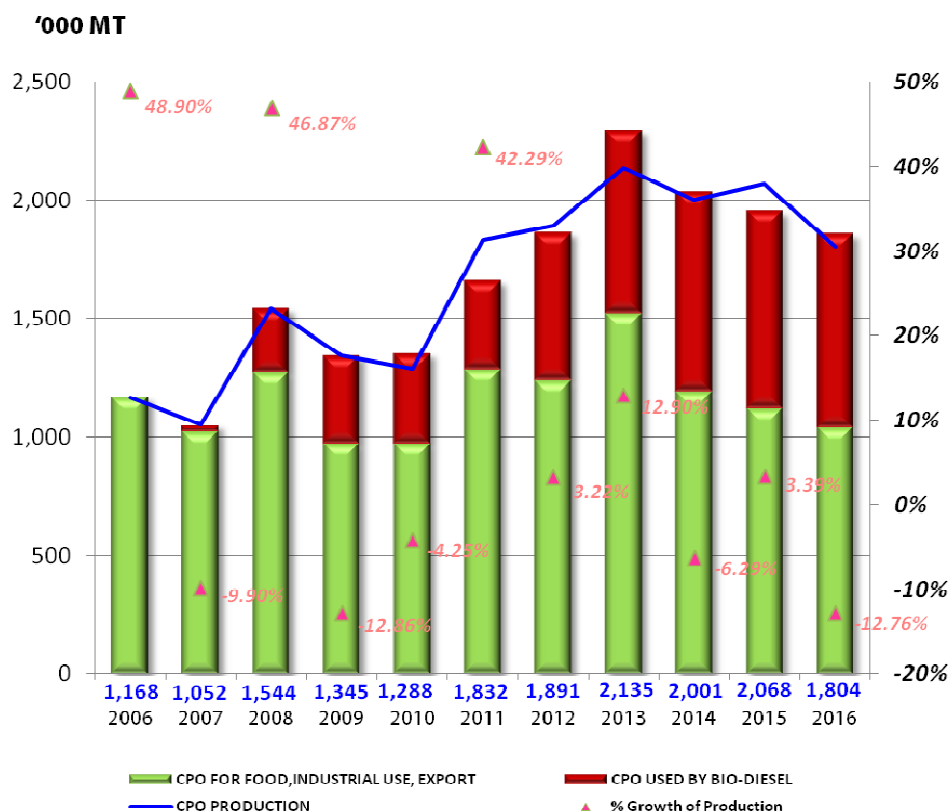
Total CPO production in the Kingdom in 2016 was 1,804,449 MT (2015 : 2,068,475 MT) shared by :-
 1) consumption demand at 987,803 MT., decreasing by 6.22% from 1,053,329 MT in 2015 mainly due to comparable low price of other types of cooking oil used as substitute.
 2) demand to produce Bio-diesel at 815,956 MT., decreasing by 2.07% from 833,223 MT in 2015.

Since the mid-year, the Ministry of Energy announced to adjust mandate for biodiesel 3 times to balance the stock and price of CPO at the optimal level.

- 1) from B7 to B5, effective on 25 July until 24 August 2016
- 2) from B5 to B3, effective on 25 August until 24 November 2016
- 3) from B3 to B5, effective on 25 November 2016

As a consequence, palm oil blending in Bio- diesel was lowered to balance pricing between palm oil consumption and Bio-diesel usage.

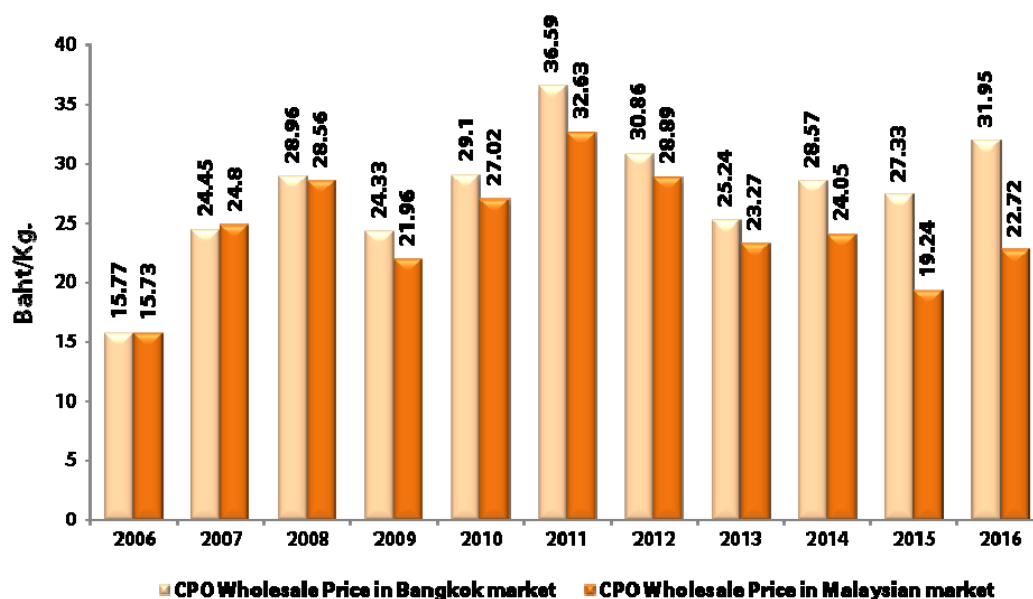
Figure 3 : CPO Production in Thailand



Source : Internal Trade Department

Monthly CPO price in the Kingdom in 2016 varied between 29.02 – 37.49 Baht/Kg (2015 : 21.50 – 36.39 Baht/Kg). The annual average CPO price was 31.95 Baht/Kg. (2015 : 27.33 Baht/Kg.), the highest average level in 5 years. CPO price in the Kingdom had hit its peak at 38 Baht/Kg. at the end of July, resulting in the price gap from the global market as high as 11 - 12 Baht/Kg. The Ministry of Energy then announced 2 times to lower mandate for biodiesel as mentioned above. Those two announcements continuously pulled CPO price down during the end of September to 29 – 30 Baht/Kg. Later when FFB output was forecast to increase in November – December, the Ministry announced to increase from B3 to B5, effective on 25 November 2016, pushing up CPO price back to around 31 – 32 Baht/Kg. at the year-end.

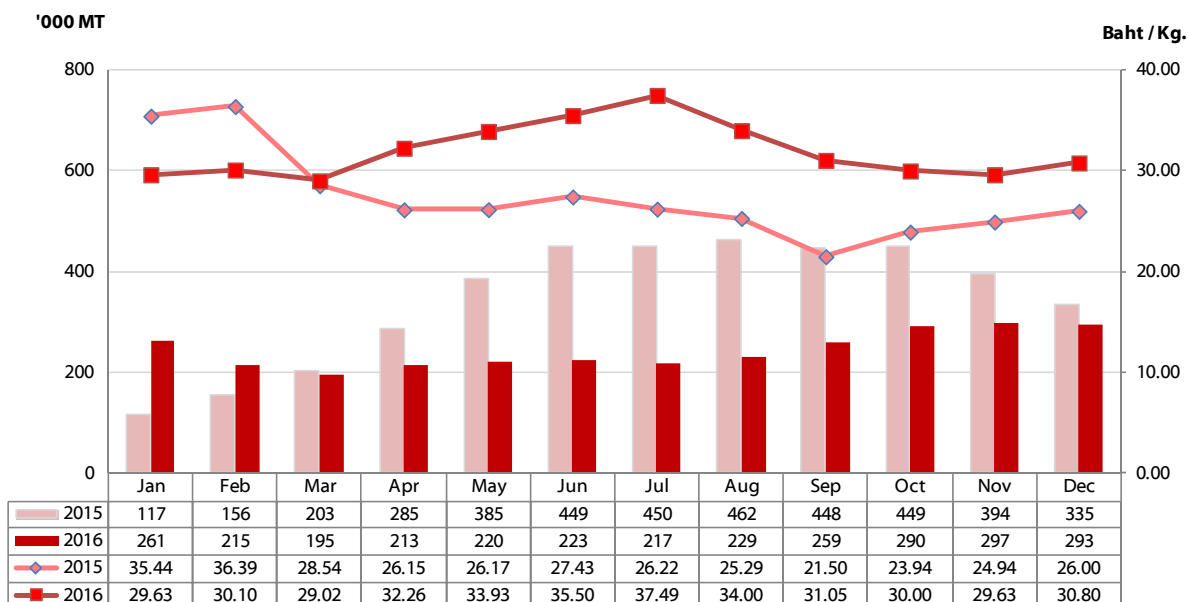
Figure 4 : Comparison of CPO Wholesale Price Between Bangkok and Malaysian Market



Source : Internal Trade Department

Because of the CPO price premium, export was not viable, leading to accumulated palm oil stock in the country sometimes and opening the way for cheaper palm oil to be smuggled into the Kingdom. The CPO stock at the end of 2016 was 293,467 MT, compared with 334,692 MT at the end of 2015.

Figure 5 : CPO Stock Equivalent and CPO Price Movement

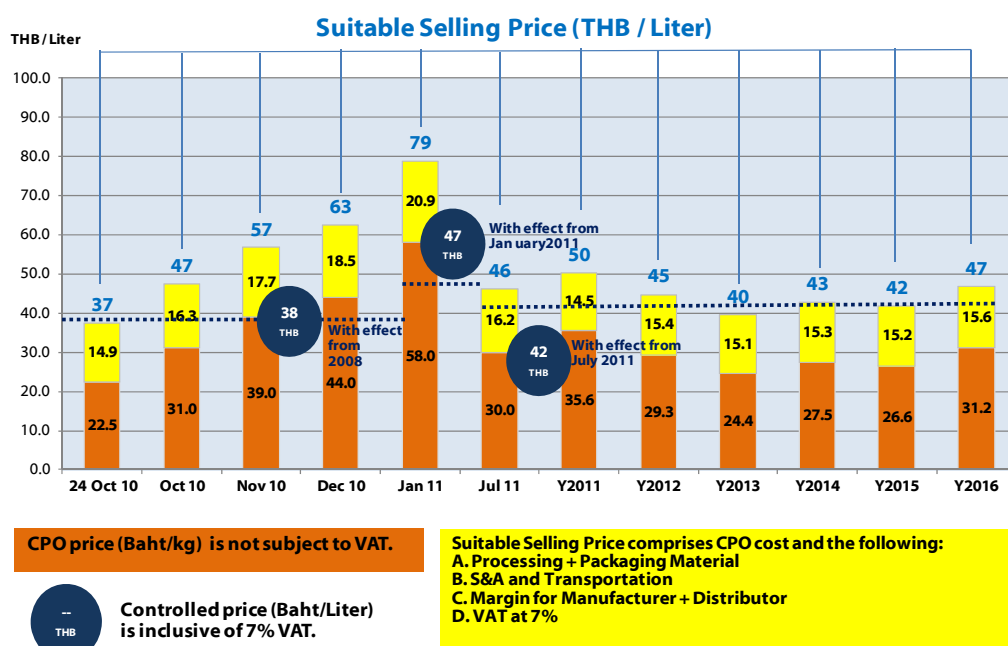


Source : Internal Trade Department

Summary of key events

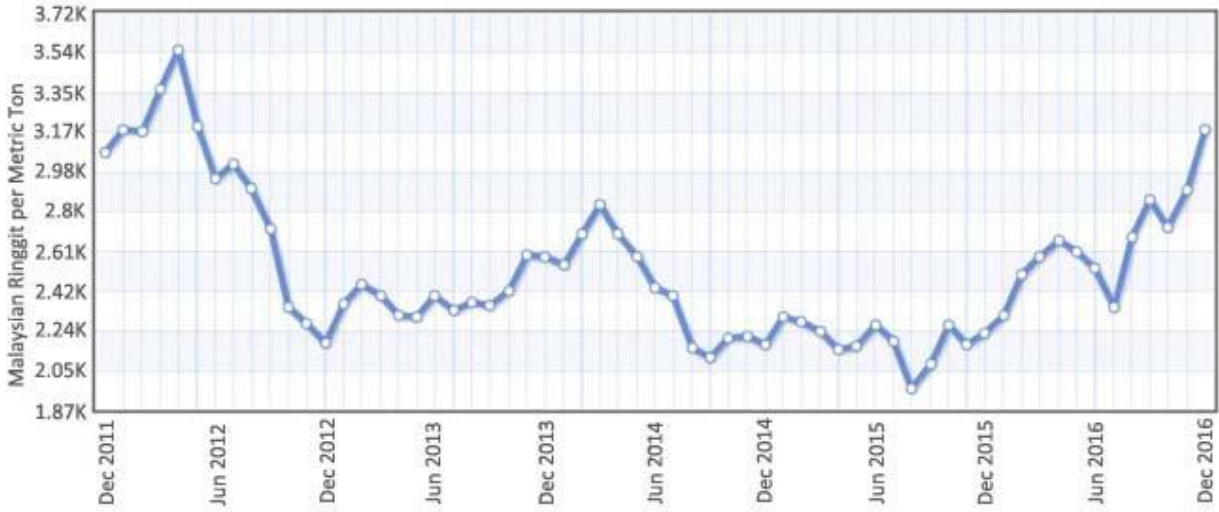
- (1) At present, bottled palm olein is still subject to price control by the Internal Trade Department, especially bottled oil below 5 liters. As such the selling price could not be adjusted freely to align with the high volatility of raw material cost. As explained earlier, in 2016 monthly average CPO price maintained at high level with the annual average price at 31.95 Baht/Kg., the highest average level in 5 years, while the ceiling of retail selling price capped at 42 Baht/liter (VAT included) was not enough to cover such high CPO cost, affecting the operating results of the business.

Figure 6 : Retail Price Structure of 1-Liter Bottled Palm Cooking Oil



- (2) On 4 September 2016, the Sub-Committee of Oil Palm announced the 20-year Roadmap for Thai Oil Palm and Palm Oil Industry Development (2016 – 2036) which would be proposed later to the Thailand Oil Palm Board (TOPB). The Roadmap targets to revolutionise the palm oil industry and enhance the overall efficiency together with emphasising the improvement of farmers’ quality of life. Under the plan, it aims to accomplish the 6 main objectives including production, innovation, standard, energy, marketing, and management. Particularly the production side, by 2036 Thai farmers will be encouraged to increase yield to 3.25 – 3.50 MT. per rai and oil palm plantation area is targeted to expand from 4.81 – 5.23 million rai to be 6.06 – 7.23 million rai. Furthermore, it aims to reduce production cost by improving Oil Extraction Rate (O.E.R.) from 18% to 22% within 2021. For the innovation, the Oleochemical industry will be more developed. For the energy, it encourages the use of palm oil for the production of Bio-diesel mandated B10 within 2026 and B20 within 2036. In addition, all kinds of intervention in oil palm and palm oil markets will be terminated within 2022 including to abandon the price control of bottled palm olein from the current level at 42 Baht/Liter.
- (3) Average CPO price in global market as benchmarked by the Bursa Malaysia Derivatives : 3rd Month price at 2,630 RM/MT was 17.67% higher than in 2015 which was 2,235 RM/MT. The price hit its peak level on 15 December 2016 at 3,182 RM/MT caused by concern over the global output of FFB and CPO dropped more than 10% from previous year due to El Nino’s dry weather in 2015.

Figure 7 : Malaysian Palm oil Monthly Price



Source: <http://www.indexmundi.com>

- (4) The palm oil stock in both Indonesia and Malaysia was extremely low. At the end of 2016, Malaysian palm oil stock dropped to only 1.6 million MT due to low production but continuously high demand from China and India.

Figure 8 : Malaysia Palm Oil Stock

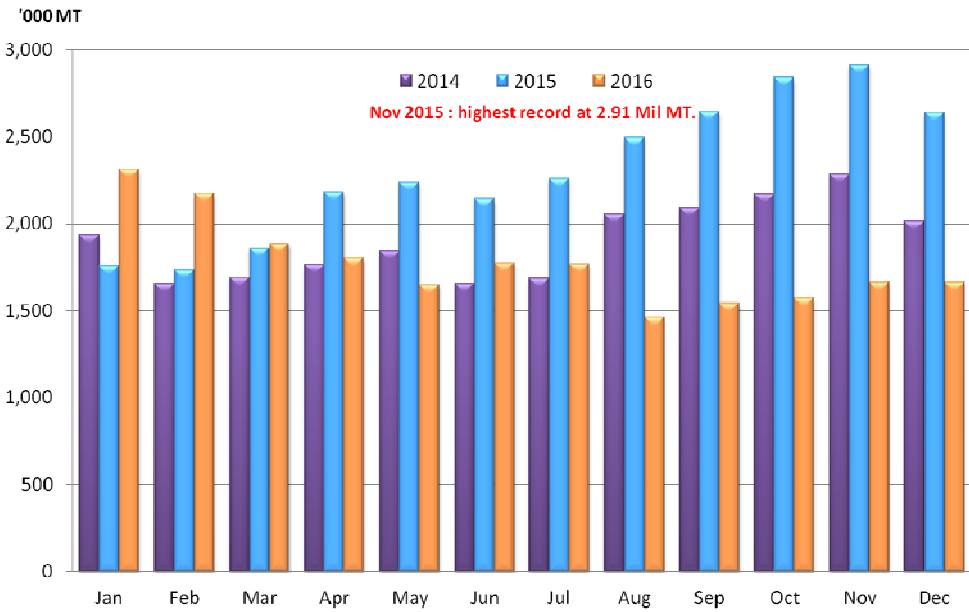
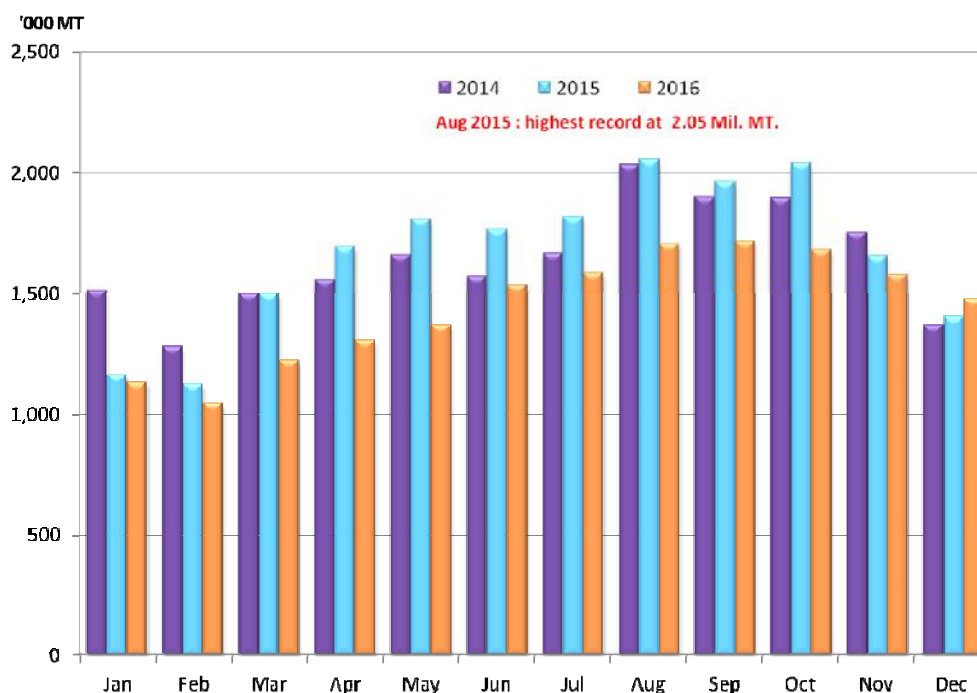


Figure 9 : Malaysia CPO Production



Source: Malaysian Palm Oil Board

Processing capacity

The number of CPO crushing mills has increased from 91 in 2013 to about 136 mills at present, giving rise to a current total milling capacity of over 30 million MT of FFB per year. This is significantly higher than the FFB output recorded in 2016 at about 10 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 2017

The annual planting area in the Kingdom is expanding by an average of about 0.3 million rai. These areas have been converted from other crops land especially from para rubber plantation which affected by the long term low price. Additional areas from encroaching on forests or reserved lands are very restricted due to the State Government policy. This factor should have increased FFB output year on year; however, influences from changing climatic phenomenal in two-year backward would significantly confine overall oil palm yield in current year. Achievement of 13 million MT FFB with CPO production back to approximately 2.2 million MT is expected in 2017, after low FFB output recorded in 2016 adversely affected by El Nino's dry weather.

The United States Department of Agriculture (USDA) forecasted the global output of CPO in 2017 would be at 64.50 million MT, increasing from 58.84 million MT in 2016 or 9.62% because both major producers namely Indonesia and Malaysia expands their plantations to support an increase of market demand together with the weather turning back to normal condition and more rainfall caused by La Nina phenomenon.

In terms of demand, the local edible consumption in 2017 is estimated at 1 million MT, increasing from 987,803 MT in 2016; and the usage from Bio-diesel will be at 1 million MT as well but mainly depending on petroleum price, local CPO price, and CPO stock in nationwide. In case the price of petroleum does not exceed

INDUSTRY OVERVIEW AND COMPETITIVENESS

60 USD/barrel in 2017, it is likely that 6.5% mixture will be implemented for the whole year. If so, the demand for CPO to produce Bio-diesel will be around 800,000 MT.

Overall, it is expected that in 2017 big difference between the local CPO price and the lower global price will remain high at around 5 - 6 Baht/Kg. on average. Assuming petroleum price at 60 USD/barrel maximum, local CPO price might be ranging around 27 - 28 Baht/Kg and FFB price at 4.50 – 5.00 Baht/Kg. Whereas the global CPO price in 2017 is estimated at around 2,500 RM/MT, decreasing from 2016 by 5%.

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 responsibility and client's need by improving quality of the products pursuant to the standard from the quality management systems such as:-

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

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



6. Take care of environment

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

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

7. Contribute to develop the surrounding communities and society

In 2016 the Company jointly developed the surrounding communities and society by contributing the following CSR projects with the total value at 0.9 million Baht (2015 : 1.5 million Baht).

CSR Activities	
<p>Quarter 1</p>  	<p>Support Check Dam Construction</p> <p>On 6 January 2016, UPOIC assigned plantation manager of Khiansa estate to donate 100 fertilizer sacks to Chalerm Prakiat House of priest at Arunkamvari Sub-District, Khian Sa District, Surat Thani. This is to support the project "Build a check dam" for public usage in community. This check dam is also used for "Loi Krathong" Festival that has objectives to develop the religious consciousness and continue traditional inheritance and ceremonies. This contribution will enhance a good relationship between UPOIC staffs and community.</p> <p>Support the National Children Day</p> <p>On 8 January 2016, Mr. Jakkarin Kanthi, Human Resources Supervisor of UPOIC donated funds 5,000 baht to Krabi Radio Station to support National Children's Day Activity that was held on 9 January 2016.</p>



Funded the Police Service Booth at Khok Harn

On 13 January 2016, Mr. Chanutt Saengaroon, Vice president for human resource of UPOIC donated funds 200,000 baht to Police Colonel Somdet Sukkarn, Superintendent of Khao Phanom Police Station to built a police service booth at Khok Harn Sub -District, Khao Phanom District, Krabi, for public usage.



Support the City Shrine Celebration and Red Cross Fair 2016

On 16 March 2016, UPOIC assigned plantation manager of Chai Buri estate to donate electric fan and rice cooker to Chai Buri Red Cross Society Office, Surat Thani. This is to support the Red Cross Shop in trade fair festival of the City Shrine Celebration and Red Cross Fair 2016 that held during 2-11 April 2016. Revenue from this fair will be the funding of Thai Red Cross Society in assisting needy people in normal circumstances as well as during the times of disasters in the future.



Funded "Sport Wear" for Plai Phraya Police Station Football Team

On 28 March 2016, UPOIC donated funds to support sport wear for Plai Phraya Police Station Football Team to join Krabi Football Competition during 22 March – 3 April 2016 at Plai Phraya District, Krabi. This donation objective was to enhance the unity in the community and build a good relationship between local police officers and UPOIC.

Quarter 2



Support "Wat Khao Phra Trekking Festival"

On 6 April 2016, UPOIC assigned plantation manager of Baan Mark estate to arrange company staffs and machineries for road work development at the entrance of Wat Khao Phra to support "Wat Khao Phra Trekking Festival" held on 7 April 2016 at Wat Khao Phra, Bang Sawan Sub-District, Phra Saeng District, Surat Thani. The festival objective is to promote people in the community making merit and watering the statue of Buddha in occasion of Songkran Festival.

Quarter 3



To Support Seeding to the Forest Protection Station Sd.17 Suratthani

On 12 July 2016, UPOIC donated CIRAD seedlings from Banmark nursery, valued 7,800 baht to The Forest Protection SD 17 at Trom,Chaiburi, Suratthani to be planted behind office half of hectare. They will get the income and use it for general expenses. This is for CIRAD reputation and public relations under RSPO.



Contribution of Water Coolers to Police Station

On 27 July 2016, UPOIC donated fund to buy 2 sets of water coolers (hot and cold) (9,380 Baht) to Police Station at Khiasa, Surat Thani, which was moved to the new location. This is to provide service to public when visiting the station and develop good relationships with local government sector under RSPO programme.



Provide a Tent and Plastic Chairs to Shrine Ma Joa Poh, Krabi



On 17 August 2016, UPOIC provided a curve roof tent and 30 plastic backrest chairs to Shrine Ma Joa Poh located at Ban Huai Kham, Huai Yung Sub-district, Nua Khlong District, Krabi for public uses in religious ceremonies e.g. annual vegetarian festival.



Contribution of Traffic Police Waistcoats

On 4 August 2016, UPOIC provided 22 traffic police waistcoats to Muang Krabi Police Station to support traffic service, to strengthen the relationships with local government sector and create more future collaboration.

MANAGEMENT DISCUSSION AND ANALYSIS

	<p>Reconditioned Public Road</p> <p>On 15 September 2016, UPOIC had its tractor driver load stones to fill up and recondition the road surface at the area of Moo 4 and Moo 6 Bang Sawan Sub-district, Pra Sang District, Suratthani, to facilitate and improve safety of transportation for public in community and nearby including students of Banmak School.</p>
<p style="text-align: center;">Quarter 4</p> 	<p>Contributed Budget to Improve Public Service</p> <p>On 7 October 2016, UPOIC contributed budget to Plaipraya Police Station, Ao Luek-Plaipraya Road, Plaipraya District, Krabi to procure equipments and hire labors to recondition and improve public service unit (Guardhouse in front of Plaipraya Police Station). This is to facilitate public nearby and strengthen the relationships with local government sector under RSPO program.</p>

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

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

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

Financial Overview

Financial performance analysis and explanation

1. Review of operations

In 2016, the Company, subsidiary, and joint venture were affected from the change in accounting standard. During the year, the Company adopted TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant prescribe the accounting treatment for living animals or plants ("biological assets") and the harvested produce of such biological assets ("agricultural produce") related to an agricultural activity. The principles are as follows:

1) A biological asset is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.

2) When the biological asset is a bearer plant, accounting treatment in accordance with TAS 16 (revised 2015) *Property, Plant and Equipment* is to be applied. However, product growing on a bearer plant which are biological assets, is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.

3) Agricultural produce is measured at its fair value less costs to sell at the point of harvest.

The change has the effect of increasing the opening balance of retained earnings in the consolidated financial statements by 48 million Baht net of deferred tax effects (separate financial statements : increasing by 31 million Baht net of deferred tax effects). The cumulative effect of the change in accounting policy is presented as a separate item in statement of changes in shareholders' equity.

Furthermore, the change also has the effect of decreasing the Company's profit in consolidated financial statements by 3.5 million Baht net of deferred tax (separate financial statements: increasing by 8.6 million Baht net of deferred tax effects) due to the change in fair value of biological assets and agricultural produce during the year

Estate operations

The overall processed FFB crop in 2016 decreased by 21.6% from 2015. The crop from own estates decreased by 20% and the crop from concession land decreased by 24% due to severe drought caused by the El Nino phenomenon in 2016 and the replanting in the renewal area which was in line with the company's replanting programme set earlier i.e. 1,246 rai in 2015 and 1,410 rai in 2016 while the balance of 1,434 rai being replanted in 2020.

The detail status of subsidiary's concession land are as below:-

- 1) Khiansa estate at 8,588 rai : The concession from the Forest Department expired on 8 July 2014. The subsidiary has been granted for renewal and registered the rental agreement with the Treasury Department on 11 December 2014 for an area 4,294 rai, accounting to 50% of actual utilised area previously registered with the Forest Department 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.
- 2) Chaiburi estate at 13,030 rai : The concession from the Forest Department expired on 1 January 2015. The Company and its subsidiary are requesting the Forest Department to grant a permit to exploit an area of 6,513 rai; this is now under consideration.

However, on 27 April 2015, 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. Therefore the subsidiary could start to harvest FFB from that area of the National Reserved Forest from May 2015 onwards.

As the reasons mentioned above, the cost of own crops increased by 4.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

Mill operations

El Nino phenomenon affected supply of fresh fruit bunch (FFB) in the Kingdom decreasing by 11.6% when compared with the previous year (Source : Internal Trade Department) as well as the number of CPO crushing mills has increased, resulting in the intense competition when buying FFB. FFB purchased from outgrower therefore decreased by 43.3%.

FFB crops from own estates and concession lands also declined by 21.6%. As a consequence, the total volume of FFB processed decreased by 35.6% from 2015. The proportion of FFB from outside source and own estate was 57.1% and 42.9% (2015 : 64.8% and 35.2% respectively).

The cost of own crops increased by 4.4% as well as the cost of purchased crops increased by 20.5%, resulted from market mechanism and demand supply. The average cost of total FFB processed accordingly increased by 12.9% while the average selling price of CPO was higher than 2015 by 21.8%. The Company's gross profit increased by 96 million Baht or 179.1%.

The Company has received promotional privileges from 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:-

Under the BOI Certificate no. 1043(2)/2548, dated 18 January 2005 for CPO and dry palm kernels production with capacity at 15 MT FFB/hour, the Company is exempted from corporate income tax on the operation of an aggregate value not higher than 100% of investment value (excluding land value and working capital) for 8 years starting from the first date of realising income since 7 January 2009, and for electricity produced from biomass power plant at 1.2 Megawatt, the Company is exemption from corporate income tax on the operation for 8 years starting from the first date of realising income since 21 August 2015.

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

Additionally Siam Elite Palm joint venture has 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

Total sales of the group in 2016 decreased by 313.5 million Baht or 24.9% from 2015. The sales volume of CPO and CPKO in 2016 decreasing by 39.2% and 42.7% respectively while the average selling prices of both CPO and CPKO increased by 21.8% and 44.9% respectively.

Cost of Sales and Expenses

- Cost of sales was at 84.2 of sales turnover (2015 : 95.7%) because the average selling price of CPKO increased by 44.9% which was greater than a 29.6% increase in the average cost of sales, resulting in lower cost of sales in proportion with sales turnover.
- Selling expenses decreased by 13.3 million Baht or 44.4% as transportation expenses fell in line with a decrease in sales volume.
- Administrative expenses decreased by 5 million Baht or 17.3% due to public relation expenses decreasing by 5 million Baht.

Consolidated Profits

As explained above, even though sales turnover decreased, cost of sales decreased at a higher rate when compared with sales turnover. The group therefore recorded higher gross profit by 96 million Baht or 179.1%. Furthermore, the selling and administrative expenses also decreased by 18 million Baht. Share of loss from investment in joint venture increased by 16.5 million Baht. The corporate income tax increased by 10 million Baht as per the improvement on the group's performance. As a consequence, the group recorded an increase in net profit of 84 million Baht (2015 : net loss 12 million Baht). Earnings per share (EPS) in 2016 was 0.22 Baht (2015 : Loss per share 0.04 Baht).

Return on Shareholders' Equity

Return on shareholders' equity was up from -1.13% in 2015 to 6.28% in 2016.

Dividend payout ratio

In 2016, UPOIC did not pay the interim dividend for the 2016 financial year. Because of net operating loss in 2015, dividend for the year 2015 was paid out of its retained earnings at the rate of 0.10 Baht per share.

In 2015, UPOIC paid a final dividend at the rate of 0.15 Baht per share for the 2014 financial year. Combining with the 2014 interim dividend at the rate of 0.15 Baht per share, the total dividend paid for 2014 financial year amounted to 0.30 Baht per share, representing a payout ratio of 58.11% of its net profit.

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

Book value (weighted average number of ordinary shares)

As at 31 December 2016 the book value per share of the group was 3.55 Baht (weighted average number of shares at 324.05 million shares), or increased by 8.2% compared to 3.28 Baht in 2015 (weighted average number of shares at 324.05 million shares).

2. Financial position

Assets

The group had total assets of 1,547 million Baht, a decrease of 35million Baht or 2.2% when compared with 2015. Return on assets increased to 4.67% (2015 : -0.76%). The major factors for which are as follows:-

- Trade and other receivables decreased by 125 million Baht because in December 2015, the Company sold CPO to the Electricity Generating Authority of Thailand (EGAT), Krabi, the credit term of which was 30 days after the completion of delivery.
- Inventories increased by 55 million Baht mainly due to the increase in stock and the higher average stock price of CPO and CPKO compared to 2015.
(UPOIC adopted TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant which became effective for fiscal years beginning on or after 1 January 2016. It requires a change in its accounting treatment for biological assets and agricultural produce, which were previously recognised at cost, being recognised at fair value less estimated costs to sell at the point of harvest. The change has the effect of decreasing the beginning balance of inventory by 5 million Baht.)
- Biological assets increased by 61 million Baht due to an increase of the ending balance of palm fruit on tree and nursery for sales which was affected from the change in accounting standard for agriculture.
- Property, plant and equipment decreased by 55 million Baht mainly due to annual depreciation.
- Short-term loan decreased by 60 million Baht due to loan repayment.
- Long-term loan decreased by 75 million Baht due to loan repayment based on the agreement.

3. Source of Fund

The structure of capital

Under the consolidated financial statements, source of fund comprised 1,150 million Baht from shareholders' equity and 397 million Baht from liabilities, in the ratio of 74.3 : 25.7 respectively. Of the said amount of liabilities, loans from financial institutions amounted to 340 million Baht or 85.6% of total liabilities, all of which was the short-term loan. The ratio of debt to equity was 0.35 times at the end of 2016 (2015 : 0.49 times) due to the lower short-term loan.

Shareholders' equity

The group recorded net profit in 2016 at 72 million Baht. During 2016, the Company paid the dividend from its retain earnings amounting to 32.4 million Baht. As adopting TAS 41 re : biological assets, the Company adjusted the opening balance of retained earnings increasing by 48 million Baht. As such, the shareholders' equity of the group increased from 2015 by 87 million Baht.

Liabilities

The group recorded liabilities at 397 million Baht, comprising current liabilities at 387 million Baht and non-current liabilities at 10 million Baht. This was a decrease of 123 million Baht from 2015 or 23.6%, due to net loan decreasing by 135 million Baht and higher operating result in 2016 as explained above.

Financial liquidity (Cash flows)

At the end of 2016, the group recorded cash and cash equivalents at 96 million Baht, increasing by 19 million Baht from 77 million Baht at the end of 2015. The major reasons are as follows:-

- Net cash flows from operating activities of 233 million Baht increasing by 146 million Baht from the same period of 2015. This was because of improvement of operating result as stated above and lower trade and other AR.
- Net cash flows used in investing activities of 46 million Baht decreasing by 169 million Baht when compared with 215 million Baht in 2015 because of lower investment in property, plant and equipment, and long-term loan provided by a subsidiary to other companies.
- Net cash flows used in financial activities in 2016 amounting to 167 million Baht compared to 51 million Baht received in 2015. This was from loan repayment to financial institute amounting 135 million Baht.

Financial ratios

- The current ratio was 0.79 times in 2016, increasing from 0.58 times in 2015 derived from decreasing of short-term loan and current portion of long term loan while current assets increased.
- The quick ratio in 2016 was 0.29 times (2015 : 0.43 times) because of lower trade and other AR.
- The ratio of cash flows from operating activities to current liabilities was 0.25 times in 2016 (2015 : 0.15 times) owing to lower short-term loan and current portion of long term loan. Furthermore, cash flows from operating activities increased.

4. Capital expenditure

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

- In 2016 the Company purchased land adjacent to the existing area at Tub Prik, Krabi, to expand its oil palm plantation area and reduce the operating cost of Tab Prik estate.
- The replanting programme for the concession land started in Khiansa. A subsidiary has been granted a renewal from the Treasury Department to make use on 50% of actual utilised area. The replanting in the renewal area started in 2015 and 2016 and is expected to complete in 2020.
- Capital expenditure in the future shall be for the purchase of land for growing palm and investment in machinery and equipment to replace the old ones, including equipment to reduce labour.

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, the number of crushing mills has been continuously increasing year by year, leading the intense competition in buying FFB, irrespective of quality, resulting in higher cost of sales.

Another crucial factor is the expired concession land. In the past the concession land accounted for 48.5% of the Company's plantation area. Upon the renewal, the Government has a policy to recall the expired concession land by 50% of actual utilised area. As such, the Company has less own plantation area and has to buy more outgrower crop, 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) who issued a letter informing the Company to enter into the land distribution process. Hence, the Company may lose such land accounting to 27.5% of total planted area.

All those mentioned above are important factors which might affect financial performance in the future.

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)	2016	2017
for the Company	930,000	1,030,000
for related company (Siam Elite Palm)	315,000	315,000
for three subsidiaries	140,000	140,000
Total	1,385,000	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)	2016	2017
for the Company	200,000	200,000
for related company (Siam Elite Palm)	100,000	100,000
Total	300,000	300,000

SHAREHOLDERS AND MANAGEMENT

Shareholders

As at 10 May 2016, the top 10 shareholders and their holdings are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Lam Soon (Thailand) Plc.*	69.96
(2) Wattanachote Co., Ltd.	5.70
(3) Mr. Somkiat Peetakanonda	1.68
(4) Mr. Thammanoon Sahadithdamrong	1.17
(5) Thai NVDR Co., Ltd.	1.17
(6) Wattanasophonpanich Co., Ltd.	1.12
(7) Mr. Dusadee Thanissaranont	0.74
(8) GreenSpot Co., Ltd.	0.73
(9) Mr. Chawalit Tsao	0.71
(10) Mrs. Nancy Chalermkanjana	0.63

Source : Thailand Securities Depository Co., Ltd.

* Lam Soon (Thailand) Plc. is a manufacturer and distributor of vegetable oil products, margarine and shortening. As at 10 May 2016, shareholders holding not less than 10% of Lam Soon (Thailand) Plc. are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Lam Soon Holding Co., Ltd.	42.11
(2) Hap Seng Consolidated Berhad	20.00
(3) CIMB-Securities (Singapore) Pte Ltd	11.03

Source : Thailand Securities Depository Co., Ltd.

SHAREHOLDERS AND MANAGEMENT

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) Ms. Jirasuda Sumpaotong	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
(3) Mr. Wasin Patchakapati	Independent Director
(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
(3) Mr. Wasin Patchakapati	Independent Director
(4) Mr. Whang Shang Ying	Director

Remuneration Committee

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

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

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

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

2. The Criteria on recruiting Directors and Management

The Nomination Committee is to recruit the suitable candidates to replace directors whose terms are expired in April 2017 by including the consideration of candidates proposed by shareholders under the rules and criteria regarding director nomination before submitting to the Board for further consideration. The Board shall submit a list of suitable candidates to the shareholders meeting for final approval. The qualification of such persons must conform to SEC regulations, and they must be knowledgeable and possess the relevant experience beneficial to the Company.

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

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

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

In 2016, 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) Vilas Sinawat, Ph.D. <i>(Directorship expired on 26 April 2016)</i> Mr. Wasin Patchakapati <i>(replaced Vilas Sinawat, Ph.D. on 26 April 2016)</i>	2/2 4/4
(4) Mr. Sangiam Santad	5/6
(5) Mr. Whang Shang Ying	5/6
(6) Ms. Piyathida Sukchan	6/6
(7) Ms. Jirasuda Sumpaotong	6/6

4. Names and Position of the Management

Name	Position
(1) Ms. Anchalee Suebchantasiri	Managing Director
(2) Ms. Piyathida Sukchan	Executive Director
(3) Ms. Jirasuda Sumpaotong	Executive Director
(4) Mr. Supathrapong Chanpanich	Factory Manager
(5) Mr. Utane Pratoomrat	Plantation Manager
(6) Ms. Tiamros Jinakun	Accounting Manager
(7) Mr. Chanutt Saengaroon	Human Resources Manager

5. Details of Executive Board and Company Executives

- (1) **Mr. Thira Wipuchanin**
Independent Director, Chairman of the Board, Chairman of Audit Committee, Member of Remuneration Committee and Member of Nomination Committee
- Age : 68 years
Nationality : Thai
% of share holding : None
The number of directorships in listed companies
- Chairman : 3 companies
- Director : 5 companies
Number of years as a director : 22 years (date of appointment : 24 May 1995)
Family relation with management : None
Education : BA Business Administration and Economics, University of Wisconsin, U.S.A.
Director Training Programme : Certificate of Completion DCP 6/2001, ACP 5/2005, DCP Refresher 1/2005 from Thai Institute of Directors (IOD)
- Position in other listed companies :
- Independent Director and Chairman of the Board, Precious Shipping Plc.
 - Independent Director and Member of Audit Committee, Siam Macro Plc.
 - Independent Director and Chairman of Audit Committee, Bangkok First Investment & Trust Plc.
 - Chairman, Interhides Plc.
- Position in companies with relating business (specify only non-executive director) : None
Other Experience :
- Independent Director, Privatisation Committee of TOT, CAT, PTT, AOT
 - Senior Executive Vice President (SEVP), Export-Import Bank of Thailand
- Meeting Attendance in 2016 : 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 2 times out of 2 times

Note : ■ present □ past

SHAREHOLDERS AND MANAGEMENT

- (2) **Ms. Anchalee Suebchantasiri**
 Vice-Chairman of the Board and Managing Director
 Age : 58 years
 Nationality : Thai
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Number of years as a director : 14 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 2016 : 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 : 70 years
 Nationality : Thai
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 1 company
 Number of years as a director : 5 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
- 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 2016 : Attended the Board Meeting 5 times out of 6 times
 Attended the AC Meeting 3 times out of 4 times
 Attended the RC Meeting 1 time out of 2 times
 Attended the NC Meeting 1 time out of 2 times

Note : *present* *past*

SHAREHOLDERS AND MANAGEMENT

- (4) **Mr. Wasin Patchakapati**
 Independent Director, Member of Audit Committee,
 Member of Remuneration Committee and Member of Nomination Committee
 Age : 63 years
 Nationality : Thai
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 0 company
 Number of years as a director : 1 year (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 2016 : Attended the Board Meeting 4 times out of 4 times
 Attended the AC Meeting 3 times out of 3 times
 Attended the RC Meeting 1 time out of 1 time
 Attended the NC Meeting 0 time out of 0 time
- (5) **Mr. Whang Shang Ying**
 Director, Member of Remuneration Committee and Member of Nomination Committee
 Age : 56 years
 Nationality : Singaporean
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Number of years as a director : 18 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 Director, Lam Soon Singapore Pte Ltd.
 Other Experience :
 Member of the Board of Governors, Singapore Polytechnic
 Member of the Advisory Board, Asian Civilisations Museum, Singapore
 Meeting Attendance in 2016 : Attended the Board Meeting 5 times out of 6 times
 Attended the RC Meeting 1 time out of 2 times
 Attended the NC Meeting 1 time out of 2 times
- (6) **Ms. Piyathida Sukchan**
 Executive Director
 Age : 48 years
 Nationality : Thai
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Number of years as a director : 14 years (date of appointment : 18 June 2003)
 Family relation with management : None

Note : *present* *past*

SHAREHOLDERS AND MANAGEMENT

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 2016 : Attended the Board Meeting 6 times out of 6 times

(7) Ms. Jirasuda Sumpaotong

Executive Director

Age : 46 years

Nationality : Thai

% of share holding : None

The number of directorships in listed companies

- Chairman : 0 company

- Director : 1 company

Number of years as a director : 2 years (date of appointment : 24 April 2015)

Family relation with management : None

Education : Bachelor of Accountancy in Cost Accounting, Chulalongkorn University;

Director Training Programme : Certificate of Completion DCP 208/2015 from Thai Institute of Directors (IOD)

Position in other listed companies :

■ Company Secretary, Secretary to the Audit Committee and Finance and Accounting Manager, Lam Soon (Thailand) Plc.

Other Experience :

■ Director, Lam Soon Holding Co., Ltd.

□ Cost Accounting Manager, Kohler (Thailand) Plc.

□ Commercial Finance Analysis Manager / Senior Cost Analysis Manager, American Standard B&K (Thailand) Co., Ltd.

□ Industrial Accounting Manager / Globe IS Manager, Nestle (Thai) Co., Ltd.

Meeting Attendance in 2016 : Attended the Board Meeting 6 times out of 6 times

(8) Mr. Yut Sakdejayont

Company Secretary and Secretary to the Audit Committee

Age : 76 years

% of share holding : 0.07

Family relation with management : None

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

Director Training Programme : None

Other Experience :

■ Attorney at law, Sak Khosangruang Law Office

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

(9) Mr. Supathrapong Chanpanich

Factory Manager

Age : 49 years
% of share holding : None
Family relation with management : None
Education : Bachelor of Mechanical Engineering,
Srinakharinwirot University

Director Training Programme : None

Other Experience :

- Assistant Factory Director, Chumporn Palm Oil Plc.
- Factory Manager, Thai Tallow and Oil Co., Ltd.
- Maintenance Supervisor, Sri Trang Agro – Industry Plc.
- Maintenance Engineer, Dole Thailand Co., Ltd.

(10) Mr. Utane Pratoomrat

Plantation Manager

Age : 58 years
% of share holding : 0.01
Family relation with management : None
Education : Bachelor of Agriculture, Kasetsart University

Director Training Programme : None

Other Experience :

- Advisor PTT Green Energy (Thailand) Ltd.
- Plantation Manager, Phansrivivat Co., Ltd.

(11) Ms. Tiamros Jinakun

Accounting Manager

Age : 58 years
% of share holding : None
Family relation with management : None
Education : Bachelor of Business Administration, Rajabhat University

Director Training Programme : None

Other Experience :

- Chief Accountant, South East Asia Tobacco Co., Ltd.
- Chief Accountant, Phansri Vivat Co., Ltd.

(12) Mr. Chanutt Saengaroon

Human Resources Manager

Age : 55 years
% of share holding : None
Family relation with management : None
Education : Master of Public Administration,
National Institute of Development Administration (NIDA)
Bachelor Degree of Political Science,
Ramkhamhaeng University

Director Training Programme : None

Other Experience :

- Human Resources Manager, Nan Yang Textile Group of Companies
- Human Resources & Administration Manager, Thai Watana Phanich Press Co., Ltd.
- Sr.Human Resources & Administration Manager, Carpet International Plc.
- Human Resources & Administration Manager, Thai President Foods Plc.
- Personnel & Administration Manager, Munkhong Real Estate Plc.

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

6. Directors and Executives holding shares in the Company

Name	No. of shares as of 31 December 2015	Increase (Decrease) in no. of shares during the financial year	No. of shares as of 31 December 2016
(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) Ms. Jirasuda Sumpaotong	-	-	-
(8) Mr. Yut Sakdejyont	229,000	-	229,000
(9) Mr. Supathrapong Chanpanich	-	-	-
(10) Mr. Utane Pratoomrat	23,000	-	23,000
(11) Ms. Tiamros Jinakun	-	-	-
(12) Mr. Chanutt Saengaroon	-	-	-

7. Remuneration of Directors and Management

Monetary Remuneration

(a) Director's fees : Total fees paid to all 8 members of the Board 6,270,000 Baht

Name	Position	Director's fees in 2016	
		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) Vilas Sinswat, Ph.D. <i>(Directorship expired on 26 April 2016)</i>	Independent Director, Member of Audit Committee, Chairman of Remuneration Committee, Chairman of Nomination Committee	202,400	211,200
Mr. Wasin Patchakapati <i>(replaced Vilas Sinswat, Ph.D. on 26 April 2016)</i>	Independent Director, Member of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee	404,800	422,400
(4) Mr. Sangiam Santad	Independent Director, Member of Audit Committee, Chairman of Remuneration Committee, Chairman 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	567,600	

(b) Directors' fees paid to the Company's Directors as Directors of subsidiaries and the joint venture -- None --

(c) Remuneration of all 7 persons of the Management including salary and bonus : 21,070,598 Baht*

* **Note** : Remuneration of the Management includes remuneration paid to Executive Directors, Managing Director, the first 4 Heads of Department ranking immediately below the Managing

SHAREHOLDERS AND MANAGEMENT

Director including every person in the same level of the 4th ranking (as specified in the Notification of The Office of Securities and Exchange Commission).

Other Remuneration

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

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

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

8. Directors and the Management 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) Ms. Jirasuda Sumpaotong	//	///						

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

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

9. Control system of utilising insider information

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

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

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

10. Internal Control Management

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

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

During the Board Meeting No.1/2017 held on 27 February 2017, in the presence of 2 independent directors and audit committee members, the Board reviewed the internal control system of the Company by using the evaluation form initially completed and presented by the management and reviewed by the audit committee. The evaluation of the internal control system of the Company covered 5 areas, namely organisation and environment, risk management, operational control of the management, information system and communication, and monitoring. The Board concluded and provided an opinion that the Company has adequate internal control system for the above mentioned areas.

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

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

Regarding the Company's subsidiaries and the 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	:	46 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
Other Experience	:	<ul style="list-style-type: none"> ■ Audit partner Dr. Virach and Associates Office Co., Ltd. ■ Internal auditor, United Palm Oil Industry Plc., 17 years ■ Internal auditor, Lam Soon (Thailand) Plc., 12 years

Note : ■ *present* □ *past*

Dividend Payout Policy

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

During 2016, UPOIC recorded higher operating results so the Board of Directors resolved to pay dividend for 2016 at the rate of 0.15 Baht per share representing 54.1% 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 retained earnings due to the operating loss in 2015.

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
		2016	2015		
Major Shareholder	Sales of CPO and CPKO	516	750	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.
	Purchase of CPO	-	33	Market price	Being the support among the group which was happened when there is an excess demand from the market.

(b) With Phansrivivat Company Limited and Prachakvivat Company Limited

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2016	2015		
Subsidiary Company	Dividend income	19	22	As declared by subsidiary	Being paid as a return on investment
Phansrivivat	Palm plantation rental expenses	8	8	Contract rate	Being rental expenses for concession land
	Interest expenses	12	13	MLR – 1.5% per annum	Being interest from loan
Subsidiary Company Prachavivat	Palm plantation rental expenses	3	3	Contract rate	Being rental expenses for concession land

COMMON INTERESTED PERSONS AND CONNECTED TRANSACTIONS

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

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2016	2015		
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	17	18	Market price	
	Dividend income	2	6	As declared by joint venture	Being paid as a return on investment.

The balances of the accounts as at 31 December 2016 and 2015 between the Company and those related companies have been declared in Notes to financial statements item no. 7.

Measures or criteria to approve connected transactions

In 2016, 54.57% of the Company's total CPO and CPKO sales were sold to LST (2015 : 59.51%). 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, 2016.

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 2016

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 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of 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 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Emphasis of matter

I draw attention to the following notes to the financial statements:

- a) Note 3 to the financial statements regarding the changes in accounting policies as the result of adoption of the new financial reporting standards.
- b) Note 16 to the financial statements. A permit from Royal Forest Department granted to a subsidiary for the exploitation or inhabitation in the National Reserved Forests expired in January 2015. The subsidiary has used the land of 13,030 rai to grow oil palm. The subsidiary is requesting the government unit to grant a permit to exploit or inhabit in such land, and the request is under consideration of such government unit.

My opinion is not modified in respect of these matters above.

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 parties

As described in Note 7 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 516 million during the current year, accounting for 55% 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 parties 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

Due to the application of TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plants, the Group is required to record biological assets at their fair value less point of harvest cost to sell, as described in Note 3 to the financial statements. As described in Note 11 to the financial statements, the value of the biological assets - palm fruit on trees as of 31 December 2016 was Baht 30 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 an internal agriculturalist 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 Group related to the fair value estimation of the biological assets, including assessment of the methods applied by the Group 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 internal agriculturalist 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.

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



Manee Rattanabunnakit
Certified Public Accountant (Thailand) No. 5313

EY Office Limited
Bangkok: 27 February 2017

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2016

(Unit: Baht)

	Consolidated financial statements			Separate financial statements			
	As at	As at	As at	As at	As at	As at	
	Note	31 December 2016	31 December 2015	1 January 2015	31 December 2016	31 December 2015	1 January 2015
Assets							
Current assets							
Cash and cash equivalents	8	96,042,659	76,897,411	153,415,965	76,362,939	55,019,818	72,076,902
Trade and other receivables	9	14,553,592	139,855,805	22,897,051	14,209,877	139,452,947	22,897,051
Short-term loans and advance to employees		278,063	617,576	679,089	278,063	365,658	679,089
Inventories	10	98,352,702	43,794,424	197,538,468	98,352,702	43,794,424	197,538,468
Biological assets	11	83,546,770	22,279,272	4,946,872	83,546,770	22,279,272	4,946,872
Other current assets		13,992,763	12,315,368	8,130,466	9,291,075	7,430,414	7,933,803
Total current assets		306,766,549	295,759,856	387,607,911	282,041,426	268,342,533	306,072,185
Non-current assets							
Investment in subsidiary	12	-	-	-	307,895,303	307,895,303	307,895,303
Investment in joint venture	13	42,353,381	39,280,826	39,683,607	25,000,000	25,000,000	25,000,000
Long-term loans to other companies	14	60,480,000	61,740,000	-	-	-	-
Property, plant and equipment	15	921,180,534	976,210,580	909,504,734	921,161,407	976,153,860	909,356,470
Cost of forest land rights and cost of palm plantation	16	214,764,861	201,318,847	206,867,932	214,764,861	201,318,847	206,626,276
Intangible assets		761,294	873,137	1,270,121	761,294	873,137	1,270,121
Deferred tax assets	20	-	6,431,374	4,031,988	-	6,431,374	4,031,988
Other non-current assets		1,066,065	896,065	5,309,275	1,066,065	896,065	734,248
Total non-current assets		1,240,606,135	1,286,750,829	1,166,667,657	1,470,648,930	1,518,568,586	1,454,914,406
Total assets		1,547,372,684	1,582,510,685	1,554,275,568	1,752,690,356	1,786,911,119	1,760,986,591

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 2016

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		31 December 2016	31 December 2015	1 January 2015	31 December 2016	31 December 2015	1 January 2015
Liabilities and shareholders' equity							
Current liabilities							
Short-term loans from financial institution	17	340,000,000	400,000,000	200,000,000	340,000,000	400,000,000	200,000,000
Trade and other payables	18	40,006,369	28,537,362	43,267,677	294,136,642	283,279,282	306,070,809
Current portion of long-term loan		-	75,000,000	100,000,000	-	75,000,000	100,000,000
Income tax payable		1,617,585	1,845,762	1,619,191	-	-	-
Other current liabilities		4,677,858	5,379,896	6,536,150	4,677,858	5,379,896	6,536,150
Total current liabilities		386,301,812	510,763,020	351,423,018	638,814,500	763,659,178	612,606,959
Non-current liabilities							
Long-term loan, net of current portion		-	-	75,000,000	-	-	75,000,000
Provision for long-term employee benefits	19	5,517,878	9,186,503	4,742,514	5,517,878	9,186,503	4,742,514
Deferred tax liabilities	20	5,463,169	-	-	5,463,169	-	-
Total non-current liabilities		10,981,047	9,186,503	79,742,514	10,981,047	9,186,503	79,742,514
Total liabilities		397,282,859	519,949,523	431,165,532	649,795,547	772,845,681	692,349,473
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	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	324,050,000	324,050,000
Share premium		321,544,740	321,544,740	321,544,740	321,544,740	321,544,740	321,544,740
Retained earnings							
Appropriated - statutory reserve	21	60,805,000	60,305,000	60,305,000	32,405,000	32,405,000	32,405,000
Unappropriated		443,690,085	356,661,422	417,210,296	424,895,069	336,065,698	390,637,378
Total shareholders' equity		1,150,089,825	1,062,561,162	1,123,110,036	1,102,894,809	1,014,065,438	1,068,637,118
Total liabilities and shareholders' equity		1,547,372,684	1,582,510,685	1,554,275,568	1,752,690,356	1,786,911,119	1,760,986,591
		-	-	-	-	-	-

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 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Revenues					
Sales	23	946,099,953	1,259,606,904	946,099,953	1,259,606,904
Gains arising from change in fair value of biological assets		8,752,300	-	8,752,300	-
Other income					
Dividend income	12, 13	-	-	21,178,599	27,543,398
Others		17,470,389	29,490,004	15,952,847	27,743,087
Total revenues		<u>972,322,642</u>	<u>1,289,096,908</u>	<u>991,983,699</u>	<u>1,314,893,389</u>
Expenses					
Cost of sales		796,311,787	1,205,944,570	802,889,985	1,212,468,963
Selling expenses		16,623,792	29,884,139	16,623,792	29,884,139
Administrative expenses		47,761,748	52,395,174	46,187,980	51,918,371
Total expenses		<u>860,697,327</u>	<u>1,288,223,883</u>	<u>865,701,757</u>	<u>1,294,271,473</u>
Profit before share of profit (loss) from investment in joint venture, finance cost and income tax expenses					
		111,625,315	873,025	126,281,942	20,621,916
Share of profit (loss) from investment in joint venture	13	<u>(11,320,717)</u>	<u>5,222,219</u>	<u>-</u>	<u>-</u>
Profit before finance cost and income tax expenses		<u>100,304,598</u>	<u>6,095,244</u>	<u>126,281,942</u>	<u>20,621,916</u>
Finance cost		<u>(7,587,119)</u>	<u>(10,571,540)</u>	<u>(19,308,984)</u>	<u>(23,204,420)</u>
Profit (loss) before income tax expenses		<u>92,717,479</u>	<u>(4,476,296)</u>	<u>106,972,958</u>	<u>(2,582,504)</u>
Income tax expenses	20	<u>(20,522,419)</u>	<u>(7,480,243)</u>	<u>(17,083,919)</u>	<u>(3,396,841)</u>
Profit (loss) for the year		<u>72,195,060</u>	<u>(11,956,539)</u>	<u>89,889,039</u>	<u>(5,979,345)</u>
Other comprehensive income for the year					
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>72,195,060</u>	<u>(11,956,539)</u>	<u>89,889,039</u>	<u>(5,979,345)</u>
Earnings per share					
	24				
Basic earnings (loss) per share		<u>0.22</u>	<u>-0.04</u>	<u>0.28</u>	<u>-0.02</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 2016

(Unit: Baht)

	Consolidated financial statements				
	Issued and paid-up	Share premium	Retained earnings		Total
	share capital		Appropriated	Unappropriated	shareholders' equity
Balance as at 1 January 2015	324,050,000	321,544,740	60,305,000	417,210,296	1,123,110,036
Total comprehensive income for the year	-	-	-	(11,956,539)	(11,956,539)
Dividend paid (Note 27)	-	-	-	(48,592,335)	(48,592,335)
Balance as at 31 December 2015	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,305,000</u>	<u>356,661,422</u>	<u>1,062,561,162</u>
					-
Balance as at 1 January 2016	324,050,000	321,544,740	60,305,000	356,661,422	1,062,561,162
Cumulative effect of change in accounting policy					
for agriculture (Note 4)	-	-	-	47,738,393	47,738,393
Transfer to legal reserve	-	-	500,000	(500,000)	-
Total comprehensive income for the year	-	-	-	72,195,060	72,195,060
Dividend paid (Note 27)	-	-	-	(32,404,790)	(32,404,790)
Balance as at 31 December 2016	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,805,000</u>	<u>443,690,085</u>	<u>1,150,089,825</u>

(Unit: Baht)

	Separate financial statements				
	Issued and paid-up	Share premium	Retained earnings		Total
	share capital		Appropriated	Unappropriated	shareholders' equity
Balance as at 1 January 2015	324,050,000	321,544,740	32,405,000	390,637,378	1,068,637,118
Total comprehensive income for the year	-	-	-	(5,979,345)	(5,979,345)
Dividend paid (Note 27)	-	-	-	(48,592,335)	(48,592,335)
Balance as at 31 December 2015	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>336,065,698</u>	<u>1,014,065,438</u>
					-
Balance as at 1 January 2016	324,050,000	321,544,740	32,405,000	336,065,698	1,014,065,438
Cumulative effect of change in accounting policy					
for agriculture (Note 4)	-	-	-	31,345,122	31,345,122
Total comprehensive income for the year	-	-	-	89,889,039	89,889,039
Dividend paid (Note 27)	-	-	-	(32,404,790)	(32,404,790)
Balance as at 31 December 2016	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>424,895,069</u>	<u>1,102,894,809</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 2016

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities				
Profit (loss) before tax	92,717,479	(4,476,296)	106,972,958	(2,582,504)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	82,715,219	83,901,023	82,677,626	83,809,479
Share of loss (profit) from investment in joint venture	11,320,717	(5,222,219)	-	-
Gains arising from change in fair value of biological assets	(8,752,300)	-	(8,752,300)	-
Loss on disposal and write off of property, plant and equipment	864,059	87,602	864,059	87,602
Loss on write off of cost of palm plantation	7,094,535	5,515,730	7,094,535	5,274,074
Decrease (reversal) cost of inventories to net realisable value	(139,713)	6,244,749	(139,713)	6,244,749
Long-term employee benefits expenses	1,497,227	5,668,554	1,497,227	5,668,554
Dividend income	-	-	(21,178,599)	(27,543,398)
Interest expenses	7,587,119	10,571,540	19,308,984	23,204,420
Profit from operating activities before changes in operating assets and liabilities	194,904,342	102,290,683	188,344,777	94,162,976
Operating assets (increase) decrease				
Trade and other receivables	125,302,213	(116,958,754)	125,243,070	(116,555,896)
Short-term loans and advance to employees	339,513	61,513	87,595	313,431
Inventories and biological assets	(67,770,223)	137,479,850	(67,770,223)	137,479,850
Other current assets	(1,533,865)	(3,853,754)	(1,860,661)	400,504
Other non-current assets	(170,000)	4,413,211	(170,000)	(161,817)
Operating liabilities increase (decrease)				
Trade and other payables	12,389,066	(13,210,575)	13,381,794	(29,416,884)
Other current liabilities	(702,038)	(1,156,254)	(702,038)	(1,156,254)
Cash paid for long-term employee benefits	(5,165,852)	(1,224,565)	(5,165,852)	(1,224,565)
Cash flows from operating activities	257,593,156	107,841,355	251,388,462	83,841,345
Cash paid for interest expenses	(7,911,733)	(11,162,256)	(21,237,973)	(15,650,039)
Cash paid for corporate income tax	(16,818,001)	(9,984,206)	(13,007,794)	(5,693,341)
Net cash flows from operating activities	<u>232,863,422</u>	<u>86,694,893</u>	<u>217,142,695</u>	<u>62,497,965</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 (continued)

For the year ended 31 December 2016

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash flows from investing activities				
Decrease (increase) in long-term loans to other companies	1,260,000	(61,740,000)	-	-
Proceeds from sales of property, plant and equipment	577,638	3,486,591	577,638	3,486,591
Cash paid for acquisition of property, plant and equipment	(18,852,339)	(142,829,711)	(18,852,339)	(142,829,711)
Increase in cost of palm plantation	(31,039,287)	(19,162,992)	(31,039,287)	(19,162,992)
Increase in intangible assets	(259,395)	-	(259,395)	-
Dividend received	1,999,999	5,625,000	21,178,599	27,543,398
Net cash flows used in investing activities	<u>(46,313,384)</u>	<u>(214,621,112)</u>	<u>(28,394,784)</u>	<u>(130,962,714)</u>
Cash flows from financing activities				
Increase (decrease) in short-term loan from financial institution	(60,000,000)	200,000,000	(60,000,000)	200,000,000
Repayment of long-term loan	(75,000,000)	(100,000,000)	(75,000,000)	(100,000,000)
Dividend paid	(32,404,790)	(48,592,335)	(32,404,790)	(48,592,335)
Net cash flows from (used in) financing activities	<u>(167,404,790)</u>	<u>51,407,665</u>	<u>(167,404,790)</u>	<u>51,407,665</u>
Net increase (decrease) in cash and cash equivalents	19,145,248	(76,518,554)	21,343,121	(17,057,084)
Cash and cash equivalents at beginning of year	76,897,411	153,415,965	55,019,818	72,076,902
Cash and cash equivalents at end of year	<u>96,042,659</u>	<u>76,897,411</u>	<u>76,362,939</u>	<u>55,019,818</u>
	-	-	-	-
Supplemental cash flows information:				
Non-cash transactions				
Purchase of equipment for which no cash has been paid	898,782	1,494,227	898,782	1,494,227

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 2016

1. General information

United Palm Oil Industry Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Lam Soon (Thailand) Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture of crude palm oil and palm kernel oil. The registered office of the Company is at 64, 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 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

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

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

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

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

- A biological asset is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- When the biological asset is a bearer plant, accounting treatment in accordance with TAS 16 (revised 2015) *Property, Plant and Equipment* is to be applied. However, product growing on a bearer plant which are biological assets, is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- Agricultural produce is measured at its fair value less costs to sell at the point of harvest.

Applying this accounting standard requires the Company to record biological assets from palm fruit on tree for the first time, measured at fair value less point of harvest costs. It also requires a change in its accounting treatment for biological assets and agricultural produce, with palm nursery for sale and palm fresh fruit bunch, which were previously recognised at cost, being recognised at fair value less costs to sell. The cumulative effect of the change in accounting policy is presented in Note 4 to the financial statements.

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

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

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

TAS 27 (revised 2016) Separate Financial Statements

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

This standard will not have any significant impact on the Company and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

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

As described in Notes 3, 10, 11 and 13.1 to the financial statements, during the current year, the Company has changed its accounting policy related to agriculture activities and elected to recognise the effect of the change as an adjustment to the opening balance of retained earnings as at 1 January 2016.

The change has the effect of increasing the opening balance of retained earnings in the consolidated financial statements by Baht 48 million net of deferred tax effects (Separate financial statements: increasing by Baht 31 million net of deferred tax effects). The cumulative effect of the change in accounting policy is presented as a separate item in statement of changes in shareholders' equity.

Moreover, the change also has the effect of the Company's profit net of deferred tax due to change in fair value of biological assets and agricultural produce during the year as follow.

	(Unit: Thousand Baht)	
	<u>Consolidated financial statements</u>	<u>Separate financial statements</u>
Profit net of deferred tax	(3,531)	8,643

5. Significant accounting policies

5.1 Revenue recognition

Sales of goods

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

Interest income

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

Dividends

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

5.2 Cash and cash equivalents

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

5.3 Trade accounts receivable

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

5.4 Inventories

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

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

5.5 Investments

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.

5.6 Property, plant and equipment/Depreciation

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

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

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

Depreciation is included in determining income.

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

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

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

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

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

Amortisation is included in determining income.

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

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

5.8 Intangible assets

Intangible assets are carried at cost less 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

5.9 Agriculture

The Company's biological asset 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 fair value less estimated point of harvest costs. The palm fresh fruit brunch is determined based on reference to fair value less estimated point of harvest costs to sell. The fair value of palm nursery for sale is determined based on reference to fair value at point of sale. 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.

5.10 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.

5.11 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.

5.12 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.

5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.17 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.

6. Significant accounting judgments and estimates

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

Property, plant and equipment/Depreciation

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

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

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

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

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

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 fair value less estimated point of harvest costs. The valuation involves certain assumptions and estimates such as prices of palm fruit at the point of harvest, weight of palm fruit on tree and discount rate.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans

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

Contingent liabilities

The Company and its subsidiaries have contingent liabilities as a result of the land exploit right issue. The management has used judgement to assess of the liabilities that may arise and believes that no significant loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

7. Related party transactions

During the years, the Company 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with parent company</u>					
Sales of crude palm oil and crude palm kernel oil	516	750	516	750	Market price on the contract's date
Purchase of crude palm oil	-	33	-	33	Market price
<u>Transactions with subsidiary companies</u> (eliminated from the consolidated financial statements)					
Dividend income	-	-	19	22	As declared by subsidiary
Palm plantation rental expenses	-	-	11	11	Contract rate
Interest expenses	-	-	12	13	MLR - 1.5% per annum
<u>Transactions with joint venture</u>					
Land rental income	1	1	1	1	Agreed between the parties
Dividend income	2	6	2	6	As declared by joint venture
Purchases of oil palm seeds and fresh fruit bunch	17	18	17	18	Market price

As at 31 December 2016 and 2015, 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade and other receivables - related party (Note 9)</u>				
Parent company	13,995	10,329	13,995	10,329
Total trade and other receivables - related party	<u>13,995</u>	<u>10,329</u>	<u>13,995</u>	<u>10,329</u>
<u>Trade and other payables - related party (Note 18)</u>				
Subsidiary	-	-	255,063	255,140
Total trade and other payables - related party	<u>-</u>	<u>-</u>	<u>255,063</u>	<u>255,140</u>
<u>Advance from related party (Note 18)</u>				
Parent company	-	140	-	140
Total advance from related party	<u>-</u>	<u>140</u>	<u>-</u>	<u>140</u>

Directors and management's benefits

During the year ended 31 December 2016 and 2015, the Company had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	<u>2016</u>	<u>2015</u>
Short-term employee benefits	27,341	24,969
Post-employment benefits	699	674
Total	<u>28,040</u>	<u>25,643</u>

8. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash	2,768	2,768	2,762	2,763
Bank deposits	63,280	74,129	43,606	52,257
Investment in Bank of Thailand Bonds	29,995	-	29,995	-
Total	<u>96,043</u>	<u>76,897</u>	<u>76,363</u>	<u>55,020</u>

As at 31 December 2016, bank deposits in saving accounts and investment in Bank of Thailand Bonds carried interests between 0.05 and 1.45 percent per annum (2015: between 0.05 and 0.85 percent per annum).

9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade receivables - related party</u>				
Aged on the basis of due dates				
Not yet due	13,995	10,329	13,995	10,329
Total trade receivables – relate party (Note 7)	13,995	10,329	13,995	10,329
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	92	128,407	92	128,407
Total trade receivables - unrelated parties	92	128,407	92	128,407
Total trade receivables	14,087	138,736	14,087	138,736
<u>Other receivables</u>				
Accrued income	467	1,120	123	717
Other receivables	467	1,120	123	717
Trade and other receivables	14,554	139,856	14,210	139,453

10. Inventories

(Unit: Thousand Baht)

	Consolidated/Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Finished goods	87,780	32,758	(6,014)	(5,648)	81,766	27,110
Work in process	763	1,002	-	-	763	1,002
Spare parts, supplies and others	16,694	17,058	(870)	(1,376)	15,824	15,682
Total	105,237	50,818	(6,884)	(7,024)	98,353	43,794

During the year 2016, the Company reduced cost of inventories by Baht 0.1 million (2015: Baht 6 million) to reflect the net realisable value. This was included in cost of sales.

In the year 2016, the Company has changed its accounting treatment of agricultural produced - palm fresh fruit bunch, from recognition at cost to recognition at fair value less costs to sell. The change has the effect of decreasing the opening balance of inventories and the opening balance of retain earning by Baht 5 million, as described in Note 4 to the financial statements.

11. Biological assets

Movements of the biological assets account for the year ended 31 December 2016 is summarised below.

	(Unit: Thousand Baht)		
	Consolidated/Separate financial statements		
	Nursery for sales	Palm fruit on tree	Total
Balance as at 1 January 2016	22,279	-	22,279
Cumulative effect of change in accounting policy for agriculture (Note 4)	23,471	20,265	43,736
Gains arising from changes in fair value less costs to sell	20,621	316,631	337,252
Increases due to cultivate	4,006	-	4,006
Decreases due to harvest	-	(306,646)	(306,646)
Decreases due to sales	(17,080)	-	(17,080)
Balance as at 31 December 2016	53,297	30,250	83,547

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 10 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 2016 are summarised below:

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	Increased by 10 percent	Decreased by 10 percent
Prices of palm fruit at the point of harvest	5,744	(5,371)
Weight of palm fruit on tree	5,744	(5,371)

12. 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	
	2016	2015	2016	2015	2016	2015	2016	2015
			(%)	(%)				
Phansrivivat Co., Ltd.	Baht 274 million	Baht 274 million	100	100	307,895	307,895	19,178	21,918
Total					307,895	307,895	19,178	21,918

13. Investment in joint venture

13.1 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	Shareholding percentage		Consolidated financial statements		Carrying amounts based on equity method	
		2016	2015	2016	2015	2016	2015
		(%)	(%)				
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	50	50	25,000	25,000	42,353	39,281
Total				25,000	25,000	42,353	39,281

During the year 2016, the joint venture has adopted the revised and new financial reporting standards and accounting treatment guidance, which requires the joint venture to change its accounting treatment for agricultural produce, from recognition at cost to recognition at fair value less costs to sell. The joint venture elected to recognise the effect of the change as an adjustment to the opening balance of retained earnings as at 1 January 2016, and it had the effect of increasing the opening balance of retained earnings by Baht 34 million. As a result, the Company has recognised share of profit from investment in joint venture of Baht 17 million as an adjustment to the opening balance of retained earnings in the consolidated financial statements.

(Unit: Thousand Baht)

Joint venture	Nature of business	Separate financial statements			
		Shareholding percentage		Cost	
		2016 (%)	2015 (%)	2016	2015
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	50	50	25,000	25,000
Total				25,000	25,000

13.2 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		Dividend received	
	2016	2015	2016	2015
Siam Elite Palm Co., Ltd.	(11,321)	5,222	2,000	5,625
Total	(11,321)	5,222	2,000	5,625

13.3 Summarised financial information about material joint venture

Siam Elite Palm Company Limited

Summarised information about financial position

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Current assets	58,373	41,901
Non-current assets	36,828	44,033
Total assets	95,201	85,934
Current liabilities	(7,363)	(4,481)
Non-current liabilities	(3,132)	(2,892)
Total liabilities	(10,495)	(7,373)
Net assets	84,706	78,561
Shareholding percentage (%)	50	50
Share of net assets	42,353	39,281
Elimination entries	-	-
Carrying amounts of joint venture based on equity method	42,353	39,281

Summarised information about comprehensive income

(Unit: Thousand Baht)

	For the year ended 31 December	
	<u>2016</u>	<u>2015</u>
Revenue	46,364	47,137
The differences between fair value and costs of agricultural produce	(24,347)	-
Cost of sales	(24,874)	(18,501)
Selling and administrative expenses	(19,724)	(24,008)
Profit (loss) before income tax expenses	(22,581)	4,628
Income tax expenses	(61)	(560)
Profit (loss) for the year	(22,642)	4,068
Other comprehensive income	-	-
Total comprehensive income	(22,642)	4,068
Shareholding percentage (%)	50	50
Comprehensive income as shareholding percentage	(11,321)	2,034
Elimination entries	-	3,188
Share of comprehensive income from investment in joint venture	(11,321)	5,222

14. Long-term loans to other companies

As at 31 December 2016, a subsidiary has loans to other companies of approximately Baht 60 million (2015: Baht 62 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.

15. Property, plant and equipment

(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
Cost:							
1 January 2015	575,103	258,357	576,333	29,980	167,691	38,487	1,645,951
Additions	71,484	188	2,482	1,136	2,979	63,631	141,900
Disposals / write-off	-	-	(14,086)	(996)	(9,445)	-	(24,527)
Transfer in (out)	-	6,509	48,571	-	6,941	(62,021)	-
31 December 2015	646,587	265,054	613,300	30,120	168,166	40,097	1,763,324
Additions	2,506	120	2,336	427	1,721	11,147	18,257
Disposals / write-off	-	(305)	(7,987)	(1,148)	(1,488)	-	(10,928)
Transfer in (out)	9,914	14,081	7,152	-	706	(31,853)	-
31 December 2016	659,007	278,950	614,801	29,399	169,105	19,391	1,770,653

(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 2015	-	172,472	409,998	26,846	112,492	-	721,808
Depreciation for the year	-	9,406	41,812	1,223	19,179	-	71,620
Depreciation on disposals / write-off	-	-	(10,594)	(988)	(9,371)	-	(20,953)
31 December 2015	-	181,878	441,216	27,081	122,300	-	772,475
Depreciation for the year	-	10,309	43,050	1,193	17,293	-	71,845
Depreciation on disposals / write-off	-	(123)	(6,920)	(1,131)	(1,312)	-	(9,486)
31 December 2016	-	192,064	477,346	27,143	138,281	-	834,834
Allowance for impairment loss:							
31 December 2015	14,638	-	-	-	-	-	14,638
31 December 2016	14,683	-	-	-	-	-	14,638
Net book value:							
31 December 2015	631,949	83,176	172,084	3,039	45,866	40,097	976,211
31 December 2016	644,369	86,886	137,455	2,256	30,824	19,391	921,181
Depreciation for the year							
2015 (Baht 70 million included in manufacturing cost, and the balance in selling and administrative expenses)							71,620
2016 (Baht 70 million included in manufacturing cost, and the balance in selling and administrative expenses)							71,845

(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 2015	575,103	241,905	576,333	29,980	167,691	38,487	1,629,499
Additions	71,484	188	2,482	1,136	2,979	63,631	141,900
Disposals / write-off	-	-	(14,086)	(996)	(9,445)	-	(24,527)
Transfer in (out)	-	6,509	48,571	-	6,941	(62,021)	-
31 December 2015	646,587	248,602	613,300	30,120	168,166	40,097	1,746,872
Additions	2,506	120	2,336	427	1,721	11,147	18,257
Disposals / write-off	-	(305)	(7,987)	(1,148)	(1,488)	-	(10,928)
Transfer in (out)	9,914	14,081	7,152	-	706	(31,853)	-
31 December 2016	659,007	262,498	614,801	29,399	169,105	19,391	1,754,201
Accumulated depreciation:							
1 January 2015	-	156,168	409,998	26,846	112,492	-	705,504
Depreciation for the year	-	9,315	41,812	1,223	19,179	-	71,529
Depreciation on disposals / write-off	-	-	(10,594)	(988)	(9,371)	-	(20,953)
31 December 2015	-	165,483	441,216	27,081	122,300	-	756,080
Depreciation for the year	-	10,272	43,050	1,193	17,293	-	71,808
Depreciation on disposals / write-off	-	(123)	(6,920)	(1,131)	(1,312)	-	(9,486)
31 December 2016	-	175,632	477,346	27,143	138,281	-	818,402

(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 2015	14,638	-	-	-	-	-	14,638
31 December 2016	14,638	-	-	-	-	-	14,638
Net book value:							
31 December 2015	631,949	83,119	172,084	3,039	45,866	40,097	976,154
31 December 2016	644,369	86,866	137,455	2,256	30,824	19,391	921,161
Depreciation for the year							
2015 (Baht 70 million included in manufacturing cost, and the balance in selling and administrative expenses)							71,529
2016 (Baht 70 million included in manufacturing cost, and the balance in selling and administrative expenses)							71,808

As at 31 December 2016, 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 425 million (2015: Baht 416 million) (The Company only: Baht 409 million, 2015: Baht 401 million).

16. Cost of forest land rights and cost of palm plantation

(Unit: Thousand Baht)

	Consolidated financial statements			Total
	Cost of forest land rights	Cost of palm plantation ready for harvest	Cost of palm plantation not ready for harvest	
Cost:				
1 January 2015	42,042	550,972	27,704	620,718
Additions	-	-	19,163	19,163
Write off	(42,042)	(12,162)	-	(54,204)
Transfer in (out)	-	2,567	(9,880)	(7,313)
31 December 2015	-	541,377	36,987	578,364
Additions	-	-	31,039	31,039
Write off	-	(13,233)	-	(13,233)
31 December 2016	-	528,144	68,026	596,170
Accumulated amortisation:				
1 January 2015	41,800	372,050	-	413,850
Amortisation charged for the year	-	11,883	-	11,883
Amortisation on write-off	(41,800)	(6,888)	-	(48,688)
31 December 2015	-	377,045	-	377,045
Amortisation charged for the year	-	10,499	-	10,499
Amortisation on write-off	-	(6,139)	-	(6,139)
31 December 2016	-	381,405	-	381,405
Net book value:				
31 December 2015	-	164,332	36,987	201,319
31 December 2016	-	146,739	68,026	214,765
Amortisation for the year (included in manufacturing cost)				
2015				11,883
2016				10,499

(Unit: Thousand Baht)

	Separate financial statements		
	Cost of palm		Total
	Cost of palm plantation ready for harvest	plantation not ready for harvest	
Cost:			
1 January 2015	258,254	27,704	285,958
Additions	-	19,163	19,163
Write off	(12,162)	-	(12,162)
Transfer in (out)	2,567	(9,880)	(7,313)
31 December 2015	248,659	36,987	285,646
Additions	-	31,039	31,039
Write off	(13,233)	-	(13,233)
31 December 2016	235,426	68,026	303,452
Accumulated amortisation:			
1 January 2015	79,332	-	79,332
Amortisation charged for the year	11,883	-	11,883
Amortisation on write off	(6,888)	-	(6,888)
31 December 2015	84,327	-	84,327
Amortisation charged for the year	10,499	-	10,499
Amortisation on write off	(6,139)	-	(6,139)
31 December 2016	88,687	-	88,687
Net book value:			
31 December 2015	164,332	36,987	201,319
31 December 2016	146,739	68,026	214,765
Amortisation for the year (included in manufacturing cost)			
2015			11,883
2016			10,499

Approximately 12,589 rai of the total area utilised by the Company has land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3) and for the remainder the Company has possessory rights and is currently in the process of acquiring legal documentation of ownership.

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 company has used the land of 13,030 rai to grow oil palm. The subsidiary company is requesting the government unit to grant a permit to exploit or inhabit in such land, and the request is under consideration of such government unit.

However, on 27 April 2015, that subsidiary was granted a permission to gather forest product in the Nation Reserved Forest, and started 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.

17. Short-term loans from financial institution

	Interest rate		(Unit: Thousand Baht)	
	(Percent per annum)		Consolidated/Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term loans from financial institution	1.85 - 1.88	1.95 and 1.98	340,000	400,000
Total			<u>340,000</u>	<u>400,000</u>

18. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Trade payables - unrelated parties	17,750	5,724	17,750	5,724
Payables for purchase of machineries - unrelated parties	899	1,494	899	1,494
Other payables - related party (Note 7)	-	-	255,063	255,140
Other payables - unrelated parties	2,021	2,717	2,021	2,717
Advance received from related party (Note 7)	-	140	-	140
Accrued expenses	19,336	18,462	18,404	18,064
Total trade and other payables	<u>40,006</u>	<u>28,537</u>	<u>294,137</u>	<u>283,279</u>

Other payables - related parties are represented payable of rental charge and related accrued interest which carry an interest at a rate of MLR - 1.5% per annum for past due balance of rental charge payable.

19. Provision for long-term employee benefits

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

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	<u>2016</u>	<u>2015</u>
Defined benefit obligation at beginning of year	9,186	8,901
Current service cost	947	984
Interest cost	550	525
Benefits paid during the year	(5,166)	(1,224)
Defined benefit obligation at end of year	<u>5,517</u>	<u>9,186</u>

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

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	<u>2016</u>	<u>2015</u>
Current service cost	947	984
Interest cost	550	525
Transitional liability recognised during the year	-	4,159
Total expenses recognised in profit or loss	<u>1,497</u>	<u>5,668</u>
Line items in profit or loss under which such expenses are included		
Cost of sales	910	4,779
Selling and administrative expenses	587	889

The Company expects to pay Baht 1 million of long-term employee benefits during the next year (2015: Baht 2 million).

As at 31 December 2016 and 2015, the weighted average duration of the liabilities for long-term employee benefit is 14 - 25 years.

Key actuarial assumptions used for the valuation are as follows:

	Consolidated/Separate financial statements	
	<u>2016</u> (% per annum)	<u>2015</u> (% per annum)
Discount rate	4.3 - 4.8	4.3 - 4.8
Future salary increase rate	5.0	5.0
Employee turnover rate	0.0 - 35.0	0.0 - 35.0

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

	(Unit: Thousand Baht) Consolidated/Separate financial statements	
	Increase 0.5%	Decrease 0.5%
Discount rate	(269)	280
Future salary increase rate	438	(420)
Employee turnover rate	(520)	547

20. Income tax

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

	Consolidated		(Unit: Thousand Baht) Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax:				
Current income tax charge	16,545	4,076	13,008	-
Adjustment in respect of current income tax of previous year	(99)	5,803	-	5,796
Deferred tax:				
Relating to origination and reversal of temporary differences	4,076	(2,399)	4,076	(2,399)
Income tax expense reported in the statement of comprehensive income	<u>20,522</u>	<u>7,480</u>	<u>17,084</u>	<u>3,397</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting profit (loss) before tax	92,718	(4,476)	106,973	(2,583)
Applicable tax rates	0% and 20%	15% and 20%	20%	20%
Accounting profit (loss) before tax multiplied by applicable tax rates	18,432	(990)	21,395	(517)
Adjustment in respect of current income tax of previous year	(99)	5,803	-	5,796
Share of loss (profit) from investment in joint venture	2,264	(1,044)	-	-
Utilisation of tax losses for the current year	(909)	(12,343)	(909)	(12,343)
Tax losses for the year	-	(909)	-	(909)
Effects of:				
Promotional privileges (Note 23)	(688)	13,252	(688)	13,252
Non-deductible expenses	1,601	3,775	1,601	3,691
Additional expense deductions allowed	(79)	(64)	(79)	(64)
Dividend received	-	-	(4,236)	(5,509)
Total		16,963	(3,402)	11,370
Income tax expenses reported in the statement of comprehensive income	20,522	7,480	17,084	3,397

A reconciliation of deferred tax assets (liabilities) is presented below.

	(Unit: Thousand Baht)
	Consolidated/Separate financial statement
As at 1 January 2016	6,431
Deferred tax expenses adjusted to the opening balance of retained earnings (Note 4)	(7,818)
Deferred tax expenses recognised in the statements of comprehensive income during the year	4,076
As at 31 December 2016	(5,463)

The components of deferred tax assets (liabilities) are as follows:

(Unit: Thousand Baht)

	Statements of financial position	
	Consolidated/Separate financial statements	
	<u>2016</u>	<u>2015</u>
Deferred tax assets		
Allowance for diminution in value of inventories	437	757
Allowance for asset impairment	2,928	2,928
Provision for long-term employee benefits	1,104	1,837
Unused tax loss	-	909
Provision for land rental	298	-
Total	4,767	6,431
Deferred tax liabilities		
Change in fair value of biological assets and the differences between fair value and costs of agricultural produce	(10,230)	-
Total	(10,230)	-
Net	(5,463)	6,431

21. Statutory reserve

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

22. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salary and wages and other employee benefits	162,988	178,575	162,988	178,575
Depreciation expenses	71,845	71,620	71,808	71,529
Amortisation expenses	10,870	12,280	10,870	12,280
Transportation expenses	16,178	30,128	16,178	30,128
Rental expenses	4,821	4,444	10,716	11,079
Repair and maintenance expenses	27,758	36,600	27,758	36,600
Raw materials and consumables used	524,295	612,673	524,295	612,673
Changes in inventories of finished goods and work in process	(54,783)	147,427	(54,783)	147,427

23. Promotional privileges

The Company has received promotional privileges from Board of Investment for the manufacture of crude palm oil and dry palm kernels and 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	<ul style="list-style-type: none">- 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 crude palm oil and dry palm kernels products (7 January 2009), with such tax exemption capped at 100 percent of the amount invested excluding in land and working capital.- 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	<ul style="list-style-type: none">- 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 2016 and 2015, 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Sales	118,639	144,879	827,461	1,114,728	946,100	1,259,607

24. 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:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Profit (loss) for the year (Thousand Baht)	72,195	(11,957)	89,889	(5,979)
Weighted average number of ordinary shares (Thousand shares)	324,050	324,050	324,050	324,050
Earnings (loss) per share (Baht)	0.22	(0.04)	0.28	(0.02)

25. 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 year, 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 2016, the Company and its subsidiaries have revenue from two major customers in amount of Baht 516 million and Baht 174 million, respectively (2015: has revenue from two major customers in amount of Baht 750 million and Baht 120 million, respectively), arising from oil palm plantation, crude palm oil and crude palm kernel oil processing.

26. 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 2016 amounting to Baht 2 million (2015: Baht 2 million) were recognised as expenses.

27. Dividends

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividends per share</u>
		(Million Baht)	(Baht)
Final dividends for 2014	Annual General Meeting of the shareholders on 24 April 2015	49	0.15
Total for 2015		<u>49</u>	<u>0.15</u>
Final dividends for 2015	Annual General Meeting of the shareholders on 26 April 2016	32	0.10
Total for 2016		<u>32</u>	<u>0.10</u>

28. Commitments and contingent liabilities

28.1 Capital commitments

As at 31 December 2016, the Company had capital commitments of Baht 4 million (2015: Baht 5 million), relating to the acquisition of machine, equipment, vehicles and construction of building.

28.2 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.

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
In up to 1 year	2	2	4	4
In over 1 and up to 5 years	9	9	16	16
In over 5 years	17	19	29	33

28.3 Guarantees

As at 31 December 2016, there were outstanding bank guarantees of Baht 4 million (2015: Baht 18 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.

28.4 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 2016 totally Baht 10 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 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 cost of this land and the net book value of the palm plantation development on such land amounted to approximately Baht 0.2 million. The Company had set aside full allowance for impairment loss on the cost of these assets in 2009.

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

29. Fair value hierarchy

As of 31 December 2016, 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			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Biological assets	-	53,297	30,250	83,547

During the current year, there were no transfers within the fair value hierarchy.

30. Financial instruments

30.1 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
(% per annum)												
<u>Financial Assets</u>												
Cash and cash equivalents	30	-	-	-	63	74	3	3	96	77	0.05 - 1.45	0.05 - 0.85
Trade and other receivables	-	-	-	-	-	-	14	140	14	140	-	-
Short-term loans and advance to employees	-	-	-	-	-	-	-	1	-	1	-	-
Long-term loans to other companies	-	-	-	-	61	62	-	-	61	62	THBFIX + 1	THBFIX + 1
	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124</u>	<u>136</u>	<u>17</u>	<u>144</u>	<u>171</u>	<u>280</u>		
<u>Financial liabilities</u>												
Short-term loans from financial institution	340	400	-	-	-	-	-	-	340	400	1.85 - 1.88	1.95 and 1.98
Trade and other payables	-	-	-	-	-	-	40	29	40	29	-	-
Long-term loan	-	-	-	-	-	75	-	-	-	75	-	BIBOR + 1
	<u>340</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>40</u>	<u>29</u>	<u>380</u>	<u>504</u>		

(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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
												(% per annum)
<u>Financial Assets</u>												
Cash and cash equivalents	30	-	-	-	43	52	3	3	76	55	0.05 - 1.45	0.05 - 0.85
Trade and other receivables	-	-	-	-	-	-	14	139	14	139	-	-
	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>52</u>	<u>17</u>	<u>142</u>	<u>90</u>	<u>194</u>		
<u>Financial liabilities</u>												
Short-term loans from financial institution	340	400	-	-	-	-	-	-	340	400	1.85 - 1.88	1.95 and 1.98
Trade and other payables	-	-	-	-	255	255	39	28	294	283	MLR - 1.5	MLR - 1.5
Long-term loan	-	-	-	-	-	75	-	-	-	75	-	BIBOR + 1
	<u>340</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>255</u>	<u>330</u>	<u>39</u>	<u>28</u>	<u>634</u>	<u>758</u>		

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.

30.2 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.

31. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 0.35:1 (2015: 0.49:1) and the Company's was 0.59:1 (2015: 0.76:1).

32. Subsequent events

On 27 February 2017, a meeting of the Company's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.15 per share in respect of earnings for the year 2016, or a total of Baht 49 million, for approval by the Annual General Meeting of the Company's shareholders.

33. Reclassification

The reclassifications from the adoption of new standard and accounting treatment guidance, as described in Note 3 to the financial statements, are as follows:

	(Unit: Thousand Baht)	
	<u>As reclassified</u>	<u>As previously reported</u>
Biological assets	22,279	-
Cost of forest land rights and cost of palm plantation	201,319	223,598

The reclassifications had no effect to previously reported net profit and loss or shareholders' equity.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2017.