



United Palm Oil Industry Public Company Limited

ANNUAL REPORT 2017

รายงานประจำปี 2560



**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)

	2015	2016	2017
Total Assets	1,583	1,547	1,520
Total Liabilities	520	397	451
Shareholders' Equity	1,063	1,150	1,069
Sales	1,260	946	763
Total Revenues	1,289	972	781
Gross Profit	53	150	54
Net Profit (Loss)	(12)	72	(18)

FINANCIAL RATIOS

(Unit : %)

	2015	2016	2017
Net Profit (Loss) Margin	(0.93)	7.41	(2.30)
Return (Loss) on Equity	(1.13)	6.26	(1.68)
Return (Loss) on Total Assets	(0.76)	4.65	(1.18)

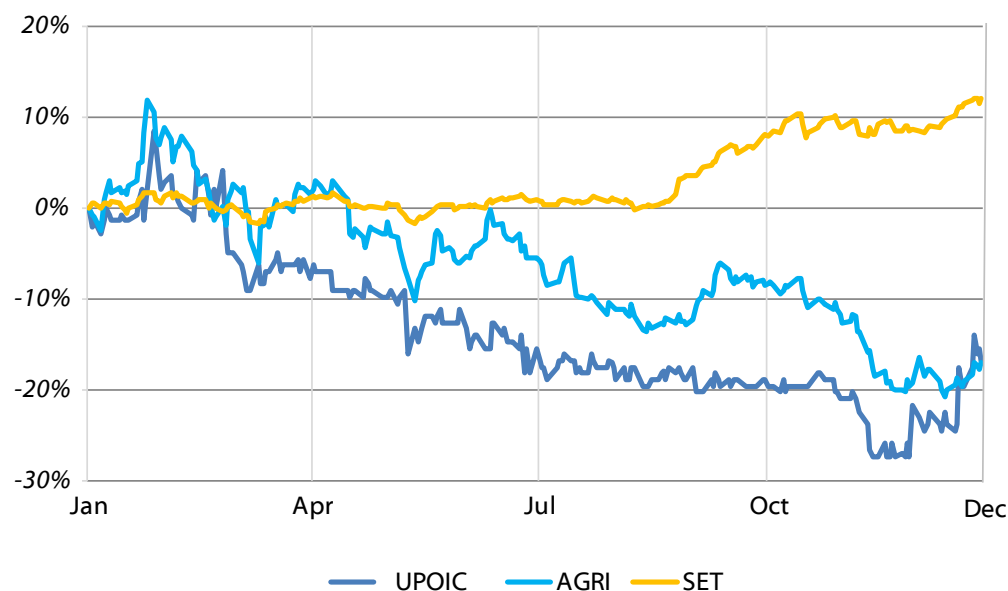
PER SHARE DATA

(Unit : Baht)

	2015	2016	2017
Earnings (Loss) per Share	(0.04)	0.22	(0.06)
Dividend Paid per Share	0.15	0.10	0.15
Dividend per Share (operational year)	0.10	0.15	0.10 ⁽¹⁾
Book Value per Share	3.28	3.55	3.30

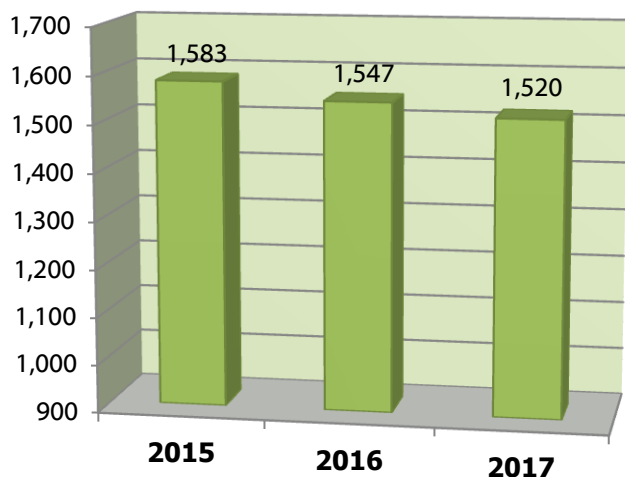
Note : ⁽¹⁾ According to the resolution of BOD meeting on 22 February 2018, to be proposed to AGM no. 41

2017 STOCK PRICE PERFORMANCE

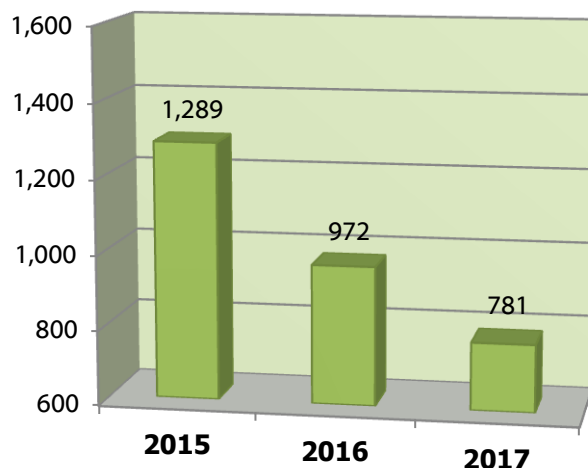


FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

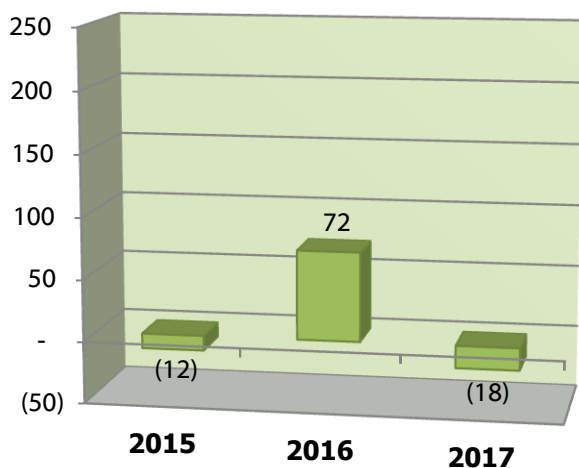
TOTAL ASSETS
(Million Baht)



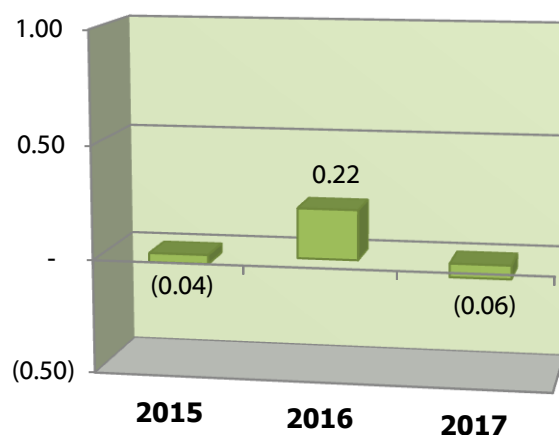
TOTAL REVENUES
(Million Baht)



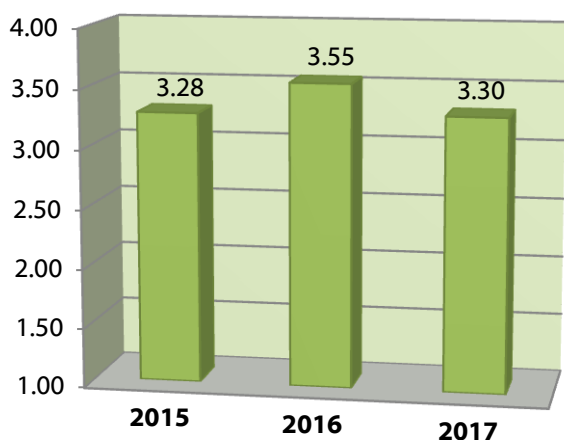
NET PROFIT
(Million Baht)



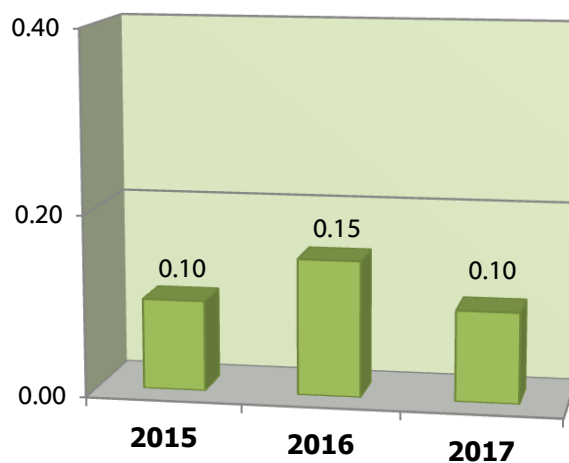
EARNINGS PER SHARE
(Baht)



BOOK VALUE PER SHARE
(Baht)



DIVIDEND PER SHARE
(Baht)



2017 Overview



In 2017 the global supply of FFB and CPO increased around 7% after severe drought caused by the El Nino phenomenon came to an end in 2016 and the weather condition pattern reverted to the norm. This in turn resulted in a significant decrease of CPO price worldwide from 2016.

The output of FFB in the Kingdom was around 15 million MT, increasing by 42% when compared with 10.5 million MT in 2016. Total CPO production in the Kingdom in 2017 was the highest recorded at 2.6 million MT increasing by 44% (2016 : 1.8 million MT). The CPO stock nationwide was maintained at a high level throughout the year. The market price of CPO decreased continuously from 32 Baht/Kg at the beginning of 2017 to 18-19 Baht/Kg at the year-end bringing it close to global market price. During the second half of 2017, therefore, palm oil crushing mills in Thailand started to export CPO to overseas markets.

Apart from increasing the mandate for biodiesel from B5 to B7 in May 2017 to absorb CPO about 25,000 MT/month, the Department of Energy Business coordinated with fuel traders under Section 7 for increasing biodiesel (B100) reserves. The government also requested palm oil refineries to purchase CPO in normal quantity at higher prices of not less than 22 Baht/Kg. However, such measures did not significantly improve the situation as CPO stock volume at the year-end accumulated to the highest record at 532,651 MT and 485,379 MT in November and December respectively, double the optimum stock level in Thailand. The annual average prices of FFB and CPO fell to 4.62 and 24.88 Baht/Kg respectively (2016 : 5.84 and 31.95 Baht/Kg). Such average levels were the lowest in 8 years (please refer to "**Industry Overview and Competitiveness**" for details).

Because of the average selling prices of both CPO and CPKO decreased while higher proportion of FFB purchased from outside resulted from the expired concession land, your Company's performance was negatively affected. However, to enhance the operating performance, your Company has established the Corporate Strategic Direction and explore to expand the plantation area as well as to study an alternative crop apart from oil palm.

Company's Performance

Overall your Company's performance was lower than previous year with a net loss at 18.3 million Baht (2016 : net profit at 72.2 million Baht). The average selling prices of both CPO and CPKO decreased by 22.6% and 10.8% respectively. At the same time, the sales volume of CPO increased only 4.8% while the sale volume of CPKO decreased by 23.2%. The Company therefore recorded total sales at 763.2 million Baht (2016 : 946.1 million Baht) decreased by 19.3%.

Your Company has implemented the replanting plan for the old palm trees within the renewal concession area. Nevertheless, the volume of crops was approximately the same as the previous year, resulting from the regular distribution of rainfall throughout 2016 and 2017 after the end of drought.

The total volume of FFB processed increased by 10.1% from 2016.

- (i) The crop from own estates decreased by 2.5%
- (ii) The crop from concession land increased by 4.7%
- (iii) The purchased crop increased by 17.5%

The proportion of FFB from outside source and own estate was 61.0% and 39.0% (2016 : 57.1% and 42.9% respectively).

The cost of our own crop and purchased crop decreased by 21.4% and 19.6% respectively because of demand and supply mechanism. The average cost of FFB processed hence dropped 19.3%.

Investment

Your Company did not invest in any major capital projects in 2017, but rather put more focus on productivity, harvesting, and maintenance programme.



However, the replanting in the renewal concession area was started in 2015 and 2016. The replanted area of 1,246 rai started in 2015 is expected to generate the FFB output in 2018.

The replanting of another 1,434 rai is planned for 2020. Therefore, FFB output in such area will drop during the relevant period but it will create production efficiency in the long term.

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

Your Company views human resource management as a major part to achieve its vision and missions by strictly committing to the concrete strategic plan. We support and establish positive work environment to enhance the efficient contributions by adhering to the high standards of human resources management. The health care, workplace, safety, welfare, and labor relations are provided to create harmony in the organisation, 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 focuses on creating high-level workforce by building "trainers" as a foundation of team development. It is a direction to sustainably create potential leaders for business, which will strengthen the operation in long term, as well as building trust and continuing to be the best place to work.

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



Mr. Thira Wipuchanin
The Chairman



Ms. Anchalee Suebchantasiri
Vice-Chairman and Managing Director

REPORT OF THE AUDIT COMMITTEE

The Audit Committee comprised three independent directors as follows:-

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

In 2017, the Audit Committee has fulfilled and executed its duties and responsibilities in compliance with the Stock Exchange of Thailand's regulations and other activities assigned by the Board. The Committee held four meetings within the year, with substantive agenda as follows:

1. Approval of quarterly financial statements and review of annual financial statements including the disclosures of information in Notes to Financial Statements, submitted to the Board of Directors. The financial statements were in accordance with generally accepted accounting principles. The disclosures of information in Notes to Financial Statements were found to be adequate and accurate;
2. Examination of the reports and recommendations of internal audit regarding the internal control and risk management as set out in the annual audit plan, with proposals to the management to take necessary actions. In 2017, the Company was found to have exercised an appropriate and effective internal control and risk management system, with transparent governance and no material management failures;
3. Consultative meetings with the management, external and internal auditors in order to make suggestions and practical guidelines for management. The management has subsequently adopted these suggestions to improve the Company's working efficiency; In addition, in 2017 the AC had one meeting with the external auditors without the management attending. The information disclosed by the management to the auditors was found to be adequate without any deficiencies;
4. Consultative meetings with the management and external auditors regarding the implementation of new Thai Accounting Standard and the readiness of the Company;
5. 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;
6. Consideration and review of the Charter of the Audit Committee/Nomination Committee/Remuneration Committee, and proposed the Board to approve;
7. Consideration of Corporate Governance Principle of the Company, in accordance with the SEC's Corporate Governance Code for Listed Companies 2017 and proposed the Board to approve;
8. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
9. Proposal to the Board of Directors for approval at the 2018 Annual General Meeting of Shareholders, the appointment of EY Office Limited to be the statutory auditor of the Company for 2018 including appropriate remuneration;
10. Consideration of "Board Self-Assessment" Form, a part of the Corporate Government Self-Assessment, as an instrument to internally practice for good corporate governance principles.

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



Mr. Thira Wipuchanin
Chairman of the Audit Committee
22 February 2018

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 2017 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, 2017.

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 Soi Bangna-Trad 25, Khwaeng Bangna Nuea,
Khet Bangna, Bangkok 10260

By email: acthira@hotmail.co.th

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

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.

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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:

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Transactions *mutatis mutandis*. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences;

(e) neither being nor having been an auditor of any Relevant Entity, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of any Relevant Entity unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;

(f) neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding 2 million Baht from any Relevant Entity, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;

(g) not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder;

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

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

In this paragraph 5.1.6 a "Relevant Entity" means the Company, its parent company, subsidiary, affiliate, 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.

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

- (6.1) Comments on the Company's financial reporting process and the disclosure of its financial information, which must be correct, sufficient, and credible.
- (6.2) Comments on the adequacy of the Company's internal control systems.
- (6.3) Comments on compliance with the Securities and Exchange Acts, Regulations of the SET, and any other relevant laws.
- (6.4) 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 2017 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	2017-2018	4/4
(2) Mr. Sangiam Santad	Independent Director	2017-2018	3/4
(3) Mr. Wasin Patchakapati	Independent Director	2017-2018	4/4

5.2.2 Remuneration Committee

The Remuneration Committee shall comprise a majority of independent directors 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 2017, the Remuneration Committee held 2 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Mr. Sangiam Santad	Chairman of the Remuneration Committee	2017-2018	1/2
(2) Mr. Thira Wipuchanin	Independent Director	2017-2018	2/2
(3) Mr. Wasin Patchakapati	Independent Director	2017-2018	2/2
(4) Mr. Whang Shang Ying	Director	2017-2018	2/2

5.2.3 Nomination Committee

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

Duties and Responsibilities of the Nomination Committee

- 1. To specify the qualifications of candidates according to the structure, size and composition of the Board as set by the Board of Directors.
- 2. Selecting qualified candidates for appointment as directors and recommend to the Board.

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3. Selecting qualified candidates for executive positions especially, the managing director.

In 2017, the Nomination Committee held 1 meeting, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meeting
(1) Mr. Sangiam Santad	Chairman of the Nomination Committee	2017-2018	0/1
(2) Mr. Thira Wipuchanin	Independent Director	2017-2018	1/1
(3) Mr. Wasin Patchakapati	Independent Director	2017-2018	1/1
(4) Mr. Whang Shang Ying	Director	2017-2018	1/1

5.2.4 Risk Management Committee

The Board of Directors, on 27 February 2017, approved to formalise the Risk Management Committee with the below duties and responsibilities and following 2 members.

Name	Position	Service Period
(1) Ms. Piyathida Sukchan	Executive Director	2017-2018
(2) Ms. Jirasuda Sumpaotong	Executive Director	2017-2018

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

Duties and Responsibilities of the Risk Management Committee

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

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12. To review the management reports detailing the adequacy and overall effectiveness of risk management, its implementation by management, reports on internal control and any recommendations and confirm that appropriate action has been taken;
13. To address key risk areas and key performance indicators (KPI) of the Company, and monitor these factors as part of a regular review of processes and procedures to ensure the effectiveness of its internal systems of control;
14. To assist the Board in its responsibility for disclosure in relation to risk management in the annual report, and acknowledgement that it is accountable for the risk management function.

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 2017, 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	2017-2018	6/6	-	6/6
(2) Mr. Sangiam Santad	2017-2018	4/6	-	4/6
(3) Mr. Wasin Patchakapati	2017-2018	6/6	-	6/6
(4) Mr. Whang Shang Ying	2017-2018	4/6	-	4/6
(5) Ms. Anchalee Suebchantasiri	2017-2018	6/6	-	6/6
(6) Ms. Piyathida Sukchan	2017-2018	6/6	-	6/6
(7) Ms. Jirasuda Sumpaotong	2017-2018	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 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 2017, 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.

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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	2016	2017
Directors fees	7	4,369,200	4,369,200
Audit Committee fees	3	1,900,800	1,900,800
Remuneration Committee fees	4	-	-
Nomination Committee fees	4	-	-

Besides monetary remuneration, overseas directors attending the meeting shall be reimbursed for air-tickets, 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 2017, 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	2016		2017	
	Remuneration (Baht)	No. of Persons	Remuneration (Baht)	No. of Persons
Executives	21,070,598	7	18,859,595	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

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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.

➤ 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.
- 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

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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 Board of Directors realised the importance of the Risk Management. Therefore, in 2017, the Board approved to formalise the Risk Management Committee comprising senior managements. Duties and Responsibilities of the Risk Management Committee were presented in item 5.2.4. The Management 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 to the Board of Directors.

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. Ms. Piyathida Sukchan, Executive Director to act and make decision in other matters of the Company, its subsidiaries, and the joint venture.

Company Profile

Name of Company	:	United Palm Oil Industry Public Company Limited
No. of Registration	:	0107536000404 (formerly Bor Mor Jor 114)
Website	:	www.upoic.co.th
Nature of Business	:	A plantation company that produces crude palm oil (CPO) and crude palm kernel oil (CPKO)
Registered Share Capital	:	324,050,000 Baht
Outstanding common shares	:	324,050,000 shares
Par value	:	1 Baht
Corporate Headquarters	:	64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260 Tel 02-744 1046-8 Fax 02-361 8989
Krabi Office and Crushing Mill	:	98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5 Huayyoong Sub-District, Nuaklong District, Krabi 81130 Tel 075-666 075 Fax 075-666 072
Oil Palm plantation	:	Oil palm planted area of 31,328.86 rai (5,012.62 ha) excluding building sites, swamp reserves and nursery area

Details of Estates

1. Krabi Noi Estate 4,434.77 rai (709.56 ha)
78 Moo 4, Krabi Noi Sub-District, Muang District, Krabi
2. Khao Phanom Estate 4,351.78 rai (696.28 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 21,031.56 rai (3,365.04 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 6,207.00 rai (993.12 ha) -- subsidiary's concession land*
16 Moo 5, Chaiburi Sub-District, Chaiburi District, Surat Thani

Sub-total Subsidiaries Planted area 10,297.31 rai (1,647.57 ha)

Total Planted Area 31,328.86 rai (5,012.62 ha)

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

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	:	27,400 shares (par value of 10,000 Baht per share)
	Shareholding (common shares)	:	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	:	Chaiburi Sub-District, Chaiburi District, Surat Thani
	Concession Area	:	20,000 rai
	Concession Period	:	from 2 January 1985 to 1 January 2015
	Registered Share Capital	:	500 shares (par value of 10,000 Baht per share)
	<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	:	Khiansa and Kamvaree Sub-District, Khiansa District, Surat Thani
	Concession Area	:	4,294 rai
	Concession Period	:	from 9 July 2014 to 8 July 2029
	Registered Share Capital	:	5,000 shares (par value of 1,000 Baht per share)
2	Name of Company	:	Siam Elite Palm Company Limited
	Corporate Headquarters	:	64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260 Tel 02-744 1046-8 Fax 02-361 8989
	Krabi Office	:	98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5 Huayyoong Sub-District, Nuaklong District, Krabi 81130 Tel 075-666 075 Fax 075-666 072
	Nature of Business	:	Oil palm seed propagation
	Registered Share Capital	:	5,000,000 shares (par value of 10 Baht per share)
	Shareholding (common shares)	:	2,500,000 shares or 50.00%

Other references

1. Registrar

Name : Thailand Securities Depository Co., Ltd.
Address : 93 The Stock Exchange of Thailand Building,
Ratchadapisek Road, 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 : 3
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 31,328.86 rai (5,012.62 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	2015		2016		2017	
	Mil. Bht.	%	Mil. Bht.	%	Mil. Bht.	%
CPO	1,041	82.62	771	81.50	625	85.27
CPKO	164	13.01	136	14.38	93	12.69
Others	55	4.37	39	4.12	45	2.04
Total Sales	1,260	100.00	946	100.00	763	100.00

Note : All sales are carried out by UPOIC itself.

News Highlights of previous year

1. Code of Business Conduct : First revision (R01)

On 11 May 2017, the Board of Directors approved the current Code of Business Conduct (first revision : R01) which was clearly divided into categories, and its content was improved to cover relevant comprehensive regulations and policy with wider range of practical guidelines for stakeholders. This version also included the policy of Anti-Corruption to accommodate the current business implementation.

2. The Charters : Audit Committee, Nomination Committee, and Remuneration Committee

On 10 August 2017, the Board of Directors approved the Charter of the Audit Committee, Nomination Committee, and Remuneration Committee after being updated by the Management and reviewed by the Audit Committee by comparing with the current best practices recommended by the IOD and SET/SEC.

3. CG Code 2017 : The Corporate Governance Principles of the Company in accordance with the CG Code for listed companies 2017 by SEC

On 10 August 2017, the Board of Directors approved the Corporate Governance Principles of the Company in accordance with the CG Code for listed companies 2017 by SEC. The Board of Directors considered the application of the CG CODE Principles as deemed appropriate to apply the Principles by means that are suitable for the Company's business. The Company shall disclose the information in Annual Report and Annual Registration Statement (Form 56-1) which are required to be submitted in 2019 onwards.

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. The lease is valid from 9 July 2014 to 8 July 2029. 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.

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.

(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 (13,030 rai) as well, amounting 6,515 rai, 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.

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.

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

It was announced that two plots of land owned by the Company overlapped with the land of Agricultural Land Reform Office (ALRO) after having been planted with palms for 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 19.4% of total planted area (including concession 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 60.3 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. In some periods, there is a shortage while in other years there is an oversupply. The monthly average price of CPO in 2017 ranged between 19.12 – 31.97 Baht/Kg (2016 : 29.02 – 37.49 Baht/Kg). The average price in 2017 was 24.88 Baht/Kg, decreasing by 22.13% from 2016, compared with the average price in global market at 22.17 Baht/Kg. The high volatility of local price during the year is exacerbated by inadequate inventory management. Besides, the peak season of palm crop delivers abundant output leading to accumulated CPO stock balance which normally push the prices of FFB and CPO down sharply. Such circumstance may lead growers to protest and price intervention is likely to be introduced by the Government.

RISK FACTORS

In 2017 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). Furthermore, the Central Committee on Price of Goods and Services also issued Notification in the Royal Gazette No. 50 B.E. 2560 (2017) regarding Stipulation of Rules, Conditions of Purchase, and Display of Purchase Price of Oil Palm Fruit in accordance with the Oil Extraction Rate dated 28 August 2017 which made a confusion and problems in practice about determination of price adjustment in accordance with the Oil Extraction Rate.

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 139 CPO crushing mills (only 120 mills still on operation), 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 2017 at 15 million MT from 4.9 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 2016 and 2017, the Company sold 55% and 40% respectively of its products including CPO and CPKO to one major customer, namely Lam Soon (Thailand) Plc. (LST). While this constitutes a risk of over reliance on a single major customer, the Company has had continued good relations with LST, who is moreover also the Company's major shareholder. LST is a separate public listed company with strong financial background and has enjoyed a good reputation in the palm oil industry. For these reasons, the Company considers that the risk of losing LST as its customer or that it will encounter financial difficulty is remote. In any case, the Company can sell its products to other customers, whether for use as edible oil or as a source of alternative energy.

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

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

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

Figure 1 : Highlights by Quarter

2017	Production ('000 MT)		Price (Baht/Kg)		Highlights
	FFB	CPO	FFB (OER 18%)	CPO	
Q1	2,501 (2,318)	431 (392)	5.80 (5.38)	30.78 (29.58)	Despite FFB output being higher than the same period of 2016, average price of both FFB and CPO did not decrease. This was because the opening stock of CPO at the beginning of 2017 was much less than the same period of the previous year.
Q2	4,026 (3,162)	706 (505)	4.66 (5.77)	25.84 (33.90)	The output of FFB in the Kingdom improved due to good weather condition and continual raining. As a consequence, the average FFB and CPO price decreased. The Department of Energy Business then announced an increase in the mandate for biodiesel from B5 to B7, effective on 8 May 2017. This could be presumed to absorb CPO about 25,000 MT/month.
Q3	3,695 (2,602)	657 (476)	4.18 (6.32)	22.43 (34.18)	Due to the abundant output of FFB in the Kingdom, the FFB and CPO prices decreased continuously, narrowing the price gap with global CPO price. The nationwide CPO stock level was high at 466,080 MT.
Q4	4,694 (2,396)	832 (431)	3.81 (5.88)	20.48 (30.14)	The local CPO price approached that of Malaysia. Hence palm oil crushing mills began to focus on export market. The Ministry of Commerce urged the mills to export CPO amount of 200,000 MT to China and India within three months. However, the Indian central government announced an increase of import tariffs on vegetable oil. In particular, that of CPO had been increased from 15% to 30% and refined palm oil increased from 25% to 40%, setting back export sales to India.
Total	14,916 (10,478)	2,626 (1,804)	4.62 (5.84)	24.88 (31.95)	

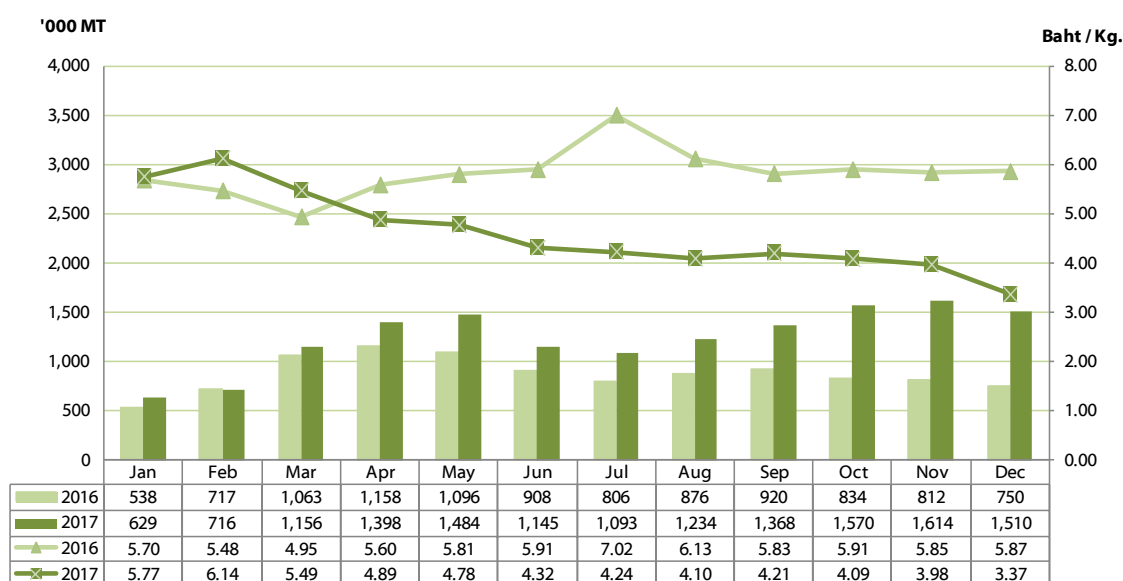
() refers to same period (quarter or year, as the case may be) in the preceding year

Source: Figures from Internal Trade Department

INDUSTRY OVERVIEW AND COMPETITIVENESS

The oil palm harvesting areas in the Kingdom is increased by 7% from 4.6 million rai in 2016 to around 4.9 million rai. In 2018, it is forecasted to further increase to 5.2 million rai. About 90% of the area is in southern region of the Kingdom due to the weather suitability. Since the late 2016 through 2017, the output of FFB in the Kingdom was improved due to good weather condition and continual raining. The FFB volume produced in 2017 overall was 15 million MT, increasing by 42% (2016 : 10.48 million MT). The higher FFB resulted from the better distribution of rainfall during the end of 2016 until 2017 after the El Nino phenomenon came to an end in early 2016. Thus there was the improvement of yield per rai in 2017 at 3,000 Kg increasing by 23% from 2,436 Kg in 2016. Monthly FFB output ranged from its peak of 1.6 million MT in November and to its lowest at around 0.6 million MT in January. The annual average FFB price was at 4.62 Baht/Kg (2016 : 5.84 Baht/Kg), with the highest monthly average at 6.14 Baht/Kg in February and lowest at 3.37 Baht/Kg in December. 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 the past three years was quite different.

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



Source: Internal Trade Department

Total CPO production in the Kingdom in 2017 was 2,626,006 MT (2016 : 1,804,449 MT). CPO demand was shared between :-

(MT)	2016	2017	% Change YOY
Consumption	987,803	1,165,633	18
Biodiesel	815,956	971,177	19

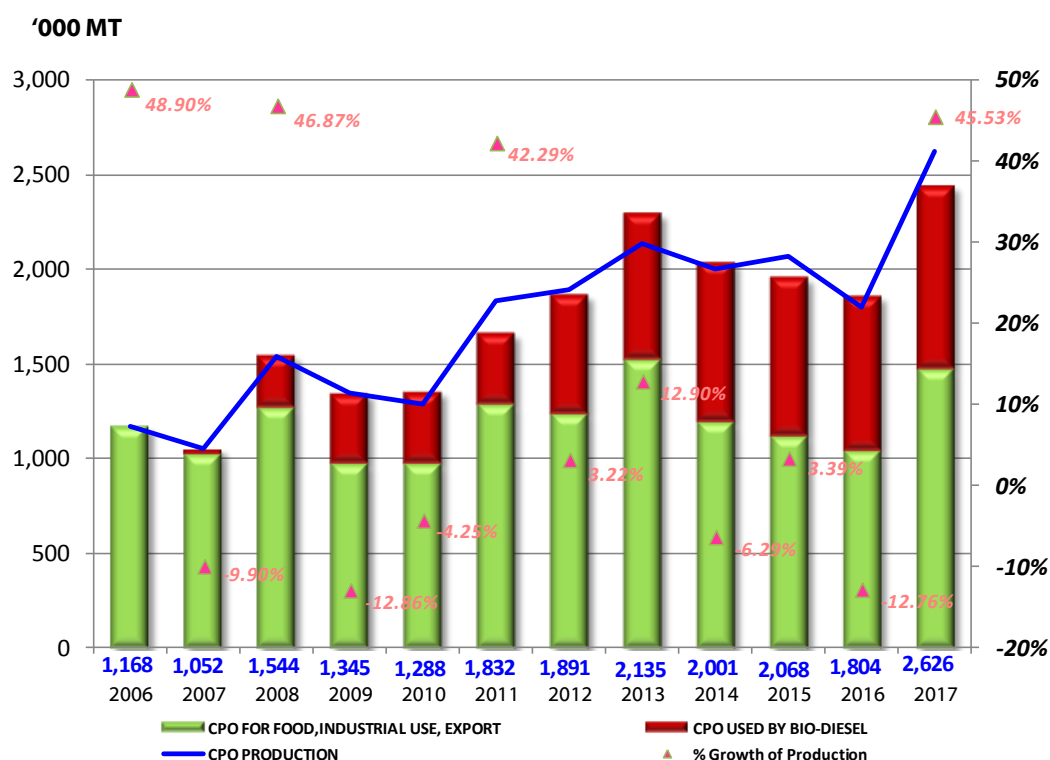
As a consequence of the higher production, the FFB and CPO price decreased. The Department of Energy Business then announced an increase in the mandate for biodiesel from B5 to B7, effective on 8 May 2017. This could be presumed to absorb CPO about 25,000 MT/month but it was still insufficient to cope with the situation of abundant CPO stock in the system that rose sharply from 447,884 MT in May to 532,651 MT and 485,379 MT in November and December respectively. To reduce CPO stock therefore, the Ministry of Commerce announced a policy that required the integrated collaboration from all related sectors and coordination to support private sector to export CPO amounting to 100,000 MT/month. Meanwhile, the Ministry of Energy had been assigned to manage another CPO stock of 100,000 MT by increasing CPO usage in biodiesel mixture as well as using CPO as feedstock at Krabi power plant. The objective was to reduce the CPO stock to an optimum level about 250,000 MT. However, entreaty to biodiesel producers to increase their CPO stock was only a short-term solution given that the new FFB crop output was expected soon in March 2018. Furthermore, to accelerate the mandatory usage of B10 biodiesel within the next 1-2 years does not appear feasible because of some automakers have even not accepted to use B7. In the past 4-5 years, the

INDUSTRY OVERVIEW AND COMPETITIVENESS

Government (c/o the Ministry of Energy) announced to adjust the palm oil blending in biodiesel from time to time to optimise CPO stock level and balance pricing between palm oil consumption and biodiesel usage. The adjustments of mandate for biodiesel during 4-5 years are summarised as follows:-

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

Figure 3 : CPO Production in Thailand

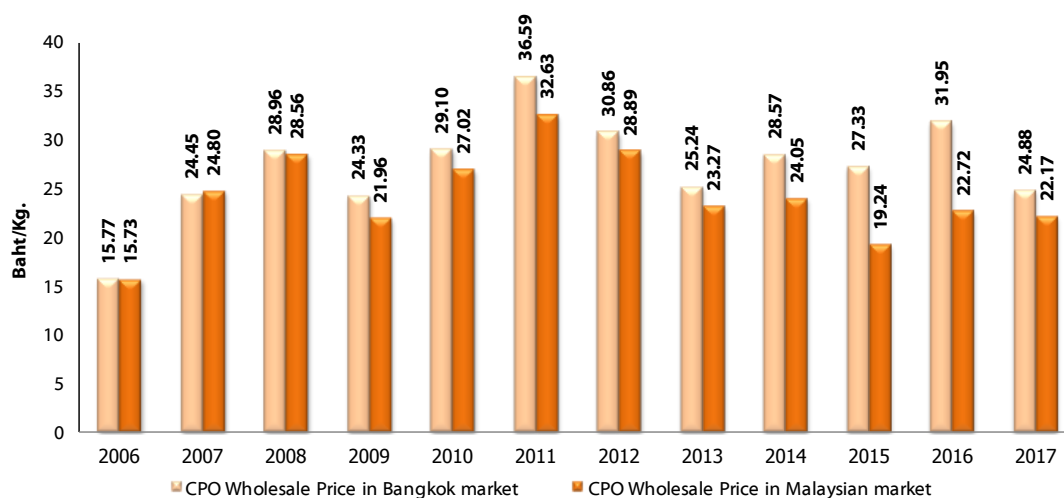


Source : Internal Trade Department

Monthly CPO price in the Kingdom in 2017 varied between 19.12 – 31.97 Baht/Kg (2016 : 29.02 – 37.49 Baht/Kg). The annual average CPO price was 24.88 Baht/Kg (2016 : 31.95 Baht/Kg), the lowest average level in 8 years. CPO price in the Kingdom had reached its lowest at 18 Baht/Kg at the end of December. The price gap from the global market decreased to 2 – 3 Baht/Kg (2016 : 11 – 12 Baht/Kg). Particularly during the end of 2017 when the local price of CPO closed to that of Malaysia, palm oil crushing mills hence mainly focused on export market mainly India. Later, on 24 November 2017, the Indian central government announced an increase of import tariffs on vegetable oil. In particular, that of CPO had been increased from 15% to 30% and refined palm oil increased from 25% to 40%, setting back export sales to India.

INDUSTRY OVERVIEW AND COMPETITIVENESS

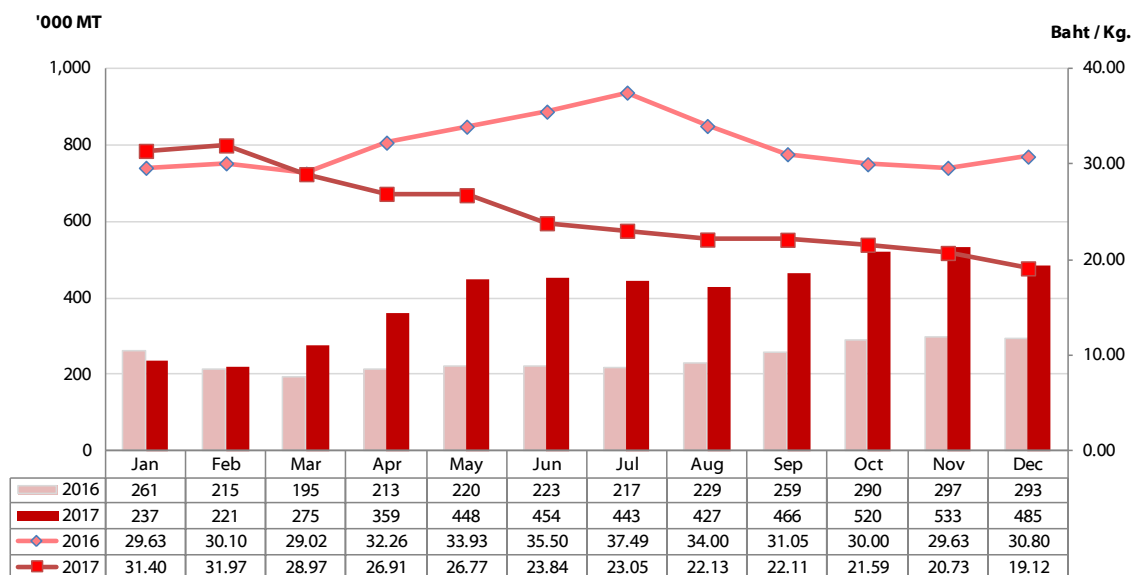
Figure 4 : Comparison of CPO Wholesale Price Between Bangkok and Malaysian Market



Source : Internal Trade Department

Because the local CPO price sharply decreased during the second half of 2017 remarkably at the year-end, overall export volume of 2017 was 303,126 MT - CPO equivalent, 157,736 MT of which occurred in the last two months (November – December).

Figure 5 : CPO Stock Equivalent and CPO Price Movement



Source : Internal Trade Department

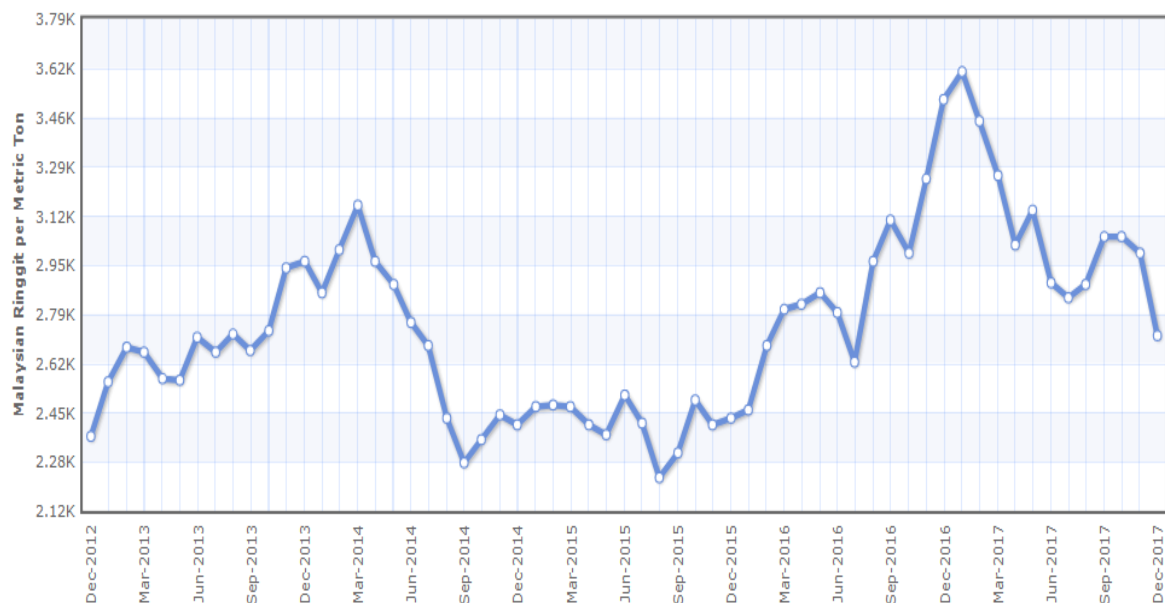
Summary of key events

- (1) **The draft Oil Palm and Palm Oil Act** : On 29 August 2017, the Cabinet approved in principle the draft Oil Palm and Palm Oil Act B.E.... The essence of the Act is to establish the Oil Palm and Palm Oil Board to be responsible for and overseeing the integrated management of the entire oil palm and palm oil industry. Oil Palm and Palm Oil Fund would be established to support research and development functions including all related issues. Furthermore, the Act would set up the penalties for a failure to comply or infringement. The Act, which is under consideration by the Juridical Council, is expected to become effective within 2018.
- (2) **Petroleum price** : Another factor which needs to keep closely watch is petroleum price. It had been an upward move since concurring on rolling over production cuts by OPEC and non-OPEC members. It is expected that petroleum price would continue to rise in 2018 after it increased about 13% over the previous year. The continuous increase of oil price has been driven by OPEC and non-OPEC members led by Russia agreed to extend cuts to their oil output about 1.8 million barrels/day until the end of 2018. Meanwhile, oil demand is likely to pick up as the strong global economic growth enhancing oil usage. OPEC forecasts an increase in world oil demand at 1.53 million barrels/day in 2018. Asian countries especially China and India would influential countries leading oil demand growth. However, petroleum price is expected to stand at 65-70 USD/barrel as there is a pressure from higher supply of shale oil producers who will invest more in shale oil rigs in 2018. As a consequence, an increasing in production capacity of shale oil group is a major risk putting pressure on oil price in 2018 amid the uptrend price from the agreement of OPEC.
- (3) **India increased import duties on vegetable oils** : To protect local farmers in India, the Indian central government announced an increase of import tariffs imposed on almost types of vegetable oil, CPO in particular. The details are as follows:-

Month	August 2017	November 2017
Import tariff of CPO	increased from 7.5% to 15%	increased from 15% to 30%
Import tariff of refined palm oil	increased from 15% to 25%	increased from 25% to 40%

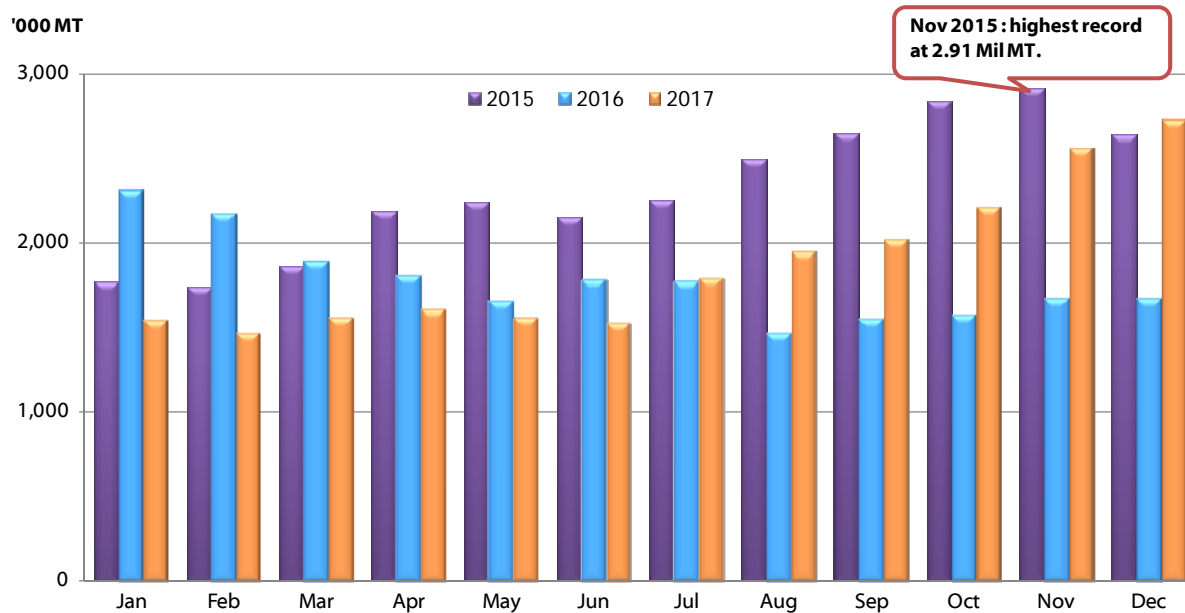
- (4) **Malaysia suspended export tax on CPO for 3 months** : The Malaysian government announced to suspend export tax imposed on CPO for 3 months, starting on 8 January until 7 April 2018 to reduce the high stockpile. However, the suspension will be lifted before the 3-month period, should inventory level fall below 1.6 million MT. Whereas Indonesia currently maintains has a 50 USD/MT levy tax on its exported CPO.
- (5) **Trend of global palm oil price** : In 2017, average CPO price in global market was higher than 2016 despite an increase output. CPO price as benchmarked by the Bursa Malaysia Derivatives : 3rd Month price at 2,703 RM/MT was 2.77% higher than in 2016 which was 2,630 RM/MT. The price hit its peak level on 3 January 2017 at 3,165 RM/MT. CPO price maintained at high level at the beginning of 2017, with the average price during the first quarter at 3,000 RM/MT due to very low stock level in Malaysia at 1.4 million MT in February caused by low output from El Nino's dry weather in 2015 – 2016.

Figure 6 : Malaysian Palm oil Monthly Price



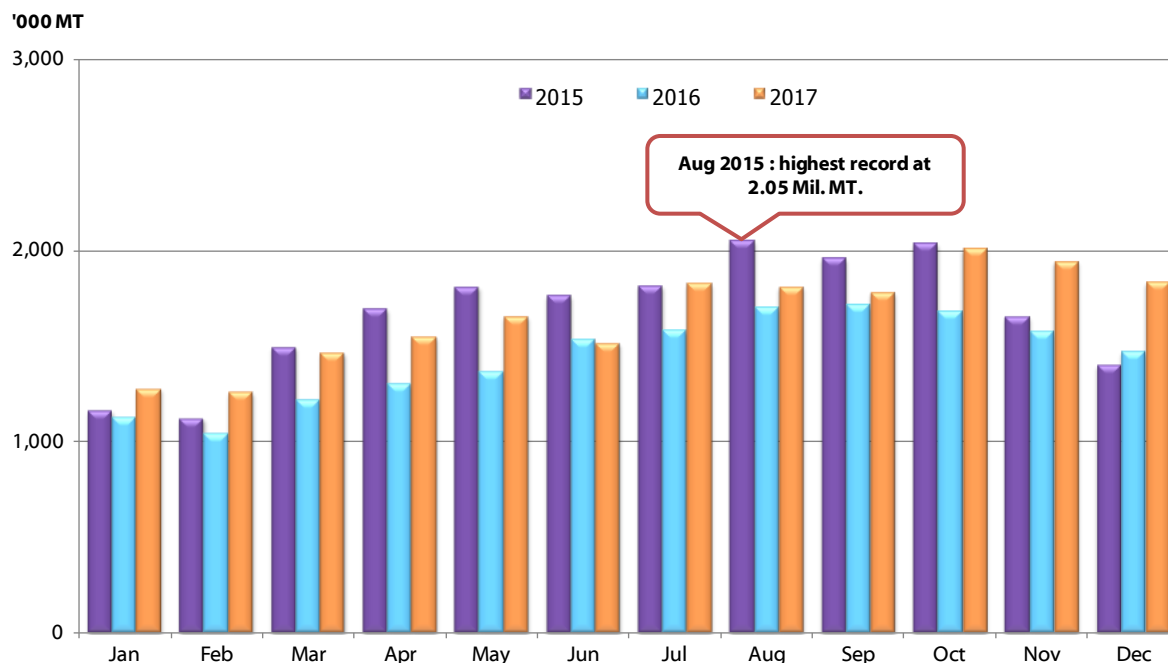
Source: <http://www.indexmundi.com>

Figure 7 : Malaysia Palm Oil Stock



Nov 2015 : highest record at 2.91 Mil MT.

Figure 8 : Malaysia CPO Production



Source: Malaysian Palm Oil Board

- (6) EU heading to “zero palm oil” in transport by 2021:** On 17 January 2018, European Parliament voted on the revision of the Renewable Energy Directive (RED). The plan includes a ban on the use of palm oil in biofuels within 2021. The objective is to reform the energy market and reduce energy consumption for an attempt to meet the environmental conservation goal. An EU-funded study, published in 2016 found that biodiesel produced from palm oil was three times more polluting than traditional diesel. In reaction, MEPs voted on a resolution in 2016, urging the European Commission to phase-out the use of vegetable oils in biofuels by 2020. They also called for a single certification scheme to guarantee only sustainably produced palm oil enters the EU market. However, the proposed ban on palm oil still faces hurdles, starting with a political agreement from the 28 EU member states, which will be required to finalise the adoption of the revised renewable energy directive. A major hurdle could come in the form of a legal challenge at the WTO from top producer countries such as Malaysia and Indonesia, which together account for around 85% of global output and have joined forces to campaign against a phase out of palm oil at European level.

Processing capacity

The number of CPO crushing mills has increased from 91 in 2013 to about 139 mills at present (only 120 mills still on operation), giving rise to a current total milling capacity of over 30 million MT of FFB per year. This remains significantly higher than the FFB output recorded in 2017 at about 15 million MT; capacity utilisation rate of crushing mills was below 50%. Because the significant imbalance between demand and supply persists, there is price volatility and FFB quality is compromised, ultimately hindering the development of the industry in Thailand.

Production and Price Outlook for 2018

The annual planting area in the Kingdom is expanding by an average of about 0.3 million rai as farmers had been promoted to grow oil palm replacing other crops especially para rubber plantation which affected by the long term low price. This factor increased the average FFB output year on year. Furthermore, influences from climatic phenomenal in two-year backward would significantly deliver benefit overall oil palm yield in current year. Therefore, FFB output is expected to increase continuously from 2017 to be about 14 million MT equivalents to CPO production approximately at 2.5 million MT in 2018.

INDUSTRY OVERVIEW AND COMPETITIVENESS

In terms of demand, the local edible consumption in 2018 is estimated at 1 million MT, and the usage from biodiesel 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 65-70 USD/barrel in 2018, it is very likely that 7% mixture will be implemented for the whole year which is the maximum mixture level. To accelerate adjustment of the mandatory usage of B10 biodiesel to start enforcing within 1-2 years is still difficult. Therefore, the situation of nationwide CPO stock level will remain abundant in 2018 especially in the first half. Hence, to export CPO seems to be the only solution to reduce the stock level.

Meanwhile, global CPO production in 2018 will remain high as well. The United States Department of Agriculture (USDA) forecasted the global output of CPO in 2018 would be at 66.87 million MT, increasing from 62.29 million MT in 2017 or 7.35% because both major palm oil producers namely Indonesia and Malaysia expand their oil palm plantations to support an increase of market demand together with the favorable weather condition.

As a consequence, the nationwide CPO stock management in 2018 is another challenge that requires integrated actions from the Government combined with distinguished plan and measures to make it compatible among each sector. This is to solve the problems effectively and timely.

Overall, it is expected that the local CPO price in 2018 would have the similar movement to the global CPO price at range around 19 - 20 Baht/Kg and FFB price at 3.50-4.00 Baht/Kg. Assuming petroleum price at 65-70 USD/barrel, the average global CPO price in 2018 is estimated at around 2,500 -2,600 RM/MT (2017 : 2,703 RM/MT). However, there are still several factors having a significant impact on CPO price such as soybean oil price, exchange rates, demand and supply from India, China and European Union (E.U.), movement of palm oil resistance from EU and the US, and modification of palm oil blending for biodiesel as alternative energy.

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 2017, the Company jointly developed the surrounding communities and society by contributing the following CSR projects with the total value at 0.4 million Baht (2016 : 0.9 million Baht).

CSR Activities	
<p>QUARTER 1</p>  	<p>Supported "Helping Flood Victims in Southern Thailand"</p> <p>In January 2017, UPOIC supported activities to help flood victims as follow;</p> <ul style="list-style-type: none">• Brought workers and trucks for clean-up work at Ban Klong Phang Klang School, Chai Buri Sub-District, Chai Buri District, Surat Thani Province which was damaged by flooding.• Sponsored an off-season offering of robes for education at Baan Klong Phang Klang School, Chai Buri Sub-district, Chai Buri District, Surat Thani Province, in the amount of 5,000 Baht. This was to support the construction of the playground and the school renovation that was suffered from flooding.• Donated flood-relief items worth 20,000 Baht to Khao Phanom District, Krabi Province, under the project "Helping flood victims in southern Thailand".

MANAGEMENT DISCUSSION AND ANALYSIS

	<p>Supported the National Children Day 2017</p> <p>In January 2017, UPOIC donated funds amounting 3,000 Baht to Thung Payom School, Krabi Noi Sub-district, Krabi Province. This is to encourage students and children in the nearby community to recognise the importance of National Children's Day activity. In the event, there were many activities such as free food and beverage, gift exchange, stage performance.</p>
	<p>Supported Fund to Purchase Sand Bags for the Repair of Chaloe Prakiat 84 Years Check Dam</p> <p>In February 2017, UPOIC supported fund to the Forest Protection Station (Sor Dor.17) at Song Praek Sub-District, Chai Buri District, Surat Thani Province, in amount of 6,000 Baht to purchase sand bags for the repair of Chaloe Prakiat 84 years Check Dam.</p>
	<p>Supported Fund to the Chaiburi Sport Club</p> <p>In March 2017, UPOIC donated fund amounting 4,000 Baht to the Chai Buri Sport Club to support the Football Competition at athletic field of Chai Buri District Office. This is to promote youth and people at factories nearby to get healthy, be unified, strengthen spirit, use free time effectively, and stay clear from drug.</p>
	<p>Supported the Red Cross Fair</p> <p>In March 2017, UPOIC donated fund of 10,000 Baht to Chai Buri District, Surat Thani Province to support the Red Cross Shop in trade fair festival held during 2-11 April 2017 at the adjacent of Tapi River Dam. 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.</p>
<p style="text-align: center;">QUARTER 2</p> 	<p>Supported the Project of Sufficiency Economy Village</p> <p>In April 2017, UPOIC supported the Sufficiency Economy Village project by participating in the meeting with Moo 18 villagers of Ban Sadet Sub-District, Khian Sa District, Surat Thani Province. The objective of the project is to set up the community learning center to drive Sufficiency Economy philosophy, to conserve natural resources and environment, and to provide a clean landscape in the community.</p>

MANAGEMENT DISCUSSION AND ANALYSIS

	<p>Collaborated for Prevention and Reduction of Road Accidents</p> <p>In April 2017, UPOIC in collaboration with Center for the Prevention and Reduction of Road Accidents of Krabi Province and Huay Yung Sub-District Administrative Organisation to provide rest stop along the road that aimed to reduce the road accident during Songkran Festival on 11-17 April 2017. UPOIC donated fund and beverage for officers in the Center.</p>
	<p>Supported the National Labour Day Activity</p> <p>In April 2017, UPOIC participated the activity on the National Labour Day 2017 that was held during 26 April - 1 May 2017 by donating beverages and drinking water to Krabi Labour Protection and Welfare Office.</p>
	<p>Supported Surat Thani Cup Football Competition 2017</p> <p>In May 2017, UPOIC participated in Surat Thani Cup Football Competition 2017 held during 2 April - 2 July 2017 by donating fund amounting 5,000 Baht to Khian Sa Sports Club. This was to support local football in the district and encourage youth to recognise the value and importance of exercise, spend their free time effectively, prevent drug problems, and develop good relationships with community under RSPO programme.</p>
 	<p>Participated in the Project of Testing Palm Oil Extraction Rate</p> <p>UPOIC had an opportunity to participate as part of the testing project to determine the palm oil extraction rate (O.E.R.) from quality FFB which was collected by farmer groups in Krabi Province and the surrounding area. Testing was conducted 2 times at UPOIC's mill in Krabi on 29 May and 7 November 2017. O.E.R. results were at 19.77% and 20.18%, respectively.</p>

MANAGEMENT DISCUSSION AND ANALYSIS

<p>QUARTER 3</p> 	<p>Donated for Library Construction</p> <p>In July 2017, UPOIC donated fund amounting 5,000 Baht to Banbangprasamakkee School, Moo 5, Khiansa Sub-District, Krabi Province to build a library. The objective is to promote youth and people using free time effectively in reading.</p>
	<p>Donated for Chaiburi Hospital</p> <p>In September 2017, UPOIC donated fund amounting 5,000 Baht to Chaiburi Hospital, Surat Thani Province to procure medical equipments and repair IPD ward. This would deliver benefit to local people.</p>
<p>QUARTER 4</p> 	<p>Donated 4 bicycles for the Red Cross Fair in Krabi</p> <p>In December 2017, UPOIC donated 4 bicycles to Deputy District Chief and Head of Administration Group of Nua Klong District, Krabi Province. This is to support the Red Cross Shop in trade fair festival of Krabi in 2017.</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

Estate operations

In 2017, the total volume of own crop was about the same as 2016 (FFB from own estates decreased by 2.5% and that from concession land increased by 4.7%). Although, in 2017, there was not an effect from drought caused by the El Nino phenomenon but the Company and its subsidiary has implemented replanting in the renewal concession area which was in line with the replanting programme set earlier. Therefore, the volume of crops was approximately the same as the previous year.

The Company's concession area at approximately 21,348.94 rai which already expired. Based on the current government policy, in case that the renewal of concession area is allowed, it will be given only 50% of actual utilised area. The details of the concession area are as below:-

- 1) Khiansa estate at 8,588 rai : The concession from the Forest Department expired on 8 July 2014. The Company and its subsidiary have 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 on 9 July 1984. It 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 the allocation, the Treasury Department granted the subsidiary to exploit the land and pay the determined rental fee until the land allocation is completed.
- 2) Chaiburi estate 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; which is now under consideration.

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 harvesting FFB from that area of the National Reserved Forest from May 2015 onwards. However, permission was granted for a period of one year and will be renewed on yearly basis. The existing permission will be expired on 26 April 2018.

As the reasons mentioned above, the cost of own crops decreased by 21.4%.

Mill operations

After the end of drought caused by the El Nino phenomenon in 2015 lasting until the early 2016 and the even distribution of rainfall since end of 2016 throughout the year 2017, FFB output increased noticeably as well as average FFB price was lower than previous year. FFB purchased from outgrower therefore increased by 17.5%.

The output of FFB crops from own estates was about the same as the previous year. As a consequence, the total volume of FFB processed increased by 10% from 2016. In 2017, the proportion of FFB from outside source and own estate was 61.0% and 39.0% of the total volume of FFB processed (2016 : 57.1% and 42.9%).

The cost of own crops and purchased crops decreased by 21.4% and 19.6% respectively because of demand and supply mechanism. The average cost of FFB processed hence dropped 19.3%. However, the number of crushing mills has increased resulting in the intense competition among buyers. Therefore, cost of CPO decreased at the lower rate than average selling price. The average selling price of CPO decreased by 22.6%. The Company's gross profit decreased by 95 million Baht or 63.5%.

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:-

MANAGEMENT DISCUSSION AND ANALYSIS

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 2017 decreased by 182.9 million Baht or 19.3% from 2016. This was mainly due to average selling prices of CPO and CPKO decreasing by 22.6% and 10.8% respectively as well as the sales volume of CPKO decreasing by 23.2% while sales volume of CPO increasing by 4.8%.

Expenses

- Cost of sales was at 92.8% of sales turnover (2016 : 84.2%) because the average selling price of CPO decreased by 22.6% which was greater than a 21.8% decrease in the average cost of CPO, resulting in higher cost of sales in proportion with sales turnover.
- Selling expenses increased by 2.9 million Baht or 17.5% as transportation expenses rose in line with an increase in sales volume.
- Loss due to change in fair value of biological assets amounting to 8.4 million Baht (2016 : profit at 8.8 million Baht)

Profits

As explained above, sales turnover decreased, and cost of sales decreased at a lower rate when compared with sales turnover. The group therefore recorded lower gross profit by 95 million Baht or 63.5%. Furthermore, the Company recorded loss due to the change in fair value of biological assets, resulting in a decrease in profit of 17 million Baht. The corporate income tax decreased by 22 million Baht in line with the group's performance. As a consequence, the group recorded a decrease in profit for the year of 90 million Baht (2016 : profit for the year 72 million Baht). Loss per share in 2017 was 0.06 Baht (2016 : Earnings per share 0.22 Baht).

Return on Shareholders' Equity

Return on shareholders' equity decreased from 6.28% in 2016 to -1.7% in 2017.

Dividend payout ratio

In 2017, UPOIC paid a dividend at the rate of 0.15 Baht per share for the 2016 financial year, representing a payout ratio of 54% of its net profit after tax. The dividend was paid in May 2017.

In 2016, UPOIC paid dividend out of its unappropriated retained earnings as of 31 December 2015 at the rate of 0.10 Baht per share because of net operating loss in 2015.

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 2017 the book value per share of the group was 3.30 Baht (weighted average number of shares at 324.05 million shares), or decreased by 7% compared to 3.55 Baht in 2016 (weighted average number of shares at 324.05 million shares).

2. Financial position

Assets

The group had total assets of 1,520 million Baht, a decrease of 27 million Baht or 2 % when compared with 2016. Return on assets decreased to -1.2% (2016 : 4.7%). The major factors for which are as follows:-

- Property, plant and equipment decreased by 42million Baht mainly due to annual depreciation.
- Long-term loan to other companies decreased by 39 million Baht due to loan repayment to subsidiary from other companies.
- Trade and other receivables increased by 37 million Baht because sales volume of CPO in December 2017 was higher than the same period in 2016 and the credit term of which was 30 days after the completion of delivery resulting in higher receivables.
- Cost of palm plantation increased by 16 million Baht due to cost of forest land increasing by 25 million Baht and annual amortisation amounting to 9 million Baht

3. Source of Fund

The structure of capital

Under the consolidated financial statements as at 31 December 2017, source of fund comprised 1,069 million Baht from shareholders' equity and 451 million Baht from liabilities, in the ratio of 70.3 : 29.7 respectively. Of the said amount of liabilities, loans from financial institutions amounted to 400 million Baht or 88.6% of total liabilities, all of which was the short-term loan. The ratio of debt to equity was 0.42 times at the end of 2017 (2016 : 0.35 times) due to the higher short-term loan.

Shareholders' equity

The group recorded net loss in 2017 at 18 million Baht. During the year, the Company paid the dividend amounting to 48.6 million Baht for the 2016 financial year and recorded net actuarial losses amounting to 14.6 million Baht. As such, the shareholders' equity of the group decreased from 2016 by 81 million Baht.

Liabilities

The group recorded liabilities at 451 million Baht, comprising current liabilities at 433 million Baht and non-current liabilities at 18 million Baht. This was an increase of 54 million Baht from 2016 or 13.7%, due to net loan increasing by 60 million Baht.

Financial liquidity (Cash flows)

At the end of 2017, the group recorded cash and cash equivalents at 112 million Baht, increasing by 16 million Baht from 96 million Baht at the same period of 2016. The major reasons are as follows:-

- Net cash flows from operating activities in 2017 amounted to 6 million Baht decreasing by 227 million Baht from the same period of 2016. This was derived from the operating result as stated above and trade and other AR increasing while inventories and biological assets decreased.
- Net cash flows used in investing activities in 2017 amounted to 2 million Baht decreasing by 44 million Baht when compared with 46 million Baht in 2016 because of long-term loan repayment to subsidiary from other companies.
- Net cash flows received from financial activities in 2017 amounted to 11 million Baht compared to 167 million Baht used in 2016. This came from loans from financial institutes.

Financial ratios

- The current ratio in 2017 was 0.81 times (2016 : 0.79 times) derived from increasing of trade and other receivables and loans from financial institutions which increased at similar proportion.
- The quick ratio in 2017 was 0.38 times (2016 : 0.29 times) because of higher trade and other receivables.
- The ratio of cash flows from operating activities to current liabilities in 2017 was 0.01 times (2016 : 0.60 times) owing to lower cash inflows from operating activities while short-term loan increased.

4. Capital expenditure

In 2017, capital expenditure was incurred mostly for the replanting programme which continued from 2015 and 2016. Harvesting FFB output from the programme is expected to start in 2018. Furthermore, the Company invested in machinery and equipment to replace the old ones.

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 19.4% of total planted area (including concession 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)	2017	2018
for the Company	1,030,000	1,030,000
for related company (Siam Elite Palm)	315,000	315,000
for three subsidiaries	140,000	140,000
Total	1,485,000	1,485,000

2) Non-Audit Fee

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

Fee for verifying BOI project (Baht)	2017	2018
for the Company	-0-	-0-
for related company (Siam Elite Palm)	100,000	100,000
Total	100,000	100,000

SHAREHOLDERS AND MANAGEMENT

Shareholders

As at 9 May 2017, 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) Wattanasophonpanich Co., Ltd.	1.12
(6) Thai NVDR Co., Ltd.	0.98
(7) Ms. Duangkamol Thanitsaranont	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 9 May 2017, 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) Lam Soon Cannery Pte Ltd	7.48

Source : Thailand Securities Depository Co., Ltd.

Board of Directors and Management Committee

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

Board of Directors

(1) Mr. Thira Wipuchanin	Independent Director and Chairman of the Board
(2) Ms. Anchalee Suebchantasiri	Vice-Chairman of the Board of Directors and Managing Director
(3) Mr. Sangiam Santad	Independent Director
(4) Mr. Wasin Patchakapati	Independent Director
(5) Mr. Whang Shang Ying	Director
(6) Ms. Piyathida Sukchan	Executive Director
(7) 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 2018 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 2017, the Board of Directors held 6 regular meetings, with attendance of each member shown as below:-

Name	Attendance / Total Meetings
(1) Mr. Thira Wipuchanin	6/6
(2) Ms. Anchalee Suebchantasiri	6/6
(3) Mr. Sangiam Santad	4/6
(4) Mr. Wasin Patchakapati	6/6
(5) Mr. Whang Shang Ying	4/6
(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) Ms. Tiamros Jinakun	Accounting Manager
(5) Mr. Chanutt Saengaroon	Human Resources Manager
(6) Mr. Supoch Pangjan	Factory 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 : 69 years
 Nationality : Thai
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 2 companies
 - Director : 3 companies
 Number of years as a director : 23 years (date of appointment : 24 May 1995)
 Family relation with management : None
 Education : BA Business Administration and Economics,
 University of Wisconsin, U.S.A.
 Director Training Programme : Certificate of Completion DCP 6/2001, ACP 5/2005, DCP
 Refresher 1/2005 from Thai Institute of Directors (IOD)
 Position in other listed companies :
 ■ Independent Director and Chairman of the Board, Precious Shipping Plc.
 ■ Independent Director and Member of Audit Committee, Siam Macro Plc.
 Position in companies with relating business (specify only non-executive director) : None
 Other Experience :
 □ Independent Director and Chairman of Audit Committee,
 Bangkok First Investment & Trust Plc.
 □ Chairman, Interhides Plc.
 □ Independent Director, Privatisation Committee of TOT, CAT, PTT, AOT
 □ Senior Executive Vice President (SEVP), Export-Import Bank of Thailand
 Meeting Attendance in 2017 : 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 1 time out of 1 time

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

(2) Ms. Anchalee Suebchantasiri

Vice-Chairman of the Board and Managing Director

Age : 59 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 : 15 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 2017 : 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 : 71 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 : 6 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 2017 : Attended the Board Meeting 4 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 0 time out of 1 time

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 : 64 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 : 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 2017 : 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 1 time out of 1 time

(5) Mr. Whang Shang Ying

Director, Member of Remuneration Committee and Member of Nomination Committee

Age : 57 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 : 19 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 2017 : Attended the Board Meeting 4 times out of 6 times
Attended the RC Meeting 2 times out of 2 times
Attended the NC Meeting 1 time out of 1 time

(6) Ms. Piyathida Sukchan

Executive Director

Age : 49 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 : 15 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 2017 : Attended the Board Meeting 6 times out of 6 times

(7) Ms. Jirasuda Sumpaotong

Executive Director

Age : 47 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 : 3 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 2017 : Attended the Board Meeting 6 times out of 6 times

(8) Mr. Yut Sakdejayont

Company Secretary and Secretary to the Audit Committee

Age : 77 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) Ms. Tiamros Jinakun

Accounting Manager

Age : 59 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.

(10) Mr. Chanutt Saengaroon

Human Resources Manager

Age : 56 years

% of share holding : None

Family relation with management : None

Education : Master of Public Administration,
National Institute of Development Administration
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.

(11) Mr. Supoch Pangjan

Factory Manager

Age : 40 years

% of share holding : None

Family relation with management : None

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

Director Training Programmed : None

Other Experience :

☒ Mill Manager, Lam Soon (Thailand) PCL. (Trang)

☐ Assistance Engineering Manager, GFPT PCL.

☐ Engineer, ONPA Co., Ltd.

Note : ☒ *present* ☐ *past*

6. Directors and Executives holding shares in the Company

Name	No. of shares as of 31 December 2016	Increase (Decrease) in no. of shares during the financial year	No. of shares as of 31 December 2017
(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 Sakdejayont	229,000	-	229,000
(9) Ms. Tiamros Jinakun	-	-	-
(10) Mr. Chanutt Saengaroorn	-	-	-
(11) Mr. Supoch Pangjan	-	-	-

7. Remuneration of Directors and Management

Monetary Remuneration

(a) Director's fees : Total fees paid to all 7 members of the Board 6,270,000 Baht

Name	Position	Director's fees in 2017	
		Director	Audit Committee
(1) Mr. Thira Wipuchanin	Chairman of the Board of Directors, Chairman of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee	884,400	633,600
(2) Ms. Anchalee Suebchantasiri	Vice-Chairman of the Board of Directors and Managing Director	567,600	
(3) Mr. Sangiam Santad	Independent Director, Member of Audit Committee, Chairman of Remuneration Committee, Chairman of Nomination Committee	607,200	633,600
(4) Mr. Wasin Patchakapati	Independent Director, Member of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee	607,200	633,600
(5) Mr. Whang Shang Ying	Member of Remuneration Committee, Member of Nomination Committee	567,600	
(6) Ms. Piyathida Sukchan	Executive Director	567,600	
(7) Ms. Jirasuda Sumpaotong	Executive Director	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 : 18,859,595 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 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).

SHAREHOLDERS AND MANAGEMENT

Other Remuneration

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

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

As for Provident Fund, the Management has been paid at 5% of salary for Provident Fund, the same rate as other employees. However, no Provident Fund has been paid to 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 creditability of financial statement reports and operating reports of the Company, prevents loss of assets and assists employees working under laws and regulations.

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

During the Board Meeting No.1/2018 held on 22 February 2018, in the presence of 3 independent directors and audit committee members, the Board reviewed the internal control system of the Company by using the evaluation form initially completed and presented by the management and reviewed by the audit committee. The evaluation of the internal control system of the Company covered 5 areas, namely organisation and environment, risk management, operational control of the management, information system and communication, and monitoring. The Board concluded and provided an opinion that the Company has adequate internal control system for the above mentioned areas.

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

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

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

Details of Internal Auditor

Mr. Apiruk Ati-anuwat

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

Age	:	47 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., 18 years ■ Internal auditor, Lam Soon (Thailand) Plc., 13 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 2017, UPOIC recorded net operating loss so the Board of Directors resolved to pay dividend out of its unappropriated retained earnings as of 31 December 2017 at the rate of 0.10 Baht per share, which would be later proposed to AGM for approval, compared with that of previous year at 0.15 Baht per share representing a payout ratio of 54.1% of net profit.

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
		2017	2016		
Major Shareholder	Sales of CPO and CPKO	308	516	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.

(b) With Phansrivivat Company Limited

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2017	2016		
Subsidiary Company	Dividend income	-	19	As declared by subsidiary	Being paid as a return on investment
	Palm plantation rental expenses	10	11	Contract rate	Being rental expenses for concession land
	Interest expenses	12	12	MLR – 1.5% per annum	Being interest from loan

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

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2017	2016		
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	4	17	Market price	
	Dividend income	1	2	As declared by joint venture	Being paid as a return on investment.

The balances of the accounts as at 31 December 2017 and 2016 between the Company and those related companies have been declared in Notes to financial statements item no. 6.

Measures or criteria to approve connected transactions

In 2017, 40.30% of the Company's total CPO and CPKO sales were sold to LST (2016 : 54.57%). 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, 2017.

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 2017

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 2017, 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 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

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

Recognition of revenue from sales to related party

As described in Note 6 to the financial statements, the Company had sales of crude palm oil and crude palm kernel oil to its parent company totaling approximately for Baht 308 million during the current year, accounting for 40% of total sales revenue. Such related party transactions could give rise to doubt as to the arm's length nature of the business transactions between the parties and there is a potential risk with respect to the amount of revenue recognised.

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

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

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

Fair value measurement of biological assets - palm fruit on trees

As described in Note 10 to the financial statements, the value of the biological assets - palm fruit on trees as of 31 December 2017 was Baht 18 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 agricultural officer and management as to the basis and assumptions relevant to the estimations. There may be a risk with respect to the value of biological assets.

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Manee Rattanabunnakit
Certified Public Accountant (Thailand) No. 5313

EY Office Limited
Bangkok: 22 February 2018

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		<u>31 December 2017</u>	<u>31 December 2016</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Assets					
Current assets					
Cash and cash equivalents	7	111,729,005	96,042,659	56,111,107	76,362,939
Trade and other receivables	8	51,094,034	14,553,592	50,985,282	14,209,877
Short-term loans and advance to employees		264,629	278,063	264,629	278,063
Inventories	9	106,269,677	98,352,702	106,269,677	98,352,702
Biological assets	10	70,616,396	83,546,770	70,616,396	83,546,770
Other current assets		11,176,553	13,992,763	6,992,403	9,291,075
Total current assets		<u>351,150,294</u>	<u>306,766,549</u>	<u>291,239,494</u>	<u>282,041,426</u>
Non-current assets					
Investment in subsidiary	11	-	-	307,895,303	307,895,303
Investment in joint venture	12	31,594,398	42,353,381	25,000,000	25,000,000
Long-term loans to other companies	13	21,160,000	60,480,000	-	-
Property, plant and equipment	14	878,761,433	921,180,534	878,761,107	921,161,407
Cost of palm plantation	15	230,729,888	214,764,861	230,729,888	214,764,861
Intangible assets		405,155	761,294	405,155	761,294
Deferred tax assets	19	3,595,848	-	3,847,883	-
Other non-current assets		2,716,965	1,066,065	2,716,965	1,066,065
Total non-current assets		<u>1,168,963,687</u>	<u>1,240,606,135</u>	<u>1,449,356,301</u>	<u>1,470,648,930</u>
Total assets		<u>1,520,113,981</u>	<u>1,547,372,684</u>	<u>1,740,595,795</u>	<u>1,752,690,356</u>

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

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2017

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	16	400,000,000	340,000,000	400,000,000	340,000,000
Trade and other payables	17	27,430,540	40,006,369	299,405,794	294,136,642
Income tax payable		1,397,967	1,617,585	-	-
Other current liabilities		4,870,386	4,677,858	4,870,386	4,677,858
Total current liabilities		433,698,893	386,301,812	704,276,180	638,814,500
Non-current liabilities					
Provision for long-term employee benefits	18	17,823,263	5,517,878	17,823,263	5,517,878
Deferred tax liabilities	19	-	5,463,169	-	5,463,169
Total non-current liabilities		17,823,263	10,981,047	17,823,263	10,981,047
Total liabilities		451,522,156	397,282,859	722,099,443	649,795,547
Shareholders' equity					
Share capital					
Registered					
324,050,000 ordinary shares of Baht 1 each		324,050,000	324,050,000	324,050,000	324,050,000
Issued and fully paid up					
324,050,000 ordinary shares of Baht 1 each		324,050,000	324,050,000	324,050,000	324,050,000
Share premium		321,544,740	321,544,740	321,544,740	321,544,740
Retained earnings					
Appropriated - statutory reserve	20	60,805,000	60,805,000	32,405,000	32,405,000
Unappropriated		362,192,085	443,690,085	340,496,612	424,895,069
Total shareholders' equity		1,068,591,825	1,150,089,825	1,018,496,352	1,102,894,809
Total liabilities and shareholders' equity		1,520,113,981	1,547,372,684	1,740,595,795	1,752,690,356
		-	-	-	-

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 2017

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues					
Sales	22	763,221,313	946,099,953	763,221,313	946,099,953
Gains arising from change in fair value of					
biological assets		-	8,752,300	-	8,752,300
Other income					
Dividend income	11, 12	-	-	750,000	21,178,599
Others		18,065,680	17,470,389	17,148,401	15,952,847
Total revenues		<u>781,286,993</u>	<u>972,322,642</u>	<u>781,119,714</u>	<u>991,983,699</u>
Expenses					
Cost of sales		708,510,269	796,311,787	713,937,559	802,889,985
Selling expenses		19,529,205	16,623,792	19,529,205	16,623,792
Administrative expenses		45,720,363	47,761,748	44,837,762	46,187,980
Losses arising from change in fair value of					
biological assets		<u>8,425,857</u>	<u>-</u>	<u>8,425,857</u>	<u>-</u>
Total expenses		<u>782,185,694</u>	<u>860,697,327</u>	<u>786,730,383</u>	<u>865,701,757</u>
Profit (loss) before share of loss from investment					
 in joint venture, finance cost and					
 income tax benefits (expenses)					
		(898,701)	111,625,315	(5,610,669)	126,281,942
Share of loss from investment in joint venture	12	<u>(10,191,713)</u>	<u>(11,320,717)</u>	<u>-</u>	<u>-</u>
Profit (loss) before finance cost and					
 income tax benefits (expenses)					
		(11,090,414)	100,304,598	(5,610,669)	126,281,942
Finance cost		<u>(9,016,005)</u>	<u>(7,587,119)</u>	<u>(20,744,183)</u>	<u>(19,308,984)</u>
Profit (loss) before income tax benefits (expenses)		<u>(20,106,419)</u>	<u>92,717,479</u>	<u>(26,354,852)</u>	<u>106,972,958</u>
Income tax benefits (expenses)	19	<u>1,767,540</u>	<u>(20,522,419)</u>	<u>5,298,246</u>	<u>(17,083,919)</u>
Profit (loss) for the year		<u>(18,338,879)</u>	<u>72,195,060</u>	<u>(21,056,606)</u>	<u>89,889,039</u>

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

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2017

(Unit: Baht)

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Other comprehensive income :					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial losses		(18,418,332)	-	(18,418,332)	-
Less: Income tax effect	19	3,683,666	-	3,683,666	-
Share of other comprehensive income of investment in joint venture - actuarial gain	12	182,730	-	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(14,551,936)	-	(14,734,666)	-
Other comprehensive income for the year		<u>(14,551,936)</u>	<u>-</u>	<u>(14,734,666)</u>	<u>-</u>
Total comprehensive income for the year		<u><u>(32,890,815)</u></u>	<u><u>72,195,060</u></u>	<u><u>(35,791,272)</u></u>	<u><u>89,889,039</u></u>
Earnings per share					
Basic earnings (loss) per share	23	<u><u>(0.06)</u></u>	<u><u>0.22</u></u>	<u><u>(0.06)</u></u>	<u><u>0.28</u></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 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities				
Profit (loss) before tax	(20,106,419)	92,717,479	(26,354,852)	106,972,958
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	75,097,163	82,715,219	75,078,362	82,677,626
Share of loss from investment in joint venture	10,191,713	11,320,717	-	-
Losses (gains) arising from change in fair value of biological assets	8,425,857	(8,752,300)	8,425,857	(8,752,300)
Loss (gain) on disposal and write off of plant and equipment	(4,324,244)	864,059	(4,324,244)	864,059
Loss on write off of cost of palm plantation	112,799	7,094,535	112,799	7,094,535
Reversal of reduction of inventory to net realisable value	(6,448,576)	(139,713)	(6,448,576)	(139,713)
Long-term employee benefits expenses	2,013,257	1,497,227	2,013,257	1,497,227
Dividend income	-	-	(750,000)	(21,178,599)
Interest expenses	9,016,005	7,587,119	20,744,183	19,308,984
Profit from operating activities before changes in operating assets and liabilities	73,977,555	194,904,342	68,496,786	188,344,777
Operating assets (increase) decrease				
Trade and other receivables	(36,540,442)	125,302,213	(36,775,405)	125,243,070
Short-term loans and advance to employees	13,434	339,513	13,434	87,595
Inventories and biological assets	3,036,118	(67,770,223)	3,036,118	(67,770,223)
Other current assets	836,914	(1,533,865)	521,881	(1,860,661)
Other non-current assets	(1,650,900)	(170,000)	(1,650,900)	(170,000)
Operating liabilities increase (decrease)				
Trade and other payables	(14,663,255)	12,389,066	(8,546,452)	13,381,794
Other current liabilities	192,528	(702,038)	192,528	(702,038)
Cash paid for long-term employee benefits	(8,126,204)	(5,165,852)	(8,126,204)	(5,165,852)
Cash flows from operating activities	17,075,748	257,593,156	17,161,786	251,388,462
Cash paid for interest expenses	(8,971,347)	(7,911,733)	(8,971,347)	(21,237,973)
Cash receipt from income tax	4,585,145	-	4,080,759	-
Cash paid for income tax	(6,433,278)	(16,818,001)	(2,633,108)	(13,007,794)
Net cash flows from operating activities	6,256,268	232,863,422	9,638,090	217,142,695

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 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash flows from investing activities				
Decrease in long-term loans to other companies	39,320,000	1,260,000	-	-
Proceeds from sales of plant and equipment	4,522,066	577,638	4,522,066	577,638
Cash paid for acquisition of property, plant and equipment	(21,141,411)	(18,852,339)	(21,141,411)	(18,852,339)
Increase in cost of palm plantation	(25,413,392)	(31,039,287)	(25,413,392)	(31,039,287)
Increase in intangible assets	-	(259,395)	-	(259,395)
Dividend received	750,000	1,999,999	750,000	21,178,599
Net cash flows used in investing activities	<u>(1,962,737)</u>	<u>(46,313,384)</u>	<u>(41,282,737)</u>	<u>(28,394,784)</u>
Cash flows from financing activities				
Increase (decrease) in short-term loan from financial institution	60,000,000	(60,000,000)	60,000,000	(60,000,000)
Repayment of long-term loan	-	(75,000,000)	-	(75,000,000)
Dividend paid	(48,607,185)	(32,404,790)	(48,607,185)	(32,404,790)
Net cash flows from (used in) financing activities	<u>11,392,815</u>	<u>(167,404,790)</u>	<u>11,392,815</u>	<u>(167,404,790)</u>
Net increase (decrease) in cash and cash equivalents	<u>15,686,346</u>	<u>19,145,248</u>	<u>(20,251,832)</u>	<u>21,343,121</u>
Cash and cash equivalents at beginning of year	<u>96,042,659</u>	<u>76,897,411</u>	<u>76,362,939</u>	<u>55,019,818</u>
Cash and cash equivalents at end of year	<u><u>111,729,005</u></u>	<u><u>96,042,659</u></u>	<u><u>56,111,107</u></u>	<u><u>76,362,939</u></u>
	-	-	-	-
Supplemental cash flows information:				
Non-cash transactions				
Purchase of equipment for which no cash has been paid	2,941,550	898,782	2,941,550	898,782

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 2017

(Unit: Baht)

	Consolidated financial statements				
	Issued and paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
			Appropriated	Unappropriated	
Balance as at 1 January 2016	324,050,000	321,544,740	60,305,000	404,399,815	1,110,299,555
Profit for the year	-	-	-	72,195,060	72,195,060
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	72,195,060	72,195,060
Transfer to legal reserve	-	-	500,000	(500,000)	-
Dividend paid (Note 26)	-	-	-	(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>
					-
Balance as at 1 January 2017	324,050,000	321,544,740	60,805,000	443,690,085	1,150,089,825
Loss for the year	-			(18,338,879)	(18,338,879)
Other comprehensive income for the year	-			(14,551,936)	(14,551,936)
Total comprehensive income for the year	-	-	-	(32,890,815)	(32,890,815)
Dividend paid (Note 26)	-	-	-	(48,607,185)	(48,607,185)
Balance as at 31 December 2017	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,805,000</u>	<u>362,192,085</u>	<u>1,068,591,825</u>

(Unit: Baht)

	Separate financial statements				
	Issued and paid-up		Retained earnings		Total shareholders'
	share capital	Share premium	Appropriated	Unappropriated	equity
Balance as at 1 January 2016	324,050,000	321,544,740	32,405,000	367,410,820	1,045,410,560
Profit for the year	-	-	-	89,889,039	89,889,039
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	89,889,039	89,889,039
Dividend paid (Note 26)	-	-	-	(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>
					-
Balance as at 1 January 2017	324,050,000	321,544,740	32,405,000	424,895,069	1,102,894,809
Loss for the year	-	-	-	(21,056,606)	(21,056,606)
Other comprehensive income for the year	-	-	-	(14,734,666)	(14,734,666)
Total comprehensive income for the year	-	-	-	(35,791,272)	(35,791,272)
Dividend paid (Note 26)	-	-	-	(48,607,185)	(48,607,185)
Balance as at 31 December 2017	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>340,496,612</u>	<u>1,018,496,352</u>

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 2017

1. General information

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

2. Basis of preparation

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

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

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

2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2017</u>	<u>2016</u>
			Percent	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>2017</u>	<u>2016</u>
			Percent	Percent
<u>Shares held by subsidiary company</u>				
Prachak Vivat Co., Ltd. (100 percent shares held by Phansrivivat Co., Ltd.)	Holder of concessions to use forest reserve land	Thailand	100	100
Phansri Co., Ltd. (100 percent shares held by Phansrivivat Co., Ltd.)	Holder of concessions to use forest reserve land	Thailand	100	100

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

3. New financial reporting standards

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

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are 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 adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' 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 revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

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

4.5 Investments

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

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

4.6 Property, plant and equipment/Depreciation

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

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

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

Depreciation is included in determining income.

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

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

4.7 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.

4.8 Intangible assets

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

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

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

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

4.9 Agriculture

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

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

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

The agricultural produce is included in inventories.

4.10 Related party transactions

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

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

4.11 Long-term leases

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

4.12 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

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

An impairment loss is recognised in profit or loss.

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

4.15 Provisions

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

4.16 Income tax

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

Current tax

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

Deferred tax

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

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

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

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

4.17 Fair value measurement

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

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

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

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

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

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

5. Significant accounting judgments and estimates

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

Agriculture

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

Post-employment benefits under defined benefit plans

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

6. Related party transactions

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer Pricing Policy
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
<u>Transactions with parent company</u>					
Sales of crude palm oil and crude palm kernel oil	308	516	308	516	Market price on the contract's date
<u>Transactions with subsidiary companies</u> (eliminated from the consolidated financial statements)					
Dividend income	-	-	-	19	As declared by subsidiary
Palm plantation rental expenses	-	-	10	11	Contract rate
Interest expenses	-	-	12	12	MLR - 1.5% per annum
<u>Transactions with joint venture</u>					
Land rental income	1	1	1	1	Agreed between the parties
Dividend income	1	2	1	2	As declared by joint venture
Purchases of oil palm seeds and fresh fruit bunch	4	17	4	17	Market price

As at 31 December 2017 and 2016, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Trade and other receivables - related party (Note 8)</u>				
Parent company	40,879	13,995	40,879	13,995
Total trade and other receivables - related party	<u>40,879</u>	<u>13,995</u>	<u>40,879</u>	<u>13,995</u>

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>

Trade and other payables - related party (Note 17)

Subsidiary	-	-	273,145	255,063
Total trade and other payables - related party	-	-	273,145	255,063

Advance from related party (Note 17)

Parent company	86	-	86	-
Total advance from related party	86	-	86	-

Directors and management's benefits

During the years ended 31 December 2017 and 2016, the Company had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	<u>2017</u>	<u>2016</u>
Short-term employee benefits	23,444	27,341
Post-employment benefits	546	699
Termination benefits	1,543	-
Total	25,533	28,040

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash	2,716	2,768	2,709	2,762
Bank deposits	79,033	63,280	23,422	43,606
Investment in Bank of Thailand Bonds	29,980	29,995	29,980	29,995
Total	111,729	96,043	56,111	76,363

As at 31 December 2017, bank deposits in saving accounts and investment in Bank of Thailand Bonds carried interests between 0.05 and 1.13 percent per annum (2016: between 0.05 and 1.45 percent per annum).

8. Trade and other receivables

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2106</u>
<u>Trade receivables - related party</u>					
Aged on the basis of due dates					
Not yet due		40,879	13,995	40,879	13,995
Total trade receivables - relate party (Note 6)		40,879	13,995	40,879	13,995
<u>Trade receivables - unrelated parties</u>					
Aged on the basis of due dates					
Not yet due		9,787	92	9,787	92
Total trade receivables - unrelated parties		9,787	92	9,787	92
Total trade receivables		50,666	14,087	50,666	14,087
<u>Other receivables</u>					
Accrued income		428	467	319	123
Other receivables		428	467	319	123
Trade and other receivables		51,094	14,554	50,985	14,210

9. Inventories

		(Unit: Thousand Baht)					
		Consolidated/Separate financial statements					
		Reduce cost to					
		Cost		net realisable value		Inventories - net	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Finished goods		90,085	87,780	-	(6,014)	90,085	81,766
Work in process		1,961	763	-	-	1,961	763
Spare parts, supplies and others		14,659	16,694	(436)	(870)	14,223	15,824
Total		106,705	105,237	(436)	(6,884)	106,269	98,353

During the year 2017, the Company reversed the write-down of cost of inventories by Baht 6.4 million (2016: Baht 0.1 million), and reduced the amount of inventories recognised as expenses during the year.

10. Biological assets

Movements of the biological assets account for the years ended 31 December 2017 and 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements		
	Palm nursery		
	for sales	Palm fruit on tree	Total
Balance as at 1 January 2016	47,750	20,265	66,015
Gains arising from changes in fair value	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
Gains arising from changes in fair value	34,707	234,855	269,562
Increases due to cultivate	1,940	-	1,940
Decreases due to harvest	-	(247,580)	(247,580)
Decreases due to sales	(25,225)	-	(25,225)
Decreases due to disposals	(11,628)	-	(11,628)
Balance as at 31 December 2017	53,091	17,525	70,616

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 2017 and 2016 are summarised below:

(Unit: Thousand Baht)

	Consolidated/Separate financial statements			
	2017		2016	
	Increase by 10 percent	Decrease by 10 percent	Increase by 10 percent	Decrease by 10 percent
Prices of palm fruit at the point of harvest	4,209	(3,899)	5,744	(5,371)
Weight of palm fruit on tree	4,209	(3,899)	5,744	(5,371)

11. Investment in subsidiary

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
			(%)	(%)				
Phansrivivat Co., Ltd.	Baht 274 million	Baht 274 million	100	100	307,895	307,895	-	19,178
Total					307,895	307,895	-	19,178

12. Investment in joint venture

12.1 Details of investment in joint venture

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

(Unit: Thousand Baht)

Joint venture	Nature of business	Consolidated financial statements					
		Shareholding percentage		Cost		Carrying amount based on equity method	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		(%)	(%)				
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	50	50	25,000	25,000	31,594	42,353
Total				25,000	25,000	31,594	42,353

(Unit: Thousand Baht)

Joint venture	Nature of business	Separate financial statements			
		Shareholding percentage		Cost	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		(%)	(%)		
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	50	50	25,000	25,000
Total				25,000	25,000

12.2 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 loss from investment		Share of other comprehensive income from		Dividend received
	in joint venture		investment in joint venture		
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u> <u>2016</u>
Siam Elite Palm Co., Ltd.	(10,192)	(11,321)	183	-	750 2,000
Total	(10,192)	(11,321)	183	-	750 2,000

12.3 Summarised financial information about material joint venture

Siam Elite Palm Company Limited

Summarised information about financial position

		(Unit: Thousand Baht)	
		As at 31 December	
		<u>2017</u>	<u>2016</u>
Current assets		35,475	58,373
Non-current assets		36,934	36,828
Total assets		72,409	95,201
Current liabilities		(6,712)	(7,363)
Non-current liabilities		(2,509)	(3,132)
Total liabilities		(9,221)	(10,495)
Net assets		63,188	84,706
Shareholding percentage (%)		50	50
Share of net assets		31,594	42,353
Elimination entries		-	-
Carrying amount of joint venture based on equity method		<u>31,594</u>	<u>42,353</u>

Summarised information about comprehensive income

(Unit: Thousand Baht)

For the year ended

31 December

	<u>2017</u>	<u>2016</u>
Revenue	26,456	46,364
The differences between fair value and costs of agricultural produce	(15,330)	(24,347)
Cost of sales	(15,703)	(24,874)
Selling and administrative expenses	(15,741)	(19,724)
Loss before income tax expenses	(20,318)	(22,581)
Income tax expenses	(65)	(61)
Loss for the year	(20,383)	(22,642)
Other comprehensive income	365	-
Total comprehensive income	(20,018)	(22,642)
Shareholding percentage (%)	50	50
Comprehensive income as shareholding percentage	(10,009)	(11,321)
Elimination entries	-	-
Share of comprehensive income from investment in joint venture	(10,009)	(11,321)

13. Long-term loans to other companies

As at 31 December 2017, a subsidiary has loans to other companies of approximately Baht 21 million (2016: Baht 60 million). The loans have no collateral and carry interest at a rate of THBFIX plus 1% per annum. Principal payments are to be made at the end of June and December each year, with the final payment due in June 2040.

14. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						Total
	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	
Cost							
1 January 2016	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
Additions	-	77	1,588	1,896	282	19,342	23,185
Disposals / write-off	-	-	(461)	(251)	(12,130)	-	(12,842)
Transfer in (out)	-	5,514	6,004	-	-	(11,518)	-
31 December 2017	659,007	284,541	621,932	31,044	157,257	27,215	1,780,996

(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 2016	-	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
Depreciation for the year	-	10,196	40,721	1,210	13,280	-	65,407
Depreciation on disposals / write-off	-	-	(424)	(247)	(11,973)	-	(12,644)
31 December 2017	-	202,260	517,643	28,106	139,588	-	887,597
Allowance for impairment loss							
31 December 2016	14,638	-	-	-	-	-	14,638
31 December 2017	14,638	-	-	-	-	-	14,638
Net book value							
31 December 2016	644,369	86,886	137,455	2,256	30,824	19,391	921,181
31 December 2017	644,369	82,281	104,289	2,938	17,669	27,215	878,761
Depreciation for the year							
2016 (Baht 70 million included in manufacturing cost, and the balance in selling and administrative expenses)							71,845
2017 (Baht 63 million included in manufacturing cost, and the balance in selling and administrative expenses)							65,407

(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 2016	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
Additions	-	77	1,588	1,896	282	19,342	23,185
Disposals / write-off	-	-	(461)	(251)	(12,130)	-	(12,842)
Transfer in (out)	-	5,514	6,004	-	-	(11,518)	-
31 December 2017	659,007	268,089	621,932	31,044	157,257	27,215	1,764,544
Accumulated depreciation							
1 January 2016	-	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
Depreciation for the year	-	10,177	40,721	1,210	13,279	-	65,387
Depreciation on disposals / write-off	-	-	(424)	(247)	(11,973)	-	(12,644)
31 December 2017	-	185,809	517,643	28,106	139,587	-	871,145

(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 2016	14,638	-	-	-	-	-	14,638
31 December 2017	14,638	-	-	-	-	-	14,638
Net book value							
31 December 2016	644,369	86,866	137,455	2,256	30,824	19,391	921,161
31 December 2017	644,369	82,280	104,289	2,938	17,670	27,215	878,761
Depreciation for the year							
2016 (Baht 70 million included in manufacturing cost, and the balance in selling and administrative expenses)							71,808
2017 (Baht 63 million included in manufacturing cost, and the balance in selling and administrative expenses)							65,387

As at 31 December 2017, 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 487 million (2016: Baht 425 million) (The Company only: Baht 472 million, 2016: Baht 409 million).

15. Cost of palm plantation

(Unit: Thousand Baht)

	Consolidated financial statements		
	Cost of palm		Total
	Cost of palm plantation ready for harvest	plantation not ready for harvest	
Cost			
1 January 2016	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
Additions	16,821	8,592	25,413
Write off	(170)	-	(170)
31 December 2017	544,795	76,618	621,413
Accumulated amortisation			
1 January 2016	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
Amortisation charged for the year	9,335	-	9,335
Amortisation on write-off	(57)	-	(57)
31 December 2017	390,683	-	390,683
Net book value			
31 December 2016	146,739	68,026	214,765
31 December 2017	154,112	76,618	230,730
Amortisation for the year (included in manufacturing cost)			
2015			10,499
2016			9,335

(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 2016	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
Additions	16,821	8,592	25,413
Write off	(170)	-	(170)
31 December 2017	252,077	76,618	328,695
Accumulated amortisation			
1 January 2016	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
Amortisation charged for the year	9,335	-	9,335
Amortisation on write off	(57)	-	(57)
31 December 2017	97,965	-	97,965
Net book value			
31 December 2016	146,739	68,026	214,765
31 December 2017	154,112	76,618	230,730
Amortisation for the year (included in manufacturing cost)			
2016			10,499
2017			9,335

As at 31 December 2017, the land used by the Company for palm oil plantation includes 13,066 rai for which there are land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). For the remaining land, possessory rights have been transferred to the Company and it is in the process of acquiring legal documentation of ownership.

A permit from Royal Forest Department granted to a subsidiary company for the exploitation or inhabitation in the National Reserved Forests expired in January 2015. The subsidiary 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, the subsidiary was granted a permit to harvest forest product in the National Reserve Forest and, when it harvests the oil palm crops planted, has to pay official royalty fee at a rate of 10% of the market price of the oil palm and forest maintenance fee at a rate of double the official royalty fee. As at 31 December 2017 the book value of the remaining palm plantation on this land, was approximately Baht 0.1 million.

16. Short-term loans from financial institutions

	Interest rate		(Unit: Thousand Baht)	
	(Percent per annum)		Consolidated/Separate	
	2017	2016	2017	2016
Short-term loans from financial institutions	2.00 - 2.15	1.85 - 1.88	400,000	340,000
Total			400,000	340,000

17. Trade and other payables

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2017	2016	2017	2016
Trade payables - unrelated parties	11,018	17,750	11,018	17,750
Payables for purchase of machineries -				
unrelated parties	2,942	899	2,942	899
Other payables - related party (Note 6)	-	-	273,145	255,063
Other payables - unrelated parties	2,347	2,021	2,347	2,021
Advance received from related party (Note 6)	86	-	86	-
Accrued expenses	11,038	19,336	9,868	18,404
Total trade and other payables	27,431	40,006	299,406	294,137

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.

18. Provision for long-term employee benefits

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

(Unit: Thousand Baht)		
Consolidated/Separate financial statements		
	<u>2017</u>	<u>2016</u>
Defined benefit obligation at beginning of year	5,517	9,186
Included in profit or loss:		
Current service cost	1,534	947
Interest cost	479	550
Included in other comprehensive income:		
Actuarial loss arising from		
Demographic assumptions changes	3,177	-
Financial assumptions changes	1,875	-
Experience adjustments	13,366	-
Benefits paid during the year	(8,125)	(5,166)
Defined benefit obligation at end of year	<u>17,823</u>	<u>5,517</u>

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

(Unit: Thousand Baht)		
Consolidated/Separate financial statements		
	<u>2017</u>	<u>2016</u>
Cost of sales	1,508	910
Selling and administrative expenses	505	587
Total expenses recognised in profit or loss	<u>2,013</u>	<u>1,497</u>

The Company expects to pay Baht 7 million of long-term employee benefits during the next year (2016: Baht 1 million).

As at 31 December 2017 the weighted average duration of the liabilities for long-term employee benefit is 10 years (2016: 14 - 25 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated/Separate financial statements	
	<u>2017</u>	<u>2016</u>
	(% per annum)	(% 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 - 50.0	0.0 - 35.0

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 and 2016 are summarised below:

(Unit: Thousand Baht)

	Consolidated/Separate financial statements			
	2017		2016	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	(1,294)	(1,376)	(269)	280
Future salary increase rate	1,725	1,594	438	(420)
Employee turnover rate	(1,589)	1,731	(520)	547

19. Income tax

Income tax expenses for the years ended 31 December 2017 and 2016 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current income tax:				
Current income tax charge	3,607	16,545	329	13,008
Adjustment in respect of current income tax of previous year	-	(99)	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(5,375)	4,076	(5,627)	4,076
Income tax expenses (benefits) reported in the statement of comprehensive income	<u>(1,768)</u>	<u>20,522</u>	<u>(5,298)</u>	<u>17,084</u>

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	Financial statements		Financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Deferred tax relating to actuarial losses	3,684	-	3,684	-
Total	3,684	-	3,684	-

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Accounting profit (loss) before tax	(20,106)	92,718	(26,335)	106,973
Applicable tax rates	0% and 20%	0% and 20%	20%	20%
Accounting profit (loss) before tax multiplied by applicable tax rates	(4,180)	18,432	(5,271)	21,395
Adjustment in respect of current income tax of previous year	-	(99)	-	-
Share of loss from investment in joint venture	2,038	2,264	-	-
Utilisation of tax losses for the current year	-	(909)	-	(909)
Effects of:				
Promotional privileges (Note 22)	-	(688)	-	(688)
Non-deductible expenses	396	1,601	145	1,601
Additional expense deductions allowed	(22)	(79)	(22)	(79)
Dividend received	-	-	(150)	(4,236)
Total	374	834	(27)	(3,402)
Income tax expenses (benefits) reported in the statement of comprehensive income	(1,768)	20,522	(5,298)	17,084

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

	(Unit: Thousand Baht)	
	Consolidated financial statement	Separate financial statement
As at 1 January 2017	(5,463)	(5,463)
Deferred tax benefits recognised in the comprehensive income during the year	5,375	5,627
Deferred tax benefits recognised in the other comprehensive income during the year	3,684	3,684
As at 31 December 2017	3,596	3,848

As at 31 December 2017 and 2016, the components of deferred tax assets (liabilities) are as follows:

	(Unit: Thousand Baht)			
	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Deferred tax assets				
Allowance for diminution in value of inventories	87	437	87	437
Allowance for asset impairment	2,928	2,928	2,928	2,928
Provision for long-term employee benefits	3,565	1,104	3,565	1,104
Provision for land rental	202	298	454	298
Total	6,782	4,767	7,034	4,767
Deferred tax liabilities				
Change in fair value of biological assets and the differences between fair value and costs of agricultural produce	(3,186)	(10,230)	(3,186)	(10,230)
Total	(3,186)	(10,230)	(3,186)	(10,230)
Net	3,596	(5,463)	3,848	(5,463)

20. Statutory reserve

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

21. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Salary and wages and other employee benefits	143,102	162,988	143,102	162,988
Depreciation expenses	65,407	71,845	65,387	71,808
Amortisation expenses	9,692	10,870	9,692	10,870
Transportation expenses	18,903	16,178	18,903	16,178
Rental expenses	4,000	4,821	9,895	10,716
Repair and maintenance expenses	22,110	27,758	22,110	27,758
Raw materials and consumables used	394,541	524,295	394,541	524,295
Changes in inventories of finished goods and work in process	(3,503)	(54,783)	(3,503)	(54,783)

22. 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:

Certificate No.

1043(2)/2548

Principal privileges

- 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	- 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 2017 and 2016, 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u> <u>2016</u>
Sales	-	118,639	763,221	827,461	763,221 946,100

23. Earnings per share

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

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

	<u>Consolidated</u>		<u>Separate</u>	
	<u>financial statements</u>		<u>financial statements</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit (loss) for the year (Thousand Baht)	(18,339)	72,195	(21,057)	89,889
Weighted average number of ordinary shares (Thousand shares)	324,050	324,050	324,050	324,050
Earnings (loss) per share (Baht)	(0.06)	0.22	(0.06)	0.28

24. Segment information

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

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

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

For the year 2017, the Company and its subsidiaries have revenue from two major customers in amount of Baht 308 million and Baht 169 million (2016: has revenue from two major customers in amount of Baht 516 million and Baht 174 million), arising from oil palm plantation, crude palm oil and crude palm kernel oil processing.

25. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 5 percent of basic salary. However, for employees who joined the Company from 15 January 2010 onwards, the contribution rates are 2 - 5 percent of basic salary. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2017 amounting to Baht 2 million (2016: Baht 2 million) were recognised as expenses.

26. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividends per share (Baht)
Final dividends for 2015	Annual General Meeting of the shareholders on 26 April 2016	32	0.10
Total for 2016		32	0.10
Final dividends for 2016	Annual General Meeting of the shareholders on 26 April 2017	49	0.15
Total for 2017		49	0.15

27. Commitments and contingent liabilities

27.1 Capital commitments

As at 31 December 2017, the Company had no capital commitments relating to the acquisition of machine, equipment, vehicles and construction of building (2016: Baht 4 million).

27.2 Operating lease commitments

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

As at 31 December 2017 and 2016, 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Payable:				
In up to 1 year	3	2	4	4
In over 1 and up to 5 years	9	9	16	16
In over 5 years	15	17	25	29

27.3 Guarantees

As at 31 December 2017, there were outstanding bank guarantees of Baht 4 million (2016: Baht 4 million) issued by banks on behalf of the Company and its subsidiary in respect of certain performance bonds as required in the normal course of business.

27.4 Land exploit right

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

On 15 October 2005, the Company submitted related documents to ALRO to verify the right over the land. Consequently, ALRO sent a letter to the Company regarding the distribution of land. The land of 4,994.10 rai had been distributed. However, the Company found that the distribution of the land of about 1,459 rai, with the approximately cost of land and the net book value of the palm plantation development on such land as at 31 December 2017 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 current total area utilised by the Company. The 276 rai in land reform areas represents a large landholding and a holding in excess of the area that can be owned under Section 30 of the Land Reform for Agriculture Act.

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

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

28. Fair value hierarchy

As of 31 December 2017 and 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				
As at 31 December 2017				
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Biological assets	-	53,091	17,525	70,616

(Unit: Thousand Baht)				
Consolidated/Separate financial statements				
As at 31 December 2016				
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Biological assets	-	53,297	30,250	83,547

During the years 2017 and 2016, there was no transfer within the fair value hierarchy.

29. Financial instruments

29.1 Financial risk management

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

Credit risk

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

Interest rate risk

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

Significant financial assets and liabilities classified by type of interest rate are summarized 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(% per annum)											
<u>Financial Assets</u>												
Cash and cash equivalents	30	30	-	-	79	63	3	3	112	96	0.05 - 1.13	0.05 - 1.45
Trade and other receivables	-	-	-	-	-	-	51	14	51	14	-	-
Short-term loans to employees	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans to other companies	-	-	-	-	21	61	-	-	21	61	THBFIX + 1	THBFIX + 1
	30	30	-	-	100	124	54	17	184	171		
<u>Financial liabilities</u>												
Short-term loans from financial institution	400	340	-	-	-	-	-	-	400	340	2.00 - 2.15	1.85 - 1.88
Trade and other payables	-	-	-	-	-	-	27	40	27	40	-	-
	400	340	-	-	-	-	27	40	427	380		

(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		Total		interest rate	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(% per annum)											
<u>Financial Assets</u>												
Cash and cash equivalents	30	30	-	-	23	43	3	3	56	76	0.05 - 1.13	0.05 - 1.45
Trade and other receivables	-	-	-	-	-	-	51	14	51	14		-
Short-term loans to employees	-	-	-	-	-	-	-	-	-	-	-	-
	30	30	-	-	23	43	54	17	107	90		
<u>Financial liabilities</u>												
Short-term loans from financial institution	400	340	-	-	-	-	-	-	400	340	2.00 - 2.15	1.85 - 1.88
Trade and other payables	-	-	-	-	273	255	26	39	299	294	MLR - 1.5	MLR - 1.5
	400	340	-	-	273	255	26	39	699	634		

Foreign currency risk

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

29.2 Fair value of financial instruments

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

30. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2017, the Group's debt-to-equity ratio was 0.42:1 (2016: 0.35:1) and the Company's was 0.71:1 (2016: 0.59:1).

31. Subsequent events

On 22 February 2018, a meeting of the Company's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.10 per share in respect of unappropriated retained earning of the Company, or a total of Baht 32 million, for approval by the Annual General Meeting of the Company's shareholders.

32. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2018.