



Annual Report 2019

QUALITY + CORPORATE SOCIAL RESPONSIBILITY



Topics	Page
1. Financial Highlights (Consolidated Financial Statements).....	1 - 2
2. Message from the Chairman and the Managing Director	3 - 4
3. Report of the Audit Committee.....	5
4. Report of the Board of Directors' Responsibilities for Financial Statements	6
5. Report on the Implementation of Principles of Good Corporate Governance	7 - 28
6. General Information	29 - 31
6.1 Company Profile.....	29
6.2 Companies in which the Company has Investment Holding of more than 10%.....	30
6.3 Other References.....	31
7. Nature of Business.....	32
7.1 Revenue Structure.....	32
7.2 News Highlights of Previous Year.....	32 - 34
8. Risk Factors.....	35 - 36
9. Industry Overview and Competitiveness.....	37 - 45
10. Management Discussion and Analysis.....	46 - 54
10.1 Sustainability and Community	46 - 50
10.2 Financial Overview	51 - 53
10.3 Factors which might affect financial performance in the future.....	54
10.4 Remuneration of Statutory Auditor.....	54
11. Shareholders and Management.....	55 - 66
11.1 Shareholders.....	55
11.2 Board of Directors and Management Committee.....	56 - 65
11.3 Dividend Payout Policy.....	66
12. Common Interested Persons and Connected Transactions.....	67 - 69
12.1 Connected transactions with common interested persons, necessity and reasons for connected transactions.....	67
12.2 Measures or criteria to approve connected transactions.....	68
12.3 Connected Transactions in the Future.....	68
13. Other Factors Affecting Investment Decisions.....	69
13.1 Legal Conflicts.....	69
13.2 Obligations on Future Share Issuance.....	<i>None</i>
14. Information on Debentures or Promissory Notes.....	<i>None</i>
15. Report and Consolidated Financial Statements	<i>Enc.</i>

Investors may study more information on 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)

	2017	2018	2019
Total Assets	1,520	1,361	1,340
Total Liabilities	451	311	321
Shareholders' Equity	1,069	1,050	1,019
Sales	763	628	546
Total Revenues	781	683	564
Gross Profit	54	59	103
Net Profit (Loss)	(18)	14	(4)

FINANCIAL RATIOS

(Unit : %)

	2017	2018	2019
Net Profit (Loss) Margin	(2.30)	2.05	(0.71)
Return (Loss) on Equity	(1.68)	1.33	(0.39)
Return (Loss) on Total Assets	(1.18)	1.03	(0.30)

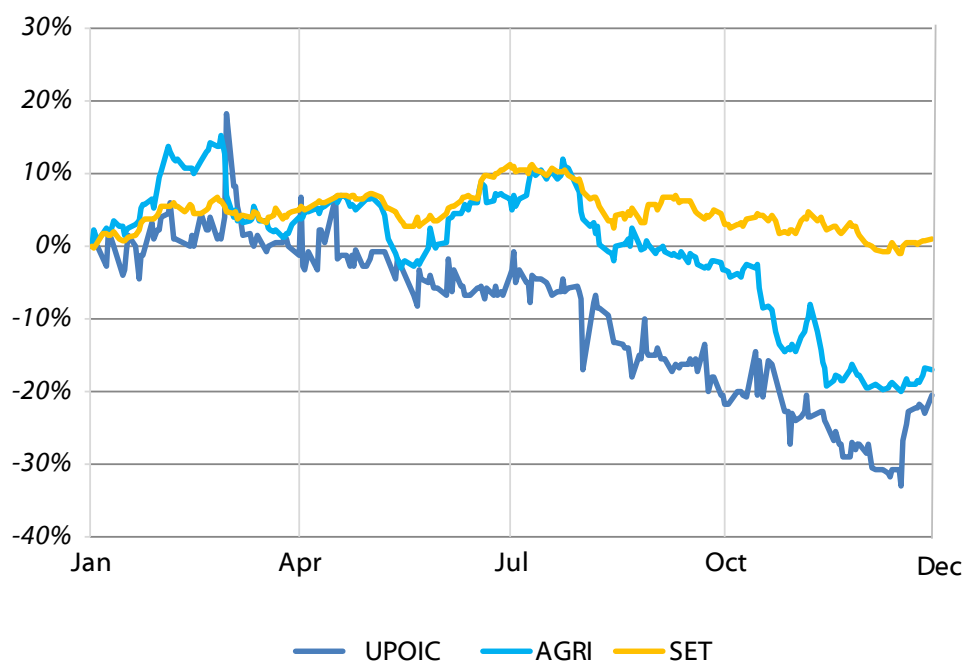
PER SHARE DATA

(Unit : Baht)

	2017	2018	2019
Earnings (Loss) per Share	(0.06)	0.04	(0.01)
Dividend Paid per Share	0.15	0.10	0.08
Dividend per Share (operational year)	0.10	0.08	0.025 ⁽¹⁾
Book Value per Share	3.30	3.24	3.15

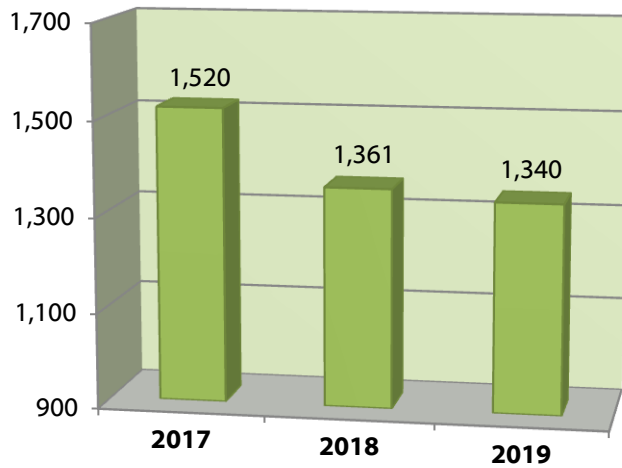
Note : ⁽¹⁾ According to the resolution of BOD meeting on 20 February 2020, to be proposed to AGM no. 43

2019 STOCK PRICE PERFORMANCE

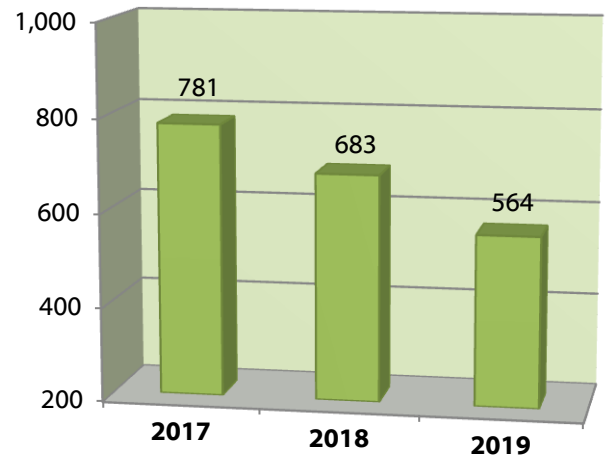


FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

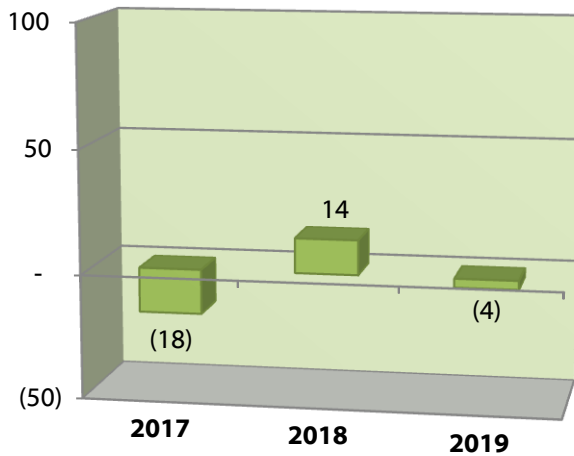
TOTAL ASSETS
(Million Baht)



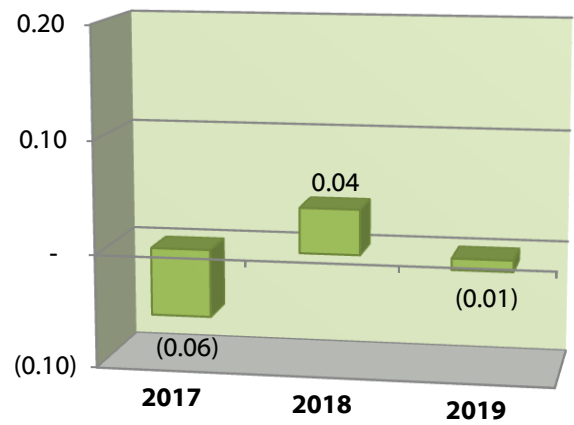
TOTAL REVENUES
(Million Baht)



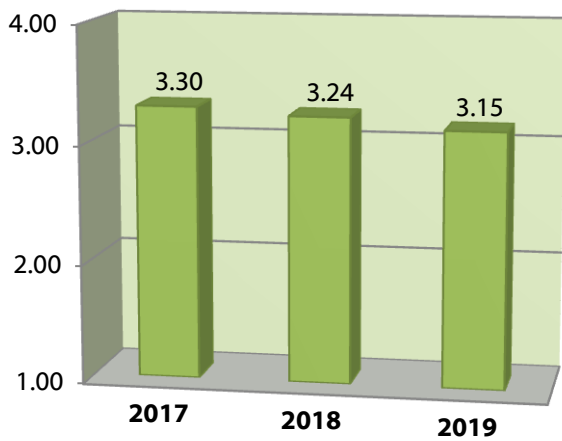
NET PROFIT
(Million Baht)



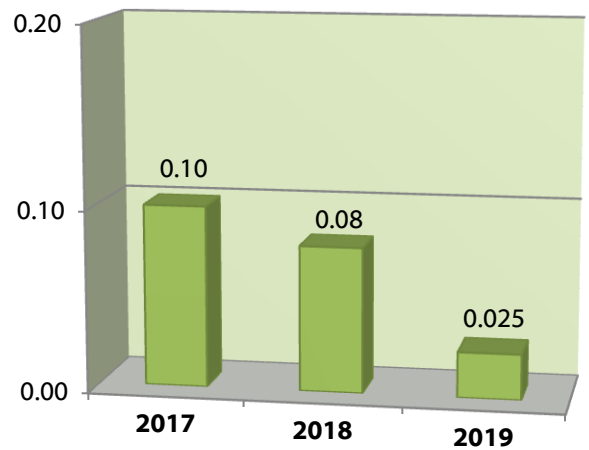
EARNINGS PER SHARE
(Baht)



BOOK VALUE PER SHARE
(Baht)



DIVIDEND PER SHARE
(Baht)



2019 Overview



The output of FFB in the Kingdom was around 16.66 million MT, increasing by 8.2% compared to the previous year. Total CPO production in the Kingdom was the highest recorded at 3 million MT (2018 : 2.8 million MT). Monthly CPO price in the Kingdom in 2019 ranged between 14.76 – 29.75 Baht/Kg. The annual average CPO price was 18.23 Baht/Kg (2018 : 19.57 Baht/Kg).

During the first nine months, CPO stock nationwide was maintained at a high level and the average monthly price was as low as 16.72 Baht/Kg. The key concerns pressing down the market included the palm oil stock nationwide maintaining at a high level, anti-palm oil campaigns in EU and the West, the EU applying a new biodiesel levy on biofuel produced from Indonesia, trade tension between the United States and China, and hike in the import duty of palm oil in India.

However, CPO price in the Kingdom started rising from mid-October onwards in tandem with global CPO price. This was due to several factors. One was the decision of Malaysia and Indonesia to increase the biodiesel mandate from the current to B20 and B30 respectively. Domestically, the announcement of the CPO purchased for electricity production by Electricity Generating Authority of Thailand (EGAT), and enforcing B10 biodiesel to become the primary diesel from 1 January 2020 onwards with B7 and B20 as alternatives enhanced the stability of CPO price.



While the average selling prices of both CPO and CPKO maintained at low level in 2019 when compared with those of 14 years ago, a high proportion of FFB was still purchased from outside due to concession land having expired. Your Company had been given permission to extend the lease for only half of the utilised area under the expired permit. Therefore it implemented replanting programme in such renewal concession area. The yield per rai was still low as the young palm trees require another 2 years to approach normal productivity, which negatively affected your Company's performance. To enhance the operating performance, your Company has established the Corporate Strategic Direction and enhanced Good Corporate Governance with sustainable growth by seeking to expand the plantation area as well as managing to improve yield per rai productivity of own plantation and planting alternative crop apart from oil palm.

Company's Performance

Overall, your Company's financial performance on consolidated basis turned negative with a net loss at 3.6 million Baht (2018 : net profit at 14.0 million Baht) and were adversely affected by low average selling price per unit of CPO and CPKO which decreased by 6.8% and 32.5%, respectively. There was a decrease in sales volume of CPO by 3.0% from the year 2018 while sales volume of CPKO increased by 15.0%. Accordingly, total revenue from sales of your Company decreased to 545.8 million Baht or 13.2% (2018 : 628.6 million Baht).

In July 2018, Provincial Chief Public Prosecutor of Krabi filed a lawsuit against the Company with the Court, alleging that the Company utilised land of 4,376 rai in land reform area and requesting the court to give an eviction order to the Company. On 2 August 2019, the Court dismissed the case and gave the Company an order for the handover of the land. On 4 December 2019, the Company appealed the judgement of the Court of First Instance. The case is currently under the consideration of the Appeals Court. However, the Company has set aside allowance for such damages from cost of land and palm plantation in the amount of 28.5 Million Baht into its financial statements since 2018.

In another case, Krabi Provincial Agricultural Land Reform Office ordered the Company to vacate the land with title No. 601, having approximate area of 973 rai, located at Krabi Noi Sub District, Muang District, Krabi Province, which was stipulated as the targeted area according to the order No. 36/2559 from the National Council for Peace and Order (NCPO). The Company surrendered such lands to ALRO Krabi. As a consequence, the Company has to buy oil palm fruits from outgrowers to compensate for the shortfall in palm fruits, which will lead to a higher cost of raw materials for the Company. Furthermore, the Company is required to write off its assets by 8 million Baht as its book value.

The Company does not otherwise expect the litigations to have a material impact on the Company.

Investment

In 2019 your Company did not invest in any major projects but still put effort into improving the productivity, harvesting, upkeeping palm trees, controlling transportation cost, and managing maintenance programme.

An area of 1,246 rai which was replanted in 2015 has started to generate FFB output in 2018. While the output is still low, yield per rai will gradually increase until achieving its normal level in the next 2 years. The area replanted in 2016 started generating the FFB output in mid of 2019.

Your Company earlier planned to start replanting of 1,434 rai in 2020. However, since the yield per rai was still at a high rate, the replanting programme of 1,291 rai was postponed indefinitely depending on conditions of palm trees and the yield per rai productivity. While, at the end of previous year, the remaining of 143 rai with the deteriorated condition and low productivity was replanted by growing under the old palm trees. Therefore, your Company could harvest FFB from old palm trees for another 2 years before being fell down, during when young palm could grow up.

Sustainability and Community

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

Your Company places importance to continue supporting and helping communities and societies in nearby areas. In this year, your Company delivered FFB bunches to farmers in the community for mushroom cultivation to support their incomes in a sustainable way and also delivered FFB bunches to various organisation and nearby people to use as material for organic fertiliser which can reduce the cost of agriculture and develop relationship between the crushing mill and local communities under the Sufficiency Economy Philosophy.

Human Resources and Corporate Culture

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

During the past year, the promotion and development of potential employee have been carried out continually and consistently in accordance with the Compliance of local laws, standards, customer requirements and legal requirements. Beyond that, it is also an adjustment of working process and procedures to be more flexible in response to the changing business and intense competition.

Putting business ethics into action which has been supported by Executives, resulting in the year 2019 being another year of pride that your Company received the award for outstanding workplace labor relations and welfare for the second consecutive year.

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
Ms. Somrak Krajangsod	Secretary to the Audit Committee

In 2019, 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 2019, 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 2019 the AC had one meeting with the external auditors without the management attending. The information disclosed by the management to the auditors was found to be adequate without any deficiencies;
4. Consultative meetings with the management and external auditors regarding the implementation of new Thai Accounting Standard and the readiness of the Company;
5. Proposal to the Board of Directors to consider the 2019 annual audit plan;
6. Consideration of the principles of Good Governance for Listed Companies, which Thai Institute of Directors (IOD) and the Stock Exchange of Thailand (SET) updated and improved to meet the standards of ASEAN CG Scorecard;
7. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
8. Proposal to the Board of Directors for approval at the 2020 Annual General Meeting of Shareholders, the appointment of EY Office Limited to be the statutory auditor of the Company for 2020 including appropriate remuneration;
9. Consideration of "Board Self-Assessment" Form, a part of the Corporate Government Self-Assessment, as an instrument to internally practice for good corporate governance principles.

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



Mr. Thira Wipuchanin
Chairman of the Audit Committee
20 February 2020

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 2019 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, 2019.

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



Mr. Thira Wipuchanin
The Chairman



Ms. Anchalee Suebchantasiri
Vice-Chairman and Managing Director

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

8 Principles of the Corporate Governance Code

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

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

Principle 1 Establish Clear Leadership Role and Responsibilities of the Board

1. Structure of the Board

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

2. Duties and Responsibilities of the Board

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

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

3. Scope of Authority of the Board of Directors

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

4. The Chairman of the Board

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

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

5. The Managing Director

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

6. Company Secretary

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

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

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

7. Qualification of Independent Directors

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

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

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

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

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

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

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

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

8. Director's Term of Office

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

9. Directors Concurrently Being Directors of Other Companies

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

- Chairman: only 3 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.

10. Executives Holding Directorship in Other Companies

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

Principle 2 Define Objectives that Promote Sustainable Value Creation

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

1. Vision

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

2. Mission

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

3. Code of Business Conduct

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

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

Principle 3 Strengthen Board Effectiveness

1. Procedure for Director Nomination

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

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

2. Criteria

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

3. Sub-committees

3.1 Audit Committee

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

The Audit Committee shall designate a person as Secretary to the Audit Committee to provide support to the Audit Committee’s proceedings, including setting up meeting appointments, preparing meeting agendas, distributing meeting documents, taking minutes of meeting, and other tasks as assigned by the Audit Committee.

Duties and Responsibilities of the Audit Committee

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

In 2019, 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	2019-2020	4/4
(2) Mr. Sangiam Santad	Independent Director	2019-2020	4/4
(3) Mr. Wasin Patchakapati	Independent Director	2019-2020	4/4

3.2 Remuneration Committee

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

Duties and Responsibilities of the Remuneration Committee

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

In 2019, 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	2019-2020	2/2
(2) Mr. Thira Wipuchanin	Independent Director	2019-2020	2/2
(3) Mr. Wasin Patchakapati	Independent Director	2019-2020	2/2
(4) Mr. Whang Shang Ying	Director	2019-2020	2/2

3.3 Nomination Committee

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

Duties and Responsibilities of the Nomination Committee

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

In 2019, the Nomination Committee held 2 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meeting
(1) Mr. Sangiam Santad	Chairman of the Nomination Committee	2019-2020	2/2
(2) Mr. Thira Wipuchanin	Independent Director	2019-2020	2/2
(3) Mr. Wasin Patchakapati	Independent Director	2019-2020	2/2
(4) Mr. Whang Shang Ying	Director	2019-2020	2/2

3.4 Risk Management Committee

The Board of Directors, on 27 February 2017, approved to formalise the Risk Management Committee (RMC) with the below duties and responsibilities. The Risk Management Committee shall comprise a minimum of 2 members who are appointed by the Board from senior management. The term of office shall be 1 year to be ended at the AGM. A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee. Nevertheless, a retiring member is eligible for re-appointment. The Committee reports directly to the Board through Audit Committee review.

Duties and Responsibilities of the Risk Management Committee

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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.

In 2019, the Risk Management Committee held 2 meetings, with the attendance of each member shown as below:

Name	Position	Period of Directorship	Attendance / Total Meeting
(1) Ms. Piyathida Sukchan	Executive Director	2019-2020	2/2
(2) Mr. Ampol Simarojana	Non - Executive Director	2019-2020	2/2

4. Board of Directors' Meeting

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

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

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

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

In 2019, the Board of Directors held 7 meetings. The attendance of each member is as follows:-

Name	Position	Period of Directorship	Attendance / Total Meeting
(1) Mr. Thira Wipuchanin	Independent Director and Chairman of Board of Directors	2019-2020	7/7
(2) Mr. Sangiam Santad	Independent Director	2019-2020	7/7
(3) Mr. Wasin Patchakapati	Independent Director	2019-2020	7/7
(4) Mr. Whang Shang Ying	Director	2019-2020	5/7
(5) Ms. Anchalee Suebchantasiri	Managing Director	2019-2020	7/7
(6) Ms. Piyathida Sukchan	Executive Director	2019-2020	7/7
(7) Mr. Ampol Simarojana	Non - Executive Director	2019-2020	7/7

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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 2019, there was one meeting of non-executive Directors which were not attended by Executive Directors, in relation to, new accounting standards that would affect the Company including the collaboration of the management team working with the external auditor, and other general matters.

5. Board Self Assessment

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

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

Principles

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

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

In 2019, overall evaluation results of the three categories indicated **"Very Good"**.

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

Principles

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

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

In 2019, overall evaluation results of the six categories indicated **"Very Good"**.

The average score of 2019 assessment of the Board of Directors and Sub-Committees were summarised as follows:-

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

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

5.3 Assessment of Managing Director

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

Principle 4 Ensure Effective CEO and People Management

1. Remuneration of Directors and Executives

1.1 Remuneration of Directors

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

Remuneration of the Board of Directors and Sub-Committees	2018		2019	
	No. of Persons	Baht	No. of Persons	Baht
Board of Directors	8	4,369,200	7	4,369,200
Audit Committee	3	1,900,800	3	1,900,800
Remuneration Committee	4	-	4	-
Nomination Committee	4	-	4	-

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

1.2 Remuneration of Executives

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

In 2019 Executive Directors, Managing Director and Executives jointly defined Key Performance Indicators (KPIs) for assessment criteria used by the Remuneration Committee in assessing the performance of Executive Directors, Managing Director and Executives.

Remuneration	2018		2019	
	No. of Persons	Baht	No. of Persons	Baht
Executives	7	13,212,355	6	12,312,349

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

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

2. Board and Management Training

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

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

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

In 2019, director who attended the major training sessions was as follows:

No.	Director	Position	Training Session	Objectives
1	Ms. Piyathida Sukchan	Executive Director	Palm & Lauric Oils Price Outlook Conference & Exhibition (POC 2019) in Kuala Lumpur, Malaysia	To update the situation of palm oil in the global market in the current year including factors that determine the direction of future palm oil prices
2	Ms. Somrak Krajangsod	Company Secretary and Secretary to the Audit Committee	Company Secretary Program (CSP) 97/2019 from Thai Institute of Directors (IOD)	The program touches upon responsibilities of company secretaries and other pivotal functions to help them carry out their board supporting roles successfully, including the introduction of corporate governance framework along with key issues which may occur in their works.

3. Succession Plan

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

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Principle 5 Nurture Innovation and Responsible Business

1. Nurture Innovation

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

2. Role of Stakeholders

The Company has a policy that recognises the rights and interests of all groups of stakeholders whether they are employees, shareholders, creditors, customers, trade-counterparts, competitors, community and society. The expectations of one group of stakeholders may be different from another group. Therefore, the Company shall ensure that the rights of each group will be protected according to relevant laws and handled carefully and with sensitivity. Procedures are stated as the Company's policy namely Policy and Practice toward stakeholders, and published on the Company's website as follows:-

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

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

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

The Company conducts its activities with the concern of safety, health and environment. Management and employees at all levels have committed to carry out their functions with responsibility. In 2019, there were 9 accidents. However, there was no any death in workplace.

3. Human Resources Development Policy

The Company commits to support and maintain working environment enhancing their efficient contributions. The Company engages in teamwork building and continuous improvement to ensure high performance of human resources as it is believed that the continuous development would strengthen their capability and competence, following an increase in efficiency of the operation and serving customer satisfaction along with building awareness of all employees on the professional ethic. In 2019, the average training hours of employees was 11.65 hours / person and there were a total of 27 training courses provided to employees including the training on environmental management.

4. Anti-Corruption Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

Principle 6 Strengthen Effective Risk Management and Internal Control

1. Risk Management

The Board of Directors realised the importance of the Risk Management. Therefore, in 2017, the Board approved to formalise the Risk Management Committee comprising senior managements. Duties and responsibilities of the Risk Management Committee were presented in Principle 3 item 3.4. The Management then has to evaluate the risk in every unit and work process, assess the efficiency and existing control measure, and propose plan and method to reduce risk to the Board of Directors.

2. Controlling System and Internal Audit

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

The Audit Committee has appointed Dr. Virach & Associates Office to be the Company's outsourced internal auditor. The service contract is subject to the renewal every 2 years. The internal auditor shall report directly to the Audit Committee every quarter.

3. Conflict of Interests

3.1 Prevention of use of inside information

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

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

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

3.2 Approval of transaction containing conflict of interest

Directors, executives, or other persons, who enter into related party transaction or transaction containing potential conflict of interest and transaction regarding acquisition or disposal of material assets as defined by the Notifications of the SEC and the SET which are in force on the date of such transaction, shall strictly follow the Notifications. The Company has set the criteria to approve the transaction as follows:-

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

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

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

The management shall report transaction with value over 500,000 Baht which will be reviewed by the Audit Committee before presenting to the quarterly Board meetings.

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

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

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

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

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- The Company shall disclose such interest in the annual report and Form 56-1.

3.4 Mechanism for stakeholders to do whistle blowing or make complaints

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

1. **Provide channel for stakeholders to do whistle blowing or make complaints :** Any stakeholder wishes to communicate to the Board of Directors directly without passing through the management of the Company to express his opinions about the operation of the Company's business including whistle blowing or complaints such as incorrect financial report, violation of the law or ethics or deficiency of internal control system, etc. may address his communication directly to the Audit Committee.

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

By email: acthira@hotmail.co.th

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

Principle 7 Ensure Disclosure and Financial Integrity

1. Disclosure and Transparency

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

- Disclosure of the following in Thai and English and update of the information in the Company's website
 - Principles of Good Corporate Governance
 - Policy and Practice toward stakeholders including environment policy; anti-corruption policy; quality, safety, and occupational health policy etc.
 - Code of Business Conduct
 - Nature of Business
 - Business Structure
 - Shareholder Structure
 - Structure of the Board of Directors
 - Vision/Mission
 - Articles of Association
 - Annual Report
 - Form 56-1 (Thai version)
 - Financial Statements
 - Meeting notices and meeting documents
 - Minutes of the Shareholders' Meetings
 - News published by the Company
- Periodically submit accurate, complete, and timely information to the SET and the SEC such as Financial Statements, Form 56-1, Annual Report

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- News on important changes which may have material impact on the share price according to the regulations of the SET
- The Board of Directors assumes the responsibility for the accuracy, completeness and timely manner of the Company's financial reporting and information disclosure in accordance with relevant guidelines including rules and generally accepted accounting standards with appropriate accounting policies which are applied and consistently conformed. The report shall be audited by an external auditor and reviewed by the Audit Committee to ensure that sufficient disclosure is made and it can reflect the Company's financial status and operating performance.
- The Executive Directors shall be responsible for communicating with investors both individual and institutional, shareholders, security analysts and relevant government sectors. Information can be requested from Tel: 02-361 8959-87 or Fax: 02-361 8988-9 or by email: upoic.secretary@upoic.co.th or through the Company's website.

2. Financial Liquidity and Solvency

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

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

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

Principle 8 Ensure Engagement and Communication with Shareholders

1. Right of Shareholders

- The Company shall hold an Annual General Meeting of Shareholders (AGM) within 4 months of the end of the Company's fiscal year. The meeting will consider the Annual Report of the Board of Directors presenting the operational performance of the past year, statements of financial position, statements of comprehensive income, dividend distribution and legal reserve appropriation, election of directors to fill the vacancy caused by expiration of service term, director's remuneration, appointment of auditor and auditor's remuneration.
- For Annual General Meeting of Shareholders (AGM), the Company shall separate the agendas between the appointment of directors and the director's remuneration. The Company provides the ballot to shareholders to use for proposing candidates and voting directors as an individual.
- The Company shall hold an extraordinary general meeting of shareholders as the Board of Directors thinks fit. One or more shareholders holding shares in aggregate of at least ten (10) percent of the total number of issued shares may together join the name list in writing to request to the Board of Directors to call for an extraordinary meeting at any time. However, it is necessary to specify the subject and the reasons for calling such meeting to be clearly stated in such request. The Board of Directors shall proceed to call a shareholders' meeting to be held within forty-five days from the date of receipt of such request from the said shareholders.

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- The Company shall disclose the Board resolutions regarding the determination of AGM date and the meeting agendas with the reasonable details through the SET online system and the Company's website no later than the next working day after the Board having resolution.
- In calling a shareholders' meeting, the Company shall prepare a written notice calling the meeting that states the place, date, time, agenda of the meeting and the matters to be proposed to the meeting with reasonable details by indicating clearly whether it is the matter proposed for information, for approval or for consideration, as the case may be, including the opinions of the Board of Directors in the said matters, and the said notice shall be delivered to the shareholders and the Registrar for their information at least 21 days prior to the date of the meeting.
- At a shareholders' meeting, in order to constitute a quorum, there shall be shareholders and proxies (if any) amounting to not less than 25 persons and holding shares amounting to not less than one-third of the total number of shares issued. The Chairman of the Board of Directors shall be the chairman of the meeting and conducting the meeting according to the sequence in the agenda stated in the meeting notice, and it is the policy not to add items to the agenda without advance notice to shareholders.
- In a regular agenda, the ballot shall be used in the event any shareholder would like to cast a negative vote or abstain from voting. The ballot shall always be used in important agenda such as election of directors, approving connected transactions, acquisition or disposal of assets, amendment of memorandum of association and articles of association.
- The Company shall ensure that shareholders have the opportunity to propose the agenda for AGM as it deems material and beneficial including to propose candidate for selection as director in advance, and to submit questions which are related to the Company prior the meeting date, the procedures of which are published on the Company's website.
- Adequate time shall be allocated for the meeting and equal opportunities provided for shareholders to express their opinions and ask questions.
- The Company's policy to facilitate and encourage shareholders to attend and participate at the shareholders' meeting has been established and posted on its website.
- The Company shall post meeting documents and meeting notices in both Thai and English languages on its website at least 30 days prior to the meeting date so that the shareholders can study the information for the meeting in advance.
- The Company shall ensure that shareholders have the opportunity to ask questions and shall record important issues raised by the shareholders and explanation of the Board as well as recording clearly the number of affirmative votes, negative votes, and abstained votes, in the meeting minutes, once having votes in any respective agenda. Two shareholders are invited to act as witness in the counting of votes, and VDO has been recorded during the meeting until the meeting finishes.
- The Company shall disclose the resolutions together with voting result through the SET online system within the next day after the meeting date.
- The Company shall post a draft minutes of the shareholders' meeting on the Company's website within 14 days of the completion of the meeting. The shareholders may inspect the correctness and may make objection if necessary without having to wait until the next meeting to do so.
- The Company participates in SET Opportunity Day, arranged by the Stock Exchange of Thailand. The objective of the event is to provide an opportunity for listed companies to carry out investor relations activities and to clarify information about the business and operations to security analysts, investors and the media who attending the event. The Company always joins the activity at least once a year with approximately 20-30 participants attended the meeting (excluding audience participation through online channel).

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

2. Equitable Treatment of Shareholders

- Regardless of their gender, age, skin color, race, nationality, religion, belief, political preference, or any physical handicap, the Company values all shareholders by protecting their fundamental rights equally and fairly, including applies the one share one vote principle to ensure the investment confidence.
- The Company shall provide a proxy form B, in which a shareholder can give comments on his votes, enclosed in the meeting notices stating clearly the required documents and procedure for appointment of proxy to attend the meeting. A shareholder who cannot attend the meeting in person but would like to exercise his voting right may appoint another person as proxy to attend and vote at the meeting. He may also appoint an independent director as his proxy.
- The Company establishes the policy for prevention of utilising insider information, and informs the same to employees, executives, and directors (details in Principle 6 item 3.1).
- The Company discloses business connected transactions with its subsidiary, which is normal business on fair and at arm's length basis (details in Principle 6 item 3.2).

The Implementation of Corporate Governance Code for Listed Companies

The Company has reviewed the Corporate Governance Policy, developed from the 2012 Good Corporate Governance Principles for listed Companies in aligning with the guideline set by the Stock Exchange of Thailand, and the 2017 Corporate Governance Code for Listed Companies as prescribed by the Office of Securities and Exchange Commission. After consideration, the Board of Director founded that the Company has adopted most of 8 principles that are suitable for the Company's business.

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

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

Company Profile

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

1. Own Planted Area

Classified by the areas that have document of rights i.e. title deeds, Nor Sor 3 kor, Nor Sor 3, and Sor Kor 1, with total area of 14,591.20 rai, comprises of the following areas;

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

2. Subsidiaries Planted Area

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

Part 1 : 4,294.34 rai is the lease for a period of 30 years from 9 July 2014 to 8 July 2044

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

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

GENERAL INFORMATION

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

- 1 Name of Company : Phansrivivat Company Limited**
- Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81 130
Tel 075-666 075
Fax 075-666 072
- Nature of Business : 99.99% shareholder in Phansri Company Limited^① and Prachakvivat Company Limited^②, which own the concession of oil palm plantation
- Registered Share Capital : 27,400 shares (par value of 10,000 Baht per share)
Shareholding (common shares) : 27,394 shares or 99.98%
- Remarks :**
- ①Phansri Company Limited**
- Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81 130
Tel 075-666 075
Fax 075-666 072
- Estate Location : Chaiburi Sub-District, Chaiburi District, Surat Thani
Granted area : 6,515 rai
(under permission granted to gather forest product in the National Reserved Forest)
Exploit Period : from 15 May 2019 to 14 May 2020
Registered Share Capital : 500 shares (par value of 10,000 Baht per share)
- ②Prachakvivat Company Limited**
- Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81 130
Tel 075-666 075
Fax 075-666 072
- Estate Location : Khiansa and Kamvaree Sub-District, Khiansa District, Surat Thani
- Lease of State Property from the Treasury Department : classified into 2 parts:-
- Part 1 : 4,294.34 rai is the lease for a period of 30 years from 9 July 2014 to 8 July 2044
Part 2 : 4,294.34 rai; the Treasury Department will allocate to poor people who own no land at the rate of 10 rai/person. Pending such allocation, the Treasury Department granted the subsidiary to exploit the land and pay the determined rental fee.
- Registered Share Capital : 5,000 shares (par value of 1,000 Baht per share)
- 2 Name of Company : Siam Elite Palm Company Limited**
- Corporate Headquarters : 64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260
Tel 02-744 1046-8
Fax 02-361 8989
- Krabi Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81 130
Tel 075-666 075
Fax 075-666 072
- Nature of Business : Oil palm seed propagation
Registered Share Capital : 5,000,000 shares (par value of 10 Baht per share)
Shareholding (common shares) : 2,500,000 shares or 50.00%

Other references

1. Registrar

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

Tel 02-009 9000
Fax 02-009 9991

2. Auditor

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

Tel 02-264 0777
Fax 02-264 0789

No. of years being the Company's Auditor : 2
Relations or interests with the Company / : None
the Company's subsidiaries /
the management / major shareholders /
or any relevant persons of the aforementioned

NATURE OF BUSINESS

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

UPOIC and its subsidiaries have their own oil palm planted area with the documents of rights for 14,591.20 rai. Other areas belong to State Property comprising lease area and permission to gather forest product with the total area of 15,103.69, located in Krabi and Surat Thani.

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

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

In 2019, CPO sales contributed about 80.95% of its total revenue. The Company produced CPO equal to less than 5% of the total CPO produced in the Kingdom. The Company's crushing mill is one of 101 CPO crushing mills (operational) nationwide.

Revenue structure

Product/Services	2017		2018		2019	
	Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
CPO	625	85.27	488	77.71	442	80.95
CPKO	93	12.69	88	14.01	68	12.45
Others	45	2.04	52	8.28	36	6.60
Total Sales	763	100.00	628	100.00	546	100.00

Note : All sales are carried out by UPOIC itself.

News Highlights of Previous Year

1. Board of Directors : The Appointment of a New Company Secretary

On 8 November 2018, the Board of Directors approved the appointment of Ms. Somrak Krajangsod, to be a new Company Secretary, replacing Mr. Yut Sakdejyont with effect from 1 January 2019.

2. Lease Agreement with the Treasury Department : A 30-Year New Agreement

On 11 December 2014, Prachak Vivat Co., Ltd. entered into a lease agreement with the Treasury Department for an area of 4,294 rai for 15 years. However, on 15 February 2019, Prachak Vivat Co., Ltd. was granted the leasehold right to this area for an additional 15 years by the Treasury Department, which terminated the original agreement and made a new agreement for 30 years, effective from 9 July 2014 to 8 July 2044.

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

In July 2018, Krabi prosecutor filed a lawsuit against the Company, alleging that the Company utilised 4,376 rai of land reform area for oil palm plantation, which was a violation of Section 9, 108 Bis of the Land Code B.E. 2497, Revolutionary Council Decree No. 96 dated 29 February 1972, and Section 83 of the Criminal Code. The content has been disclosed in the Notes to interim financial statements for the three-month and six-month periods ended 30 June 2018 onwards.

On 2 August 2019, Krabi Provincial Court ordered the dismissal of the case but the Company is ordered by the Court to return the land. Currently, the appeal is on process as presented in Note 27.5. However, the damage which arises from the cost of land and palm plantation is 28.5 million Baht. The Company has made an allowance for the full amount of such damage.

4. Order of Krabi Provincial Agricultural Land Reform Office : The Company to Exit The Land With Title No. 601

On 24 December 2019, the Board of Directors resolved for the Company to proceed as indicated in the Order of Krabi Provincial Agricultural Land Reform Office, whereby the Company needs to exit from the land with title No. 601, having approximate area of 973 rai, located at Krabi Noi Sub District, Muang District, Krabi Province, held in possession without title documents issued by governmental authorities and remove all properties from such Land within 31 December 2019 as presented in Note 27.4 (c).

Exit from the Land results in the reduction of the Company's land and depreciation of the Company's properties, by 8 million Baht as its book value. Furthermore, there are plantations of palm trees, which the Company invested in, on the Land, accounting for 4.50% of the Company's total own harvested palm fruits, or 2.10% of the total palm fruits supplied as throughput raw material for the Company's crushing mill. As a consequence of the exit from the Land, the Company has to buy oil palm fruits from outgrowers to compensate for the shortfall in palm fruits, which will subsequently lead to a higher cost of raw materials for the Company.

5. Amendment of the Articles of Association : The Article Number 19

To increase the operational flexibility and tighten up the process relating to the Authorised Directors of the Company, which the Board of Directors can be empowered to specify names of Directors authorised to sign and bind the Company without the need of approval from the Shareholders' Meeting, the Annual General Meeting of Shareholders No. 42 on 26 April 2019 resolved to approve the amendment of the Article 19 of the Company's Articles of Association as follows:

From

"Article 19 : Two Directors shall have the power to represent the Company by jointly sign their names with the Company's seal affixed.

The Board of Directors may entrust one director or directors or any other person or persons with any task to be carried out on behalf of the Board of Directors."

Amend to

"Article 19 : Two Directors shall have the power to represent the Company by jointly sign their names with the Company's seal affixed. However, the Board of Directors may specify names of the Directors authorised to sign and bind the Company together with the Company's seal affixed.

The Board of Directors may entrust one director or directors or any other person or persons with any task to be carried out on behalf of the Board of Directors."

6. Amendment of the Articles of Association : The Article Number 23

To be in line with Section 100 of the Public Limited Companies Act. B.E. 2535, which is amended according to the Order of the Head of National Council for Peace and Order No. 21/2560 regarding the amendment to the law for the facilitation of doing business, the Annual General Meeting of Shareholders No. 42 on 26 April 2019 resolved to approve the amendment of the Article 23 of the Company's Articles of Association as follows:

From

"Article 23 : The Board of Directors shall convene the Annual General Meeting of Shareholders within four months from the last date of the fiscal year of the Company.

Other meetings of shareholders in addition to the above shall be called as Extraordinary Meeting of Shareholders.

The Board of Directors may convene an extraordinary meeting of shareholders any time it deems appropriate, or shareholders holding shares in an aggregate number of shares not less than one-fifth of the total number of issued shares or shareholders in a number not less than twenty-five holding an aggregate number of shares not less than one-tenth of the total number of issued shares may together join the name list in writing to request to the Board of Directors to call for an extraordinary meeting of shareholders at any time but they must also specify reasons for such request in the notice. The Board of Directors must arrange for a meeting of shareholders within one month from the date of receipt of the notice."

NATURE OF BUSINESS

Amend to

“Article 23 : The Board of Directors shall convene the Annual General Meeting of Shareholders within four months from the last day of the fiscal year of the Company.

Other meetings of shareholders in addition to the above shall be called as Extraordinary Meeting of Shareholders. The Board of Directors may convene an extraordinary meeting at any time it deems as appropriate.

One or more shareholders holding shares in aggregate of at least ten (10) percent of the total number of issued shares may together join the name list in writing to request to the Board of Directors to call for an extraordinary meeting of shareholders at any time. However, it is necessary to specify the subject and the reasons for the meeting request to be precise in such a case. The Board of Directors must arrange a meeting of shareholders within forty-five days from the date of receipt of the letter from the shareholders.

In case the Board does not arrange a meeting within the period specified in the third paragraph, the shareholders, who have been nominated or the other shareholders collectively have the required number of shares, may convene such meeting forty-five days from the date of the expiration of the period under the third paragraph. Such case is considered as Shareholders’ Meeting which is called by the Board of Directors. The Company shall be responsible for facilitating convenience and any expenditure incurred during the meeting as it deems as appropriate.

In case the meeting of shareholders is convened by the shareholders under the fourth paragraph and the number of shareholders attending the meeting does not constitute a quorum as stipulated in Article 25 of this Articles of Association, the shareholders under the fourth paragraph shall be jointly and severally liable for the costs incurred by such meeting.”

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

Approximately 15,103.69 rai composed of Khiansa estate 8,588.69 rai and Chaiburi estate 6,515 rai, are held by two subsidiaries which represent 50.9% of the total planted areas of the Company and its subsidiaries.

(a) Khiansa Estate had been given permission from the Treasury Department to lease 4,294.34 rai of the State Property for a period of 30 years from 9 July 2014 to 8 July 2044. The replanting in such area started at 1,246 and 1,410 rai in 2015 and 2016 respectively. However, since the yield per rai was still at a high rate,, the replanting programme of 1,291 rai was postponed indefinitely depending on conditions of palm trees and the yield per rai productivity. While, at the end of previous year, the remaining of 143 rai with the deteriorated condition and low productivity was replanted by growing under the old palm trees. Therefore, the Company could harvest FFB from old palm trees for another 2 years before being fell down, during when young palm could grow up.

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

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

During the consideration period, the subsidiary was granted permission to gather forest product in the National Reserved Forest upon the obligation to pay official royalty fees at the rate of 10% of market price of oil palm and forest maintenance fees at a double rate of the official royalty fee. Permission was granted since 27 April 2015 which can be renewed on yearly basis. The current permit will be expired on 14 May 2020. However, the palm trees grown in the area are more than 30 years old and some varieties are very tall that hinder the harvesting operation, resulting in decreasing yield per rai.

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

It was announced that two plots of land owned by the Company overlapped with the land of Agricultural Land Reform Office (ALRO) after having been planted with palms for 7 and 18 years respectively. In 2004, the ALRO issued a letter informing the Company to enter into the legal process of land reform. In 2005, the Company submitted related documents to ALRO to verify the right over the land which the Company had been exploiting and inhabiting before the ALRO announcement. In 2008, ALRO Krabi sent a letter informing the Company to enter into the land distribution process. Some parts of the land amounting to 3,528.46 rai were completely distributed in 2010.

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

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

In another case, Krabi Provincial Agricultural Land Reform Office ordered the Company to exit from the land with title No. 601, having approximate area of 973 rai, located at Krabi Noi Sub District, Muang District, Krabi Province, which was stipulated as the targeted area according to the order No. 36/2559 from the National Council for Peace and Order (NCPO). The Company surrendered such lands to ALRO Krabi. As a consequence, the Company has to buy oil palm fruits from outgrowers to compensate for the shortfall in palm fruits, which will subsequently lead to a higher cost of raw materials for the Company. Furthermore, the Company is required to write off its assets by 8 million Baht as its book value. Further details are set out on Page 33.

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 2019 ranged between 14.76 – 29.75 Baht/Kg (2018 : 16.22 – 23.20 Baht/Kg). The average price in 2019 was 18.23 Baht/Kg, decreasing by 6.85% from 2018, compared with the average price in global market at 16.13 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, which can be seen during the last quarter of previous year when CPO price

RISK FACTORS

had been recovered from 16 Baht/Kg at the beginning of October to hit the highest level of the year at 35 Baht/Kg. on 27 December 2019.

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 128 CPO crushing mills (of which only 101 mills are still in operation), most of which are located in Surat Thani, Krabi, Chumporn provinces, giving rise to a combined Fresh Fruit Bunch (FFB) processing capacity of 30 – 35 million MT per year. Therefore, there is a mismatch between such overall high processing capacity and FFB output in 2019 at 16.7 million MT from 5.5 million rai of mature growing area. Utilisation of milling capacity is around 50% leading to competition in the buying of FFB and high prices, irrespective of quality.

6. Selling of CPO to Major Customer

In 2018 and 2019, the Company sold 75% and 85% respectively of its products including CPO and CPKO to one major customer, namely Lam Soon (Thailand) Plc. (LST). While this constitutes a risk of over reliance on a single major customer, the Company has had continued good relations with LST, who is moreover also the Company's major shareholder. LST is a separate public listed company with strong financial background and has enjoyed a good reputation in the palm oil industry. For these reasons, the Company considers that the risk of losing LST as its customer or that it will encounter financial difficulty is remote. In any case, the Company can sell its products to other customers, whether for use as edible oil or as a source of alternative energy.

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

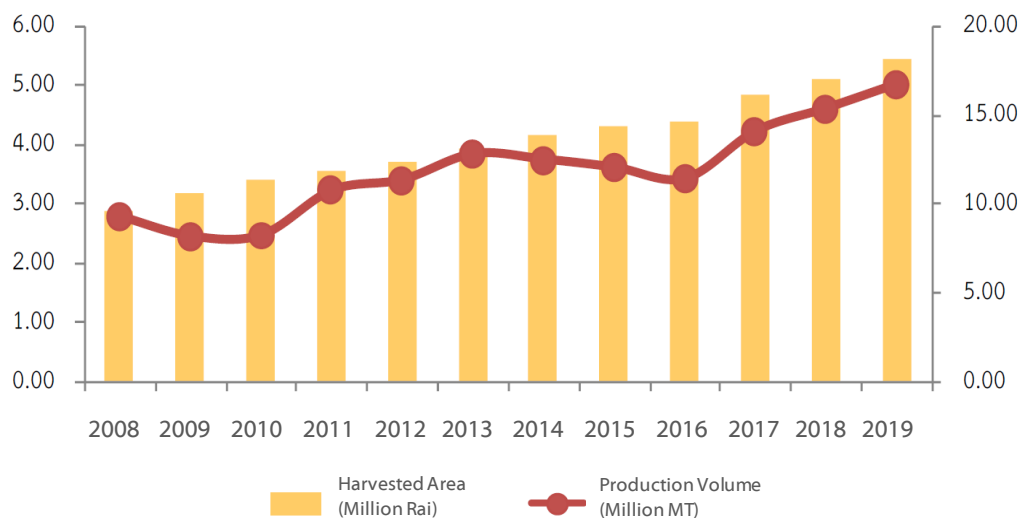
Lam Soon (Thailand) Public Company Limited (LST) currently holds 69.96% of the Company's paid-up capital. As a consequence, it deems that LST has the control power over the Company's policy, including over the general management. Further, having the same Managing Director might lead to the conflict of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

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

INDUSTRY OVERVIEW AND COMPETITIVENESS

The oil palm and palm oil industry in Thailand during the past 10 years has an average growth rate of 9% per annum, the production of FFB and CPO increased from 8 million MT and 1.3 million MT in 2010 to 16.7 million MT and 3 million MT in 2019 respectively. As such reason, oil palm has become an important economic crop generating more than 60 Billion Baht in revenue annually. The oil palm harvesting area in the Kingdom is currently around 5.5 million rai, about 90% of which is located in southern provinces due to the weather suitability. Since the late 2016 through 2019, the FFB output in the Kingdom improved significantly due to suitable weather condition with continual raining, and the significant expansion of harvesting areas.

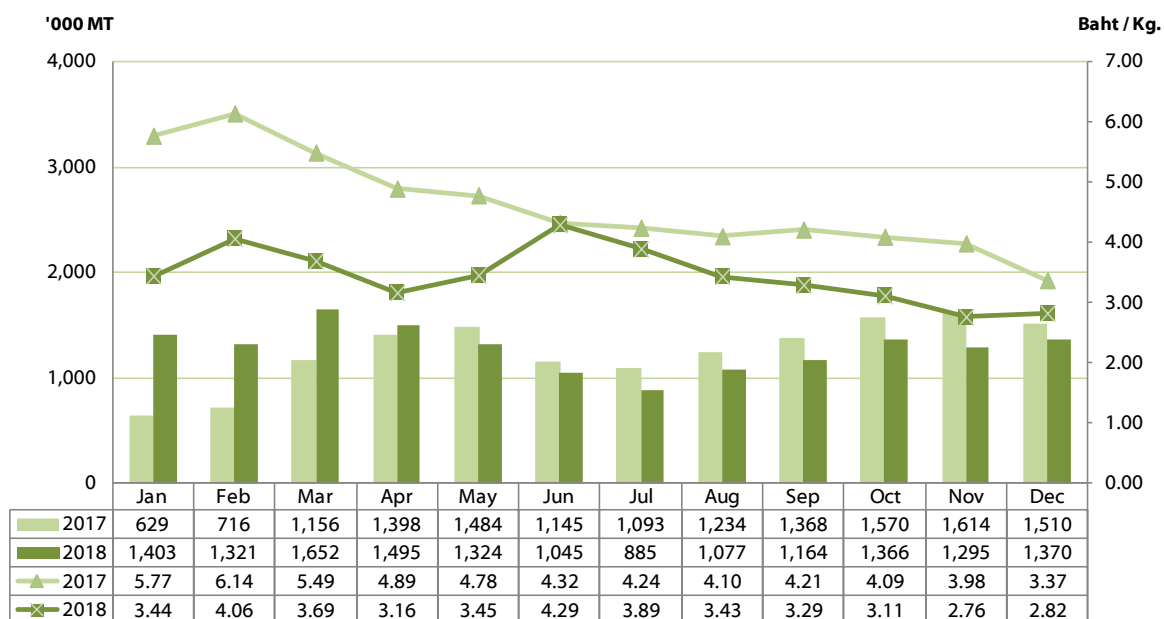
Figure 1 : Oil Palm Harvesting Area and FFB Output



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

Monthly FFB output ranged from its peak of 2.07 million MT in May and to its lowest at around 0.7 million MT in Dec. The annual average FFB price was at 3.05 Baht/Kg (2018 : 3.45 Baht/Kg), with the highest monthly average at 5.14 Baht/Kg in December and lowest at 2.20 Baht/Kg in April. The average price in 2019 was recorded at the lowest level in 13 years.

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



Source : Internal Trade Department

INDUSTRY OVERVIEW AND COMPETITIVENESS

Figure 3 : Highlights by Quarter

2019	Production ('000 MT)		Price (Baht/Kg)		Highlights
	FFB	CPO	FFB (OER 18%)	CPO	
Q1	4,392 (4,376)	795 (778)	2.67 (3.73)	16.04 (20.34)	The government introduced a measure to absorb 160,000 MT of CPO from the system for the first phase power generation at the end of 2018. As a consequence, the CPO stock in Thailand began declining in Q1/2019 and stood at 375,741MT at the end of March. Nevertheless, the price of FFB and CPO did not increase at all, partly due to the low global market price level.
Q2	5,455 (3,864)	967 (695)	2.58 (3.63)	17.23 (20.76)	Price continued to decrease. Some periods during April – May, FFB price was less than 2 Baht/Kg. which is the lowest level in 18 years. Therefore, according to the Cabinet resolution in May, the Ministry of Energy by EGAT ordered to purchase additional 200,000 MT of CPO dividing into the first lot of 100,000 MT (within May) which can be purchased at only 66,250 MT. However, the price of CPO dropped continuously in the global market due to the concerns over the trade war between the United States and China.
Q3	4,116 (3,126)	766 (566)	2.88 (3.54)	16.87 (20.24)	The price of FFB and CPO in the Kingdom remained at the low level. The government therefore announced measures to support the FFB price, including the guaranteed price of FFB at 4 Baht/Kg, encouraging the replacement of B7 by B10 and promoting B20 as an alternative. (The Ministry of Energy had extended the period determining the retail price of B20 being lower than B7 for 5 Baht/litre for another 2 months ending 30 September 2019). EGAT also came out to absorb the remaining of CPO to generate electricity. Other measures include tightening palm oil smuggling, export acceleration and installing meters at CPO storage tanks nationwide.
Q4	2,699 (4,031)	506 (739)	4.08 (2.90)	22.79 (16.94)	The CPO price in the global market increased sharply since mid October as a consequence of the announcement of B30 and B20 in Indonesia and Malaysia, respectively. CPO price in Thailand rose in line with the global market, lower domestic production, and EGAT purchasing 110,000 MT of CPO (from the remaining 133,750 MT) to generate electricity according to Cabinet resolutions in May and August. Finally, the enforcement of B10 as primary diesel in Thailand took effect on 1 January 2020.
Total	16,662 (15,396)	3,034 (2,778)	3.05 (3.45)	18.23 (19.57)	

() 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

Total CPO production in the Kingdom in 2019 was 3,033,473 MT (2018 : 2,778,108 MT). CPO demand was shared between :-

(MT)	2018	2019	% Change
Consumption	1,227,350	1,462,953	19.20
Biodiesel	1,199,671	1,337,160	11.46

The excess supply caused by the continuously increasing of oil palm production, especially in the first three quarters of the year, coupled with the decline in global market price due to series of negative news, pushed the FFB and CPO prices lower. The government has taken efforts and launched several measures to balance palm oil stock in the Kingdom. These include:-

1. The use of CPO to generate electricity: The Electricity Generating Authority of Thailand (EGAT) issued plan to purchase another 200,000 MT of CPO according to the Cabinet resolution in May, which was divided into 2 lots, which could absorb CPO from the system totally of 167,950 MT. The final lot of CPO was planned to be drawn from the system within April 2020. However, the CPO price rose sharply at the late of 2019 due to the low FFB output and CPO stock in the Kingdom thus decreased significantly. Consequently, EGAT did not have a plan to buy the remaining CPO.

However, to maintain the balance of palm oil and keep up the price stability of oil palm and palm oil in the Kingdom, the Ministry of Energy, by EGAT, therefore sets out a plan to purchase 100,000 - 150,000 MT of CPO annually for use as fuel to generate electricity, which is flexible according to the crop season as well as CPO stock level in the Kingdom. This is to reduce the pressure on CPO price for consumption.

2. Promoting the use of CPO for biodiesel production: The Ministry of Energy has designated biodiesel B10 as the primary diesel since 1 January 2020. The intention is to sell B10 at all petrol service stations nationwide from 1 March 2020 onwards, and promote B20 and B7 as alternative biodiesel (retaining) including the promotion of the use of B100 among farmers and agricultural institutions for the purpose of usage in the agriculture sector. The retail price of B10 is set lower than B7 by two Baht per litre while the gap between B20 and B7 is set at 3 Baht per litre. By doing so, the government estimates that it will be able to absorb about 2.2 million MT of CPO from the system annually. This equilibrium will help stabilise the price of oil palm, resulting in higher price as well as helping reduce the amount of PM2.5 dust particles and also reduce petroleum import by about 1.8 million litres/day.

In the past 6 years, the Government (c/o the Ministry of Energy) adjusted 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.

Figure 4 : Summary of Mandate for Biodiesel (2013 – 2020)

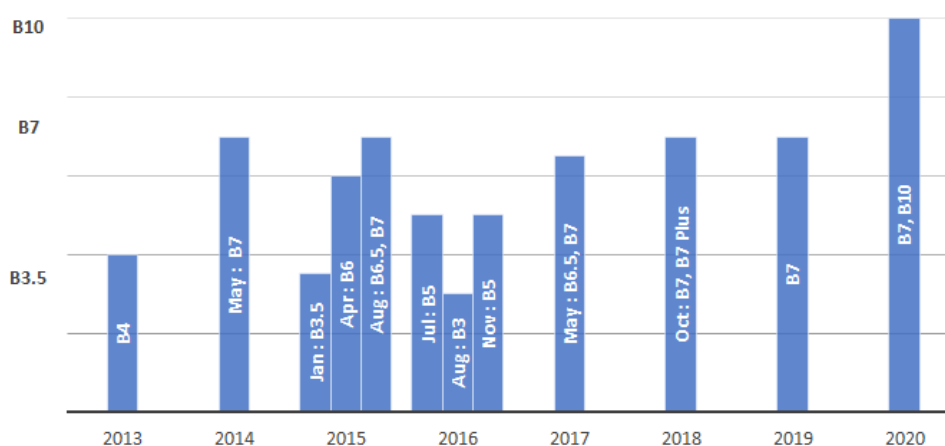
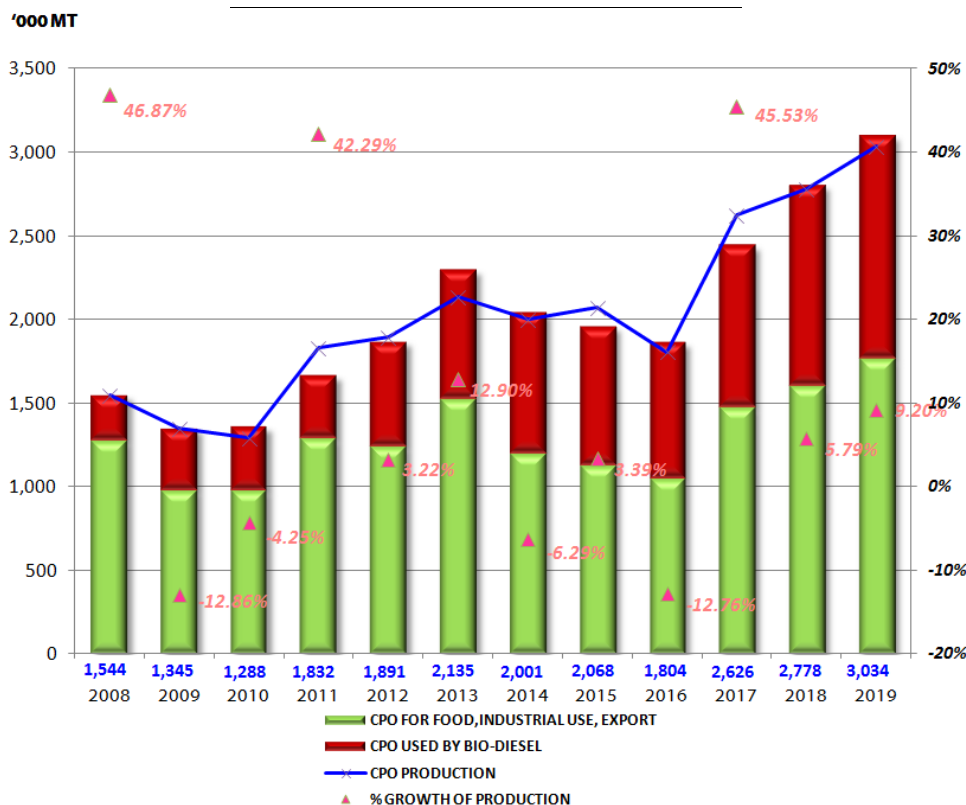


Figure 5 : CPO Production in Thailand

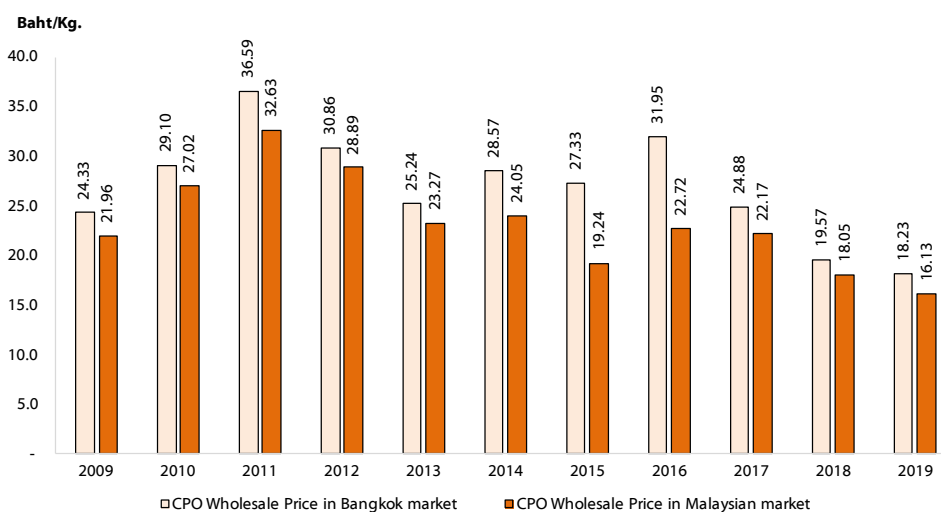


Source : Internal Trade Department

Monthly CPO price in the Kingdom in 2019 varied between 14.76 – 29.75 Baht/Kg (2018 : 16.22 – 23.20 Baht/Kg). The annual average CPO price was 18.23 Baht/Kg (2018 : 19.57 Baht/Kg). CPO price in the Kingdom had reached its highest in December and lowest in March. The average price gap from the global market was at 2.10 Baht/Kg (2018 : 1.52 Baht/Kg).

During the 1H 2019, when the local price of CPO was close to that of Malaysia, palm oil crushing mills started to export CPO mainly to India, with the total export volume of 250,000 MT. In 2H 2019 however, CPO price in Thailand started increasing while CPO price in Malaysia remained at the low level, the price gap between local and global market widened, setting back the export volume.

Figure 6 : Comparison of CPO Wholesale Price Between Bangkok and Malaysian Market



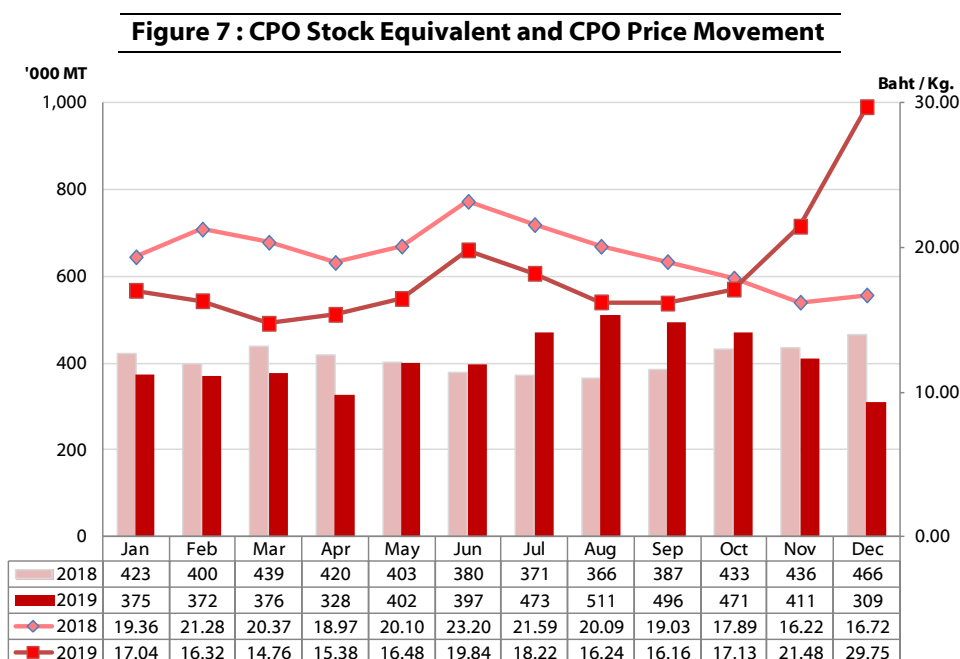
Source : Internal Trade Department

INDUSTRY OVERVIEW AND COMPETITIVENESS

In the last quarter of the year, the price gap between local and global market reached the highest point at 8.81 Baht/Kg in December due to the substantial reduction in FFB output while the demand of palm oil for consumption remained stable. On the other hand, the demand of palm oil for primary diesel B10 in the Kingdom increased continuously. The Ministry of Energy had set guidelines and timeframe as follows:-

1. Request for cooperation from oil traders to increase trading B10 biodiesel in petrol service stations from 1 October 2019.
2. Announcement of specifications and quality of biodiesel B100, and classified to be only one type by 1 December 2019.
3. On 1 January 2020, every oil trader must produce B10.
4. Biodiesel B10 must be available for sale at all service stations from 1 March 2020 onwards.

As a result, the CPO stock equivalent rapidly decreased to 309,181 MT at the year-end (2018 : 466,076 MT).



Source : Internal Trade Department

Remark : CPO Stock Equivalent in 2019 was after deducting the volume bought by EGAT.

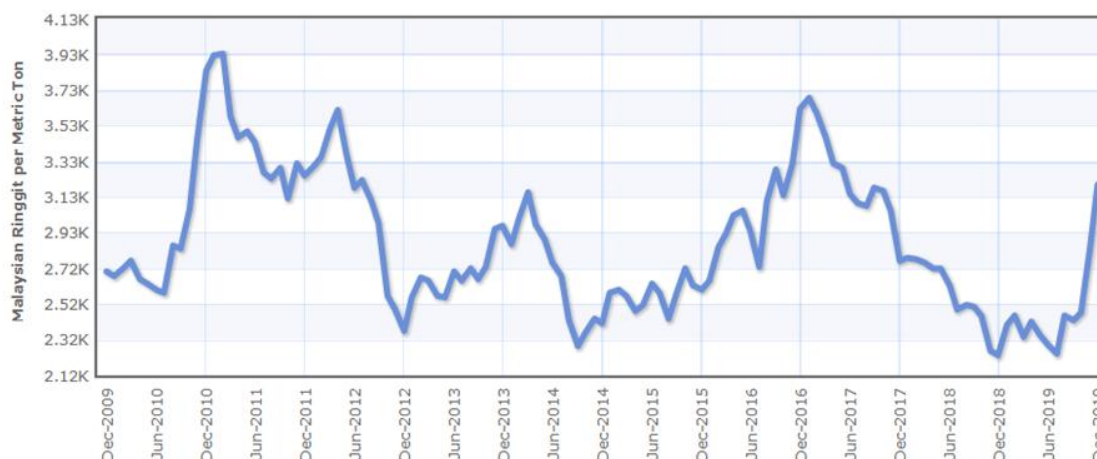
Summary of key events

- (1) The Announcement to implement B30 biodiesel in Indonesia and B20 biodiesel in Malaysia :** After the European parliament issued a resolution in 2017 to phase out palm oil in biofuel, Indonesia set to roll out its B30 biodiesel mandate beginning 1 Jan 2020 while Malaysia would implement its B20 programme in the transport sector. Indonesia annually produces 50 million MT. of palm oil, while Malaysia produces 19 million MT. With the decision to increase palm oil content on biodiesel, Indonesia will additionally use around 3-4 million MT. of palm oil for blending purpose. Similarly, Malaysia will take out about 1 million MT. of palm oil. This means that supplies of palm oil available for the purpose of foods will come down. The biodiesel mandate in Indonesia and Malaysia, the world's largest palm oil producers is expected to cause a deficit in palm oil stocks and push up crude palm oil (CPO) price in 2020. Dry weather in 2019 and lower fertiliser application, a move adopted by some growers to save costs against FFB price dropping for two consecutive years, have affected output in 2019 at both countries, and will continue to be an influent factor in 2020. Therefore, Malaysian palm oil futures rallied during the last quarter of 2019 and hit near 3-year high, on fears of a sharp fall in supply.

INDUSTRY OVERVIEW AND COMPETITIVENESS

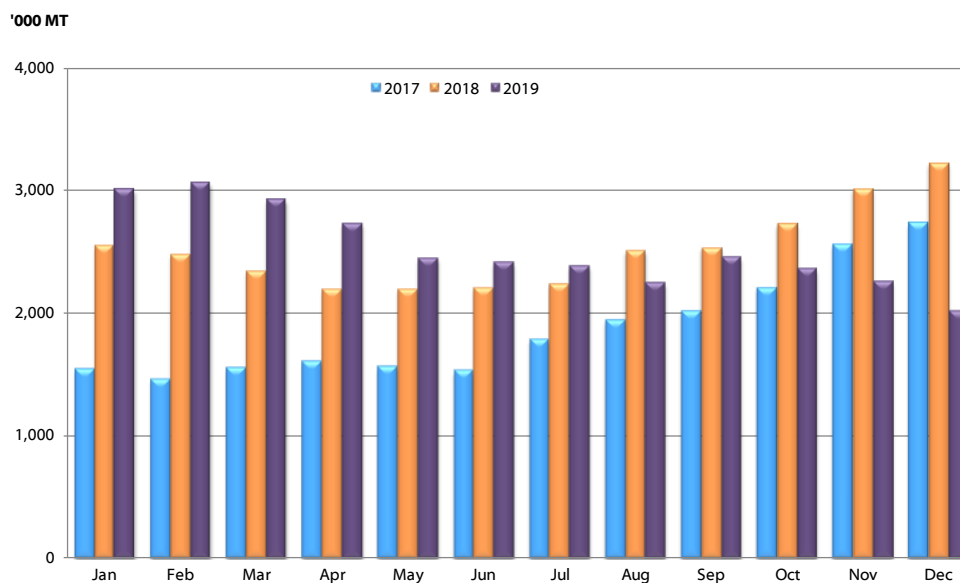
Global palm oil stockpiles at the end of 2019 was about 6 million MT. (2018 : 8 million MT.), mainly contributed by 4 million MT. from Indonesia and 2 Million MT. from Malaysia. The average CPO price in global market in 2019 was a bit higher than 2018. The average closing price of CPO as benchmarked by the Bursa Malaysia Derivatives : 3rd Month price was at 2,329 RM/MT. (2018 : 2,299 RM/MT.). The price escalated during the last quarter and hit its highest of the year on 30 December 2019 at 3,100 RM/MT.

Figure 8 : Malaysian Palm oil Monthly Price



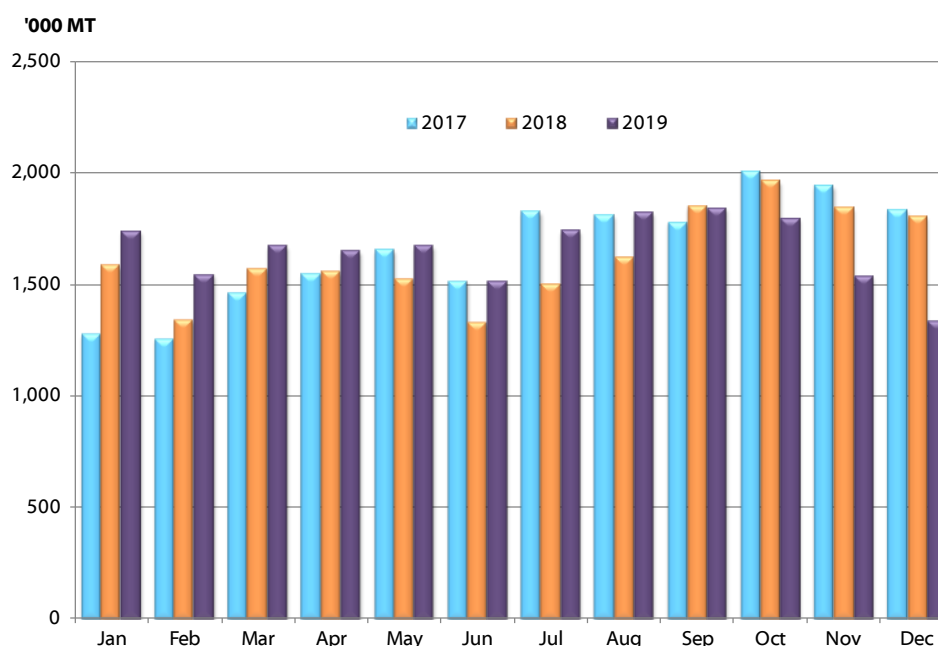
Source : <https://www.indexmundi.com/commodities/?commodity=palm-oil&months=120¤cy=myr>

Figure 9 : Malaysia Palm Oil Stock



Source : Malaysian Palm Oil Board

Figure 10 : Malaysia CPO Production



Source : Malaysian Palm Oil Board

- (2) The Announcement to implement B10 biodiesel in Thailand :** The Energy Ministry has determined to announce the availability across the country for biodiesel B10 as the primary diesel from 1 January 2020 onwards, replacing B7. This is expected to increase the use of CPO to around 2.2 million MT a year. Nevertheless, out of 10 million diesel-powered automobiles in total, 5.2 million automobiles or accounting for 50% might have some limitation on using B10, even though the quality and specification of biodiesel B100 is improved for example a monoglyceride reduction from 0.7% to not higher than 0.4% by weight.

Furthermore, in the next phase there will be a higher demand in Thailand derived from transportation sector focusing more on vehicles compatible with electricity system, including electric vehicles, also known as EV. The draft of Alternative Energy Development Plan (AEDP), 2018 - 2037 set the target to reduce the usage of ethanol and biodiesel while promoting usage of all types of alternative energy in order to maintain the proportion of alternative energy at 30% at the end of the Plan. The target of B100 biodiesel usage at 14 million Liters per day will be reduced to 7 million Liter. Starting from 1 January 2024, biodiesel standard in Thailand will be upgraded to be compatible with EURO 5 (currently compatible with only B7). These measures will likely have an impact to the promotion of B10 usage in the future.

- (3) Impact of Trade War China-USA :** The trade war between China and the United States leading to higher tariffs on soybean has impacted the international market of vegetable oils. China, the world's top soybean buyer, usually gets most of its soybean imports from the United States. Until now, the trade war has been prolonged for over 1 year and without any conclusion. Nevertheless, the phase-one trade deal on 13 December 2019 resulting in China buying soybeans from the United States is expected to relieve the uncertainty of world trade policy as well as reduce the negative impact from trade war as China committed to import more US agricultural products particularly soybeans and poultry. The future price of soybean in Chicago Board of Trade could rebound in line with the incoming demand. In any cases, uncertainty remains over details and implementation to follow the structural changes of China. It is expected that the trade war probably ends before the 2020 United States presidential election scheduled on 3 November 2020. Continuous reduction of interest can be seen during the year to boost up the economy of the United States.

- (4) EU phasing out of palm oil by 2030 :** The EU announced Renewable Energy Directive (RED II) setting the EU-wide overall target of 32% for renewable energy in 2030, and the binding target of minimum 14% for renewables in transport in 2030, but capping crop-based biofuels at member states' 2020 levels, with a maximum of 7%. In addition, biofuels that produced from crops for which a significant expansion of the production area into land with high carbon stock is observed, shall decrease gradually to zero by 2030, implying the implementation of “zero palm oil” from transport fuel by 2030. The objective is to reform the energy market and reduce energy consumption for an attempt to meet the environmental conservation goal. According to an EU-funded study published in 2016, biodiesel produced from palm oil was three times more polluting than traditional diesel. This finding however is misleading conclusion as not all oil palm plantations produced from deforestation. Therefore, capping crop-based biofuels at 2020 levels unfairly penalises sustainable crop-based biofuels.
- (5) Concern over the epidemic situation of Corona Virus Infection 2019 (COVID-19) :** The rapid spread of serious cases of COVID-19 infection from February 2020 onwards is weakening global economic growth and commodity demand. Because of the outbreak of virus, demand for palm oil in particular from China, where the outbreak first originated, is dramatically decreasing and putting pressure on the price. The decline of petroleum prices recently also lowered the vegetable oil’s attractiveness as a mixture of biofuel. During 1H 2020, the palm oil market is likely to be under pressure due to worries that the spread of the COVID-19 will hinder the demand in both food and non-food sectors.

Processing capacity

The number of CPO crushing mills has increased from 91 in 2013 to about 128 mills at present (of which only 101 mills are still in operation), giving rise to a current total milling capacity of about 30 -35 million MT of FFB per year. This remains significantly higher than the FFB output recorded in 2019 at about 17 million MT; capacity utilisation rate of crushing mills was about 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 palm oil industry in Thailand.

Production and Price Outlook for 2020

The annual planting area in the Kingdom is expanding by an average of about 0.3 million rai as farmers had been encouraged to grow oil palm replacing other crops especially para rubber plantation which in the past affected by the long term low price. This factor increased the average FFB output year on year. Furthermore, influences from climatic phenomenal would significantly deliver benefit oil palm yield overall. However, FFB output in 2020 is expected to increase continuously but in diminishing growth rate when compared with 2019 to be about 17.5 - 18 million MT, or equivalents to CPO production approximately at 3.2 - 3.5 million MT in 2020. This was due to over production output in 2019, reducing the output of palm fruit over the rest period in 2020. Furthermore, dry weather and less fertilisation used by farmers due to the low price of FFB will reduce yield per rai productivity. The effect will be partly compensated by new planted area that can be harvested at the palm age of 3 - 6 years old.

In terms of demand, the local edible consumption in 2020 is estimated to maintain at 1 million MT, and the usage from biodiesel will be at 2 - 2.2 million MT. Since the Ministry of Energy has designated biodiesel B10 as the primary diesel of the Kingdom as of 1 January 2020, the over-supply in palm oil market has come to an end, approaching the equilibrium. In other words, almost all production output of 2020 would be consumed locally, and exports may occur in small promotion periodically when seasonal production coming. The main export market continues to be India, while the export to EU remains limited. The RED II regulation therefore doesn’t directly impact Thailand’s palm oil industry. Nevertheless, Thailand should shift its focus of palm oil production to be certified sustainable palm oil in order to keep up with the consumer expectations and commitment to corporate social and environment responsibility. Thai businesses planning to export palm oil or palm oil related products should also commit to the international standard of sustainable palm oil production. This includes production traceability that aligns with the demand from both domestic and international market, which will inevitably help promote the consumer confidence in palm oil products. In addition to the RED II regulation and the growing environmentally conscious market, palm oil industry still faces risks and challenges from increasing usage of the electric vehicles and decreasing consumption in saturated fat. These challenges adversely impact the price of palm oil products. In any cases, with the advantage that palm oil price remain the lowest among other vegetable oils, we strongly believe that with the

INDUSTRY OVERVIEW AND COMPETITIVENESS

efficient market mechanism under the optimum conditions coupled with the effective stock management, the palm oil industry will continue to expand in a sustainable way.

Overall, both local and global CPO prices in 2020 expected to increase aligning with the higher demand for palm oil to produce biodiesel in Indonesia, Malaysia, and Thailand. Local CPO price is expected at range around 25 - 30 Baht/Kg and FFB price at 4.50 - 6 Baht/Kg. Assuming petroleum price at 60 - 65 USD/barrel, the average global CPO price in 2020 is estimated to trade between 2,500 - 2,800 RM/MT (2019 : 2,329 RM/MT).

Sustainability and Community

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 Vision and Mission below 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 generating return to shareholders and other stakeholders appropriately

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

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

1. Conducting business on fair basis

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

2. Anti-corruption

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

3. Respect of human rights

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

4. Treat employees on fair basis

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

MANAGEMENT DISCUSSION AND ANALYSIS

5. Responsibility to customers

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

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

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


6. Care for the environment

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

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

7. Sustainability and Community projects

In 2019, the Company contributed a total of 0.27 million Baht (2018 : 1.57 million Baht) to projects related to communities and society.

QUARTER 1	
	<p>Donations to Support of the National Children's Day 2019</p> <p>In January 2019, UPOIC donated funds to</p> <ol style="list-style-type: none">1) Radio Wireless Station of Thailand for Education of Huay Yung Sub-district, Nua Khlong District,2) Khiri Wong Sub-district Administration Organisation, Plai Phraya District,3) Ban Bang Yai Samakkhi School, Aranyakham Wari Sub-district, Khian Sa District, Krabi Province



Donation to Support Sport Activities in Communities

In January 2019, UPOIC donated funds amounting 5,000 Baht to support the 6th the Village Headman Football Cup which was held during 31 January - 14 February 2019 at the football field of Khao Khen Sub-district Administrative Organisation.

UPOIC also donated funds amounting to 2,000 Baht to support football competition (7 a side) at Khiansa District, Surat Thani Province. These were to encourage youth to recognise the value and importance of exercise to enhance strength of community, prevent drug problems, and develop good relationships with community.



Allocated Empty Fruit Bunch to Community in Ban Huai Yung Agriculture Group

In January 2019, UPOIC allocated 20 MT of Empty Fruit Bunch, by-product from own production process to Huayyoong Progressive Agriculture Group, Ban Huayyoong Community, Nuaklong District, Krabi Province to use as demonstration supplies in the seminar project "Building skills and promotion of agricultural occupation" at Agriculture Learning Center (ALC) in Ban Huayyoong.



The objective is to promote the community to produce straw mushroom and use it for their household cooking that will help farmer to reduce their expenses, increase the income and create opportunity to learn more about effective straw mushroom cultivation from Empty Fruit Bunch that can be applied to daily life.

QUARTER 3



Donation to Government Agency

In September 2019, UPOIC donated 5,000 Baht to staff of the Forest Protection Unit S. 3, Chai Buri District, Surat Thani Province for organising the farewell party for retirees. The objective is to build good relation with government agencies.



Supported Material for Road Improvement

In September 2019, UPOIC supported the community by purchasing 26 MT of stone for the road repair in Ban Plai Khlong, Chai Buri District, Surat Thani Province to facilitate passerby people and transportation of agricultural products in the community.



Supported Tractor for Road Improvement in the Community

In October 2019, UPOIC supported tractor and staff to repair the main road in front of the office. This was to facilitate for employee, people, community in the surrounding area and develop good relationship between the community and the Company.



Donation to Local Police Station

In October 2019, UPOIC donated fund amounting 8,000 Baht to the Khiansa Police Station and Bangsawan Police Station to celebrate the Police Day 2019 event. The fund will be used as scholarship to children of police officers. This was to develop good relationship with community under RSPO programme.



QUARTER 4



Supported a Tractor for Landscape Improvement in Temple

On 9 November 2019, UPOIC supported a tractor to redecorate landscape in Khao Phra Temple, Bangsawan Sub-District, Prasaeng District, Surat Thani Province. This activity was a collaboration between community leader, villagers and staff in Ban Mark Estate, presenting a strong unity of people in community.



8. Innovations arising from Sustainability and Community projects

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

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

Financial Overview

Financial performance analysis and explanation

1. Review of operations

Estate operations

In 2019, the total volume of own crop was higher than previous year by 11.4%. FFB from own estates increased by 18.3% as a result of newly planted palm trees and that from concession land increased by 2.0%. Furthermore, the company's management strictly controlled the plantation operation which enabled the cost of FFB from our own estates to be reduced by 8.3%.

The Company's concession area is approximately 15,103 rai. The details are as below:-

Location and Land Area	Expiry Date	Remark
1) Khiansa estate 1.1 4,294 rai	8 July 2044	<ul style="list-style-type: none"> The Treasury Department had entered into the lease agreement with the Company's subsidiary for 30 years and is valid from 9 July 2014 to 8 July 2044.
1.2 4,294 rai	when the land allocation to poor people is completed	<ul style="list-style-type: none"> 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 6,515 rai	14 May 2020	<ul style="list-style-type: none"> The subsidiary's request to the Forest Department to grant a permit to exploit an area is now under consideration. In the meantime, the subsidiary was granted permission to gather forest product in the National Reserved Forest upon the obligation to pay official royalty fee at the rate of 10% of market price of oil palm and forest maintenance fee at a double rate of official royalty fee. However, permission was granted for a period of one year and will be renewed on yearly basis.

Mill operations

The Company slowed down its purchase of FFB during the last quarter as a decrease of FFB volume, government policy regarding to B10 and EGAT's project which pushed the FFB price increase. The Company's crushing mill shut down of production for major maintenance. As a result, FFB purchased from out-grower decreased by 3.7%; while the output of FFB crops from own estates was higher than the previous year. As a consequence, the total volume of FFB processed slightly increased by 2.7%. In 2019, the proportion of FFB from outside source and own estate were 53.7% and 46.3% of the total volume of FFB processed (2018 : 57.3% and 42.7%).

The cost of own crops and purchased crops decreased by 8.3% and 20.1% respectively in line with the market. The average cost of FFB processed hence dropped by 15.5%. Moreover, there was gain from change in fair value of inventory recognised in cost of sales. Therefore, cost of CPO decreased by 17.8% at a higher rate than average selling price of CPO, which decreased by 6.8%. The Company's gross profit accordingly increased by 43.5 million Baht or 73.8%.

The Company and Joint Venture received promotional privileges from the Board of Investment. Details are as follows:-

- Electricity produced by biomass power plant of the company received the BOI Certificate no. 1043(2)/2548, dated 29 November 2007 for electricity produced by biomass power plant at 1.2 Megawatt, the Company is exempt from corporate income tax on the operation for 8 years starting from the first date of realising income since 21 August 2015.
- Oil palm seed propagation of joint venture (Siam Elite Palm Co.,Ltd) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales

Total sales of the group in 2019 decreased by 82.8 million Baht or 13.2% from the previous year. This was mainly due to average selling prices of CPO and CPKO decreasing by 6.8% and 32.5% respectively. Although the sales volume of CPKO increased by 15.0%, total sales revenue still decreased.

Cost of sales and Expenses

- Cost of sales in 2019 was Baht 443.4 million lower than the prior year by 126.3 million Baht or 22.2% caused by average FFB cost dropped by 15.5%.
- Selling expenses decreased by 2.7 million Baht from decrease in goods transportation which is in line with sales volume
- Administrative expenses increased by 12.1 million Baht mainly come from returning 973 rai of land and palm trees to Sor Por Kor and land expenses increment.
- Loss from change in fair value of biological assets 26.9 million Baht (2018: Gain 39.3 million Baht)

Consolidated Profits

Although sales revenue decreased, the cost of sales decreased at a higher rate when compared with sales revenue. The group therefore recorded higher gross profit by 43.5 million Baht or 73.8%. Furthermore, the Company recorded loss from change in fair value of biological assets from adopted TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant including realized share loss from investment in Joint Venture. As a consequence, the group recorded a decrease in net profit after tax of 17.6 million Baht (2018: net profit after tax of 14.0 million Baht).

Return on Shareholders' Equity

Return on shareholders' equity decreased from 1.3% in 2018 to -0.3% in 2019 as the profit decreased.

Dividend payout ratio

In 2019, UPOIC paid dividend out of its unappropriated retained earnings as of 31 December 2018 at the rate of 0.08 Baht per share in May 2019 (2018 : 0.10 Baht per share).

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

Book value (weighted average number of ordinary shares)

As at 31 December 2019, the book value per share of the group was 3.15 Baht (weighted average number of shares at 324.05 million shares), or a decrease of 3% from 3.24 Baht in 2018 (weighted average number of shares at 324.05 million shares) as the result of dividend payment and decrease of profit.

2. Financial position

Assets

The group had total assets of 1,340 million Baht, a decrease of 21 million Baht or 2% when compared with 2018. Return on assets decreased to -0.3% (2018 : 1.0%). The major factors are as follows:-

- Biological assets decreased by 28 million Baht as a result of the decrease of gain arising from change in fair value of seedling and FFB.
- Investment in joint venture decreased by 12 million Baht which was mainly from the decrease of domestic FFB price in 2019 at 3.05 Baht per kg (2018 : 3.45 Baht) or 11.6%. As a result, the farmer would delay additional palm tree planting which led to the decrease of revenue from seed sales of joint venture. This would mainly cause of loss in JV.
- Inventory increased by 17 million Baht due to adjustment of gain arising from change in fair value under TAS 41: Agriculture.

3. Source of Fund

The structure of capital

Under the consolidated financial statements as at 31 December 2019, source of fund comprised 1,019 million Baht from shareholders' equity and 321 million Baht from liabilities, in the ratio of 76% : 24% respectively. Loans from financial institutions amounted to 275 million Baht or 86% of total liabilities, all of which was the short-term loan. The ratio of debt to equity was 0.31 times at the end of 2019 (2018 : 0.30 times) due to the decrease of total shareholder's equity in 2019.

Shareholders' equity

The group recorded net loss in 2019 of 4 million Baht. During the year, the Company paid dividend amounting to 26 million Baht for the fiscal year 2018. As such, the shareholders' equity of the group decreased from 2018 by 30 million Baht.

Liabilities

The group liabilities of 321 million Baht comprised current liabilities at 302 million Baht and non-current liabilities at 19 million Baht. This was an increase of 10 million Baht from 2018 or 3% due to short-term loan and provision for long-term employee benefits which stipulated additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more with such employees entitled to receive not less than 400 day's compensation at the latest wage rate.

Financial liquidity

At the end of 2019, the group recorded cash and cash equivalents at 21 million Baht, compared to 23 million Baht at the same period of 2018. The major reasons for the decreasing by 2 million Baht are as follows:-

- Net cash flows from operating activities amounted to 50 million Baht, a decrease of 69 million Baht from the same period of 2018. This was derived from the operating result as stated above, an increase of trade AR and inventory.
- Net cash flows used in investing activities amounted to 31 million Baht, a decrease of 15 million Baht when compared with 46 million Baht in 2018. Such investments comprised the purchase of new trucks to replace the old ones and tracked excavator for using in gardening and palm planting
- Net cash flows used in financial activities amounted to 21 million Baht compared to 162 million Baht used in 2018. This came from dividend payment.

Financial ratios

- The current ratio was 0.79 times, a slight increase of 0.02 times from 2018 due to an increase of Trade AR and Other Receivables.
- The quick ratio was 0.17 times, an increase of 0.05 times from 2018 due to an increase of Trade AR and Other Receivables.
- The ratio of cash flows from operating activities to current liabilities was 0.17 times, a decrease of 0.23 times from 2018 owing to lower cash inflows from operating activities as stated above.

4. Capital expenditure

- In 2019, the Company invested in new trucks to replace the old ones and tracked excavator for using in gardening and palm planting
- For future investment, the Company has been exploring advanced technology equipment to replace the old ones, modification of machinery to improve working efficiency as well as reduce labour intensity.

Factors which might affect financial performance in the future

Because the major raw material of the Company comes from agricultural product, its future financial performance is to a large extent dependent on uncontrollable factors such as weather condition, rainfall level, and the quantity of Fresh Fruit Bunch (FFB) harvested in Thailand in each season, including the volatility of palm oil price. Furthermore, the Government continues its policy to support farmers during peak season of FFB, hence creating market distortion. Moreover, there are 101 CPO crushing mills in operation and capacity utilisation was lower than 50%, leading to the intense competition in buying FFB, irrespective of quality, resulting in higher cost of sales.

Another crucial factor is the area of State Property which accounted for 50.9% of the plantation area. Subsidiaries can obtain the lease for only 14.5% of the total plantation area while other areas are still undergoing process. In case that the government does not extend the lease, the Company would have less plantation area and be compelled to buy a higher proportion of FFB from outside sources, resulting in higher cost of sales.

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

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

Remuneration of statutory auditor

1) Audit Fee

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

Audit Fee (Baht)	2019	2020
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, a fee for verifying BOI project including imported machineries and corporate income tax submission was determined as follows:-

Fee for verifying BOI project (Baht)	2019	2020
for the Company	-0-	-0-
for related company (Siam Elite Palm)	100,000*	100,000
Total	100,000	100,000

Note : *no actual payment of a fee for verifying BOI project due to loss operating performance of Siam Elite Palm in 2019

SHAREHOLDERS AND MANAGEMENT

Shareholders

As at 8 May 2019, the major shareholders are as follows:-

No.	Shareholder's Name	Percentage of Paid-up Capital
1	Lam Soon (Thailand) Plc.*	69.96
2	Wattanachote Co., Ltd.	5.70
3	Mr. Somkiat Peetakanonda	1.68
4	Mr. Thammanoon Sahadithdamrong	1.17
5	Wattanasophonpanich Co., Ltd.	1.12
6	Ms. Duangkamol Thanitsaranont	0.74
7	GreenSpot Co., Ltd.	0.73
8	Mr. Suwit Laohapolwattana	0.73
9	Ms. Wallada Kritchayada	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 8 May 2019, shareholders holding not less than 10% of Lam Soon (Thailand) Plc. are as follows:-

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

Source : Thailand Securities Depository Co., Ltd.

Board of Directors and Management Committee

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

Board of Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Risk Management Committee

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

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

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

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

2. The Criteria on recruiting Directors and Executives

The Nomination Committee is to recruit the suitable candidates to replace directors whose terms are expired in April 2020 by including the consideration of candidates proposed by shareholders under the rules and criteria regarding director nomination before submitting to the Board for further consideration. The Board shall submit a list of suitable candidates to the shareholders' meeting for final approval. The qualification of such persons must conform to SEC regulations, and they must be knowledgeable and possess the relevant experience beneficial to the Company.

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

SHAREHOLDERS AND MANAGEMENT

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

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

In 2019, the Board of Directors held 7 meetings, with attendance of each member shown as below:-

Name	Attendance / Total Meetings
(1) Mr. Thira Wipuchanin	7/7
(2) Ms. Anchalee Suebchantasiri	7/7
(3) Mr. Sangiam Santad	7/7
(4) Mr. Wasin Patchakapati	7/7
(5) Mr. Whang Shang Ying	5/7
(6) Ms. Piyathida Sukchan	7/7
(7) Mr. Ampol Simarojana	7/7

4. Names and Positions of the Executives

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

5. Details of Board of Directors and Executives

(1) Mr. Thira Wipuchanin

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

Age 71 years
 Nationality Thai
 Address 64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260

Shareholdings (Ordinary Shares)

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

The number of directorships in listed companies

- Chairman 2 companies
 - Director 0 company

Number of years as a director 25 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.

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

- might have a conflict of interest with the Company None
 - others None

Other Experience

- Independent Director and Member of Audit Committee, Siam Macro Plc.
- Independent Director and Chairman of Audit Committee, Bangkok First Investment & Trust Plc.
- Chairman, Interhides Plc.
- Expert Committee Member, Privatisation Committee of TOT, CAT, PTT, AOT
- Senior Executive Vice President (SEVP), Export-Import Bank of Thailand

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

Meeting Attendance in 2019

- Attended the Board Meeting 7 times out of 7 times
- Attended the AC Meeting 4 times out of 4 times
- Attended the RC Meeting 2 times out of 2 times
- Attended the NC Meeting 2 times out of 2 times

(2) **Ms. Anchalee Suebchantasiri**

Vice-Chairman of the Board of Directors and Managing Director

Age 61 years
 Nationality Thai
 Address 64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260

Shareholdings (Ordinary Shares)

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

The number of directorships in listed companies

- Chairman 0 company
- Director 2 companies

Number of years as a director 17 years (date of appointment : 18 June 2003)

Family relation with management None

Education

Director Training Programme Bachelor's degree in Accountancy, Thammasat University
 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 2019

- Attended the Board Meeting 7 times out of 7 times

(3) **Mr. Sangiam Santad**

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

Age 73 years
 Nationality Thai
 Address 64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260

Shareholdings (Ordinary Shares)

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

The number of directorships in listed companies

- Chairman 0 company
- Director 1 company

Number of years as a director 8 years (date of appointment : 27 April 2012)

Family relation with management None

Education

Director Training Programme 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
 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)

- might have a conflict of interest with the Company None
- others None

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

Other Experience

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

Meeting Attendance in 2019

- Attended the Board Meeting 7 times out of 7 times
- Attended the AC Meeting 4 times out of 4 times
- Attended the RC Meeting 2 times out of 2 times
- Attended the NC Meeting 2 times out of 2 times

(4) Mr. Wasin Patchakapati

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

Age 66 years
Nationality Thai
Address 70/370 Chollada-Raminthra, Soi Kanchanaphisek 7,
Raminthra Road, Khan Na Yao, Bangkok 10230

Shareholdings (Ordinary Shares)

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

The number of directorships in listed companies

- Chairman 0 company
- Director 1 company

Number of years as a director 4 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)

- might have a conflict of interest with the Company None
- others None

Other Experience

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

Meeting Attendance in 2019

- Attended the Board Meeting 7 times out of 7 times
- Attended the AC Meeting 4 times out of 4 times
- Attended the RC Meeting 2 times out of 2 times
- Attended the NC Meeting 2 times out of 2 times

(5) Mr. Whang Shang Ying

Director, Member of Remuneration Committee and Member of Nomination Committee

Age 59 years
Nationality Singaporean
Address 64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea,
Khet Bangna, Bangkok 10260

Shareholdings (Ordinary Shares)

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

The number of directorships in listed companies

- Chairman 0 company
- Director 2 companies

Number of years as a director 21 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

Note : present past

SHAREHOLDERS AND MANAGEMENT

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

- might have a conflict of interest with the Company None
- others

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

Other Experience

- Member of the Board of Governors, Singapore Polytechnic
- Member of the Advisory Board, Asian Civilisations Museum, Singapore

Meeting Attendance in 2019

- Attended the Board Meeting 5 times out of 7 times
- Attended the RC Meeting 2 times out of 2 times
- Attended the NC Meeting 2 times out of 2 times

(6) Ms. Piyathida Sukchan

Executive Director

Age 51 years
 Nationality Thai
 Address 64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260

Shareholdings (Ordinary Shares)

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

The number of directorships in listed companies

- Chairman 0 company
- Director 2 companies

Number of years as a director 17 years (date of appointment : 18 June 2003)

Family relation with management None

Education M.A. (Hons.) in Development Economics, National Institute Development Administration; B.A. in Economics (Finance), Thammasat University

Director Training Programme Certificate of Completion DCP 36/2003 from Thai Institute of Directors (IOD)
 Certificate of Thai Intelligent Investors 1/2012 (TIIP1) from Thai Investor Association and Stock Exchange of Thailand

Position in other listed companies

- Executive Director and Company Secretary, 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 2019

- Attended the Board Meeting 7 times out of 7 times

(7) Mr. Ampol Simarojana

Non-Executive Director

Age 63 years
 Nationality Thai
 Address 64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260

Shareholdings (Ordinary Shares)

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

The number of directorships in listed companies

- Chairman 0 company
- Director 2 companies

Number of years as a director 2 years (date of appointment : 20 June 2018)

Family relation with management None

Note : ■ present □ past

SHAREHOLDERS AND MANAGEMENT

Education	Bachelor of Science (Chemical Engineering), Chulalongkorn University
Director Training Programme	Certificate of Completion DCP 37/2003 from Thai Institute of Directors (IOD)
Position in other listed companies	
<input checked="" type="checkbox"/> Non-Executive Director and Operations Consultant, Lam Soon (Thailand) Plc. <input type="checkbox"/> Executive Director, Lam Soon (Thailand) Plc. <input type="checkbox"/> Executive Director, United Palm Oil Industry Plc.	
Position in companies with relating business (specify only non-executive director)	
- might have a conflict of interest with the Company	None
- others	
<input checked="" type="checkbox"/> Non-Executive Director and Operations Consultant, Lam Soon (Thailand) Plc.	
Other Experience	
<input checked="" type="checkbox"/> Director, Siam Elite Palm Co., Ltd. <input type="checkbox"/> Director, Lam Soon Holding Co., Ltd. <input type="checkbox"/> Manager of Melting Division, Siam Asahi-Technoglass Co., Ltd.	
Meeting Attendance in 2019	
- Attended the Board Meeting 7 times out of 7 times	
(8) Ms. Somrak Krajangsod	
Company Secretary and Secretary to the Audit Committee	
Age	48 years
Shareholdings (Ordinary Shares)	
- Held personally	None
- Held by spouse or minor children	None
Family relation with management	None
Education	Master of Business Administration (MBA) in Finance National University, USA. Bachelor of Accountancy, Bangkok University
Director Training Programme	Certificate of Company Secretary Program (CSP) 97/2019 from Thai Institute of Directors (IOD)
Position in other listed companies	
<input checked="" type="checkbox"/> Vice President – Account and Finance and Secretary to the Audit Committee, Lam Soon (Thailand) Plc.	
Other Experience	
<input type="checkbox"/> Deputy Chief Financial Officer, Union Frozen Products Co., Ltd. <input type="checkbox"/> Commercial Manager-Pre-Engineering Building & Residential Solutions, BlueScope Lysaght (Thailand) Limited <input type="checkbox"/> Financial Services Manager, BlueScope Steel (Thailand) Limited	
(9) Ms. Tiamros Jinakun	
Account and Finance Manager	
Age	61 years
Shareholdings (Ordinary Shares)	
- Held personally	None
- Held by spouse or minor children	None
Family relation with management	None
Education	Bachelor of Business Administration, Suratthani Rajabhat University
Other Experience	
<input type="checkbox"/> Chief Accountant, South East Asia Tobacco Co., Ltd. <input type="checkbox"/> Chief Accountant, Phansri Vivat Co., Ltd.	
(10) Mr. Chanutt Saengaroon	
Lawsuit and Government Relations Manager	
Age	58 years
Shareholdings (Ordinary Shares)	
- Held personally	None
- Held by spouse or minor children	None
Family relation with management	None
Education	Master of Public Administration, National Institute of Development Administration Bachelor Degree of Political Science, Ramkhamhaeng University

Note : present past

SHAREHOLDERS AND MANAGEMENT

Other Experience

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

(11) Mr. Supoch Pangjan

Factory Manager

Age 42 years

Shareholdings (Ordinary Shares)

- Held personally None

- Held by spouse or minor children None

Family relation with management None

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

Other Experience

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

Note : present past

6. Directors and Executives holding shares in the Company

Name	No. of shares as of 31 December 2018	Increase (Decrease) in no. of shares during the financial year	No. of shares as of 31 December 2019
(1) Mr. Thira Wipuchanin	-	-	-
(2) Ms. Anchalee Suebchantasiri	-	-	-
(3) Mr. Sangiam Santad	-	-	-
(4) Mr. Wasin Patchakapati	-	-	-
(5) Mr. Whang Shang Ying	-	-	-
(6) Ms. Piyathida Sukchan	-	-	-
(7) Mr. Ampol Simarojana	-	-	-
(8) Ms. Somrak Krajangsod	-	-	-
(9) Ms. Tiamros Jinakun	-	-	-
(10) Mr. Chanutt Saengaroon	-	-	-
(11) Mr. Supoch Pangjan	-	-	-

7. Remuneration of Directors and Executives

The Annual General Meeting of Shareholders No. 42 resolved to approve the remuneration payments for 2019 to the Company's directors as proposed by the Board. The remuneration was thoroughly and carefully considered by the Remuneration Committee all factors including comparison with other companies in the same industry as well as growth of business and operating results of the Company, as follows:

Chairman	73,700 Baht/month
Executive Director	47,300 Baht/month each
Non Executive Director	47,300 Baht/month each
Independent Director	50,600 Baht/month each
Audit Committee	52,800 Baht/month each

Monetary Remuneration

- Director's fees : Total fees paid to all 7 members of the Board **6,270,000** Baht
- Directors' fees paid to the Company's Directors as Directors of subsidiaries and the joint venture
-- None --

Name	Position	Director's fees in 2019	
		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	Director, Member of Remuneration Committee, Member of Nomination Committee	567,600	
(6) Ms. Piyathida Sukchan	Executive Director	567,600	
(7) Mr. Ampol Simarojana	Non - Executive Director	567,600	
Total		6,270,000	

- Remuneration (salary and bonus) of all 6 Executives : **12,312,349** Baht*
- Remuneration (salary and bonus) paid to the Company's Executive Directors and Executives as the Executives of Subsidiaries and the joint venture -- None --

SHAREHOLDERS AND MANAGEMENT

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

Other Remuneration

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

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

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

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

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

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

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

9. Control system of utilising insider information

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

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

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

10. Internal Control Management

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

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

During the Board Meeting No.1/2020 held on 20 February 2020, 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	:	49 years
% of share holding	:	None
Family relation with management	:	None
Education	:	MBA., Ramkhamhaeng University B.B.A. (Accounting), Ramkhamhaeng University LL.B., Thammasat University Certified Public Accountant
Training Course	:	COSO Internal Control System (The Committee of Sponsoring Organization of the Treadway Commission) Evaluation of internal control system COSO-ERM (The Committee of Sponsoring Organization of the Treadway Commission – Enterprise Risk Management)
Duties and responsibilities	:	Design the annual internal audit plan Review risk assessment of the internal control system Submit the finding reports to the Audit Committee
Present Experience	:	<ul style="list-style-type: none"> ■ Audit partner Dr. Virach and Associates Office Co., Ltd. ■ Internal auditor, United Palm Oil Industry Plc., 20 years ■ Internal auditor, Lam Soon (Thailand) Plc., 15 years

Dividend Payout Policy

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

The Board of Directors resolved to pay dividend for 2019 from the operating result at the rate of 0.025 Baht per share representing 51.82% of net profit after tax, which would be later proposed to AGM for approval, compared with that of previous year at 0.08 Baht per share representing 65.67% of net profit in 2018.

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
		2019	2018		
Major Shareholder	Sales of CPO and CPKO	431	421	Market prices on the contract's Date	The Company had business transactions with LST who owns and operates a refinery in Thailand and has over 30 years experience in the palm oil business. As such, LST has assisted the Company to develop CPO quality.
	Sales of FFB	1	2		

(b) With Phansrivivat Company Limited

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2019	2018		
Subsidiary Company	Dividend income	12	41	As declared by subsidiary	Being paid as a return on investment
	Palm plantation rental expenses	7	7	Contract rate	Being rental expenses for concession land
	Interest expenses	7	9	THBFIX + 1% per annum	Being interest from loan

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

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2019	2018		
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	1	15	Market prices	
	Dividend income	5	3	As declared by joint venture	Being paid as a return on investment.

The balances of the accounts as at 31 December 2019 and 2018 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 2019, 84.71% of the Company's total CPO and CPKO sales were sold to LST (2018 : 75.15%). 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, 2019.

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 2019

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 2019, 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 2019, 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 431 million during the current year, accounting for 79% of total revenues from contracts with customers. 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 2019 was Baht 31 million, which is a significant amount. The fair value measurement of biological assets - palm fruit on trees requires the use of estimates and assumptions, which included estimated harvesting volume and the selling price at each points of harvest, with consideration of whether these correspond with the nature and circumstances of the biological asset being measured, based on judgements made by the Company's agricultural officers and management as to the basis and assumptions relevant to the estimations.

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

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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



Vilailak Laohasrisakul
Certified Public Accountant (Thailand) No. 6140

EY Office Limited
Bangkok: 20 February 2020

United Palm Oil Industry Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	7	21,000,585	22,900,489	10,080,600	10,512,742
Trade and other receivables	8	30,471,223	11,524,852	30,360,468	11,401,496
Current portion of financial lease receivables		330,650	-	330,650	-
Short-term loans and advance to employees		300,385	236,206	300,385	236,206
Inventories	9	82,814,927	65,468,210	82,814,927	65,468,210
Biological assets	10	90,928,591	118,519,826	90,928,591	118,519,826
Other current assets		12,264,073	11,915,311	8,288,803	8,166,823
Total current assets		238,110,434	230,564,894	223,104,424	214,305,303
Non-current assets					
Financial lease receivables - long-term portion		640,732	-	640,732	-
Investment in subsidiary	11	-	-	307,895,303	307,895,303
Investment in joint venture	12	26,709,841	38,601,652	25,000,000	25,000,000
Long-term loan to other company	13	19,320,000	20,240,000	-	-
Property, plant and equipment	14	841,931,040	851,124,025	841,930,714	851,123,699
Bearer plants	15	204,034,766	213,199,927	204,034,766	213,199,927
Intangible assets		63,623	130,402	63,623	130,402
Deferred tax assets	19	6,569,983	4,660,530	6,295,393	5,023,553
Other non-current assets		2,801,010	2,806,500	2,801,010	2,806,500
Total non-current assets		1,102,070,995	1,130,763,036	1,388,661,541	1,405,179,384
Total assets		1,340,181,429	1,361,327,930	1,611,765,965	1,619,484,687

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	16	275,000,000	270,000,000	275,000,000	270,000,000
Trade and other payables	17	22,973,869	22,137,042	300,627,843	305,859,545
Income tax payable		675,764	908,892	-	-
Other current liabilities		2,857,381	4,670,607	2,857,381	4,670,607
Total current liabilities		301,507,014	297,716,541	578,485,224	580,530,152
Non-current liabilities					
Provision for long-term employee benefits	18	19,108,330	13,386,526	19,108,330	13,386,526
Total non-current liabilities		19,108,330	13,386,526	19,108,330	13,386,526
Total liabilities		320,615,344	311,103,067	597,593,554	593,916,678
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		313,166,345	343,825,123	336,172,671	347,568,269
Total shareholders' equity		1,019,566,085	1,050,224,863	1,014,172,411	1,025,568,009
Total liabilities and shareholders' equity		1,340,181,429	1,361,327,930	1,611,765,965	1,619,484,687
		-	-	-	-

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Revenues					
Revenues from contracts with customers	22	545,848,253	628,626,518	545,848,253	628,626,518
Gain arising from change in fair value of biological assets		-	39,271,402	-	39,271,402
Other income					
Dividend income	11, 12	-	-	16,781,138	43,596,999
Others		17,820,858	15,346,290	17,290,606	14,774,602
Total revenues		563,669,111	683,244,210	579,919,997	726,269,521
Expenses					
Cost of sales		443,359,372	569,670,956	442,151,994	571,854,981
Selling and distribution expenses		21,383,884	24,060,914	21,383,884	24,060,914
Administrative expenses		61,086,135	49,023,182	60,780,524	48,293,102
Impairment loss of assets	27.5	698,969	28,536,004	698,969	28,536,004
Loss arising from change in fair value of biological assets		26,864,185	-	26,864,185	-
Total expenses		553,392,545	671,291,056	551,879,556	672,745,001
Profit before share of profit (loss) of a joint venture, finance cost and income tax benefits (expenses)					
Share of profit (loss) of a joint venture	12	(6,813,861)	9,507,253	-	-
Profit before finance cost and income tax benefits (expenses)					
Finance cost		(6,790,082)	(6,712,671)	(13,404,040)	(15,501,652)
Profit (loss) before income tax benefits (expenses)		(3,327,377)	14,747,736	14,636,401	38,022,868
Income tax benefits (expenses)	19	(225,611)	(709,908)	995,839	1,453,579
Profit (loss) for the year		(3,552,988)	14,037,828	15,632,240	39,476,447

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Other comprehensive income :					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial loss		(1,380,008)	-	(1,380,008)	-
Less: Income tax effect	19	276,002	-	276,002	-
Share of other comprehensive income of a joint venture					
- actuarial loss	12	(77,952)	-	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(1,181,958)	-	(1,104,006)	-
Other comprehensive income for the year		(1,181,958)	-	(1,104,006)	-
Total comprehensive income for the year		(4,734,946)	14,037,828	14,528,234	39,476,447
Earnings per share					
Basic earnings (loss) per share	23	(0.01)	0.04	0.05	0.12

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 2019

(Unit: Baht)

Consolidated financial statements

	Issued and paid-up		Retained earnings		Total shareholders' equity
	share capital	Share premium	Appropriated	Unappropriated	
Balance as at 1 January 2018	324,050,000	321,544,740	60,805,000	362,192,085	1,068,591,825
Profit for the year	-	-	-	14,037,828	14,037,828
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	14,037,828	14,037,828
Dividend paid (Note 26)	-	-	-	(32,404,790)	(32,404,790)
Balance as at 31 December 2018	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,805,000</u>	<u>343,825,123</u>	<u>1,050,224,863</u>
					-
Balance as at 1 January 2019	324,050,000	321,544,740	60,805,000	343,825,123	1,050,224,863
Loss for the year	-	-	-	(3,552,988)	(3,552,988)
Other comprehensive income for the year	-	-	-	(1,181,958)	(1,181,958)
Total comprehensive income for the year	-	-	-	(4,734,946)	(4,734,946)
Dividend paid (Note 26)	-	-	-	(25,923,832)	(25,923,832)
Balance as at 31 December 2019	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,805,000</u>	<u>313,166,345</u>	<u>1,019,566,085</u>

(Unit: Baht)

Separate financial statements

	Issued and paid-up		Retained earnings		Total shareholders' equity
	share capital	Share premium	Appropriated	Unappropriated	
Balance as at 1 January 2018	324,050,000	321,544,740	32,405,000	340,496,612	1,018,496,352
Profit for the year	-	-	-	39,476,447	39,476,447
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	39,476,447	39,476,447
Dividend paid (Note 26)	-	-	-	(32,404,790)	(32,404,790)
Balance as at 31 December 2018	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>347,568,269</u>	<u>1,025,568,009</u>
					-
Balance as at 1 January 2019	324,050,000	321,544,740	32,405,000	347,568,269	1,025,568,009
Profit for the year	-	-	-	15,632,240	15,632,240
Other comprehensive income for the year	-	-	-	(1,104,006)	(1,104,006)
Total comprehensive income for the year	-	-	-	14,528,234	14,528,234
Dividend paid (Note 26)	-	-	-	(25,923,832)	(25,923,832)
Balance as at 31 December 2019	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>336,172,671</u>	<u>1,014,172,411</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 2019

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities				
Profit (loss) before tax	(3,327,377)	14,747,736	14,636,401	38,022,868
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	48,834,034	64,517,874	48,834,034	64,517,874
Share of loss (profit) of a joint venture	6,813,861	(9,507,253)	-	-
Loss (gain) arising from change in fair value of biological assets	26,864,185	(39,271,402)	26,864,185	(39,271,402)
Loss on write-off bearer plants	5,948,638	860,757	5,948,638	860,757
Reduction of inventory cost to net realisable value (reversal)	(2,272,572)	5,348,884	(2,272,572)	5,348,884
Impairment loss of assets	698,969	28,536,004	698,969	28,536,004
Gain on disposal and write-off of property plant and equipment	(1,078,061)	(821,104)	(1,078,061)	(821,104)
Gain on financial lease agreements	(1,022,998)	-	(1,022,998)	-
Provision for termination benefits and provision for long-term employee benefits	12,591,565	2,142,964	12,591,565	2,142,964
Dividend income	-	-	(16,781,138)	(43,596,999)
Interest expenses	6,790,082	6,712,671	13,404,040	15,501,652
Profit from operating activities before changes in operating assets and liabilities	100,840,326	73,267,131	101,823,063	71,241,498
Operating assets (increase) decrease				
Trade and other receivables	(18,946,371)	39,569,182	(18,958,972)	39,583,786
Cash received from financial lease receivables	51,616	-	51,616	-
Short-term loans and advance to employees	(64,179)	28,423	(64,179)	28,423
Inventories and biological assets	(14,347,095)	26,820,555	(14,347,095)	26,820,555
Other current assets	(359,105)	1,571,003	80,183	1,223,480
Other non-current assets	5,490	(89,535)	5,490	(89,535)
Operating liabilities increase (decrease)				
Trade and other payables	1,749,600	(3,939,219)	1,552,015	(980,951)
Other current liabilities	(1,813,226)	(199,779)	(1,813,226)	(199,779)
Cash paid for termination benefits and long-term employee benefits	(8,249,768)	(6,579,701)	(8,249,768)	(6,579,701)
Cash flows from operating activities	58,867,288	130,448,060	60,079,127	131,047,776
Cash paid for interest expenses	(6,811,288)	(6,705,082)	(19,296,190)	(6,705,082)
Cash received from income tax	245,887	2,065,129	-	1,819,243
Cash paid for income tax	(2,327,735)	(6,638,555)	(202,163)	(3,939,234)
Net cash flows from operating activities	49,974,152	119,169,552	40,580,774	122,222,703

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 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash flows from investing activities				
Decrease in long-term loan to other company	920,000	920,000	-	-
Proceeds from disposals of plant and equipment	5,326,162	1,060,395	5,326,162	1,060,395
Cash paid for acquisition of property, plant and equipment	(34,355,708)	(33,618,568)	(34,355,708)	(33,618,568)
Increase in cost of bearer plants	(7,840,676)	(16,455,104)	(7,840,676)	(16,455,104)
Dividend received	4,999,998	2,499,999	16,781,138	43,596,999
Net cash flows used in investing activities	(30,950,224)	(45,593,278)	(20,089,084)	(5,416,278)
Cash flows from financing activities				
Increase (decrease) in short-term loan from financial institutions	5,000,000	(130,000,000)	5,000,000	(130,000,000)
Dividend paid	(25,923,832)	(32,404,790)	(25,923,832)	(32,404,790)
Net cash flows used in financing activities	(20,923,832)	(162,404,790)	(20,923,832)	(162,404,790)
Net decrease in cash and cash equivalents	(1,899,904)	(88,828,516)	(432,142)	(45,598,365)
Cash and cash equivalents at beginning of year	22,900,489	111,729,005	10,512,742	56,111,107
Cash and cash equivalents at end of year	21,000,585	22,900,489	10,080,600	10,512,742
	-	-	-	-
Supplemental cash flows information:				
Non-cash transactions				
Purchase of equipment for which no cash has been paid	688,115	1,579,682	688,115	1,579,682

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 2019

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, Bangnanua 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 subsidiaries (hereinafter called as “the Group”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2019 Percent	2018 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	
			2019	2018
			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 Group has 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 Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Group's financial statements. However, the new standard involves changes to key principles, which are summarised below:

TFRS 15 Revenue from Contracts with Customers

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

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

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

This standard does not have any significant impact on the Group's financial statements.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
--------	-------------------------------------

Financial Reporting Standard Interpretations:

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

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

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

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information is not restated.

The management of the Group expects the adoption of this accounting standard to have the effect on financial position as at 1 January 2020 of increasing the Group's assets by approximately Baht 43 million (the Company only: approximately Baht 65 million) and the Group's liabilities by approximately Baht 43 million (the Company only: approximately Baht 65 million).

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting discounts and allowances to customers.

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 and 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, land ownership document and land possessory rights are 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, land ownership document, land possessory rights and assets under installation and under construction.

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

4.7 Forest land rights and bearer plants/Amortisation

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

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

Amortisation is included in determining income.

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

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

4.8 Intangible assets and amortisation

Intangible assets are carried at cost less accumulated amortisation and allowance for 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

As a lessee

Leases of assets 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.

As a lessor

Leases which the Group transfers substantially all the risks and rewards of ownership to the lessee are classified as financial leases. Amounts due from lessees under financial leases are recorded as receivables at the amount of the Group's net investment in leases. Financial lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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 Group 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.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognises restructuring-related costs.

4.15 Provisions

Provisions are recognised when the Group has 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 Group recognises 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 Group reviews and reduces 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 Group records 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 Group applies 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 Group measures 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 Group determines 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 Group 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 Group and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements	financial statements	financial statements	financial statements	
	2019	2018	2019	2018	
<u>Transactions with parent company</u>					
Sales of crude palm oil and crude palm kernel oil	431	421	431	421	Market price on the contract's date
Sales of fresh fruit bunch	1	2	1	2	Market price on the contract's date

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	2019	2018	2019	2018	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Dividend income	-	-	12	41	As declared by subsidiary
Palm plantation rental expenses	-	-	7	7	Contract rate
Interest expenses	-	-	7	9	THBFIX + 1% per annum (2018: MLR - 1.5% per annum and THBFIX + 1% per annum)
<u>Transactions with joint venture</u>					
Land rental income	1	1	1	1	Agreed between the parties
Dividend income	5	3	5	3	As declared by joint venture
Purchases of oil palm seeds and fresh fruit bunch	1	15	1	15	Market price

The balance of the account between the Company and that related party as at 31 December 2019 and 2018.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Trade and other payables - related party (Note 17)				
Subsidiary	-	-	283,005	285,105
Total trade and other payables - related party	-	-	283,005	285,105

Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	2019	2018
Short-term employee benefits	18,327	18,986
Post-employment benefits	240	554
Total	18,567	19,540

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cash	1,195	1,176	1,187	1,171
Bank deposits	19,806	21,724	8,894	9,342
Total	21,001	22,900	10,081	10,513

As at 31 December 2019 and 2018, bank deposits in saving accounts carried interests between 0.10% and 0.38% per annum.

8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	29,837	11,220	29,837	11,220
Past due				
Up to 3 months	467	-	467	-
Total trade receivables - unrelated parties	30,304	11,220	30,304	11,220
Total trade receivables	30,304	11,220	30,304	11,220
<u>Other receivables</u>				
Accrued income	167	305	56	182
Other receivables	167	305	56	182
Trade and other receivables	30,471	11,525	30,360	11,402

9. Inventories

(Unit: Thousand Baht)

	Consolidated/Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	72,724	55,171	(3,213)	(5,450)	69,511	49,721
Work in process	1,848	1,986	-	-	1,848	1,986
Spare parts, supplies and others	11,755	14,096	(299)	(335)	11,456	13,761
Total	86,327	71,253	(3,512)	(5,785)	82,815	65,468

During the year 2019, the Company reversed the write-down of cost of inventories by Baht 2.3 million, and reduce the amount of inventories recognised as expense during the year.

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

10. Biological assets

Movements of the biological assets account for the years ended 31 December 2019 and 2018 are summarised below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements		
	Palm nursery		
	for sales	Palm fruit on tree	Total
Balance as at 1 January 2018	53,091	17,525	70,616
Gain arising from changes in fair value	51,951	228,580	280,531
Increases due to cultivate	8,566	-	8,566
Decreases due to harvest	-	(196,317)	(196,317)
Decreases due to sales	(22,473)	(11,815)	(34,288)
Decreases due to write-off	(10,588)	-	(10,588)
Balance as at 31 December 2018	80,547	37,973	118,520
Gain (loss) arising from changes in fair value	(4,047)	173,965	169,918
Increases due to cultivate	767	-	767
Decreases due to harvest	-	(176,954)	(176,954)
Decreases due to sales	(11,522)	(3,946)	(15,468)
Decreases due to write-off	(5,855)	-	(5,855)
Balance as at 31 December 2019	59,890	31,038	90,928

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.

For the year 2019, discount rate is estimated at the rate of 5% (2018: 3%) 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 2019 and 2018 are summarised below:

(Unit: Thousand Baht)

	Consolidated/Separate financial statements			
	2019		2018	
	Increase by	Decrease by	Increase by	Decrease by
	10%	10%	10%	10%
Prices of palm fruit at the point of harvest	8,352	(8,352)	7,391	(7,391)
Weight of palm fruit on tree	8,352	(8,352)	7,391	(7,391)

11. Investment in subsidiary

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding		Cost		Dividend received	
			percentage				during the year	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Million Baht)	(Million Baht)	(%)	(%)				
Phansrivivat Co., Ltd.	274	274	100	100	307,895	307,895	11,781	41,097
Total					<u>307,895</u>	<u>307,895</u>	<u>11,781</u>	<u>41,097</u>

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 is as follows:

(Unit: Thousand Baht)

Joint venture	Nature of business	Consolidated financial statements					
		Shareholding percentage		Cost		Carrying amount based on equity method	
		2019	2018	2019	2018	2019	2018
		(%)	(%)				
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	50	50	25,000	25,000	26,710	38,602
Total				25,000	25,000	26,710	38,602

(Unit: Thousand Baht)

Joint venture	Nature of business	Separate financial statements			
		Shareholding percentage		Cost	
		2019	2018	2019	2018
		(%)	(%)		
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 of the joint venture and dividend income in the financial statements as follows:

(Unit: Thousand Baht)

Joint venture	Consolidated financial statements				Separate financial statements	
	Share of profit (loss) of the joint venture		Share of other comprehensive income of the joint venture		Dividend received during the year	
	2019	2018	2019	2018	2019	2018
Siam Elite Palm Co., Ltd.	(6,814)	9,507	(78)	-	5,000	2,500
Total	(6,814)	9,507	(78)	-	5,000	2,500

12.3 Summarised financial information about material joint venture

Summarised information about financial position as at 31 December 2019 and 2018

(Unit: Thousand Baht)

	Siam Elite Palm Co., Ltd.	
	2019	2018
Current assets	28,554	47,239
Non-current assets	35,260	36,838
Total assets	63,814	84,077
Current liabilities	(5,935)	(3,793)
Non-current liabilities	(4,459)	(3,080)
Total liabilities	(10,394)	(6,873)
Net assets	53,420	77,204
Shareholding percentage (%)	50	50
Carrying amount of joint venture based on equity method	26,710	38,602

Summarised information about comprehensive income for the year ended 31 December 2019 and 2018

(Unit: Thousand Baht)

	Siam Elite Palm Co., Ltd.	
	2019	2018
Revenue	12,939	34,947
The differences between fair value and costs of agricultural produce	(5,543)	14,689
Cost of sales	(7,619)	(12,356)
Selling and administrative expenses	(13,362)	(18,138)
Profit (loss) before income tax benefits (expenses)	(13,585)	19,142
Income tax benefits (expenses)	113	(128)
Profit (loss) for the year	(13,472)	19,014
Other comprehensive income	(156)	-
Total comprehensive income	(13,628)	19,014
Shareholding percentage (%)	50	50
Share of comprehensive income of the joint venture	(6,814)	9,507

13. Long-term loan to other company

As at 31 December 2019, a subsidiary has loan to other company of approximately Baht 19 million (2018: Baht 20 million). The loan has 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

	Land and land ownership document	Land possessory rights	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Cost								
1 January 2018	659,007	23,875	284,541	621,932	31,044	157,257	3,340	1,780,996
Additions	-	6,763	230	718	702	5,803	18,041	32,257
Disposals/write-off	-	-	(280)	(2,330)	-	(3,562)	-	(6,172)
Transfer in (out)	13,992	(15,074)	9,285	2,760	81	7,726	(18,770)	-
31 December 2018	672,999	15,564	293,776	623,080	31,827	167,224	2,611	1,807,081
Additions	-	19,766	-	1,090	272	6,308	6,028	33,464
Disposals/write-off	(2,844)	-	(242)	(6,461)	(1,817)	(19,669)	-	(31,033)
Transfer in (out)	19,112	(19,112)	242	4,991	14	2,731	(7,978)	-
31 December 2019	689,267	16,218	293,776	622,700	30,296	156,594	661	1,809,512

(Unit: Thousand Baht)

Consolidated financial statements

	Land and land ownership document	Land possessory rights	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Accumulated depreciation								
1 January 2018	-	-	202,260	517,643	28,106	139,588	-	887,597
Depreciation for the year	-	-	9,096	33,570	1,162	9,954	-	53,782
Depreciation on disposals/write-off	-	-	(280)	(2,159)	-	(3,494)	-	(5,933)
31 December 2018	-	-	211,076	549,054	29,268	146,048	-	935,446
Depreciation for the year	-	-	9,668	19,356	867	7,819	-	37,710
Depreciation on disposals/write-off	-	-	(242)	(5,477)	(1,794)	(19,272)	-	(26,785)
31 December 2019	-	-	220,502	562,933	28,341	134,595	-	946,371
Allowance for impairment loss								
31 December 2018	20,511	-	-	-	-	-	-	20,511
Impairment loss for the year	699	-	-	-	-	-	-	699
31 December 2019	21,210	-	-	-	-	-	-	21,210
Net book value								
31 December 2018	652,488	15,564	82,700	74,026	2,559	21,176	2,611	851,124
31 December 2019	668,057	16,218	73,274	59,767	1,955	21,999	661	841,931
Depreciation for the year								
2018 (Baht 52 million included in manufacturing cost, and the balance in selling and administrative expenses)								53,782
2019 (Baht 37 million included in manufacturing cost, and the balance in selling and administrative expenses)								37,710

(Unit: Thousand Baht)

Separate financial statements

	Land and land ownership document	Land possessory rights	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Cost								
1 January 2018	659,007	23,875	268,089	621,932	31,044	157,257	3,340	1,764,544
Additions	-	6,763	230	718	702	5,803	18,041	32,257
Disposals/write-off	-	-	(280)	(2,330)	-	(3,562)	-	(6,172)
Transfer in (out)	13,992	(15,074)	9,285	2,760	81	7,726	(18,770)	-
31 December 2018	672,999	15,564	277,324	623,080	31,827	167,224	2,611	1,790,629
Additions	-	19,766	-	1,090	272	6,308	6,028	33,464
Disposals/write-off	(2,844)	-	(242)	(6,461)	(1,817)	(19,669)	-	(31,033)
Transfer in (out)	19,112	(19,112)	242	4,991	14	2,731	(7,978)	-
31 December 2019	689,267	16,218	277,324	622,700	30,296	156,594	661	1,793,060
Accumulated depreciation								
1 January 2018	-	-	185,809	517,643	28,106	139,587	-	871,145
Depreciation for the year	-	-	9,096	33,570	1,162	9,954	-	53,782
Depreciation on disposals/write-off	-	-	(280)	(2,159)	-	(3,494)	-	(5,933)
31 December 2018	-	-	194,625	549,054	29,268	146,047	-	918,994
Depreciation for the year	-	-	9,668	19,356	867	7,819	-	37,710
Depreciation on disposals/write-off	-	-	(242)	(5,477)	(1,794)	(19,272)	-	(26,785)
31 December 2019	-	-	204,051	562,933	28,341	134,594	-	929,919

(Unit: Thousand Baht)

	Separate financial statements							Total
	Land and land ownership document	Land possessory rights	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	
Allowance for impairment loss								
31 December 2018	20,511	-	-	-	-	-	-	20,511
Impairment loss for the year	699	-	-	-	-	-	-	699
31 December 2019	21,210	-	-	-	-	-	-	21,210
Net book value								
31 December 2018	652,488	15,564	82,699	74,026	2,559	21,177	2,611	851,124
31 December 2019	668,057	16,218	73,273	59,767	1,955	22,000	661	841,931
Depreciation for the year								
2018 (Baht 52 million included in manufacturing cost, and the balance in selling and administrative expenses)								53,782
2019 (Baht 37 million included in manufacturing cost, and the balance in selling and administrative expenses)								37,710

As at 31 December 2019, 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 778 million (2018: Baht 566 million) (The Company only: Baht 762 million, 2018: Baht 551 million).

15. Bearer plants

(Unit: Thousand Baht)

	Consolidated financial statements		
	Bearer plants	Bearer plants	Total
	ready for harvest	not ready for harvest	
Cost			
1 January 2018	544,795	76,618	621,413
Additions	16,455	-	16,455
Write-off	(1,810)	-	(1,810)
Transfer in (out)	26,035	(26,035)	-
31 December 2018	585,475	50,583	636,058
Additions	7,841	-	7,841
Write-off	(12,204)	-	(12,204)
Transfer in (out)	44,018	(44,018)	-
31 December 2019	625,130	6,565	631,695
Accumulated amortisation			
1 January 2018	390,683	-	390,683
Amortisation charged for the year	10,462	-	10,462
Amortisation on write-off	(949)	-	(949)
31 December 2018	400,196	-	400,196
Amortisation charged for the year	11,057	-	11,057
Amortisation on write-off	(6,255)	-	(6,255)
31 December 2019	404,998	-	404,998
Allowance for impairment loss			
31 December 2018	22,663	-	22,663
Impairment loss for the year	-	-	-
31 December 2019	22,663	-	22,663
Net book value			
31 December 2018	162,616	50,583	213,199
31 December 2019	197,469	6,565	204,034
Amortisation for the year (included in manufacturing cost)			
2018			10,462
2019			11,057

(Unit: Thousand Baht)

	Separate financial statements		
	Bearer plants ready for harvest	Bearer plants not ready for harvest	Total
Cost			
1 January 2018	252,077	76,618	328,695
Additions	16,455	-	16,455
Write-off	(1,810)	-	(1,810)
Transfer in (out)	26,035	(26,035)	-
31 December 2018	292,757	50,583	343,340
Additions	7,841	-	7,841
Write-off	(12,204)	-	(12,204)
Transfer in (out)	44,018	(44,018)	-
31 December 2019	332,412	6,565	338,977
Accumulated amortisation			
1 January 2018	97,965	-	97,965
Amortisation charged for the year	10,462	-	10,462
Amortisation on write-off	(949)	-	(949)
31 December 2018	107,478	-	107,478
Amortisation charged for the year	11,057	-	11,057
Amortisation on write-off	(6,255)	-	(6,255)
31 December 2019	112,280	-	112,280
Allowance for impairment loss			
31 December 2018	22,663	-	22,663
Impairment loss for the year	-	-	-
31 December 2019	22,663	-	22,663
Net book value			
31 December 2018	162,616	50,583	213,199
31 December 2019	197,469	6,565	204,034
Amortisation for the year (included in manufacturing cost)			
2018			10,462
2019			11,057

As at 31 December 2019, the land used by the Company for palm oil plantation includes 13,630 rai for which there are land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). For the remaining, land possessory rights have been transferred to the Company and it is in the process of acquiring legal documentation of ownership.

A permit from Royal Forest Department granted to a subsidiary company for the exploitation or inhabitation in the National Reserved Forests expired in January 2015. The subsidiary has leased the land of 13,030 rai to the Company for utilisation. The subsidiary is requesting the government unit to grant a permit to exploit or inhabit in such land of 6,515 rai, which is 50% of the usable land and the request is under consideration of such government unit. However, on 15 May 2019, that subsidiary was granted a permit to harvest forest product in the Nation Reserved Forest. The existing permit is valid for one year, expired on 14 May 2020 and the subsidiary is required to pay official royalty fees at the rate of 10% of the market price of oil palm and forest maintenance fees, at a rate of double the official royalty fees, when harvesting the oil palm crops planted.

On 11 December 2014, the subsidiary entered into a lease agreement with the Treasury Department for an area of 4,294 rai for 15 years. However, on 15 February 2019 the subsidiary was granted the leasehold right to this area for an additional 15 years by the Treasury Department, which terminated the original agreement and made a new agreement for 30 years, effective from 9 July 2014 to 8 July 2044. The leasehold right has been used to secure a credit facility of Baht 30 million and the subsidiary is required to comply with prescribed terms and conditions.

16. Short-term loans from financial institutions

	(Unit: Thousand Baht)			
	Interest rate (Percent per annum)		Consolidated/Separate financial statements	
	2019	2018	2019	2018
Short-term loans from financial institutions	1.80 - 1.90	1.85 - 2.25	275,000	270,000
Total			275,000	270,000

17. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade payables - unrelated parties	7,210	7,984	7,210	7,984
Payables for purchase of assets - unrelated parties	688	1,580	688	1,580
Other payables - related party (Note 6)	-	-	283,005	285,105
Other payables - unrelated parties	2,194	1,402	2,194	1,402
Accrued expenses	12,882	11,171	7,531	9,788
Total trade and other payables	22,974	22,137	300,628	305,859

As at 31 December 2019 and 2018, other payables - related party is represented payable of rental charge and related accrued interest which carry an interest at a rate of THBFIX + 1% 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	
	2019	2018
Provision for long-term employee benefits		
at beginning of year	13,386	17,823
Included in profit or loss:		
Current service cost	4,514	1,657
Interest cost	1,152	486
Past service cost	6,926	-
Termination benefits	(5,349)	-
Included in other comprehensive income:		
Actuarial loss arising from		
Demographic assumptions changes	-	-
Financial assumptions changes	942	-
Experience adjustments	438	-
Benefits paid during the year	(2,901)	(6,580)
Provision for long-term employee benefits		
at end of year	19,108	13,386

On 5 April 2019, The Labour Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group has additional long-term employee benefit liabilities of Baht 6.9 million as a result. The Group reflected the effect of the change by recognising past service costs as expenses in the statement of comprehensive income.

The Company had obligations in respect of compensations payable to employees who voluntarily participated in early retirement schemes. The Company considered these compensations as termination benefits and recorded additional compensations to employees as expenses.

The Company expects to pay Baht 5 million of long-term employee benefits during the next year (2018: Baht 1 million).

As at 31 December 2019 the weighted average duration of the liabilities for long-term employee benefit is 10 years (2018: 14 - 19 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated/Separate financial statements	
	2019	2018
	(% per annum)	(% per annum)
Discount rate	1.5	2.5 - 4.8
Future salary increase rate	5.0	5.0

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

	(Unit: Thousand Baht)			
	Consolidated/Separate financial statements			
	2019		2018	
	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%
Discount rate	(484)	513	(912)	945
Future salary increase rate	600	(547)	985	(953)

19. Income tax

Income tax expenses (benefits) for the years ended 31 December 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Current income tax:				
Current income tax charge	1,680	1,997	-	-
Adjustment in respect of current income tax of previous year	179	(222)	-	(278)
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,633)	(1,065)	(996)	(1,176)
Income tax expenses (benefits) reported in the statement of comprehensive income	226	710	(996)	(1,454)

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Deferred tax relating to actuarial loss	276	-	276	-
Total	276	-	276	-

The reconciliation between accounting profit (loss) and income tax expenses (benefits).

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Accounting profit (loss) before tax	(3,327)	14,748	14,636	38,023
Applicable tax rates	0%, 15% and 20%	0%, 15% and 20%	20%	20%
Accounting profit (loss) before tax multiplied by applicable tax rates	(591)	2,867	2,927	7,605
Adjustment in respect of current income tax of previous year	179	(222)	-	(278)
Share of loss (profit) of a joint venture	1,363	(1,901)	-	-
Effects of:				
Non-deductible expenses	481	209	1	64
Additional expense deductions allowed	(1,206)	(243)	(568)	(126)
Dividend received	-	-	(3,356)	(8,719)
Total	(725)	(34)	(3,923)	(8,781)
Income tax expenses (benefits) reported in the statement of comprehensive income	226	710	(996)	(1,454)

As at 31 December 2019 and 2018, the components of deferred tax assets (liabilities) are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial		Separate financial	
	statements		statements	
	2019	2018	2019	2018
Deferred tax assets				
Allowance for diminution in value of inventories	702	1,157	702	1,157
Allowance for asset impairment	8,775	8,635	8,775	8,635
Provision for long-term employee benefits	3,822	2,677	3,822	2,677
Provision for land rental	1,039	247	765	610
Unused tax loss	7,066	6,937	7,066	6,937
Total	21,404	19,653	21,130	20,016

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Deferred tax liabilities				
Change in fair value of biological assets and the differences between fair value and costs of agricultural produce	(14,640)	(14,992)	(14,640)	(14,992)
Revenue recognition under finance leases	(194)	-	(194)	-
Total	(14,834)	(14,992)	(14,834)	(14,992)
Net	6,570	4,661	6,296	5,024

The unused tax losses of the Company amounting approximately to Baht 35 million will expire by 2023.

20. Statutory reserve

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

According to the Thai Civil and Commercial Code, the subsidiary is required to set aside to a statutory reserve an amount equal to at least 5 percent of its net profit each time the subsidiary pays out a dividend, until such reserve reaches 10 percent of its registered share capital. The statutory reserve cannot be used for dividend payment. 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	
	2019	2018	2019	2018
Salary and wages and other employee benefits	132,831	130,430	132,831	130,430
Depreciation	37,710	53,782	37,710	53,782
Amortisation	11,124	10,736	11,124	10,736
Transportation expenses	20,259	22,973	20,259	22,973
Rental expenses	8,990	4,666	7,783	6,850
Repair and maintenance expenses	29,533	30,357	29,533	30,357
Raw materials and consumables used	218,737	280,685	218,737	280,685
Changes in finished goods and work in process	(17,415)	(34,889)	(17,415)	(34,889)

22. Promotional privileges

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

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

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

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

The Company's operating revenues for the years ended 31 December 2019 and 2018, divided between promoted and non-promoted operations, are summarised below.

	(Unit: Thousand Baht)					
	Promoted operations		Non-promoted operations		Total	
	2019	2018	2019	2018	2019	2018
Revenue from contracts						
with customers	1	-	545,847	628,627	545,848	628,627

23. Earnings per share

Basic earnings 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 per share:

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Profit (loss) for the year (Thousand Baht)	(3,553)	14,038	15,632	39,476
Weighted average number of				
ordinary shares (Thousand shares)	324,050	324,050	324,050	324,050
Earnings (loss) per share (Baht)	(0.01)	0.04	0.05	0.12

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 Group's 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 Group. 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 Group is 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 2019 and 2018, the Group has revenue from one major customer in amount of Baht 431 million and Baht 421 million, respectively, 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 2019 amounting to Baht 2 million (2018: Baht 2 million) were recognised as expenses.

26. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividends per share (Baht)
Final dividends for 2017	Annual General Meeting of the shareholders on 27 April 2018	32	0.10
Total for 2018		32	0.10
Final dividends for 2018	Annual General Meeting of the shareholders on 26 April 2019	26	0.08
Total for 2019		26	0.08

27. Commitments and contingent liabilities

27.1 Capital commitments

As at 31 December 2019, the Company had capital commitments of Baht 60 million, relating to acquisition of machine and equipment (2018: Baht 2 million, relating to the acquisition of machine, equipment and vehicles).

27.2 Operating lease commitments

The Group has entered into lease agreements in respect of land. The terms of the agreements are 14 and 30 years. The Group required to comply with conditions stipulated in the contracts.

As at 31 December 2019 and 2018, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

Payable	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
In up to 1 year	4	5	5	7
In over 1 and up to 5 years	12	10	16	16
In over 5 years	58	13	18	22

In January 2020, the Company entered into a new land lease agreement with its subsidiary, of which the terms lasted 24 years, and terminated its previous agreement with 14-year terms, resulting in the increase of approximately Baht 80 million in the future minimum lease payments required under this operating lease.

27.3 Guarantees

As at 31 December 2019, there were outstanding bank guarantees of Baht 6 million (2018: Baht 4 million) issued by banks on behalf of the Group 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 2019 totaling Baht 8 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 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.

- c) On 3 December 2019, the Company received a notice from the ALRO in Krabi, informing them of vacating a land plot of title deed No. 601 in Krabi Noi Sub-district, Muang District, Krabi, covering a total area of 973 rai and demolishing all constructions thereon within 30 days from the date the notice was served since the Company lacked land ownership documents issued by the governmental authorities. In the Board of Director's Meeting No. 7/2019 dated 24 December 2019, the Board of Directors passed a resolution acting on the notice issued by the Krabi's ALRO to remove all properties from the controversial land by 31 December 2019. The vacating of the premises resulted in the reduction in the area and value of assets. The Company wrote off the cost of land and net book value of oil palm plantation development on the land of Baht 8 million as expenses in the current year financial statements.

27.5 Litigation

In July 2018, provincial chief public prosecutor of Krabi filed a lawsuit against the Company with the Court, alleging that the Company utilised land of 4,376 rai in land reform area for oil palm plantation, which was a violation of Section 9,108 Bis of the Land Code B.E. 2497, Revolutionary Council Announcement No. 96 dated 29 February 1972, and Section 83 of the Criminal Code. The prosecutor requested the Court to give an eviction order to the Company.

On 2 August 2019, the Court dismissed the case and gave the Company an order for the handover of the land. On 4 December 2019, the Company appealed the judgement of the Court of First Instance. The case is currently under the consideration of the Appeals Court. However, the management has determined to set aside allowance for such damages from the cost of land and palm plantation in the full amount in the financial statements.

28. Fair value hierarchy

As of 31 December 2019 and 2018, 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 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Biological assets	-	59,890	31,038	90,928

(Unit: Thousand Baht)

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

During the years 2019 and 2018, there was no transfer within the fair value hierarchy.

29. Financial instruments

29.1 Financial risk management

The Group's 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, short-term loans and trade and other payables. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Group 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 Group does not anticipate material losses from its debt collection.

Interest rate risk

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

As at 31 December 2019 and 2018, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Thousand Baht)

	Consolidated financial statements											
	Fixed interest rates				Floating		Non-interest		Total		Effective	
	Within 1 year		1 - 5 years		interest rate		bearing				interest rate	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(% per annum)											
<u>Financial Assets</u>												
Cash and cash equivalents	-	-	-	-	19,806	21,724	1,195	1,176	21,001	22,900	0.10 - 0.38	0.10 - 0.38
Trade and other receivables	-	-	-	-	-	-	30,471	11,525	30,471	11,525	-	-
Financial lease receivables	330	-	641	-	-	-	-	-	971	-	1.80	-
Long-term loan to other company	-	-	-	-	19,320	20,240	-	-	19,320	20,240	THBFIX +1	THBFIX + 1
	<u>330</u>	<u>-</u>	<u>641</u>	<u>-</u>	<u>39,126</u>	<u>41,964</u>	<u>31,666</u>	<u>12,701</u>	<u>71,763</u>	<u>54,665</u>		
<u>Financial liabilities</u>												
Short-term loans from financial institution	275,000	270,000	-	-	-	-	-	-	275,000	270,000	1.80 - 1.90	1.85 - 2.25
Trade and other payables	-	-	-	-	-	-	22,974	22,137	22,974	22,137	-	-
	<u>275,000</u>	<u>270,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,974</u>	<u>22,137</u>	<u>297,974</u>	<u>292,137</u>		

(Unit: Thousand Baht)

	Separate financial statements											
	Fixed interest rates				Floating		Non-interest		Total		Effective	
	Within 1 year		1 - 5 years		interest rate		bearing		Total		interest rate	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(% per annum)											
<u>Financial Assets</u>												
Cash and cash equivalents	-	-	-	-	8,894	9,342	1,187	1,171	10,081	10,513	0.10 - 0.38	0.10 - 0.38
Trade and other receivables	-	-	-	-	-	-	30,360	11,402	30,360	11,402	-	-
Financial lease receivables	330	-	641	-	-	-	-	-	971	-	1.80	-
	<u>330</u>	<u>-</u>	<u>641</u>	<u>-</u>	<u>8,894</u>	<u>9,342</u>	<u>31,547</u>	<u>12,573</u>	<u>41,412</u>	<u>21,915</u>		
<u>Financial liabilities</u>												
Short-term loans from financial institution	275,000	270,000	-	-	-	-	-	-	275,000	270,000	1.80 - 1.90	1.85 - 2.25
Trade and other payables	-	-	-	-	283,005	285,105	17,623	20,754	300,628	305,859	THBFIX +1	THBFIX +1
	<u>275,000</u>	<u>270,000</u>	<u>-</u>	<u>-</u>	<u>283,005</u>	<u>285,105</u>	<u>17,623</u>	<u>20,754</u>	<u>575,628</u>	<u>575,859</u>		

Foreign currency risk

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

29.2 Fair value of financial instruments

Since the majority of the Group's 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 2019, the Group's debt-to-equity ratio was 0.31:1 (2018: 0.30:1) and the Company's was 0.59:1 (2018: 0.58:1).

31. Subsequent events

On 20 February 2020, a meeting of the Company's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.025 per share in respect of unappropriated retained earnings of the Company, or a total of Baht 8 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 20 February 2020.