

**ANNUAL REPORT 2003**

**LANNA RESOURCES PUBLIC COMPANY LIMITED**



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## REPORT OF THE BOARD OF DIRECTORS

On behalf of the Board of Directors of Lanna Resources Public Company Limited, I would like to take this opportunity to report to the shareholders on the financial status and operating results of the Company for the past year 2003, which, despite a lower net profit in comparison with the year 2002, is still generally considered rather satisfactory.

During the year 2003, total revenue and net profit of the Company and its subsidiary companies were Baht 1,747.39 million and Baht 58.05 million, respectively. In comparison with year 2002, the revenue increased by Baht 81.32 million or 4.88 percent, while the net profit decreased by Baht 35.84 million or 38.17 percent. The main reason for the lower profit was due to lower domestic coal sales. Although the sales of coal from the Indonesian mines increased, its gross profit margin was lower than that of the domestically produced coals. As a result of the Government's stringent policy on truck-loading limit making the cost of domestic coals higher, the local coal users, therefore, resorted to use more imported coals. Furthermore, the world market coal prices declined during the first eight months of 2003 to the lowest level since 1982 as China and Indonesia had continuously expanded their coal production and export capacities whilst the coal consumption in the region had not increased significantly. Nevertheless, during the later part of 2003, the Government of China had ordered closures of several coalmines in order to improve safety measures and temporarily slow down the coal export. Also, Indonesia had experienced heavy rainstorms; therefore, the coal price had risen during the last quarter of 2003 and continued to increase into the early part of 2004. It is anticipated that the coal price in 2004 should be higher than in 2003.

The Company still enjoys a loan-free status, having relatively strong financial status and liquidity. The Company's current ratio and total debt to equity ratio at end of year 2003 were at 4.36:1 and 0.15:1, respectively. The Company still has sufficient working capital that may be utilized for investment in the current project developments. For future investment, the Company shall seek for appropriate financing sources by considering the economic conditions and financial market situation.

For investment aspect during 2003, the Company has invested in the acquisition of ordinary shares in Thai Agro Energy Company Limited for 19.875 million shares at Baht 10 per share, totaling Baht 198.75 million, or 75 percent of the fully paid-up registered capital. The investment was for the production and distribution plant of ethanol-for-fuel or 99.5 percent dehydrated alcohol at Dan Chang District, Suphanburi Province, with 150,000 liter-per-day of ethanol production capacity, using molasses as the raw material. The 10 percent of ethanol shall then be blended with 90 percent of benzene octane 91 to become gasohol, having the same general specifications as the benzene octane 95 but less expensive. The total investment was estimated at Baht 796 million, using debt-to-equity ratio of 2:1. The project has obtained loan and credit facilities from Bankthai Public Company Limited, with the shareholders' equity of Baht 265 million. The commencement of the plant operation is expected within the end of 2004. The project has obtained investment promotion and is fully supported by the Government. Besides helping to reduce pollution that adversely affects health and environment, the project will help reduce the imports of fuel and octane-booster additive called MTBE (Methyl Tertiary Butyl Ether), saving our country's foreign currency.

The Company still maintains its investment interest in the coal business, which is our core business, by continuing the exploration efforts for securing additional coal deposits, particularly of the high quality coals in Indonesia, in order to increase the coal reserves and coal production and distribution potential in the future. At present, several coalmining projects in Indonesia are under review and consideration for possible investment opportunities. The Company has also put emphasis on the investment in its own bulk vessel for coal transport and chartering services. However, a new bulk vessel would take at least two years for the delivery and also would be very costly, the Company has, therefore, decided on the option of procuring used vessel in good condition. During 2003, the Company participated in several tenders for the used vessels but was not successful. The shareholders will be informed accordingly when the said investment projects have become more certain.

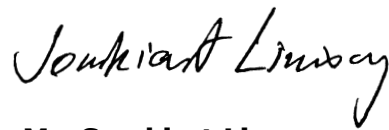
The Board of Directors will focus on the Company's long-term and stable progress with excellence, utilizing its expertise and superior technology, managing works prudently and cautiously by considering its responsibilities to the shareholders, related parties, society and environment overall, in order to earn suitable and sustainable revenues and profit into the future. The Company shall follow the principles of good corporate governance, putting emphasis on the transparency in the operation and management, which can be audited, as well as providing appropriate, secure and efficient risk management, internal control and audit systems, in order to protect the assets from improper uses or with false intent, resulting in the financial and business damages to the Company and its subsidiaries at present and in the future.

The Board of Directors wishes to report to the shareholders on the operating results for the past year 2003. The Company's net profit totaled Baht 58.05 million or a net profit of Baht 0.17 per share, based on the number of issued and paid-up shares of 350 million shares at a par value of Baht 1 per share. Accordingly, the Board of Directors would like to propose the following appropriation of earnings for the purpose of dividend payment to the shareholders.

<b>Details of Appropriation (Unit: Baht)</b>	<b>BOI Promoted Activities</b>	<b>Non-BOI Promoted Activities</b>	<b>Total</b>
Retained earnings (loss) brought forward from previous year	364,196,275.13	(94,839,697.15)	269,356,577.98
Plus Net profit (loss) of year 2003	62,386,731.47	(4,333,734.53)	58,052,996.94
Retained earnings (loss) for appropriation for year 2003	426,583,006.60	(99,173,431.68)	327,409,574.92
Less Appropriation for dividend payment of year 2003			
• Approved interim dividend payment of Baht 0.15 per share on January 15, 2004	52,500,000.00	-	52,500,000.00
• Dividend payment being approved at this time at Baht 0.1 per share	35,000,000.00	-	35,000,000.00
Retained earnings (loss) not yet appropriated, carried forward	339,083,006.60	(99,173,431.68)	239,909,574.92

The Shareholders shall receive the dividend appropriated from net profit derived from BOI promoted activities in year 2003 at Baht 0.25 per share. Accordingly, the interim dividend of Baht 0.15 per share had already been paid on the 15<sup>th</sup> of January 2004; therefore, the remaining dividend of Baht 0.10 per share shall be paid to the shareholders on May 26, 2004. The shareholders, whose names appear in share registry book on April 5, 2004 at 12.00 hrs., are entitled to the dividend payment, which is subject to income tax exemption due to the Investment Promotion ACT B.E. 2520.

The Board of Directors wish to express its thanks to all the shareholders for continuing to support the Company's operation, contributing to the Company's current success and progress.



**Mr. Somkiart Limsong**  
**Chairman**

## COMPANY PROFILE

### Background

Lanna Resources Public Company Limited, formerly Lanna Lignite Public Company Limited, was initially established as a registered company on the October 4, 1985 and later converted to a public company limited on December 29, 1992. On July 12, 1994, the Company was given permission by the Ministry of Finance to register its ordinary shares for trading in the Stock Exchange of Thailand. The Company was classified within the Resources group (energy sector). The Company changed the name to Lanna Resources Public Company Limited on May 17, 2001.

### Head Office

888/99, 9<sup>th</sup> Floor, Mahathun Plaza Building, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330; Tel.: 0-2253-8080, 0-2253-6820; Fax: 0-2253-6822, 0-2253-5014  
Website: [www.lannar.com](http://www.lannar.com); E-Mail: [lanna@lannaR.com](mailto:lanna@lannaR.com)

### Branch Offices

Pa Kha Mine: P.O. Box 1, Li District, Lumphun Province 51110,  
Tel.: 053-599021, Fax: 053-599228

Ayutthaya Coal Distribution Center:  
108 Moo 1, Klong Sakae Sub-district, Nakhonluang District, Ayutthaya Province  
Tel.: 035-724158; Fax: 035-724158

### Registered and Paid-up Capital

350,000,000 ordinary shares at a par value of Baht 1 per share, for a total paid registered capital of Baht 350,000,000.

### Type of Business

Domestic and Overseas Coal Production and Distribution

### Registrar

Thailand Securities Depository Co., Ltd., 62 Stock Exchange of Thailand Building, Rajadapisek Road, Klongtoey, Bangkok 10110 Tel.: 0-2229-2000, Fax: 0-2654-5649

### Auditor

Ernst & Young Office Limited, represented by Mr. Narong Puntawong, certified public accountant no. 3315; or Mr. Ruth Chaowanagawi, certified public accountant no. 3247; or Mrs. Saifon Inkaew, certified public accountant no. 4434, with address at 193/136-137 New Rajadapisek Road, Bangkok 10110, Tel.: 0-2264-0777, Fax: 0-2264-0789-90

### Legal Advisor

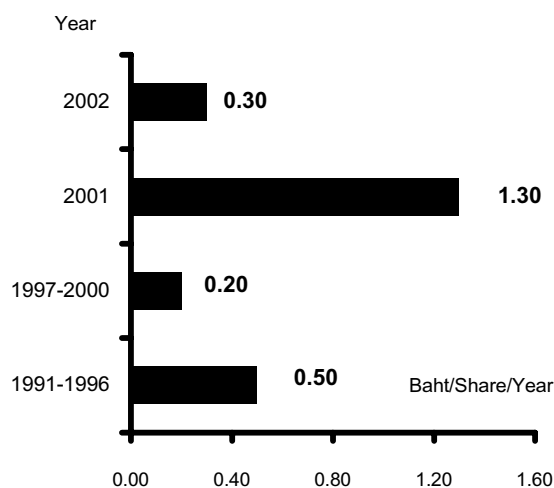
Dharmniti International Co., Ltd., 2/4 Nai Lert Tower, Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Tel.: 0-2252-1260, Fax: 0-2252-1104

## DIVIDEND PAYMENT POLICY

In the case that no additional investment is required and no outstanding loan, the Company's dividend payment policy is approximately 60 percent of its yearly net profit after deducting the net loss carried forward (if any).

The Company has been capable of paying dividend to the shareholders throughout the past since 1991. The net profit in 2003 was at Baht 58.05 million or Baht 0.17 per share. The Board of Directors, therefore, proposed for the appropriation of earnings derived from the BOI-promoted activities for the purpose of dividend payment to the shareholders at Baht 0.25 per share or 147.06 percent of the net profit, which is considered satisfactory.

### Dividend Payment Statistic (Par Value of Baht 1 per Share)



## FINANCIAL INFORMATION

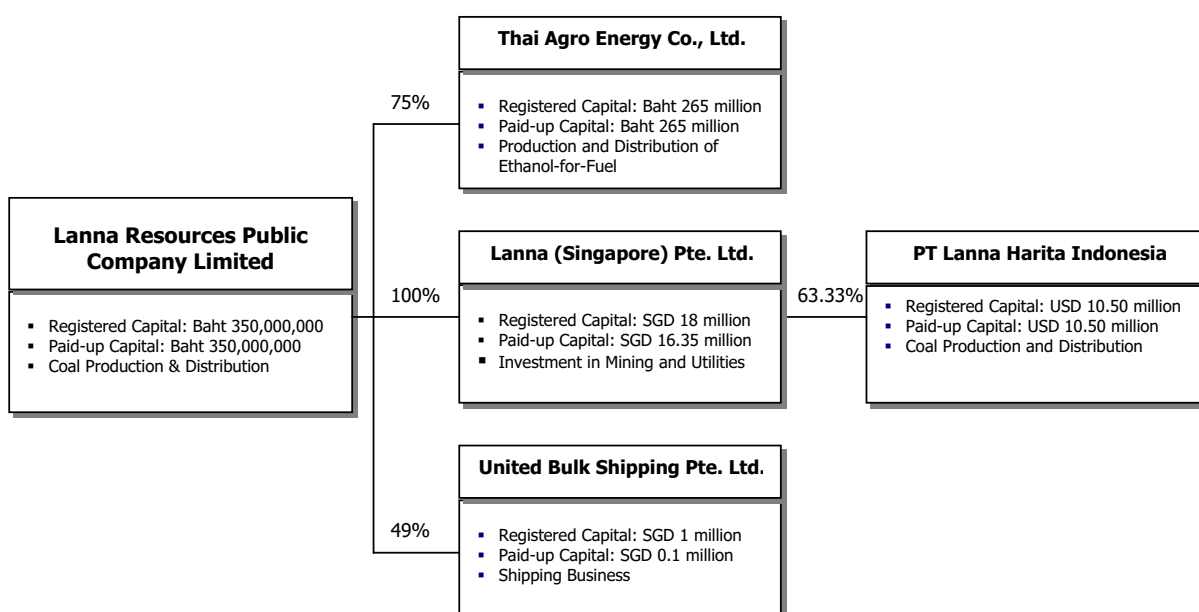
Description (Unit: Million Baht)	Financial Information of Past 5 Years				
	1999	2000	2001	2002	2003
<b>Financial Status</b>					
Total Assets	1,925	1,760	2,276	1,954	<b>1,953</b>
Total Liabilities	266	125	496	253	<b>254</b>
Issued and Paid-up Capital	350	350	350	350	<b>350</b>
Total Shareholders' Equity	1,659	1,635	1,780	1,701	<b>1,698</b>
Book Value Per Share (Baht per share)	4.74	4.67	5.09	4.86	<b>4.85</b>
<b>Operating Result</b>					
Sales Revenue	1,193	905	911	1,619	<b>1,747</b>
Total Revenue	1,202	924	1,386	1,666	<b>1,710</b>
Gross Profit	370	249	246	240	<b>239</b>
EBITDA (Earnings before interest, tax, depreciation, and amortization)	507	330	857	670	<b>607</b>
Net Profit (Loss)	82	(6)	534	94	<b>58</b>
Earnings (Loss) Per Share (Baht per share)	0.23	(0.02)	1.53	0.27	<b>0.17</b>
Dividend Per Share (Baht per share)	0.20	0.20	1.30	0.30	<b>0.25</b>

Remark: The book value per share, earnings (loss) per share and dividend per share are adjusted in according with the reduction of the par value of Baht 1.00 per share.

## BUSINESS ACTIVITIES

The Company's core business is in the domestic and overseas coal production and distribution, having the overseas shipping business as the supporting business. In addition, the Company has invested in the production and distribution of ethanol-for-fuel or 99.5 percent alcohol. The Company is focused on excellence, fully utilizing its expertise and technology, with the aim of earning suitable and sustainable revenue and profit through the future.

## INVESTMENT STRUCTURE



### Domestic Coal Business

The Company produces and supplies coals from its own domestic coal reserve and also procures imported coal for distribution domestically. The Company currently operates its own domestic coalmine at Ban Pa Kha in Lumphun Province with the remaining coal reserve estimated at 600,000 tons, in which coal production and distribution should continue until the end of 2004.

The majority of the imported coals for domestic consumption are of the bituminous coal type, which contains relatively higher calorific value than the locally produced coal. The Company plans to import coals from the joint-venture coalmine in Indonesia and from other sources for domestic market for substitution of the depleting indigenous coal resources, as well as distribute the coals from its joint-venture coalmine in Indonesia to other markets especially in the Asia region, such as Japan, South Korea, Taiwan and Hong Kong.



## Overseas Coal Business

Lanna (Singapore) Pte. Ltd., a wholly-owned subsidiary of Lanna Resources Public Company Limited, has been established and registered in Singapore for investment in overseas coal mining and utility projects.

PT. Lanna Harita Indonesia (LHI), a registered company in Indonesia, was established to jointly invest in coal mining project in Tanah Merah, Samarinda, East Kalimantan, under a 30-year mining concession (from 2001-2031) or the Coal Contract of Work from the Indonesian Government. The remaining mineable coal reserve is estimated at 29 million tons. The project has started its coal production and distribution since the end of 2001.

LHI Shareholders	Number of Shares	Shareholding
Lanna (Singapore) Pte. Ltd.	6,650 Shares	63.33%
PT. Harita Mahakam Mining	2,800 Shares	26.67%
Pan-United Corporation	1,050 Shares	10.00%
Total	10,500 Shares	100.00%

## Shipping Business

United Bulk Shipping Pte. Ltd. (UBS), an associated company registered in Singapore, has been established to undertake business in shipping and ship chartering services. Besides chartering ships for general clients, UBS effectively manages coal-shipping services for Lanna Resources Public Company Limited on imported coal into Thailand and coal distribution to other countries at reasonable costs.

UBS Shareholders	Number of Shares	Shareholding
Lanna Resources Plc.	49,000 Shares	49%
Pan-United Corporation	51,000 Shares	51%
Total	100,000 Shares	100%

## Production and Distribution of Ethanol-for-Fuel Business

Thai Agro Energy Company Limited, a subsidiary company registered in Thailand, is 75 percent owned by Lanna Resources Public Company Limited, conducting business in the production and distribution of ethanol-for-fuel (99.5 percent alcohol).

The National Ethanol Committee has granted a license for Thai Agro Energy Company Limited to invest in the construction of the ethanol production and distribution plant for fuel purpose, at Dan Chang District, Suphanburi Province, with a production capacity of 150,000 liters per day, using molasses as the raw material. The ethanol plant is expected to be completed and ready for ethanol production and distribution by the end of 2004.

## SUBSIDIARY AND ASSOCIATED COMPANIES

Company & Location	Type of Business	Registered Capital (Ordinary Shares)			Number of Issued Shares	Number of Shareholding	Shareholding (%)		Dividend per Share Year 2002
		Number of Shares	Price per Share	Total Value			Direct	Direct and Indirect	
<b>THAI AGRO ENERGY CO., LTD.</b>									
888/114 11 <sup>th</sup> Floor, Mahathun Plaza Building, Ploenchit, Lumpini Bangkok, Thailand 10330 Tel.: 02-672 3890-94 Fax: 02-627 3890-94	Production and Distribution of Ethanol-for-Fuel	26,500,000	Baht 10	Baht 265,000,000	26,500,000	19,875,000	75	75	-
<b>LANNA (SINGAPORE) PTE LTD.</b>									
10 Collyer Quay # 19-07 Ocean Building, Singapore 049315 Tel.: (65) 862-1188 Fax: (65) 861-2254	Investment in Mining and Utilities	18,000,000	SGD 1	SGD 18,000,000	16,350,000	16,350,000	100	100	-
<b>PT LANNA HARITA INDONESIA</b>									
Panin Bank Building 2 <sup>nd</sup> Floor JL. Jend Sudiman – Senayan Jakarta 10270 Indonesia Tel.: (6221) 572-2926 Fax: (6221) 572-2925	Coal Production and Distribution	10,500	USD 1,000	USD 10,500,000	10,500	6,650	-	63.33	-
<b>UNITED BULK SHIPPING PTE LTD.</b>									
33 Tuas Crescent, Singapore 638722 Tel.: (65) 862-1188 Fax: (65) 861-2254	Shipping Business	1,000,000	SGD 1	SGD 1,000,000	100,000	49,000	49	49	-

Remark: SGD = Singapore Dollars, USD = United States Dollars

## INDUSTRY AND COMPETITION

### Domestic Coal Trading

- The domestic coal mining industry has been recognized as an oligopoly market with small number of coal producers and limited indigenous coal resources. Coal is generally considered the most economical fuel compared with other types of fuel, based on pricing per unit heat. Thus, coal suppliers do not generally compete on pricing strategy.

- During 2003, the Government has strictly enforced the policy on the truck-loading limit, significantly increasing the cost of domestic coal transportation. The coal consumers therefore resorted to utilize more imported coals, as the cost of imported coal became competitive in terms of cost per unit

DOMESTIC COAL MARKET			
(Unit: Thousand Tons)			
Coal Trading Quantity	2001	2002	2003
Domestic Coal	4,253	4,930	2,547
Imported Coal	5,191	5,026	6,730
Total	9,444	9,956	9,277

heat, as compared to the cost of the domestic coal, particularly during the first eight months of the year when the coal price in the world market had considerably declined. Nevertheless, toward the end of 2003, the Chinese Government had ordered several coalmine closures for safety measures improvement and temporarily slowing down the export of coals, combining with heavy rainstorms experienced by Indonesia, driving up the coal prices during the last quarter of 2003 and well into the beginning of 2004. The coal prices in year 2004 are expected to be higher than that of the past 2003. In addition, the rate for ocean freight transportation has been significantly increased since the end of 2003 and has remained through the beginning of 2004. This has resulted in the higher cost of imported coal, shifting the domestic consumers to utilize more of the domestically produced coal in 2004.

- The Company's remaining domestic coal reserve is approximately at 600,000 tons. The final stage of production and distribution of the remaining coal is expected by the end of 2004. Therefore, the imported coals are still required for domestic market although the cost of imported coal has increased considerably. The majority of the imported coals are stocked at the Ayutthaya Coal Distribution Center before distribution to the customers. The Company considers establishing additional coal distribution centers in the future in order to expand the market share and provide for the depleting domestic coal resources.
- The domestic coal consumption is mainly for the cement industry, accounting for about 57 percent of the total coal consumption. The power generation, boiler and other industries account for the remaining 43 percent. Therefore, should the country's economy in 2004 continue to expand from the previous year, the cement consumption is also expected to increase accordingly. However, if the cost of ocean freight transportation remains high, it may slow down the cement export and thus limit the increase of cement production. The cement industry is expected to expand by about 5 percent in 2004, whereas the domestic coal consumption in 2004 is expected to increase by 10 percent.

## International Coal Trading

- For the year 2003, worldwide coal production have reached 5,350 million tons, consisting of hard coal approximately 4,350 million tons and about 1,000 million tons of lignite, an increase of 200 million tons or 4 percent over year 2002. Most of the increase came from Mainland China, who is the world's largest coal producer. China increased its production from 1,395 million tons to 1,595 million tons in year 2003 or 14 percent over year 2002. Whereas, the other major coal producers such as United States of America, Russia, Former Russia, South Africa, Germany and Poland see their output maintained or even slightly declined. The total production of these countries accounted for about 2,230 million tons in year 2003. Furthermore, combined output from Australia, India and Indonesia increased approximately 5 percent over year 2002 to around 845 million tons. The top 10 coal producers together accounted for as much as 87 percent of the total world coal production in year 2003. Most of the coals produced were consumed in domestic market, in particular for power generation. The international coal trade accounted for only 13 percent of the total production, of which 90 percent was sea borne trade. In year 2003, the international coal trade totaled 690 million tons, an increase of 40 million tons or 6 percent over year 2002.
- During the year 2003, imported volume by Asian countries, excluding Middle-East, exceeded 50 percent of the international coal trade. Japan, the world's largest coal importer, imported approximately 169 million tons of coal, an increase of 11 million tons or 7 percent over year 2002. South Korea, the second largest coal importer, maintained import volume at about 70 million tons. Taiwan imported 56 million tons of coal, an increase of 5 million tons or 10 percent over year 2002. In addition, 25 million tons of coal was imported by India, 10 million tons by China and 15 million tons by Asean countries. Western European countries imported a total amount of approximately 183 million tons, and accounted for 27 percent of the international coal trade, slightly increased from year 2002. The rest was imported by North America, Eastern Europe, Russia and Middle East.
- On the exporting side, in year 2003, the big 5 coal producers exported a total of over 500 million tons, accounting for up to 70 percent of the international coal trade, consisting of the following:
  - 1) Australia, the fifth largest coal producer, was the world's largest coal exporter accounting for 30 percent of the international coal trade. It produced approximately 350 million tons of coal and exported about 213 million tons in year 2003, an increase of 10 million tons or 5 percent over year 2002, mainly to North Asia, in particular to Japan, who consumed over 50 percent of the Australia's export volume.
  - 2) Mainland China, the world's largest coal producer, exported only 6 percent of its total production but still rank as the second largest coal exporter after Australia and the key player in the region. It commanded 14 percent of the international coal trade or approximately 95 million tons in year 2003, an increase of 11 million tons or 13 percent over the year 2002. Mainland China mainly focused its export to North Asia, especially Japan and South Korea. Both countries imported as much as 60 percent of the Chinese's total export volume due to strategic advantage in the ocean freight distance.

- 3) Indonesia, the third world's largest coal exporter after Australia and Mainland China, exported 85 million tons or 74 percent of its total production, an increase of 12 million tons or 16 percent over the year 2002. Indonesia was the tenth world's largest coal producer with total production of approximately 115 million tons in year 2003. Most of the coal produced was exported to North Asia, India and Asean countries. Indonesia's export volume accounted for 12 percent of the international coal trade.
  - 4) South Africa, the seventh world's largest, produced approximately 225 million tons of coal and exported around 70 million tons or 4 percent of the international coal trade, mainly to Western Europe and partially to North America and India. South Africa has maintained a steady export volume for the past 10 years.
  - 5) Columbia, the fifth largest coal exporter, produced approximately 50 million tons of coal in year 2003 and exported up to 45 million tons or 7 percent of the international coal trade, mainly to North America and Western Europe. The export volume increased over 10 million tons or 28 percent over year 2002.
- Over the year, Mainland China and Indonesia kept putting pressure on thermal coal price in Asian region by continuously expanding their production and exporting volume. With reference to the Barlow Jonker Spot Price Index – BJI Australia, the index price was maintained at the level of US\$ 24.0-25.0 per ton, basis FOB Australia at calorific value of 6,700 kcal/kg GAD throughout the first 8 month of year 2003, which was recognized as the lowest level since year 1982 and it was, in fact, equivalent to the average FOB cost of Australian coal producers.

By late 2003, Australian currency began to appreciate significantly against US currency, to the level of US\$ 0.6 - 0.7. Furthermore, events such as the heavy congestion at the Australia's coal port, temporary shut down in September 2003 of many coal mines in Mainland China to improve mine safety, moreover, the unexpected heavy rainstorm in Indonesia and unusually cold winter in the region have made a serious impact to the production, delivery and consumption of coal in the region. Many of the large coal-fired power plants in Japan, South Korea and Taiwan suddenly were facing with a serious shortage of coals. The impact was so great that the Mainland China had to suspend the export of coal in favor of domestic market. These incidents prompted the coal price in the last quarter of year 2003 to jump from the level of US\$ 24.0-25.0 per ton to the level US\$ 35.0 per ton FOB Australia by the end of December 2003. It is expected that the coal price should be softened after the first half of year 2004, when the coalmines in China are recovered and Indonesia is back in the dry season. In addition, the high freight rate of over 3 times of year 2002 price are expected to hold ground thus, will continually put pressure on the coal price. However, it is still widely anticipated that the average coal price for year 2004 would be higher than that of year 2003, but not more than 20 percent

- As for the coalmine of PT. LANNA HARITA INDONESIA, for 2003 the company produced around 1.3 million tons of coal. About 0.8 million or 61 percent were exported to Asian market, including Japan, Taiwan, South Korea and Hong Kong, 0.4 million tons or 31 percent to Thailand and 0.1 million tons or 8 percent for domestic consumption in Indonesia. For the year 2004, PT. LANNA HARITA INDONESIA is expected to produce a total of 1.5 million tons mainly for the Asian market.

## REVENUE STRUCTURE

### Revenue Structure of the Company

PRODUCT (Unit: Million Baht)	2001		2002		2003	
	Revenue	%	Revenue	%	Revenue	%
<b>Main Revenues</b>						
Domestic Coal	656.87	47.40	464.71	27.89	<b>252.67</b>	<b>14.46</b>
Imported Coal	249.36	17.99	1,151.54	69.12	<b>1,466.82</b>	<b>83.94</b>
Granite	5.04	0.37	2.66	0.16	-	-
Total Main Revenues	911.27	65.76	1,618.91	97.17	<b>1,719.49</b>	<b>98.40</b>
<b>Other Revenues</b>						
Gain on Sales of Investments	412.41	29.76	-	-	-	-
Foreign Exchange Gain	3.65	0.26	4.48	0.27	-	-
Interest income	3.58	0.26	15.37	0.92	<b>4.79</b>	<b>0.28</b>
Others	7.23	0.52	24.54	1.48	<b>19.27</b>	<b>1.10</b>
Total Other Revenues	426.87	30.80	44.39	2.67	<b>24.06</b>	<b>1.38</b>
<b>Share of Profit from Investment accounted for by equity method</b>	47.65	3.44	2.77	0.16	<b>3.84</b>	<b>0.22</b>
<b>Grand Total</b>	1,385.79	100.00	1,666.07	100.00	<b>1,747.39</b>	<b>100.00</b>

### Revenue Structure of the Affiliated Companies

COMPANY (Unit: Million Baht)	Shareholding (Direct & Indirect)	2001		2002		2003	
		Revenue	%	Revenue	%	Revenue	%
<b>Products and Services</b>	<b>%</b>	<b>Revenue</b>	<b>%</b>	<b>Revenue</b>	<b>%</b>	<b>Revenue</b>	<b>%</b>
<b>Thai Agro Energy Co., Ltd.</b>	75						
(Recent Investment in 2004)							
Other Incomes (e.g. interest income)		-	-	-	-	<b>0.42</b>	<b>100</b>
Total Revenues		-	-	-	-	<b>0.42</b>	<b>100</b>
<b>Lanna (Singapore) Pte Ltd.</b>	100						
(Consolidated statements)							
Coal Sales		82.66	99.30	197.56	98.72	<b>1,093.00</b>	<b>99.94</b>
Other Incomes (e.g. interest income)		0.59	0.70	9.03	1.28	<b>0.66</b>	<b>0.06</b>
Total Revenues		83.25	100.00	706.59	100.00	<b>1,093.66</b>	<b>100.00</b>
<b>PT Lanna Harita Indonesia</b>	63.33						
Coal Sales		82.66	99.35	697.56	98.70	<b>1,093.00</b>	<b>99.94</b>
Other Incomes (e.g. interest income)		0.54	0.65	9.18	1.30	<b>0.66</b>	<b>0.06</b>
Total Revenues		83.20	100.00	706.74	100.00	<b>1,093.66</b>	<b>100.00</b>
<b>United Bulk Shipping Pte Ltd.</b>	49						
Shipping		31.06	94.38	126.41	96.63	<b>168.00</b>	<b>95.60</b>
Other Incomes (e.g. interest income)		1.85	5.62	4.41	3.37	<b>7.73</b>	<b>4.40</b>
Total Revenues		32.91	100.00	130.82	100.00	<b>175.73</b>	<b>100.00</b>

## SIGNIFICANT CHANGES IN YEAR 2003

### **Domestic Coal Business**

In 2003, the Company produced coals from its domestic mine, Pa Kha Mine, for a total of approximately 0.54 million tons, a decrease from 2002 by about 10.42 percent. However, the coal sales from the domestic mine were approximately 0.41 million tons, a decrease from 2002 of about 42.18 percent. The coal sales from the coalmine in Indonesia were approximately 1.49 million tons, an increase from 2002 of about 39.91 percent. The total sales of coals were therefore approximately 1.90 million tons, an increase from 2002 of about 6.84 percent, with an increase of market share from 17 percent in 2002 to about 20 percent in 2003.

### **Overseas Coal Business**

In 2003, PT. Lanna Harita Indonesia (LHI), a subsidiary company with the coal mining concession or Coal Contract of Work from the Indonesian Government at Tanah Merah mine in Samarinda and Kutai Regency in East Kalimantan, produced approximately 1.16 million tons of coals in total, an increase from 2002 of about 25.45 percent, with 1.27 million tons sold or an increase from 2002 of about 53.16 percent. The total revenues in 2003 was at USD 21.70 million with a net profit of USD 0.36 million, or a net profit per share of USD 34.61. The share book value at the end of 2003 was at USD 956.20 (the share par value is at USD 1,000).

### **Shipping Business**

In 2003, United Bulk Shipping Pte. Ltd., the associated company registered in Singapore, had the total revenues of SGD 7.40 million with a net profit SGD 0.33 million, or a net profit per share of SGD 3.29. In comparison with 2002, this represented a revenue increase of SGD 1.97 million and a net profit increase of SGD 0.09 million or SGD 0.94 per share. The share book value at the end of 2003 was at SGD 8.76 per share (the share par value is at SGD 1.00 per share).

### **Production and Distribution of Ethanol-for-Fuel Business**

In 2003, the Company acquired 19.875 million ordinary shares in the Thai Agro Energy Company Limited at Baht 10 per share for a total of Baht 198.75 million or 75 percent of the fully paid-up registered capital for the investment in the plant construction for the production and distribution of ethanol-for-fuel (99.5 percent alcohol) at Dan Chang District, Suphanburi Province. The plant is designed to have the ethanol production capacity of 150,000 liters of per day, using molasses as the raw material. The plant construction is expected to be completed and starting the ethanol production by the end of 2004.

## RISK FACTORS

The Company has continuously emphasized and recognized the importance of the risk management system. The Board of Directors has resolved to establish the Risk Management Committee in June 2003, which holds at least one meeting every other month, in order to consider and devise ideas to protect and minimize risks associated with the business of the Company by focusing on effective and appropriate risk management for the current business operation.

### Risk in Mining Business

**Coal Reserves Assessment Risk:** The ability to explore and accurately assess the coal deposits is vital to any coal mining company since the information pertaining to the exploration results such as the amount of coal reserves, coal's quality, coal thickness and the abundance of the coal resources will be used to evaluate the return on investment before deciding the actual investment in the coal production and distribution. The Company recognizes its importance, thus has put emphasis on the working units responsible for exploration and assessment of coal resources, supporting these units with personnel resources and modern technology. Owing to extensive experience and continuous and genuine development of exploration technology, the Company has gained long success in the exploration of coal resources, both domestically and overseas. Nevertheless, there are limited numbers of domestic coal deposits, and also their qualities are inferior to the coal deposits out of the country, especially those in Indonesia. Accordingly, the Company has started the coal production and operation in Indonesia by obtaining the Coal Contract of Work from the Government of Indonesia for a period of 30 years or until year 2031, with coal production capacity of around 1.5 million tons per year. Presently, there are also several projects under consideration for development in order to obtain additional coal reserves and expand its future coal production and distribution capabilities.

**Coal Operation Risk:** As the coal resource exploration and assessment activities and procedures had been conducted properly according to the international standards and principles, the risks associated with the coal operation would be reduced accordingly. Except for the risk from natural occurrences, which could have an impact on the production and delivery of coals. Therefore, the Company has set the policy for the coal operation departments to adequately stock the finished coals for distribution at the amount of no less than one month of the average sales projection of each year.

**Marketing Risks:** The domestic coal market is considered having less risk than that of the international market due to the fact that the Company's major customer is both a major shareholder of the Company and a large-scale, strong industrial company that have been utilized the Company's coals for a long time. The international coal market is subjected to more fluctuation, especially in price fluctuation. Therefore, in order to minimize the risks associated with international market, the Company has set the policy for the joint-venture company in Indonesia to engage in the forward sales contracts for approximately 50 percent of the coal production plan of the following year.



**Accounts Payable Risk:** The Company's major customers locally are either the major shareholder or large-scale industrial companies with financial strength; namely, Siam City Cement Public Co., Ltd., Thai Acrylic Fiber Co., Ltd., Thai Craft Paper Industry Co., Ltd., etc. Since 2003, the Company has sold more coals overseas by focusing on the major customers with strong financial position, such as, Korea Western Power Co., Ltd., Coaltrade Service International Pte. Ltd., Mitsui Mining Co., Ltd., Glencore International AG., LG International (Singapore) Pte. Ltd. The Company should not be at much risk from the customers not being able to meet their payments.

**Fuel Product Substitutes Risk:** Although coal prices have risen considerably during the last quarter of 2003 and through the early part of 2004; however, when comparing the price per unit heat of the other substituting fuels, such as fuel oil, diesel oil and natural gas, the price per heat unit of coals is still much less expensive. Therefore, the risk from fuel product alternatives is still considered small.

## Financial Risk

**Interest Rate-Related Risk:** The Company is currently debt-free; thus, the Company should have no risk relating to the interest rate.

**Foreign Exchange Risk:** The Company has no outstanding foreign loans. As for the imported coal and investments in the overseas subsidiaries involving with foreign currency, the Company's general policy in dealing with the foreign exchange risk is to enter into forward exchange contracts or deposit of foreign currency received from coal sales to the Company's bank account as cash reserves for payments of coals or future investments, protecting from possible future foreign exchange risk. The Company's assets and liabilities in foreign currencies at end of 2003 are as follows:

- 1) The Company's assets and liabilities in foreign currencies at end of 2003, of which mostly are account receivables and trade account payables from coal sales and purchases, were at USD 3,748,633 and USD 2,308,572, respectively. No forward exchange contracts had been made to protect from foreign currency risk because the Company was able to pay for the coal purchases from the received foreign currency or made deposits as cash reserves for future payments, reducing the risk from the currency exchange fluctuation.
- 2) The Company had investment in Lanna (Singapore) Pte. Ltd. and United Bulk Shipping Pte. Ltd. at end of 2003, totaling SGD 14,856,547. These are considered long-term investments in the subsidiary and associated companies with no exact time schedule for investment termination; therefore, no contract for foreign exchange risk protection had been undertaken.

**Risk Associated with Depreciation of Assets:** The Company has adequately established accounts for depreciation and provision for impairment of fixed assets, in accordance with a generally accepted accounting standard established by the Institute of Certified Accountants and Auditors of Thailand, effective under the Accounting Act B.E. 2543. Therefore, it can be stated that the assets values shown in the Company's accounts are reasonable and do reflect the actual values of the assets.

## Commitments and Contingent Liabilities

The Company has no present or future commitments to issue shares, warrants, convertible securities, debentures or other types of derivatives.

The Company is free of loan, having the total liabilities to total assets at 13.02 percent and the total liabilities to total equity at only 14.96 percent. The Company has outstanding liabilities at end of 2003 for a total amount of Baht 254.16 million, of which mostly are account payables and current liabilities from ordinary course of Company's business without any guarantees. The Company has commitments and contingent liabilities at end of 2003 that may occur in the future as follows:

- 1) The Company has commitments in respect of rental and service contracts for office building and lands payable in the future of approximately Baht 8 million.
- 2) The Company has outstanding bank guarantees of approximately Baht 61 million in respect of certain performance bonds required in the ordinary course of the Company's business.
- 3) The Company has contingent liabilities in respect of litigations at end of 2003 as follows:
  - 3.1) Since 1997, the Company had a civil case as consequence of the tort of an employee to a shareholder who claimed compensation of Baht 40.6 million from the Company, together with interest at the rate of 15 percent per annum. The Civil Court, at the end of 2002, judged that the Company, together with the co-defendant, was liable for the payment of approximately Baht 7.1 million plus interest to the plaintiff. At present, the Company is in the process of appealing court's verdict. However, for prudent reason, the Company has set aside a provision for liabilities from lawsuit in its accounts for approximately Baht 10.81 million as at December 31, 2003.
  - 3.2) Pt Lanna Harita Indonesia (LHI), a subsidiary company in Indonesia, had contingent liabilities in respect of eight lawsuits brought by outside parties in relation to rights over land used by LHI for mining, claiming for damages totaling approximately Baht 1,424 million. However, the district court of Indonesia has dismissed the lawsuits brought by two of the plaintiffs, who had claimed damages totaling Baht 1,282 million, and the appeal court had judged in favor of LHI for five cases with a total claim of Baht 59 million. All of the cases are currently being appealed by the plaintiffs and considered by the courts. LHI's management and its solicitor believe that LHI will not suffer any losses as a result of the above litigations and therefore has not made any provision against the lawsuits in its accounts.

Apart from the above-mentioned commitments and liabilities, there is no unusual event related to the management and/or employees, which will have any impact on the financial status and operating results of the Company.

## INVESTMENT POLICY AND DIRECTIONS

### Core Business Development

- The core business development, in general, includes additional evaluations of coal projects, both domestic and overseas, as part of the ongoing strengthening of the Company's main operations, and with the aim to add more deposits from other mine locations. Other coal-related logistic activities, especially in sea transports, have continued to gain exceptional attention, with the aims to further improve the efficiency of the imported coal operations and to accommodate customers' requirements on a wider basis. These would assure long-lasting revenue growth, with the emphasis on the strong return on investment, and could be elaborated below.
  - a) The Company maintains the exploration efforts and proceeds with reviewing and securing additional coal deposits in Indonesia, where good coal qualities, abundant supplies, especially those that already have exploration licenses and coal concessions. The Company shall negotiate with the potential concessionaire for the purchase of the coal concession or enter into a joint venture agreement, depending on each case.
  - b) The Company has also continued its study on the possibility of owning a bulk vessel for coal transport and transport services for other products, as compared with chartering the vessels or hiring other operators for coal transport. Nonetheless, new vessel normally takes two years time for the delivery and is also costly. Therefore, used vessel in good condition has been sought after instead. During 2003, the Company has participated in several biddings for the vessels but has not been successful. The Company plans to continue with this endeavor in 2004.

### Non-Core Business Development

- In addition to the coal business, the Company has largely concentrated its non-core business development in energy-related projects, aiming to enhance shareholder's values in the long run.

For investment aspect during 2003, the Company has invested in the acquisition of ordinary shares in Thai Agro Energy Company Limited for 19.875 million shares at Baht 10 per share, totaling Baht 198.75 million, or 75 percent of the fully paid-up registered capital. The investment was for the production and distribution plant of ethanol-for-fuel or 99.5 percent dehydrated alcohol at Dan Chang District, Suphanburi Province, with 150,000 liter-per-day of ethanol production capacity, using molasses as the raw material. The 10 percent of ethanol shall then be blended with 90 percent of benzene octane 91 to become gasohol, having the same general specifications as the benzene octane 95 but less expensive. The total investment was estimated at Baht 796 million, using debt-to-equity ratio of 2:1. The project has obtained loan and credit facilities from Bankthai Public Company Limited, with the shareholders' equity of Baht 265 million. The commencement of the plant operation is expected within the end of 2004. The project has obtained investment promotion and is fully supported by the Government. Besides helping to reduce pollution that adversely affects health and environment, the project will help reduce the imports of fuel and octane-booster additive called MTBE (Methyl Tertiary Butyl Ether), saving our country's foreign currency and trade deficit as a whole.
- The Company has reserved capital investment funds for various projects mentioned in the amount of Baht 400-500 million. However, since the Company is debt-free, if more capitals are required for these projects, the Company could raise debts, or increase its own equity through issuance of new shares in the future.

## STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES TO THE FINANCIAL REPORT

The consolidated financial statements year 2003 of Lanna Resources Public Company Limited and its subsidiary companies have been prepared in accordance with the Notification of the Commercial Registration Department, regarding to the condensed transactions of the financial statements, complying with the accounting standard established by the Institute of Certified Accountants and Auditors of Thailand, effective under the Accounting Act B.E. 2543.

The Board of Directors is responsible for the preparation of the financial report of Lanna Resources Public Company Limited and its subsidiaries, assuring that the report of the consolidated financial status, operating results, and cash flows are presented in truth and fairness. The Company has established a correct and complete keeping of the financial records for maintaining the Company's assets and also protecting against any frauds or irregularities. These financial statements have been prepared in accordance to the generally accepted accounting standard by using accounting policies that are appropriate and corresponding to the business operation, which are undertaken on a regular basis. The company also considers and maintains adequate provisions for uncertainty items or items that may have significant effect on the future operation, by disclosing important information in the Notes to Financial Statements with certified accountant's opinions in the Report of Independent Auditor.

Accordingly, the Board of Directors has appointed the Audit Committee, comprising of independent and non-executive directors with complete qualifications as established by the Stock Exchange of Thailand, to review the financial statements for compliance with the accounting standard; to review the internal control and internal audit system for appropriateness and efficiency; to review that the business operation has been conducted in accordance with the Company's regulations and relevant laws and regulations, and without any conflict of interests; as well as to consider and propose for the appointment of the Company's auditors. The Audit Committee has submitted the Report of the Audit Committee included within the Annual Report 2003.

22 March 2004

On behalf of the Board of Directors of Lanna Resources Public Company Limited



(Mr. Somkiart Limsong)  
Chairman



(Mr. Kraisi Sirirungsi)  
Chief Executive Officer

## REPORT OF THE AUDIT COMMITTEE

The Company's Board of Directors unanimously appointed the current Audit Committee to continue their tenure for another two years and assigned them with key responsibilities to review the financial statements, to observe that there is a proper and efficient internal control system, to ascertain that the Company operates according to the principles of good corporate governance, to ensure that there would be no conflict of interest, and to propose appointment of external auditor.

During year 2003, the Audit Committee had 13 meetings of which the main points can be summarized as follows:

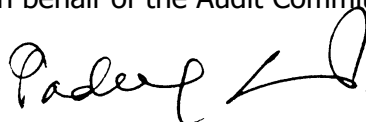
1. Reviewed the Company's quarterly and annually financial statements for the year 2003 which were prepared according to the accounting standards and the announcements of the Securities and Exchange Commission of Thailand including complete and sufficient disclosure.
2. As assigned by the Board of Directors, reviewed the assessment of the risk management and their preventive measures. The recommendations were provided by the Audit Committee for proper risk management and suitable for the business.
3. Ascertained that the Company operated based on the 15 principles of good corporate governance outlined by the Stock Exchange of Thailand. It was found that the guidelines were properly followed.
4. To ensure that there is a fair disclosure of information and a proper operation for the related transactions that are in accordance with the announcement of the Stock Exchange of Thailand.
5. According to the results of the internal control system evaluation, the Audit Committee found that the system was sufficient and suitable to the nature of business. There were no significant errors found.

The Audit Committee has liberally conducted their assignments and has been receiving good cooperation from the Management. They have meetings with the external auditor to discuss and to seek comments regarding to the financial statements and accounting internal control. There were no irregularities and significant errors.

The Audit Committee proposed the Board of Directors for the appointment of Mr. Narong Puntawong, Mr. Ruth Chaowanagawi or Mrs. Saifon Inkaew of Ernst & Young Office Limited as the Company's external auditors for the year 2004 to be further approved at the General Meeting of the Shareholders.

March 3, 2004

On behalf of the Audit Committee



(Mr. Padoong Techasarintr)

Chairman of the Audit Committee

### Report of Independent Auditor

To The Board of Directors and Shareholders of  
Lanna Resources Public Company Limited

I have audited the consolidated balance sheet of Lanna Resources Public Company Limited and its subsidiaries as at 31 December 2003 and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Lanna Resources Public Company Limited for the same period. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of Lanna Resources Public Company Limited and its subsidiaries and the separate financial statements of Lanna Resources Public Company Limited for the year ended 31 December 2002 were audited in accordance with generally accepted auditing standards by another auditor in our office who, under his report dated 31 January 2003, expressed an unqualified opinion on those financial statements.

I did not audit the financial statements as at and for the year ended 31 December 2003 of two overseas subsidiary companies which sold most of their inventories to the Company, as included in the consolidated financial statements. These subsidiary companies have the total assets as at 31 December 2003 of approximately Baht 206 million, representing 11 percent of the consolidated total and total revenues for the year then ended of approximately Baht 47 million, representing 3 percent of the consolidated total. The financial statements of the subsidiary companies have been audited by other auditors and I have obtained their audit reports. Therefore, my report related to any amounts and particulars of these subsidiary companies as included in the consolidated financial statements, are based solely upon the audit reports of those auditors.

In addition, I did not review the financial statements as at and for the year then ended 31 December 2003 of a subsidiary company in Thailand, as included in the consolidated financial statements. This subsidiary company, which is preparing for production and distribution of ethanol, has the total assets as at 31 December 2003 of approximately Baht 65 million, representing 3 percent of the consolidated total and total revenues for the year then ended of approximately Baht 0.4 million, representing less than 1 percent of the consolidated total. The financial statements of the subsidiary company have been audited by other auditor and I have obtained her audit reports. Therefore, my report related to any amounts and particulars of this subsidiary company as included in the consolidated financial statements, is based solely upon the audit report of that auditor.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, based on my audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Lanna Resources Public Company Limited and its subsidiaries and of Lanna Resources Public Company Limited as at 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.



Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

Ernst & Young Office Limited

Bangkok : 30 January 2004

## LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## BALANCE SHEETS

AS AT 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2003	2002	2003	2002
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		270,442,815	73,790,387	197,621,741	47,934,385
Short-term investments					
Promissory notes from banks and the financial institutions which mature over 3 months		-	150,000,000	-	150,000,000
Investments in open-end fund and unit trust		339,210,281	150,382,057	339,210,281	150,382,057
Total short term investments		339,210,281	300,382,057	339,210,281	300,382,057
Trade accounts receivable	4				
Related parties	6	77,722,975	148,489,345	77,722,975	148,489,345
Others		120,831,257	116,712,636	120,831,257	116,712,636
Total trade accounts receivable		198,554,232	265,201,981	198,554,232	265,201,981
Amounts due from related parties	6	-	6,544,713	-	53,086,989
Inventories	5	209,064,364	171,309,692	197,287,626	79,062,919
Less : Provision for diminution in market value		-	-844,494	-	-844,494
Inventories - net		209,064,364	170,465,198	197,287,626	78,218,425
Other current assets					
Input tax refundable		30,252,009	90,020,862	7,668,405	9,973,739
Accounts receivable - machinery		-	4,438,754	-	4,438,754
Others		12,921,078	6,973,525	5,449,830	4,836,860
Total other current assets		43,173,087	101,433,141	13,118,235	19,249,353
TOTAL CURRENT ASSETS		1,060,444,779	917,817,477	945,792,115	764,073,190
NON-CURRENT ASSETS					
Investments					
Investments in subsidiary and associated companies accounted for under equity method	7	9,115,061	5,279,352	533,874,808	369,167,896
Investments in unit trust and debenture		1,000,000	126,407,839	1,000,000	126,407,839
Total investments		10,115,061	131,687,191	534,874,808	495,575,735
Property, plant and equipment - net	8	405,604,762	275,098,160	92,104,092	108,558,238
Non-operating fixed assets - net	9	30,274,595	35,406,787	30,274,595	35,406,787
Other non-current assets	10	446,120,875	594,463,815	78,918,982	209,611,880
TOTAL NON-CURRENT ASSETS		892,115,293	1,036,655,953	736,172,477	849,152,640
TOTAL ASSETS		1,952,560,072	1,954,473,430	1,681,964,592	1,613,225,830

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



## LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2003	2002	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Trade accounts payable					
Related parties	6	9,859,598	19,671,214	92,563,684	19,671,214
Others		93,072,224	111,664,612	13,876,444	18,155,072
Total trade accounts payable		102,931,822	131,335,826	106,440,128	37,826,286
Amounts due to related party	6	-	359,085	-	359,085
Other current liabilities					
Dividend payable		56,637,381	3,848,780	56,637,381	3,848,780
Accrued expenses		66,563,300	92,764,793	9,305,400	9,508,484
Others		17,217,044	14,762,799	8,188,693	3,121,402
Total other current liabilities		140,417,725	111,376,372	74,131,474	16,478,666
TOTAL CURRENT LIABILITIES		243,349,547	243,071,283	180,571,602	54,664,037
NON-CURRENT LIABILITIES					
Provision for liabilities from lawsuit	21.1	10,814,688	10,284,959	10,814,688	10,284,959
TOTAL NON-CURRENT LIABILITIES		10,814,688	10,284,959	10,814,688	10,284,959
TOTAL LIABILITIES		254,164,235	253,356,242	191,386,290	64,948,996
SHAREHOLDERS' EQUITY					
Share capital					
Registered, issued and fully paid up					
350,000,000 ordinary shares of Baht 1 each					
(2002 : 35,000,000 ordinary shares of Baht 10 each)	11	350,000,000	350,000,000	350,000,000	350,000,000
Share premium		680,400,000	680,400,000	680,400,000	680,400,000
Translation adjustments		-10,731,273	17,520,256	-10,731,273	17,520,256
Retained earnings					
Appropriated					
Statutory reserve	13	35,000,000	35,000,000	35,000,000	35,000,000
General reserve		161,000,000	161,000,000	161,000,000	161,000,000
Unappropriated		274,909,575	304,356,578	274,909,575	304,356,578
EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS		1,490,578,302	1,548,276,834	1,490,578,302	1,548,276,834
MINORITY INTERESTS - EQUITY ATTRIBUTABLE					
TO MINORITY SHAREHOLDERS OF SUBSIDIARY					
		207,817,535	152,840,354	-	-
TOTAL SHAREHOLDERS' EQUITY		1,698,395,837	1,701,117,188	1,490,578,302	1,548,276,834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,952,560,072	1,954,473,430	1,681,964,592	1,613,225,830

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

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES  
STATEMENTS OF EARNINGS  
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2003	2002	2003	2002
<b>REVENUES</b>					
Sales	6, 15	1,719,486,059	1,618,911,868	1,673,232,827	1,618,911,868
Other income					
Gain on exchange rate		-	4,477,546	-	-
Interest income		4,795,205	15,363,049	3,759,705	14,917,224
Others		19,271,769	24,541,587	19,271,769	22,822,609
Total other income		24,066,974	44,382,182	23,031,474	37,739,833
Share of profit from investments accounted for under equity method		3,835,710	2,774,419	-	-
<b>TOTAL REVENUES</b>		1,747,388,743	1,666,068,469	1,696,264,301	1,656,651,701
<b>EXPENSES</b>					
Cost of sales	6	1,480,306,158	1,378,905,657	1,519,165,215	1,437,549,765
Selling and administrative expenses		185,566,387	179,374,279	97,119,253	103,312,301
Directors' remuneration	14	9,173,000	9,332,258	8,949,000	9,332,258
Loss on exchange rate		11,358,536	-	7,186,277	2,641,937
Share of loss from investments accounted for under equity method		-	-	5,791,559	9,891,576
<b>TOTAL EXPENSES</b>		1,686,404,081	1,567,612,194	1,638,211,304	1,562,727,837
<b>EARNINGS BEFORE INTEREST EXPENSES AND INCOME TAX</b>		60,984,662	98,456,275	58,052,997	93,923,864
<b>INTEREST EXPENSES</b>		-	-34,521	-	-34,521
<b>CORPORATE INCOME TAX</b>		-1,986,914	-	-	-
<b>EARNINGS BEFORE MINORITY INTERESTS</b>		58,997,748	98,421,754	58,052,997	93,889,343
<b>EARNINGS IN RESPECT OF MINORITY INTERESTS</b>		-944,751	-4,532,411	-	-
<b>NET EARNINGS FOR THE YEAR</b>	15	58,052,997	93,889,343	58,052,997	93,889,343
<b>BASIC EARNINGS PER SHARE</b>					
Net earnings		0.17	0.27	0.17	0.27

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

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	<b>CONSOLIDATED</b>							
	Issued and fully paid share capital	Share premium	Translation adjustments	Retained earnings			Minority Interests	Total
				Statutory reserve	General reserve	Unappropriated		
<b>Balance - beginning of year 2002</b>	350,000,000	680,400,000	17,165,780	35,000,000	161,000,000	385,467,235	151,270,551	1,780,303,566
Translation adjustments	-	-	354,476	-	-	-	-	354,476
Unrealised transactions in earnings statements	350,000,000	680,400,000	17,520,256	35,000,000	161,000,000	385,467,235	151,270,551	1,780,658,042
Minority interests	-	-	-	-	-	-	1,569,803	1,569,803
Net earnings for the year 2002	-	-	-	-	-	93,889,343	-	93,889,343
Dividend paid (Note 17)	-	-	-	-	-	-175,000,000	-	-175,000,000
<b>Balance - end of year 2002</b>	350,000,000	680,400,000	17,520,256	35,000,000	161,000,000	304,356,578	152,840,354	1,701,117,188
Translation adjustments	-	-	-28,251,529	-	-	-	-	-28,251,529
Unrealised transactions in earnings statements	350,000,000	680,400,000	-10,731,273	35,000,000	161,000,000	304,356,578	152,840,354	1,672,865,659
Minority interests	-	-	-	-	-	-	54,977,181	54,977,181
Net earnings for the year 2003	-	-	-	-	-	58,052,997	-	58,052,997
Dividend paid (Note 17)	-	-	-	-	-	-87,500,000	-	-87,500,000
<b>Balance - end of year 2003</b>	350,000,000	680,400,000	-10,731,273	35,000,000	161,000,000	274,909,575	207,817,535	1,698,395,837

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

## LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

**THE COMPANY ONLY**

	Issued and fully paid share capital	Share premium	Translation adjustments	Retained earnings			Total
				Statutory reserve	General reserve	Unappropriated	
<b>Balance - beginning of year 2002</b>	350,000,000	680,400,000	17,165,780	35,000,000	161,000,000	385,467,235	1,629,033,015
Translation adjustments	-	-	354,476	-	-	-	354,476
Unrealised transactions in earnings statements	350,000,000	680,400,000	17,520,256	35,000,000	161,000,000	385,467,235	1,629,387,491
Net earnings for the year 2002	-	-	-	-	-	93,889,343	93,889,343
Dividend paid (Note 17)	-	-	-	-	-	-175,000,000	-175,000,000
<b>Balance - end of year 2002</b>	350,000,000	680,400,000	17,520,256	35,000,000	161,000,000	304,356,578	1,548,276,834
Translation adjustments	-	-	-28,251,529	-	-	-	-28,251,529
Unrealised transactions in earnings statements	350,000,000	680,400,000	-10,731,273	35,000,000	161,000,000	304,356,578	1,520,025,305
Net earnings for the year 2003	-	-	-	-	-	58,052,997	58,052,997
Dividend paid (Note 17)	-	-	-	-	-	-87,500,000	-87,500,000
<b>Balance - end of year 2003</b>	350,000,000	680,400,000	-10,731,273	35,000,000	161,000,000	274,909,575	1,490,578,302

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

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
<b>Cash flows from operating activities :</b>				
Net earnings	58,052,997	93,889,343	58,052,997	93,889,343
Adjustment to reconcile net earnings to net cash provided by (used in) operating activities :-				
Depreciation and amortisation	548,851,625	571,271,644	238,665,241	205,545,066
Share of loss (profit) from investments accounted for under equity method	-3,835,710	-2,774,419	5,791,559	9,891,575
Provision (reversal of provision) for impairment of fixed assets	12,113,858	7,176,289	-8,320,320	7,176,289
Reversal of provision for diminution in market value of inventories	-844,494	-7,160,789	-844,494	-7,160,789
Loss (gain) from disposal of fixed assets	8,949,313	-5,680,311	8,949,313	-5,680,311
Gain on revaluation of open-end fund	-955,437	-382,057	-955,437	-382,057
Minority interests in net gain for the year of subsidiary	-944,751	-4,532,411	-	-
	<u>621,387,401</u>	<u>651,807,289</u>	<u>301,338,859</u>	<u>303,279,116</u>
Decrease (increase) in operating assets				
Trade accounts receivable	66,647,749	-110,404,427	66,647,749	-110,404,427
Amounts due from related parties	6,513,263	-453,358	53,055,539	-42,621,854
Inventories	-37,754,672	-81,305,920	-118,224,708	8,875,890
Other current assets	58,291,504	-50,550,996	6,162,570	25,685,887
Increase (decrease) in operating liabilities				
Trade accounts payable	-28,404,004	12,808,952	68,613,842	-19,313,245
Amounts due to related parties	-359,086	359,085	-359,086	359,085
Other current liabilities	-23,458,647	88,470,387	5,152,807	505,121
Staff saving fund	-	-4,049,406	-	-4,049,406
Provision for liabilities from lawsuit	529,729	10,284,959	529,729	10,284,959
Net cash from operating activities	<u>663,393,237</u>	<u>516,966,565</u>	<u>382,917,301</u>	<u>172,601,126</u>

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

## LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS (Continued)  
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
<b>Cash flows from investing activities :</b>				
Decrease in short-term investments	84,000,000	100,000,000	84,000,000	100,000,000
Increase in investments in related parties	-	-	-198,750,000	-14,614,381
Increase in investments in unit trust and debenture	-1,000,000	-108,010,430	-1,000,000	-108,010,430
Proceeds from disposal of fixed assets	4,180,815	6,169,345	4,180,815	6,169,345
Increase in fixed assets	-188,156,239	-30,534,267	-8,386,552	-4,719,556
Increase in other non-current assets	-358,435,789	-589,331,363	-78,274,208	-257,435,143
Translation adjustments	-28,251,529	354,476	-	-
Net cash from (used in) investing activities	-487,662,742	-621,352,239	-198,229,945	-278,610,165
<b>Cash flows from financing activities :</b>				
Dividend paid	-35,000,000	-525,000,000	-35,000,000	-525,000,000
Minority interests increase	55,921,933	6,102,214	-	-
Net cash used in financing activities	20,921,933	-518,897,786	-35,000,000	-525,000,000
Net increase (decrease) in cash and cash equivalents	196,652,428	-623,283,460	149,687,356	-631,009,039
Cash and cash equivalents at beginning of year	73,790,387	697,073,847	47,934,385	678,943,424
Cash and cash equivalents at end of year	270,442,815	73,790,387	197,621,741	47,934,385
<b>Supplemental cash flows in formations :-</b>				
Cash paid during the year for :-				
Interest paid	-	34,521	-	34,521
Corporate income tax	80,495	165,967	80,495	165,967

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

LANNA RESOURCES PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES  
NOTES TO FINANCIAL STATEMENTS

**1. GENERAL INFORMATION**

The Company was incorporated under the law of Thailand and had transformed to be a public company under the Public Limited Companies Act on 29 December 1992. The Company operates in Thailand and its principal activity is lignite mining. Its registered address is at 888/99 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

In 1997, the Company set up Lanna (Singapore) Pte Ltd., a company incorporated and existing under the law of Singapore, for the purpose of holding a majority interest in PT. Lanna Harita Indonesia, a company incorporated in Indonesia, the principal activity of which is coal mining in Indonesia.

During 2003, the Company invested in ordinary shares of Thai Agro Energy Company Limited , a company incorporated in Thailand, the principal activity of which is production and distribution of ethanol.

**2. BASIS OF CONSOLIDATION**

2.1 The consolidated financial statements include the financial statements of Lanna Resources Public Company Limited (hereinafter called “the Company”) and the subsidiary companies (hereinafter called “the subsidiary companies”) as follows :-

	Percentage of		Country of incorporation	Subsidiary’s total assets as a percentage to the consolidated total		Subsidiary’s total revenues as a percentage to the consolidated total	
	shareholding						
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<u>Held by the Company</u>							
Lanna (Singapore) Pte Ltd.	100	100	Singapore	11	5	3	1
Thai Agro Energy Co., Ltd.	75	-	Thai	3	-	-	-
<u>Held by a subsidiary company</u>							
PT. Lanna Harita Indonesia	63	63	Indonesia	-	-	-	-

- 2.2 The balance sheets and the earnings statements of the two overseas subsidiary companies have been translated into Thai Baht at the closing exchange rates as to assets and liabilities and at the average exchange rate as to revenues and expenses. The difference arising from such translation has been shown under the caption of “Translation adjustments” in the shareholders’ equity.
- 2.3 Material intercompany balances and transactions, the Company’s investments in subsidiary companies and the share capital of the subsidiary companies have been eliminated from the consolidated financial statements.
- 2.4 The excess of the cost of investment in a subsidiary company over its net book value as at the investment date has been shown under “Excess of cost of investment over net book value of subsidiary” as included in other assets in the consolidated balance sheets and is subject to amortisation when that subsidiary company commences its trading activities.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand which are effective under the Accounting Act B.E. 2543.

Significant accounting policies adopted by the Company and its subsidiaries are summarized below.

#### **3.1 Revenue Recognition**

a) Sales

Sales are the invoiced value of goods delivered, excluding value added tax. Income from coal sales is recorded according to the weight as recorded at the mine site. Adjustment of the sales price due to quality and weight considerations are recognised in the month in which notification is received from customers.

b) Interest income

Interest income is recognised on an accrual basis.



### **3.2 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and at banks and deposit with financial institutions with an original maturity of 3 months or less and free from commitments.

### **3.3 Accounts receivable and allowance for doubtful accounts**

Accounts receivable is stated at net realizable value.

Allowance for doubtful accounts is provided for on the basis of collection experience and payment ability of the accounts receivable at the end of the year, taking into account overdue balance of each debtor. Bad debts will be written off for the accounts considered uncollectible.

### **3.4 Inventories**

Inventories are valued at the lower of cost (weighted average method) and net realisable value.

### **3.5 Depreciation and amortisation**

Property are stated at cost. Plant and equipment are stated at cost less accumulated depreciation and provision for impairment (if any).

The Company and its subsidiaries review the impairment of assets for property, plant and equipment when there is an indication that the carrying value of an asset exceeds its recoverable amount (the higher of net selling price or value in use). The review is made for individual assets or for the cash generating unit, as the case may be.

In case of the carrying value of asset is more than its recoverable amount, the Company and its subsidiaries will recognise loss from impairment in the earnings statements. The Company and its subsidiaries will reverse loss from impairment when the indication of impairment no longer exists or impairment decreases.

Depreciation of plant and equipment are calculated by reference to their costs on a straight-line basis over the estimated useful lives as follows :-

Land improvement	- 5 - 10 years
Building and amenities	- 20 years
Washing plant and crushing plants	- 15 years
Machinery and equipment	- 4 - 10 years
Furniture and office equipment	- 4 - 10 years
Vehicles	- 5 - 10 years

No depreciation is provided for construction in progress and land, except for mining land which is depleted in accordance with the difference between its purchase cost and fair value and on the basis of units produced in proportion to the total coal reserves.

Deferred overburden removal costs and other deferred expenses are charged to operations in accordance with the proportion of units produced to total coal reserves. Provision for overburden removal costs is recorded as a liability in the balance sheets whenever the amortisation of the overburden removal costs on the above basis exceeds the overburden removal costs that have been deferred.

Amortisation of the development expenses of the various projects commences upon the start of production. In cases when the future benefit of these assets is in doubt, they are written off to period expenses immediately.

### **3.6 Investments**

Investments in open-end funds and unit trusts are stated at fair value. Gains or losses arising from changes in value of short-term investments are included in determining earnings.

Investments in subsidiary companies (in the financial statements of the Company) and associated company are stated under the equity method.

### **3.7 Excess of cost of investment over net book value of the subsidiary**

The excess of the cost of investment in a subsidiary company over its net book value, is included in other non-current assets in the consolidated balance sheets, and will be amortised to expenses on a straight-line basis over a period of ten years when that subsidiary company commences its trading activities.

### **3.8 Foreign currencies**

Foreign currency transactions incurred during the year are translated into Baht at the rates ruling on the transaction dates. Assets and liabilities in foreign currency outstanding on the balance sheet date are translated into Baht at the rates ruling on the balance sheet date, with the exception of those covered by forward exchange contracts which are translated into Baht at contracted rates.

Exchange gains and losses are included in determining earnings.

### **3.9 Forward contract**

Exchange gains and losses arising from the change of exchange rate of forward contract are included in determining earnings.

Premium and discount on forward contract are deferred and amortised over the forward contract period.

### **3.10 Earnings per share**

Earnings per share as presented in the earnings statements is the basic earnings per share, which is determined by dividing net earnings for the year by the number of ordinary shares in issue during the year.

The Company had restated earnings per share for the year ended 31 December 2002 in order to reflect the change of par value of the Company's ordinary shares as discussed in Note 11 and for comparative purpose with the current year.

### 3.11 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

## 4. TRADE ACCOUNTS RECEIVABLE

The aging of outstanding balance of trade accounts receivable as at 31 December 2003 and 2002 were as follows :-

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
<u>Related parties :</u>				
Not yet due	77,722,975	148,489,345	77,722,975	148,489,345
Total	77,722,975	148,489,345	77,722,975	148,489,345
<u>Other parties :</u>				
Not yet due	120,831,257	116,711,321	120,831,257	116,711,321
1 - 3 months	-	1,315	-	1,315
Total	120,831,257	116,712,636	120,831,257	116,712,636
Total trade accounts receivable	198,554,232	265,201,981	198,554,232	265,201,981

## 5. INVENTORIES

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Coal	137,715,921	169,262,233	126,434,548	77,431,528
Coal – work in process (ROM)	70,062,950	-	70,062,950	-
Spare parts	1,285,493	2,047,459	790,128	1,631,391
	209,064,364	171,309,692	197,287,626	79,062,919
Less : Provision for diminution				
in market value	-	(844,494)	-	(844,494)
Total inventories – net	209,064,364	170,465,198	197,287,626	78,218,425

## 6. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its related companies (related by way of shareholding, common shareholders and/or common directors) in respect of sales and purchase of coal, sales of machineries, and service and transportation charges. Such transactions, which have been concluded on the terms and basis as determined by the Company and those companies and in the normal course of business, are summarised below :-

(Unit : Baht)

	Consolidated		The Company Only	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Sales of coal	673,625,707	1,011,705,999	673,625,707	1,011,705,999
Sales of machineries	-	6,380,049	214,953	8,605,414
Freight income	35,241,795	-	35,241,795	-
Purchase of coal	5,903,594	10,353,942	970,461,180	730,491,818
Service fee paid	90,891,489	218,371,854	90,891,489	218,371,854
Freight charge	145,995,609	134,358,634	145,995,609	134,358,634

Pricing Policy	
Sales of coal	Market price at which equivalent quality coal is sold to that industry.
Sales of machineries	Net book value plus profit margin.
Freight income	Price comparable to freight charged to third parties.
Purchase of coal	Market price for equivalent quality coal.
Service fee paid	Price comparable to service fees paid to third parties.
Freight charge	Price comparable to freight charges paid to third parties.

The outstanding balances of the above transactions have been separately shown in the balance sheets as follows :-

		(Unit : Baht)			
	Relationship	Consolidated		The Company Only	
		2003	2002	2003	2002
<u>Trade accounts receivable - related parties :</u>					
Siam City Cement (Public) Co., Ltd.	Major shareholders and common directors	76,846,505	88,961,674	76,846,505	88,961,674
Banpu Singapore Pte Ltd.	Common shareholders	876,470	-	876,470	-
Banpu International Ltd.	Common shareholders	-	59,527,671	-	59,527,671
Total trade accounts receivable - related parties		<u>77,722,975</u>	<u>148,489,345</u>	<u>77,722,975</u>	<u>148,489,345</u>
<u>Amounts due from related parties :</u>					
PT. Lanna Harita Indonesia	Indirect holding and common directors	-	-	-	46,542,276
United Bulk Shipping Pte Ltd.	Direct holding and common directors	-	6,544,713	-	6,544,713
Total amounts due from related parties		<u>-</u>	<u>6,544,713</u>	<u>-</u>	<u>53,086,989</u>
<u>Trade accounts payable - related parties :</u>					
Prempracha Engineering Ltd. Part.	Common shareholders and common directors	2,074,777	16,801,566	2,074,777	16,801,566
United Bulk Shipping Pte Ltd.	Direct holding and common directors	1,919,676	2,869,648	1,919,676	2,869,648
Pan United Shipping Pte Ltd.	Common shareholders in associated company	5,865,145	-	5,865,145	-
PT. Lanna Harita Indonesia	Indirect holding and common directors	-	-	82,704,086	-
Total trade accounts payable - related parties		<u>9,859,598</u>	<u>19,671,214</u>	<u>92,563,684</u>	<u>19,671,214</u>
<u>Amounts due to related party :</u>					
Siam City Cement (Public) Co., Ltd.	Major shareholder and common directors	-	359,085	-	359,085
Total amounts due to related parties		<u>-</u>	<u>359,085</u>	<u>-</u>	<u>359,085</u>

## 7. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES ACCOUNTED FOR UNDER EQUITY METHOD

As at 31 December 2003 and 2002, investments in subsidiary and associated companies represent investment in ordinary shares of the following companies :-

Company's name	Principal activity	Relationship	Paid-up Capital		Percentage of Shareholding		Investment				Dividend	
			2003	2002	2003	2002	Cost method		Equity method		2003	2002
					%	%	Baht	Baht	Baht	Baht	Baht	Baht
<u>Subsidiary company :</u>												
Lanna (Singapore) Pte Ltd. (incorporated in Singapore)	Investment in foreign projects	Direct holding and common directors	SGD 16.35 million	SGD 16.35 Million	100	100	392,070,157	392,070,157	330,778,631	363,888,544	-	-
Thai Agro Energy Co., Ltd.	Production and distribution of ethanol	Direct holding and common directors	Baht 265 million	Baht 10 million	75	-	198,750,000	-	193,981,116	-	-	-
Total subsidiary company							<u>590,820,157</u>	<u>392,070,157</u>	<u>524,759,747</u>	<u>363,888,544</u>	<u>-</u>	<u>-</u>
<u>Associated company :</u>												
United Bulk Shipping Pte Ltd. (Incorporated in Singapore)	Shipping Business	Direct holding and common directors	SGD 0.1 million	SGD 0.1 Million	49	49	890,679	890,679	9,115,061	5,279,352	-	6,091,355
Total associated company							<u>890,679</u>	<u>890,679</u>	<u>9,115,061</u>	<u>5,279,352</u>	<u>-</u>	<u>6,091,355</u>
Total investments accounted for under equity method												
- consolidated (associated company)									<u>9,115,061</u>	<u>5,279,352</u>	<u>-</u>	<u>6,091,355</u>
- the Company only (subsidiary and associated companies)									<u>533,874,808</u>	<u>369,167,896</u>	<u>-</u>	<u>6,091,355</u>

During 2003, the Company invested in 19,875,000 ordinary shares at the par value of 10 Baht of Thai Agro Energy Company Limited, which represents 75 percent of the registered capital of that company.





## The Company Only

(Unit : Baht)

<b>Cost</b>			Land	Building and	Machinery and	Office		
	Land	Ore	Improvement	amenities	Equipment	equipment	Vehicle	Total
31 December 2002	35,225,307	138,092,910	16,196,136	6,282,590	227,730,010	27,747,858	26,386,983	477,661,794
Purchase	-	-	-	-	5,757,923	1,422,629	1,206,000	8,386,552
Disposal	(683,697)	(267,980)	-	-	(4,754,601)	(1,534,896)	(3,711,330)	(10,952,504)
Transfer from non-operating fixed assets	-	-	-	-	-	1,100	-	1,100
31 December 2003	34,541,610	137,824,930	16,196,136	6,282,590	228,733,332	27,636,691	23,881,653	475,096,942
<b>Accumulated depreciation/amortisation</b>								
31 December 2002	-	132,847,720	14,134,880	3,551,640	178,782,927	22,146,745	17,639,644	369,103,556
Depreciation of the disposed assets	-	(666,116)	-	-	(4,470,733)	(1,326,832)	(3,361,511)	(9,825,192)
Depreciation / Amortisation for the year	-	3,989,734	518,747	307,956	13,834,837	2,263,668	2,798,445	23,713,387
Depreciation of those transferred from non-operating fixed assets	-	-	-	-	-	1,099	-	1,099
31 December 2003	-	136,171,338	14,653,627	3,859,596	188,147,031	23,084,680	17,076,578	382,992,850
<b>Net book value</b>								
31 December 2002	35,225,307	5,245,190	2,061,256	2,730,950	48,947,083	5,601,113	8,747,339	108,558,238
31 December 2003	34,541,610	1,653,592	1,542,509	2,422,994	40,586,301	4,552,011	6,805,075	92,104,092
<b>Depreciation and amortisation charge (included in earnings statement) for the year :</b>								
2002								23,559,317
2003								23,713,387

Property, plant and equipment include the land with a cost of Baht 5.9 million, of which the title has yet to be transferred to the Company.

As at 31 December 2003, certain equipment items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 73.7 million.

## 9. NON-OPERATING FIXED ASSETS

	(Unit : Baht)	
	Consolidated and The Company Only	
	<u>2003</u>	<u>2002</u>
Non-operating fixed assets - cost	35,167,027	60,544,027
Less : Accumulated depreciation	(2,282,491)	(14,206,978)
	32,884,536	46,337,049
Less : Provision for loss on impairment of fixed assets	(2,609,941)	(10,930,262)
Non-operating fixed assets - net	30,274,595	35,406,787
Depreciation for the year	1,449,696	2,595,030

As at 31 December 2003 and 2002, the Company had non-operating fixed assets (i.e. land, land improvement, building, and machinery and equipment) of Nong Ya Pong mine and underground project with an aggregate net book value of approximately Baht 33 million (2002 : Baht 46 million). The Company is considering selling all such assets to other parties. The Company has considered their net realisable value and set up provision of Baht 3 million (2002 : Baht 11 million) for loss on impairment of such assets in the accounts.

## 10. OTHER NON-CURRENT ASSETS

Other non-current assets as at 31 December 2003 and 2002 consist of the followings and have been shown net of related accumulated amortisation :-

(Unit : Baht)

	Consolidated		The Company Only	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Research and survey expenses	77,643	339,186	77,643	339,186
Deferred overburden removal expenses	132,090,446	254,699,446	72,188,952	193,349,174
Land-related expenses	866,169	3,746,660	866,169	3,746,660
Village relocation project expenses	1,430,838	6,195,326	1,430,838	6,195,326
Deferred expenses - coal mine project	469,297	2,037,479	469,297	2,037,479
Deferred expenses – Indonesia coal mine project	198,831,377	208,716,946	-	-
Excess of cost of investment over net book value of the subsidiary	82,685,903	99,618,791	-	-
Others	29,669,202	19,109,981	3,886,083	3,944,055
Total other non-current assets	<u>446,120,875</u>	<u>594,463,815</u>	<u>78,918,982</u>	<u>209,611,880</u>
Amortisation for the year	<u>506,778,729</u>	<u>534,108,616</u>	<u>208,967,106</u>	<u>175,393,578</u>

## 11. SHARE CAPITAL

On 21 April 2003, the Annual General Meeting of the Company's shareholders passed a resolution to approve the change of the par value of the Company's ordinary shares from Baht 10 per share to Baht 1 per share, by splitting its 35 million ordinary shares into 350 million ordinary shares. The Company registered the change in the par value of the Company's ordinary shares with the Ministry of Commerce in April 2003.

## **12. STAFF SAVING FUND/STAFF PROVIDENT FUND**

The Company set up a staff saving fund in accordance with the Company regulations. The fund was contributed by the employees each month at the stipulated rates and by the Company in accordance with the Company regulations. The fund plus interest is to be paid to the employees upon termination in accordance with the rules of the savings fund set up by the Company. The Company and its employees ceased making contributions to this fund in 1998 and all Baht 4.0 million of the fund was paid to the Company's employees in 2002.

In 1998, the Company and its employees jointly established a provident fund as approved by the Ministry of Finance, in accordance with the Provident Fund Act B.E. 2530. The fund is contributed by employees at a rate of 5% of their basic salary and the Company also contributes a certain amount. The fund is managed by the Bank of Ayudhaya Public Co., Ltd.. Total contributions of the Company for the year ended 31 December 2003 amounted to Baht 2.9 million (2002 : Baht 2.6 million).

## **13. STATUTORY RESERVE**

Pursuant to Section 116 of the Public Limited Companies Act, the Company is required to set aside a statutory reserve of at least 5% of its net profit until such reserve reaches 10% of the registered share capital.

## **14. DIRECTORS' REMUNERATION**

Director's remuneration represents the benefits paid to the Company directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

## 15. PROMOTIONAL PRIVILEGES

The Company has been granted tax promotional privileges by the Board of Investment under the Investment Promotion Act B.E. 2520 for lignite mining. Subject to certain imposed conditions, the tax privileges include the following : -

- Exemption of import duty on imported machinery and equipment as approved by the Board.
- Exemption of corporate income tax on profit from the promoted activities for a period of eight years commencing as from the date of earning operating income (this privilege will be expired in 2003 to 2005).

In case that there are losses incurred during the corporate income tax exemption period, the Company is allowed to utilize the losses as a deduction against net earnings of future years after the expiry of the tax exemption period but with a time limit of five years after that period.

- Exemption of income tax on dividends paid to the shareholders from the profit of the promoted operation during the period in which the corporate income tax is exempted.
- Corporate income tax reduction on the net profit from investment at the rate of fifty percent of normal rate for a period of five years after expiry period of corporate income tax exemption.
- Permission to double costs of transportation, electricity and water supply for corporate income tax purpose for a period of ten years commencing as from the date of earning operating income.
- Permission to deduct cost of utilities installation and construction at the rate of twenty five percent of investment cost in addition to normal depreciation charges.

Sales of the Company are both local sales and export and could be segregated between promoted and non-promoted activities as follows :-

(Unit : Million Baht)

	2003			2002		
	Lignite	Granite	Total	Lignite	Granite	Total
Sales						
BOI promoted activities	245	-	245	460	-	460
Non - BOI promoted activities	1,428	-	1,428	1,156	3	1,159
<b>Total</b>	<b>1,673</b>	<b>-</b>	<b>1,673</b>	<b>1,616</b>	<b>3</b>	<b>1,619</b>

## 16. NUMBER OF EMPLOYEES AND RELATED COST

	Consolidated		The Company Only	
	2003	2002	2003	2002
Number of employees at end of year (persons)	375	368	203	207
Employee costs for the year (Thousand Baht)	83,837	75,170	49,590	49,277

## 17. DIVIDEND

During 2003 and 2002, the Company's Annual General Meeting of Shareholders passed resolutions approving the payment of a dividend in respect of prior year's earnings and the Company's Board of Directors Meeting passed resolutions approving the payment of an interim dividend from net earnings of promoted activities to the Company's shareholders, as follows :-

(Unit : Baht)

	2003		2002	
	Interim dividend	Dividend on prior year's earnings	Interim dividend	Dividend on prior year's earnings
Dividend per share	0.15	0.10	0.20	0.30
Total dividend	52,500,000	35,000,000	70,000,000	105,000,000
Date of dividend payment	15 January 2004	6 May 2003	20 November 2002	30 April 2002

## 18. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries' current main operations involve coal mining, which is carried on in Thailand and Indonesia. Information of the Company and its subsidiaries by business and geographical segment is as follows :-

(Unit : Baht)

	Consolidated for the years ended 31 December									
	Domestic coal business		Oversea coal business		Others		Elimination		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Net sales	1,673,232,827	1,616,250,483	1,010,810,818	720,728,010	-	2,661,385	(964,557,586)	(720,728,010)	1,719,486,059	1,618,911,868
Other revenues	-	-	-	-	24,066,974	39,904,636	-	-	24,066,974	39,904,636
	1,673,232,827	1,616,250,483	1,010,810,818	720,728,010	24,066,974	42,566,021	(964,557,586)	(720,728,010)	1,743,553,033	1,658,816,504
Operating earnings (loss)	154,067,612	184,187,105	82,913,983	53,657,278	24,066,974	37,079,634	2,198,306	4,986,830	263,246,875	279,910,847
Gain (loss) on exchange rate									(11,358,536)	4,477,546
Share of profit from associated companies									3,835,710	2,774,419
General corporate expenses									(194,739,387)	(188,706,537)
Interest expenses									-	(34,521)
Earnings in respect of minority interests									(944,751)	(4,532,411)
Corporate income tax									(1,986,914)	-
Net earnings									58,052,997	93,889,343

	(Unit : Baht)							
	Domestic coal business		Oversea coal business		Others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Assets employed	382,204,240	411,708,014	420,666,383	531,052,219	2,303,349	2,303,357	805,173,972	945,063,589
General corporate assets							1,147,386,100	1,009,409,841
Total assets							<u>1,952,560,072</u>	<u>1,954,473,430</u>

## 19. SIGNIFICANT CONTRACTS AND AGREEMENTS

19.1 The Company has entered into an agreement with the Department of Alternative Energy Development and Efficiency to mine and distribute coal at Pha Kha Mine, Li District, Lumphoon Province under a 20-year concession commencing 11 November 1985. The Company is obliged to pay compensation in the form of lump sum and annual payments for the concession and survey costs and to comply with various terms and conditions specified in the agreement.

In 2000, the Company received notification from the Department of Alternative Energy Development and Efficiency, stating that it was unable to pay the assessed value of the land used for the Company's mining operations, approximately Baht 32 million, in accordance with the mining and coal distribution contract, as the Company had failed to arrange for the purchase of the land in accordance with the specifications laid down in the contract. However, under this contract the Company is not committed to sell the land only to the Department of Alternative Energy Development and Efficiency and the Company's management believes that this land can be sold to other parties at a price which will not be lower than the above assessed value.

19.2 In 1998 PT. Lanna Harita Indonesia has been granted the right under a Coal Contract of Work ("CCOW") from the Indonesian government to explore for and exploit coal for a period of thirty years in a total survey area of 30,018 hectares in Tanah Merah in Samarinda and Kutai, East Kalimantan, Indonesia. The subsidiary has a continuing obligation to pay a fee and compensation under the contract.

## 20. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2003, the Company had the following commitments and contingent liabilities :-

- 20.1 The Company had commitments in respect of rental of office building and land payable within 2004 - 2005 of approximately Baht 8 million (2002 : Baht 11 million).
- 20.2 The Company had bank guarantees of approximately Baht 61 million (2002 : Baht 57 million) issued by banks on behalf of the Company in respect of certain performance bonds required in the ordinary course of the Company's business.

## 21. LITIGATION

- 21.1 Since 1997, the Company had a civil case as a consequence of the tort of an employee to a shareholder, who claimed compensation of Baht 40.6 million from the Company, together with interest at the rate of 15% p.a..

During 2002, Civil Court judged that the Company, together with co-defendant, was liable for the payment of approximately Baht 7.1 million plus interest to the plaintiff. At present, the Company is in the process of appealing the court's verdict. However, for a prudent reason, as at 31 December 2003, the Company has set aside a provision for liabilities from lawsuit including accrued interest in its accounts for a total of Baht 10.8 million (2002 : Baht 10.3 million).

- 21.2 The subsidiary company in Indonesia had contingent liabilities in respect of eight lawsuits brought by outside parties in relation to rights over land used by the subsidiary for mining, claiming for damages totalling equivalent to approximately Baht 1,424 million. Primary court had judged in favor of the subsidiary for 2 cases with total claim amount of Baht 1,282 million and Appeal court had judged in favor of the subsidiary for 5 cases with total claim Baht 59 million. All cases are currently being appealed and submitted a petition by the plaintiffs and the subsidiary and considered by the courts. However, the subsidiary company's management and its solicitor believe that the subsidiary will not suffer any significant losses as a result of the above litigation and the subsidiary has therefore not made any loss provision against the lawsuits in its accounts.



## **22. CHANGES IN ACCOUNTING ESTIMATE**

As at 1 July 2002, the Company has changed the estimate of its lignite reserve at the Pha Kha mine and the related amortisation rate of the deferred overburden removal cost has been adjusted in line with this change. Such change has increased the cost of lignite produced from this mine and has resulted in an increase of approximately Baht 0.1 million in the balance of total assets as at 31 December 2002 and a decrease of approximately Baht 3.5 million in the net earnings for year ended 31 December 2002, or Baht 0.10 per share.

In addition, during the second quarter of 2002, an overseas subsidiary changed its estimate of its lignite reserves, together with and the amortisation rate of the deferred overburden removal expense to accord with the current estimate of reserves, with retroactive effect to 1 January 2002. The change has resulted in an increase of approximately Baht 19.5 million in the balance of total assets as at 31 December 2002 and a decrease of approximately Baht 55.1 million in net earnings for the year ended 31 December 2002, or Baht 1.57 per share.

## **23. FINANCIAL INSTRUMENTS**

### **Financial risk management and policies**

The Company and its subsidiaries are exposed to risk arising from changes in market interest rates and in currency exchange rates, and from nonperformance of contractual obligations by counterparties in the future. The Company and its subsidiaries use derivative instruments, as and when they considers appropriate, to manage such risks. They do not hold or issue derivative financial instruments for speculative or trading purposes.

### **Interest rate risk**

The interest rate risk is risk whereby future movement in market interest rates will affect the results of the Company and its subsidiaries' operations and their cash flows. The Company's and its subsidiaries' exposure to the interest rate risk relates primarily to deposits with banks and financial institutions. However, deposits with banks and financial institutions carry interest at floating rates and mature within one year. The Company and its subsidiaries do not use derivative financial instruments to hedge such risk.

### Foreign currency risk

The Company's and its subsidiary's exposure to foreign currency risk arises from purchases of coal and the Company's investment in its subsidiary company which are denominated in foreign currencies. The Company and the subsidiary company primarily utilize forward exchange contracts made with commercial banks, with maturities of less than one year, to hedge such financial assets and liabilities.

As at 31 December 2003, all of the Company's assets and liabilities in foreign currency which have not been hedged are as follow :-

Foreign currency	Assets	Liabilities	Exchange rate as at 31 December 2003	
			Buying rate	Selling rate
			(Baht per unit of foreign currency )	
US dollar	3,748,634	2,308,572	39.5385	39.7378
Singapore dollar	14,666,123	-	23.1449	-

The Company has not utilised instruments hedge these assets and liabilities, as those in US dollars are due within three months while most of the assets in Singapore dollars are long-term investments in its foreign subsidiary and associated companies, on which there is no certainty as to when such investments will be liquidated.

### Credit risk

The Company and its subsidiaries are exposed to credit risk with respect to trade accounts receivable since the majority of coal sales are supplied to a limited number of customers. However, these customers are the Company's shareholder and companies with a secure financial position. The Company's management therefore believes that there will be no material losses from its debt collection.

### Fair value

As the majority of financial assets and liabilities are short-term, their carrying value does not materially differ from their fair value.

#### **24. PRESENTATION**

The presentation of the financial statements has been made in compliance with the stipulations of the notification of the Department of Business Development dated 14 September 2001, as empowered under the Accounting Act B.E. 2543.

#### **25. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved by the Company's directors.

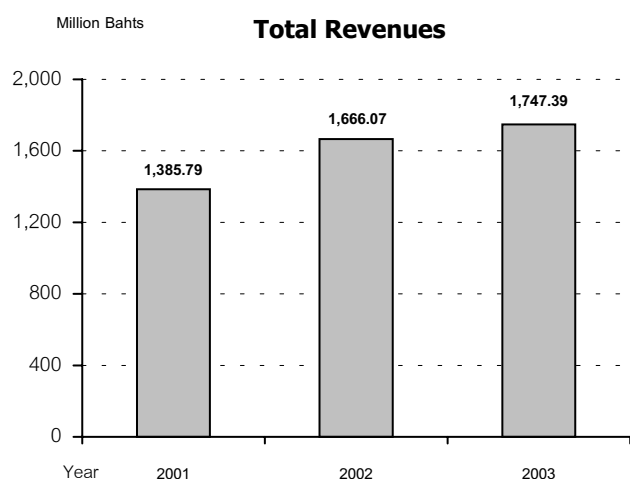
## FINANCIAL ANALYSIS AND OPERATING RESULTS

### (Information from the Consolidated Financial Statements Year 2003)

#### Earning Ability

**Sales Revenue:** In 2003, the Company's sale revenues from domestic coals were lower but sales of imported coal increased. The Company's total sales revenue was Baht 1,719.49 million, an increase of Baht 100.58 million from year 2002, or an increase of 6.21 percent.

Details (Unit: Million Baht)	2003	2002	Increase (Decrease)	
			Amount	%
Sales Revenues	1,719.49	1,618.91	100.58	6.21
Other Revenues	27.90	47.16	(19.26)	(40.84)
Total Revenues	1,747.39	1,666.07	81.32	4.88



**Total Revenues:** The Company's total revenues in 2003 were Baht 1,747.39 million, an increase of Baht 81.32 million from year 2002, or 4.88 percent.

#### Profitability

**Gross Profit:** The Company's gross profit in 2003 was approximately Baht 239.18 million with a gross profit margin of 13.91 percent, compared to 2002 with the gross profit of approximately Baht 240 million and a gross profit margin of 14.83 percent. Although the sales were higher in 2003 than 2002, the gross profit margin decreased, due to lower domestic coal sales and higher imported coal sales. The gross profit margin of imported coal was lower than that of the domestically produced coals. Also, the coal pricing in the world market had considerably declined during the first 8 months of 2003, resulting in the lower gross profit margin.

Description (Unit: Million Baht)	2003	2002
Sales Revenues	1,719.49	1,618.91
Less Cost of Sales	1,480.31	1,378.91
Gross Profit	239.18	240.00
Gross Profit Margin (%)	13.91	14.83

**Net Profit:** The Company's net profit in 2003 was Baht 58.05 million or 3.32 percent of total revenues. In comparison with 2002, the net profit was Baht 93.89 million or 5.64 percent of total revenues, representing a net profit decrease of Baht 35.84 million or a decrease of 38.17 percent, due to the following main reasons:

Description (Unit: Million Baht)	2003	2002	Increase(Decrease)	
			Amount	%
Profit from Core Business	30.15	46.73	(16.58)	(35.48)
Plus Other revenues	24.06	44.39	(20.33)	(45.80)
Profit from Company's Operation	54.21	91.12	(36.91)	(40.51)
Plus Undistributed net profit (loss) of affiliated companies by equity method	3.84	2.77	1.07	38.63
Net Profit	58.05	93.89	(35.84)	(38.17)
Net Profit per Share – Baht/Share	0.17	0.27	(0.10)	(37.03)

1) The Company had a decrease in profit from its core business of Baht 16.58 million or 35.48 percent, due to a provision for impairment of land assets of a subsidiary in Indonesia and an increase of foreign exchange loss from the foreign currency fluctuation.

2) The Company's other revenues in year 2003 decreased by Baht 20.33 million or 45.80 percent, due to a decrease in interest incomes and an increase in share of profits from affiliated companies of Baht 1.07 million or 38.63 percent.

**Earnings per Share:** The Company's net earnings in 2003 were Baht 0.17 per share, compared to the net earnings in 2002 of Baht 0.27 per share. The net profit margin decreased due to a decrease in the net profit in 2003 as described above. The return on equity was averaged at 3.42 percent.

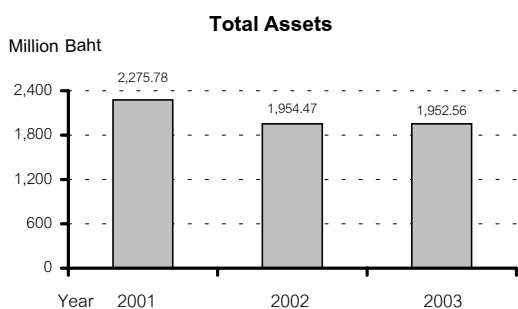
Financial Ratio	2001	2002	2003
Net Profit (Loss) Margin (%)	38.51	5.64	<b>3.32</b>
Return on Equity (%)	31.25	5.39	<b>3.42</b>

**Earning Efficiency:** The Company's return on total assets and return on fixed assets in 2003 were 2.97 percent and 25.61 percent, respectively, of which were lower than in 2002. This was due to the lower net profits but higher assets turnover ratio of 0.89 times, which was slightly higher than 2002.

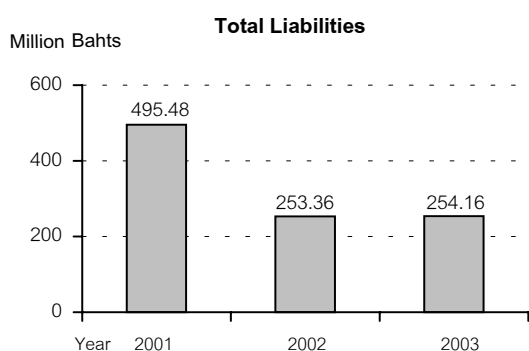
Financial Ratio	2001	2002	2003
Return on Total Assets (%)	26.44	4.44	<b>2.97</b>
Return on Fixed Assets (%)	166.22	39.97	<b>25.61</b>
Assets Turnover Ratio (%)	0.69	0.79	<b>0.89</b>

## Financial Status

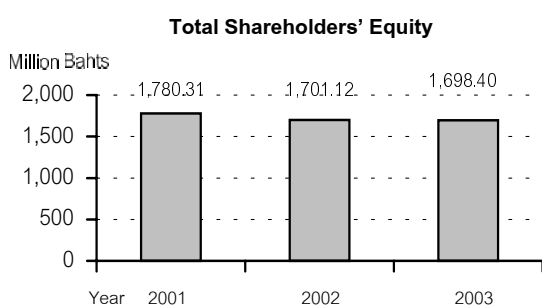
Description (Unit: Million Baht)	As at December	As at December	Increase (Decrease)	
	31 <sup>st</sup> , 2003	31 <sup>st</sup> , 2002	Amount	%
Total Assets	1,952.56	1,954.47	(1.91)	(0.10)
Total Liabilities	254.16	253.35	0.81	0.32
Total Shareholders' Equity	1,698.40	1,701.12	(2.72)	(0.16)
Book Value – Baht per Share	4.85	4.86	(0.01)	(0.21)



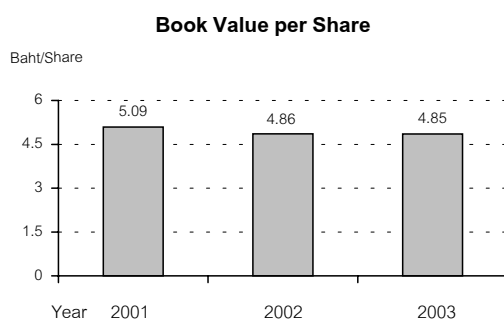
**Total Assets:** The Company's total assets at end of 2003 decreased from 2002 by Baht 1.91 million or a decrease of 0.10 percent, due to an increase in current assets by Baht 143.63 million and a decrease of non-current assets by Baht 145.54.



**Total Liabilities:** The Company's total liabilities at end of 2003 increased from 2002 by Baht 0.81 million or an increase of 0.32 percent, due to the interim dividend payment of 2003 approved by the board of directors on January 15, 2003 at Baht 0.15 per share, resulting in an increase of dividend payable at end of 2003 by Baht 52.79 million, but having trade account payables and other transactions decreased by Baht 51.98 million.



**Total Shareholders' Equity:** The Company's total shareholders' equity at end of 2003 decreased from 2002 by Baht 2.72 million or a decrease of 0.16 percent, due to the dividend payment during 2003 for Baht 87.50 million, but net profit and other transactions increased by Baht 84.78 million.



**Book Value Per Share:** The Company's book value per share at end of 2003 decreased from Baht 4.86 per share in 2002 to Baht 4.85 per share, due to the decrease in shareholder's equity as described above.

## Cash Flows

- The Company's cash flow from operating activities in 2003 was at Baht 663.39 million, a difference from net profit of Baht 605.34 million. Due to the Company had transactions that did not affect the cash, such as depreciation and amortization of Baht 560.97 million. Also, the net current assets and other transactions increased by Baht 44.37 million.

Descriptions (Unit: Million Baht)	2003	2002
Cash Flows from Operating Activities	663.39	516.97
Cash Flows from Investment Activities	(487.66)	(621.35)
Cash Flows from Financing Activities	20.92	(518.90)
Net Increase (Decrease) in Cash	196.65	(623.28)
Cash at the beginning of the period	73.79	697.07
Cash at the ending of the period	270.44	73.79

- The Company's net cash used in investment activities in the year 2003 was at Baht 487.66 million, due to an increase in investment of ethanol-for-fuel plant construction of Baht 186.83 million. The Company also had an increase in other assets and other transactions of Baht 383.83 million, but had short-term investments of Baht 83 million.

- The Company's net cash used in financing activities in the year 2003 totaled Baht 20.92 million, due to an increase in the shareholders' equity of minority of Baht 55.92 million, but had dividend payment announcement of Baht 35 million.

- In summary, the Company's main sources of cash were from the coal sales and its ability to collect bills on time. The net cash flow return on equity in 2003 was 39 percent.

## Liquidity

- The Company's overall liquidity was considered in good standing with its current ratio at end of 2003 at 4.36:1. Majority of current assets were in cash, bank deposits and quick assets, with a quick ratio and cash flow liquidity ratio at 3.32:1 and 2.73:1, respectively.

Financial Ratio	2001	2002	2003
Current Ratio (%)	2.81	3.78	<b>4.36</b>
Quick Ratio (%)	2.55	2.65	<b>3.32</b>
Cash Flow Liquidity Ratio (%)	1.26	1.41	<b>2.73</b>
Accounts Receivable Turnover (times)	7.39	7.71	<b>7.42</b>
Collection Period (days)	49	47	<b>49</b>
Inventory Turnover (times)	6.68	10.55	<b>7.80</b>
Accounts Payable Turnover (times)	6.00	11.00	<b>12.64</b>
Cash Cycle (days)	43	48	<b>67</b>

- The Company's cash cycle in

2003 was 67 days, an increase of 19 days from year 2002. The Company offered average credit term and average sales period of 49 days and 46 days, respectively, an increase from 2002 by 2 days and 12 days, respectively, but the average period receivable in 2003 was 28 days, a decrease from 2002 by an average of 5 days.

## Borrowing Capacity and Loan Repayment Ability

- The Company's debt service coverage ratio (cash basis) in 2003 was 7.58 times, which is considered substantial. Thus, future commitments and contingent liabilities should be met without any problem.

Financial Ratio	2001	2002	2003
Debt to Equity Ratio (times)	0.28	0.15	0.15
Interest Coverage Ratio (times)	261.39	2,720.81	N/A
Debt Service Coverage Ratio (Cash Basis) (times)	5.40	0.98	7.58

- The Company's total debt to equity ratio at end of 2003 was as low as 0.15:1. In addition, the Company was free of loan, thus, borrowing capacity remained high should additional funding be required in the future for project investments.

## Financial Information of Affiliated Companies for Year 2003

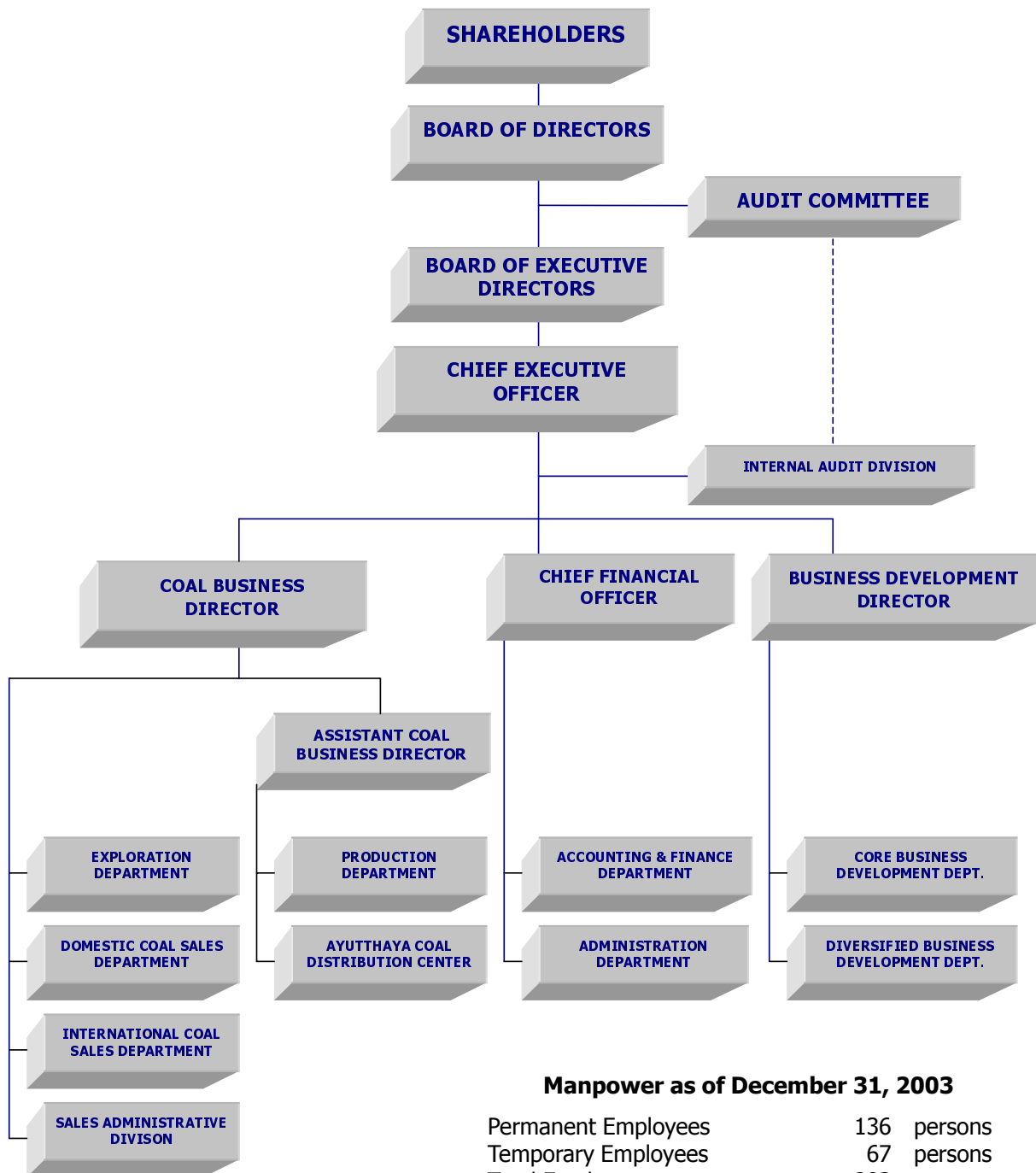
Descriptions	UNITED BULK SHIPPING PTE. LTD. (Unit : Singapore Dollars)	LANNA (SINGAPORE) PTE. LTD. (Unit : Singapore Dollars)	PT. LANNA HARITA INDONESIA (Unit : US Dollars)	THAI AGRO ENERGY CO., LTD. (Unit: Baht)
<b>Type of Business</b>	Shipping Business	Investment in Coal Mining and Utilities	Coal Production and Distribution	Production and Distribution of Ethanol-for-Fuel
<b>Investment and Shareholding</b>				
Registered Capital	1,000,000	18,000,000	10,500,000	265,000,000
Issued and Paid-up Capital	100,000	16,350,000	10,500,000	285,000,000
Par Value per Share	1	1	1,000	10
Direct & Indirect Shareholding (%)	49	100	63.33	75
<b>Operating Results</b>				
Total Revenues	7,394,477	42,869,505	21,700,980	420,971
Net Profit (Loss)	329,393	(83,393)	363,450	(6,387,762)
Earning (Loss) per share	3.29	(0.01)	34.61	(0.24)
<b>Financial Status</b>				
Total Assets	1,071,623	26,869,505	13,691,620	258,989,034
Total Liabilities	195,519	6,225,662	3,651,530	616,618
Shareholders' Equity of Majority	876,104	14,381,269	10,040,090	258,372,416
Shareholders' Equity of Minority	-	6,262,574	-	-
Book Value per share	8.76	0.88	956.20	9.75
<b>FINANCIAL RATIO</b>				
Current Ratio (times)	5.48	0.86	0.86	116.80
Debt to Equity Ratio (times)	0.22	0.30	0.36	0.00
Return on Total Assets (%)	30.74	(0.31)	2.65	(2.27)
Return on Equity (%)	37.60	(0.40)	3.62	(2.47)
<b>Manpower as at December 31, 2003</b>	-	-	164	8

**Executive Summary:** The Company's financial status, operating results, and liquidity in 2003 are considered satisfactory, having sufficient working capital, which can be used for future investment projects. The Company is also free of loan, thus borrowing capacity is high should additional funding be required for future investments.



# SHAREHOLDING STRUCTURE AND MANAGEMENT

## Organization Structure



### Manpower as of December 31, 2003

Permanent Employees	136	persons
Temporary Employees	67	persons
<b>Total Employees</b>	<b>203</b>	<b>persons</b>

## Major Shareholders and Shareholding Proportion

<b>Major Shareholders</b> (At Closing Date of Share Registry: December 30, 2003)	<b>Shares</b>	<b>Shareholding (%)</b>
1. Siam City Cement Public Company Limited	151,962,720	43.42
2. Banpu Public Company Limited	35,258,000	10.07
3. Mrs. Vassana Sirirungsi	22,000,000	6.29
4. Mr. Somkiart Limsong	17,195,240	4.91
5. Mr. Sommai Mesaplak	10,250,000	2.93
6. Mr. Tanat Tantisunthorn	9,520,710	2.72
7. Mr. Kraisi Sirirungsi	6,100,000	1.74
8. Mr. Visit Tantisunthorn	4,287,000	1.22
9. Mrs. Ampai Harnkraivilai	4,000,000	1.14
10. American International Assurance Co., Ltd.	3,788,000	1.08
11. Other Shareholders (less than 1% shareholding)	85,638,330	24.48
<b>Total</b>	<b>350,000,000</b>	<b>100.00</b>

- Siam City Cement Public Co., Ltd., the largest shareholder with 151,962,720 shares or 43.42 percent of the paid-up registered capital is represented by 2 directors; namely, Mr. Paul Heinz Hugentobler and Mr. Vanchai Tosomboon, whom are non-executive and non-authorized directors.
- Banpu Public Co., Ltd., the second largest shareholder with 35,258,000 shares or 10.07 percent of the paid-up registered capital is represented by 1 director; namely, Mr. Anun Siriphong, whom is non-executive and non-authorized director.
- The "Sirirungsi" group, the third largest shareholder, comprising of Mrs. Vassana Sirirungsi and Mr. Kraisi Sirirungsi, with a total of 28,100,000 shares or 8.03 percent of the paid-up registered capital, is represented by 1 executive director; namely, Mr. Kraisi Sirirungsi, whom is the Executive Chairman and a Company's authorized person.
- The "Tantisunthorn" group, the fourth largest shareholder, comprising of Mr. Rak Tantisunthorn, Mr. Tawee Tantisunthorn, Mr. Visit Tantisunthorn, Mr. Tanat Tantisunthorn, Mr. Prawat Tantisunthorn, Mrs. Puangpen Tissayakorn, Mr. Boonlieng Tantisunthorn, Mrs. Mullika Intusuth, Mrs. Nalinee Rattanavadi, Mr. Annop Tantisunthorn, Ms. Orawan Tantisunthorn, Ms. Wallapa Tantisunthorn, Mrs. Malee Tantisunthorn, Ms. Wanida Tantisunthorn, Mrs. Sumruay Tantisunthorn and Ms. Siriphan Tissayakorn, with a total of 26,088,160 shares or 7.45 percent of the paid-up registered capital, is represented by 2 directors; namely, Mr. Visit Tantisunthorn, whom is the executive but non-authorized director, and Mr. Tanon Tantisunthorn, whom is a non-executive and non-authorized director.
- Mr. Somkiart Limsong, the Chairman who is independent and has no relationship with the management, is the fifth largest shareholder with 17,195,240 shares or 4.91 percent of the paid-up registered capital.
- Mr. Sommai Mesaplak, the Audit Committee member who is independent and has no relationship with the management, is the sixth largest shareholder with 10,250,000 shares or 2.93 percent of the paid-up registered capital.

## The Board of Directors



**Mr. Somkiart Limsong**  
Chairman



**Mr. Kraisi Sirungsi**  
Director



**Mr. Paul Heinz Hugentobler**  
Director



**Mr. Padoong Techasarintr**  
Director



**Mr. Sommai Mesaplak**  
Director



**Mr. Adul Tantharatana**  
Director



**Mr. Suroj Subhasavasdikul**  
Director



**Mr. Anun Siriphong**  
Director



**Mr. Vanchai Tosomboon**  
Director



**Mr. Visit Tantisunthorn**  
Director



**Mr. Pilas Puntakosol**  
Director



**Mr. Tanon Tantisunthorn**  
Director



**Mr. Anun Louharanoo**  
Director & Secretary

## Directors and Executives

Name	Age (Year)	Education	Share Holding %	Family Relationship of Executives	Experience
<b>Mr. Somkiart Limsong</b> Chairman	63	<ul style="list-style-type: none"> <li>M.B.A., Harvard Business School</li> </ul>	4.91	-	1994 - 2001 : Chairman, Gulf Electric Public Co., Ltd. 1968 - 1999 : Last Position Vice-Chairman of the Board, President, Executive Chairman and Managing Director, Siam City Cement Public Co., Ltd.
<b>Mr. Kraisi Sirirungsri</b> Director, Executive Chairman, Chief Executive Officer (Authorized Director)	54	<ul style="list-style-type: none"> <li>Bachelor of Engineering (Mining Engineering and Mining Geology), Chulalongkorn University</li> </ul>	8.03	-	1994 - 2001 : Director and Executive Director, Gulf Electric Public Co., Ltd. 1996 - 2001 : Director, Gulf Power Generation Co., Ltd.
<b>Mr. Paul Heinz Hugentobler</b> Director	55	<ul style="list-style-type: none"> <li>Harvard Business School, International Senior Management Program</li> <li>Graduate School of Economics and Business of St. Gall Lic. Oec. HSG</li> <li>Swiss Federal Institute of Technology, Zurich, B.S.C in Civil Engineering</li> </ul>	-	-	2000 - Present: Deputy Chairman Siam City Cement Public Co., Ltd. 2002 - Present: Member of the Holcim Executive Committee in charge of AEAN North and Southeast Asia 1994 - 2001 : Senior Vice President and Area Manager Far East (Responsible for Northern ASEAN Countries and South Asia), Holcim Ltd. (Formerly, "Holderbank" Financiere Glaris Ltd.) 1999 - 2000 : Managing Director and Chairman of Executive Committee Siam City Cement Public Co., Ltd.
<b>Mr. Padoong Techasarintr</b> Director, Audit Committee Chairman	64	<ul style="list-style-type: none"> <li>B.A. (Accounting), Thammasat University</li> <li>B.A. (Commerce), Thammasat University</li> </ul>	-	-	1987 - 1997 : Last position, Managing Director, Siam City Bank Public Co., Ltd. 1979 - 1987 : Last position, Deputy General Manager, Industrial Finance Corporation of Thailand
<b>Mr. Sommai Mesaplak</b> Director, Audit Committee Member	68	<ul style="list-style-type: none"> <li>Bachelor of Engineering (Mining Engineering and Mining Geology), Chulalongkorn University</li> </ul>	2.93	-	1985 - Present: Chairman Asia Business Holding Co., Ltd. 1965 - 1981 : Production Manager Thailand Smelting and Refining Co., Ltd.
<b>Mr. Adul Tantharatana</b> Director, Audit Committee Member	64	<ul style="list-style-type: none"> <li>Bachelor of Engineering (Mechanical Engineering), Chulalongkorn University</li> <li>Certificate: Directors Certification Program of Thai Institute of Directors Association (IOD), Class No. DCP 38/2003</li> </ul>	-	-	1997 - Present: Managing Director Lafarge Prestia Co., Ltd. 1989 - 1999 : Director Sakchaisith Co., Ltd. 1988 - 1996 : Managing Director Siam Industrial Corporation Co., Ltd. 1985 - 1988 : Vice President (Operation Division) Padaeng Industry Public Co., Ltd. 1982 - 1985 : Executive Vice President Sinothal Engineering & Construction Co., Ltd.

Name	Age (Year)	Education	Share Holding %	Family Relationship of Executives	Experience
<b>Mr. Suroj Subhasavasdikul</b> Director, Executive Director (Authorized Director)	62	<ul style="list-style-type: none"> <li>Ph.D. in Chemical Engineering, The Institute Du Genie Chimique, France</li> </ul>	-	-	1992 - Present : Director Royal Porcelain Public Co., Ltd. 1997 - 2002 : Executive Chairman, Karat Sanitaryware Public Co., Ltd. 1994 - 2001 : Director, Gulf Electric Public Co., Ltd. 1969 - 1999 : Last Position, Executive Director and Deputy Managing Director (Project and Engineering Division), Siam City Cement Public Co., Ltd.
<b>Mr. Anun Siriphong</b> Director	60	<ul style="list-style-type: none"> <li>M.E.S. Lammar State College of Technology, Beaumont, USA</li> <li>M.Ch.E. Louisiana State University, Baton Rouge, Louisiana, USA</li> <li>Certificate: Directors Certification Program of Thai Institute of Directors Association (IOD), Class No. DCP 23/2003</li> </ul>	-	-	1998 - Present: Director, Aromatics (Thailand) Public Co., Ltd. 1994 - 2000 : Director and Executive Director, MTP Cogeneration Co., Ltd. 1993 - 2000 : Director and Executive Director, The Cogeneration Public Co., Ltd. 1993 - 2000 : Director and Executive Director, Thai Cogeneration Co., Ltd. 1990 - Present: Advisor, Banpu Public Co., Ltd.
<b>Mr. Vanchai Tosomboon</b> Director	55	<ul style="list-style-type: none"> <li>B.A. (Law), Thammasat University</li> <li>MBA, Asian Institute of Management</li> <li>Certificate: Directors Certification Program of Thai Institute of Directors Association (IOD), Class No. DCP 7/2003</li> </ul>	0.0006	-	2002 - Present: Managing Director, Conwood Co., Ltd. 1999 - Present: Executive Vice President, Siam City Cement Public Co., Ltd. 1999 - Present: Managing Director and Executive Chairman, Royal Porcelain Public Co., Ltd. 1999 - Present: Director Diamond Roof Tiles Co., Ltd. 1999 - Present: Director Karat Faucet Co., Ltd. 1997 - 1999 : Managing Director (Management Division) Karat Sanitaryware Public Co., Ltd.
<b>Mr. Visit Tantisunthorn</b> Director, Executive Director	45	<ul style="list-style-type: none"> <li>MBA University of Wisconsin-Madison</li> <li>Certificate: Directors Certification Program of Thai Institute of Directors Association (IOD), Class No. DCP 17/2003</li> </ul>	1.22	Cousin of Mr. Tanon Tantisun- thorn	2001 - Present: Secretary General Government Pension Fund 2001 - Present: Chairman Fitch Rating (Thailand) Co., Ltd. 2001 - Present: Director Tippaya Insurance Public Co., Ltd. 1998 - 2000 : Last position, Deputy Chairman, Grammy Entertainment Public Co., Ltd.
<b>Mr. Pilas Puntakosol</b> Director, Executive Director, Coal Business Director (Authorized Director)	52	<ul style="list-style-type: none"> <li>M.S. Finance West Coast University, USA.</li> <li>B.S.I.E. New Mexico State University, USA.</li> </ul>	0.04	-	1994 - 2001 : Director and Executive Director, Gulf Electric Public Co., Ltd. 1992 - 2001 : Director, Chiang Muan Mining Co., Ltd. 1979 - 1985 : Last position, Managing Director, Universal Exploration Co., Ltd.

Name	Age (Year)	Education	Share Holding %	Family Relationship of Executives	Experience
<b>Mr. Tanon Tantisunthorn</b> Director	32	<ul style="list-style-type: none"> <li>Master of Science (Management), New York University</li> <li>MBA (Finance), American University</li> <li>Bachelor of Engineering (Sanitary), Chulalongkorn University</li> </ul>	-	Cousin of Mr. Visit Tantisun - thorn	2001 - Present : Member of Parliament (Tak Province) 1997 - 2000 : Economist, Fiscal Policy Office, Ministry of Finance
<b>Mr. Anun Louharanoo</b> Director, Executive Director, Chief Financial Officer (Authorized Director)	51	<ul style="list-style-type: none"> <li>B.A. (Accounting), Thammasat University</li> <li>B.A. (Law), Thammasat University</li> <li>Certificate: Directors Certification Program of Thai Institute of Directors Association (IOD), Class No. DCP 29/2003</li> </ul>	0.17	-	1999 - 2002 : Director, Karat Sanitaryware Public Co., Ltd. 1996 - 2000 : Director, Gulf Electric Public Co., Ltd. 1975 - 1995 : Last position, Secretary to the Board of Directors, and Financial & Accounting Manager Siam City Cement Public Co., Ltd.
<b>Mr. Srihasak Arirachakaran</b> Business Development Director	45	<ul style="list-style-type: none"> <li>Ph.D. Petroleum Engineering, University of Tulsa, Oklahoma, USA</li> </ul>	-	-	1999 - 2000 : General Director, Dinh Vu Development JVC, Haiphong, Vietnam 1997 - 1999 : Managing Director, Asian Infrastructure Development Co., Ltd.
<b>Mr. Pongtorn Kachareon</b> Assistant Coal Business Director	44	<ul style="list-style-type: none"> <li>Bachelor of Engineering (Mining Engineering and Mining Geology), Chulalongkorn University</li> </ul>	-	-	2001 - Present: Managing Director, PT. Lanna Harita Indonesia 1992 - 1996 : Mining Operation Manager Lanna Resources Public Co., Ltd.

## Shareholding by Directors and Executives

Directors and Executives	Number of Shareholding as at December 31, 2003			Shareholding (%)	Increase (+) or Decrease (-) in 2003
	By Directors or Executives	By Spouse and Children (Minors)	Total		
1) Mr. Somkiart Limsong	17,195,240	-	17,195,240	4.91	-
2) Mr. Sommai Mesaplak	10,250,000	-	10,250,000	2.93	-
3) Mr. Kraisi Sirirungsi	6,100,000	22,000,000	28,100,000	8.03	-
4) Mr. Visit Tantisunthorn	4,287,000	-	4,287,000	1.22	- 400,000
5) Mr. Anun Louharanoo	590,550	-	590,550	0.17	-
7) Mr. Pilas Puntakosol	150,000	-	150,000	0.04	-
6) Mr. Vanchai Tosomboon	2,000	-	2,000	0.0006	- 600,000

Directors and Executives of the Company have no shares in the subsidiary and associated companies.

## Remuneration for the Directors and Executives

### 1) Explicit Remuneration

A) In 2003, the Company had paid a total of Baht 8,109,000 as remunerations for 14 directors (one director resigned during the year), having details as follows:

Director's Name	Position	Unit: Baht per Year		
		Monthly Remuneration	Annual Remuneration	Total
1) Mr. Somkiart Limsong	Chairman	720,000.00	400,000.00	1,120,000.00
2) Mr. Rak Tantisunthorn	Director	60,000.00	-	60,000.00
3) Mr. Kraisi Sirirungsi	Director	360,000.00	300,000.00	660,000.00
4) Mr. Paul Heinz Hugentobler	Director	360,000.00	200,000.00	560,000.00
5) Mr. Padoong Techasarintr	Director	360,000.00	200,000.00	740,000.00
	Audit Committee Chairman	180,000.00		
6) Mr. Sommai Mesaplak	Director	360,000.00	200,000.00	680,000.00
	Audit Committee Member	120,000.00		
7) Mr. Adul Tantharatana	Director	360,000.00	200,000.00	680,000.00
	Audit Committee Member	120,000.00		
8) Mr. Suroj Subhasavasdikul	Director	360,000.00	200,000.00	560,000.00
9) Mr. Anun Siriphong	Director	360,000.00	200,000.00	560,000.00
10) Mr. Vanchai Tosomboon	Director	360,000.00	200,000.00	560,000.00
11) Mr. Visit Tantisunthorn	Director	360,000.00	200,000.00	560,000.00
12) Mr. Pilas Puntakosol	Director	360,000.00	200,000.00	560,000.00
13) Mr. Tanon Tantisunthorn	Director	249,000.00	-	249,000.00
14) Mr. Anun Louharanoo	Director	360,000.00	200,000.00	560,000.00
<b>Total</b>		5,409,000.00	2,700,000.00	8,109,000.00

**Remarks:** 1) Mr. Rak Tantisunthorn has resigned as director from March 1, 2003.  
2) Mr. Tanon Tantisunthorn has been appointed as director since April 22, 2003.

B) The total remuneration for the 7 executives in 2003 was Baht 15,329,924, comprising of monthly wages or monthly remunerations and annual reward (bonuses), varying based on the Company's operating results.

### 2) Other Remunerations

- In 2003, the Company contributed a total of Baht 661,535 into the provident fund for 4 executives as employees of the Company, and provided company's car for each of 6 executives.
- In 2003, the Company did not issue any shares, debentures, and convertible securities or offer any other privileges to the directors and executives.

## CORPORATE GOVERNANCE

The Company has complied with the code of best practice directors of listed companies, as well as the 15 principles of good corporate governance, established by the Stock Exchange of Thailand, which can be summarized as follows:

### 1) Policy on Corporate Governance

The board of directors recognizes the importance of good corporate governance in order to promote transparency and strengthen confidence of the shareholders, investors and other related parties. Therefore, the policy on corporate governance has been established, comprising of the following major principles.

- (1) Rights and equitable treatment to shareholders and various groups of stakeholders are implemented.
- (2) The board of directors aims to add value to the business in long-term; manages the business with prudence and care; be responsible to its duties with adequate expertise and efficiency, maximizing shareholders' benefit; monitors activities to prevent any conflict of interest; and be accountable for its decision and action.
- (3) The business operation and management are transparent and may be audited, and adequate information disclosure is performed.
- (4) Business risks are always considered in the operation and the risk management system has been appropriately established.
- (5) Business ethics have been established for directors and employees to follow.

### 2) Shareholders' Rights

The Company held the Shareholders' Annual General Meeting Year 2003 at the Gallery Room, Plaza Athenee Hotel at 10 Soi Ruamruedee, Lumpini, Pathumwan, Bangkok on April 21, 2003, in which the Company had forwarded the meeting invitation, including information on each of the meeting agenda, to the shareholders 15 days (or approximately 10 working days, excluding holidays) prior to the meeting date, which was more than the period required by law, in order for the shareholders to consider the information in details beforehand. Accordingly, the opinion of the board of directors on each meeting agenda had also been provided. The minutes of the meeting was correctly and completely recorded for review by the shareholders.

The Company has added another option for the shareholder by allowing the independent director to become proxy holder for the shareholder in the event that the shareholder could not attend the meeting. The documents for the shareholders' meeting have also been improved to contain more detailed information for the shareholder, as the Company recognizes the importance of shareholders' rights for complete and adequate access of information of the Company.

### 3) Rights of Stakeholders

The Company puts emphasis on the importance of rights of various groups of stakeholders, of which details can be summarized as follows:

- Employees: The Company treats employees equally and with fairness, and provides appropriate remuneration.
- Suppliers: Purchases and services from suppliers are in accordance with commercial terms, including compliance with the contractual agreement with the suppliers.



- Creditors: The Company has always complied with the terms and conditions of the loan agreements.
- Customers: The Company treats customers with care and responsibility by producing quality and standard goods, maintains customers' confidentiality and employing work unit or employee responsible for customers' complaints for quick and timely service.
- Competitors: The Company's conduct with regard to the competitors is well maintained within the rule and boundary of competition norm, avoiding dishonest act in order to destroy the competitors.
- Communities: The Company is accountable for the overall environment of the communities and society.

Accordingly, the Company shall adhere to the relevant laws and related rules in order to ensure that the rights of the stakeholders are protected and properly treated.

#### **4) Shareholders' Meeting**

- At the Annual Shareholders' Meeting of Year 2003, eleven directors, out of the total twelve directors at the time, attended the meeting, including 3 members from the audit committee and chairman from every committee. The chairman of the meeting invited the shareholders, providing them with equal rights, to review the operation of the Company, to inquire and make opinions and recommendations. Important issues, discussions and suggestions were also recorded in the minutes of the meeting.
- For convening the shareholders' meeting, the board of directors prepares the invitation letter, stating the date, time and venue of the meeting, including the meeting agenda with detailed information, including opinions of the board of directors for each proposed agenda. The invitation letter and documents are forwarded to the shareholders and the registrar in advance no less than 7 days before the meeting. The meeting invitation is also published in the newspaper at least 3 days prior to the meeting.
- For convening the shareholders' meeting, the board of directors, not only complies with the rules and regulations established in the Company's Articles of Association, but also adheres to the best practice guidelines for convening the shareholders' meeting of the listed companies, established by the Stock Exchange of Thailand. The rules and practices of attendance, grant of proxies for presence and votes at the meeting are always forwarded to shareholders along with the invitation letter.
- The Company secretary and staff has been assigned to prepare and complete the minutes of the shareholders' meeting within 14 days after the meeting, in accordance with the relevant laws, which the shareholders have the right to review the minutes, accompanying documents and other related documents at all time.

#### **5) Leadership and Vision**

- The board of directors has adopted the Company's direction, objectives, business plan and budget, as well as monitor and supervise over the management to operate efficiently and effectively in accordance with the established business plan and budget, in order to maximize economic value of the business and shareholders' wealth and stability, having important details summarized as follows:
  - (1) Approval of annual business plan and budget within 30 days prior to the end of the year for the management to be approved by the board of directors and managed accordingly each and every year.

- (2) Approval of investment projects or joint-venture projects, as well as business expansion and/or reduction of business operation, which are deemed most beneficial for the Company's operation in both long-term and short-term.
  - (3) Approval of financial plans of the Company, as well as the plan for securing loan and credit facilities sufficiently and appropriately for the operation of the Company occasionally.
  - (4) Consideration of various matters proposed for approval by the shareholders' meeting, including dividend payment, capital increase, capital reduction, issuance of debenture, sale or transfer of business, purchase, acquisition, or merger of business, etc.
  - (5) Consideration of policies and other matters deemed important or having significant impact on the financial position and operation of the Company at present or in the future.
- The board of directors has established an effective internal control system, internal audit and risk management system for the Company, as well as having regular monitoring and review of above matters by the board of directors periodically, which can be summarized as follows:
    - (1) The chief executive officer must report the operating results and financial status monthly with comparison to the budget plan approved by the board of directors, to the board of executive directors and report to the board of directors at least once every quarter.
    - (2) The chief executive officer must report on the progress of investment projects, as well as problems and obstacles encountered, if any, to the board of executive directors and the board of directors at every meeting.
    - (3) The chief executive officer must periodically report on the litigation cases concerning with the Company, including its compliance with relevant laws and contractual terms to the board of directors and board of executive directors.
  - The board of directors has duties to clearly establish and separate roles and responsibilities between the board of directors, committees, and the management, as well as having routine communications to the board of directors, committees, management and employees of the Company, which are summarized below.
    - (1) The board of directors has appointed and assigned the board of executive directors (details in Section 12A) to manage daily operations of the Company in accordance with the policy, business plan and budget, established by the board of directors. The board of executive directors in turn assigns duties to the chief executive officer within authorities assigned by the board of directors. The chief executive officer assigns and establishes duties to each employee level in decreasing order within the authorities assigned by the board of executive directors, by establishing audit and control system in order to have effective work coordination and achieve short-term and long-term objectives.
    - (2) The management regularly arranges individual meetings or specific purpose meetings among employees and managers in order to be informed on the operating results and work progress, as well as for consideration of the problems and obstacles encountered, if any.
    - (3) The management has issues announcement, establishing procedures for carrying out important tasks, for employees to understand and utilize as work guidelines in order to achieve systematic and well-coordinated operation.

- (4) The management has organized for all the business units to participate in the preparation of the annual business plan and budget by having management level staff from each of the departments jointly prepares the annual business plan and budget for effective operation and efficient control of expenses, as well as achieving the policy and objectives established by the board of directors. The chief executive officer also attends the meeting, participating in the consideration of the annual business plan and budget before proposing to the board of executive directors for its consideration, and then to the board of directors for its consideration and approval. The business plan and budget will then be implemented and monthly evaluated to see whether it meets the established policies and objectives. The business plan and budget may be appropriately adjusted according to the changing circumstances.
- (5) The board of directors has established the internal audit division to oversee and review the operations of the company to be in accordance with the established internal control system, and also to coordinate and support the audit committee for good corporate governance.
- (6) The board of directors has established the audit committee in accordance with the rules and regulations established by the Stock Exchange of Thailand (details in Section 12B) with duties and responsibilities to oversee that the operations are trustworthy and beneficial to all related parties.
- (7) The board of directors may occasionally seek consultants or experts in particular fields such as legal or financial advisors to give opinions concerning certain matters in consideration as appropriately and necessary.
- (8) The board of directors has appointed a company secretary and staff to take care of directors' and shareholders' activities in accordance with the relevant laws and related regulations.

## **6) Conflict of Interest**

The board of directors carefully considers the transactions with possible conflict interests and oversees that no executives or related parties exploit the Company's internal information for their own personal benefits, as follows:

- (1) The board of directors has acknowledged the transactions with conflict of interests and related transactions in accordance with the regulations of the Stock Exchange of Thailand, and has disclosed the detailed information in the Annual Report (Form 56-2) and Annual Registration Statements (Form 56-1) accordingly.
- (2) The Control on the Use of Internal Information
  - Executives are required to report the changes in the shareholding to the Securities and Exchange Commission, according to Section 59 of the Securities and Stock Exchange Act B.E. 2535.
  - Executives or employees with knowledge of the internal information are prohibited to disclose the information to the third parties or any person with no business concerned, and are also prohibited from trading the Company's securities within 1 month prior to the disclosure of financial statements to the public.

## **7) Business Ethics**

The Company has established the Code of Ethics for the board of directors, the management and employees to follow as guidelines for business conduct of the Company with loyalty, honesty, and justice, including the code of conduct to the

Company, every group of stakeholders, public and society. The Code of Ethics has been announced to all related parties for acknowledgement. Monitoring of the code of conduct is maintained, including provision for the disciplinary action.

### **8) Balance of Power for Non-Executive Directors**

The board of directors consists of 13 directors, including 5 executive directors and 5 non-executive directors and 3 audit committee members. The Company has chairman of the board and audit committee members, whom are independent, for a total of 4 members, approximately one-third of the total number of directors.

### **9) Aggregation or Segregation of Positions**

- The chairman of the board is independent, having no relationship with the management.
- The chairman of the board is not the same person as the chief executive officer or managing director, in order to separate roles of establishing corporate governance and day-to-day business management.
- The Company has established clear limit of authority, roles and responsibilities for each level and line of management in writing, by separating and decreasing roles and responsibilities.

### **10) Remuneration for Directors and the Management**

- The Company has established clear and transparent remunerations for the directors, at the level comparable to the general practice in the industry. Furthermore, the remunerations have been approved by the shareholders' meeting; with appropriate remuneration increase for the audit committee members, having additional duties and responsibilities.
- The remunerations for the executives are in accordance with the principles and policy, established by the board of directors.
- In 2003, the Company had paid the remunerations to the directors and executives as disclosed in the Annual Report (Form 56-2) and Annual Registration Statements (Form 56-1).

### **11) Board of Director's Meeting**

- The board of directors' meeting is regularly scheduled at least once every 2 months (one meeting every other month) and the extraordinary meeting is scheduled as necessary. The meeting agenda are clearly established in advance, having regular agenda for consideration of the operating results. Each meeting normally takes approximately 1 to 3 hours, depending on the extent of the meeting agenda considered during the meeting.
- The Company's secretary prepares the meeting invitation 7 days in advance. Included with the meeting invitation are the meeting agenda and documents, so as to provide sufficient time for the board of directors to study the information before attending the meeting. Accordingly, the management would clarify and answer all concerning issues for the directors' understanding to properly consider the matter. The minutes of the meetings have been recorded in writing and the approved minutes from the board of directors have been kept completely and in order, readily available for review by the board of directors and related parties.
- Every director is able to express opinions independently. In the event that the number of votes are equal during voting by the board of directors, the chairman, a non-executive member, has the right to cast the deciding vote.
- In 2003, the board of directors held 6 regular meetings and 1 extraordinary meeting, or 7 meetings altogether, of which the attendance are summarized as follows:

Director's Name	Position	Attendance (times)/Total Meetings (times)		
		Normal Meeting	Extraordinary Meeting	Total
Mr. Somkiart Limsong	Chairman of the Board	6/6	1/1	7/7
Mr. Rak Tantisunthorn	Director	1/1	0/0	1/1
Mr. Paul Heinz Hugentobler	Director	2/6	0/1	2/7
Mr. Sommai Mesaplak	Director	6/6	0/1	6/7
Mr. Padoong Techasarintr	Director	6/6	0/1	6/7
Mr. Adul Tantharatana	Director	6/6	1/1	7/7
Mr. Suroj Subhasavasdikul	Director	6/6	1/1	7/7
Mr. Kraisi Sirirungsi	Director	6/6	0/1	6/7
Mr. Anun Siriphong	Director	6/6	0/1	6/7
Mr. Vanchai Tosomboon	Director	4/6	1/1	5/7
Mr. Visit Tantisunthorn	Director	4/6	1/1	5/7
Mr. Pilas Puntakosol	Director	6/6	1/1	7/7
Mr. Anun Louharanoo	Director	6/6	1/1	7/7
Mr. Tanon Tantisunthorn	Director	4/4	0/0	4/4

Remark: 1) Mr. Rak Tantisunthorn resigned from the directorship effectively since March 1, 2003.

2) Mr. Tanon Tantisunthorn was appointed as director since April 22, 2003.

## 12) Committees

The board of directors has appointed the following committees in order to alleviate burden of the board of directors in order to closely and timely assist in the corporate governance of the Company.

### A) The Board of Executive Directors

- The board of executive directors consists of the following 5 directors, appointed by the board of directors.
  - (1) Mr. Kraisi Sirirungsi                      Executive Chairman
  - (2) Mr. Suroj Subhasavasdikul              Executive Director
  - (3) Mr. Visit Tantisunthorn                  Executive Director
  - (4) Mr. Pilas Puntakosol                      Executive Director
  - (5) Mr. Anun Louharanoo                      Executive Director and Secretary
- The board of directors has assigned the duties and responsibilities of the board of executive directors, as described below.
  - 1) To effectively control, monitor and supervise the day-to-day management of the Company, in accordance with the Company's objectives and articles of association so as to maximize Company's benefits for short and long-term period.
  - 2) To prepare the annual corporate plan and budget including earnings and expenses, manpower, employees' expenses, and investment budget to be proposed annually to the board of directors for approval annually within 30 days before the end of the year.

- 3) To manage the Company according to the policies and corporate plan established by the board of directors, and according to the earnings and expenses and investment budget approved by the board of directors.
  - 4) To report the Company's operating results to the board of directors at least once every quarter.
  - 5) To function under the relevant laws concerning with the Company, as well as follow the Company's contractual commitments with the government authorities, creditors and the third parties.
  - 6) To manage Company's finance in accordance with the financial plan approved by the board of directors, as well as Company's contractual commitments to every creditor.
  - 7) To undertake or carry out certain individual tasks as assigned by the board of directors.
- The board of executive directors' meeting is normally held twice a month with extraordinary meeting occasionally arranged for urgent matters. In 2003, the board of executive directors had held 24 meetings altogether.

## **B) The Audit Committee**

The board of directors has appointed the Audit Committee to have duties and responsibilities in compliance with regulations established by the board of directors, which can be summarized as follows:

- **Composition and Qualification:**

The Audit Committee consists of at least 3 members, comprising of 1 Audit Committee Chairman, and at least 2 Audit Committee members, all of whom are independent directors, not holding executive positions. At least 1 director must have financial and accounting expertise. The Audit Committee shall appoint appropriate person for Secretary to the Audit Committee. The Audit Committee consists of the following members:

(1) Mr. Padoong Techasarintr	Audit Committee Chairman
(2) Mr. Sommai Mesaplak	Audit Committee Member
(3) Mr. Adul Tantharatana	Audit Committee Member
(4) Mrs. Wanna Chomkokkrud	Secretary

- **Office Term:**  
The member of the Audit Committee (including the Audit Committee Chairman) has a 2-year term each. The member of the Audit Committee who is retired by rotation may be re-appointed.
- **Duties and Responsibilities of the Audit Committee:**
  - (1) To review the preparation process and disclosure of Company's financial reports for their correctness, completeness and reliability, by coordinating with independent auditor and executives responsible for the preparation of Company's quarterly and annual financial reports.
  - (2) To review Company's internal control and internal audit system for the appropriateness and effectiveness.

- (3) To consider and recommend for the appointment of Company's auditor and its remuneration for each year.
  - (4) To review that the Company abides by the law and regulations of the Securities and Stock Exchange, regulations of the Stock Exchange of Thailand, and relevant law concerning the business and operation of the Company.
  - (5) To consider for disclosures of Company's information to be correct and complete in the case of connected transactions or transactions with possible conflict of interest.
  - (6) To prepare the report of the Audit Committee's control and operation and disclose it in the Company's annual report, with authorization by the Audit Committee Chairman.
  - (7) To performed any other tasks delegated by the Board of Directors and approved by the Audit Committee.
  - (8) To periodically report on the Audit Committee's activities to the Board of Directors at least once every quarter or at least 4 times a year.
- Authorities of the Audit Committee:
    - (1) Authorities relating to the Management: the Audit Committee can invite the management, managers/head of unit or employee concerned to clarify, discuss or submit documents as considered related and appropriate.
    - (2) Authorities relating to the Internal Auditor:
      - 2.1) To oversee that the external auditor, the board of directors and the internal audit division agree on the same direction.
      - 2.2) To endorse on the appointment, removal, transfer, dismissal and evaluate the head of the internal audit division, as well as guarantee the independence of the internal auditor.
      - 2.3) To have the operation of the internal audit division under the supervision and control of the management as the internal audit division operation must be supervised and controlled. For each year, the internal audit division must propose the internal audit plan for consideration by the Audit Committee; however, the order and instruction to the internal audit division are under the supervision and control of the management, as the results of the audit report can be corrected immediately and appropriately.
    - (3) Authorities relating to the Auditor: The Audit Committee should propose and recommend the auditor and the remuneration for consideration by the board of directors, as well as to review the performance of the auditor, including determine other service and consulting fees rendered by the auditor.
    - (4) Other Authorities: The Audit Committee may audit the concerning persons and matters within the authorities of the Audit Committee and may seek independent professional counsel when it is deemed necessary and appropriate.
  - The Audit Committee normally holds the meeting at least once every month. In 2003, there were 13 meetings altogether.

### C) Risk Management Committee

- The Risk Management Committee consists of executives from all departments in the Company, appointed by the board of directors, as follows:

(1) Mr. Pilas Puntakosol	Coal Business Director	Chairman
(2) Mr. Anun Louharanoo	Chief Financial Officer	Member
(3) Mr. Srihasak Arirachakaran	Business Development Director	Member
(4) Mr. Udom Chaisomboon	Exploration Dept. Manager	Member
(5) Mr. Pornsak Sasimonthon	Production Dept. Manager	Member
(6) Mr. Tanat Tantisunthorn	Sr. Manager-Domestic Coal Sales	Member
(7) Mr. Supat Charoensappuech	Sr. Manager-Int'l Coal Sales	Member
(8) Mrs. Petcharat Chayanon	Accounting & Finance Dept. Manager	Member
(9) Mr. Sudusit Ounsangchan	Core Business Development Manager	Member
(10) Mr. Saharat Vatanatumrak	Diversified Business Development Mgr.	Member
(11) Mrs. Wanna Chomkokkruad	Internal Audit Division Head	Member and Secretary

- The Risk Management Committee has the following duties:
  - (1) To consider possible risk factors which may impact the operation of the Company and find ways to reduce or minimize the risks.
  - (2) To periodically report on the risk management for each issue to the board of executive directors and the board of directors at least once every quarter.
- The Risk Management Committee, recently appointed at the end of June 2003, normally holds meeting at least once a month, having held 4 meetings in 2003.

- D)** The Company has not established the remuneration committee due to uncomplicated organization structure with small number of executives. Although without having the remuneration committee, the Company has appropriate procedure for consideration of the remuneration by comparing with information from other companies within the same industry, as well as considering the size and operating results of the business. The Company has a policy to appoint special committees from time to time for future business operation, when it is deemed necessary, to consider important issues with significant impact on the operation.

### 13) Controlling System and Internal Audit

- The Company has put emphasis on the effective internal controlling system on both the management level and operation level; therefore, duties and authorities of the staffs and executives are clearly specified in writing. There exists supervision and control on the use of Company's assets for benefit. Also, Separate units have been set up to handle different activities in order to balance the authorities and have appropriate audit between each other. The Company has the Internal Audit Division to conduct internal audit to ensure that the main operation and important financial operations of the Company are conducted according to the established directions with effectiveness, as well as review of compliance with the relevant laws and regulations.
- The board of directors recognizes importance of risk management by establishing the risk assessment process, risk protection and management system, considering risk factors that have impact on the operation of the Company, as shown in the Annual Report (Form 56-2) and Annual Registration Statements (Form 56-1), with compliance control according to the relevant laws and regulations.



- The Board of Directors' Meeting No. 2/2004, dated March 22, 2004, with 3 audit committee members attended in the meeting, have reviewed the internal control of the Company and its subsidiaries, including: (1) satisfactory control environment; (2) appropriate risk management measures; (3) satisfactory control activities; (4) satisfactory information and communication system; and (5) satisfactory monitoring and evaluation system. The board of directors found the internal control system of the Company and its subsidiaries to be adequate and appropriate during year 2003. The Company's business objectives are clearly established and can be monitored. The organization structure has been set up for effective management. There exists a secured payment control system. The accounting records and documents are completely kept and categorized in accordance with the generally accepted accounting standard and policy. The management pays attention and put higher emphasis on prevention and distribution of risk factors. The information management system is appropriately established and current. The policy concerning with conflict of interest between employees and the Company is clearly established. The business operations of the subsidiary companies are closely monitored and the operation of Company and its subsidiaries are carefully and constantly supervised to comply with the relevant laws and regulations. Accordingly, the Audit Committee shares the same opinion.

#### **14) Director's Reporting**

- The board of directors is responsible to the consolidated financial statements of the Company and its subsidiaries and the financial report appearing in the Annual Report. The financial statements have been prepared in accordance with the generally accepted accounting standard by using appropriate accounting policy, which is undertaken on a regular basis. Also, most prudent judgment and best estimates have been undertaken in the preparation, including having adequate disclosure of information in the Notes to Financial Statements.
- The board of directors has established and maintained effective internal control system to ensure that the financial accounts and records are correct and complete, and adequate for the maintenance of assets, and also recognizing weak points in order to protect from any frauds and significant irregularities.
- For this matter, the board of directors has appointed the audit committee, comprising of non-executive directors, to oversee the quality of financial reports and internal control system and to provide opinion of the audit committee concerning the matter as provided in the report of the audit committee included in this Annual Report (Form 56-2) and Annual Registration Statements (Form 56-1).

#### **15) Relations with Investors**

- The Company's board of directors recognizes that all the information of the Company concerning with financial and non-financial aspects, have influence on the decision of the investors and stakeholders of the Company. Therefore, the management of the Company is required to disclose important information fully, correctly, transparently, and timely, in which the management has always stressed the importance and adhered to this matter accordingly. In addition, the Investor Relations Division has been established to represent the Company in communication with investors, shareholders, as well as analysts and state agencies concerned. Investors can contact the Company for information by telephone at 02-253 8080 or via website: [www.lannar.com](http://www.lannar.com) or email address: [lanna@lannar.com](mailto:lanna@lannar.com).

## RELATED TRANSACTIONS

### Related Parties and Transactions

- During 2003, there were no direct interest or related transactions between the Company, subsidiaries and associated companies with the directors and/or the management.
- During 2003, the Company had significant business transactions with its related companies, related by way of shareholding, common shareholders and/or common directors. The transactions, with terms and basis concluded under the normal course of business, are summarized as follows:

(Unit : Baht)

Related Parties	Type of Transaction	Occurring in Year 2003		Pricing Policy
		Total Amount	Balance as of Dec. 31, 2003	
<b>PT Lanna Harita Indonesia</b>				
<ul style="list-style-type: none"> <li>• Lanna Resources Public Co., Ltd. indirectly owns 63.33% of registered capital, having 4 representing directors, namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Udom Chaisomboon and Mr. Pongtorn Kachareon</li> </ul>	Coal Purchase/Sales	954,557,585.83	82,704,086.84	Price comparable to price purchased from third parties
<b>United Bulk Shipping Pte Ltd.</b>				
<ul style="list-style-type: none"> <li>• Lanna Resources Public Co., Ltd. owns 49% of registered capital, having 3 representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul and Mr. Pilas Puntakosol</li> </ul>	Coal Freight	145,995,608.63	1,919,675.89	Price comparable to freight charges paid to third parties
<b>Thai Agro Energy Co., Ltd.</b>				
<ul style="list-style-type: none"> <li>• Lanna Resources Public Co., Ltd. owns 75% of registered capital, having 5 representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul, Mr. Anun Louharanoo, Mr. Padoong Techasarintr, and Mr. Srihasak Arirachakaran</li> </ul>	Used Car Auction	214,953.27	-	Price comparable to sales price to third parties

Related Parties	Type of Transaction	Occurring in Year 2003		Pricing Policy
		Total Amount	Balance as of Dec. 31, 2003	
<b>Siam City Cement Public Company Limited</b>				
<ul style="list-style-type: none"> <li>Siam City Cement Public Co., Ltd. is a shareholder of Lanna Resources Public Co., Ltd., with 43.42% of registered capital, having 2 representatives being directors of Lanna Resources Public Co., Ltd., namely Mr. Paul Heinz Hugentobler, and Mr. Vanchai Tosomboon</li> </ul>	Coal Purchase/Sales	614,548,380.41	76,846,504.91	Market price at which equivalent quality coal is sold to that industry.
<b>Prempracha Engineering Ltd., Part.</b>				
<ul style="list-style-type: none"> <li>Mr. Kraisi Sirirungsi, authorized partner, is a director and shareholder of Lanna Resources Public Co., Ltd., with 8.03% of registered capital (including spouse) in Lanna Resources Public Co., Ltd.</li> </ul>	Overburden Removal and Coal Winning	89,612,165.73	1,966,453.18	Price comparable to service fees paid to third parties.
	Equipment Rental	1,279,323.53	108,323.41	Price comparable to rental fees paid to third parties.
<b>Banpu Singapore Pte. Ltd.</b>				
<ul style="list-style-type: none"> <li>Banpu Public Company Limited is a shareholder in Lanna Resources Public Co., Ltd. and Banpu Singapore Pte. Ltd., with 10.07% and 99.99% of registered capital, respectively.</li> </ul>	Coal Freight	17,595,932.63	-	Price comparable to freight charged to third parties
<b>Banpu Public Company Limited</b>				
<ul style="list-style-type: none"> <li>Banpu Public Company Limited is a shareholder in Lanna Resources Public Co., Ltd. with 10.07% of registered capital, having Mr. Anun Siriphong as representative being director of Lanna Resources Public Co., Ltd.</li> </ul>	Coal Freight	17,645,862.02	-	Price comparable to freight charged to third parties
<b>Banpu International Ltd.</b>				
<ul style="list-style-type: none"> <li>Banpu Public Company Limited is a shareholder in Lanna Resources Public Co., Ltd. and Banpu Singapore Pte. Ltd., with 10.07% and 99.99% of registered capital, respectively.</li> </ul>	Coal Purchase/Sales	59,077,326.91	-	Market price at which equivalent quality coal is sold to that industry.

## Reasons and Necessities of the Related Transactions in 2003

- The Company purchased imported coals from PT Harita Indonesia for further reselling, at price comparable to the rates generally offered by external suppliers, based on the coal's quality. The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since the coal business is the Company's core business; therefore, the tendency for future transactions between the parties should continue.
- The Company engaged the United Bulk Shipping Pte. Ltd, an associated company, to transport the imported coals from Indonesia to Thailand at price comparable rates paid to third parties. The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since the Company has the policy to continue the sales and distribution of imported coals from overseas; therefore, the tendency for future transactions between the parties should continue.
- The Company sold a 6-year old car, license plate number Por. Hor. 376 through bidding process, which was won by Thai Agro Energy Co., Ltd., offering the fair and highest price. This type of transaction between the parties may occur occasionally as appropriate and necessary.
- The Company sold the domestically produced and imported coals to the Siam City Cement Public Company Limited, both a customer and a major shareholder. The sales prices were comparable and not lower than the market price of equivalent quality coal sold to third parties. The transactions were considered under normal course of business with general commercial terms and basis. The Siam City Cement Public Co., Ltd. uses coal as its primary source of energy; therefore, future sales and purchase transactions should continue through the future.
- The Company hired Prampracha Engineering Limited Partnership for rendering the overburden removal, lignite coal winning and other related services at Ban Pa Kha Mining in Lumphun province due to their expertise, competent work force and suitable equipment. The contract rates were comparable to the rates paid to third parties. The transactions were considered under normal course of business with general commercial terms and basis. The related transactions should continue until the closing Ban Pa Kha mine in 2004.
- Banpu Public Company Limited and Banpu Singapore Pte. Ltd. hired the Company to transport coals via ocean freight at price comparable to freight charged to external parties. The transactions were under normal business practice with each authorized party independent of the other party. This type of transaction between the parties may occur occasionally as appropriate and necessary.
- The Company sold imported coals to Banpu International Limited. The sales prices were comparable and not lower than the market price of equivalent quality coal sold to third parties. The transactions were under normal business practice with each authorized party independent of the other party. This type of transaction between the parties should occur occasionally as appropriate and necessary.

## Opinion of the Audit Committee on the Related Transactions

March 22, 2004

Att.: Chief Executive Officer  
Lanna Resources Public Company Limited

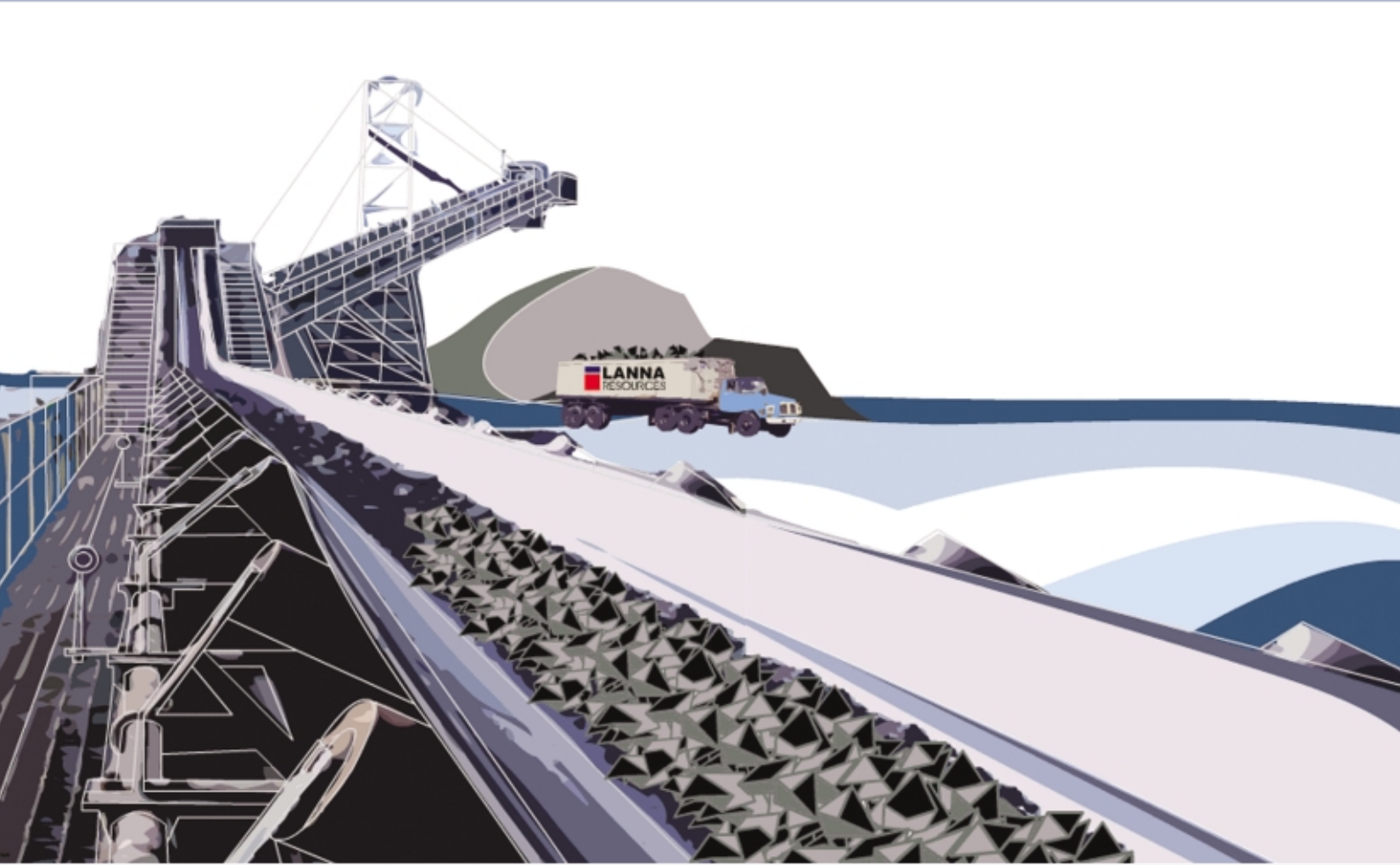
The Audit Committee has reviewed the related transactions between the Lanna Resources Public Company Limited, its subsidiaries, associated companies and related parties or connected persons during the year ended December 31, 2003 in order to express opinion as well as to disclose information according to the guidelines set by the Stock Exchange of Thailand which can be summarized as follows:

- 1) The Company purchased, for further reselling, imported coals from PT Harita Indonesia, a subsidiary company registered in Indonesia, at the price and conditions as agreed in the contract which was based on the coal's quality and comparable to the rates generally offered by the external suppliers.
- 2) The Company engaged United Bulk Shipping Pte Ltd, an associated company registered in Singapore, to ship the imported coal from Indonesia to Thailand at comparable rates paid to external vendors and normally offered in the market under the agreed conditions.
- 3) The Company sold a car which had been used for six years through the bidding process. The Thai Agro Energy Co., Ltd., a subsidiary company, won the bid by offering the fair highest price. This type of transaction occasionally occurred due to the suitability and necessity to operate the business by both parties.
- 4) The Company sold the domestically produced and imported coals to the Siam City Cement Public Company Limited which is both a Company's customer and a major shareholder, at the price normally offered to other customers or external parties and subject to the quality of coal. This has been in accordance with the signed contract.
- 5) The Company hired Prempracha Engineering Limited Partnership, for rendering the overburden removal, lignite coal winning, and other related services at Ban Pa Kha Mining, Lumphun province, at the rates which were not higher than the normal market rates and in accordance with the agreed conditions.
- 6) The Company was hired to transport coals for Banpu Public Company Limited and Banpu Singapore Pte. Ltd., a subsidiary company of Banpu Public Company Limited, which is a major shareholder of the Company, at the price normally offered to other external parties and in accordance with the contractual agreement.
- 7) The Company sold coals from the Indonesian coalmine to Banpu International Limited, a subsidiary company of Banpu Public Company Limited, which is a Company's major shareholder, at the price normally offered to other external parties and subject to the quality of the coals, which was not lower than the normal market rates and in accordance with the agree terms and conditions.

(Mr. Padoong Techasarintr)  
Audit Committee Chairman

(Mr. Adul Tantharatana)  
Audit Committee Member

(Mr. Sommai Mesaplak)  
Audit Committee Member





**LANNA RESOURCES Public Company Limited**

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