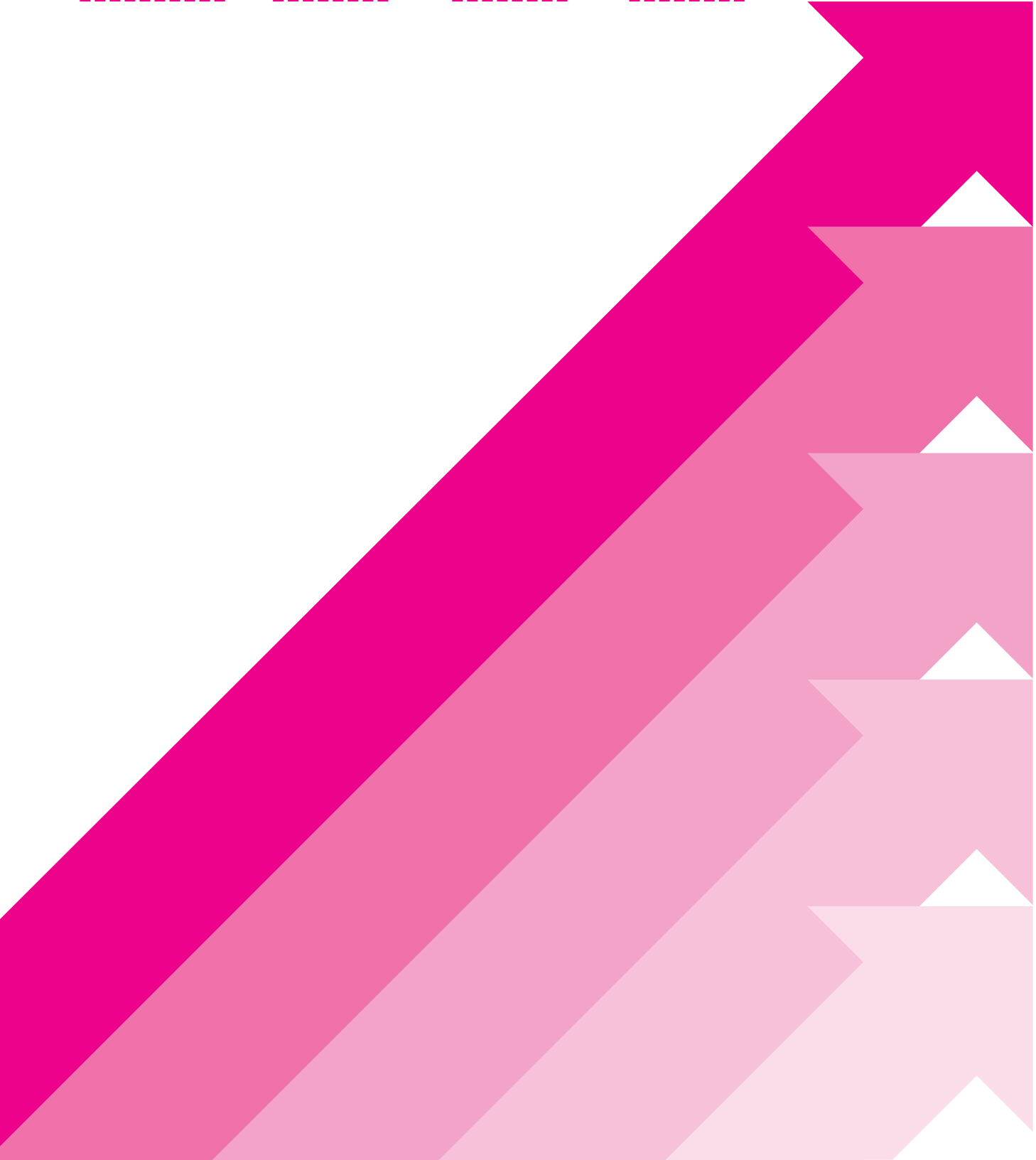




LANNA RESOURCES PUBLIC COMPANY LIMITED

**ANNUAL REPORT**

2020



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## REPORT OF THE BOARD OF DIRECTORS

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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 with regard to the financial status and operating results of the Company and affiliated companies for the past year 2009, which were considered quite satisfactory, having a steady and growing net income as compared to the previous year despite the global financial and economic crisis. The Company and its affiliated companies had total revenue of Baht 5,421.79 million with net income of Baht 654.61 million or net earnings per share of Baht 1.87. In comparison with year 2008, the revenue decreased by Baht 2,052.94 million or 27.47 percent; however, the net income increased by Baht 183.44 million or 38.93 percent. In 2009, the Company posted its highest net income ever in 25 years since the Company was founded back in 1985, having revenue proportion from the sales of coal and ethanol accounting for 87.56 percent and 12.44 percent and net income proportion from the coal business and ethanol business accounting for 75.94 percent and 24.06 percent, respectively.

From the coal business which is the Company's core business, the total revenue in 2009 was Baht 4,539.36 million, or a decrease from the previous year by Baht 1,903.83 million or 29.55 percent, due to the decrease in coal sales volume and price of 26.92 and 6.73 percent, respectively. However, the net income was Baht 824.16 million, an increase of Baht 262.87 million from the previous year or 46.83 percent, due to the decrease in cost of sales and operating expenses of 36.40 and 30.61 percent, respectively. Since the middle of year 2009, the Company has commenced its coal production and distribution from the new coal concession in Indonesia and therefore the Company currently has a total of two operating coal mines in Indonesia, each with a production capacity of around 2 million tons per year. The coal production capacity of this second coal mine project is also being expanded to 5 million tons per year by year 2013. The remaining concession period for the first and second coal concession is approximately 21 years and 29 years, respectively. Nonetheless, the Company is actively seeking additional coal concession projects in the following years in order to enhance its coal business potential in the future.

From the ethanol business which is the Company's alternative business, the total revenue in 2009 was Baht 672.45 million, or a decrease from the previous year by Baht 289.92 million or 30.13 percent and the net income was Baht 207.88 million, a decrease from the previous year by Baht 82.51 million or 28.41 percent, due to the decrease in ethanol sales volume of 36.07 percent. The construction of the ethanol production plant with 200,000 liters per day capacity (Production Line No. 2) has commenced in 2009, utilizing a multi-feed system which can use various types of raw materials, such as cassava, sugarcane, etc. The plant is located in Suphanburi Province in the vicinity of the existing ethanol production plant with 150,000 liters per day capacity (Production Line No. 1), having been granted special investment promotion privileges according to the Investment Promotion Act, B.E. 2520 (1977). The construction of the Production Line No. 2 should be completed around the beginning of year 2011 which will bring the total ethanol production capacity to 350,000 liters per day. The Company has planned to expand its ethanol production capacity corresponding to increasing demand for ethanol in the future.

The Company's overall financial status and liquidity were considered satisfactory. The current ratio was at 1.59 times, but the total debt to total assets ratio was only 34.28 percent and the debt to equity ratio was only 52.16 percent.

Even though the financial and economic crisis which occurred during year 2008 to 2009 has certainly impacted the Company along with other enterprises in the other industries, the Company's Board of Directors has endeavored to resolve the problem and manage the Company with prudence by adhering to the principles of good corporate governance, which has enabled the Company to overcome the obstacles and achieve good operating results. The Board of Directors shall also invest and develop the Company's business to achieve sustainable business growth and development in long term.



**Mr. Somkiart Limsong**  
**Chairman of the Board**

# BOARD OF DIRECTORS

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Lanna Resources Public Company Limited



**Mr. Somkiart Limsong**  
Chairman of the Board



**Mr. Padoong Techasarintr**  
Independent Director / Audit Committee Chairman



**Mr. Paul Heinz Hugentobler**  
Director



**Mrs. Duangkamol Suchato**  
Independent Director / Audit Committee Member



**Mr. Adul Tantharatana**  
Independent Director / Audit Committee Member



**Mr. Kraisi Sirirungsi**  
Director / Executive Chairman



**Mr. Anan Siripong**  
Independent Director



**Mr. Suroj Subhasavasdikul**  
Director / Executive Director



**Mr. Vanchai Tosomboon**  
Director



**Mr. Visit Tantisunthorn**  
Director / Executive Director



**Mr. Pilas Puntakosol**  
Director / Executive Director



**Mr. Tanon Tantisunthorn**  
Director



**Mr. Anun Louharanoo**  
Director / Executive Director / Secretary



บริษัท ลานนา รีซอร์สเซส จำกัด (มหาชน)  
LANNA RESOURCES PUBLIC COMPANY LIMITED

## VISION

**To be one of the coal business leaders in Asia Region**

## CORE VALUE

**Production and distribution of high-quality coal entrusted by its Customers**

## MISSION

- Develop skillful human resources and acquire modern technology in order to maintain high quality and standard of products and services.
- Develop excellent products and services, create new innovation to continue adding values to its products and services and find new ways that are utmost beneficial for the customers.
- Aim to attain business operation excellence through insisting on building customer satisfaction by paying attention to the recommendations as well as making self review and assessment in order to continually develop and create the best products in order for a sustainable development of the Company in the future.
- Take into consideration the corporate social responsibility to the overall community and society including conservation of environment by taking part in the creation and support of developments that are sustainable and beneficial to the overall society, at the level of Company's status.
- Become aware of the importance of good corporate governance by adhering to the principles of fairness and integrity, accountability, responsibility and transparency, and promoting equitable treatment, as well as gaining faith from all the stakeholders.



## COMPANY PROFILE

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**Background:** Lanna Resources Public Company Limited, Registration No. 0107535000397 (formerly Bor.Mor.Jor. 72), 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 is listed in the Resources Group (Energy and Utilities sector). The Company has registered and changed its name to Lanna Resources Public Company Limited since 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 Office:** Ayutthaya Coal Distribution Center: 108 Moo 1, Klong Sakae Sub-district, Nakhonluang District, Ayutthaya Province, Tel.: 035-724158 Fax: 035-724158

**Type of Business:** The Company operates two following main businesses:

- (1) **Solid Fuel:** Core business in the coal production and distribution domestically and overseas; and
- (2) **Liquid Bio-Fuel:** Secondary business in the ethanol production and distribution for bio-fuel purpose.

**REGISTERED AND PAID-UP CAPITAL:** 350,000,000 ordinary shares at a par value of Baht 1.00 per share, for a total paid-up registered capital of Baht 350,000,000.

**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 Ms. Ratana Jala, certified public accountant no. 3734; or Ms. Kamontip Lertwitworatep, certified public accountant no. 4377, with address at 193/136-137 New Rajadapisek Rd., 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

## FINANCIAL INFORMATION

According to the Consolidated Financial Statements	Year 2007	Year 2008	Year 2009
<b>Financial Status</b> (Unit: Million Baht)			
Total Assets	3,343	3,795	4,351
Total Liabilities	1,089	1,377	1,491
Issued and Paid-up Capital	350	350	350
Total Shareholders' Equity	2,254	2,418	2,860
<b>Operating Results</b> (Unit: Million Baht)			
Total Revenue	6,039	7,474	5,422
Sales Revenue	5,943	7,406	5,212
Gross Earnings	963	2,860	2,320
EBITDA (Earnings before interest, tax, depreciation, and amortization)	1,747	1,785	1,457
Net Earnings	373	471	655
<b>Share Information</b> (Unit: Baht per Share)			
Book Value per Share	5.31	6.04	6.88
Net Earnings per Share	1.07	1.35	1.87
Dividend per Share	0.65	0.80	1.00
<b>Liquidity Ratio</b>			
Current Ratio (times)	2.25	1.53	1.59
Quick Current Ratio (times)	1.41	0.96	0.65
Cash Flow Liquidity Ratio (times)	1.71	1.49	0.41
Accounts Receivable Turnover Ratio (times)	10.41	13.61	13.04
Average Debt Collection Period (days)	35	27	28
Inventory Turnover Ratio (times)	10.58	13.40	7.45
Average Selling Period (days)	34	27	49
Accounts Payable Turnover Ratio (times)	12.94	14.95	12.45
Average Debt Payment Period (days)	28	24	29
Cash Cycle (days)	41	30	48
<b>Profitability Ratio</b>			
Gross Profit Margin (%)	16.20	38.62	44.51
EBITDA Margin (%)	28.92	23.52	26.87
Net Profit Margin (%)	6.17	11.39	19.04
Return on Equity (%)	20.84	23.78	28.94
<b>Efficiency Ratio</b>			
Return on Total Assets (%)	10.96	23.86	25.34
Return on Fixed Assets (%)	46.75	84.25	81.91
Assets Turnover Ratio (times)	1.78	2.09	1.33
<b>Financial Policy Ratio</b>			
Debt to Equity Ratio (times)	0.48	0.57	0.52
Interest Coverage Ratio (times)	29.62	48.13	54.63
Debt Service Coverage Ratio (Cash Basis) (times)	3.14	2.24	0.79
Dividend Payment Ratio (%)	61.69	69.90	95.84



Financial information on the Company's revenues and net income (loss) for the past 25 years (since its establishment in 1985 until 2009) can be summarized as follows:

Year	Revenue (Million Baht)	Net Income (Loss) (Million Baht)	Percentage of Net Income (Loss) to Revenues (%)	Net Earnings (Loss) per Share (Baht/Share)
1985	1.02	(0.01)	(0.98)	(0.0001)
1986	15.08	(6.53)	(43.30)	(0.07)
1987	103.24	25.17	24.38	0.25
1988	187.67	43.21	23.02	0.43
1989	408.05	54.94	13.46	0.55
1990	258.55	86.45	33.44	0.86
1991	283.22	148.09	52.29	1.48
1992	523.61	164.69	31.45	1.65
1993	607.69	183.63	30.22	0.52
1994	709.53	225.60	31.80	0.64
1995	860.17	264.24	30.72	0.75
1996	1,459.08	311.92	21.38	0.89
1997	1,645.83	(258.68)	(15.72)	(0.74)
1998	1,432.97	586.86	40.95	1.68
1999	1,202.29	81.66	6.79	0.23
2000	923.93	(6.25)	(0.68)	(0.02)
2001	1,385.79	533.68	38.51	1.52
2002	1,666.07	93.89	5.64	0.27
2003	1,747.39	58.05	3.32	0.17
2004	2,491.16	172.41	6.92	0.49
2005	4,060.30	339.36	8.36	0.97
2006	5,494.56	387.94	7.06	1.11
2007	6,028.36	372.77	6.18	1.07
2008	7,474.73	471.17	6.30	1.35
<b>2009</b>	<b>5,421.79</b>	<b>654.61</b>	<b>12.07</b>	<b>1.87</b>

Despite the occurrence of global financial and economic crisis from 2008 through 2009, which certainly had an impact on the Company as well as other enterprises in other industries, causing significant reduction in sales and service revenues in 2009 as compared to the previous year; however, in 2009, the Company still managed to earn its highest profit ever in the 25 years of operation since it was founded back in 1985. Nonetheless, the Company shall continue to focus on sustainable and stable growth in long term.

## DIVIDEND PAYMENT POLICY

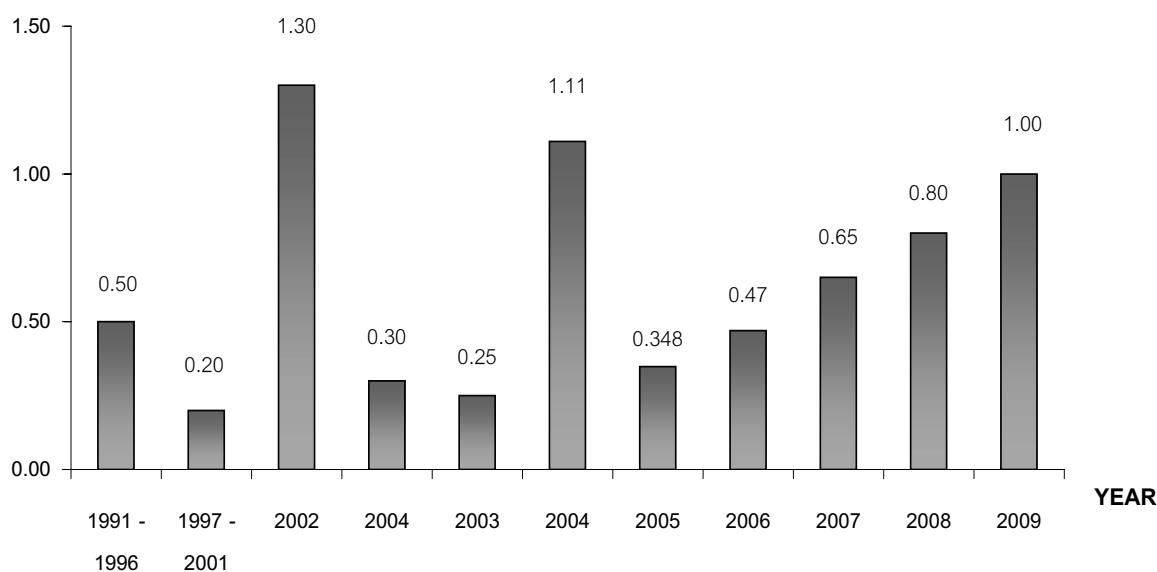
**The Company's dividend payment policy to the shareholders:** In the case that no additional investment is required and there are no outstanding loans, the Company's dividend payment policy is not less than 60 percent of its net income according to the separate financial statements for each financial period after deduction of legal provisions and the net loss carried forward (if any). For the dividend payment of the subsidiary company with Company holding more than 50 percent shares, the dividend payment policy and capital requirement of the Company and the subsidiary will be considered to facilitate the Company for payment of dividend according to above policy.

**The dividend payment policy of the subsidiary companies to the Company:** In the case that the subsidiary company has no additional investment and no outstanding loans, the subsidiary's dividend policy payment is not less than 60 percent of its net income according to the separate financial statements for each financial period after deduction of legal provisions and the net loss carried forward (if any). The dividend payments of the subsidiary companies in year 2009 have been shown in details for each of the companies on Page 12 of this Annual Report.

**Dividend Payment in Year 2009:** The Company's net income according to the separate financial statements was at Baht 365.18 million or Baht 1.04 per share. The Board of Directors has proposed for the appropriation of earnings for the purpose of dividend payment to the shareholders at Baht 1.00 per share or 95.84 percent of the net income, which is in line with the Company's dividend payment policy above and higher than the dividend payment ratio of the previous year by 37.11 percent.

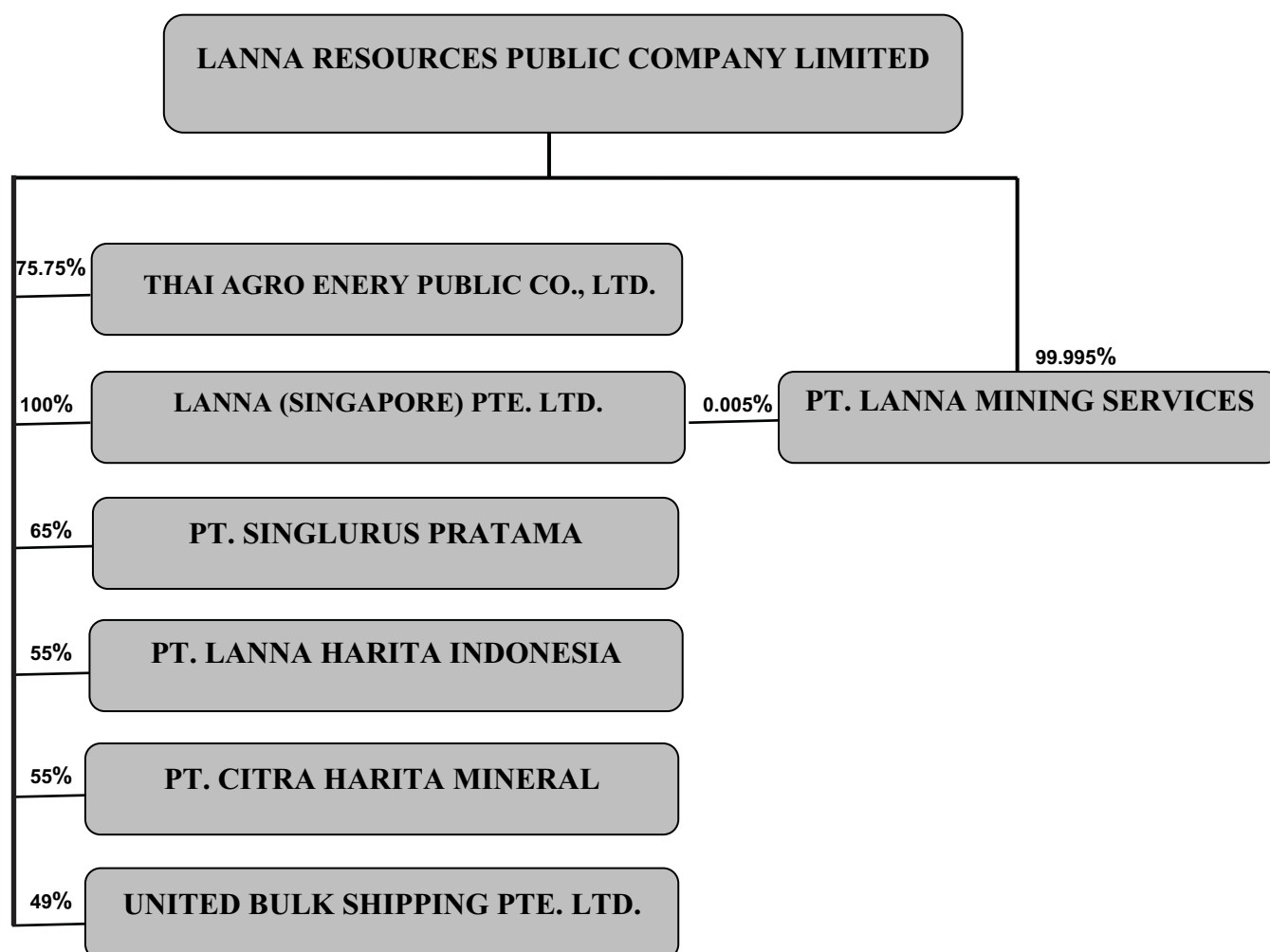
### DIVIDEND PAYMENT RECORD

BAHT/SHARE/YEAR



## INVESTMENT IN THE SUBSIDIARY AND ASSOCIATED COMPANIES

The Company has invested in six subsidiary companies (both direct and indirect shareholding exceeding 50 percent of the paid-up capital) and in one associated company (direct shareholding of less than 50 percent of the paid-up capital), according to the investment structure and profile of each company below.




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### THAI AGRO ENERGY PUBLIC CO., LTD. (REGISTERED IN THAILAND)

Location: 888/114 Mahathun Plaza Bldg., 11<sup>th</sup> Floor, Ploenchit Rd., Pathumwan, Bangkok 10330, Tel.: 02-627-3890-94, Fax: 02-627-3888-89

Type of Business: Production and Distribution of Ethanol-for-Fuel (99.5% Anhydrous Alcohol)

Registered Capital: 800,000,000 ordinary shares at Baht 1 per share totaling Baht 800,000,000

Paid-up Capital: 600,000,000 ordinary shares at Baht 1 per share totaling Baht 600,000,000

Company's Shareholding: 454,528,300 ordinary shares at Baht 1 per share totaling Baht 454,528,300 a direct shareholding of 75.75 percent of the paid-up capital

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**LANNA (SINGAPORE) PTE. LTD. (REGISTERED IN SINGAPORE)**

Location: 50 Raffles Place # 32-01, Singapore Land Tower, Singapore 049623,  
Tel.: (65) 6536-5355, Fax: (65) 6536-2402

Type of Business: Holding company with investments in coal business and utilities

Registered Capital: 9,000,000 ordinary shares at SGD 1 per share totaling SGD 9,000,000

Paid-up Capital: 9,000,000 ordinary shares at SGD 1 per share totaling SGD 9,000,000

Company's Shareholding: 9,000,000 ordinary shares at SGD 1 per share totaling SGD 9,000,000,  
a direct shareholding of 100 percent of the paid-up capital

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**PT. LANNA MINING SERVICES (REGISTERED IN INDONESIA)**

Location: Kawasan Bisnis Granadha, 8<sup>th</sup> Floor Jl. Jend Sudirman Kav. 50, Jakarta  
12930, Indonesia Tel.: 62(21) 2553-9313, Fax: 62(21) 2553-9314

Type of Business: Coal Trading

Registered Capital: 21,000 ordinary shares at USD 100 per share totaling USD 2,100,000

Paid-up Capital: 21,000 ordinary shares at USD 100 per share totaling USD 2,100,000

Company's Shareholding: 21,000 ordinary shares at USD 100 per share totaling USD 2,100,000,  
a direct and indirect shareholding of 100 percent of the paid-up capital

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**PT. SINGLURUS PRATAMA (REGISTERED IN INDONESIA)**

Location: Kawasan Bisnis Granadha, 12A Floor Unit 002, Jl. Jend Sudirman Kav. 50,  
Jakarta 12930, Indonesia Tel.: 62(21) 2553-5036, Fax: 62(21) 2553-9821

Type of Business: Coal Production and Distribution

Registered Capital: 7,950 ordinary shares at Indonesian Rupiah 1,000,000 per share totaling  
Indonesian Rupiah 7,950,000,000

Paid-up Capital: 7,950 ordinary shares at Rp. 1,000,000 per share totaling Indonesian Rupiah  
7,950,000,000

Company's Shareholding: 5,168 ordinary shares at Indonesian Rupiah 1,000,000 per share totaling  
Indonesian Rupiah 5,168,000,000, a direct shareholding of 65 percent of  
the paid-up capital

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**PT. LANNA HARITA INDONESIA (REGISTERED IN INDONESIA)**

Location: Kawasan Bisnis Granadha, 8<sup>th</sup> Floor Jl. Jend Sudirman Kav. 50, Jakarta 12930, Indonesia Tel.: 62(21) 2553-9313, Fax: 62(21) 2553-9314

Type of Business: Coal Production and Distribution

Registered Capital: 10,500 ordinary shares at USD 1,000 per share totaling USD 10,500,000

Paid-up Capital: 8,000 ordinary shares at USD 1,000 per share totaling USD 8,000,000

Company's Shareholding: 4,400 ordinary shares at USD 1,000 per share totaling USD 4,400,000, a direct shareholding of 55 percent of the paid-up capital

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**PT. CITRA HARITA MINERAL (REGISTERED IN INDONESIA)**

Location: Kawasan Bisnis Granadha, 8<sup>th</sup> Floor Jl. Jend Sudirman Kav. 50, Jakarta 12930, Indonesia Tel.: 62(21) 2553-9313, Fax: 62(21) 2553-9314

Type of Business: Coal Production and Distribution

Registered Capital: 1,000 ordinary shares at USD 107.64262 per share totaling USD 107,642.62

Paid-up Capital: 1,000 ordinary shares at USD 107.64262 per share totaling USD 107,642.62

Company's Shareholding: 550 ordinary shares at USD 107.64 per share totaling USD 59,203.44, a direct shareholding of 55 percent of the paid-up capital

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**UNITED BULK SHIPPING PTE. LTD. (REGISTERED IN SINGAPORE)**

Location: 50 Raffles Place # 32-01, Singapore Land Tower, Singapore 049623, Tel.: (65) 6536-5355, Fax: (65) 6536-2402

Type of Business: Ocean Freight Shipping

Registered Capital: 1,000,000 ordinary shares at USD 0.71429 per share totaling USD 714,290

Paid-up Capital: 100,000 ordinary shares at USD 0.71429 per share totaling USD 71,429

Company's Shareholding: 49,000 ordinary shares at USD 0.71429 per share totaling USD 35,000, a direct shareholding of 49 percent of the paid-up capital

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## FINANCIAL INFORMATION OF THE SUBSIDIARY AND ASSOCIATED COMPANIES FOR YEAR 2009

DESCRIPTION	THAI AGRO ENERGY PUBLIC CO., LTD.	UNITED BULK SHIPPING PTE. LTD.	LANNA (SINGAPORE) PTE. LTD.	PT. LANNA HARITA INDONESIA	PT. CITRA HARITA MINERAL	PT. SINGLURUS PRATAMA	PT. LANNA MINING SERVICES
	Thai Baht	US Dollar	Singaporean Dollar	US Dollar	US Dollar	Indonesian Rupiah (Million)	US Dollar
<b>Investment</b>							
Registered Capital	800,000,000.00	714,290.00	9,000,000.00	10,500,000.00	107,642.62	7,950.00	2,100,000.00
Issued and Paid-up Capital	600,000,000.00	71,429.00	9,000,000.00	8,000,000.00	107,642.62	7,950.00	2,100,000.00
Par Value per Share	1.00	0.71	1.00	1,000.00	107.64	1.00	100.00
Direct and Indirect Shareholding (%)	75.75	49	100	55	55	65	100
<b>Operating Results Year 2009</b>							
Total Revenue	674,241,115.54	473,659.34	229,244.27	69,170,306.98	2,144,303.07	302,882,895,435.61	10,021,015.51
Net Earnings (Loss)	207,882,413.48	72,403.84	(7,818,219.61)	14,568,251.71	665,721.47	70,882,090,497.79	322,549,30.30
Retained Earnings (Loss)	184,641,132.50	1,080,963.68	888,830.81	7,584,654.70	3,324,448.73	17,498,627,530.92	568,470.79
Net Earnings (Loss) per Share	0.35	0.72	(0.87)	1,821.03	665.72	8,915,986.23	15.36
<b>Financial Status as at December 31, 2009</b>							
Total Assets	1,378,210,363.10	2,045,744.91	9,959,452.83	30,447,210.05	4,052,959.13	245,102,810,927.42	14,508,373.43
Total Liabilities	536,769,230.60	893,352.23	70,622.02	13,262,555.35	941,665.34	219,654,183,396.50	11,867,470.52
Total Shareholders' Equity	841,441,132.50	1,152,392.68	9,888,830.81	17,184,654.70	3,111,293.79	25,448,627,530.92	2,640,902.91
Book Value per Share	1.40	11.52	1.10	2,148.08	3,111.29	3,201,085.22	125.76
<b>Dividend Payment in Year 2009</b>							
Dividend per Share	0.25	-	-	1,500.00	-	-	-
Dividend Payment Amount	150,000,000.00	-	-	12,000,000.00	-	-	-
Dividend Payment Ratio (%)	72.16	-	-	82.37	-	-	-

## BUSINESS ACTIVITIES

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### The Company's business operation consists of 2 major categories as follows:

(1) **Solid Fuel:** Company's core business is in the coal production and distribution domestically and overseas, having coal mine projects located in Indonesia as its base for coal production and distribution activities. In addition, the Company has ocean freight transport service business in Singapore to effectively support and manage coal transport for distribution in the Country or delivery to other countries.

(2) **Liquid Bio-Fuel:** Company's secondary core business is the ethanol production and distribution used for bio-fuel purpose in the Country.

The Company continues to focus on investments that will foster long-term excellent and sustainable growth and development.

### Domestic Coal Business

The Company imports coal from the joint venture coal mining projects in Indonesia and from other sources for distribution in the domestic market by either direct delivery or for inventory and processing before delivery to the customers. Coal inventory and processing are operated at Ayutthaya Coal Center, located in Nakornluang District, Ayutthaya Province on an area of 31 rai and 29 square wah, which can support over 200,000 tons of coal inventory. The Company's domestic coal market share in 2009 was approximately 3.81 percent.

The majority of domestic coal consumption in 2009 was mainly by the cement industry at around 50.67 percent with remaining 49.33 percent by electricity production and other industries. It is expected that the consumption of coal, with lower cost per heat unit than other types of fuel, will continue to increase in the future. Especially with the rising price of oil, more industrial operators will turn to utilize coal as the source of energy for their production activities.

### Overseas Coal Business

The Company has already invested in three joint venture coal mining projects in Indonesia, of which coal is imported for distribution to the domestic customers and exported to other countries especially in the Asia region market, such as India, Japan, South Korea, Taiwan and Hong Kong, etc. Coal produced by the Company has good quality with reputable brand and trusted by both domestic and overseas customers. The Company is one highly regarded and reliable coal company in the Asia region.

Lanna (Singapore) Pte. Ltd., a subsidiary company registered in Singapore with Lanna Resources Public Co., Ltd. holding 100 percent shares of the paid-up capital, is a holding company for investment purpose in the coal and infrastructure businesses, having invested in three joint venture coal mining projects in Indonesia. The Company has been under business and investment re-structure for tax benefit purposes, having transferred each of its 55 percent shareholding in PT. Lanna Harita Indonesia and PT. Citra Harita Mineral, which have investment in Coal Mine Project No. 1 and No. 2 in Indonesia, respectively, to Lanna Resources Public Co., Ltd. Consequently, Lanna Resources Public Co., Ltd. has become the direct shareholder in both subsidiary companies since 2007. Lanna (Singapore) Pte. Ltd. has also sold and transferred its 65 percent shares of the paid-up capital in PT. Singlurus Pratama, which has investment in Coal Mine Project No. 3 in Indonesia, to Lanna Resources Public Co., Ltd., which has become a direct shareholder of this subsidiary company since 2009.



PT. Lanna Harita Indonesia, a subsidiary company registered in Indonesia with Lanna Resource Public Co., Ltd. holding shares at 55 percent of the paid-up capital, conducts coal mining business operation in Samarinda district, Kutai Regency, in East Kalimantan, having received the coal mining concession (Coal Contract of Work) from the Indonesian Government for coal production and distribution for a period of 30 years (from 2001 to 2031), having remaining mineable reserves estimated at 15 to 20 million tons, with a production capacity of 2,000,000 tons per year.

PT. Citra Harita Mineral, a subsidiary company registered in Indonesia with Lanna Resources Public Co., Ltd. holding shares at 55 percent of the paid-up capital, had conducted its business in coal mining in Samarinda district in East Kalimantan, by entering into the cooperation agreement within the KP License concession areas of PT. Cahaya Tiara (formerly CV. Cahaya Tiara). However, mining operation at this coal mine has been stopped since the middle of year 2008 due to a revocation of KP License by the order of the Supreme Court of Indonesia resulting from a dispute between the government sector and previous owner of the KP License. Currently, PT. Citra Harita Mineral has temporarily changed its business to become a service provider of coal transport route and coal loading port and jetty facilities, while quickly explores and looks for new coal mining projects.

PT. Singlurus Pratama, a subsidiary company registered in Indonesia, with Lanna Resources Public Co., Ltd. holding shares at 65 percent of the paid-up capital, conducts coal mining business operation in Kutai Regency, East Kalimantan, having received the coal mining concession (Coal Contract of Work) from the Indonesian Government for coal production and distribution for a period of 30 years (from 2009 to 2039). The mineable coal reserves have been estimated at 20 to 25 million tons with coal production and sales commencing from the middle of year 2009. In 2009, 430,069.22 tons of coal were produced and distributed. Coal production capacity is approximately 2 million tons per year starting from 2010, which will be increased to 5 million tons per year by 2013.

PT Lanna Mining Services, a subsidiary company registered in Indonesia with Lanna Resources Public Co., Ltd. holding shares directly and indirectly at 100 percent of the paid-up capital, has been assigned to develop the above-mentioned Coal Mine Project No. 3. After the development of this coal mine project has been completed in the middle of 2009, PT. Lanna Mining Services has turned into coal trading business, sourcing coal from other coal resources in Indonesia.

### **Ocean Freight Transport Service**

United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, with Lanna Resources Public Co., Ltd. holding 49 percent of the paid-up capital, has been established to undertake business in ocean freight transport and ship chartering services, which has effectively managed coal transport services for imported coal into Thailand and coal distribution to other countries at reasonable costs.

### **Ethanol Business for Bio-Fuel Purpose**

Thai Agro Energy Public Company Limited, a subsidiary company registered in Thailand, is 75.75 percent owned by Lanna Resources Public Company Limited, conducts business in the production and distribution of ethanol (99.5 percent anhydrous alcohol) for bio-fuel purpose. Thai Agro Energy Public Co., Ltd. has been operating the ethanol production plant located in Dan Chang District, Suphanburi Province, with a production capacity of 150,000 liters per day (Production Line No. 1), using molasses as the raw material. Currently, another ethanol production plant is under construction located in the same vicinity, with production capacity of 200,000 liters per day (Production Line No. 2), utilizing a multi-feed system that can take several types of raw materials such as cassava and sugarcane, etc. The completion of this new production line is expected at the beginning of 2011. Both ethanol plants have received investment privileges under the Investment Promotion Act B.E. 2520. Ethanol is a clean fuel used for blending with gasoline at 10, 20 and 85 percent to become gasohol that can be used by automobiles in general. Besides helping to reduce the pollution with adverse impact to health and environment, the ethanol as bio-fuel can also help to reduce import of gasoline and octane-booster additive, MTBE or Methyl Tertiary Butyl Ether, saving Country's foreign currency and reducing Country's trade deficit as a whole.

## REVENUE STRUCTURE

Company's Revenue Structure	Year 2007		Year 2008		Year 2009	
	Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Revenues from Coal Sales	5,302.23	87.96	6,443.19	86.20	4,539.36	83.72
Revenues from Ethanol Sales	641.24	10.64	962.37	12.87	672.45	12.40
Other Revenues	84.59	1.40	69.17	0.93	209.98	3.88
<b>Total Revenue</b>	<b>6,028.06</b>	<b>100.00</b>	<b>7,474.73</b>	<b>100.00</b>	<b>5,421.79</b>	<b>100.00</b>

Revenue Structure of Subsidiary and Associated Companies	Shareholding	Year 2007		Year 2008		Year 2009	
		%	Million Baht	%	Million Baht	Million Baht	%
<b>Thai Agro Energy Co., Ltd.</b>	75.75						
Ethanol Sales Revenue		641.24	99.52	962.37	99.74	672.45	99.73
Other Revenues		3.08	0.48	2.53	0.26	1.79	0.27
<b>Total Revenue</b>		<b>644.32</b>	<b>100.00</b>	<b>964.90</b>	<b>100.00</b>	<b>674.24</b>	<b>100.00</b>
<b>PT. Singlurus Pratama</b> (Recently became shareholder in 2008)	65						
Coal Sales Revenue		-	-	-	-	989.39	92.09
Other Revenues		-	-	0.21	100.00	84.95	7.91
<b>Total Revenue</b>		<b>-</b>	<b>-</b>	<b>0.21</b>	<b>100.00</b>	<b>1,074.34</b>	<b>100.00</b>
<b>PT. Lanna Harita Indonesia</b>	55						
Coal Sales Revenue		1,761.38	98.96	3,214.92	99.51	2,279.88	98.78
Other Revenues		18.49	1.04	15.78	0.49	28.24	1.22
<b>Total Revenue</b>		<b>1,779.87</b>	<b>100.00</b>	<b>3,230.70</b>	<b>100.00</b>	<b>2,308.12</b>	<b>100.00</b>
<b>PT. Citra Harita Mineral</b>	55						
Coal Sales Revenue		1,447.36	99.02	983.94	96.26	-	-
Other Revenues		14.39	0.98	38.27	3.74	71.55	100.00
<b>Total Revenue</b>		<b>1,461.75</b>	<b>100.00</b>	<b>1,022.21</b>	<b>100.00</b>	<b>71.55</b>	<b>100.00</b>
<b>United Bulk Shipping Pte. Ltd.</b>	49						
Ocean Freight Shipping Revenue		624.69	99.74	725.81	99.89	15.30	96.84
Other Revenues		1.63	0.26	0.77	0.11	0.50	3.16
<b>Total Revenue</b>		<b>626.32</b>	<b>100.00</b>	<b>726.58</b>	<b>100.00</b>	<b>15.80</b>	<b>100.00</b>
<b>PT. Lanna Mining Services</b>	100						
Coal Sales Revenue		-	-	-	-	297.98	89.11
Other Revenues		25.39	100.00	51.96	100.00	36.41	10.89
<b>Total Revenue</b>		<b>25.39</b>	<b>100.00</b>	<b>51.96</b>	<b>100.00</b>	<b>334.39</b>	<b>100.00</b>
<b>Lanna (Singapore) Pte. Ltd.</b>	100						
Miscellaneous Revenues		87.44	100.00	9.41	100.00	5.44	100.00

## SIGNIFICANT CHANGES IN THE PAST YEAR

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### LANNA RESOURCES PUBLIC COMPANY LIMITED

- August 31, 2009:** Lanna Resources Public Co., Ltd. paid off the entire long-term loan to Kasikornbank Public Co., Ltd., which was paid 8 months before the end of loan period (Long-term loan of Baht 180 million with fixed interest of 4.85 percent per annum, 2-year term period, 4 installments at Baht 45 million each in October 2008, April 2009, October 2009 and April 2010, for the purpose of land purchase and construction at Ayutthaya Coal Center, pledged with land and building assets of Ayutthaya Coal Center as guarantee for the loan).
- September 14, 2009:** Lanna Resources Public Co., Ltd. has registered for redemption of the land and building assets of Ayutthaya Coal Center that had been pledged as loan guarantee with the Kasikornbank Public Co., Ltd.
- December 15, 2009:** Lanna Resources Public Co., Ltd. purchased and received the transfer of 5,168 ordinary shares or 65 percent of the paid-up capital of PT. Singlurus Pratama, the coal concession owner of the Coal Mine Project No. 3 in Indonesia, from Lanna (Singapore) Pte. Ltd., a subsidiary company, according to the investment re-structuring plan for tax benefits purpose.

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### THAI AGRO ENERGY PUBLIC COMPANY LIMITED

- June 19, 2009:** Thai Agro Energy Public Co., Ltd. entered into a purchase contract with Maguin S.A.S. of France, for the machinery and equipment for ethanol production plant, Production Line No. 2, with production capacity of 200,000 liters per day, using a multi-feed system.
- August 7, 2009:** Thai Agro Energy Public Co., Ltd. submitted application to the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand for the filing of initial public offering and listing of 200 million ordinary shares in the Stock Exchange of Thailand.
- August 13, 2009:** Thai Agro Energy Public Co., Ltd. received ISO certificates (International Organization for Standardization) including ISO 9001:2008 for quality management system and ISO 14001:2004 for environmental management system from the United Kingdom Accreditation Service and National Accreditation System of Thailand.
- September 16, 2009:** Thai Agro Energy Public Co., Ltd. has entered into a long-term loan agreement of Baht 900 million and short-term loan agreement of Baht 150 million with Kasikornbank Public Co., Ltd. for investment in the construction of ethanol production plant, Production Line No. 2 with production capacity of 200,000 liters per day and for working capital used for purchase of raw material for the ethanol production.
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## **LANNA (SINGAPORE) PTE. LTD.**

**December 15, 2009:** Lanna (Singapore) Pte. Ltd., a subsidiary company, sold and transferred 5,168 ordinary shares or 65 percent of paid-up capital of PT. Singlurus Pratama, the coal concession owner of the Coal Mine Project No. 3 in Indonesia, to Lanna Resources Public Co., Ltd., according to the investment re-structuring plan for tax benefits purpose.

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## **PT. LANNA HARITA INDONESIA**

**March 2, 2009:** PT. Lanna Harita Indonesia (LHI), a subsidiary company and concession holder of the Coal Mine Project No. 1 in Indonesia, resumed its coal mining operation after suffering from the accident with sliding of some parts of mine pit boundary flooding nearby village due to heavy rain storms during the end of 2008. LHI had to temporarily halt its mining operation to conduct land rehabilitation and improvement of the affected areas by offering assistance and bringing the communities back to normal condition. LHI was able to produce and distribute coal in 2009, totaling 1,114,393.51 tons.

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## **PT. CITRA HARITA MINERAL**

**February 16, 2009:** PT. Citra Harita Mineral (CHM), a subsidiary company, had terminated its coal mining operation at the Coal Mining Project No. 2 in Indonesia due to the revocation of coal concession license by the order of the Supreme Court of Indonesia as a result of a dispute between the government sector and previous owner of the concession license. Accordingly, CHM has temporarily changed its business to become a service provider of coal transport route and coal loading port and jetty facilities until new coal mining project is found.

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## **PT. SINGLURUS PRATAMA**

**July 11, 2009:** PT. Singlurus Pratama, a subsidiary company and owner of the coal concession license in Indonesia, commenced its coal production and distribution, having loaded its first shipment and produced a total of 430,069.22 tons in its first year of production.

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## **PT. LANNA MINING SERVICES**

**March 12, 2009:** PT. Lanna Mining Services (LMS), a subsidiary company, entered into a Loan Agreement No. 3 with Lanna Resources Public Co., Ltd. borrowing Baht 84 million for 3-year term period with interest rate of LIBOR+3% per annum for investment in the Coal Mine Project No. 3 in Indonesia, which has already commenced its coal production and distribution in the 3<sup>rd</sup> Quarter of 2009.

**December 11, 2009:** PT. Lanna Mining Services (LMS), a subsidiary, had repaid the long-term loan according to the Loan Agreement No. 2 for USD 1.5 million to Lanna Resources Public Co., Ltd. Outstanding balance according to Loan Agreement No. 2 was USD 5.366 million (LMS entered into three loan-term loan agreements with Lanna Resources Public Co., Ltd. for investment in the Coal Mine Project No. 3 in Indonesia, having paid off the entire loan according to Loan Agreement No. 1 in 2008 for USD 2.3 million. Outstanding balance is from Loan Agreement No. 2 and No. 3 above, which is expected to be paid off entirely within 2010).

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### Coal Characteristics

Coal is a fossil fuel, consisting of volatile matter, inherent moisture and important combustible mixture of carbon. After combustion with the volatile matter and inherent moisture driven out, small portion of coal ash remains.

Coal is found in various forms or grades based on the contents of heating or calorific value, volatile matter and fixed carbon, representing in descending order of quality in 4 groups from (1) anthracite, (2) bituminous, (3) sub-bituminous, and (4) lignite. The indigenous coal deposits in that have been explored and extensively developed for local industries in Thailand are generally of lignite grade. Imported coal is mostly of bituminous grade which contains higher calorific value than lignite coal produced in Thailand.

The price of coal is usually determined based on the quality of coal, consisting of calorific value, moisture, volatile matter, fixed carbon, ash, sulfur and size.

### Coal Production

Coal is formed in several stages from plant remains that have been compacted, hardened, chemically altered and metamorphosed by heat and pressure over millions of years. Therefore, in order to develop a coalmine, coal exploration works are required for the collection and interpretation of geological data in order to learn about the thickness of coal seams, boundary areas of the coal resource, chemical content and quality, and economic reserve estimation. The development of coal deposit is generally based on the information and data obtained from these exploration programs. Accordingly, the production of coal consists of following 3 major steps:

**(1) Coal Exploration:** The exploration program begins with the preliminary collection and analysis of the land surface and geological data at the target areas. Subsequently, fieldwork includes scout drilling to study the formation and type of soil and rock, and geological structure of the target areas to ascertain that there exists the coal deposit. After coal deposits have been identified, survey and drilling activities are performed to assess coal quality and reserve estimation for economic analysis to facilitate a decision for further development of the coalmine.

**(2) Coal Mining:** Before proceeding with coal mining operation, more detail drilling activities are required to collect and interpret necessary information and data of the mining areas; such as, coal reserves and quality for each of the coal seam formations including soil layers. The collected data and information will be used to determine the mine master plan which includes the analysis of mining costs and mining methods, as well as the quantity and areas for overburden removal and coal winning logistics, and also selection of suitable mining equipment and machinery.

**(3) Coal Dressing:** In order to attain the quality as required by the users or customers, coal extracted from the coalmining operation need to go through coal dressing process which includes crushing, sizing, sorting or washing to remove any contaminations, etc.

## Coal Pricing Policy

Coal pricing is mainly determined by the heating value, similar to other type of fuels. Coal sale price for each customer varies depending on certain factors such as order volume, coal specifications such as calorific value, credit term and other conditions specified by the customer. These factors shall be used to determine the coal price fairly and similarly with all the customers. The price for imported coal is based on the agreement with each customer which can either be priced on FOB or CIF basis, or priced as delivered to the customer's factory, etc.

## Coal Distribution

For coal distribution in the domestic market, the Company directly sells coal directly to customers without going through agent. As for the overseas market, coal are sold directly to the customers or through coal trading agents, mostly on the credit term basis, of which the Company carefully provides credit terms only for the long time customers with stable financial status. For new customers, the Company protects the risk by having a letter of credit (L/C) opened by the customer. Since the start of operation in 1985, the Company has yet to experience any bad debt from the sales of coal.

## Marketing Strategy

The Company focuses mainly on the service and quality control of the coal products as its marketing strategy rather than relying on pricing strategy. In addition, the Company has continually developed ways to produce high quality coal by bringing in modern technology for continuing improvement of coal production and operation.

## Competition

The domestic coal distribution business has been recognized as an oligopoly market with only a few numbers of operators, having group of large industrial customers. Major competitor for the group of large industrial customers is Banpu Public Co., Ltd. As for the medium and small industrial customers, Unique Mining Services Public Co., Ltd. and a few three to four other small operators are the main competitors. Since the Company has its own coal deposits with high quality coal and sizeable mineable reserves, the Company therefore possesses sufficient competitive advantage and potential.

## Industrial Trend

Coal can be used as a substituted fuel for almost every kind of fuel, depending mainly on the convenience of utilization and demand on heating energy. It is anticipated that the consumption and prices of coal in the following year will remain high as the price of oil and

Platts Coal Price Index	Unit: USD per Ton	
	At December 24, 2009	At December 24, 2008
FOB Newcastle (6,300 Kcal/Kg)	86.00	79.50
FOB Newcastle (5,900 Kcal/Kg)	68.25	82.00
FOB Newcastle (5,000 Kcal/Kg)	55.00	56.00

other sources of fuel are still significantly more costly than coal. The price of coal started to decrease toward the end of 2008 and continued until the middle of 2009, when it started to move in an upward direction around the end of 2009. It is anticipated that the price of coal in 2010 will gradually increase in the same direction as the oil price due to increasing demand of coal and fuel in accordance with the continuing recovery of global economic condition.



# ETHANOL BUSINESS

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## Ethanol Characteristics

Ethanol or ethyl alcohol is derived from digestion and fermentation of agricultural products of starch and sugar crops, such as cassava, sugar cane, molasses, and corn; and followed by distillation and dehydration to produce 99.5% pure alcohol.

The molecular formula of ethanol is  $C_2H_5OH$  with a boiling point at around  $78^\circ C$ . In general, its properties are transparent liquid, colorless, flammable, and high octane fuel. Since ethanol contains up to 35 percent of oxygen, it can be blended with gasoline at an appropriate amount to produce a clean and complete combustible fuel and reduce air pollution with less formation of hydrocarbon and carbon monoxide (CO) by over 20-25 percent and reduction of carbon dioxide ( $CO_2$ ), which is the main cause of green house effect, including reduction of black smoke, aromatics and benzene, which should be beneficial to the environment.

Ethanol is used to replace MTBE (Methyl Tertiary Butyl Ether), a fuel additive to increase the octane value of gasoline. Nonetheless, MTBE is also harmful for causing carbon monoxide in the earth atmosphere and contamination to the underground water supply, of which has been banned by several countries since it has an impact on air pollution and importantly, Thailand has to spend several billion Baht for the import of MTBE.

## Production of Ethanol for Fuel

The ethanol production process varies depending on the type of raw materials and required specifications of ethanol. Three different types of raw materials can be categorized as follows:

(1) Starch-based feedstock: derived from agricultural products of grain type such as rice, wheat, corn, sorghum, and root or tuber plant type like cassava, and potato, etc.

(2) Sugar-based feedstock: derived from sugar cane, molasses, and beet roots, etc.

(3) Fiber-based feedstock: mostly derived from agricultural products such as rice husk, bagasse, corn husk, including effluents from industrial plants such as pulp and paper factories, etc.

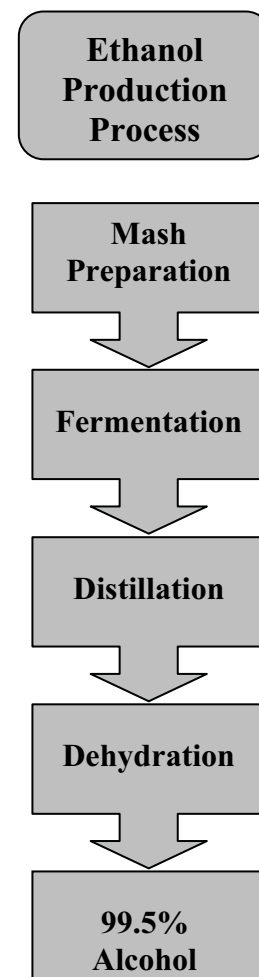
Thai Agro Energy Co., Ltd., a subsidiary company, produces ethanol for fuel by using molasses as its raw material. The ethanol production process consists of four main stages as follows:

**(1) Mash Preparation:** Preparation of molasses before fermentation by dilution with water for suitable concentration and added with acidic additive such as sulfuric acid, causing organic substance or salt to settle from the molasses solvent.

**(2) Fermentation:** Molasses solvent from the first stage is fed to fermentation tanks with yeast being added to convert sugar into alcohol.

**(3) Distillation:** Fermentation mash from the second stage is fed to the distillation column to separate certain amount of mash and water producing about 96 percent pure alcohol which is the maximum concentration that can be achieved through this normal fermentation process. The remaining 4 percent of water shall be removed by the final stage.

**(4) Dehydration:** The water removal process for producing the dehydrated alcohol from the distillation process into 99.5 percent pure alcohol. Water content is absorbed by zeolites molecular sieves in two dehydration units. The dehydrated alcohol will then be distilled and cooled down before being stored for further distribution.



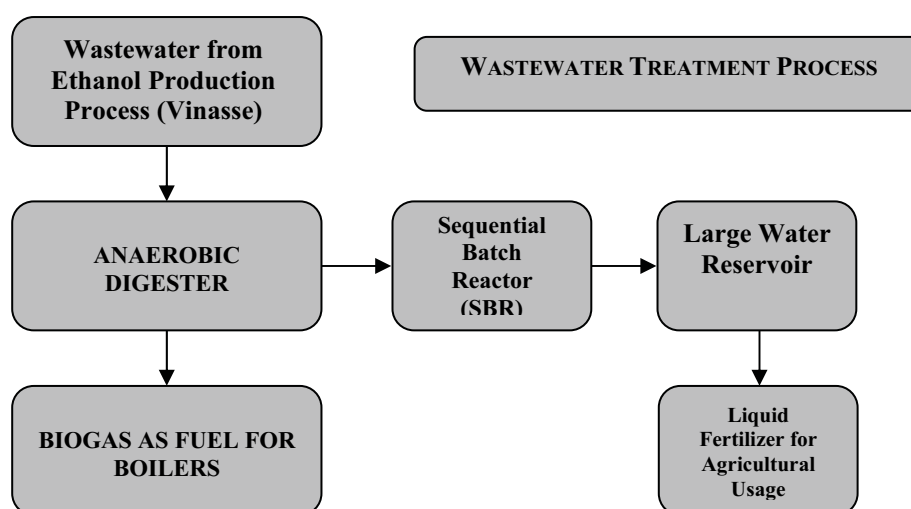


## Treatment of Effluents from Ethanol Production

Wastewater from the ethanol-for-fuel production process will be treated in two main steps as follows:

(1) The main wastewater treatment process is through the use of anaerobic digester; which does not only serve as the wastewater treatment system but also a biogas production system. The biogas shall be used as a fuel substitution for the bunker fuel oil used in the boilers, a significant fuel cost saving and also friendly to the environment.

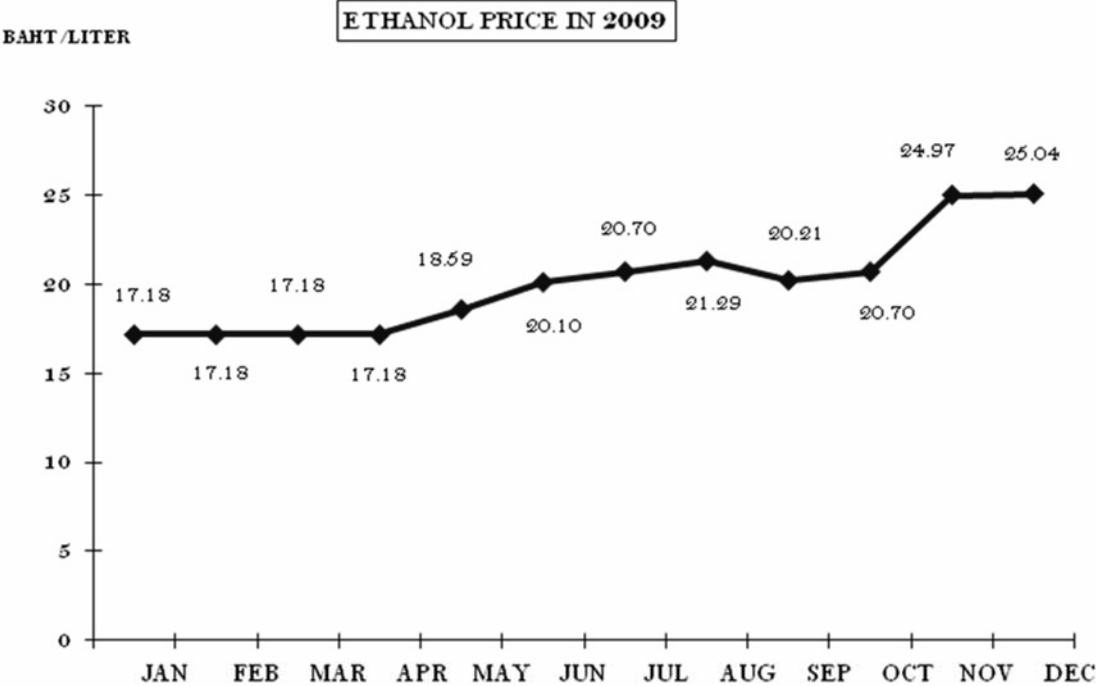
(2) In the 2<sup>nd</sup> step, treated wastewater from the 1<sup>st</sup> process will be passing through a Sequential Batch Reactor (SBR) or biological waste treatment process, capable of reducing a considerable amount of water contamination. Subsequently, the treated wastewater from this process will be contained in a large water reservoir and can eventually be used as liquid fertilizer for agricultural purpose, especially for the nearby sugar cane plantation areas.



## Ethanol Pricing Policy

Ethanol pricing is negotiated and agreed between the buyer and the seller, with the Government setting a reference pricing to be used in the price negotiation between the parties; however, there is no pricing control on ethanol. However, since May 2009, the National Energy Policy Office (NEPO) has resolved to change the ethanol pricing formula from the previous one which had been referenced to the market price of imported anhydrous alcohol from the Brazilian Mercantile & Futures Exchange (BM&F) of Brazil to the new pricing formula which has been referred to the production cost of ethanol domestically, based on the price of cassava and molasses instead of the previous pricing formula.

The domestic ethanol price is normally based on the price at the ethanol plant the customers responsible for the transportation of the purchased ethanol. The ethanol pricing during the past year 2009 varied according to the price of the raw materials, particularly the molasses which is the majority of raw material used for the production of ethanol. Consequently, the movement of reference ethanol pricing was on a rise, especially toward the end of 2009 when there was a problem with inadequate supply of molasses driving up the reference price of ethanol during November to December 2009 to a relatively high level. It is anticipated that the price of raw materials, including both cassava and molasses, will remain high in 2010, which should maintain the reference ethanol pricing at the high level.



**Distribution of Ethanol**

Ethanol product is distributed directly to the oil companies for blending with the base oil or gasoline at 10, 20 or 85 percent to become the Gasohol, with customers responsible for the transportation of ethanol. Most of the sales are on credit term basis. These are large oil company customers with stable financial status and therefore, the risk of incurring bad debt in the future is considered small.

**Marketing Strategies**

Marketing strategies are to give priorities to service and quality control of the products which have earned customers’ trust, making it possible to retain majority of the market share.

## Competitive Situation

The demand for gasohol increased from 9.22 million liters per day in 2008 to approximately 12.23 million liters per day in 2009 or an increase of about 33 percent. This was due mainly to the Government's policy to maintain pricing gap between the gasohol and other gasoline products in order to encourage consumers to use more gasohol. Furthermore, there was also obligation for additional proportion of ethanol blending into the gasoline to increase ethanol demand. Nonetheless, ethanol supply became tight during the 3<sup>rd</sup> quarter of 2009 due to limited supply of the raw material, molasses, and increasing price of molasses. In addition, the ethanol production plants that use cassava as the raw material were just at the beginning stage with ethanol production not yet at full capacity. Accordingly, the price of ethanol in the Country increased during such period. Although the price of ethanol became higher, the demand for gasohol did not reduce at all.

Month	Gasohol Sales Volume				Ethanol Export Volume	
	Year 2008		Year 2009		Year 2008	Year 2009
	Mil. Liters/Month	Mil. Liters/Day	Mil. Liters/Month	Mil. Liters/Day	Mil. Liters/Month	Mil. Liters/Month
January	220.84	7.12	391.19	12.62	5.58	5.24
February	215.66	7.70	347.29	12.40	18.18	1.83
March	238.67	7.70	388.79	12.54	0.84	-
April	249.48	8.32	373.77	12.46	8.22	-
May	252.68	8.15	386.98	12.48	5.21	0.31
June	255.09	8.50	360.54	12.02	8.12	0.09
July	268.65	8.67	373.57	12.05	2.45	0.19
August	306.68	9.89	371.39	11.98	3.30	-
September	309.33	10.31	358.58	11.95	5.87	-
October	331.36	10.69	373.89	12.06	3.00	-
November	340.23	11.34	352.58	11.75	5.00	2.62
December	378.67	12.22	384.33	12.40	-	-
<b>Total</b>	<b>3,367.33</b>	<b>9.22</b>	<b>4,462.89</b>	<b>12.23</b>	<b>65.80</b>	<b>10.28</b>

As for the supply of ethanol in 2009, there were four additional ethanol producers, mostly using cassava as the raw material. Thus, the ethanol production capacity for the entire industry increased to 2,575,000 liters per day. However, due to the shortage of supply of molasses during the second half of 2009, the ethanol production was approximately 1,000,000 liters per day, which was near the daily ethanol requirement of 1,200,000 liters per day. As a result, there was only small volume of ethanol being exported to other countries at around 10.28 million liters in 2009, a decrease of 84.38 percent from 2008. This was also due to the request for cooperation from the Ministry of Energy to the Thai Ethanol Manufacturing Association to delay the export of ethanol in order to prevent shortage of ethanol supply in the Country. The price and demand for ethanol had also become lower in the world market.

## Industrial Trend

Global oil demand has tendency to rise in line with the recovery of global economy and consequently the world oil inventory has started to decrease with oil price starting to increase. It is anticipated that the demand for gasohol will also increase according to such oil price mechanism.

More balanced situation for the domestic ethanol industry is expected in 2010 with increasing amount of molasses used as the raw material for ethanol production in accordance with the increase of sugarcane harvest, coupled with additional ethanol production plants using cassava as their raw material, which should reduce the problem with tight ethanol supply due to the supply shortage of raw material used for ethanol production. It is anticipated that the fluctuation of ethanol pricing will be lessened after the ethanol production plants using cassava as the raw material have commenced their operation and produced more ethanol product into the market. It is projected that there will be six additional ethanol production plants coming into operation in 2010 for a total number of 23 ethanol producers, increasing total ethanol production capacity to 4,545,000 liters per day. Whilst the ethanol demand in 2010, according to the gasohol plan of the Ministry of Energy, should be around 2,000,000 liters per day, it is anticipated that the actual ethanol production volume from the whole industry would not be much higher than the ethanol demand in the Country due to the limited availability of the raw materials.

Nonetheless, the competition in the ethanol business is expected to remain fierce in line with the surplus of ethanol supply and race to grab the limited market share. Furthermore, there should be increasing export of ethanol product to overseas market with expectation that ethanol demand from the overseas market should expand from the previous year in line with the recovery of global economy.

Ethanol Production Capacity	Liters/Day
<b>Ethanol Producers in 2009</b>	
(1) Pornvilai International Group Trading Co., Ltd.	25,000
(2) Thai Alcohol Public Co., Ltd.	200,000
(3) Thai Agro Energy Public Co., Ltd.	150,000
(4) Thaiguan Ethanol Co., Ltd.	130,000
(5) Khon Kaen Alcohol Co., Ltd.	150,000
(6) Petrogreen Co., Ltd. (Chaiyaphum Province)	200,000
(7) Thai Sugar Ethanol Co., Ltd.	100,000
(8) K.I. Ethanol Co., Ltd.	100,000
(9) Petrogreen Co., Ltd. (Kalasin Province)	200,000
(10) Ekarat Pattana Co., Ltd.	200,000
(11) Thai Rungrueng Energy Co., Ltd.	120,000
(12) Rajburi Ethanol Co., Ltd.	150,000
(13) E.S. Power Co., Ltd.	150,000
(14) Maesod Clean Energy Co., Ltd.	200,000
(15) Sapthip Co., Ltd.	200,000
(16) Taiping Ethanol Co., Ltd.	150,000
(17) PSC Starch Products Public Co., Ltd.	150,000
<b>Total Ethanol Production Capacity at end of 2009</b>	<b>2,575,000</b>
<b>Additional Ethanol Producers in 2010</b>	
(1) Petrogreen Co., Ltd. (Suphanburi Province)	200,000
(2) Khon Kaen Alcohol Co., Ltd. (Kanchanaburi Province)	150,000
(3) T.P.K. Ethanol Co., Ltd. (Phase 1, 2 and 3)	1,020,000
(4) Double A Ethanol Co., Ltd.	250,000
(5) Impress Technology Co., Ltd.	200,000
(6) Sima Inter Product Co., Ltd.	150,000
<b>Total Increase in Ethanol Production Capacity in 2010</b>	<b>1,970,000</b>
<b>Total Ethanol Production Capacity at end of 2010</b>	<b>4,545,000</b>

## CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Even though the main business objective is to maintain standards of the products in every step of the production process, Lanna Resources Public Co., Ltd. and its affiliated companies have never neglected the principles and responsibilities to the society, communities and environment. Accordingly, following policies have been established and undertaken.

(1) For coal mining business, the Company must carry out works according to the mine plan and conduct environmental impact analysis and study that has been approved by relevant authorities whom also control and oversee the operation. The mine site rehabilitation and improvement are also carried out after mining operations have been completed in order to improve environmental surroundings and ecosystem and return to its useful state. The Company has undertaken the mine site rehabilitation and improvement by carrying out plantation of trees with conservation value, and land utilization and improvement for several activities including agriculture, water reservoirs, residence, etc.

(2) For ethanol as bio-fuel business of the subsidiary company in Suphanburi Province, the plan has been established for solving problem with wastewater from the ethanol production process which may have impact on the environment by using wastewater from the ethanol production process, which still consists of nutrients beneficial to agricultural crops and plants, to produce fermented bio-fertilizer. In addition, feasibility studies have been conducted with regard to the wastewater treatment project under the concept of “zero discharge”, which requires that there will be no release of wastewater from the ethanol production process into the environment outside in order to have complete, systematic and sustainable solution to the wastewater problem.

In order to support and promote the quality of living for the communities and society, the Company and its affiliated companies have funded on several activities in 2009 which can be summarized as follows:

### Religious and Traditional Activities

- Funding support for Songkran festival activities, including water blessing for and adults to carry on the Thai tradition, at Moo 1, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Funding support for rice porridge making ceremony to be used for religious ceremony on Wisakha Bucha Day at Wat Thong Songtham, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Presentation of Buddhist Lent candles at Wat Thong Songtham, Wat Bandai and Wat Baan Darb in Nakornluang District, Ayutthaya Province.
- Participation in Kathina Ceremonies at Wat Mai Chai Hirun, Wat Sra Bua Kum, Wat Dong U-Thong and Wat Rathsattathum in Nong Ma Kha Mong Subdistrict, Dan Chang District, Suphanburi Province.
- Participation in Kathina Ceremonies at Wat Wang Num Jone and Wat Dong Cheurk Punctureon in Jang Ngam Subdistrict, Nong Ya Sai District, Suphanburi Province.
- Funding support for Buddhist Lent Candles presentation of Dan Chang District, Suphanburi Province.





## Education Supporting Activities

- Presenting 40 scholarships for students lacking financial means for education at Wat Thong Songtham School, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Donating plants for improvement of landscape and dust protection for Wat Thong Songtham School, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Presenting 50 scholarships for students lacking financial means for education at Ban Sra Bua Kum School, Moo 7, Nong Ma Kha Mong Subdistrict, Dan Chang District, Suphanburi Province.
- Presenting 25 scholarships for students lacking financial means for education at Wat Rathsattathum School, Moo 13, Nong Ma Kha Mong Subdistrict, Dan Chang District, Suphanburi Province.
- Presenting 25 scholarships for students lacking financial means for education at Ban Jang Ngam School, Moo 4, Jang Ngam Subdistrict, Nong Ya Sai District, Suphanburi Province.
- Presenting 25 scholarships for students lacking financial means for education at Ban Mai School, Km. 8, Moo 4, Nong Ma Kha Mong Subdistrict, Dan Chang District, Suphanburi Province.



- Presenting 25 scholarships for students lacking financial means for education at Ban Sra Toey School, Moo 1, Jang Ngam Subdistrict, Nong Ya Sai District, Suphanburi Province.
- Presenting 25 scholarships for students lacking financial means for education at Ban Dong Cheurk School, Moo 7, Jang Ngam Subdistrict, Nong Ya Sai District, Suphanburi Province.
- Presenting 8 scholarships to students of U-Thong Industrial and Community Education College, Suphanburi College of Agriculture and Technology, Rajamangala University of Technology Suvarnabhumi (Suphanburi Center), and bachelor and higher diploma level students with residence in Dan Chang District, Suphanburi Province.

## Community Development Activities

- Funding support for purchase of office equipment for all-purpose building of the community of Moo 1, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Machinery support for the development and improvement of landscape of villages and communities according to the sufficiency economy philosophy guidelines of Moo 1, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Machinery and equipment, including manpower support for the “Big Cleaning Day Ayutthaya 2009” event around Ayutthaya-Saraburi Road between Bo Pong Subdistrict Administrative Organization and Nakornluang District Office.
- Funding support and participation in the “White Factories” Project to prevent, to fight and reduce the spreading of illegal drugs in the area of Nakornluang District, Ayutthaya Province.
- Machinery and equipment, including manpower support for “Big Cleaning Day” event to jointly clean the area in front of the Center and nearby areas for the project of Klong Sakae Subdistrict Administrative Organization, Nakornluang District, Ayutthaya Province.
- Funding support and joint cooperation with the local community people repairing Dong U-Thong-Sra Bua Kum Road, Nong Ma Kha Mong Subdistrict, Dan Chang District, Suphanburi Province.
- Funding support and joint cooperation with the local community people building a public pavilion at Ban Wang Num Jone, Jang Ngam Subdistrict, Nong Ya Sai District, Suphanburi Province.



## Sports Activities

- Funding support and participation in the sports competitions during the Songkran festival of the Klong Sakae Subdistrict Administrative Organization, Nakornluang District, Ayutthaya Province.
- Funding support and participation in the sports competitions during Governor’s Policy Announcement event at Nakornluang District, Ayutthaya Province.
- Funding support in sending the rattan ball under-12 years old girls team to compete at provincial level for Wat Thong Songtham School, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.



## REPORT OF THE RISK MANAGEMENT COMMITTEE \_\_\_\_\_

The Board of Directors has established the Risk Management Committee comprising of 10 executives from all the departments whom are authorized to consider problems or risk factors that may possibly impact the Company's operation and find ways to mitigate or minimize the risks and periodically report the results to the Board of Directors at least once every quarter.

During year 2009, the Risk Management Committee held 12 meetings altogether in order to carry out tasks as assigned by the Board of Directors, to consider and assess possible risks that may occur and establish risk protection and risk mitigation measures by focusing on effective risk management suitable with the economic, social and environmental situations which may affect current and future business operation of the Company. The report can be summarized as follows:

- (1) Consideration of the process and risk management plan in order to ensure that the risk management is efficient and sufficient for the risk level that is acceptable and in line with the Company's operation.
- (2) Consideration of the risk factors, including monitoring and supervision of the risk management in all aspects of the Company by convening the Risk Management Committee's Meeting once every month, to encourage efficiency of the risk management process, as well as providing suggestions which are beneficial to the risk management presently and for the future.
- (3) Preparation of a summary report of the Risk Management Committee for presentation to the Board of Directors for its acknowledgement once every quarter.
- (4) Important risk factors of the Company have been disclosed in details within the Annual Report 2009.

The establishment of ongoing risk management system in the entire organization ensures that the Company can mitigate risks and overall impact to the acceptable level.

February 24, 2010

On behalf of the Risk Management Committee



(Mr. Pilas Puntakosol)

Chairman of the Risk Management Committee

## RISK FACTORS

### Risks in Coal Mining Business

Lanna Resources Public Co., Ltd. and its affiliated companies conducting coal mining business which possesses following risk factors that must be taken into consideration.

**(1) Coal Mining Operation and Coal Procurement Risk:** The Company conducts proper exploration and assessment activities of the coal deposits, as well as pit design and mine master plan in accordance to the international principles and standards prior to investment and commencement of coal mining activities. Therefore, risks associated with coal mining operation are mainly from natural occurrences, particularly for the coal deposits in Indonesia which experience heavy rain each year, hampering and delaying coal production and delivery. Therefore, in order to mitigate such risks, the Company has established policy for the coal operation departments to adequately keep inventory of the finished coals for distribution at the quantity of no less than one month of the average annual sales volume projection.

For the procurement of coal for sales that may require partial advance payment, in order to protect risk from the case where the seller fails to deliver coals as contracted, the Company has established that it will only select and procure coals from the sellers who have sound financial status and operating results. In case of consecutive coal procurements, performance guarantee is required from each seller for each case, as well as establishment of allowance for doubtful account to avoid impact to the financial statements in the future in the event of bad debt from advance payment to the seller that could not perform according to the contract.

**(2) Coal Price Fluctuation Risk:** Coal prices tend to fluctuate similar to oil prices and other types of fuel, depending on the market demand and supply, with several factors affecting the coal price. Therefore, the Company has established policy to sell coal in advance, entering into coal sales contracts for certain portion of the coal volume produced each year. The coal sales are normally offered during the time when coal price is on the rise by comparing with the past coal pricing trend and movement. The Company closely monitors coal pricing trend, including consideration of the risk protection or guarantee instruments or other methods, depending on the appropriateness and anticipated future coal market situation.

**(3) Risk from being Dependent on Coal Sales to the Major Customers:** The Company sells coal to Siam City Cement Public Co., Ltd. (SCCC), the 2<sup>nd</sup> largest cement producer in Thailand, with coal sale revenue representing approximately 24.93 percent of the total coal sale revenue in 2009. SCCC is also the largest shareholder of the Company holding 44.99 percent of the paid-up capital. SCCC was a co-founding shareholder of Lanna Resources Public Co., Ltd. since 1985 with an aim to secure coal supply for SCCC which requires coal as the main source of energy for cement production. Coal purchase and sale have continued for over 25 years; therefore, risk from SCCC not buying coal from the Company appears to be insignificant and should SCCC stop coal purchasing from the Company, coal could still be sold to other industrial operators, as the price of coal is still significantly cheaper than the other sources of fuel and more industrial operators have switched to coal as their source of energy every year, creating more demand for the coal.

**(4) Accounts Payable Risk:** For the majority of the Company's coal sales, credit terms are normally extended to quality customers. Nonetheless, the Company has established a Credit Committee for consideration of credit terms for the customers to carefully screen any credit sales. Furthermore, the Company has also set aside a provision for loss from bad debt in its accounts by considering the period of outstanding debt in order to avoid any impact to the financial statements in the future in the event of bad debt.

**(5) Fuel Product Substitutes Risk:** Although coal prices during 2009 have fluctuated quite considerably; however, when comparing the price per heat unit to other substituted fuels, such as fuel oil, diesel oil and natural gas, the price per unit heat of coal is still significantly lower. Therefore, the risk from the fuel product substitutes is still considered minor.

**(6) Coal Reserves Variation Risk:** The Company has established a policy for the acquisition of additional coal deposits continually and also has allocated budget for further exploration activities within the existing concession areas in order to ensure that the Company will have adequate amount of coal reserves to meet the demand of customers in long term.

**(7) Risk from Mining Contractors' Operation:** The Company has hired the mining contractor for coal winning and therefore, if the mining contractor could not perform its operation as agreed with the Company according to the plan due to problems such as delay in procurement of machinery and equipment, sub-standard maintenance works, etc., which would certainly have adverse impact to the Company's coal production and distribution. Therefore, in order to manage such risk, the Company would only hire the mining contractors that are reliable, experienced and have good work performance history, by entering into a mining contract of at least 3 years term in order to guarantee sufficient work for the financing purpose of each mining contractor.

### **Risks in Ethanol Business**

Thai Agro Energy Public Co., Ltd, a subsidiary company, conducts its business in the production and distribution of ethanol-for-fuel (99.5 percent anhydrous alcohol) for blending with the benzene or gasoline at different ratios to become the Gasohol for use in automobiles. The risk factors associated with this business that must be taken into consideration are as follows:

(1) Risk from uncertainty of the Government policy which has demonstrated lack of continuity and tends to change with new Government, which may affect the operators not being able to promptly adjust to the changing situation. Even though there is the 15-year (Year 2008-2023) Renewable Energy Development Plan, which has been established as the National Agenda to encourage for continuous expansion of ethanol demand. However, besides existing measures, there have not been any new and concrete measures established by the Government to support such objective. Accordingly, the ethanol operators have joined together and formed the Thai Ethanol Manufacturing Association to push forward on various measures issued by the Government to encourage the use of Gasohol and to resolve any policy problems.

(2) Risk in the ethanol pricing: The Government, by the Ministry of Energy, has established the formula for ethanol pricing structure using the "cost-plus" basis by referring to the molasses price and cassava price, which are the main raw materials for ethanol production. Nonetheless, in the past, the prices of these raw materials have fluctuated significantly, being the agricultural products by which its demand and supply are highly uncertain, which causes fluctuation in the production cost of ethanol, while the selling price of ethanol cannot be easily adjusted to compensate for all of the increased cost. Accordingly, Thai Agro Energy Public Co., Ltd. has taken this risk factor into its consideration and decided to invest in the construction of Ethanol Production Line No. 2 with 200,000 liters per day of ethanol production capacity, using a multi-feed system by which various raw materials may be used such as cassava, sugarcane juice and high test molasses, etc. In addition, a feasibility study is being prepared for the upgrade of the Production Line No. 1 with ethanol production capacity of 150,000 liters per day, to also be able to use various types of raw materials, in order to have stability and flexibility in the management of raw materials corresponding to the fluctuating demand and supply of agricultural products. Should the price of any type of raw material become expensive, the plant may switch to a less costly raw material to achieve lowest cost of production and increase competitive advantage in marketing in long term. However, the construction of the Production Line No. 2 and the upgrade of the Production Line No. 1 will take some time and should be completed in year 2011. Therefore, in short term period especially during year 2010, there will be risk from the pricing of molasses which has increased, in addition to the end of 5-year (year 2005 to 2009) contract on the purchase of low-priced molasses, which will increase the cost of ethanol production and significantly reduce the income from the ethanol business in year 2010 as compared with year 2009.

(3) Marketing Risk: Although the demand for ethanol has significantly increased during the past year 2009 but it is still lower than the expansion of ethanol supply. It is anticipated that the total ethanol production capacity from all the ethanol producers will be around 4,545,000 liters per day by end of 2010 while the ethanol demand is expected to be only 2,000,000 liters per day at the highest, presenting possible risk in the oversupply of ethanol. For this reason, Thai Agro Energy Public Co., Ltd. has prepared to mitigate this risk in case of fierce competition and oversupply of ethanol in domestic market, by looking into downstream products that are by-products of ethanol such as acetic acid and ethyl acetate, etc. in order to expand into downstream business in the future.

## **Financial Risk**

**(1) Loan-Related Risk:** The Company and its affiliated companies have managed load-related risks as follows.

(A) Lanna Resources Public Co., Ltd. already paid off its entire long term loan in 2009, having only outstanding short term loan as at end of 2009 of Baht 28 million, which was borrowed for working capital not exceeding one month at a fixed interest rate of 1.65 percent per annum (p.a.). Therefore, there is not much risk due to the change of interest rate as the loan is short term with interest at the market rate. Nonetheless, such loan has no restriction on the Company's dividend payment.

(B) Thai Agro Energy Public Co., Ltd, a subsidiary company, has the following loan-related risk factors:

(1) Thai Agro Energy Public Co., Ltd. had short-term credit with several commercial banks, having outstanding short term loan of Baht 394 million as at end of 2009, which were mostly borrowed as working capital for procurement of raw materials. The loans were promissory notes, each not exceeding 1 - 3 months term with 1.95 - 2.25 percent p.a. Therefore, there is not much risk due to the change of interest rate as the loan is short term with interest at the market rate.

(2) Thai Agro Energy Public Co., Ltd. has entered into a long term loan agreement with certain local commercial bank for Baht 900 million with 7-year term, 2-year grace period, 5-year loan repayment of the principal loan at 2 installments per year, 6-month per period. The loan was intended for investment in the construction of the ethanol plant, Production Line No. 2, with 200,000 liters per day production capacity. As at December 31, 2009, a total of Baht 76 million had been drawn down already. Risk factors that must be taken into consideration are as follows.

(2.1) The interest rate is fixed for the first 2 years at 3.80 percent p.a. and will be at a floating rate from the 3<sup>rd</sup> to 7<sup>th</sup> year at THBFIX 3-month plus 2.10 percent p.a. Therefore, the change in interest rate in the future may have an impact by which the interest rate trend must be closely monitored, including the use of financial instruments might be taken in order to mitigate risk from such floating of interest rate.

(2.2) The debt to equity ratio (D/E) must be maintained not to exceed 1.5 to 1. The D/E ratio as at December 31, 2009 was at 0.64 to 1, which was still much lower than the requirement specified by the lender. The debt service coverage ratio (DSCR) must be maintained not lower than 1.5 to 1 and as at December 31, 2009, the DSCR was at 159.35 to 1 which was much higher than the requirement specified by the lender. Should Thai Agro Energy Public Co., Ltd. not able to maintain the level of the D/E Ratio and DSCR as required by the lender above, its registered capital must be increased to reserve for payment of loan principal and interest. Otherwise, there would be a breach of loan agreement, which might have an impact on the liquidity and financial status of the Company and the subsidiary company above.

(2.3) Lanna Resources Public Co., Ltd. must maintain its shareholding proportion in Thai Agro Energy Public Co., Ltd. at no lower than 75 percent of total shares prior to the listing of ordinary shares in the Stock Exchange of Thailand and at no lower than 50 percent of total shares after listing the ordinary shares with the Stock Exchange of Thailand. If these terms and criteria above could not be fulfilled, it would be deemed that all the debt and liabilities of Thai Agro Energy Public Co., Ltd. are due for payment immediately, which would have impact to the liquidity and financial status of such subsidiary company. Nonetheless, on August 7, 2009, Thai Agro Energy Public Co., Ltd. submitted application for issuance and offering 200 million ordinary shares to the public (Initial Public Offering: IPO) and request for the listing of ordinary shares in the Stock Exchange of Thailand. As at end of 2009, the process was still under consideration by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). If Thai Agro Energy Public Co., Ltd. sold such 200 million ordinary shares through IPO, the shareholding proportion of Lanna Resources Public Co., Ltd. in Thai Agro Energy Public Co., Ltd. would be reduced from 75.75 percent to 56.82 percent of the total shares, which would still be within the said criteria.

**(2) Overseas Investment Risk:** Lanna Resources Public Co., Ltd. has investments in the subsidiary and associated companies overseas in several currencies including Singapore Dollars, US Dollars and Indonesian Rupiahs, of which are long term investments without definite term period, and therefore, the risk cannot be protected. If the time of project termination was known, this risk could be managed appropriately. However, the Company still profits from the unrealized loss from exchange rate for the overseas investment at end of 2009 for approximately Baht 15.39 million.

**(3) Foreign Exchange Risk:** Lanna Resources Public Co., Ltd. has revenues from coal sales in Thai Baht currency and coal procurements for sales are done in US Dollar currency. While the revenues for coal sales of the subsidiary companies in Indonesia are in US Dollar but their operating expenses are paid in US Dollar and Indonesian Rupiah. As for the subsidiary and associated companies in Singapore, the revenues are in US Dollar; however, the operating expenses are paid in US Dollar and Singapore Dollar. As a result, the Company and its affiliates possess foreign exchange related risk from changes of the aforementioned currency values. Accordingly, the Company mitigates the risk related to foreign exchange by entering into forward exchange contracts or deposit of foreign currency received from coal sales to the Company's various bank accounts as cash reserves for payments of coals or future investments, protecting from possible future foreign exchange risk. As the result of the management of this risk during 2009, the Company incurred foreign exchange gain, as shown in the consolidated financial statements of year 2009, of Baht 88.71 million and incurred foreign exchange loss, as shown in the separate financial statements of year 2009, of Baht 11.45 million.

### **Other Factors Having Impact on Investment**

Apart from the aforementioned transactions, the Company and its affiliated companies have no commitments or obligations regarding issued shares, warrants, convertible securities, debentures or other types of derivatives currently or in the future, as well as there are no unusual or serious event or important incident that will significantly affect financial status and operating results of the Company and its subsidiary companies.

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

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The consolidated financial statements year 2009 of Lanna Resources Public Company Limited and its subsidiary companies have been prepared in accordance with the Notification of the Department of Business Development, regarding to the condensed transactions of the financial statements, effective under the Accounting Act B.E. 2543 and in compliance with the accounting standard established in the Accounting Profession Act B.E. 2547.

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 by having established a correct and complete keeping of the financial records. 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 future operation, by disclosing important information in the Notes to Financial Statements with certified accountant's opinions in the Report of Independent Auditor.

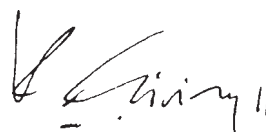
Accordingly, the Board of Directors has appointed the Audit Committee, comprising of independent and non-executive directors with complete qualifications as established by the Securities and Exchange Commission (SEC), to review the financial statements for compliance with the accounting standard; to 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 to oversee that there are no conflict of interest; as well as to consider and propose for the appointment of the Company's auditors. The opinions of the Audit Committee are expressed in the Report of the Audit Committee which has been included within the Annual Report 2009.

March 2, 2010

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



(Mr. Somkiart Limsong)  
Chairman of the Board



(Mr. Kraisi Sirirungsi)  
Chief Executive Officer



## REPORT OF THE AUDIT COMMITTEE

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The Company's Board of Directors appointed the Audit Committee consisting of the three independent non-executive directors including Mr. Padoong Techasarintr, as the Chairman of the Audit Committee, Mr. Adul Tantharatana and Mrs. Duangkamol Suchato, as members of the Audit Committee. The Audit Committee worked and had responsibilities as assigned by the Company's Board of Directors and in accordance with the Charter and the announcements issued by the Stock Exchange of Thailand. During the year 2009, there were 13 meetings of which Mr. Padoong Techasarintr and Mrs. Duangkamol Suchato fully attended while Mr. Adul Tantharatana participated in 10 meetings. The summary reports were regularly submitted on a quarterly basis to the Board of Directors, which covered the key points as follows:

### **Reviewing the Financial Statements**

The Audit Committee in cooperation with the Management of Accounting and External Auditors reviewed the quarterly and annually financial statements for the year 2009 of the Company and its subsidiaries to ensure that the above mentioned statements were prepared in conformity with the accounting standards with sufficient disclosure of information, essentially accurate and reliable.

### **Internal Control System**

The Audit Committee reviewed and revised the internal control system in order to assess their sufficiency and effectiveness. It was found that there was sufficient internal control system and there was no significant weakness. The Audit Committee approved the internal audit plan of the year 2009. Additionally the observations and suggestions were given to the Internal Audit Office to continuously follow up and to take remedial actions for the significant issues as stated in the internal auditing report. Moreover the Audit Committee also monitored and provided recommendations about the working processes for the Internal Audit department of the Company's subsidiaries abroad in order to assist them to have sufficient and appropriate internal control system. This was a key factor to support the business efficiency and effectiveness and to enable the company to have adequate internal control which was suitable for its nature of business.

### **Overseeing the Risk Management**

The Company's Board of Directors and the Management have been giving emphasis to the appropriateness of the risk management and the work in compliance with the risk management policy. There were assessments of necessary risk factors and preventive measures on a monthly basis in order to mitigate the possible business impacts. The Audit Committee reviewed the reports and the results of the work performed by the Risk Management Committee which was assigned by the company Board of Directors. These reports contained financial risks, production risks and selling risks as well as the external risks factors which were beyond the company's control or its capability to mitigate them to the acceptable level. With this regard the Audit Committee regularly monitored as well as provided observations which deemed to be useful for improvement of the risk management while emphasizing on the risks affected to the society and the communities. Furthermore they were encouraged to establish the Public Relation department to take care of and to manage the environmental impacts which might cause problems to the neighboring communities.

### **The Related Transactions**

The Audit Committee reviewed business transactions among the Company, its subsidiaries and/or the related parties including all the transactions which might cause conflict of interests during the year 2009. This was to ensure that they were conducted according to their normal business. No benefits were siphoned off. The related information was sufficiently disclosed. Moreover the operations were monitored to ascertain that it worked in accordance with the regulations of the Securities Exchange Commission and the Stock Exchange of Thailand.



### **Work according to the Laws and the Government's Regulations**

The Audit Committee oversaw the company's operations to ensure that they were in compliance with the Securities and Exchange Act, the regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, all the Accounting Standards and other laws which are relevant to the Company's business. There was no significant error found during the year 2009.

### **Good Corporate Governance**

The Company puts emphasis on continuously and rigorously managing the works according to the good corporate governance principles to enhance the confidence of the shareholders, the business partners, the customers and the relevant parties and to illustrate that the Company has been operating with transparency and ethically.

### **Appointment of the External Auditor and Determination of the Audit Fee**

The Audit Committee reviewed the qualifications of the current external auditors, their working standard, their expertise and their independence. It was found that they have been delivering good quality works. On the basis of comparing the work load and the fees it was proposed to the Company's Board of Directors for further approval at the Annual General Meeting of the Shareholders for the appointment of Ms. Kamontip Lertwitworatep, certified public accountant no. 4377, or Mrs. Saifon Inkaew, certified public accountant no. 4434, or Mr. Wichart Lokatekrawee, certified public accountant 4451, of Ernst & Young Office Limited, whom were qualified as the auditors for public companies according to the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand as the company's external auditors for the year 2010. The agreed auditing fee for the year 2010 was 1,000,000 baht which was the same as last year and still considered reasonable.

The Audit Committee had entire freedom in conducting their assignments and received good cooperation from all the relevant departments. The Company's external auditors were invited for meetings to discuss about their auditing works and the Company's internal control. According to the examination it was believed that the Company essentially had good corporate governance policies as a result their internal control system was sufficiently efficient and there was no significant error found. The risk management was in accordance with the policies and the Company's situations. The related transactions actually occurred in their normal business and there were no irregularities. The works were accurately carried out according to the relevant laws and regulations. The Company's financial statements ended December 31, 2009 were correctly prepared in conformity with the generally accepted accounting principles with sufficient disclosure of information. No errors or transactions which might significantly affect these financial statements were found.

February 24, 2010

On behalf of the Audit Committee



(Padoong Techasarintr)

Chairman of the Audit Committee

## Report of independent auditor

To the Shareholders of Lanna Resources Public Company Limited

I have audited the accompanying consolidated balance sheets of Lanna Resources Public Company Limited and its subsidiaries as at 31 December 2009 and 2008, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Lanna Resources Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I did not audit the financial statements as at and for the year ended 31 December 2009 of three overseas subsidiary companies (2008: two overseas subsidiaries), as included in the consolidated financial statements. These subsidiary companies have the total assets as at 31 December 2009 of approximately Baht 247 million, representing 6 percent of the consolidated total and total revenues for the year then ended of approximately Baht 385 million, representing 7 percent of the consolidated total (2008: total assets of approximately Baht 670 million, representing approximately 18 percent of the consolidated total and total revenues for the year then ended of approximately Baht 30 million representing less than 1 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 overseas subsidiary companies as included in the consolidated financial statements, are based solely upon the audit reports of their auditors.

I conducted my audits 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 audits 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 2009 and 2008, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Kamontip Lertwitworatep'.

Kamontip Lertwitworatep

Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited

Bangkok: 24 February 2010

Lanna Resources Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		489,587,463	815,456,184	32,463,960	21,782,846
Trade accounts receivable	7				
Related parties	6	-	98,534,772	10,369,865	40,520,865
Unrelated parties		400,134,428	300,825,779	71,469,468	63,193,495
Total trade accounts receivable		400,134,428	399,360,551	81,839,333	103,714,360
Amounts due from related party	6	-	-	2,908,843	-
Inventories - net	8	434,724,821	342,129,619	103,533,058	318,266,105
Other current assets					
Input tax refundable		196,657,031	125,104,882	-	4,335,123
Prepaid corporate income tax		270,513,883	144,950,853	30,248,576	22,190,192
Advance payments		349,889,031	73,076,432	19,192,992	21,840,616
Others		22,201,951	28,974,217	10,447,031	9,686,676
Total other current assets		839,261,896	372,106,384	59,888,599	58,052,607
<b>Total current assets</b>		<b>2,163,708,608</b>	<b>1,929,052,738</b>	<b>280,633,793</b>	<b>501,815,918</b>
<b>Non-current assets</b>					
Investments					
Investments in subsidiary companies	9	-	-	917,080,043	898,453,925
Investments in associated company	10	20,476,118	19,268,135	890,679	890,679
Investments in debenture		1,000,000	1,000,000	1,000,000	1,000,000
Total investments		21,476,118	20,268,135	918,970,722	900,344,604
Long-term loans to related party	6	-	-	262,262,276	238,971,817
Property, plant and equipment - net	11	1,413,329,256	1,217,843,309	234,112,019	247,710,850
Land to be transferred	11	-	8,627,875	-	8,627,875
Non-operating assets - net	12	37,675,451	37,675,451	37,675,451	37,675,451
Intangible assets - net	13	4,175,077	3,532,271	1,562,993	1,701,213
Other non-current assets	14	710,187,612	578,154,288	118,140,763	122,562,768
<b>Total non-current assets</b>		<b>2,186,843,514</b>	<b>1,866,101,329</b>	<b>1,572,724,224</b>	<b>1,557,594,578</b>
<b>Total assets</b>		<b>4,350,552,122</b>	<b>3,795,154,067</b>	<b>1,853,358,017</b>	<b>2,059,410,496</b>

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

Lanna Resources Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	15	422,000,000	181,000,000	28,000,000	81,000,000
Trade accounts payable					
Related party	6	842,261	24,997,404	842,261	24,997,404
Unrelated parties		213,617,711	209,808,079	14,511,479	71,781,137
Total trade accounts payable		214,459,972	234,805,483	15,353,740	96,778,541
Current portion of long-term loans					
from financial institutions	16	-	90,000,000	-	90,000,000
Amount due to related parties	6	15,186,270	-	87,911,804	69,966,150
Advance received from sales					
Related party	6	133,369,080	124,247,090	-	-
Unrelated parties		1,065,405	101,653	1,065,405	101,653
Total advance received from sales		134,434,485	124,348,743	1,065,405	101,653
Other current liabilities					
Dividend payable		3,758,599	3,809,992	3,758,599	3,809,992
Accrued expenses		442,419,454	288,392,207	14,276,838	14,408,721
Corporate income tax payable		34,217,642	237,028,368	-	-
Advance received from sale of land	11	-	19,477,837	-	19,477,837
Others		93,015,368	80,587,115	21,104,304	7,806,992
Total other current liabilities		573,411,063	629,295,519	39,139,741	45,503,542
<b>Total current liabilities</b>		<b>1,359,491,790</b>	<b>1,259,449,745</b>	<b>171,470,690</b>	<b>383,349,886</b>
<b>Non-current liabilities</b>					
Long-term loans from financial institutions,					
net of current portion	16	76,000,000	45,000,000	-	45,000,000
Provision for employee benefit	17	55,894,470	72,413,056	11,970,539	11,323,162
<b>Total non-current liabilities</b>		<b>131,894,470</b>	<b>117,413,056</b>	<b>11,970,539</b>	<b>56,323,162</b>
<b>Total liabilities</b>		<b>1,491,386,260</b>	<b>1,376,862,801</b>	<b>183,441,229</b>	<b>439,673,048</b>

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

Lanna Resources Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered, issued and fully paid up					
350,000,000 ordinary shares of Baht 1 each		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		(89,300,811)	(41,478,679)	-	-
Retained earnings					
Appropriated					
Statutory reserve	19	35,000,000	35,000,000	35,000,000	35,000,000
General reserve		414,000,000	303,000,000	414,000,000	303,000,000
Unappropriated		<u>1,018,023,532</u>	<u>789,412,960</u>	<u>190,516,788</u>	<u>251,337,448</u>
Equity attributable to the Company's shareholders		2,408,122,721	2,116,334,281	1,669,916,788	1,619,737,448
Minority interests - equity attributable					
to minority shareholders of subsidiaries		<u>451,043,141</u>	<u>301,956,985</u>	-	-
<b>Total shareholders' equity</b>		<u>2,859,165,862</u>	<u>2,418,291,266</u>	<u>1,669,916,788</u>	<u>1,619,737,448</u>
<b>Total liabilities and shareholders' equity</b>		<u>4,350,552,122</u>	<u>3,795,154,067</u>	<u>1,853,358,017</u>	<u>2,059,410,496</u>
		-	-	-	-

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

Lanna Resources Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
<b>Revenues</b>					
Sales	6	4,795,696,409	7,089,256,583	673,873,255	2,079,378,617
Services income	6	363,180,344	316,300,701	363,180,344	316,300,701
Commission and marketing services income	6	-	-	49,910,029	45,571,785
Reversal of allowance for diminution in value of inventory		52,929,126	-	56,758,655	-
Other income					
Dividend income	6, 9, 10	-	-	335,602,505	516,383,663
Right of coal income	6	-	-	10,778,332	-
Gain on exchange		88,709,995	237,672	-	34,756,782
Interest income	6	10,168,910	21,910,604	12,903,077	13,318,579
Others		111,104,528	47,019,822	26,383,408	2,969,289
Total other income		209,983,433	69,168,098	385,667,322	567,428,313
<b>Total revenues</b>		<b>5,421,789,312</b>	<b>7,474,725,382</b>	<b>1,529,389,605</b>	<b>3,008,679,416</b>
<b>Expenses</b>					
Cost of sales	6	2,627,579,782	4,262,232,500	662,267,189	1,825,916,864
Cost of services	6	264,574,664	283,209,757	264,574,664	283,209,757
Selling, service and distribution expenses	6	764,883,893	1,049,871,264	82,687,504	228,071,865
Administrative expenses	6	294,785,100	487,043,930	67,952,119	180,404,163
Management's remuneration		143,067,136	141,188,048	47,525,996	39,160,246
Loss on exchange		-	-	11,448,339	-
<b>Total expenses</b>		<b>4,094,890,575</b>	<b>6,223,545,499</b>	<b>1,136,455,811</b>	<b>2,556,762,895</b>
<b>Income before share of income from investments</b>					
<b>in associate, finance cost and corporate income tax</b>		<b>1,326,898,737</b>	<b>1,251,179,883</b>	<b>392,933,794</b>	<b>451,916,521</b>
Share of income from investments in					
associated company	10	1,207,983	9,353,170	-	-
<b>Income before finance cost and corporate income tax</b>		<b>1,328,106,720</b>	<b>1,260,533,053</b>	<b>392,933,794</b>	<b>451,916,521</b>
Finance cost		(24,309,248)	(26,185,725)	(6,447,008)	(13,090,827)
<b>Income before corporate income tax</b>		<b>1,303,797,472</b>	<b>1,234,347,328</b>	<b>386,486,786</b>	<b>438,825,694</b>
Withholding tax deducted at source		(21,307,446)	(31,336,218)	(21,307,446)	(31,336,218)
Corporate income tax		(250,447,211)	(351,325,068)	-	(6,896,044)
<b>Net income for the year</b>		<b>1,032,042,815</b>	<b>851,686,042</b>	<b>365,179,340</b>	<b>400,593,432</b>
<b>Net income attributable to:</b>					
Equity holders of the parent		654,610,572	471,172,881	365,179,340	400,593,432
Minority interests of the subsidiaries		377,432,243	380,513,161		
		<u>1,032,042,815</u>	<u>851,686,042</u>		
<b>Basic earnings per share</b>					
Net income attributable to equity holders of the parent	23	1.87	1.35	1.04	1.14



Lanna Resources Public Company Limited and its subsidiaries  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2009 and 2008**

(Unit: Baht)

	<b>Consolidated financial statements</b>									
	Equity attribute to the Company's shareholders									
	Issued and paid-up share capital	Share premium	Translation adjustments	Retained earnings			Unappropriated	Total equity attribute to the Company's shareholders	Minority interests - equity attributable to minority shareholders of subsidiaries	Total
Statutory reserve				General reserve	Appropriated					
<b>Balance as at 31 December 2007 - as previously reported</b>	350,000,000	680,400,000	(100,947,606)	35,000,000	161,000,000	722,740,079	1,848,192,473	395,653,214	2,243,845,687	
Reclassification	-	-	25,435,897	-	-	-	25,435,897	(25,435,897)	-	
<b>Balance as at 31 December 2007 - after reclassification</b>	350,000,000	680,400,000	(75,511,709)	35,000,000	161,000,000	722,740,079	1,873,628,370	370,217,317	2,243,845,687	
<b>Income and expenses recognised directly in equity:</b>										
Translation adjustments	-	-	34,033,030	-	-	-	34,033,030	(6,959,202)	27,073,828	
<b>Net income and expenses recognised directly in equity</b>	-	-	34,033,030	-	-	-	34,033,030	(6,959,202)	27,073,828	
Net income for the year	-	-	-	-	-	471,172,881	471,172,881	380,513,161	851,686,042	
Dividend payment	-	-	-	-	-	(262,500,000)	(262,500,000)	(340,778,481)	(603,278,481)	
Transferred to general reserve	-	-	-	-	142,000,000	(142,000,000)	-	-	-	
Decrease in minority interests - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(101,035,810)	(101,035,810)	
<b>Balance as at 31 December 2008</b>	350,000,000	680,400,000	(41,478,679)	35,000,000	303,000,000	769,412,960	2,116,334,281	301,956,985	2,418,291,266	

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

Lanna Resources Public Company Limited and its subsidiaries  
 Statements of changes in shareholders' equity (continued)  
 For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements									
	Equity attribute to the Company's shareholders					Minority interests -				
	Issued and paid-up share capital	Share premium	Translation adjustments	Retained earnings		Total equity attribute to the Company's shareholders	Minority interests - equity attributable to minority shareholders of subsidiaries	Total		
				Statutory reserve	General reserve				Unappropriated shareholders	Total
Note										
<b>Balance as at 31 December 2008 - as previously reported</b>	350,000,000	680,400,000	(73,873,778)	35,000,000	303,000,000	789,412,960	2,083,939,182	334,352,084	2,418,291,266	
Reclassification	-	-	32,395,099	-	-	-	32,395,099	(32,395,099)	-	
<b>Balance as at 31 December 2008 - after reclassification</b>	350,000,000	680,400,000	(41,478,679)	35,000,000	303,000,000	789,412,960	2,116,334,281	301,956,985	2,418,291,266	
<b>Income and expenses recognised directly in equity:</b>										
Translation adjustments	-	-	(47,822,132)	-	-	-	(47,822,132)	(10,365,992)	(58,188,124)	
<b>Net income and expenses recognised directly in equity</b>	-	-	(47,822,132)	-	-	-	(47,822,132)	(10,365,992)	(58,188,124)	
Net income for the year	-	-	-	-	-	654,610,572	654,610,572	377,432,243	1,032,042,815	
Dividend payment	-	-	-	-	-	(315,000,000)	(315,000,000)	(217,980,095)	(532,980,095)	
Transferred of unappropriated retained earnings to general reserve	-	-	-	-	111,000,000	(111,000,000)	-	-	-	
<b>Balance as at 31 December 2009</b>	350,000,000	680,400,000	(89,300,811)	35,000,000	414,000,000	1,018,023,532	2,408,122,721	451,043,141	2,859,165,862	

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

Lanna Resources Public Company Limited and its subsidiaries  
 Statements of changes in shareholders' equity (continued)  
 For the years ended 31 December 2009 and 2008

	Note	Separate financial statements					Total
		Issued and paid-up share capital	Share premium	Retained earnings			
				Statutory reserve	General reserve	Unappropriated	
<b>Balance as at 31 December 2007</b>		350,000,000	680,400,000	35,000,000	161,000,000	255,244,016	1,481,644,016
Net income for the year		-	-	-	-	400,593,432	400,593,432
Dividend payment	22	-	-	-	-	(262,500,000)	(262,500,000)
Unappropriated retained earnings transferred to general reserve	22	-	-	-	142,000,000	(142,000,000)	-
<b>Balance as at 31 December 2008</b>		350,000,000	680,400,000	35,000,000	303,000,000	251,337,448	1,619,737,448
<b>Balance as at 31 December 2008</b>		350,000,000	680,400,000	35,000,000	303,000,000	251,337,448	1,619,737,448
Net income for the year		-	-	-	-	365,179,340	365,179,340
Dividend payment	22	-	-	-	-	(315,000,000)	(315,000,000)
Unappropriated retained earnings transferred to general reserve	22	-	-	-	111,000,000	(111,000,000)	-
<b>Balance as at 31 December 2009</b>		350,000,000	680,400,000	35,000,000	414,000,000	190,516,788	1,669,916,788

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

(Unit: Baht)

**Lanna Resources Public Company Limited and its subsidiaries**

**Cash flow statements**

**For the years ended 31 December 2009 and 2008**

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>				
Net income before tax	1,303,797,472	1,234,347,328	386,486,786	438,825,694
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	128,688,682	497,649,586	23,043,376	18,556,505
Allowance for doubtful accounts for advance payment for coal	-	69,610,200	-	69,610,200
Allowance for diminution in value of inventory (reversal)	(52,929,126)	62,734,255	(56,758,655)	62,734,255
Unrealised loss (gain) on exchange	9,204,177	-	7,159,528	(20,656,280)
Provision for employee benefit	9,809,592	35,442,785	647,377	1,476,038
Share of income from investment in associated company	(1,207,983)	(9,353,170)	-	-
Reversal of impairment of assets	(240,059)	(240,059)	(240,059)	(240,059)
Gain from disposal and write-off of fixed assets	(11,310,172)	(124,658)	(11,891,687)	(124,658)
Loss on revaluation of open-end fund	-	38,559	-	38,559
Dividend income	-	-	(335,602,505)	(516,383,663)
Interest income	(10,168,910)	(21,910,604)	(12,903,077)	(13,318,579)
Interest expenses	24,309,248	26,185,725	6,447,008	13,090,827
Income from operating activities before changes in operating assets and liabilities	1,399,952,921	1,894,379,947	6,388,092	53,608,839
Operating assets (increase) decrease				
Trade accounts receivable	(773,877)	198,637,526	21,875,027	339,491,924
Amounts due from related party	-	21,400,000	(2,908,843)	22,343,366
Inventories	(39,666,076)	(68,604,642)	271,491,702	(179,419,826)
Other current assets	(339,520,651)	(650,132)	10,338,103	44,928,132
Operating liabilities increase (decrease)				
Trade accounts payable	(20,345,511)	(147,054,973)	(81,424,801)	(281,792,835)
Other accounts payable - related parties	15,186,270	(307,605,297)	744,086	-
Other current and non-current liabilities	142,744,727	152,715,216	15,018,666	(35,223,178)
Cash flow from (used in) operating activities	1,157,577,803	1,743,217,645	241,522,032	(36,063,578)
Interest income	12,212,452	22,957,513	12,902,739	14,299,272
Cash paid for interest expense	(25,134,983)	(25,147,560)	(7,470,073)	(12,052,663)
Cash paid for withholding tax	(21,307,446)	(31,336,218)	(21,307,446)	(31,336,218)
Cash paid for corporate income tax	(582,936,340)	(205,250,299)	(12,173,757)	(24,970,863)
<b>Net cash flows from (used in) operating activities</b>	<b>540,411,486</b>	<b>1,504,441,081</b>	<b>213,473,495</b>	<b>(90,124,050)</b>

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
<b>Cash flows from investing activities</b>				
Net cash paid for acquisition of subsidiary company	-	(202,349,844)	-	-
Goodwill	-	193,181,905	-	-
Increase in investment in open fund and unit trust	-	43,016,725	-	43,016,725
Increase in loan to related party	-	-	(84,000,000)	(141,866,860)
Cash received from repayment of loan to related party	-	-	52,207,650	-
Dividend received from subsidiary and associated companies	-	16,857,764	335,602,505	516,383,663
Proceeds from disposal of fixed assets and non-operating fixed assets	1,313,874	2,037,881	1,132,682	2,037,881
Acquisition of property, plant and equipment	(277,490,014)	(420,803,541)	(5,484,294)	(247,259,481)
Acquisition of computer software	(1,555,164)	(1,668,928)	(281,833)	(520,270)
Decrease (increase) in other non-current assets	(180,614,291)	(166,503,360)	1,030,909	(118,765,847)
<b>Net cash from (used in) investing activities</b>	<b>(458,345,595)</b>	<b>(536,231,398)</b>	<b>300,207,619</b>	<b>53,025,811</b>
<b>Cash flows from financing activities</b>				
Increase in short-term loans from financial institutions	1,269,000,000	181,000,000	875,000,000	81,000,000
Repayment of short-term loans from financial institutions	(1,028,000,000)	-	(928,000,000)	-
Cash received from long-term loan from financial institutions	76,000,000	180,000,000	-	180,000,000
Repayment of long-term loan from financial institution	(135,000,000)	(325,000,000)	(135,000,000)	(45,000,000)
Dividend payment	(532,980,095)	(603,278,481)	(315,000,000)	(262,500,000)
Increase (decrease) in minority interests	(10,365,992)	1,118,886	-	-
<b>Net cash flow used in financing activities</b>	<b>(361,346,087)</b>	<b>(566,159,595)</b>	<b>(503,000,000)</b>	<b>(46,500,000)</b>
<b>Increase (decrease) in translation adjustments</b>	<b>(46,588,525)</b>	<b>29,392,139</b>	<b>-</b>	<b>-</b>
Net increase (decrease) in cash and cash equivalents	(325,868,721)	431,442,227	10,681,114	(83,598,239)
Cash and cash equivalents at beginning of year	815,456,184	384,013,957	21,782,846	105,381,085
<b>Cash and cash equivalents at end of year</b>	<b>489,587,463</b>	<b>815,456,184</b>	<b>32,463,960</b>	<b>21,782,846</b>

**Supplemental cash flows information:**

Non-cash transaction

Liabilities under investment in subsidiary	-	-	18,626,118	70,911,553
Advance received from sale of land	19,477,837	-	19,477,837	-
Transferred right over land to be transferred	8,627,875	-	8,627,875	-
Account payable from purchase of equipment and intangible assets	1,661,094	871,601	-	-

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

## **Lanna Resources Public Company Limited and its subsidiaries**

### **Notes to financial statements**

**For the years ended 31 December 2009 and 2008**

#### **1. General information**

##### **1.1 Corporate information**

Lanna Resources Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Siam City Cement Public Company Limited, which is incorporated in Thailand. The Company is principally engaged in the manufacturing and distribution of lignite and its registered address is 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.

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

In 2005, Lanna (Singapore) Pte. Ltd. invested in ordinary share of PT. Citra Harita Mineral, a company incorporated in Indonesia, the principal activity of which is coal mining in Indonesia.

In 2006, Lanna (Singapore) Pte. Ltd. invested in ordinary share of PT. Lanna Mining Services, which is incorporated in Indonesia, for investment and general mining services in coal production and distribution in Indonesia.

In 2007, Lanna (Singapore) Pte. Ltd. sold and transferred of all of its interest in ordinary shares in each of PT. Lanna Harita Indonesia and PT. Citra Harita Mineral to the Company. The Company invested in PT. Lanna Harita Indonesia and PT. Citra Harita Mineral at 55 percent and 55 percent, respectively.

In 2008, Lanna (Singapore) Pte. Ltd. sold and transferred most of its ordinary shares in PT. Lanna Mining Services for 99.99 percent of its paid-up capital to the Company and Lanna (Singapore) Pte. Ltd. maintained one share in PT. Lanna Mining Services, representing 0.005 percent of that company's registered capital.

In 2009, Lanna (Singapore) Pte. Ltd. sold and transferred of all of its interest in ordinary shares in each of PT. Singlurus Pratama to the Company. The Company invested in PT. Singlurus Pratama at 65 percent.

## **1.2 Economic crisis**

The financial crisis experienced over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. At present, the economic crisis has eased. However, it continues to substantially affect the business and financial plans of Thailand enterprises and asset value, and there remains uncertainty as to when the global economy will return to normalcy. These financial statements have been prepared on the bases of facts currently known to the Company, and on estimates and assumptions currently considered appropriate.

## **2. Basis of preparation**

- 2.1** The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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



## 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of the Company (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
			2009 Percent	2008 Percent	2009 Percent	2008 Percent	2009 Percent	2008 Percent
<u>Held by the Company</u>								
Lanna (Singapore) Pte. Ltd.	Investment in foreign projects	Singapore	100.00	100.00	0.37	15	-	0.01
PT. Lanna Mining Services	Investment and general mining service in coal production and distribution	Indonesia	99.995	99.995	2	3	6	0.39
Thai Agro Energy Public Co., Ltd	Ethanol production and distribution	Thailand	75.75	75.75	32	24	13	13
PT. Singlurus Pratama	Coal production and distribution	Indonesia	65.00	-	20	-	20	-
PT. Lanna Harita Indonesia	Coal production and distribution	Indonesia	55.00	55.00	23	30	40	41
PT. Citra Harita Mineral	General mining service in coal production and port and jetty service	Indonesia	55.00	55.00	3	3	1	13
<u>Held by a subsidiary company</u>								
PT. Lanna Mining Services	Investment and general mining service in coal production and distribution	Indonesia	0.005	0.005	-	-	-	-
PT. Singlurus Pratama	Coal production and distribution	Indonesia	-	65.00	-	-	-	-

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent significant accounting policies.

During 2009, Pt. Citra Harita Mineral changed the currency used for recording accounts from the Rupiah to the US dollar which is its functional currency. However, the effect of such change in accounting policy to the consolidated net income for the year ended 2008 and the cumulative effect of the accounting change up to beginning of 2008 are not significant to the consolidated financial statements for the year ended 31 December 2009 and 2008.

- d) The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences are shown under the caption of “Translation adjustment” in the shareholders’ equity.
- e) Intercompany balances and significant intercompany transactions between the Company and its subsidiaries and investments in subsidiaries in the Company's accounts and subsidiaries' share capital have been eliminated from the consolidated financial statements.
- f) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- g) The excess of the cost of investment in a subsidiary company over the Company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired as at the investment date has been shown as “Goodwill” and included in other non-current assets in the consolidated balance sheets and is measured at cost less any accumulated impairment losses.

**2.3** The separate financial statements, which present investments in subsidiaries and associate under the cost method, have been prepared solely for the benefit of the public.

### **3. Adoption of new accounting standards**

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

### 3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale

and Discontinued Operations

Accounting Treatment Guidance for Leasehold right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007) and Accounting Treatment Guidance for Leasehold Right are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007) and Accounting Treatment Guidance for Business Combination under Common Control do not have any significant impact on the financial statements for the current year.

### 3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

## **4. Significant accounting policies**

### **4.1 Revenue Recognition**

#### *Sales of goods*

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

Income from coal sales are recorded according to the weight as recorded at the Company's site or the customer's site. Adjustments of the sales price due to quality and weight considerations are recognised in the month in which notification is received from customers.

#### *Rendering of services*

Service revenue is recognised when services have been rendered taking into account the stage of completion.

#### *Right of coal income*

Right of coal income is recognised when a subsidiary company sells coal which is produced from its concession area to the buyer.

#### *Interest income*

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

#### *Dividends*

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

### **4.2 Cash and cash equivalents**

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

### 4.3 Trade accounts receivable

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

### 4.4 Inventories

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

Allowance for diminution in value of inventories are set up for the excess of cost over net realisable value.

### 4.5 Investments

- a) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- b) Investments in subsidiaries and associate are accounted for in the separate financial statements using the cost method.

### 4.6 Property, plant and equipment / Depreciation

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

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

	<u>Useful lives</u>
Land improvement	5 - 10 years
Building and amenities	20,30 years
Crushing plants	15 years
Machinery and equipment	4 - 30 years
Furniture and office equipment	4 - 10 years
Vehicles	5 - 10 years

Depreciation is included in determining income.

No depreciation is provided on 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.

#### **4.7 Intangible assets**

Intangible assets acquired in a business combination are recognised at fair value on the date of acquisition. Other acquired intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Intangible asset with finite useful lives, which is computer software, has useful lives of 5 years.

Deferred overburden removal costs and other deferred expenses are charged to operations in accordance with the proportion of units produced to total coal reserves.

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.

#### **4.8 Goodwill**

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.9 Related party transactions**

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

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

#### **4.10 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.



#### **4.11 Impairment of assets**

At each reporting date, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carries out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

#### **4.12 Employee benefits**

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

##### *Provision for employee benefit*

The Company and subsidiaries began recording provision for post-retirement benefits with effect from 1 January 2008. This provision is estimated by the Company and subsidiaries' management in accordance with the labour laws of the relevant country taking into account various factors, including the employee's age, the number of years of services, the probability of working until retirement, increase in salary rates in the future and other factors. The estimates of benefits payable upon termination or retirement benefit are discounted to their present value, with the discount rate approximating the bond yield. Increases in benefits relating to service by employees in the current year and actual payment in the current year is recognised in the statement of income immediately.

#### **4.13 Provisions**

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

#### **4.14 Income tax**

Income tax is provided in the accounts based on taxable profits determined in accordance with tax legislation.

#### **4.15 Financial instruments**

Financial instruments presented in the balance sheets consist of cash and cash equivalents, loans, accounts receivable, investments, accounts payable and long-term loans. The accounting policy for each item is separately disclosed in the related notes.

The Company and its subsidiaries have no policy to hold any derivative financial instruments for speculative or trading purpose.

#### **4.16 Derivatives**

##### **Forward exchange contracts**

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling on the balance sheet date. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

#### **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

##### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

**Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

**Allowance for diminution in value of inventories**

In determining an allowance for diminution in value of inventories the management needs to make judgment in estimating loss from the reduction of net realisable value of inventories.

**Property plant and equipment/Depreciation**

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

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

**Goodwill and intangible assets**

The initial recognition and measurement of goodwill and other intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

**Employee benefits**

In determining reserve for post-retirement benefit costs, the management needs to make judgment and estimates based upon assumptions as to salary increases and discount rate, among others.

## 6. Related party transactions

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

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	162,298,947	158,582,403
Dividend income	-	-	335,602,505	499,525,899
Commission income and marketing services income	-	-	49,910,029	45,571,785
Interest income	-	-	11,216,497	12,735,064
Rights of coal income	-	-	10,778,332	-
Service for purchase of coal	-	-	-	2,342,476
<u>Transactions with major shareholder</u>				
Sales of coal	768,339,715	1,031,040,384	174,072,236	520,107,349
Services income	363,180,344	316,480,701	363,180,344	316,480,701
<u>Transactions with associated company</u>				
Freight charge	209,305	607,511,663	209,305	607,511,663
Purchase of coal	-	16,534,327	-	16,534,327
Commission expense from purchase of cost	-	287,068	-	287,068
Dividend income	-	-	-	16,857,764
Service income for coal transportation vehicle provision	-	305,368	-	-
Consultation fee	739,298	-	739,298	-

Pricing Policy

Sales of coal	Market price at which equivalent quality coal is sold to that industry
Purchase of coal	Market price for equivalent quality coal
Freight charge	Price comparable to freight charges paid to third parties
Commission income and marketing services	At the agreed price between the parties which are general price for the same business
Services income	At the agreed price between the parties which are general price for the same business
Rights of coal income	At the agreed price as stipulated in the agreement
Commission expense from purchase of cost	Price comparable to service charges paid to third parties
Service income for coal transportation vehicle provision	At the agreed price between the parties which is comparable to market price
Service for purchase of coal	Price comparable to service charges paid to third parties
Interest income	LIBOR + 3% per annum
Dividend income	At the declared rate
Consultation fee	At the agreed price

As at 31 December 2009 and 2008, the balances of the accounts between the Company and those related companies are as follows:

		(Unit: Baht)			
	Relationship	Consolidated financial statements		Separate financial statements	
		<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b><u>Trade accounts receivable - related parties</u></b>					
<b>Major shareholder</b>					
Siam City Cement (Public) Co., Ltd.	Major shareholder and common directors	-	98,534,772	-	33,351,084
<b>Subsidiaries</b>					
PT. Lanna Harita Indonesia	Direct holding and common directors	-	-	4,552,179	7,169,781
PT. Singlurus Pratama	Direct holding and common directors	-	-	5,817,686	-
Total trade accounts receivable - related parties		<u>-</u>	<u>98,534,772</u>	<u>10,369,865</u>	<u>40,520,865</u>
<b><u>Amounts due from related party</u></b>					
<b>Subsidiary</b>					
PT. Singlurus Pratama	Direct holding and common directors	-	-	2,908,843	-
Total amounts due from related party		<u>-</u>	<u>-</u>	<u>2,908,843</u>	<u>-</u>

(Unit: Baht)

	Relationship	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
		<b><u>Long-term loans to related party</u></b>			
<b>Subsidiary</b>					
PT. Lanna Mining Services	Direct and indirect holding and common directors	-	-	262,262,276	238,971,817
Total long-term loans to related party		-	-	262,262,276	238,971,817
<b><u>Trade accounts payable - related party</u></b>					
<b>Associated company</b>					
United Bulk Shipping Pte. Ltd.	Direct holding and common directors	842,261	24,997,404	842,261	24,997,404
Total trade accounts receivable - related party		842,261	24,997,404	842,261	24,997,404
<b><u>Amount due to related parties</u></b>					
<b>Major shareholder</b>					
Siam City Cement (Public) Co., Ltd.	Major shareholder and common directors	14,442,184	-	-	-
<b>Subsidiary</b>					
Lanna (Singapore) Pte. Ltd.	Direct holding and common directors	-	-	87,167,718	69,966,150
<b>Associated company</b>					
United Bulk Shipping Pte. Ltd.	Direct holding and common directors	744,086	-	744,086	-
Total amount due to related parties		15,186,270	-	87,911,804	69,966,150
<b><u>Advance received from sales - related party</u></b>					
<b>Major shareholder</b>					
Siam City Cement (Public) Co., Ltd.	Major shareholder and common directors	133,369,080	124,247,090	-	-
Total advance received from sales - related party		133,369,080	124,247,090	-	-

During 2009, movements of long-term loans to related party were as follow:

	Balance as at 1 January 2009	During the year			Balance as at 31 December 2009
		Increase	Decrease	Loss on exchange	
		(Unit: Baht)			
<b><u>Long-term loans to subsidiary company</u></b>					
PT. Lanna Mining Services	238,971,817	84,000,000	(52,207,650)	(8,501,891)	262,262,276



On 17 January 2008, the Company granted an unsecured loan of USD 6.866 million or approximately Baht 219.26 million to PT. Lanna Mining Services for a term not exceeding 3 years with an interest rate at LIBOR+3% per annum.

On 12 March 2009, the Company granted an additional unsecured loan of Baht 84 million to PT. Lanna Mining Services for a term not exceeding 3 years with an interest rate at LIBOR+3% per annum.

On 11 December 2009, the Company received the loan settlement of USD 1.5 million or approximately Baht 52.2 million from PT. Lanna Mining Services.

#### Directors and management's remuneration

In 2009, the Company and its subsidiaries paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling Baht 143.07 million and the Company only: Baht 47.53 million (2008: Baht 141.19 million, the Company only: Baht 39.16 million).

## 7. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2009 and 2008, aged on the basis of due dates, are summarised below.

	(Unit: Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b><u>Age of receivables</u></b>				
<b><u>Related parties</u></b>				
Not yet due	-	98,534,772	10,369,865	40,520,865
Total	-	98,534,772	10,369,865	40,520,865
<b><u>Unrelated parties</u></b>				
Not yet due	393,439,589	300,825,779	64,774,629	63,193,495
Overdue				
6 - 12 months	6,694,839	-	6,694,839	-
Total	400,134,428	300,825,779	71,469,468	63,193,495
Total trade accounts receivable	<u>400,134,428</u>	<u>399,360,551</u>	<u>81,839,333</u>	<u>103,714,360</u>

## 8. Inventories

(Unit: Baht)

Consolidated financial statements						
	Cost		Allowance for diminution in value of inventory		Inventory - net	
			Reduction cost to net			
	2009	2008	2009	2008	2009	2008
Coal and work in process (ROM)	384,527,116	381,408,404	(5,975,600)	(62,734,255)	378,551,516	318,674,149
Spare parts	3,663,306	4,031,194	-	-	3,663,306	4,031,194
Finished goods - Ethanol, organic fertilizer	16,635,382	4,607,765	(3,829,529)	-	12,805,853	4,607,765
Work in process - Ethanol	7,771,309	3,803,257	-	-	7,771,309	3,803,257
Raw material - Molasses	30,214,956	8,186,523	-	-	30,214,956	8,186,523
Supplies	1,717,881	2,826,731	-	-	1,717,881	2,826,731
<b>Total</b>	<b>444,529,950</b>	<b>404,863,874</b>	<b>(9,805,129)</b>	<b>(62,734,255)</b>	<b>434,724,821</b>	<b>342,129,619</b>

(Unit: Baht)

Separated financial statements						
	Cost		Allowance for diminution in value of inventory		Inventory - net	
			Reduction cost to net			
	2009	2008	2009	2008	2009	2008
Coal and work in process (ROM)	109,508,658	381,000,360	(5,975,600)	(62,734,255)	103,533,058	318,266,105
<b>Total</b>	<b>109,508,658</b>	<b>381,000,360</b>	<b>(5,975,600)</b>	<b>(62,734,255)</b>	<b>103,533,058</b>	<b>318,266,105</b>

## 9. Investments in subsidiaries

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

Company's name	Nature of business	Relationship	Paid-up Capital		Shareholding percentage		Cost		Dividend received during the year	
			2009	2008	2009	2008	2009	2008	2009	2008
Lanna (Singapore) Pte. Ltd. (Incorporated in Singapore)	Investment in foreign projects	Direct holding and common directors	SGD 9.00 million	SGD 9.00 million	100.00	(%) 100.00	215,795,869	215,795,869	-	-
P.T. Lanna Mining Services (Incorporated in Indonesia and held 0.005% by Lanna (Singapore) Pte. Ltd.)	Investment and general mining service in coal production and distribution	Direct holding and indirect holding and common directors	USD 2.1 million	USD 2.1 million	99.995	(%) 99.995	70,918,908	70,918,908	-	-
Thai Agro Energy Public Co., Ltd.	Ethanol production and distribution	Direct holding and common directors	Baht 600 million	Baht 600 million	75.75	(%) 75.75	454,528,300	454,528,300	113,632,075	136,358,490
P.T. Singlurus Pratama (Incorporated in Indonesia)	Coal production and distribution	Direct holding and common directors	Rp 7,950 million	-	65.00	(%) -	18,626,118	-	-	-
P.T. Lanna Harita Indonesia (Incorporated in Indonesia)	Coal production and distribution	Direct holding and common directors	USD 8 million	USD 8 million	55.00	(%) 55.00	155,023,565	155,023,565	221,970,430	308,518,584
P.T. Citra Harita Mineral (Incorporated in Indonesia)	General mining service in coal production and port and jetty service	Direct holding and common directors	Rp 1,000 million	Rp 1,000 million	55.00	(%) 55.00	2,187,283	2,187,283	-	54,648,825
Total							917,080,043	898,453,925	335,602,505	499,525,899

(Unit: Baht)

## **Local subsidiary**

### Thai Agro Energy Public Co., Ltd.

On 15 September 2008, the Extraordinary General Meeting of Thai Agro Energy Public Co.,Ltd.'s shareholders passed a resolution to approve the increase in its registered capital from Baht 600 million (600 million shares of Baht 1 each) to Baht 800 million (800 million shares of Baht 1 each) for public offering in the future. Thai Agro Energy Public Co.,Ltd. registered the increase of its capital with Ministry of Commerce on 23 September 2008.

On 16 October 2008, the meeting of Thai Agro Energy Public Co.,Ltd.'s Board of Director passed a resolution to approve the payment of interim dividend in respect of the operating income from BOI promoted operation for the nine-month period ended 30 September 2008 for 600 million shares of Baht 0.3 per share, or a total sum of Baht 180 million and the Company received at 75.75 percent of total amount or Baht 136.36 million on 14 November 2008.

On 24 September 2009, the meeting of Thai Agro Energy Public Co.,Ltd.'s Board of Director passed a resolution to approve the payment of interim dividend in respect of the operating income from BOI promoted operation for the six-month period ended 30 June 2009 for 600 million shares of Baht 0.25 per share, or a total sum of Baht 150 million and the Company received at 75.75 percent of total amount or Baht 113.63 million on 16 October 2009.

## **Overseas Subsidiaries**

### Change in investment structure of oversea subsidiary

On 28 April 2008, the meeting of the Company's Board of Directors passed a resolution approving the change in the investment structure in an oversea subsidiary. The detail of the transaction was that Lanna (Singapore) Pte. Ltd. would sell and transfer all of its ordinary shares in PT. Singlurus Pratama, which accounted for 65 percent of PT. Singlurus Pratama's paid-up capital, to the Company at SGD 150 per share, totaling approximately SGD 0.78 million or equivalent to Baht 18.6 million. Lanna (Singapore) Pte. Ltd. already sold the ordinary shares in PT. Singlurus Pratama to the Company on 15 December 2009.

### Lanna (Singapore) Pte. Ltd.

On 18 August 2008, the meeting of the Board of Directors of the Company has resolved to change the resolution for the reduction of Lanna (Singapore) Pte. Ltd.'s registered and paid-up capital by reducing its registered and paid-up capital from previous 9 million ordinary shares at SGD 1 per share, totaling SGD 9 million or equivalent to Baht 204.75 million to 500,000 ordinary shares at SGD 1 per share, totaling SGD 500,000 or approximately Baht 11.38 million in order to pay back the capital to the Company, as the shareholder. The Subsidiary is in the process of capital reduction.

### PT. Lanna Harita Indonesia

In December 2008, there have been heavy rain storms during this past period causing the softening of soil at boundary of inactive mine pits and eventual accident with the sliding of some parts of the pit boundary, which flooded village nearby mining area of PT. Lanna Harita Indonesia. PT. Lanna Harita Indonesia immediately sent its safety unit to assist the community and has completed and restored normal conditions to the village and community. Subsequently, officials from the Ministry of Energy and Mineral Resources conducted an inspection and held a joint meeting and notified PT. Lanna Harita Indonesia to temporarily suspend its mining operation in accordance with coal mining regulations in order for PT. Lanna Harita Indonesia to carry out the rehabilitation and improvement of the areas in accordance with international standards with complete safety and efficiency in order to prevent future problems within three months. The subsidiary will recommence its mining operation when the Ministry of Energy and Mineral Resources grants approval.

Accordingly, PT. Lanna Harita Indonesia has already started land rehabilitation and improvement of the affected areas. The tasks in accordance with the regulations of the Ministry of Energy and Mineral Resources was completed and PT. Lanna Harita Indonesia recommenced its operations in March 2009.

In April 2008, the meeting of PT. Lanna Harita Indonesia's Board of Directors passed a resolution approving the payment of an interim dividend in respect of 2008 operation in April 2008 of USD 600 per share, or a total amount of USD 4.80 million. The Company received at 55 percent for a total amount of USD 2.64 million or equivalent to Baht 82.65 million and the Company received net dividend of Baht 76.45 million after deduction of withholding tax amounting to Baht 6.20 million.

In July 2008, the meeting of PT. Lanna Harita Indonesia's Board of Directors passed a resolution approving the payment of the second interim dividend in respect of 2008 operation in July 2008 of USD 400 per share, or a total amount of USD 3.2 million. The Company received at 55 percent for a total amount of USD 1.76 million or equivalent to Baht 58.66 million and the Company received net dividend of Baht 54.26 million after deduction of withholding tax amounting to Baht 4.40 million.

In September 2008, the meeting of PT. Lanna Harita Indonesia's Board of Directors passed a resolution approving the payment of the third interim dividend in respect of 2008 operation in September 2008 of USD 400 per share, or a total amount of USD 3.2 million. The Company received at 55 percent for a total amount of USD 1.76 million or equivalent to Baht 59.96 million and the Company received net dividend of Baht 55.46 million after deduction of withholding tax amounting to Baht 4.50 million.

In October 2008, the meeting of PT. Lanna Harita Indonesia's Board of Directors passed a resolution approving the payment of the fourth interim dividend in respect of 2008 operation in November 2008 of USD 400 per share, or a total amount of USD 3.2 million. The Company received at 55 percent for a total amount of USD 1.76 million or equivalent to Baht 61.32 million and the Company received net dividend of Baht 56.72 million after deduction of withholding tax amounting to Baht 4.60 million.

In December 2008, the meeting of PT. Lanna Harita Indonesia's Board of Directors passed a resolution approving the payment of the fifth dividend in respect of 2008 operation in December 2008 of USD 300 per share, or a total amount of USD 2.4 million. The Company received at 55 percent for a total amount of USD 1.32 million or equivalent to Baht 45.93 million and the Company received net dividend of Baht 42.49 million after deduction of withholding tax amounting to Baht 3.44 million.



On 18 June 2009, the meeting of PT. Lanna Harita Indonesia's shareholders passed a resolution approving the payment of a total dividend of USD 2,600 per share or a total amount of USD 20.80 million. PT. Lanna Harita Indonesia paid an interim dividend within 2008 of USD 2,100 per share, or a total amount of USD 16.80 million and the Company received at 55 percent for a total amount of USD 9.24 million or equivalent to Baht 308.52 million and paid the remaining dividend in June 2009 of USD 500 per share, or a total amount of USD 4 million. The Company received at 55 percent for a total amount of USD 2.20 million or equivalent to Baht 74.64 million and the Company received Baht 69.04 million after deduction of withholding tax amounting to Baht 5.60 million.

In July 2009, the meeting of PT. Lanna Harita Indonesia's Board of Directors passed a resolution approving the payment of the first interim dividend in respect of 2009 operation in July 2009 of USD 500 per share, or a total amount of USD 4 million. The Company received at 55 percent for a total amount of USD 2.2 million or equivalent to Baht 74.58 million and the Company received net dividend of Baht 68.99 million after deduction of withholding tax amounting to Baht 5.59 million.

In November 2009, the meeting of PT. Lanna Harita Indonesia's Board of Directors passed a resolution approving the payment of the second dividend in respect of 2009 operation in November 2009 of USD 500 per share, or a total amount of USD 4 million. The Company received at 55 percent for a total amount of USD 2.2 million or equivalent to Baht 72.75 million and the Company received net dividend of Baht 67.29 million after deduction of withholding tax amounting to Baht 5.46 million.

#### PT. Citra Harita Mineral

PT. Citra Harita Mineral had entered into the Coal Mining Cooperation Agreement('CMCA') with PT. Cahaya Tiara (CT) (Formerly CV. Cahaya Tiara) of Indonesia dated 15 June 2004 as mention in Note 25.2 in order to conduct exploration and produce coals within the coal concession area covered by the KP License of CT (Coal Mining Project No. 2) in Indonesia of which PT. Citra Harita Mineral has the right to conduct coal production and distribution until 2014.

Subsequently, on 17 July 2008, PT. Citra Harita Mineral was informed in writing from CT that the Supreme Court of Indonesia had decided to revoke the KP License for coal concession of CT which had granted exclusive right to PT. Citra Harita Mineral for exploration, development, commercial exploitation and selling of coals in the KP areas according to the CMCA agreement above. The dispute was between the government sector and the previous concession holder within the land area above and has nothing to do with PT. Citra Harita Mineral and CT. However, the matter is considered a 'force majeure' which has resulted in a termination of the CMCA agreement and all related agreements and PT. Citra Harita Mineral must immediately stop its coal production and distribution activities within the KP License coal concession area of CT.

However, there was deferred expenses for this coal project of approximately Baht 76 million which will not be utilised in the future due to cancellation of KP License. So, PT. Citra Harita Mineral written-off this deferred cost and the Company recognised the loss from written-off deferred expenses at 55 percent for a total amount of Baht 42 million in the books of account in 2008.

In February 2008, the meeting of PT. Citra Harita Mineral's Board of Directors passed a resolution approving the payment of an interim dividend in respect of 2007 operation in February 2008 of USD 2,000 per share, or a total amount of USD 2 million. The Company received at 55 percent for a total amount of USD 1.10 million or equivalent to Baht 35.64 million and the Company received net dividend of Baht 30.29 million after deduction of withholding tax amounting to Baht 5.35 million.

In December 2008, the meeting of PT. Citra Harita Mineral's Board of Directors passed a resolution approving the payment of an interim dividend in respect of 2008 operation in December 2008 of USD 1,000 per share, or a total amount of USD 1 million. The Company received at 55 percent for a total amount of USD 0.55 million or equivalent to Baht 19.01 million and the Company received net dividend of Baht 16.16 million after deduction of withholding tax amounting to Baht 2.85 million.

On 18 June 2009, a meeting of PT. Citra Harita Mineral's Board of Directors passed a resolution to change the nature of PT. Citra Harita Mineral's business to the provision of services. PT. Citra Harita Mineral will use the roads used to transport coal, its crusher plant, and its port and jetty to provide services to other coal operators.

## 10. Investments in associated company

### 10.1 Detail of associated company

Company's name	Nature of business	Relationship	Paid-up Capital		Shareholding percentage		Consolidated financial statements		Separate financial statements	
			2009	2008	2009	2008	Carrying amounts based on equity method	Cost	2009	2008
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	20,476,118	19,268,135	890,679	890,679
					(%)	(%)				

### 10.2 Share of income and dividend received

During the year, the Company has recognised its share of net income from investment in associate company in the consolidated financial statements and dividend income in the separate financial statements as follows:

Company's name	Consolidated financial statements		Separate financial statements	
	Share of income from investment in associate during the year	Dividend received during the year	2009	2008
United Bulk Shipping Pte. Ltd.	1,207,983	-	9,353,170	16,857,764

### 10.3 Summarised financial information of associated company

Financial information of the associated company is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital as		Total assets as at		Total liabilities as at		Total revenues		Net income	
	at 31 December		31 December		31 December		for the year ended		for the year ended	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
United Bulk Shipping Pte. Ltd.	SGD 0.1	SGD 0.1	68.26	62.22	29.81	24.49	15.74	726.58	2.47	19.09
	million	million								

#### United Bulk Shipping Pte. Ltd.

On 19 December 2008, the meeting of the Board of Directors of United Bulk Shipping Pte. Ltd. passed a resolution approving the payment of a dividend in respect of income of 2007 to pay dividend in 2008 of USD 10 per share, or total amount of USD 1 million and the Company received at 49 percent for a total amount of USD 490,000 or equivalent to Baht 16.86 million.

## 11. Property, plant and equipment

### Consolidated financial statements

	(Unit: Baht)								
	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Office equipment	Vehicles	Construction in progress	Total
<b>Cost</b>									
31 December 2008 - as previously reported	273,228,387	90,489,423	53,334,330	71,788,425	969,058,035	66,726,114	47,097,494	114,292,526	1,686,014,734
Reclassification	(900,550)	-	-	-	-	-	-	900,550	-
31 December 2008 - after reclassification	272,327,837	90,489,423	53,334,330	71,788,425	969,058,035	66,726,114	47,097,494	115,193,076	1,686,014,734
Acquisition	61,568,486	-	1,767,735	4,909,926	17,008,696	12,923,872	217,747	162,389,828	260,786,290
Disposals/write-off	-	(18,537,437)	-	-	(303,505)	(5,098,987)	(3,550,467)	-	(27,490,396)
Transfer in (transfer out)	-	-	3,482,699	7,187,491	123,716,255	-	6,553,738	(140,940,183)	-
Translation adjustments	(257,353)	-	(830,755)	217,800	148,595	116,388	25,954	14,352,695	13,773,324
31 December 2009	333,638,970	71,951,686	57,754,009	84,103,642	1,109,628,076	74,667,387	50,344,466	150,995,416	1,933,083,952
<b>Accumulated depreciation/amortisation</b>									
31 December 2008	-	90,489,423	16,496,772	9,837,827	268,853,110	46,628,566	35,865,727	-	468,171,425
Depreciation for the year	-	-	3,286,727	3,422,667	59,742,523	9,850,089	6,509,492	-	82,811,498
Accumulated depreciation of the disposed assets/write-off	-	(18,537,437)	-	-	(216,967)	(4,331,864)	(3,550,465)	-	(26,636,733)
Translation adjustments	-	-	(704,185)	24,716	(4,196,659)	258,680	25,954	-	(4,591,494)
31 December 2009	-	71,951,986	19,079,314	13,285,210	324,182,007	52,405,471	38,850,708	-	519,754,696
<b>Net book value</b>									
31 December 2008	2272,327,837	-	36,837,558	61,950,598	700,204,925	20,097,548	11,231,767	115,193,076	1,217,843,309
31 December 2009	333,638,970	-	38,674,695	70,818,432	785,446,069	22,261,916	11,493,758	150,995,416	1,413,329,256
<b>Depreciation and amortisation charge (included in income statements) for the year:</b>									
2008									95,876,731
2009									82,811,498

## Separate financial statements

	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Office equipment	Vehicles	Construction in progress	Total
	(Unit: Baht)								
<b><u>Cost</u></b>									
31 December 2008	180,000,000	90,489,423	4,911,843	4,120,000	87,495,307	20,309,220	33,297,799	1,200,335	421,823,927
Acquisition	-	-	1,767,735	-	344,629	2,386,031	-	985,899	5,484,294
Disposal	-	(18,537,437)	-	-	(182,322)	(1,473,948)	(3,550,467)	-	(23,744,174)
Transfer in (transfer out)	-	-	1,200,335	-	-	-	-	(1,200,335)	-
31 December 2009	180,000,000	71,951,986	7,879,913	4,120,000	87,657,614	21,221,303	29,747,332	985,899	403,564,047
<b><u>Accumulated depreciation/amortisation</u></b>									
31 December 2008	-	90,489,423	873,400	194,180	39,496,700	16,973,635	26,085,739	-	174,113,077
Depreciation for the year	-	-	1,086,628	206,000	12,123,226	1,796,702	3,779,613	-	18,992,169
Accumulated depreciation of the disposed assets	-	(18,537,437)	-	-	(140,792)	(1,424,524)	(3,550,465)	-	(23,653,218)
31 December 2009	-	71,951,986	1,960,028	400,180	51,479,134	17,345,813	26,314,887	-	169,452,028
<b><u>Net book value</u></b>									
31 December 2008	180,000,000	-	4,038,443	3,925,820	47,998,607	3,335,585	7,212,060	1,200,335	247,710,850
31 December 2009	180,000,000	-	5,919,885	3,719,820	36,178,480	3,875,490	3,432,445	985,899	234,112,019
<b>Depreciation and amortisation charge (included in income statements) for the year:</b>									
2008									18,125,241
2009									18,992,169

As at 31 December 2008, there is certain land to be transferred to purchaser with book value of approximately Baht 8.63 million because the land title deed could not yet be transferred. The Company had received cash in advance from this sale of land amounting to Baht 19.48 million. However, the Company already transferred the ownership over such land to the purchaser on 5 November 2009.

The Company mortgaged part of land with premises and machinery as collateral for long-term loan granted by commercial banks. However, in September 2009 the Company has redeemed all assets which were mortgaged with bank to secure the loan from bank as mentioned in Note 16.

A subsidiary has mortgaged part of its land and construction as collateral for long-term loan granted by and credit facilities received from commercial bank as mentioned in Note 16.

As at 31 December 2009, the Company has certain plant and equipment which have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 46.07 million (2008: Baht 47.22 million).

## 12. Non-operating assets

	(Unit: Baht)	
	Consolidated and Separate financial statements	
	<u>2009</u>	<u>2008</u>
Non-operating assets - cost	40,445,596	40,445,596
Less: Accumulated depreciation	(1,054,660)	(814,601)
	<u>39,390,936</u>	<u>39,630,995</u>
Less: Allowance for loss on impairment of assets	(1,715,485)	(1,955,544)
Non-operating assets - net	<u><u>37,675,451</u></u>	<u><u>37,675,451</u></u>
Depreciation for the year	<u>240,059</u>	<u>240,059</u>

As at 31 December 2009, the Company had non-operating assets which mainly are land of Paka mine with an aggregate net book value of approximately Baht 39 million (2008: Baht 39 million). The Company is considering making use and/or selling such assets to other parties. However, for some plots of land which the Company has considered their net realisable value of these assets is less than the net book value, the Company had set up allowance for loss on impairment of such assets of Baht 1.75 million (2008: Baht 1.96 million).



### 13. Intangible assets

Details of intangible assets which is computer software are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cost	8,803,017	7,292,970	3,566,405	3,285,772
Less: Accumulated amortisation	(4,605,791)	(3,694,633)	(2,003,412)	(1,584,559)
Translation adjustments	(22,149)	(66,066)	-	-
Net book value	<u>4,175,077</u>	<u>3,532,271</u>	<u>1,562,993</u>	<u>1,701,213</u>
Amortisation expenses included in the income statements for the year	<u>912,357</u>	<u>526,478</u>	<u>420,052</u>	<u>191,205</u>

### 14. Other non-current assets

Other non-current assets as at 31 December 2009 and 2008 consist of the followings and have been shown net of related accumulated amortisation:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Deferred overburden removal expenses	44,748,239	1,415,757	-	-
Deferred expenses - Indonesia coal mine project	331,196,080	230,664,204	-	-
Deferred right to receive the fee according to contract	114,883,904	118,275,000	114,883,904	118,275,000
Goodwill	185,999,788	189,855,987	-	-
Others	33,359,601	37,943,340	3,256,859	4,287,768
Total other non-current assets	<u>710,187,612</u>	<u>578,154,288</u>	<u>118,140,763</u>	<u>122,562,768</u>
Amortisation expenses included in the income statements for the year	<u>44,724,768</u>	<u>401,006,318</u>	<u>3,391,096</u>	<u>-</u>

## Acquisition of rights in coal produced and distributed from the concession area of PT. Singlurus Pratama.

On 6 March 2008, the Company acquired the rights to the first 15 million tons of coal produced and distributed from the concession area of PT. Singlurus Pratama (SGP) at a price of USD 0.75 per ton, in accordance with the Marketing and Technical Services Agreement and Services Agreement, which stipulates that PT. Indocoal Pratama Jaya (IPJ) is to receive a fee of USD 0.75 per ton of coal produced and distributed from SGP.

IPJ has an agreement with a creditor who provided it with financial support, whereby IPJ agreed to pay the creditor the fees it receives at a rate of USD 0.75 per ton for the first 15 million tons of coal produced and distributed from the SGP concession.

That creditor agreed to sell its right to the Company at a negotiated price of USD 3.75 million, or equivalent to Baht 118.28 million, with the Company making a lump sum payment. Such fees will be amortized according to the quantity of coal sold from SPG and the Company has already started to amortise the fee since July 2009.

### 15. Short-term loans from financial institutions

	Interest rate (percent per annum)	(Unit: Baht)			
		Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Short-term loans from financial institutions	1.65 - 2.25	422,000,000	181,000,000	28,000,000	81,000,000

### 16. Long-term loan from financial institutions

Loan	Interest rate (percent per annum)	Repayment schedule	(Unit: Baht)			
			Consolidated financial statements		Separate financial statements	
			2009	2008	2009	2008
1	4.85	Semi-annual installments as from October 2008	-	135,000,000	-	135,000,000
2	3.80 percent for the first 2 years and THBFIX reference rate plus 2.10 percent during third to seventh year	Semi-annual installments as from March 2012	76,000,000	-	-	-
Total			76,000,000	135,000,000	-	135,000,000
Less: Current portion			-	(90,000,000)	-	(90,000,000)
Long-term loan from financial institution - net of current portion			76,000,000	45,000,000	-	45,000,000

Movements in the long-term loans account during the year ended 31 December 2009 are summarised below.

	(Unit: Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Balance as at 1 January 2009	135,000,000	135,000,000
Add: Additional loan during the year	76,000,000	-
Less: Repayment during the year	<u>(135,000,000)</u>	<u>(135,000,000)</u>
Balance as at 31 December 2009	<u><u>76,000,000</u></u>	<u><u>-</u></u>

The loans of the Company are secured by mortgage part of its land with premises and machinery. However, during the year 2009, the Company has early repaid such loan in full amount before due date and redeemed all assets which were mortgaged with a bank to secure such loan as discussed in Note 11.

On 16 June 2009, a subsidiary company entered into a loan agreement with a local bank, obtaining loan facilities of Baht 900 million for the construction of ethanol production plant 2 and the purchase of machinery for this plant. The loans initially carry interest at a fixed rate of 3.80 percent per annum for the first 2 years, and THBFIX reference rate plus 2.10 percent per annum during third to seventh year. The loan is repayable within 7 years with grace period of 30 months and then to be repaid in 10 semi-annually installments of Baht 90 million each from March 2012 to October 2016. The loan is secured by the mortgage and pledge of those subsidiary's property, plant and part of its machinery as discussed in note 11.

The loan agreements contain covenants as specified in the agreement that, among other things, require such subsidiary company to maintain certain debt to equity and debt service coverage ratios according to the agreement.

## 17. Provision for employee benefit

Movements in the provision for employee benefit is shown as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Provision for employee benefit at the beginning of year	72,413,056	42,042,103	11,323,162	9,847,124
Current service cost during the year	9,809,592	62,006,379	647,377	1,476,038
Benefits paid during the year	(23,705,586)	(26,563,594)	-	-
Exchange rate alignment	(2,622,592)	(5,071,832)	-	-
Provision for employee benefit at end of year	<u>55,894,470</u>	<u>72,413,056</u>	<u>11,970,539</u>	<u>11,323,162</u>

## 18. Provident fund

The Company and a subsidiary and their 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 salaries and the Company and subsidiary also contribute a certain amount. The fund is managed by the Bank of Ayudhaya Public Co., Ltd.. Total contributions of the Company and subsidiary for the year ended 31 December 2009 amounted to Baht 4.3 million, the Company only Baht 3.1 million (2008: Baht 3.8 million, the Company only Baht 2.9 million).

## 19. Statutory reserve

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

## 20. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Depreciation and amortisation expenses	128,688,682	497,649,586	23,043,377	18,556,505
Raw materials and consumables used	327,787,603	491,248,558	-	-
Directors and management's remuneration	143,067,136	141,188,048	47,525,996	39,160,246
Salary, wages and other employee benefits	123,042,894	115,809,845	19,599,213	21,790,652
Electricity and fuel expenses	57,119,669	85,704,740	5,345,203	8,539,256
Allowance for diminution in value of inventory	-	62,734,255	-	62,734,255
Repair and maintenance expenses	53,422,478	39,220,007	6,495,935	7,901,307
Changes in inventories of finished goods and work in progress	(19,114,381)	104,788,996	271,491,702	(179,419,826)

## 21. Promotional privileges

Thai Agro Energy Public Company Limited, a subsidiary, has been granted the promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment as follows:

Certificate No.	1760(2)/2546	2078(9)/2551	1774(2)/2552
Date	26 December 2003	19 November 2008	8 October 2009
1. Promotional privileges for	Manufacturing Alcohol	Manufacturing ethanol (99.5%)	Manufacturing organic fertilizer
2. Significant privileges			
2.1 Exemption of corporate income tax for net income from promoted operation (commencing from the date of earning operating income) and exemption of income tax on dividend paid from the income of the operations throughout the period in which the corporate income tax is exempted	8 years (will expire on 30 January 2013)	8 years	8 years (will expire on 15 November 2017)
2.2 Allowance for carry-forward of annual loss from operations incurred during the exemption of corporate income tax on net income to offset with net income (after exemption period in 2.1)	5 years	5 years	5 years
2.3 Exemption of import duty of raw material or products for export commencing as from the first date of import.	1 year	1 year	1 year
3. Commencing date	31 January 2005	Not commenced yet	16 November 2009

As a promoted company, the subsidiary has to comply with certain conditions and restrictions provided for in the promotional certificate.

## 22. Dividends

Dividends paid by the Company during the year ended 31 December 2009 and 2008 are as follows:

Dividends	Approved by	Date of dividend payment	Total dividends	(Unit: Baht) Dividend per share
<b>2009</b>				
Final dividend for 2008	Annual General Meeting of the shareholders on 27 April 2009	29 May 2009	140,000,000	0.40
Interim dividend for 2009	Board of Directors' meeting on 16 November 2009	15 December 2009	175,000,000	0.50
Total for 2009			<u>315,000,000</u>	<u>0.90</u>
<b>2008</b>				
Final dividend for 2007	Annual General Meeting of the shareholders' meeting on 28 April 2008	28 May 2008	122,500,000	0.35
Interim dividend for 2008	Board of Directors' meeting on 20 October 2008	19 November 2008	140,000,000	0.40
Total for 2008			<u>262,500,000</u>	<u>0.75</u>

In addition, Annual General Meeting of the shareholders approved to set aside a general reserve of Baht 111 million (2008: Baht 142 million).

## 23. Earnings per share

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

## 24. Segment information

The Company and its subsidiaries' current main operations involve coal mining and manufacturing of ethanol, 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 financial statements for the years ended 31 December						Elimination of inter-segment revenues			
	Domestic coal business		Oversea coal business		Ethanol business		Others		Consolidation	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external customers	1,037,053,599	2,395,679,318	3,445,542,954	4,047,505,316	676,280,200	962,372,650	-	-	5,158,876,753	7,405,557,284
Intersegment revenues	49,910,029	45,571,785	162,298,947	158,582,403	-	-	(212,208,976)	(204,154,188)	-	-
<b>Total revenues</b>	<b>11,086,963,628</b>	<b>2,441,251,103</b>	<b>3,607,841,901</b>	<b>4,206,087,719</b>	<b>676,280,200</b>	<b>962,372,650</b>	<b>(212,208,976)</b>	<b>(204,154,188)</b>	<b>5,158,876,753</b>	<b>7,405,557,284</b>
Operating income	160,121,775	332,124,482	1,881,782,816	2,233,960,687	276,002,152	335,250,377	(51,184,436)	(41,220,519)	2,266,722,307	2,860,115,027
Unallocated income (expense)										
Reversal of provision for diminution in value of inventory									52,929,126	-
Gain on exchange									88,709,995	237,672
Other income									121,273,438	68,930,426
Share of income from associated company									1,207,983	9,353,170
Selling, service and distribution expenses									(764,883,893)	(1,049,871,264)
Administrative expenses									(294,785,100)	(487,043,930)
Management's remuneration									(143,067,136)	(141,188,048)
Finance cost									(24,309,248)	(26,185,725)
Withholding tax expenses									(21,307,446)	(31,336,218)
Corporate income tax									(250,447,211)	(351,325,068)
Minority interest of the subsidiaries									(377,432,243)	(380,513,161)
<b>Net income</b>									<b>654,610,572</b>	<b>471,172,881</b>
	Domestic coal business		Oversea coal business		Ethanol business		Others		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Assets employed	362,545,245	589,614,782	901,281,897	474,818,726	1,309,753,982	821,236,009	4,818,849	4,818,849	2,578,399,973	1,890,488,366
General corporate assets									1,772,152,149	1,904,665,701
<b>Total assets</b>									<b>4,350,552,122</b>	<b>3,795,154,067</b>

Transfer prices between business segments are as set out in Note 6 to the financial statements.



## **25. Significant contracts and agreements**

25.1 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.

25.2 PT. Citra Harita Mineral has signed the Coal Mining Cooperation Agreement with CV. Cahaya Tiara (CT) dated 15 June 2004 to have KP license to conduct exploration and produce coals in Indonesia. This license has the 2 years exploration period and can be extended 3 times for 1 year each time and also produce coals for 10 years and can be extended 2 times for 5 years each time. On 17 July 2008, the Supreme Court of Indonesia had decided to revoke the KP License so PT. Citra Harita Mineral had to cease its coal production in such KP license area.

25.3 On 30 August 2005, Lanna (Singapore) Pte. Ltd. and PT. Indocoal Pratama Jaya entered into a Share Purchase & Sale Agreement, whereby they jointly invested in coal mining in the concession area of PT. Singlurus Pratama. Lanna (Singapore) Pte. Ltd. will purchase 5,168 common shares, or 65 percent of paid-up capital of PT. Singlurus Pratama from PT. Indocoal Pratama Jaya for a total of USD 5.3 million.

As at 30 September 2005, Lanna (Singapore) Pte. Ltd. has paid USD 4.3 million or equivalent to Baht 178.9 million to PT. Indocoal Pratama Jaya in accordance with the Share Purchase & Sale Agreement and PT. Indocoal Pratama Jaya will pledge 7,155 shares, or 90 percent of the paid-up capital of PT. Singlurus Pratama with Lanna (Singapore) Pte. Ltd. in order to guarantee its performance under the agreements, until such time as Lanna (Singapore) Pte. Ltd. can directly hold 65 percent of the paid-up capital of PT. Singlurus Pratama. Lanna (Singapore) Pte. Ltd. will then free 1,987 of the shares, or 25 percent of paid-up capital, from pledge and return them to PT Indocoal Pratama Jaya.

On 1 July 2008, Lanna (Singapore) Pte. Ltd. received the transfer of ownership in ordinary shares at 65 percent of registered capital of PT. Singlurus Pratama.

25.4 On 16 October 2007, the Company and Siam City Cement Public Co., Ltd., a major shareholder, entered into a Cooperation Agreement, whereby the Company will sell the Lignite Coal Exploration Project in Petchaboon Province including the preliminary survey and exploration data and information to Siam City Cement Public Co., Ltd to further conduct detailed exploration and apply for the lignite mining concession right with the Authorities for commercial development and production of the lignite for Baht 40 million. The details of transactions and the payments are in accordance with the conditions as stipulated in the agreement.

25.5 On 25 April 2008, the Company and Saraburi Resources Pte. Ltd., which is incorporated in Singapore (which received the right to sell coal from PT. Saraburi Batu Hitum in Indonesia) entered into the Agreement for Sale and Purchase of Steam Coal, whereby the Company is to take delivery of coal for a term of about 2 years, and is to make advance payment amounting to USD 4 million to Saraburi Resources Pte. Ltd. On 6 May 2008, the Company made advance payment amounting to USD 2 million, or equivalent to Baht 63.46 million. Saraburi Resources Pte. Ltd. will refund the advance payment in the form of a deduction from the price of coal delivered to the Company, at a rate of USD 2 per ton, until the advance has been covered. Other conditions are specified in the agreements. PT. Saraburi Batu Hitum and two directors of Saraburi Resources Pte. Ltd. are guarantors for performance in accordance with the agreement, and a shareholder of PT. Saraburi Batu Hitum pledged 3,000 shares of PT. Saraburi Batu Hitum and shareholders of Saraburi Resources Pte. Ltd. pledged 10,000 shares as share charge to secure performance in compliance with the agreement.

Saraburi Resources Pte. Ltd. was obliged to start delivering coal within January 2009 but it was unable to comply with the agreement. The Company and this company have continuously negotiated to find a resolution for this issue, but no conclusion has been reached yet. For a prudent reason, the Company has set full allowance for doubtful account for this advance payment.

25.6 In 1997, PT. Singlurus Pratama 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 beginning at the commencement of the first mining operation in a total survey area of 24,760 hectares in Kutai, East Kalimantan, Indonesia. The subsidiary has a continuing obligation to pay a fee and compensation under the contract.

In March 2009, the subsidiary has received the consent from Indonesian government to start the production activities.

25.7 On 30 September 2008, PT. Singlurus Pratama and Siam City Cement Public Co., Ltd. entered into the Coal Supply Agreement, whereby PT. Singlurus Pratama will sell 2 shipments of coal of 35,000 metric tons each totaling to 70,000 metric tons to Siam City Cement Public Co., Ltd. with delivery schedule from October 2008 to June 2009. Siam City Cement Public Co., Ltd. made an advance payment amounting to USD 4 million, or equivalent to Baht 133 million to PT. Singlurus Pratama on 10 October 2008. PT. Singlurus Pratama will offset advance received with 2 shipments of coal of USD 2 million each. The other sales conditions are stipulated in the agreement. However, PT. Singlurus Pratama requested for extending the coal delivery completion to Siam City Cement Public Co., Ltd. from June 2009 to the end of 2010.

25.8 On 16 February 2009, PT. Citra Harita Mineral signed the Agreement on Coal Processing Service, Coal Loading Service and the Use of Jetty Facilities with a coal operator in Indonesia, for 2 years commencing April 2009. Services fees are charged at the rate as stipulated in the agreement.

## 26. Commitments and contingent liabilities

### 26.1 Capital commitments

As at 31 December 2009, a subsidiary had capital commitments, relating to purchase of machinery at the second ethanol production plant of approximately Euro 12.98 million or equivalent to Baht 624.71 million.

### 26.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, office building space, vehicles and other services. The terms of the agreements are generally between 1 to 5 years. As at 31 December 2009, future minimum rentals payable under these lease and services agreements are as follow:

	(Unit: Baht)	
Payable within	Consolidated financial statements	Separate financial statements
Less than 1 year	23,245,082	5,123,259
1 to 5 years	6,767,655	96,750
Total	<u>30,012,737</u>	<u>5,220,009</u>

### **26.3 Long-term service and purchase commitments**

- a) A subsidiary had signed Power Supply Agreement dated 1 December 2005 with a local company to purchase and sell electricity at the rate as stipulated in the agreement.
- b) As at 31 December 2009, a subsidiary had commitments under the purchase of molasses agreement with 15 year duration and the price is to be determined every 5 years commencing 2005 for the first year. The price for the first three years is stipulated in the agreement and for the fourth and fifth year, using the average actual market price of the first three years for comparison and the quantity to purchase and sales of molasses are stipulated in the agreement.
- c) A subsidiary had commitments under service agreement with a financial advisory company with regard to the consulting and financial advisory services for the subsidiary to list on the Stock Exchange of Thailand. The service fees are to be paid as stipulated in the agreement.
- d) A subsidiary had commitments under service agreement with regard to the consulting for the construction of ethanol production plant 2 of Baht 2.04 million.

### **26.4 Guarantees**

As at 31 December 2009, the Company and its subsidiary had bank guarantees of approximately Baht 2.53 million and the Company only Baht 2.33 million (31 December 2008: Baht 2.33 million and the Company only Baht 2.13 million) issued by banks on behalf of the Company and subsidiary in respect of certain performance bonds required in the ordinary course of business of the Company and subsidiary's business.

## 27. Litigation

27.1 In 2008, a company claimed that the Company did not comply with the sea coal transportation agreement dated 2 September 2008 for coal transportation from a harbor in Indonesia to Thailand. This company claimed a damage of USD 1.14 million or equivalent to Baht 39.95 million. There have been extensive negotiations with respect to the services but there is no written agreement. However, this company sued the Company in a US court and the Court froze cash of the Company which was to be paid to and received from the related companies for services, totaling USD 0.52 million or equivalent to Baht 17.50 million. However, in the second quarter of 2009, a US court cancelled the freezing of the cash of the Company and ordered it to be placed with the court instead. The Company recorded cash which was placed with court as assets awaiting for return from the court. However, for a prudent reason the Company has recorded loss which approximates the amount placed with court.

Subsequently, the Company received such money from the court in January 2010.

27.2 As at 31 December 2009, a subsidiary company in Indonesia had contingent liabilities in respect of lawsuits, claiming for damages of Rupiah 62,000 million or equivalent to approximately Baht 229 million, which were brought by an outside party in relation to rights over the land used by the subsidiary company for mining. On 8 April 2009, the Court of Samarinda rendered a judgment that the plaintiff has rights over the subsidiary's mined land. However, the court ordered the subsidiary company to pay only the trial fee amounting to Rupiah 0.66 million or equivalent to Baht 2,500. The plaintiff is in the course of filing a petition for the case. However, the subsidiary company's management believes that the case will be settled in its favour, and it will not suffer any significant losses as a result of the above litigation. Therefore, the subsidiary company has not made any loss provision for the lawsuit in its accounts.

## **28. Financial instruments**

### **28.1 Financial risk management**

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.32 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company and subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheets.

#### ***Interest rate risk***

The Company's and subsidiaries' exposure to interest rate risk relates primarily to their cash at banks and interest bearing loans, short-term and long-term borrowings. However, since most of financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2009 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
	(Million Baht)					
<b>Financial Assets</b>						
Cash and cash equivalent	-	-	490	-	490	0.05% -1.50%
Trade accounts receivable	-	-	-	400	400	-
Investments in associated company	-	-	-	20	20	-
Investments in debenture	-	1	-	-	1	4.75%
	-	1	490	420	911	
<b>Financial liabilities</b>						
Short-term loan form financial institute	422	-	-	-	422	1.65% -2.25%
Trade accounts payable	-	-	-	214	214	-
Amount due to related party	-	-	-	15	15	-
	422	-	-	229	651	

Long-term loans from bank initially carry interest at a fixed rate of 3.80 percent per annum for the first 2 years, and THBFIX reference rate plus 2.10 percent per annum during third to seventh year.

Separate financial statements

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
	(Million Baht)					
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	32	-	32	0.05%-0.50%
Trade accounts receivable	-	-	-	82	82	-
Amount due from related party	-	-	-	3	3	-
Investments in subsidiary and associated companies accounted for under cost method	-	-	-	918	918	-
Investments in debenture	-	1	-	-	1	4.75%
Long-term loan to subsidiary company	-	-	262	-	262	LIBOR+3%
	-	1	294	1,003	1,298	
<b>Financial liabilities</b>						
Short-term loan form financial institute	28	-	-	-	28	1.65%
Trade accounts payable	-	-	-	15	15	-
Amount due to related parties	-	-	-	88	88	-
	28	-	-	103	131	



### **Foreign currency risk**

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2009 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Exchange rate as at 31 December 2009	
	(Thousand)	(Thousand)	Buying rate	Selling rate
US dollar	8,928	189	33.2207	33.5168
SG dollar	-	3,639	23.5049	23.9525

Foreign exchange contracts outstanding at 31 December 2009 of the Company and its subsidiary company are summarised below.

Foreign currency	Bought amount	Contractual exchange rate
	(Million)	(Baht per 1 foreign currency unit)
EURO	2.28	48.00 - 49.35
US dollar	0.60	33.36

### **28.2 Fair values of financial instruments**

Since the majority of the Company's and subsidiary companies' financial assets and liabilities are short-term in nature or bear floating interest rates or fixed interest rates which are close to the market rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## 29. Capital management

The primary objectives of the Company's and subsidiaries' capital management are to ensure that they have an appropriate financial structure and preserve the ability to continue their business as a going concern.

According to the balance sheet as at 31 December 2009, the Company and its subsidiaries's debt-to-equity ratio was 0.52:1 (2008: 0.57:1) and the Company's was 0.11:1 (2008: 0.27:1).

## 30. Purchase of subsidiary

In 2008, Lanna Singapore Pte. Ltd. has invested in ordinary shares of new subsidiary namely PT. Singlurus Pratama. Book values of assets purchased and liabilities as at purchase dates are as follows:

	(Unit: Baht)
Cash and cash equivalents	9,936,827
Other current assets	13,478,126
Property, plant and equipment - net	6,249,053
Other non-current assets	205,755,119
Trade accounts payable	(8,478,746)
Accrued expenses	(6,709,432)
Other current liabilities	<u>(309,250,342)</u>
Net assets	(89,019,395)
Minority interest from acquisition of subsidiary company	<u>108,124,161</u>
Net assets from acquisition of subsidiary company	19,104,766
Add: Goodwill	<u>193,181,905</u>
Cash payment for purchase of investment in the period	212,286,671
Less: Cash and cash equivalents of subsidiary company	<u>(9,936,827)</u>
Net cash paid for acquisition of subsidiary company	<u><u>202,349,844</u></u>

### 31. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2008 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follow:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Sales and service	-	7,405,557,284	-	2,395,679,318
Sales	7,089,256,583	-	2,079,378,617	-
Services income	316,300,701	-	316,300,701	-
Cost of sales and services	-	4,503,750,096	-	2,109,126,621
Cost of sales	4,262,235,500	-	1,825,916,864	-
Cost of services	283,209,757	-	283,209,757	-
Selling, service and distribution expenses	1,049,871,264	1,108,846,463	228,071,865	235,502,124
Administrative expenses	487,043,930	610,948,940	180,404,163	212,134,150
Management's remuneration	141,188,048	-	39,160,246	-
Translation adjustments	(41,478,679)	(73,873,778)	-	-
Minority interests - equity attributable to minority shareholders of subsidiaries	301,956,985	334,352,084	-	-

### 32. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 24 February 2010.

**AUDIT FEES OF THE COMPANY AND SUBSIDIARIES**  
**FOR THE ACCOUNTING YEAR ENDED DECEMBER 31, 2009**

AUDIT FEE		
Company Paying the Fees	Auditor	Audit Fee
LANNA RESOURCES PUBLIC CO., LTD.	MS. KAMONTIP LERTWITWORATEP ERNST & YOUNG OFFICE LIMITED	Baht 1,000,000.00
THAI AGRO ENERGY PUBLIC CO., LTD.	MRS. SAIFON INKAEW ERNST & YOUNG OFFICE LIMITED	Baht 800,000.00
LANNA (SINGAPORE) PTE. LTD.	MS. YOON SOOK KIM FROM NEXIA TS PUBLIC ACCOUNTING CORPORATION	Baht 166,100.90 (Equivalent SGD 7,000)
PT. LANNA HARITA INDONESIA	MRS. WIDYA ARIJANTI FROM ERNST & YOUNG PURWANTONO SARWOKO & SANDJAJA	Baht 991,051.88 (Equivalent USD 29,700)
PT. CITRA HARITA MINERAL	MR. PUTU ASTIKA FROM KANTOR AKUNTAN JOHAN MALONDA ASTIKA & REKAN	Baht 70,941.00 (Equivalent Rp. 20,000,000)
PT. LANNA MINING SERVICES	MR. PUTU ASTIKA FROM KANTOR AKUNTAN JOHAN MALONDA ASTIKA & REKAN	Baht 173,805.45 (Equivalent Rp. 49,000,000)
PT. SINGLURUS PRATAMA	MR. HARI PURWANTONO FROM ERNST & YOUNG PURWANTONO SARWOKO & SANDJAJA	Baht 600,637.50 (Equivalent USD 18,000)

**Remarks:** Above audit fees do not include reimbursements from actual incurred expenses such as transportation charges, photocopies and facsimile charges.

NON-AUDIT FEE				
Company Paying Fees	Type of Service	Service Provider	Non-Audit Fee	
			Paid during Accounting Year	To be Paid in the Future
LANNA (SINGAPORE) PTE. LTD.	TAX AGENT	NEXIA TS PUBLIC ACCOUNTING CORPORATION	Baht 65,395.76 (Equivalent SGD 2,700)	Baht 64,067.49 (Equivalent SGD 2,700)

**Remarks:** Using exchange rate of Singapore Dollar (SGD) 1 = Baht 23.72870, US Dollar (USD) 1 = Baht 33.36875 and Indonesian Rupiah (Rp) 1 = Baht 0.00354705

## MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements of Year 2009)

### (1) REVENUES

Description	Year 2009		Year 2008		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales Revenue from coal and transportation service	4,539.36	83.72	6,443.19	86.20	(1,903.83)	(29.55)
Sales Revenue from Ethanol	672.45	12.40	962.37	12.87	(289.92)	(30.13)
Other Revenue	209.98	3.88	69.17	0.93	140.81	203.57
<b>Total Revenues</b>	<b>5,421.79</b>	<b>100.00</b>	<b>7,474.73</b>	<b>100.00</b>	<b>(2,052.94)</b>	<b>(27.47)</b>

The Company's total revenues in 2009 were Baht 5,421.79 million, a decrease from the previous year by Baht 2,052.94 million or a decrease of 27.47 percent, due to the following reasons.

(1) The Company's revenues from coal sales and transportation service in 2009 were Baht 4,539.36 million or 83.72 percent of the total revenues, which decreased from previous year by Baht 1,903.83 million or a decrease of 29.55 percent. This was due to the decrease in coal sales volume and coal sales price from the previous year by 26.92 percent and 6.73 percent, respectively. The main reasons were that the Coal Mine Project No.1 in Indonesia temporarily stopped its mining operation for land rehabilitation and improvement and therefore, generated no revenue during the 1<sup>st</sup> quarter of 2009. Also, Coal Mine Project No. 2, had to stop its mining operation from the middle of 2008 with the mining concession license revoked by the Supreme Court of Indonesia; while the recently developed Coal Mine Project No. 3 has just commenced its coal production and distribution since the 3<sup>rd</sup> quarter of 2009. Therefore, it has not yet generated enough to compensate for all the revenues.

(2) The Company's revenues from sales of ethanol in 2009 was Baht 672.45 million or 12.40 percent of the total revenues, which decreased from the previous year by Baht 289.92 million or a decrease of 30.13 percent. This was due to the decrease in ethanol sales volume as compared to the previous year by 36.07 percent but average ethanol sales price increased from the previous year by only 9.30 percent.

(3) The Company's other revenues in 2009 was Baht 209.98 million or 3.88 percent of the total revenues, which increased from the previous year by Baht 140.81 million or an increase of 203.57 percent. This was due to foreign exchange gain and increase in revenues from transportation and port services for coal transport of the subsidiary company.

## (2) EXPENSES

Description	Year 2009		Year 2008		Increase/(Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
<b>Coal Business</b>						
Cost of sales and transportation	2,491.87	54.89	3,918.32	60.81	(1,426.45)	(36.40)
Selling and administrative expenses	1,137.62	25.06	1,639.49	25.45	(501.87)	(30.61)
Financial Expenses	23.35	0.51	17.41	0.27	5.94	34.12
Corporate income tax	271.76	5.99	382.67	5.94	(110.91)	(28.98)
<b>Ethanol Business</b>						
Cost of sales and transportation	400.28	59.53	627.12	65.16	(226.84)	(36.17)
Selling and administrative expenses	65.12	9.68	38.61	4.01	26.51	68.66
Financial Expenses	0.96	0.14	8.78	0.91	(7.82)	(89.07)

### (A) Expenses from the Coal Business, consisting of:

(1) Cost of coal sales and transportation in 2009 decreased from the previous year by Baht 1,426.45 million or a decrease of 36.40 percent due to a decrease in coal sales volume by 26.92 percent and the cost of coal sales and transportation decreased in average per ton by 9.30 percent.

(2) Selling and administrative expenses in 2009 decreased from the previous year by Baht 501.87 million or a decrease of 30.61 percent due to the decrease in coal sales volume as described above.

(3) Financial expenses in year 2009 increased from previous year by Baht 5.94 million or an increase of 34.12 percent due to the increase in interest expense.

(4) Corporate income tax in 2009 decreased from the previous year by Baht 110.91 million or a decrease of 28.98 percent. Although the profit increased, the subsidiary company in Indonesia operating the Coal Mine Project No. 3 still had deficit carried over from the previous year, which could be considered as a tax deductible expense.

### (B) Expenses from the Ethanol Business, consisting of:

(1) Cost of ethanol sales in 2009 decreased from the previous year by Baht 226.84 million or a decrease of 36.17 percent, due to the decrease in the ethanol sales volume from the previous year by 36.07 percent.

(2) Selling and administrative expenses in 2009 increased from the previous year by Baht 26.51 million or an increase of 68.66 percent, due to fact that the ethanol plant stopped its ethanol production in the 4<sup>th</sup> quarter year 2009 causing the increase in administrative expenses and cost.

(3) Financial expenses in 2009 decreased from the previous year by Baht 7.82 million or a decrease of 89.07 percent due to the decrease in interest expense.

(4) There was no corporate income tax on earnings from the ethanol business, having received the Board of Investment Promotion.

### (3) PROFIT

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Year 2009</b>						
Sales Revenue	4,539.36	100.00	672.45	100.00	5,211.81	100.00
<u>Less</u> Cost of Sale	2,491.87	54.89	400.28	59.53	2,892.15	55.49
<b>Gross Profit</b>	<b>2,047.49</b>	<b>45.11</b>	<b>272.17</b>	<b>40.47</b>	<b>2,319.66</b>	<b>44.51</b>
<b>Year 2008</b>						
Sales Revenue	6,443.19	100.00	962.37	100.00	7,405.56	100.00
<u>Less</u> Cost of Sale	3,918.32	60.81	627.12	65.16	4,545.44	61.38
<b>Gross Profit</b>	<b>2,524.87</b>	<b>39.19</b>	<b>335.25</b>	<b>34.84</b>	<b>2,860.12</b>	<b>38.62</b>

#### (A) Gross Profit

The Company's overall gross profit margin in 2009 was 44.51 percent of the sales revenue, which increased from the previous year that had a gross profit margin of 38.62 percent of the sales revenue, due to the following reasons.

(1) In 2009, the Company's gross profit margin from the coal business was 45.11 percent of the sales revenue, which increased from the previous year that had the gross profit margin of 39.19 percent of the sales revenue. This was due to the decrease in cost of coal sales and coal transportation.

(2) In 2009, the Company's gross profit margin from the ethanol business was 40.47 percent of the sales revenue, which increased from previous year that had the gross profit margin of 34.84 percent of sales revenue, due to the average increase of ethanol sales price of 9.30 percent.

Net Profit	Year 2009		Year 2008		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business	287.74	43.96	175.21	37.19	112.53	64.23
Profit from Ethanol Business	155.68	23.78	217.44	48.15	(61.76)	(28.40)
Share of income from investment in associated companies and other revenues	211.19	32.26	78.52	16.66	132.67	168.96
<b>Net Profit</b>	<b>654.61</b>	<b>100.00</b>	<b>471.17</b>	<b>100.00</b>	<b>183.44</b>	<b>38.93</b>
<b>Net Earnings per Share-Baht per Share</b> (Registered par value of Baht 1 per share)	<b>1.87</b>		<b>1.35</b>		<b>0.52</b>	<b>38.93</b>



## **(B) Net Profit**

The Company's net profit in 2009 was Baht 654.61 million (net earnings of Baht 1.87 per share). In comparison with 2008 with the net profit of Baht 471.17 million (net earnings of Baht 1.35 per share), the net profit increased by Baht 183.44 million or an increase (net earnings per share increase of Baht 0.52 per share) or an increase of 38.93 percent due to the following reasons.

(1) In 2009, Company's net profit from the coal business was Baht 287.74 million or 43.96 percent of the total net profit, which increased from the previous year by Baht 112.53 million or an increase of 64.23 percent, due to the decrease in the cost of coal sales and transportation, including selling and administrative expenses and corporate income tax in higher proportion than the decrease in revenues, as described above.

(2) In 2009, Company's net profit from the ethanol business was Baht 155.68 million or 23.78 percent of the total net profit, which decreased from the previous year by Baht 61.76 million or a decrease of 28.40 percent, due to the decrease in ethanol sales volume as described above.

(3) In 2009, the shares of income from investment in the associated companies and other revenues were Baht 211.19 million or 32.26 percent of the total net profit, which increased from the previous year by Baht 132.67 million or an increase of 168.96 percent as described above.

## **(C) EBITDA**

The Company's EBITDA (Earnings before interest expenses, corporate income tax, depreciation and amortization) in 2009 was Baht 1,456.80 million. In comparison with from previous year with the EBITDA of Baht 1,758.19 million, it decreased by Baht 301.39 million or a decrease of 17.14 percent due to financial expenses, corporate income tax, depreciation and amortization, which decreased from the previous year by 53.14 percent, although there was the increase in net profit as described above.

## **(D) Earnings Efficiency**

(1) The Company's net profit margin in 2009 was 19.04 percent of the total revenues. When compared with the previous year with the net profit margin of 11.39 percent of the total revenues, the net profit margin increased by 67.06 percent due to the increase in net profit.

(2) The Company's EBITDA margin in 2009 was 26.87 percent of the total revenues. When compared with the previous year with the EBITDA margin of 23.52 percent of the total revenues, the EBITDA margin increased by 14.24 percent due to the increase in net profit.

(3) The Company's average return on equity in 2009 was 28.94 percent. When compared with the previous year with the average return on equity of 23.78 percent, the return on equity increased by 21.74 percent due to the increase in net profit.

(4) The Company's return on total assets in 2009 was 25.34 percent. When compared with the previous year with the return on total assets of 23.86 percent, the return on assets increased by 6.19 percent. The return on fixed assets in 2009 was 81.91 percent, which was a slight decrease from the previous year with a return on fixed assets of 84.25 percent. The asset turnover ratio in 2009 was at 1.33 times, which was lower than the previous year having the asset turnover ratio of 2.09 times.

#### (4) FINANCIAL STATUS

Description (Unit : Million Baht)	Unit: Million Baht			%
	As at December 31, 2009	As at December 31, 2008	Increase (Decrease)	
Total Assets	4,350.55	3,795.15	555.40	14.63
Total Liabilities	1,491.39	1,376.86	114.53	8.32
Total Shareholders' Equity	2,859.16	2,418.29	440.87	18.23
<b>Book Value-Baht per Share</b> (Registered par value of Baht 1 per share)	<b>6.88</b>	<b>6.04</b>	<b>0.84</b>	<b>13.84</b>

##### (A) Assets

The Company's total assets as at end of 2009 increased from the end of 2008 by Baht 555.40 million or an increase of 14.63 percent, consisting of:

(1) Current assets increased from the previous year by Baht 234.56 million or an increase of 12.16 percent, due to the following reasons.

(1.1) Cash and cash equivalent decreased from the previous year by Baht 325.87 million or a decrease of 39.96 percent, due to increase in the payment of corporate income tax and accrued expenses of subsidiary companies.

(1.2) Accounts receivable increased from the previous year by Baht 0.77 million or an increase of 0.19 percent.

(1.3) The inventories increased from the previous year by Baht 92.59 million or an increase of 27.06 percent.

(1.4) Other current assets increased from the previous year by Baht 467.16 million or an increase of 125.55 percent due to the increase in advance payment of corporate income tax and cash deposit for payment of raw materials of the subsidiary companies.

(2) Non-current assets increased from the previous year by Baht 320.75 million or an increase of 17.19 percent, due to an increase of fixed assets of the Coal Mine Project No. 3 in Indonesia.

## (B) Liabilities

The Company's total liabilities as at end of 2009 increased from the end of 2008 by Baht 114.53 million or an increase of 8.32 percent, consisting of:

(1) Current liabilities increased from the previous year by Baht 100.04 million or an increase of 7.94 percent, due to the following reasons.

(1.1) Trade accounts payable decreased from the previous year by Baht 5.16 million or a decrease of 2.20 percent.

(1.2) Short term and long term loans with payment due within one year increased from the previous year by Baht 151 million due to the increase in short term loan for working capital used in the purchase of raw materials of the subsidiary company.

(1.3) Advance payment received from sales increased from the previous year by Baht 10.08 million or an increase of 8.11 percent.

(1.4) Other current liabilities decreased from the previous year by Baht 55.88 million or a decrease of 8.88 percent due to the decrease of corporate income tax payable of the subsidiary companies.

(2) Non-current liabilities increased from the previous year by Baht 14.49 million or an increase of 12.34 percent due to the increase in long term loan payment of the subsidiary company.

## (C) Total Shareholders' Equity

The total shareholders' equity of the Company as at end of 2009 increased from the end of 2008 by Baht 440.87 million or an increase of 18.23 percent, resulting in the increase of share's book value from Baht 6.04 per share to Baht 6.88 per share. This is due to increase of net income of Baht 654.61 million but there was a dividend payment of Baht 315 million. There were translation adjustments in the financial statements that were in foreign currency, which increased by Baht 46.83 million and the minority shareholders' equity increased by Baht 148.09 million.

## (5) CASH FLOWS

Description	Unit: Million Baht	
	Year 2009	Year 2008
Cash Flows from Operating Activities	540.41	1,504.44
Cash Flows from (used in) Investing Activities	(458.35)	(536.23)
Cash Flows from (used in) Financing Activities	(361.34)	(566.15)
Translation Adjustments in Financial Statements Increase/(Decrease)	(46.59)	29.39
Net Increase (Decrease) in Cash	(325.87)	431.45
Cash at the beginning of the period	815.46	384.01
Cash at the ending of the period	489.59	815.46
Net Cash Flow Return on Equity (%)	22.35	66.75

(A) In 2009, the Company's net cash from operating activities was at Baht 540.41 million, consisting of:

(1) Net income before tax and interest payment of Baht 1,303.80 million.

(2) Transactions that did not affect the cash such as the depreciation and amortization of Baht 96.15 million, of which were mainly the amortization of overburden removal of coal mines in Indonesia.

(3) Operating assets increased from the previous year by Baht 379.96 million due to the increase in cash deposits for payments of raw materials.

(4) Operating liabilities increased from the previous year by Baht 137.59 million due to the increase in outstanding corporate income tax.

(5) Interest income increased by Baht 12.21 million but there were increases in interest expenses and taxes of Baht 629.38 million.

(B) In 2009, the Company's net cash used in investment activities was Baht 458.35 million due to the increase in property, plant and equipment of Baht 277.74 million. Other assets such as expenses for coal mine projects in Indonesia increased by Baht 180.61 million.

(C) In 2009, the Company's net cash used in financing activities was Baht 361.34 million. This was due to the net increase in loan of Baht 182 million, dividend payment of Baht 532.98 million, and the decrease in the minority shareholders' equity of Baht 10.36 million

In summary, the Company's main sources of cash were from the sales of coal and ethanol with ability to collect the bills on time. The net cash flow return on equity in 2009 was at 22.35 percent.

## **(6) LIQUIDITY**

(A) In 2009, the Company's overall liquidity was considered in good standing having a current ratio as at end of 2009 at 1.59 times but a quick ratio was at 0.65 times, due to the fact that the subsidiary company had an increased amount of short term loans used as its working capital for the purchase of the raw material, molasses, during the beginning of sugar milling season at the end of 2009. However, the Company and its subsidiary companies still have adequate credit line for working capital in the future.

(B) In 2009, the Company's cash cycle was at 48 days, an increase from the previous year by 18 days. The average credit term was at 28 days, an increase of 1 day from the previous year and the average sales period was 49 days, an increase from the previous year by 22 days but the average period receivable was at 29 days, or a decrease of 5 days from the previous year.

## **(7) BORROWING AND DEBT PAYMENT CAPABILITY**

The Company's total debt to equity ratio as at end of 2009 was as low as 0.52 to 1. Therefore, the borrowing capacity remains high should additional funding be required for project investment in the future, having the interest coverage ratio at 54.63 times, which was considered quite a high ratio and therefore, should have no problem concerning with the default of interest payment.

## INVESTMENT POLICY AND DIRECTION

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### **Coal Business:**

PT. Singlurus Pratama, a subsidiary company registered in Indonesia, with Lanna Resources Public Co., Ltd. holding 65 percent of the paid-up capital, conducts business in coal mining, having been granted the coal concession license for a total area of approximately 21,466 hectares or around 134,162.50 rai in Kutai Regency, East Kalimantan, Indonesia, for a concession period of 30 years (2009 to 2039). The coal concession area has been divided into 4 different main coal deposits or blocks as follows:

(1) Sungai Merdeka Block: This coal deposit area has approximately 10 million tons of mineable coal reserve. About 430,069.22 tons of coal have already been produced and distributed in 2009. Coal production capacity for this block is currently at approximately 2 million tons per year.

(2) Argosari Block: The mineable coal reserve for this coal deposit area has also been estimated at 10 million tons. Currently, the development of this Argosari Block has already been started in order to meet the production and distribution target in 2011. The coal production capacity from this block will be at 2 million tons per year, initially. Construction of port and jetty to conveniently transport coal out into the sea has been planned, trying to achieve relatively low cost of production as this coal deposit area is situated right next to the ocean shoreline.

(3) Margomulyo Block: Exploration activities for this coal deposit block have been planned to commence at end of 2010 and coal production and distribution from this coal deposit is expected to begin in 2011.

(4) Mutiara Block: Exploration activities for this coal deposit block are expected to start in 2011 and if it is later found that coal production and distribution from this coal deposit area is technically and economically feasible, this Mutiara Block shall be put under development plan in due course.

The budget for the exploration and development activities for the above coal deposit blocks within the coal concession area of PT. Singlurus Pratama for the next 5 years has been estimated at over Baht 500 million, according to the plan and targets as described above.

### **Ethanol-for-Fuel Business:**

Thai Agro Energy Public Co., Ltd., a subsidiary company with Lanna Resources Public Co., Ltd. holding 75.75 percent of the paid-up capital, has planned for the following projects to increase its potential and advantage in the ethanol production and distribution for bio-fuel purposes.

#### **(1) Improvement of the Ethanol Production Line No. 1 (TAE-1 Modification)**

Due to a tendency of future shortage of the raw material, molasses, Thai Agro Energy Public Co., Ltd. has planned to improve the ethanol production process of its current Production Line No. 1 (TAE-1 Modification) to be able to accept various types of raw materials (Multi-Feed Ethanol Plant) such as cassava, sugarcane, high test molasses, etc., to attain security and flexibility in the management of raw materials corresponding to future and changing demand and supply of the agricultural raw materials. Should certain type of raw material becomes expensive, another type of cheaper raw material may be used in order to achieve the lowest production cost and be more competitive in the ethanol market in long term. If the preliminary feasibility study shows that technical upgrade of the Production Line No. 1 is possible, this project should be implemented during 2010-2011 period with an estimated budget of Baht 700 million.

## (2) Construction of Ethanol Production Line No. 2 (TAE-2 Ethanol Plant)

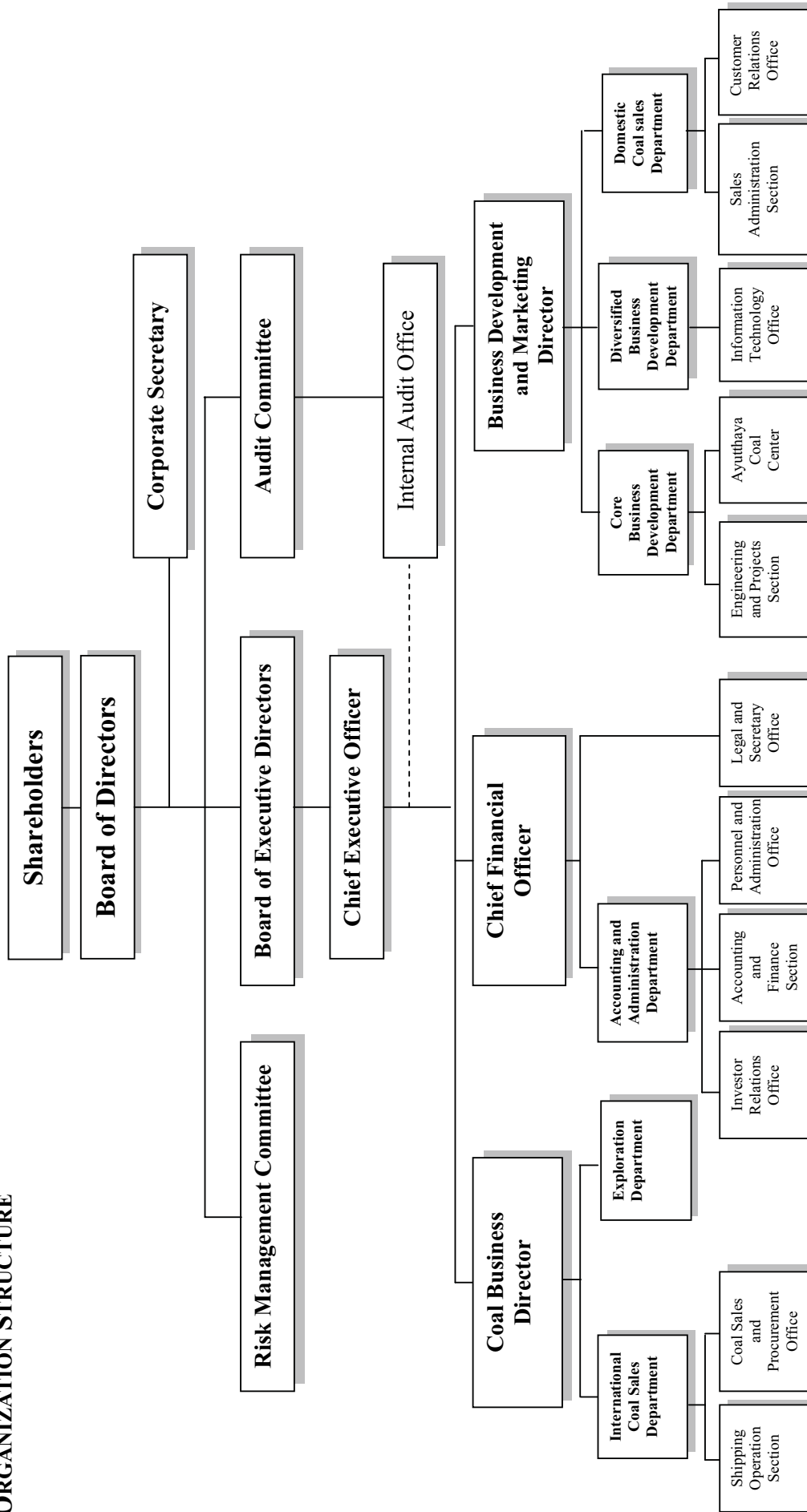
Thai Agro Energy Public Co., Ltd. has been granted the permit for the expansion of ethanol production capacity for additional 200,000 liters per day with the construction of Ethanol Production Line No. 2 (TAE-2 Ethanol Plant) in an area adjacent to the existing ethanol production plant, Ethanol Production Line No. 1, in Dan Chang District, Suphanburi Province. The new ethanol production line will be able to accept and utilize various types of raw materials such as cassava, sugarcane, high test molasses, etc. Synergy with the existing Ethanol Production Line No. 1 may be benefited from joint utilization of the ethanol storage and delivery systems as well as the effective use and cooperation of existing manpower and management system. This project has received investment promotion privileges according to the Investment Promotion Act B.E. 2520. This project shall incorporate the “zero discharge” concept for its wastewater treatment system by not discharging any effluents into the environment and utilizing the biogas produced from the wastewater treatment process, using anaerobic treatment system, as fuel to produce over 80 percent of steam for the boilers in the ethanol production process. The utilization of the biogas reduces the use of fossil fuel and amount of greenhouse gas into the atmosphere conform with the Clean Development Mechanism (CDM) program. The estimated budget for this project is Baht 1.5 billion, which has already been commenced in 2009 with its completion and ethanol production expected at the beginning of 2011. This project should provide additional revenue and profit for the Company in the future.

## (3) Research and Development of Cassava as Raw Material for Ethanol Production

In order to obtain supply of cassava that is steady in quantity, quality and price, which will be used as the raw material for ethanol production process in the future, Thai Agro Energy Public Co., Ltd. has, therefore, started the cassava research and development project with objectives to select and develop specific types of cassava that can achieve high production yield and possess special characteristics especially suitable for ethanol production process. In addition, the objectives also include the development of low-cost cassava harvest system and implementation of contract farming system with the farmers for the procurement of cassava within the target areas of 4 provinces including Suphanburi, Uthaitхани, Kanchanaburi and Chainart, including establishment of cassava drying space and facilities to support the process of cassava within the contract farming network. Accordingly, the production and yield of cassava from the abovementioned schemes is targeted to cover no less than 60 percent of the requirement for its own ethanol production process within 2014. The estimated budget for this project is Baht 200 million for the next 5 years according to the plan and target as described above.

SHAREHOLDING STRUCTURE AND MANAGEMENT

ORGANIZATION STRUCTURE





## Major Shareholders and Shareholding Proportion

Major shareholders and their respective shareholding percentages as at December 1, 2009, which was the date for listing the names of shareholders having right to receive the interim dividend, are as follows:

List of Shareholders	Number of Shares	Proportion (%)
(1) Siam City Cement Public Co., Ltd. Group	157,867,720	45.11
(2) Sirirungsi Group	28,100,000	8.03
(3) Tantisunthorn Group	22,634,760	6.47
(4) Limsong Group	22,159,640	6.33
(5) Thai NVDR Co., Ltd.	5,579,100	1.59
(6) Somers (U.K.) Limited	4,886,200	1.40
(7) Mrs. Praphai Lertpanichayakul	4,100,000	1.17
(8) Chase Nominee Limited 1	4,029,969	1.15
(9) Mr. Kiartisak Mesaplak	2,992,600	1.94
(10) State Street Bank and Trust Company for London	2,788,500	1.40
(11) Other Shareholders	95,611,511	27.32
<b>Total</b>	<b>350,000,000</b>	<b>100.00</b>

- The group of “Siam City Cement Public Co., Ltd.” and its executives is the largest shareholder, comprising of Siam City Cement Public Co., Ltd., Mr. Paul Heinz Hugentobler and Mr. Vanchai Tosomboon, holding a total of 157,867,720 shares or 45.11 percent of the paid-up capital and all shares with voting right, having two representing directors; namely, Mr. Paul Heinz Hugentobler and Mr. Vanchai Tosomboon, whom are non-executives and non-authorized Directors.

- The “Sirirungsi” group is the second largest shareholder, comprising of Mr. Kraisi Sirirungsi and Mrs. Vassana Sirirungsi holding a total of 28,100,000 shares or 8.03 percent of the paid-up capital and all shares with voting right, having one representing director; namely, Mr. Kraisi Sirirungsi, whom is the Executive Chairman and Company’s authorized Director.

- The “Tantisunthorn” group is the third largest shareholder, comprising of Mr. Rak Tantisunthorn, Mr. Tawee Tantisunthorn, Mr. Visit Tantisunthorn, Mr. Tanat Tantisunthorn, Mrs. Puangpen Tissayakorn, Mr. Boonlieng Tantisunthorn, Mrs. Mullika Intusuth, Mrs. Nalinee Rattanavadi, Mrs. Malee Tantisunthorn, Ms. Wanida Tantisunthorn, Mrs. Sumruay Tantisunthorn, Ms. Siriphan Tissayakorn and Mr. Visuth Tantisunthorn, holding a total of 22,634,760 shares or 6.47 percent of the paid-up capital and all shares with voting right, having two representing two directors; namely, Mr. Visit Tantisunthorn, whom is the Executive Director but non-authorized director, and Mr. Tanon Tantisunthorn, whom is a non-executive and non-authorized Director.

- The “Limsong” group is the fourth largest shareholder, comprising of Mr. Somkiart Limsong, Gypsum Industry Co., Ltd., Ms. Somsri Limsong and Mr. Jaroonphan Limsong, holding a total of 22,159,640 shares or 6.33 percent of the paid-up capital and all shares with voting right, having one representing director; namely Mr. Somkiart Limsong, whom is the Chairman of the Board and has no relationship with the management.

The investors may look at the current information on the major shareholders and shareholding proportion (which is the list of shareholders having right to attend the Annual General Meeting of Shareholders Year 2010) from the Company’s website, [www.lannar.com](http://www.lannar.com), prior to the Annual General Meeting of Shareholders Year 2010.

## Management Structure

- The Management structure of the Company comprises of the Board of Directors, Committees, Executives and Corporate Secretary.
- The Company has three committees comprising of the Board of Executive Directors, Audit Committee and Risk Management Committee.

### The Board of Directors

- The Board of Directors consists of 13 Directors, including 5 Executive Directors, 4 Non-Executive Directors and 4 Independent Directors and Audit Committee Members, accounting for 4 in 13 of the total number of the Board of Directors. The name, position and photograph of each Director are shown on Page 2-3 of this Annual Report.

- The Company has established the qualifications of the Independent Directors the same as the minimum requirements of the Securities and Exchange Commission (SEC) regarding the shareholding in the Company such that the Independent Director must not hold more than 1 percent of total voting shares of the Company. Accordingly, the Independent Director must possess the following qualifications.

- (1) Holding shares not more than one percent of all shares with voting rights of the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company, which shall be inclusive of the shares held by related persons of the particular Audit Committee Member.

- (2) Not being or used to be the director who takes part in the management of the Company, employee, staff member, advisor who receives a regular salary, or a controlling person of the Company, holding company, subsidiary company, associated company, subsidiary company of the same level, major shareholder, or controlling person of the Company, except having been out of the above position for at least two years prior to the appointment. Nevertheless, such prohibited characteristic does not include the case where the independent director who used to be a civil servant or an advisor to the Government which is the major shareholder or controlling person of the Company.

- (3) Not being a person who is related by blood or by law as a parent, spouse, sibling and child including a child's spouse, to any management member, major shareholder, controlling person or the person whom has been proposed to become the management member or controlling person of the company or subsidiary company.

- (4) Not having or used to have business relationship with the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company, in a way which may prevent independent judgment, as well as not being or used to be the significant shareholder or controlling person of the entity having business relationship with the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company, except having been out of the above position for at least two years prior to the appointment.

- (5) Not being or used to be the auditor of the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company, and not being significant shareholder, controlling person or managing partner of the audit firm with staff being the auditor of the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company in the firm, except having been out of the above position for at least two years prior to the appointment.

(6) Not being or used to be the service provider in any professions including legal advisor or financial advisor receiving the service fee exceeding Baht 2 million per year from the Company, holding company, subsidiary company, associated company, major shareholder, or controlling person of the Company, and not being significant shareholder, controlling person or partner of the such professional service provider, except having been out of the above position for at least two years prior to the appointment.

(7) Not being the director who has been appointed as the representative of the Company, major shareholder or shareholder whom is related to the major shareholder of the company.

(8) Not being an entrepreneur in any business similar to or material competing with the Company or its subsidiary company or not being the material partner in partnership, executive director, employee, staff, advisor who receives salary or holds no more than 1 percent of total number of shares with voting right of the company similar to or material competing with the Company or its subsidiary company.

(9) Having no other characteristic which may prevent from giving independent opinions concerning with the business operation of the Company.

After having been appointed as the Independent Director with qualifications in paragraph (1) to (9), the Independent Director may be assigned by the Board of Directors to make decision in the business operation of the Company, holding company, subsidiary company, associated company, subsidiary of the same level, major shareholder or controlling person of the Company, based on the collective decision.

In the event that the person appointed by the Company as the independent director is the person whom has or used to have business relationship or is a provider of professional service with service fee exceeding the amount under the first paragraph of (4) or (6), the Board of Directors may consider for the allowance if it is deemed that the appointment of such person has no impact on the performance of duties and independence of opinions, and the Company has disclosed the following information within the invitation to the shareholders' meeting in the agenda concerning the consideration of the appointment of independent director.

(A) Characteristics of the business relationship or professional service, which have made such person to have the qualification not conforming to the established criteria.

(B) Reason and necessity for maintaining or appointing such person as the independent director.

(C) Opinions of the board of directors for proposing for the appointment of such person as the independent director.

- Name list and number of Directors who have been authorized to sign on behalf of the Company are Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, two out of four Directors sign affixed with the Company's seal.

- The term for the directorship position is in accordance with the Public Limited Companies Act B.E. 2535 and the Company does not establish the maximum number of consecutive terms of directorship position.

- Normally, the Board of Directors holds meeting at least once for every two months (one meeting every other month) and will occasionally hold extraordinary meeting in case of important or urgent matter. In 2009, there were 8 meetings altogether.

Director's Name	Position	Meeting Attendance in 2009
(1) Mr. Somkiart Limsong	Chairman of the Board	8 out of 8
(2) Mr. Paul Heinz Hugentobler	Director	2 out of 8
(3) Mr. Vanchai Tosomboon	Director	7 out of 8
(4) Mr. Anan Siripong	Director	8 out of 8
(5) Mr. Tanon Tantisunthorn	Director	6 out of 8
(6) Mr. Padoong Techasarintr	Independent Director/Audit Committee Chairman	7 out of 8
(7) Mrs. Duangkamol Suchato	Independent Director/Audit Committee Member	7 out of 8
(8) Mr. Adul Tantharatana	Independent Director/Audit Committee Member	8 out of 8
(9) Mr. Kraisi Sirirungsi	Director/Executive Chairman	8 out of 8
(10) Mr. Suroj Subhasavasdikul	Director/Executive Director	8 out of 8
(11) Mr. Visit Tantisunthorn	Director/Executive Director	5 out of 8
(12) Mr. Pilas Puntakosol	Director/Executive Director	8 out of 8
(13) Mr. Anun Louharanoo	Director/Executive Director/Secretary	8 out of 8

- The Board of Directors has the authority, duties and responsibilities in the management of the Company by conducting its duties honestly, in compliance with all laws, the objects and the articles of association of the Company, and the resolutions of any shareholder meetings in good faith, and with care to preserve the interests of the Company. In summary, the authorization and responsibilities are as follows:

(1) The Board of Directors has adopted the Company's direction, objectives, business plan and budget, as well as monitor and supervises 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:

(1.1) Establishment of Company's organization structure to have the management and operation system that are highly effective and efficient.

(1.2) 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.

(1.3) 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, not including transactions that need approval from the Shareholders according to the regulations established by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand.

(1.4) 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.

(1.5) Arrangement for preparation of balance sheets and statement of income at end of the Company's accounting period in order for a review and verification by the auditor appointed by the shareholders before presenting the matter for approval by the shareholders' meeting.

(1.6) 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.

(1.7) Consideration for the establishment of Company's policies, direction, objectives, vision, mission and values and other important matters that may impact Company's financial status and operating results presently or in the future.

(2) 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.

(2.1) The Board of Directors has appointed and assigned the Board of Executive Directors 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.

(2.2) The Chief Executive Officer shall assign and establish duties to each department and employee level in descending 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 both short term and long term objectives.

(2.3) The management shall arrange 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 considering problems and obstacles encountered in the operation (if any) from time to time.

(2.4) The management has issued 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.

(2.5) 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 changing circumstances.

(2.6) The Board of Directors has established 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.



(2.7) The Board of Directors has established the Audit Committee in accordance with the rules and regulations established by the Stock Exchange of Thailand with duties and responsibilities to oversee that the operations are trustworthy and beneficial to all related parties.

(2.8) The Board of Directors has established the Risk Management Committee with duties and responsibilities to consider any problems and risk factors which may impact Company's operation and seek measures to mitigate or minimize the risks.

(2.9) 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.

(2.10) The Board of Directors has appointed a Company secretary including working team with responsibilities to oversee activities of the directors and shareholders in accordance with the relevant laws and related regulations.

(3) 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:

(3.1) 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.

(3.2) 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.

(3.3) 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.

(4) Arrangement of the Annual General Meeting of Shareholders within 4 months after the end of accounting period of the Company and convene extraordinary shareholders' meeting as necessary for the operation.

(5) Become aware of the importance of good corporate governance by adhering to the principles of fairness and integrity, accountability, responsibility and transparency, and promoting equitable treatment, as well as gaining faith from all the stakeholders, focusing on building value to the business and persons sharing the benefit in long term in order for sustainable growth and development of the Company.

In addition, the Board of Directors also has scope of authorities and duties to oversee that the Company operates in compliance with the Securities and Exchange laws, including announcements and/or regulations of the Stock Exchange of Thailand such as connected transactions, acquisition or disposition of important assets, etc., as well as complying with all relevant laws concerning the business of the Company.

(6) The Board of Directors of the Company may assign duties and responsibilities to the Committees, individual or several Directors or other persons to perform certain matter on behalf of the Board of Directors under supervision of the Board of Directors according to terms and time period deemed appropriate and necessary for Company's business operation. The Board of Directors may cancel, revoke or change the authorized person or such authority when deemed appropriate.

Such assignment of authority in above paragraph must not be in the way of granting authority which will enable the Committee or authorized person to approve transaction that may have any conflict, stake, or conflict of interest with the Company or affiliated companies, except for the approval of transactions which are in accordance with the policy and criteria that the Board of Directors has already approved.

(7) The meeting of the Board of Directors must be held at least once every 3 months and there must be an annual assessment on the performance of the Board of Directors.

(8) In addition, each director must adhere to and perform as follows:

(A) must not operate the business that is of the same nature and in competition with the business of the Company or become a partner in ordinary partnership limited or unlimited partner in the partnership limited or be a director of a private company or other juristic company operating in the same nature and in competition with the Company, regardless of doing it for the benefit of oneself or for the others in the way of having stake or receiving financial or management benefit.

(B) must inform the Company without delay if there is any conflict of interest, whether direct or indirect, in the contract that the Company or affiliated company engage in, or holding more or less shares or other securities in the Company or affiliated company.

### **The Board of Executive Directors**

- The Board of Executive Directors consists of 5 persons whom have been appointed by the Board of Directors, having list of names and position as follows:

<b>Executive Director's Name</b>	<b>Position</b>	<b>Meeting Attendance in 2009</b>
1) Mr. Kraisi Sirirungsi	Executive Chairman	12 out of 12
2) Mr. Suroj Subhasavasdikul	Executive Director	12 out of 12
3) Mr. Visit Tantisunthorn	Executive Director	4 out of 12
4) Mr. Pilas Puntakosol	Executive Director	9 out of 12
5) Mr. Anun Louharanoo	Executive Director and Secretary	12 out of 12

- Normally, the Board of Executive Directors holds at least one meeting every month and occasionally holds extraordinary meeting in the case of important or urgent matters. In 2009, there were 12 meetings altogether.

- The board of directors has assigned the duties and responsibilities of the board of executive directors, as described below.

#### **(1) Duties and Responsibilities**

(1.1) To effectively control, monitor and supervise the day-to-day management of the Company, in accordance with the resolutions of the shareholders' meeting/Board of Directors and the Company's objectives and articles of association so as to maximize Company's benefits for short and long-term period.



(1.2) 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 within 30 days before the end of the year.

(1.3) To manage the Company according to the policy 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.

(1.4) To report operating results to the Board of Directors once every quarter.

(1.5) 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.

(1.6) 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.

(1.7) To undertake or carry out certain individual tasks as assigned by the board of directors.

## **(2) Financial Authorities**

(2.1) Having authority to approve daily and normal expenses according to the expenses and manpower budget plan as approved by the Board of Directors, including expenses obligated by the contracts between the Company and authorities and external parties and/or expenses as stipulated by the laws.

(2.2) Having authority to purchase/hire for fixed assets and/or transactions which are not considered normal business operation according to the budget plan as approved by the Board of Directors within Baht 5 million each time per one transaction.

(2.3) Having authority to obtain a loan for the business of the Company within the credit amount and under conditions and terms which have been approved by the Board of Directors. In the case that the assets of the Company must be used for loan guarantee, the matter must be approved by the Board of Directors every time, except for the following matters that are considered normal transaction, having authority in every case.

(2.3.1) Opening of Letter of Credit (L/C) including Trust Receipt and Shipping Guarantee for the purchase/hire of item from overseas.

(2.3.2) Obtaining bank guarantee of commercial bank and/or financial institution as guarantee for contractual obligation of the Company with the authorities and external parties.

(2.3.3) Execution of risk protection contracts on foreign currencies such as forward exchange contracts, etc. but only in the case that the Company has contractual obligation that must make payment in foreign currencies.

(2.4) Approving of advance payment for the employee for use in the Company's business as follows:

(2.4.1) For expenses according to contractual obligation or by laws and/or as already approved by the Board of Directors for the advance to actual payment such as land cost, electricity tariff and other utilities' expenses, royalties and taxes, etc.

(2.4.2) For items other than in (2.4.1) must be approved for not more than Baht 1,000,000 (one million Baht) each time or per item.

(2.5) Having authority to set provision and/or write off bad debt of the Company at not more than Baht 100,000 (one hundred thousand Baht) each time or per item during each financial year, not exceeding Baht 1,000,000 (one million Baht) overall in the financial year, and report the matter to the Board of Directors once every quarter.

(2.6) Having authority to write off inventory and/or damaged or lost assets, including sale and/or make compensation at not more than Baht 100,000 (one hundred thousand Baht) each time and not more than Baht 1,000,000 (one million Baht) overall in a financial year, and report the matter to the Board of Directors once every quarter.

### **(3) Production Authorities**

(3.1) To establish production target and plan for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 days before the end of year.

(3.2) To plan and perform production in accordance with the plan and target as approved by the Board of Directors at the lowest cost. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the first opportunity.

(3.3) To establish target and strategy for additional exploration or acquisition of coal deposits or other minerals that have commercial benefits in order to increase production and distribution potential of the Company in the future and for Company's business expansion and long term and sustainable growth.

### **(4) Marketing Authorities**

(4.1) To establish target, plan and strategy for the marketing the products for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 days before the end of year.

(4.2) To plan and distribute products in accordance with the plan and target as approved by the Board of Directors in order for the Company to maintain or increase its market share, as well as to increase and maximize the revenue and profit. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the first opportunity.

(4.3) Having authority to establish pricing and conditions for the sales and service of the Company.

(4.4) Having authority to purchase/hire for production and/or to import products for selling in order for the Company to maintain or increase its market share, as well as increase and maximize the revenue and profit.

(4.5) Having authority to sell products and service both domestically and overseas by entering into contractual obligation of not more than 5 years, including appointment of sales representative of not more than 2 years each time.

### **(5) Employment Authorities**

(5.1) Having authority to establish suitable number of manpower or employees in line with the Company's business operation, as well as, to set salaries and wages, compensations and bonuses for every employee at every level according to the manpower and budget as approved by the Board of Directors.

(5.2) Having authority to employ, appoint, transfer, remove and terminate every employee and every level, except for the position of Chief Executive Officer, who may be appointed and removed by the Board of Directors.

(5.3) Having authority to establish job regulations and benefits for the employees of the Company following the criteria, conditions and budget as approved by the Board of Directors.

#### **(6) Authorities concerning Legal Case and Contract**

(6.1) Having authority to execute only the contract that is considered normal daily business operation according to the budget approved by the Board of Directors, not more than 3 years each time.

(6.2) Having authority to file a legal case and put up a defense for the benefit of the Company by reporting to the Board of Directors for acknowledgement at every meeting and when the legal case occurs.

#### **(7) Authorities concerning Projects**

(7.1) To consider and perform preliminary feasibility study of the project that is deemed beneficial to the Company's business operation in the future and/or providing satisfactory return in long term.

(7.2) To consider hiring consultants for the projects within the budget approved by the Board of Directors.

(7.3) If the project is found to be feasible after the project's feasibility study, detailed information of the project is to be presented to the Board of Directors for consideration and approval before execution.

(7.4) For the approved project, the scope of authorities are as follows:

(7.4.1) To establish operation plan, budget and target in order to achieve objectives or internal rate of return as expected.

(7.4.2) Having authority to contact, negotiate and execute a memorandum of understanding concerning with the joint venture, with term period of not more than 1 year.

(7.4.3) Shareholders' Agreement and establishment of a joint venture company must be approved by the Board of Directors before execution.

(7.5) To report on the progress of the approved projects to the Board of Directors for acknowledgement at every meeting.

#### **(8) Other Matters**

(8.1) Meeting quorum and discussions including voting in the Board of Executive Directors are to be adapted from the procedures of the Board of Directors.

(8.2) Matters that exceed the scope of duties and authorities of the Board of Executive Directors above are to be proposed to the Board of Directors for consideration and approval.

(8.3) The Board of Executive Directors has authority to appoint representative or assign the Executive Director and any employee of the Company, any position or anyone to act on behalf of the Board of Executive Directors, within the scope of duties and responsibilities which deemed appropriate on a case by case basis.

## 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:

### (1) Qualifications

(A) Must be Independent Director of the Company

(B) Must not be the Director assigned by the Board to make business operation decision of the Company, holding company, subsidiary company, associated company, subsidiary of the same level, or corporate with possible conflict, except that the decision is made based on the collective decision.

(C) Must not be the Director of the holding company, subsidiary company or subsidiary of the same level for only the listed company.

(D) Possesses sufficient knowledge and expertise to perform duties as the Audit Committee Member. Nonetheless, at least one member of the Audit Committee must have sufficient knowledge and expertise to perform and review a reliability of the financial statements.

### (2) Composition

The Audit Committee, approved by the Board of Directors, consists of at least 3 members, comprising of 1 Audit Committee Chairman, and at least 2 Audit Committee members, having the qualifications as stated in (1) above. The Audit Committee shall appoint appropriate person for Secretary to the Audit Committee. The Audit Committee consists of the following members:

Audit Committee	Position	Meeting Attendance in 2009
(1) Mr. Padoong Techasarintr	Audit Committee Chairman	13 out of 13
(2) Mrs. Duangkamol Suchato	Audit Committee Member	13 out of 13
(3) Mr. Adul Tantharatana	Audit Committee Member	10 out of 13
(4) Mrs. Wanna Chomkhokkrud	Secretary	13 out of 13

Remarks: Audit Committee Member No. 1 and No. 2 above possess knowledge and expertise to perform and review the reliability of the financial statements.

Normally, the Audit Committee holds at least one meeting every month and occasionally holds extraordinary meeting when there are important or urgent matters. In 2009, there were 13 meetings altogether.

### (3) Office Term

The member of the Audit Committee (including the Audit Committee Chairman) has a 3-year term each. The member of the Audit Committee who is retired by rotation may be re-appointed.

### (4) Duties and Responsibilities of the Audit Committee

(A) To review that the disclosure of information in the Company's financial reports are correct and adequate.

(B) To review that the Company has established appropriate and effective internal control system and internal audit system and observe the independence of the internal audit unit, as well as to approve the appointment, transfer and dismissal of the head of the internal audit unit or any other units responsible for the internal audit.

(C) To review that the Company abides by the law and regulations of the Securities and Exchange and the regulations of the Stock Exchange of Thailand, or any relevant laws governing the Company's business.

(D) To select and propose for appointment of the Company's auditor and the audit fee based on the trustworthiness, adequacy of the resources and audit work amount by the audit firm, as well as work experience of the personnel assigned to perform the financial audit of the Company; and to attend a meeting with the auditor without the presence of the management for at least once a year.

(E) To consider the connected transactions or transactions that may involve conflict of interest in accordance with the laws and regulations of the Stock Exchange of Thailand to ensure that such transactions are appropriate and most beneficial to the Company.

(F) To prepare the Report of the Audit Committee and disclose the report in the Company's Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2). The Report of the Audit Committee must be signed by the Chairman of the Audit Committee and must at least contain the following information.

(1) Opinions concerning with the correctness, completeness and trustworthiness of the financial reports of the Company.

(2) Opinions concerning with the adequacy of the Company's internal control system.

(3) Opinions concerning with the Company's compliance with the law and regulations of the Securities and Exchange and regulations of the Stock Exchange of Thailand, or any law governing the Company's business.

(4) Opinions concerning with the appropriateness of the auditor.

(5) Opinions concerning with the transactions that may involve conflict of interest.

(6) The number of the Audit Committee's Meetings and attendance record for each of the Audit Committee Members.

(7) Opinions or overall observation that the Audit Committee has received by performing according to the Charter of the Audit Committee.

(8) Other reports which should be acknowledged by the shareholders and general investors under the duties and responsibilities assigned from the Board of Directors of the Company.

(G) To periodically present the Report of the Audit Committee to the Company's Board of Directors for at least once every quarter.

(H) To perform other activities as delegated by the Company's Board of Directors with consent from the Audit Committee.

(5) Within the duties performed by the Audit Committee, should any of the following transactions or actions be found or suspected to have significant impact to the Company's financial status and operating results, the Audit Committee shall report to the Company's Board of Directors so that the matter may be resolved within the time period that the Audit Committee deem appropriate.

(A) Transaction having conflict of interest

(B) Illegal conduct or irregularity or significant deficiency in the internal control system.

(C) Violation of laws relating to the Securities and Exchange, regulations of the Stock Exchange of Thailand or laws relating to Company's business.

Should the Company's Board of Directors or executives did not resolve the matter within the established time period, any one of the Audit Committee may report of the said transaction or action to the Securities and Exchange Commission or the Stock Exchange of Thailand.

(6) 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 Risk Management Committee**

The Risk Management Committee consists of executives from all departments of the Company, and appointed by the Board of Directors, as follows:

<b>Risk Management Committee</b>	<b>Position</b>	<b>Meeting Attendance in 2009</b>
(1) Mr. Pilas Puntakosol	Chairman	12 out of 12
(2) Mr. Anun Louharanoo	Member	12 out of 12
(3) Mr. Srihasak Arirachakaran	Member	11 out of 12
(4) Mr. Vacharachai Nachailert	Member	10 out of 12
(5) Mr. Prasert Promdech	Member	10 out of 12
(6) Mr. Prachum Ketwong	Member	9 out of 12
(7) Mrs. Petcharat Chayanon	Member	12 out of 12
(8) Mr. Saharat Vatanatumrak	Member	12 out of 12
(9) Mr. Sommart Jaroernsubsakul	Member	6 out of 12
(10) Mrs. Wanna Chomkhokkrud	Member and Secretary	12 out of 12

- Normally, the Risk Management Committee holds at least one meeting every month and occasionally holds extraordinary meeting. In 2009, there were 12 meetings altogether.

- 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 Executives of the Company

The Executives of the Company includes Chief Executive Officer and first four persons in management positions below Chief Executive Officer and also include all those persons who are in the equivalent positions as management level four and persons who are in the management level involving accounting and finance from manager level up or equivalent. The Company's executives consist of 11 persons with names and position as follows.

Executive	Position
(1) Mr. Kraisi Sirirungsi	Chief Executive Officer
(2) Mr. Pilas Puntakosol	Coal Business Director
(3) Mr. Anun Louharanoo	Chief Financial Officer
(4) Mr. Srihasak Arirachakaran	Business Development and Marketing Director
(5) Mrs. Petcharat Chayanon	Senior Manager-Accounting and Administration
(6) Mr. Prasert Promdech	Senior Manager-International Coal Sales
(7) Mr. Vacharachai Nachailert	Senior Manager-Domestic Coal Sales
(8) Mr. Tanat Tantisunthorn	Senior Manager-Marketing Development
(9) Mr. Sudusit Ounsangchan	Senior Manager-Core Business Development
(10) Mr. Saharat Vatanatumrak	Senior Manager-Diversified Business Development
(11) Mr. Thanakris Tejawarongkha	Manager-Exploration

- The Chief Executive Officer has the following scope of duties and responsibilities:

### (1) Duties and Responsibilities

(1.1) To effectively control, monitor and supervise the day-to-day management of the Company, in accordance with the resolutions of the Shareholders' Meeting/Board of Directors/Board of Executive Directors and Company's objectives and articles of association so as to maximize Company's benefits for short and long-term period.

(1.2) 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 within 30 days before the end of the year.

(1.3) To manage the Company according to the policy 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.

(1.4) To report operating results to the Board of Executive Directors once every month and prepare summary report for the Board of Directors once every quarter.

(1.5) 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.

(1.6) 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.

(1.7) To undertake or carry out certain individual tasks as assigned by the Board of Directors/Board of Executive Directors on a case by case basis.



## **(2) Financial Authorities**

(2.1) Having authority to approve daily and normal expenses according to the expenses and manpower budget plan as approved by the Board of Directors, including expenses obligated by the contracts between the Company and authorities and external parties and/or expenses as stipulated by the laws.

(2.2) Having authority to purchase/hire for fixed assets and/or transactions which are not considered normal business operation according to the budget plan as approved by the Board of Directors within Baht 2 million each time per one transaction.

(2.3) Having authority to obtain a loan for the business of the Company within the credit amount and under conditions and terms which have been approved by the Board of Directors. In the case that the assets of the Company must be used for loan guarantee, the matter must be approved by the Board of Directors every time, **except** for the following matters that are considered normal transaction, having authority in every case.

(2.3.1) Opening of Letter of Credit (L/C) including Trust Receipt and Shipping Guarantee for the purchase/hire of item from overseas.

(2.3.2) Obtaining bank guarantee of commercial bank and/or financial institution as guarantee for contractual obligation of the Company with the authorities and external parties.

(2.3.3) Execution of risk protection contracts on foreign currencies such as forward exchange contracts, etc., but only in the case that the Company has contractual obligation that must make payment in foreign currencies.

(2.4) Approving of advance for the employee for use in the Company's business as follows:

(2.4.1) For expenses according to contractual obligation or by laws and/or as already approved by the Board of Directors for the advance to actual payment such as land cost, electricity tariff and other utilities' expenses, royalties and taxes, etc.

(2.4.2) For other items besides (2.4.1) must be approved for not more than Baht 500,000 (five hundred thousand Baht) each time or per item.

(2.5) Having authority to set provision and/or write off bad debt of the Company at not more than Baht 50,000 (fifty thousand Baht) each time or per item during each financial year, and not exceeding Baht 1,000,000 (one million Baht) overall in the financial year, and report the matter to the Board of Executive Directors once every month.

(2.6) Having authority to write off inventory and/or damaged or lost assets, including sale and/or make compensation at not more than Baht 50,000 (fifty thousand Baht) each time and not more than Baht 1,000,000 (one million Baht) overall in a financial year, and report the matter to the Board of Executive Directors once every month.

## **(3) Production Authorities**

(3.1) To establish production target and plan for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 days before the end of year.

(3.2) To plan and perform production in accordance with the plan and target as approved by the Board of Directors at the lowest cost. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the first opportunity.

(3.3) To establish target and strategy for additional exploration or acquisition of coal deposits or other minerals that have commercial benefits in order to increase production and distribution potential of the Company in the future and for Company's business expansion and long term and sustainable growth, as established by the Board of Executive Directors.

#### **(4) Marketing Authorities**

(4.1) To establish target, plan and strategy for the marketing the products for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 days before the end of year.

(4.2) To plan and distribute products in accordance with the plan and target as approved by the Board of Directors in order for the Company to maintain or increase its market share, as well as to increase and maximize the revenue and profit. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the first opportunity.

(4.3) Having authority to establish pricing and conditions for the sales and service of the Company as established by the Board of Executive Directors and/or according to the contractual obligation with every customer.

(4.4) Having authority to purchase/hire for production and/or to import products for selling in order for the Company to maintain or increase its market share, as well as increase and maximize the revenue and profit, after the approval by the Board of Executive Directors.

(4.5) Having authority to sell products and service both domestically and overseas by entering into contractual obligation of not more than 3 years, including appointment of sales representative of not more than 1 year each time.

#### **(5) Employment Authorities**

(5.1) Having authority to establish suitable number of manpower or employees in line with the Company's business operation, as well as, to set salaries and wages, compensations and bonuses for every employee at every level according to the manpower and budget as approved by the Board of Directors, **except** for employee of director level and above which must be approved by the Board of Executive Directors first.

(5.2) Having authority to employ, appoint, transfer, remove and terminate every employee and every level, except for employee of director level and above which must be approved by the Board of Executive Directors first.

(5.3) Having authority to establish job regulations and benefits for the employees of the Company following the criteria, conditions and budget as approved by the Board of Directors.

#### **(6) Authorities concerning Legal Case and Contract**

(6.1) Having authority to execute only the contract that is considered normal daily business operation according to the budget approved by the Board of Directors, not more than 1 year each time.

(6.2) Having authority to file a legal case and put up a defense for the benefit of the Company by reporting to the Board of Directors for acknowledgement at every meeting and when the legal case occurs.

#### **(7) Authorities concerning Projects**

(7.1) To consider and perform preliminary feasibility study of the project that is deemed beneficial to the Company's business operation in the future and/or providing satisfactory return in long term.

(7.2) To consider hiring consultants for the projects within the budget approved by the Board of Directors.

(7.3) If the project is found to be feasible after the project's feasibility study, detailed information of the project is to be presented to the Board of Directors for consideration and approval before execution.

(7.4) For the approved project, the scope of authorities are as follows:

(7.4.1) To establish operation plan, budget and target in order to achieve objectives or internal rate of return as expected.

(7.4.2) Having authority to contact, negotiate and execute a memorandum of understanding concerning with the joint venture, with term period of not more than 1 year.

(7.4.3) Shareholders' Agreement and establishment of a joint venture company must be approved by the Board of Directors before execution.

(7.5) To report on the progress of the approved projects to the Board of Directors for acknowledgement at every meeting.

#### **(8) Other Matters**

(8.1) Any matters that must be proposed for approval and/or to obtain approval from the Board of Directors, Chief Executive Officer will propose to the Board of Executive Directors for consideration before proposing to the Board of Directors.

(8.2) Matters that exceed the scope of duties and authorities of the Chief Executive Officer above are to be proposed to the Board of Executive Directors for consideration and approval.

(8.3) The Chief Executive Officer may give authorities any employee of the Company, any position or anyone to act on behalf within the scope of duties and responsibilities which deemed appropriate on a case by case basis.

### **Corporate Secretary**

The Board of Directors has appointed Mr. Anun Louharanoo as the Corporate Secretary of the Company having the scope of duties and responsibilities of the Corporate Secretary as follows:

(1) Provide initial suggestions to the Directors concerning with rules, regulations and regulations of the Company and monitor the operation for compliance including report of any significant changes.

(2) Arrange the Shareholder's Meeting and Board of Directors' Meeting according to laws and regulations as well as relevant laws of the authorities.

(3) Prepare the minutes of the Shareholders' Meeting and Board of Directors' Meeting, including monitor that the resolutions from the Shareholders' Meeting and Board of Directors' Meeting are followed.

(4) Supervise on the disclosure of information and report within scope of responsibilities according rules and regulations established by the Stock Exchange of Thailand and Securities and Exchange Commission.

(5) Prepare and Safekeeping of the following documents:

(5.1) Directors' Registry

(5.2) Board of Directors' Meeting Invitations and Minutes

(5.3) Shareholders' Meeting Invitations and Minutes

(5.4) Company's Annual Reports

(6) Safekeeping of the reports of stake/interest which are reported by the Directors and Executives.

(7) Supervise on the activities of the Board of Directors and perform other matters according to laws or assigned by the Board of Directors.

### Information on Employees

In 2009, the Company and its affiliated companies have the following number of employees and employees-related expenses.

Description	Year 2009		
	Company Only	Affiliated Companies	Total
Number of Employees as at End of Year (Persons)	68	526	594
Employees-Related Expenses per Year (Million Baht)	56.60	166.86	223.46

Remunerations paid to the employees in 2009 comprises of monthly salaries, wages, bonuses or annual remunerations, provident fund contributions and other welfares, which may be both paid on a monthly fixed basis and vary according to the operating results and performance.

The Company and the affiliated companies give priorities to the development and improvement of personnel, modern technology system for the operation corresponding to the changing conditions to sustain long term growth with quality and stability.

The Board of Directors of Lanna Resources Public Co., Ltd. has established regulations concerning training and development of employees and has enrolled the executives in the Master of Business Administration Program and other courses at reputable universities.

## Information on Directors and Executives

### Mr. Somkiart Limsong

**Positions:** Chairman of the Board  
**Age:** 69 years  
**Nationality:** Thai



**Education:**

- MBA., Harvard Business School
- Certificate: Thai Institute of Directors Association Director Accreditation Program (DAP) Class 5/2003

**Shareholding in Company and Affiliates as at December 31, 2009:**

- Holding 19,041,640 shares in Lanna Resources Plc. or 5.44 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

1997-Present: Chairman, Limsong Co., Ltd.  
1994-2001 : Chairman, Gulf Electric Plc.  
1968-1999 : Last Position: Vice-Chairman of the Board, President, Executive Chairman and Managing Director of Siam City Cement Public Co., Ltd.

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### Mr. Paul Heinz Hugentobler

**Positions:** Director  
**Age:** 61 years  
**Nationality:** Swiss



**Education:**

- Harvard Business School International Senior Management Program
- Graduate School of Economics and Business of St. Gallen, Switzerland Lic. Oec. HSG (Master Degree)
- Swiss Federal Institute of Technology, Zurich B.Sc. in Civil Engineering

**Shareholding in Company and Affiliates as at December 31, 2009:**

- Holding 151,400 shares in Lanna Resources Plc. or 0.04 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2005- Present: Director, Holcim Group Support Ltd.  
2004- Present: Director, Holcim Participations Ltd.  
2001- Present: Member of the Executive Committee, Holcim Ltd.  
2001- Present: Director, Holcim (Thailand) Ltd.  
1999- Present: Director, Siam City Cement Public Co., Ltd.  
1998- Present: Director, Holcim Capital (Thailand) Ltd.  
1998-Present: Director, Thai Roc-Cem Ltd.

## Mr. Kraisi Sirirungsi

**Positions:** Director, Executive Chairman, Chief Executive Officer,  
Authorized Director

**Age:** 60 Years

**Nationality:** Thai

**Education:**

- Bachelor of Engineering (Mining Engineering and Mining Geology)  
Chulalongkorn University
- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 39/2005
- The National Defence Course for the Joint State-Private Sectors.  
Thailand National Defence College Year 1999, Class 4212



**Shareholding in Company and Affiliates as at December 31, 2009**

- Holding 6,100,000 shares under his name and 22,000,000 shares under spouse's name, totaling 28,100,000 shares in Lanna Resources Pcl. or 8.03 percent of all shares with voting right
- Holding 31,100,950 shares or 5.18 percent of all shares with voting right in Thai Agro Energy Pcl., (subsidiary)

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

- 2008-Present : Commissioner, PT. Singlurus Pratama, (Subsidiary)
- 2007-Present : Vice Chairman, Thai Agro Energy Pcl. (Subsidiary)
- 2006-Present: President Commissioner, PT. Lanna Mining Services, (Subsidiary)
- 2004-Present: Commissioner, PT. Citra Harita Mineral, (Subsidiary)
- 2003-Present: Commissioner, PT. Lanna Harita Indonesia, (Subsidiary)
- 1997-Present: Chairman, Lanna (Singapore) Pte.Ltd. (Subsidiary)
- 1996-Present: Director, United Bulk Shipping Pte.Ltd. (Associated Company)

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## Mr. Suroj Subhasavasdikul

**Positions:** Director, Executive Director, Authorized Director

**Age:** 67 Years

**Nationality:** Thai

**Education:**

- Ph.D. in Chemical Engineering Institute Du Genie Chimique, France
- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 39/2005



**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

- 2006-Present: Vice Chairman, Thai Agro Energy Public Co., Ltd.
- 2004-Present: Independent Director, Royal Porcelain Pcl.
- 1997-Present: Director, Lanna (Singapore) Pte. Ltd. (Subsidiary)
- 1996-Present: Director, United Bulk Shipping Pte. Ltd. (Associated Company)

## Mr. Anan Siripong

**Positions:** Independent Director

**Age:** 67 Years

**Nationality:** Thai



### Education:

- M.Ch.E. Louisiana State University, Baton Rouge, Louisiana, USA
- M.E.S. Lamar State College of Technology, Beaumont Texas, USA
- B.Sc Technical Technology in Chemical Engineering Chulalongkorn University, Thailand
- Certificate: Thai Institute of Directors Association  
Director Certification Program (DP) Class 23/2003
- Advance Training on Industrial Management Delf University-Netherlands 1977

**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

1990-2008: Advisor, Banpu Public Co., Ltd.

2005-2008 : Director, BLCP Power Limited

1997-2006 : Director, The Aromatics (Thailand) Pcl.

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## Mr. Visit Tantisunthorn

**Positions:** Director, Executive Director

**Age:** 51 Years

**Nationality:** Thai



### Education:

- B.A. (Statistics), Chulalongkorn University
- MBA, University of Wisconsin-Madison
- Certificate: Thai Institute of Directors Association  
Director Certification Program (DCP) Class 17/2001
- The National Defence Course for the Joint State-Private Sectors.  
Thailand National Defence College Year 2004

### Shareholding in Company and Affiliates as at December 31, 2009

- Holding 4,287,000 shares in Lanna Resources Plc. or 1.22 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

### Family Relationship with Executives:

- Cousin of Mr. Tanon Tantisunthorn, Company's Director
- Cousin of Mr. Tanat Tantisunthorn, Company's Senior Manager-Market Development

### Past 5-Year Experiences:

2006-2009: Director, IRPC Plc.

2005-2009: Chairman, Royal Porcelain Plc.

2001-2009: Director, Tippaya Insurance Plc.

2001-2009: Secretary General, Government Pension Fund



## **Mr. Padoong Techasarintr**

**Positions:** Audit Committee Chairman, Independent Director

**Age:** 70 Years

**Nationality:** Thai

### **Education:**

- Bachelor Degree : Science in Accounting and Commerce, Thammasart University
- Certificate: Thai Institute of Directors Association
  - The Role of Chairman Program (RCM) Class 6/2002
  - Director Accreditation Program (DAP) Class 3/2003
  - Director Certification Program (DCP) Class 55/2005



**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

### **Past 5-Year Experiences:**

2006-Present : Director, Panel Décor Company Limited

2004-Present : Director, Panel Plus Company Limited

2003-Present : Director, Singburi Sugar Company Limited

2000-Present : Independent Director/Audit Committee Member, Kulthorn Kirby Pcl.

1999-Present : Independent Director/Audit Committee Member, C.P. All Pcl.

1999-Present : Independent Director/Audit Committee Chairman, Textile Prestige Pcl.

1997-Present : Director, Furnish Board Company Limited

1994-Present : Independent Director/Audit Committee Chairman, Thanulux Pcl.

1991-Present : Independent Director/Audit Committee Member, Thai Nam Plastic Pcl.

1991-Present : Director, MP Particle Board Company Limited

1991-Present : Director, Mitr Phol Sugar Corporation Limited

1988-Present : Director, Than Tao Mahaprom Foundation Erawan Hotel

1984-Present : Chairman, T K Wax Company Limited

1977-Present : Director, Thai Castor Oil Company Limited

## Mr. Adul Tantharatana

**Positions:** Independent Director, Audit Committee Member  
**Age:** 70 Years  
**Nationality:** Thai



### Education:

- Bachelor of Engineering (Mechanical), Chulalongkorn University
- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 3/2003  
Director Certification Program (DCP) Class 38/2003  
Audit Committee Program (ACP) Class 4/2005  
Finance for Non-Finance Director (FN) Class 7/2003  
DCP Refresher Course (RE DCP) Class 1/2008

**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

2003-2005 : Director, Siam Gypsum Industry Co., Ltd.  
1997-2004 : Director, Lafarge Prestia Co., Ltd.  
1989-1999 : Director, Sakdi Chaityasit Co., Ltd.  
1988-1996 : President, Siam Industrial Corporation Ltd.

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## Mrs. Duangkamol Suchato

**Positions:** Independent Director, Audit Committee Member  
**Age:** 64 Years  
**Nationality:** Thai



### Education:

- B.A. (Accounting), Thammasart University
- Certificate: Thai Institute of Directors Association  
Director Certification Program (DCP) Class 91/2007  
Director Accreditation Program (DAP) Class 64/2007  
Audit Committee Program (ACP) Class 71/2007

**Shareholding in Company and Affiliates as at December 31, 2009:**

- Holding 120,000 shares in Lanna Resources Plc. or 0.03 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

2007-Present : Independent Director, Royal Porcelain Pcl.  
2007-2009: Audit Committee Member, Royal Porcelain Pcl.  
1999-2002: Independent Director and Audit Committee Member, Karat Sanitaryware Pcl.

## Mr. Vanchai Tosomboon

**Positions:** Director

**Age:** 61 Years

**Nationality:** Thai



### **Education:**

- Master in Business Management, Asian Institute of Management
- Bachelor of Law, Thammasat University
- Certificate “Senior Management Program, Institute of Management Development (IMD) Switzerland Year 2006
- Certificate “Breakthrough Program for Senior Executives”, Institute of Management Development (IMD), Switzerland Year 2002
- Certificate “Managing Corporate Resources”, Institute of Management Development (IMD) Switzerland Year 2000
- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 7/2004  
Director Certification Program (DCP) Class 7/2001

### **Shareholding in Company and Affiliates as at December 31, 2009:**

- Holding 267,000 shares in Lanna Resources Plc. or 0.08 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

**Family Relationship with Executives:** None

### **Past 5-Year Experiences:**

2005-Present: Director, Royal Porcelain Public Co., Ltd.

2004-Present: Director and Executive Vice President, Siam City Cement Public Co., Ltd.

2002-Present: Director, Conwood Co., Ltd.

2004-2005: Chairman of Executive Board, Royal Porcelain Public Co., Ltd.

1999-2005: Chairman of the Board, Karat Faucet Co., Ltd.

1999-2004: Executive Vice President (Subsidiaries), Siam City Cement Public Co., Ltd.

1999-2004: Managing Director and Chief Executive Officer, Royal Porcelain Public Co., Ltd.

1999-2004: Managing Director, Diamond Roofing Tiles Public Co., Ltd.

## Mr. Pilas Puntakosol

**Positions :** Director, Executive Director, Coal Business Director,  
Authorized Director

**Age:** 58 Years

**Nationality:** Thai



### **Education:**

- M.S. Finance, West Coast University U.S.A
- B.S.I.E., New Mexico State University U.S.A
- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 39/2005

### **Shareholding in Company and Affiliates as at December 31, 2009**

- Holding 150,000 shares in Lanna Resources Plc. or 0.04 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

**Family Relationship with Executives:** None

### **Past 5-Year Experiences:**

- 2008-Present: President Director, PT. Singlurus Pratama (
- 2006-Present: President Director, PT.Lanna Mining Services (Subsidiary)
- 2004-Present: President Director, PT.Citra Harita Mineral (Subsidiary)
- 2003-Present: President Director, PT.Lanna Harita Indonesia (Subsidiary)
- 1997-Present: Director, Lanna (Singapore) Pte. Ltd. (Subsidiary)
- 1996-Present: Director, United Bulk Shipping Pte. Ltd. (Associated Company)

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## Mr. Tanon Tantisunthorn

**Positions:** Director

**Age** 38 Years

**Nationality:** Thai

### **Education:**

- Master of Science (Management), New York University
- MBA Finance, American University
- Bachelor of Engineering (Sanitary), Chulalongkorn University
- Certificate: Thai Institute of Directors Association  
Director Certification Program (DCP) Class 56/2005



**Shareholding in Company and Affiliates as at December 31, 2009:** None

### **Family Relationship with Executives:**

- Cousin of Mr. Visit Tantisunthorn, Company's Director and Executive Director
- Younger Brother of Mr. Tanat Tantisunthorn, Company's Senior Manager-Market Development

### **Past 5-Year Experiences:**

- 2007-Present: Business Development Director, G.J.P. Holding Co., Ltd.
- 2006-2007: Assistant secretary to Finance Minister, Ministry of Finance
- 2005-2006 : Business Development Manager, Gulf Electric Public Co., Ltd.
- 2001-2005 : Member of Parliament

## Mr. Anun Louharanoo

**Positions :** Director, Executive Director, Chief Financial Officer,  
Authorized Director

**Age:** 57 Years

**Nationality:** Thai

### Education:

- B.A. (Accounting), Thammasat University
- B.A. (Law), Thammasat University
- Certificate: Thai Institute of Directors Association
  - Director Accreditation Program (DAP) Class 1/2003
  - Director Certification Program (DCP) Class 29/2003
  - Audit Committee Program (ACP) Class 2/2004
  - DCP Refresh Course (RE DCP) 2/2006
  - Improving the Quality of Financial Reporting (QFR) Class 2/2006
  - Monitoring the Internal Audit Function (MIA) Class 1/2007
  - Monitoring the System of Internal Control and Risk Management (MIR) Class 1/2007
  - Role of Compensation Committee Program (RCC) Class 7/2008
  - Corporate Governance Workshop Board Performance Evaluation Year 2007



### Shareholding in Company and Affiliates as at December 31, 2009

- Holding 590,550 shares in Lanna Resources Plc. or 0.17 percent of all shares with voting right
- Holding 3,396,230 shares or 0.57 percent of all shares with voting right in Thai Agro Energy Pcl., a Subsidiary.

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

- 2008-Present: Director, PT. Singlurus Pratama (Subsidiary)
- 2006-Present: Commissioner, PT. Lanna Mining Services (Subsidiary)
- 2005-Present: Independent Director and Audit Committee Member, Diamond Roofing Tiles Public Co., Ltd.
- 2004-Present: Independent Director, Royal Porcelain Public Co., Ltd.
- 2004-Present: Commissioner, PT. Citra Harita Mineral
- 2003-Present: Director, Thai Agro Energy Public Co., Ltd. (Subsidiary)
- 1998-Present: Director, PT.Lanna Harita Indonesia (Subsidiary)
- 1997-Present: Director, Lanna (Singapore) Pte. Ltd. (Subsidiary)

## Mr. Srihasak Arirachakaran

**Positions:** Business Development and Marketing Director  
**Age:** 50 Years  
**Nationality:** Thai



### Education:

- Ph.D., Petroleum Engineering, Univ. of Tulsa, Oklahoma, U.S.A
- M.Sc., Petroleum Engineering, Univ. of Tulsa, Oklahoma, U.S.A
- B.Sc., Petroleum Engineering (with honor) Univ of Tulsa, Oklahoma, U.S.A

**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

- 2008-Present: Director, PT. Singlurus Pratama (Subsidiary)  
2006-Present: Commissioner, PT. Lanna Mining Services(Subsidiary)  
2004-Present: Commissioner, PT. Citra Harita Mineral(Subsidiary)  
2003-Present: Director, Thai Agro Energy Public Co., Ltd. (Subsidiary)  
2002-Present: Commissioner, PT. Lanna Harita Indonesia(Subsidiary)

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## Mr. Tanat Tantisunthorn

**Positions:** Senior Manager- Market Development  
**Age:** 41 Years  
**Nationality:** Thai



### Education:

- MBA, Mount Vernon College, Washington DC, USA
- BA, Marymount University, Virginia, USA

**Shareholding in Company and Affiliates as at December 31, 2009:**

- Holding 9,420,710 shares in Lanna Resources Plc. or 2.69 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

### Family Relationship with Executives:

- Cousin of Mr. Visit Tantisunthorn, Company's Director and Executive Director
- Older brother of Mr. Tanon Tantisunthorn, Company's Director

### Past 5-Year Experiences:

- 2001-Present: Senior Manager-Market Development, Lanna Resources Public Co., Ltd.  
1997-2001 : Business Development, Gulf Electric Public Co., Ltd.  
1996-1997 : Equity Sales Officer, SCB Securities Public Co., Ltd.

## Mr. Saharat Vatanatumrak

**Positions:** Senior Manager-Business Development  
**Age:** 46 Years  
**Nationality:** Thai



### Education:

- Bachelor of Engineering (Electrical Engineering), University Of California, Los Angeles (UCLA), USA
- Corporate Secretary Development Program 2004, Chulalongkorn University
- Biomass and Waste Conversion Technologies Course 2008, King Mongkut's Institute of Technology North Bangkok

**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

- 2008-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)
- 2004-Present: Commissioner, PT. Lanna Harita Indonesia (Subsidiary)
- 2004-Present: Commissioner, PT. Cirta Harita Mineral (Subsidiary)

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## Mr. Prasert Promdech

**Positions:** Senior Manager- International Coal Sales  
**Age:** 42 Years  
**Nationality:** Thai  
**Education:** Bachelor of Engineering (Mining Engineering), Chulalongkorn University



**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

- 2008-Present : Commissioner, PT. Singlurus Pratama(Subsidiary)
- 2000-2004 : Chief Coal Transshipment, PT. Lanna Harita Indonesia (Subsidiary)

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## Mrs. Petcharat Chayanon

**Positions:** Senior Manager- Accounting and Administration  
**Age:** 42 Years  
**Nationality:** Thai



**Education:** B.A. (Accounting), Thammasart University

**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

- 2009-Present : Commissioner, PT. Singlurus Pratama (Subsidiary)
- 2004-Present : Director, PT. Citra Harita Mineral(Subsidiary)



## Mr. Vacharachai Nachailert

**Positions:** Senior Manager- Domestic Coal Sales  
**Age:** 47 Years  
**Nationality:** Thai

**Education** B.A. (Political Science), Ramkhamhaeng University

**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

1996-2007 : Manager-Domestic Coal Sales, Lanna Resources Public Co., Ltd.  
1992-1996 : Section Head-Coal Sales, Lanna Resources Public Co., Ltd.



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## Mr. Sudusit Ounsangchan

**Positions:** Senior Manager- Ayutthaya Coal Center  
**Age:** 46 Years  
**Nationality:** Thai

**Education** Major-Mining, Faculty of Engineering, Chulalongkorn University

**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2003-2008 : Senior Manager-Core Business Development, Lanna Resources Public Co., Ltd.  
1997-2002 : Manager-Planning, Lanna Resources Public Co., Ltd.  
1987-1996 : Mining Engineer, Sahakol Engineering Co., Ltd.



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## Mr. Thanakris Tejwarongkha

**Positions:** Exploration Manager  
**Age:** 45 Years  
**Nationality:** Thai

**Education:**

- B.Sc. Geology, Chiangmai University
- M.Sc. Petroleum Geoscience University Brunei Darussalam Negara Brunei Darussalam

**Shareholding in Company and Affiliates as at December 31, 2009:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

1990-1995: Head of Exploration Division, Banpu Pcl.  
1987-1989: Geologist, Department of Mineral Resources



**Positions of the Company's Executives  
in the Subsidiary, Associated and Related Companies**

Executive Name	Lanna Resources Public Co., Ltd.	Subsidiary Companies						Associated Company	Other Related Companies
		1	2	3	4	5	6		
1. Mr. Somkiart Limsong	X	-	-	-	-	-	-	-	-
2. Mr. Padoong Techasarintr	/, XXX	-	-	-	-	-	-	-	-
3. Mrs. Duangkamol Suchato	/, ///	-	-	-	-	-	-	-	-
4. Mr. Adul Tantharatana	/, ///	-	-	-	-	-	-	-	-
5. Mr. Paul Heinz Hugentobler	/	-	-	-	-	-	-	-	/
6. Mr. Anan Siripong	/	-	-	-	-	-	-	-	-
7. Mr. Vanchai Tosomboon	/	-	-	-	-	-	-	-	/
8. Mr. Kraisi Sirirungsi	/, XX	X	/	/	X	/	/ X	/	-
9. Mr. Suroj Subhasavasdikul	/, //	/	-	-	-	-	/X, XXXX	/	-
10. Mr. Visit Tantisunthorn	/, //	-	-	-	-	-	-	-	-
11. Mr. Pilas Puntakosol	/, //	/	XX	XX	XX	XX	-	/	-
12. Mr. Tanon Tantisunthorn	/	-	-	-	-	-	-	-	-
13. Mr. Anun Louharanoo	/, //	/	//	/	/	//	/	-	-
14. Mr. Srihasak Arirachakaran	-	-	/	/	/	//	/	-	-
15. Mrs. Petcharat Chayanon	-	-	-	//	-	/	-	-	-
16. Mr. Tanat Tantisunthorn	-	-	-	-	-	-	-	-	-
17. Mr. Prasert Promdech	-	-	-	-	-	/	-	-	-
18. Mr. Sudusit Ounsangchan	-	-	-	-	-	-	-	-	-
19. Mr. Thanakris Tejawarongkha	-	-	-	-	-	-	-	-	-
20. Mr. Vacharachai Nachailert	-	-	-	-	-	-	-	-	-
21. Mr. Saharat Vatanatumrak	-	-	/	/	-	/	-	-	-
<b>Subsidiary Companies</b>	1 = Lanna (Singapore) Pte. Ltd.      3 = PT. Citra Harita Mineral      5. = PT. Singlurus Pratama 2 = PT. Lanna Harita Indonesia      4 = PT. Lanna Mining Services      6 = Thai Agro Energy Public Co., Ltd.								
<b>Associated Company</b>	United Bulk Shipping Pte. Ltd.								
<b>Related Company</b>	Siam City Cement Public Company Limited, holding 44.99% of paid-up capital in Lanna Resources Public Company Limited.								
<b>Remarks</b>	: X=Chairman of the Board, /X = Vice Chairman, /=Director XX = Executive Chairman, /XX=Vice Executive Chairman, // =Executive Director XXX = Audit Committee Chairman, ///=Audit Committee Member XXXX = Nomination and Remuneration Committee Chairman, //// = Nomination and Remuneration Committee Member								

## Information on Directors of the Subsidiary and Associated Companies

Director's Name	Subsidiary Companies						Associated
	1	2	3	4	5	6	Company
1. Mr. Visith Noiphan	-	-	-	-	-	X	-
2. Mr. Somchit Limwathanagura	-	-	-	-	-	/	-
3. Mr. Chareinsuk Rojanaridpiched	-	-	-	-	-	/	-
4. Mr. Padetpai Meekun-iam	-	-	-	-	-	/,XXX,///	-
5. Mr. Virach Aphimeteetamrong	-	-	-	-	-	/,///	-
6. Mr. Chokechai Tanpoonsinthana	-	-	-	-	-	/,///,///	-
7. Mr. Metee Auapinyakul	-	-	-	-	-	/	-
8. Mr. Kraisi Sirirungsi	X	/	/	X	/	/X	/
9. Mr. Suroj Subhasavasdikul	/	-	-	-	-	/X, XXXX	/
10. Mr. Somchai Lovisuth	-	-	-	-	-	/	-
11. Mr. Pilas Puntakosol	/	XX	XX	XX	XX	-	/
12. Mr. Anun Louharanoo	/	//	/	/	//	/	-
13. Mr. Srihasak Arirachakaran	-	/	/	/	//	/	-
14. Mr. Pongtorn Kachareon	-	//	-	-	-	-	-
15. Mr. Arkom Laoharanoo	-	/	-	//	-	-	-
16. Mrs. Petcharat Chayanon	-	-	//	-	/	-	-
17. Mr. Saharat Vatanatumrak	-	/	/	-	/	-	-
18. Mr. Panot Charoensuk	-	-	//	-	//	-	-
19. Mr. Thamrong Angsakul	-	//	-	-	-	-	-
20. Mr. Nattapon Ngamphol	-	-	//	-	-	-	-
21. Mr. Prasert Promdech	-	-	-	-	/	-	-
22. Mr. Ludi Prasetyo Hartono	-	-	-	-	//	-	-
23. Mrs. Yocke Kaseger	-	-	-	-	X	-	-
24. Mr. Sonny Susanto	-	-	-	-	//	-	-
25. Mr. Toto Iman Dewanto	-	-	-	-	/	-	-
26. Mr. Lim Hariyanto Wijaya Sarwono	-	X	X	-	-	-	-
27. Mr. Lim Gunawan Hariyanto	-	//	//	-	-	-	-
28. Mr. Lim Gunardi Hariyanto	-	//	//	-	-	-	-
29. Mrs. Rita Indriawati	-	-	/	-	-	-	-
30. Mr. Parasian Simanungkalit, SH	-	/	-	-	-	-	-
31. Mr. Ng Han Whatt Henry	-	/	/	-	-	-	X
32. Mr. Lee Boon Wah	/	//	//	-	-	-	/
33. Mr. Patrick Ng Bee Soon	-	-	-	-	-	-	/
34. Mr. Ng Bee Bee	-	-	-	-	-	-	/
<b>Subsidiary Companies</b>					<b>Associated Company</b>		
1 = Lanna (Singapore) Pte. Ltd.		4 = PT. Lanna Mining Services			United Bulk Shipping Pte. Ltd.		
2 = PT. Lanna Harita Indonesia		5 = PT. Singlurus Pratama					
3 = PT. Citra Harita Mineral		6 = Thai Agro Energy Public Co., Ltd.					
<b>Remarks :</b> X = Chairman of the Board, /X=Vice Chairman, /=Director XX=Executive Chairman, /XX=Vice Executive Chairman, //Executive Director XXX = Audit Committee Chairman, /// = Audit Committee Member XXXX = Nomination and Remuneration Committee Chairman, //// = Nomination and Remuneration Committee Member							

## Remuneration for the Directors and Executives

### Explicit Remuneration

- In 2009, the Company had paid remunerations for the Directors in the form of monthly salary and annual remuneration (bonus) as follows:

Director's Name	Position in Company	Remuneration from Company			Remuneration from Subsidiary & Affiliated Companies			
		Salary	Bonus	Total	Thai Agro Energy Public Co., Ltd.	PT. Lanna Harita Indonesia	PT. Citra Harita Mineral	United Bulk Shipping Pte. Ltd.
(1) Mr. Somkiart Limsong	Chairman	720,000.00	600,000.00	1,320,000.00	-	-	-	-
(2) Mr. Kraisi Sirirungsri	Director	360,000.00	450,000.00	810,000.00	660,000.00	558,926.56	433,793.75	68,898.13
(3) Mr. Paul Heinz Hugentobler	Director	360,000.00	300,000.00	660,000.00	-	-	-	-
(4) Mr. Suroj Subhasavasdikul	Director	360,000.00	300,000.00	660,000.00	705,000.00	-	-	68,898.13
(5) Mr. Anan Siripong	Director	360,000.00	300,000.00	660,000.00	-	-	-	-
(6) Mr. Vanchai Tosomboon	Director	360,000.00	300,000.00	660,000.00	-	-	-	-
(7) Mr. Visit Tantitsunthorn	Director	360,000.00	300,000.00	660,000.00	-	-	-	-
(8) Mr. Pitas Puntakosol	Director	360,000.00	300,000.00	660,000.00	-	2,235,706.25	1,735,175.00	68,898.13
(9) Mr. Tanon Tantitsunthorn	Director	360,000.00	300,000.00	660,000.00	-	-	-	-
(10) Mr. Anun Louharanoo	Director	360,000.00	300,000.00	660,000.00	660,000.00	1,117,853.13	867,587.50	-
(11) Mr. Padoong Techasarintr	Director Audit Committee Chairman	360,000.00 180,000.00	300,000.00	840,000.00	-	-	-	-
(12) Mr. Adul Tantharatana	Director Audit Committee Member	360,000.00 120,000.00	300,000.00	780,000.00	-	-	-	-
(13) Mrs. Duangkamol Suchato	Director Audit Committee Member	360,000.00 120,000.00	300,000.00	780,000.00	-	-	-	-

Remark: Exchange rate of USD 1 = Baht 33.36875

- The Company paid remunerations to the executives in the form of monthly salary and bonus which varies according to operating results of the Company as follows.

Executives' Remuneration	Year 2008		Year 2009	
	Number of Persons	Baht per Year	Number of Persons	Baht per Year
Monthly Salary	13	22,539,777	12	23,536,520
Annual Remuneration (Bonus)	9	6,442,144	10	8,803,360
Total Remuneration	13	28,981,921	12	32,339,880

### Other Remunerations

- In 2009, the Company contributed a total of Baht 2,166,848.80 into the Provident Fund for 11 executives as employees of the Company (Baht 2,382,257.89 for 11 executives in 2008), and provided Company's vehicles for 4 executives.

- In 2009, the Company did not issue any shares, debentures, and convertible securities or offer any other privileges to the directors and executives.

### Shareholding by the Directors and Executives

Directors and/or Executives	Shareholding in Lanna Resources Public Co., Ltd.				Shares Increase (+)/Decrease(-) in 2009
	By Directors and/or Executives	By Spouse or Child under Legal Age	Total	Proportion (%)	
(1) Mr. Somkiart Limsong	19,041,640	-	19,041,640	5.39	+160,000
(2) Mr. Paul Heinz Hugentobler	151,400	-	151,400	0.04	-
(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	-
(5) Mr. Anun Louharanoo	590,550	-	590,550	0.17	-
(6) Mr. Pilas Puntakosol	150,000	-	150,000	0.04	-
(7) Mr. Vanchai Tosomboon	267,000	-	267,000	0.08	-
(8) Mrs. Duangkamol Suchato	120,000	-	100,000	0.03	+20,000
(9) Mr. Tanat Tantisunthorn	9,420,710	-	9,420,710	2.69	-

Directors and/or Executives	Shareholding in Thai Agro Energy Public Co., Ltd. (Subsidiary)				Shares Increase (+)/Decrease(-) in 2009
	By Directors and/or Executives	By Spouse or Child under Legal Age	Total	Proportion (%)	
(1) Mr. Kraisi Sirirungsi	31,000,950	-	31,000,950	5.18	-
(2) Mr. Anun Louharanoo	3,396,230	-	3,396,230	0.57	-

- Remarks:**
- (1) Disclosed information only on the Directors and Executives with shareholding in Lanna Resources Public Co., Ltd. and its affiliated companies
  - (2) Other Directors and Executives besides those above have no shareholding in Lanna Resources Public Co., Ltd. and its affiliated companies

### RIGHT OF SHAREHOLDERS AND EQUITABLE TREATMENT OF SHAREHOLDERS

- The Board of Directors recognizes the importance of the right of shareholders as owners of the Company by adhering to the criteria established by the laws and encourages the shareholders to exercise basic rights of the laws. In 2009, the Company convened the Annual General Meeting of Shareholders on April 27, 2009 between 15:30 hrs. to 17:00 hrs. at the Grand Hall II, 2<sup>nd</sup> Floor, Plaza Athenee Bangkok, a Royal Meridien Hotel, 61 Wireless Road, Lumpini, Pathumwan, Bangkok, which was at a convenient location for access and transportation. The meeting was attended by 10 Directors out of 13 Directors. The meeting was conducted according to guidelines within the AGM Checklist, prepared by the Securities and Exchange Commission (SEC) in corporation with the Thai Investors Association and Listed Companies Association. The Company has received 98.75 points out of 100 points total for the assessment result on the Annual General Meeting of Shareholders Year 2009.

- The Company assigns Thailand Securities Depository Co., Ltd., Company's Share Registrar, to forward the invitation to the shareholders' meeting including relevant documents and information on each of the meeting agendas to the shareholders in advance by 28 days prior to the meeting date which exceeds the time period specified by the law, in order to provide opportunity for the shareholders to study the information in details. The same information has also been disseminated on the Company's website, both in Thai and English, 30 days prior to the meeting date, so that the shareholders may have access to the information quickly and conveniently.

- The Company does not infringe upon the right of shareholders in the studies of Company's information and shareholders' meeting attendance. For instance, the Company does not suddenly hand out additional important documents in the shareholder's meeting; does not add or revise important information on the meeting agenda without informing the shareholders in advance; does not limit the right to attend the meeting by shareholders who are late, etc.

- The Company provides opportunity for the minority shareholders to propose items for the agenda of the shareholders' meeting in advance and to nominate names of persons qualified to become the directors of the Company, in compliance with the criteria established by the Stock Exchange of Thailand by informing the shareholders of the established criteria through the channels of information distribution system of the Stock Exchange of Thailand and the Company's website.

- In summoning of the shareholders' meeting, the Board of Directors will comply with the criteria established in the Company's Articles of Association and the AGM Checklist of SEC by notifying the rules and practices of attendance, grant of proxies for presence and votes at the meeting, as well as forward all 3 proxy forms as established by laws to the shareholders in advance including the meeting invitation by providing option for the shareholder to appoint the proxy from 2 Audit Committee Members and encouraging the shareholder to use the proxy form which comments may be specified for the voting.

- The Company has provided adequate information for each meeting agenda within the shareholders' meeting invitation, including the opinions from the Board of Directors, for decision making. The shareholders have also been provided with the opportunity to post questions in advance of the meeting date by sending the questions through Company's website or via facsimile.

- In every shareholder's meeting, voting ballots are provided for voting during important agenda and appointment of directors shall be voted individually.

- In the shareholders' meeting, the Board of Directors and Executives, comprising of the Chairman, Chief Executive Officer, Chairman of each Committees, etc. shall attend the meeting to clarify and answer questions to the shareholders' meeting with the Chairman of the Meeting provides equal right and full opportunity for the shareholders to audit Company's operation by posting inquiries, making opinions, and/or offering recommendations, which important inquiries and recommendations shall be recorded in the meeting minutes.

- The Company's Secretary and the assigned working team has prepared the shareholders' meeting minutes to include all important matters and has forwarded the shareholders' meeting minutes to the Stock Exchange of Thailand and disseminated on the Company's website within 14 days after the meeting has been completed. The shareholder has the right to examine the meeting minutes, supporting documents and other important documents at all time.

- The Board of Directors has established protection measures for the Directors, executives and employees from using inside information of the Company for their own or others' benefits by notifying the above guidelines and policies to everyone in the organization for compliance and also disseminating the information within the Annual Report and Company's website. The operation and conduct are also routinely monitored.

- The Board of Directors has established guidelines for disclosure of information of stakeholders and protection measures to prohibit the stakeholders from involving in the decision process concerning connected transactions which are published within the Annual Report and Company's website.

## **ROLES OF STAKEHOLDERS**

- The Board of Directors has established the fundamental policy on corporate governance for practices toward each group of stakeholders by recognizing the rights of stakeholders above in accordance with the laws or agreements with the Company without doing anything that would violate the rights of those stakeholders, by notifying the above policies to everyone in the organization for compliance and also disseminating the information within the Annual Report and Company's website.

- The Board of Directors has established measures or channels for involvement by the stakeholders by disclosing relevant information for acknowledgement by the stakeholders and providing opportunity for whistleblowing or complaints by the stakeholders via the Audit Committee without passing through the Company's executives, of which can be sent by mail or E-mail directly without having to disclose the name of the whistleblower or person who makes complaints, in order for the Audit Committee to study the information or find facts based on the information from the whistleblower and to directly present the matter to the Board of Directors for consideration of finding protection measures and appropriate compensation to the damaged person according to cause and impact on a case by case basis.

- The Company has established policies to care for the environmental and nearby communities that may be directly affected by business operation of the Company in order to gain trust from the relevant persons in the Company's operation.

## **DISCLOSURE AND TRANSPARENCY**

- The Company has disclosed important information including financial information and other information accurately, completely, timely, transparently, and in accordance with the criteria established by SEC and the Stock Exchange of Thailand. During the past year, the Company has not been punished or acted upon concerning incorrect disclosure of information. The Company believes in the importance of information disclosures that affect the decision of investors and stakeholders equally and periodically performs assessment on the information disclosure process.



- The Company has disclosed information within the Annual Registration Statements (Form 56-1) and Annual Report (Form 56-2) according to the regulations of SEC and Stock Exchange of Thailand.

- The Board of Directors is accountable for the financial statements and financial information, which is endorsed by the Chairman of the Board and Chief Executive Officer, as appeared in the Annual Registration Statements (Form 56-1) and Annual Report (Form 56-2), prepared in accordance with the generally accepted accounting standards by using accounting policies that are appropriate and corresponding to the business operation, taken on the regular basis with careful consideration. Important information are also adequately disclosed within the Notes to Financial Statements, which are supervised and responsible by the independent auditor and the Audit Committee on the quality of the said financial information.

- The Company has disclosed the financial information and other important information in both Thai and English on the Company's website and periodically updated the information so that they are up-to-date.

- The Company has established the Investor Relations Unit to be responsible for communications with the investors, shareholders, as well as analysts and relevant government sectors, of which can be contacted by telephone at 02-253-8080 or at Company's website, [www.lannar.com](http://www.lannar.com) or e-mail address: [lanna@lannar.com](mailto:lanna@lannar.com).

## **RESPONSIBILITIES OF THE BOARD**

### **(1) Board of Directors**

- During 2009, the Board of Directors consisted of 13 directors, including 5 executive directors and 4 non-executive directors and 4 independent and Audit Committee members, having list of names, positions and photographs of each director appeared on pages 2 - 3 of this Annual Report.

- The Nomination process for the Company's directorship positions did not go through the Nomination Committee as it has not yet been established. Nevertheless, the Board of Directors has provided opportunity for the minority shareholders to propose names of qualified persons for the directorship positions according to criteria or guidelines recommended by the Stock Exchange of Thailand, having notified the shareholders via the information dissemination of the Stock Exchange of Thailand and Company's website.

- The Board of Directors consists of persons possessing knowledge, capability, experience and expertise in various professions, which are deemed beneficial to the Company's operation, and with suitable qualifications to become the directors of the listed company according to the Company's regulations and established laws.

- The Chairman is independent having no relationship whatsoever with the Management and is not a chairman or member in any other boards or committees.

- The Chairman of the Board is not same person as the Chief Executive Officer or Managing Director in order to clearly separate the corporate governance policy making roles and the daily management role.

- During 2009, the Company had 4 independent directors, accounting for 4 in 13 members of the Board of Directors. Accordingly, the Company will make adjustment so that the number of the independent directors will be no less than 1 in 3 of the total number of directors, in compliance with the regulations of the SEC, within the Annual General Meeting of Shareholders Year 2010 (April 19, 2010).

- The Company has established description of the independent director of the Company up to the minimum qualifications established by the SEC and Stock Exchange of Thailand for the matter of shareholding in the Company; namely the independent director of the Company must not hold more than 1 per cent of all the number of shares with voting right.

- The Company has published within the Annual Report the information on the representing directors for each group, having directors on the Board, excluding independent director, not yet proportional to the shareholding for each group. Details can be found under the topic “Major Shareholders and Shareholding Proportion” in the Annual Report.

- The number of years for the directorship position for each office term is in accordance with the regulation in the Public Limited Company Act B.E. 2535 but there is no specification on the number of terms that the director can continuously be in the position.

- The number of years in each term for the Audit Committee Member is stated in the Charter of Audit Committee but there is no specification on the number of years that the Audit Committee Member can continuously be in the position.

- In order for the directors to dedicate time and effort for their duties, the Board of Directors has established the number of companies that each director may take up positions as follows:

(A) The Company’s director should not hold directorship in the listed companies not exceeding the following number.

(1.1) The executive director or full time director may not take up directorship position at more than 4 companies.

(1.2) The non-executive director or professional director may not take up directorship position at more than 6 companies; and

(1.3) The Chairman of the Board may take up the Chairman of the Board position in only one listed company.

(B) In the case where a Company’s director needs to hold directorship of more than five listed companies, reasons and impact to the directorship position must be explained to the shareholders and relevant parties within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

(C) For the proposal of a person for the directorship position of the Company, sufficient information on directorship positions in other companies must be provided to the shareholders for consideration before the voting for the appointment.

- Top executives taking directorship position in the subsidiary company and affiliated company have been approved by the Board of Directors but the Board of Directors has not clearly established policy and procedures in writing on directorship positions of top executives in other companies.

- The Company has appointed a person, a permanent employee, to be responsible for the work of the Company’s Secretary and has clearly established scope of authorities and duties of the executives for each level of work organization by separating authorities, duties and responsibilities in each of the level in descending order.

## **(2) Committees**

- The Board of Directors appoints special committees to alleviate burden of the Board of Directors in order to closely and timely assist in the corporate governance of the Company. Currently, there are three committees; namely, the Board of Executive Directors, Audit Committee and Risk Management Committee (Details are shown under the topic “Management Structure” of this Annual Report)

- The Company has no Nomination Committee and Remuneration Committee due to non-complicated structure of the Company having only a few executives. The Company has established appropriate process for consideration of the remuneration, which is also based on the size of the business and operating results of the Company.

- The Company has policy to occasionally appoint special committee as necessary for future business operation in order to consider important issues that the Board of Directors deems important and may have significant impact on the business operation.

### **(3) Roles of the Board**

- The Board of Directors has adopted Company's direction, objectives, business plan and budget, including monitoring and supervision on the approval and/or operation of the Board of Executive Directors and the Management in accordance with the established business plan and budget with efficiency and effectiveness.

- 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 of such roles and responsibilities to the Board of Directors, Committees, Management and employees of the Company.

- 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.

### **(4) Corporate Governance Policy and Business Ethics**

- The Board of Directors has approved of the Corporate Governance Policy in writing by notifying everyone in the organization for practices and periodically monitors and reviews its compliance with the said policy.

- The Board of Directors has approved of the Code of Conduct in writing by notifying everyone in the organization for practices and periodically monitors and performs assessment on the effectiveness of the Code of Conduct.

### **(5) Transactions with Possible Conflict of Interest**

- The Board of Directors has established measures or procedures for transactions that have conflict of interest by having these transactions examined by the Audit Committee first without having the stakeholders with conflict of interest involved in the approval or decision of such transactions, of which the related or connected transactions have been disclosed within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

### **(6) Internal Control and Risk Management**

- The Company has placed 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 has placed emphasis on the risk management by appointing the Risk Management Committee comprising of executives from all the departments joining as members by conducting risk assessment of the business to cover the whole organization, having established the risk protection and mitigation measures, including risks that affect the operation of the Company, which have been specified within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2). Compliance with relevant laws and regulations are constantly being monitored and supervised.

- The Board of Directors reviews the Company's internal control system and performs assessment on the risk management at least once every year. The Board of Directors has reviewed all five compositions of the internal control system of the Company and its subsidiaries, including (1) Control Environment, (2) Risk Management, (3) Control Activities, (4) Information and Communication, and (5) Monitoring and Evaluation. The Board of Directors concluded that in 2009, the internal control system of the Company and its subsidiaries were sufficient and appropriate, by which the Audit Committee also shares the same opinion.

#### **(7) Board of Directors' Meeting**

- Every director can 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.

- The Chairman and the Chief Executive Officer or the Managing Director together shall consider and choose the Board of Directors' meeting agenda and give opportunity for each of the directors to be able to propose matter for the meeting agenda.

- The Company's Secretary prepares and forwards 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 and review the information for decision making and the Board of Directors may also request for additional information from the Company's Secretary, having the Management and top executives attend the meeting to clarify any issues in order for the directors to have full understanding to properly consider and make decision on 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. The meeting minutes cannot be revised without passing through the Board of Directors' Meeting.

- The Board of Directors' meeting is regularly scheduled at least once every 2 months (one meeting every other month). The meeting schedule, including date, time and venue, is proposed in advance for each year in order for the director to prepare his/her own schedule to attend the meeting. The extraordinary meeting is scheduled as necessary and appropriate with the business. (Details of the board meeting attendance for the past year are shown under the topic "Management Structure" of this Annual Report). 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.

- Non-executive directors shall occasionally hold meeting among themselves as deemed appropriate and necessary. The Company's Board of Directors has established the policy to hold the Non-Executive Directors' Meeting at least once a year, without the Management attending the meeting. The outcome of the meeting shall be forwarded to the Chief Executive Officer or Managing Director for acknowledgement, so that the opinions, remarks and suggestions may be considered and implemented accordingly.

#### **(8) Assessment of the Board's Performance**

- The Board of Directors has established criteria and arranged for the self-assessment on the performance of the Board of Directors as a whole at least once every year (no assessment on the performance of individual director). The aforementioned Self-Assessment Form requests that the assessor specify the strong points, weak points and matters that require improvements.

- The Board of Directors has jointly considered the results of the assessment and established guidelines for improvement of the Board's performance for the following years.

#### **(9) Remuneration for Directors and Executives**

- 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.

- During 2009, the Company had paid the remunerations to the directors and executives, having disclosed the information in the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

- Since the Company has not appointed the Remuneration Committee, the Board therefore has assigned the Chairman of the Board and Audit Committee Chairman to establish criteria and jointly assess the work performance of the Chief Executive Officer or Managing Director for each year and notify the assessment results to the Chief Executive Officer or Managing Director for acknowledgement.

#### **(10) Development of Directors and Executives**

- The Company has policy to continuously provide knowledge for the Directors by enrolling them in the training courses of the Thai Institute of Directors Association (IOD) and other training programs for understanding of the roles of Directors and knowledge in the Company's business.


- The Company encourages and provides knowledge and education for the executives and relevant people, such as the Company's Secretary, Internal Audit personnel, etc. by regularly enrolling them in several training programs related to the operation in order to constantly increase the knowledge and new techniques.

#### **(11) Succession Plans**

- The Company has not established clear succession plans in writing; however, the Company has senior executives below from the Chief Executive Officer or Managing Director who can take up the role should the Chief Executive Officer or Managing Director could no longer perform their duties.

- The Board of Directors has established regulations concerning the employees training and development and has enrolled the executive in the master of business administration program and other courses at a reputable university.

### **CORPORATE GOVERNANCE ASSESSMENT**

The Thai Institute of Directors Association (IOD) has prepared the Corporate Governance Report of Thai Listed Companies Year 2009, of which Lanna Resources Public Co., Ltd. was placed with excellent assessment (  ) with the average score of 87 percent, which was better than year 2008 having received the average score of 84 percent.

## FUNDAMENTAL POLICY ON CORPORATE GOVERNANCE

Lanna Resources Public Company Limited is fully aware of the importance of good corporate governance by adhering to the principles of fairness and integrity, accountability, responsibility and transparency, and promoting equitable treatment and gaining faith from all the stakeholders. The Company focuses on building values to the business and persons with associated interest in long term for sustainable growth and future development of the Company.

Accordingly, the Board of Directors has established its policy or basic principles of the corporate governance for use as guidelines for the business operation. The Company shall adhere to the following basic principles.

(1) Establish the management structure of the Company so that there are clear scope of authorities, duties and responsibilities for the Board, Committees and the Management for confidence and effective work performance.

(2) Operate in such manner to assure that various courses of action of the Company are effectively and efficiently performed under effective internal control system with appropriate balance of authorities as well as having transparent operation which can be audited and effective information disclosure procedures.

(3) Operate in such manner to assure that the financial reports reflect actual operating results and status, including having assessment and establish appropriate level of risk protection and mitigation measures.

(4) Proceed with the matters concerning conflict of interest cautiously and reasonably, taking the interest of the Company into consideration.

(5) Encourage moral principle and conscience among the executives and employees for good behaviors, honesty and discipline, and also be conscious of duties and responsibilities of own individual and to the working team, ready for better things and always be responsive to the changes.

(6) Aim to attain operational excellence by adhering to creating customers satisfaction by listening to comments, as well as performing self assessment and review in order to continuously develop and create better things.

(7) Recognize and respect the ownership right of the shareholders, including the right stakeholders and treat them with justice and fairness, without being partial and provide opportunity for the stakeholders to express opinions and also provide channels for whistleblowing and filing complaints concerning any violation of law or deficiencies, as well as establishing measures for compensation in the case of stakeholders being damaged from such violation of the law.

(8) Conduct its business by considering its responsibility to the shareholders, stakeholders and overall community and society including conservation of environment by taking part in the creation and/or support of developments which are sustainable and beneficial to the overall society, at the level of the Company's status.

(9) Conduct its business to have protection measures against anyone for using inside information of the Company dishonestly for their own benefit.

(10) Establish measures and procedures in reporting of fraudulent or suspecting a fraudulent and illegal conduct or other unusual activities which may cause significant damage to the Company's reputation and financial status, of which the incident must be reported immediately in order to correct the deficiencies or impacts without delay, including seeking protection measures to prevent such incident from happening again.



## **BUSINESS ETHICS**

The business ethics or code of conduct of the Company is the code of practices which the Company considers as appropriate guidelines for business ethics and practices, of which the Company believes that these practices have been traditionally followed for a long period of time and became faithful and acceptable in every circle to distinguish between what is “should” or “should not”.

The Board of Directors therefore has established the business ethics or the code of conduct for the Company and fully wishes that all the executives and employees at every level will use as guidelines and strictly follow them for routine practice at all time.

Every executive and employee at every level recognizes the fiduciary duties towards the stakeholders and adheres to the following practices:

### **(1) Toward Company and Shareholders**

(1.1) Perform duties with honesty and in accordance with the laws, as well as making any decision in good faith and fairness to the major and minority shareholders for the maximum benefits of the Company and shareholders overall.

(1.2) Manage the business with skills and knowledge with aim to attain strong and sustainable progress and growth of the Company with appropriate return to the shareholders.

(1.3) Protect Company’s interest and look after the Company’s assets as if a person responsible for his/her own assets; do not seek to gain personal interest fraudulently, either directly or indirectly.

(1.4) Report the Company’s status and operating results accurately and completely based on truth at all times.

(1.5) Do not reveal Company’s secret and do not use Company’s information or secret to gain personal benefits or others or seek for other benefits dishonestly from work duties.

(1.6) Get rid of problems concerning conflict of interest cautiously and reasonably and disclose the information completely.

(1.7) Respect the ownership right and treat the shareholders equally.

### **(2) Toward Customers**

(2.1) Treat the customers with honesty and fairness, as well as disclose and provide information on the products and services accurately and completely without distorting the information.

(2.2) Strictly comply with the terms and conditions provided to the customers, as well as offer services and treat the customers with kindness.

(2.3) Be attentive to the complaints from the customers and promptly and fairly take care of the matter to meet the demand of the customers.

(2.4) Maintain trade secret of the customers and do not use the information to dishonestly gain personal benefit and/or for other related parties.

(2.5) Constantly provide products and services with quality and standard in order to meet requirements of the customers and/or seek means for maximum benefit for the customers.

(2.6) Do not gain too much profit when compared with the product quality and services and avoid setting trading conditions that are unfair to the customers.



### **(3) Toward Employees**

(3.1) Treat employees fairly and courteously while paying due respect to individuality and human dignity.

(3.2) Maintain work environment that is safe to employees' life and occupational health.

(3.3) Support, promote, practice, train and develop the skill and knowledge of the employees on equitable basis in order to build job security and provide opportunity for advancement according to capability of each employee.

(3.4) Encourage employees to take part in the establishment of direction, development and solution to problems of the Company as teamwork and professionally

(3.5) Provide fair remunerations, appropriate to the responsibilities, knowledge and capabilities and work performance of each employee.

(3.6) Carry out professional appointments, transfer, including rewards and disciplinary actions in good faith and based on competence, capability and suitability of such employee.

(3.7) Comply with all employee-related laws, rules and regulations.

(3.8) Avoid any unfair action to the employees and provide opportunity for employees to file grievances for unfair treatment or unjust processes in order to resolve such employees' grievances in a correct way.

### **(4) Toward Trading Partners and/or Creditors**

(4.1) Do not demand, receive or pay any improper benefits to the trading partners and/or creditors and should it become known that corrupt demand, receipt or payment of any improper benefits occurs, full information will be disclosed to the trading partners and/or creditors and jointly resolve the problem on a fair and timely basis.

(4.2) Strictly comply with the all the terms and conditions agreed with the trading partners and/or creditors. In the case that any particular condition cannot be met, the Company will promptly inform the trading partners and/or creditors in advance in order to jointly seek for acceptable solution and to prevent from further damages.

(4.3) Report accurate and timely financial information to the trading partners and/or creditors on a regular basis.

(4.4) Build good relationship and understanding in a correct and transparent means.

### **(5) Toward Competitors**

(5.1) Treat competitors within legal framework and promote fair competition.

(5.2) Will not fraudulently or inappropriately seek confidential information of the competitors such as paying bribery to the employee of the competitor.

(5.3) Will not damage competitors' reputation by abusive accusation without truth.

### **(6) Toward Communities, Society and Environment**

(6.1) Will not do anything that will damage the reputation of the Country, natural resources and environmental condition and the overall society.

(6.2) Support activities that are beneficial to communities and society overall.

(6.3) Encourage moral principles or conscience and responsibilities to the overall communities among the employees at every level seriously and on a regular basis.

(6.4) Strictly comply with or supervise on compliance with all relevant laws.

(6.5) Do not cooperate or support any person involving in illegal business or dangerous to the society and security of the Country.

## EMPLOYEE CODE OF CONDUCT

The employees constantly follow and abide by the following Code of Conduct on a regular basis.

(1) Perform duties with honesty, discipline, accountability and awareness of assigned duties and with aim to attain advancement and security for themselves and the Company.

(2) Jointly create unity and harmony among the groups of employees; perform duties and resolve problems together and professionally with maximum effectiveness and efficiency; ready for better changes; able to respond to changes and use work skills to achieve maximum benefit.

(3) Be serious and attentive and perform duties diligently and patiently; aim to build and develop the Company to achieve its excellence.

(4) Use the Company's assets in the most efficient manner and protect the assets from improper depreciation or loss, and not to use the Company's assets for personal benefit and others or use the assets fraudulently or illegally.

(5) Must maintain confidential information of the customers, trading partners and the Company and must not disclose confidential information related to the business of the Company or use the inside information to dishonestly gain personal benefit and/or for other parties.

(6) Do not use work position to gain any personal benefit and/or others fraudulently, including the following:

(6.1) Employees are strictly prohibited from receiving cash or any other compensation from customers, trading partners or persons having connected business with the Company.

(6.2) Employees should avoid receiving gifts from the customers, trading partners or persons having connected business with the Company due to possible conflict of interest, except for accepting gifts during special or traditional occasions of which gifts must be of small and appropriate values, not excessive or unreasonable. Every employee can use own judgment whether it is appropriate to accept such gift. The employee should seek advice or recommendation from the supervisor if he/she feels uncertain about accepting the gift.

(7) Cooperate and assist in the work with every coworker for the interest of the Company and be respectful of other employees in the same organization.

(8) Be attentive and helpful in any activities for maintaining clean and safe working environment.

(9) Transfer knowledge and work experience to coworkers by considering best interest of the Company.

(10) Employees are prohibited from making accusation or abusive remarks to the Company, executives and coworkers without truth.

(11) Employees must strictly and regularly comply with the Company's regulations, Articles of Association and relevant laws, as well as support and cooperate in the practice of Company's business ethics or code of conduct for actual results.

(12) Notify the supervisor or relevant department of any wrongdoing or illegal activities.

(13) Avoid or do not do anything that may damage the overall image or reputation of oneself and the Company.

## **CODE OF CONDUCT WHEN PROBLEM OCCURS**

The established Business Ethics and Code of Conduct for the employees may not cover all the possible cases that may occur; therefore, when problem arises in practice, the employee should consult and discuss with the supervisor according to level of authority for appropriate and suitable guidelines on a case by case basis.

## **MEASURES AGAINST THE USE OF COMPANY'S INSIDE INFORMATION**

The Board of Directors has established the new policies or measures against the use of Company's inside information as follows:

(1) The Executives must report the change of their Company's shareholding to the Securities and Exchange Commission (SEC) according to the Section 59 of the Securities and Exchange Act B.E. 2535, including any amendments to the laws and regulations in the future (if any).

The word "Executives" shall be defined as directors, managers or the first four levels of high ranking executive positions downward from the Chief Executive Officer or Managing Director, any persons who are in the position equivalent to the forth level of the said high ranking executive positions, as well as the executive position in the line of accounting and finance or equivalent level, having responsibility to prepare and submit the Company's shareholding report to SEC on behalf of oneself, spouse and child under legal age.

(2) The director, executive, manager and employee who are aware of inside information of the Company are prohibited to disclose any inside information to any outside person or any person who has no relevant duties and are prohibited to trade the Company's securities during the 1-month period before the financial statements are disclosed to the public.

(3) The director, executive, manager and employee are prohibited to use the Company's inside information that have not been disclosed to the public which are significant to the change in the price of the Company's securities to seek benefit for oneself and/or for the trading of the Company's securities. Should anyone violate the above stipulation, the Company will proceed according to the relevant laws and severely punish such person based on facts and findings of the incident on a case-by-case basis.

(4) In case of director, executive, manager and employee being convicted in a criminal case according to the Securities and Exchange Law, the Company will severely punish such person according to one or several of the followings.

(A) Reduce the salary or compensation and benefits

(B) Terminate, fire or remove from the position of director, executive, manager or employee, alleging that the person has intentionally caused damage to the Company. Should the convicted person hold the directorship position in the Company, the matter will be proposed to the shareholders' meeting for its consideration of the punishment.

(C) Notify the incident to the Stock Exchange of Thailand and/or the SEC.

(D) Report the case for a legal prosecution.

(E) Carry out other matters according to the resolutions by the Board of Directors or shareholder's meeting of the Company.

## **APPROVAL OF TRANSACTIONS WITH CONFLICT OF INTEREST**

In case of the Company or its subsidiaries having engaged in a connected transaction or transaction that may have conflict of interest and acquisition or disposition of assets of the Company and/or its subsidiaries according to definition stipulated by the announcement of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand, the said regulations and procedures must be strictly followed. Accordingly, the Company has established the following measures or procedures for the approval of connected transactions and acquisition or disposition of assets of the Company and its subsidiaries.

(1) The stakeholder or person who may have conflict of interest may not approve the transaction that is connected to oneself.

(2) The establishment of price or compensation must be based on normal business and commercial terms in general with consideration of the best interest for the Company.

(3) The Audit Committee has to consider and provide comments on the said transaction. Should the Audit Committee possesses no expertise in any matter, the Company must provide independent expert to advise the Audit Committee for consideration before proposing to the Board of Directors of the Company and/or the shareholders' meeting for consideration and approval.

(4) The Company must disclose such transaction according to the regulations and procedures as established by SEC and/or the Stock Exchange of Thailand within the Company's Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

## **REPORT ON INTEREST OF DIRECTORS, EXECUTIVES AND RELATED PERSONS**

The Securities and Exchange Commission or SEC acting as the Capital Market Supervisory Board according to Section 60 of the Securities and Exchange Act (No.4) B.E. 2551 (2008) has issued the Notification of the Capital Market Supervisory Board No. TorChor. 2/2552 dated January 26, 2009 to authorize the Company's board of directors to establish rules, procedures and details for reporting on interest of the directors, executives and related persons that are suitable to the business of the Company, to be effective from July 1, 2009.

Accordingly, the Board of Directors has issued the announcement to establish rules, procedures and details on the reporting on interest of the directors, executives and related persons, which can be summarized as follows:

### **(1) Objectives**

(1.1) To comply with Section 89/14 of the Securities and Exchange Act B.E. 2535 (1992) as amended by the Securities and Exchange Act (No.4) B.E. 2551 (2008), which stipulates that the directors and executives must report to the Company on the interest or the related persons' interest in relation to management of the Company or the subsidiaries, in order for the Company to have such information to perform according to the regulations concerning with the connected transaction, which may result in a conflict of interest that may lead to the transfer of benefit of the Company and its subsidiaries.

(1.2) To comply with Section 89/7 of the Securities and Exchange Act B.E. 2535 (1992) as amended by the Securities and Exchange Act (No.4) B.E. 2551 (2008), which stipulates that in conducting the business of the company, the directors and an executives must perform their duty with responsibility, due care and loyalty (fiduciary duties), by making decision without interest whether directly or indirectly. Therefore, the aforementioned report on interest is beneficial to the monitoring and supervision of duties conducted by the directors and executives following the above principles.

(1.3) To comply with Section 88 of the Public Limited Company Act B.E. 2535, which stipulates that the director must notify the Company without delay for the following events:

(A) Having a direct or indirect interest in any contract which is made by the Company during an accounting year, by specifying the nature of the contract, names of the contracting party and interest of the director in the contract (if any);

(B) Holding shares or debentures of the Company and affiliated company, by specifying the total number of increasing or decreasing shares during the accounting year (if any).

## **(2) Procedures for Reporting of Interest**

(2.1) The directors and executives are required to file a report with the Company on the interest or the related persons' interest in relation to management of the Company or the subsidiaries by notifying the company secretary using the form established by the Company.

(A) First time report must be filed within 7 (seven) days after the effective date of the announcement or from the date of appointment as the director or executive for the case of appointment after this announcement has become effective.

(B) Reporting of change in information on the conflict of interest after the first time reporting in (A) must be filed without delay within 3 (three) working days starting from the date of the change in such information on interest.

(2.2) The company secretary shall forward a copy of the submitted report on interest of the directors and executives under (2.1) to the chairman of the board of directors and audit committee chairman for their acknowledgement within 7 (seven) working days after the company has received such report and the company secretary shall keep record and maintain the submitted reports on interest of the directors and executives under (2.1) to be used by the Company for the above objectives.

(2.3) The Company shall disclose information on the submitted interest of the directors and executives under (2.1) above within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2) of the Company. However, only those items that are required by the established laws shall be disclosed.

## PROCEDURES FOR REPORTING OF FRAUD OF ILLEGAL CONDUCT

The Board of Directors has established the measures and procedures for the Company's executives to promptly report to the Company's Board of Directors and the Audit Committee in the event of frauds or suspecting of a fraudulent or illegal conduct or other unusual activities which may cause significant damage to the Company's reputation and financial status, which includes:

- (1) Transaction involving conflict of interest
- (2) Fraudulent or unusual activities or deficiency in the internal control system
- (3) Violation of the laws and regulations regarding the Securities and Exchange, regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand or other laws concerning with Company's business operation.

Accordingly, the Board of Directors shall promptly correct the deficiency or its impact, including seeking protection measures to prevent such incident from happening again.

## MECHANISM FOR WHISTLEBLOWING OR COMPLAINTS BY THE STAKEHOLDERS

### **(A) Provide opportunity for the stakeholder for whistleblowing or making complaints**

Any stakeholder who wishes to contact the Board of Directors directly without going through the executive of the Company in order to offer any opinions concerning with the business operation including whistleblowing or complaints such as inappropriate action, fault, wrongdoing or mistake, illegal action or unethical behavior etc., it can be directly forwarded to the Audit Committee of the Company as follows:

- By Mail  
Mr. Padoong Techasarintr  
41/9 Rim Klong Bangsaka Road  
Bangkor, Chomthong, Bangkok 10150
- Via E-Mail Address: [wanna@lannar.com](mailto:wanna@lannar.com)

### **(B) Protection for the Whistleblower**

The stakeholder who makes whistleblowing or complaints according to (1) above does not need to disclose his/her name.

### **(C) Procedure after Whistleblowing or Complaints**

The Audit Committee is assigned to investigate the information or facts informed by the whistleblower according (1) above and directly presents the matter to the Board of Directors for acknowledgment and consideration.

### **(D) Correction Measures and Compensation**

In case the stakeholder has been damaged from the violation of right according to the laws, the Company is willing to listen to opinion or complaint and will urgently correct the fault and impact without delay including finding measures to prevent recurrence of the event and will consider making appropriate compensation to the damaged person based on cause and effect on a case-by-case basis.



## RELATED TRANSACTIONS

• During 2009, there were no interests or related transactions between the Company, subsidiaries and associated companies with the directors and/or the executives.

• During 2009, the Company had significant business transactions with its related companies, related by way of shareholding, common shareholders and/or common directors. These transactions, with terms and basis concluded under the normal course of business, are summarized as follows:

### (A) Coal Sale and Purchase

<b>1</b>	<p><b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller: Lanna Resources Public Co., Ltd. Buyer: Siam City Cement Public Co., Ltd.</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Siam City Cement Public Co., Ltd. holds 44.99% of paid-up capital in Lanna Resources Public Co., Ltd., having two joint representatives being directors of Lanna Resources Public Co., Ltd., namely Mr. Paul Heinz Hugentobler, and Mr. Vanchai Tosomboon.</li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Siam City Cement Public Co., Ltd. uses coal as its primary source of fuel; therefore, future sales and purchase transactions should continue into the future.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 70,359.22 tons</li> <li>Total Value: Baht 174,072,236.41</li> <li>Balance Amount as of December 31, 2009: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Market price for same industrial sector and at similar coal quality</li> </ul>
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<b>2</b>	<p><b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller: PT. Singlurus Pratama Buyer: Siam City Cement Public Co., Ltd.</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly holds 65 percent of paid-up capital in PT. Singlurus Pratama and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak and Mrs. Petcharat Chayanon.</li> <li>(B) Board of Directors, having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Panot Charoensuk.</li> </ul> </li> <li>Siam City Cement Public Co., Ltd. holds 44.99% of paid-up capital in Lanna Resources Public Co., Ltd., having two joint representatives being directors of Lanna Resources Public Co., Ltd., namely Mr. Paul Heinz Hugentobler, and Mr. Vanchai Tosomboon.</li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The Siam City Cement Public Co., Ltd. uses coal as its primary source of fuel; therefore, future sales and purchase transactions should continue into the future.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 35,401 tons</li> <li>Total Value: USD 1,619,595.75 or Approximately Baht 55,781,132.69</li> <li>As at December 31, 2009, there was outstanding payment that Seller had to pay Buyer for advance payment for coal of USD 4,000,000 (approximately Baht 133,475,000) plus interest of USD 433,149.37 (approximately Baht 14,453,653.04), according to the coal sale and purchase contract entered in 2008</li> <li>Exchange Rate: USD 1 = Baht 33.36875</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Market price for same industrial sector and at Similar coal quality.</li> </ul>
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<b>3</b>	<p><b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller: PT. Lanna Harita Indonesia Buyer: Siam City Cement Public Co., Ltd.</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly holds 55 percent of paid-up capital in PT. Lanna Harita Indonesia and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak</li> <li>(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Pongtorn Kachareon, and Mr. Thamrong Angsakul</li> </ul> </li> <li>Siam City Cement Public Co., Ltd. holds 44.99% of paid-up capital in Lanna Resources Public Co., Ltd., having two joint representatives being directors of Lanna Resources Public Co., Ltd., namely Mr. Paul Heinz Hugentobler, and Mr. Vanchai Tosomboon.</li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The Siam City Cement Public Co., Ltd. uses coal as its primary source of fuel; therefore, future sales and purchase transactions should continue into the future.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 318,192 tons</li> <li>Total Value: USD 15,741,516.26 or approximately Baht 538,486,346.07</li> <li>Balance Amount as of December 31, 2009: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Market price for the same industrial group and at similar quality of coal</li> </ul>
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<b>4</b>	<p><b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller: PT. Lanna Harita Indonesia Buyer: Lanna Resources Public Co., Ltd.</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly holds 55 percent of paid-up capital in PT. Lanna Harita Indonesia and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak</li> <li>(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Pongtorn Kachareon, and Mr. Thamrong Angsakul</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>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 coal business is the Company's core business; therefore, the tendency for future transactions between the parties should continue into the future.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 106,227 tons</li> <li>Total Value: USD 4,751,166.81 Or approximately Baht 162,298,947.22</li> <li>Balance Amount as of December 31, 2009: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Market price for similar coal quality</li> </ul>
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## **(B) Coal Marketing and Distribution Services**

<b>1</b>	<p><b>Type of Transaction</b> Broker for Coal with Commission Fee</p> <p><b>Related Parties</b> Broker: Lanna Resources Public Co., Ltd. Service Receiver: PT. Lanna Harita Indonesia</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"><li>Lanna Resources Public Co., Ltd. directly holds 55 percent of paid-up capital in PT. Lanna Harita Indonesia and is represented by the following directors:<ul style="list-style-type: none"><li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak</li><li>(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Pongtorn Kachareon, and Mr. Thamrong Angsakul</li></ul></li></ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"><li>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 coal business is the Company's core business; therefore, the tendency for future coal sales service transactions between the parties should continue into the future.</li></ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"><li>Coal Volume: 1,114,393.51 tons</li><li>Total Service Value: USD 835,795.14 or approximately Baht 28,353,364.65</li><li>Balance Amount as of December 31, 2009: USD 137,028.39 or approximately Baht 4,572,466.09</li><li>Exchange Rate: USD 1 = Baht 33.36875</li></ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"><li>Comparable market service rates in general</li></ul>
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<b>2</b>	<p><b>Type of Transaction</b> Coal Marketing and Distribution Services</p> <p><b>Related Parties</b> Service Provider: Lanna Resources Public Co., Ltd. Service Receiver: PT. Singlurus Pratama</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"><li>Lanna Resources Public Co., Ltd. directly holds 65 percent of paid-up capital in PT. Singlurus Pratama and is represented by the following directors:<ul style="list-style-type: none"><li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, and Mrs. Petcharat Chayanon</li><li>(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Panot Charoensuk.</li></ul></li></ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"><li>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 coal business is the Company's core business; therefore, the tendency for future coal sales service transactions between the parties should continue into the future.</li></ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"><li>Coal Volume: 430,069.22 tons</li><li>Total Service Value: USD 645,103.82 or approximately Baht 21,556,664.34</li><li>Balance Amount as of December 31, 2009: None</li><li>Exchange Rate: USD 1 = Baht 33.36875</li></ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"><li>Comparable market service rates in general</li></ul>
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<b>3</b>	<p><b>Type of Transaction</b> Right to Coal Production and Distribution Fee</p> <p><b>Related Parties</b> Fee Receiver: Lanna Resources Public Co., Ltd. Fee Payer: PT. Singlurus Pratama</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly holds 65 percent of paid-up capital in PT. Singlurus Pratama and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, and Mrs. Petcharat Chayanon</li> <li>(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Panot Charoensuk.</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>Purchase of right to the coal production and distribution fee of PT. Singlurus Pratama from other joint investors in such company</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 430,069.22 tons</li> <li>Total Right to Fee Value: USD 322,551.91 or or approximately Baht 10,778,332.15</li> <li>Balance Amount as of December 31, 2009: USD 87,561.16 or approximately Baht 2,921,806.46</li> <li>Exchange Rate: USD 1 = Baht 33.36875</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable market service rates in general</li> </ul>
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### **(C) Coal Freight Transport Services**

<b>1</b>	<p><b>Type of Transaction</b> Coal Freight Transport Services</p> <p><b>Related Parties</b> Employer: Lanna Resources Public Co., Ltd. Contractor: United Bulk Shipping Pte. Ltd.</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly holds 49% of paid-up capital in United Bulk Shipping Pte. Ltd., having three representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul and Mr. Pilas Puntakosol</li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>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 importing coals from overseas for sales; therefore, the tendency for future coal freight transport transactions between the parties should continue into the future.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Coal Transport Volume: 34,226,229 tons</li> <li>Total Service Value: USD 5,777.68 or Baht 209,304.77</li> <li>Balance Amount as of December 31, 2009: USD 25,129.52 or approximately Baht 838,540.67</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable to general market freight rates paid to external vendors.</li> </ul>
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<b>2</b>	<p><b>Type of Transaction</b> Coal Freight Transport Services</p> <p><b>Related Parties</b> Employer: Siam City Cement Public Co., Ltd. Contractor: Lanna Resources Public Co., Ltd.</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Siam City Cement Public Co., Ltd. holds 44.99% of paid-up capital in Lanna Resources Public Co., Ltd., having two joint representatives being directors of Lanna Resources Public Co., Ltd., namely Mr. Paul Heinz Hugentobler, and Mr. Vanchai Tosomboon.</li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The Siam City Cement Public Co., Ltd. uses coal as its primary source of fuel; therefore, future sales and purchase transactions should continue into the future.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Coal Transport Volume: 401,288.56 tons</li> <li>Total Value: Baht 363,180,343.51</li> <li>Balance Amount as of December 31, 2009: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable to general market freight rates paid to external vendors.</li> </ul>
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**(D) Management Service**

<b>1</b>	<p><b>Type of Transaction</b> Management Service</p> <p><b>Related Parties</b> Service Provider: PT. Lanna Mining Services Service Receiver: PT. Lanna Harita Indonesia</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly and indirectly holds 100 percent of paid-up capital in PT. Lanna Mining Services and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having three representatives; namely, Mr. Kraisi Sirirungsi, Mr. Anun Louharanoo and Mr. Srihasak Arirachakaran.</li> <li>(B) Board of Directors, having three representatives; namely, Mr. Pilas Puntakosol, Mr. Arkom Laoharanoo, and Mr. Panot Charoensuk.</li> </ul> </li> <li>Lanna Resources Public Co., Ltd. directly holds 55 percent of paid-up capital in PT. Lanna Harita Indonesia and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak</li> <li>(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Pongtorn Kachareon, and Mr. Thamrong Angsakul</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Total Service Value: USD 72,000 or approximately Baht 2,402,550</li> <li>Balance Amount as of December 31, 2009: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable service rates paid to external vendors</li> </ul>
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2	<p><b>Type of Transaction</b> Management Service</p> <p><b>Related Parties</b> Service Provider: PT. Lanna Mining Services Service Receiver: PT. Singlurus Pratama</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>• Lanna Resources Public Co., Ltd. directly and indirectly holds 100 percent of paid-up capital in PT. Lanna Mining Services and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having three representatives; namely, Mr. Kraisi Sirirungsi, Mr. Anun Louharanoo and Mr. Srihasak Arirachakaran.</li> <li>(B) Board of Directors: having three representatives; namely, Mr. Pilas Puntakosol, Mr. Arkom Laoharanoo, and Mr. Panot Charoensuk.</li> </ul> </li> <li>• Lanna Resources Public Co., Ltd. directly holds 65 percent of paid-up capital in PT. Singlurus Pratama and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, Mrs. Petcharat Chayanon.</li> <li>(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Panot Kacharoen.</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>• Total Service Value: USD 54,000 or approximately Baht 1,801,912.50</li> <li>• Balance Amount as of December 31, 2009: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>• Comparable service rates paid to external vendors</li> </ul>
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3	<p><b>Type of Transaction</b> Advisory Services for Coal Logistics and Transport</p> <p><b>Related Parties</b> Service Provider: United Bulk Shipping Pte. Ltd. Service Receiver: Lanna Resources Public Co., Ltd.</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>• Lanna Resources Public Co., Ltd. directly holds 49% of paid-up capital in United Bulk Shipping Pte. Ltd., having three representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul and Mr. Pilas Puntakosol</li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>• Total Service Value: USD 22,200.40 or approximately Baht 739,297.74</li> <li>• Balance Amount as of December 31, 2009: USD 22,200.40 or approximately Baht 740,799.60</li> <li>• Exchange Rate: USD 1 = Baht 33.36875</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>• Comparable service rates paid to external vendors.</li> </ul>
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## (E) Port and Coal Transport Route Service

1	<p><b>Type of Transaction</b> Port and Transport Route Service for Exported Coal</p> <p><b>Related Parties</b> Service Provider: PT. Lanna Harita Indonesia Service Receiver: PT. Citra Harita Mineral</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly holds 55 percent of paid-up capital in PT. Lanna Harita Indonesia and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak.</li> <li>(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Pongtorn Kachareon, and Mr. Thamrong Angsakul</li> </ul> </li> <li>Lanna Resources Public Co., Ltd. directly holds 55 percent of paid-up capital in PT. Citra Harita Mineral and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Saharat Vatanatumrak.</li> <li>(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Panot Charoensuk, Mr. Nattapon Ngamphol, and Mrs. Petcharat Chayanon.</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 10,342.29 tons</li> <li>Total Service Value: USD 4,701.04 or approximately Baht 156,867.83</li> <li>Balance Amount as of December 31, 2009: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable service rates paid to external vendors</li> </ul>
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## (F) Financial Assistance

1	<p><b>Type of Transaction</b> Loan Transaction</p> <p><b>Related Parties</b> Lender: Lanna (Singapore) Pte. Ltd. Borrower: PT. Lanna Mining Services</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly holds 100% of paid-up capital in Lanna (Singapore) Pte. Ltd. , having three representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Pilas Puntakosol and Mr. Anun Louharanoo.</li> <li>Lanna Resources Public Co., Ltd. directly and indirectly holds 100 percent of paid-up capital in PT. Lanna Mining Services and is represented by the following directors. <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having three representatives; namely, Mr. Kraisi Sirirungsi, Mr. Anun Louharanoo, and Mr. Srihasak Arirachakaran.</li> <li>(B) Board of Directors: having three representatives; namely, Mr. Pilas Puntakosol, Mr. Arkom Laoharanoo, and Mr. Panot Charoensuk.</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>Loan transactions without guarantee with 2 loan agreements for investment and development in the coal mine project no. 3 in Indonesia, with the following details: <ul style="list-style-type: none"> <li>Agreement No. 1: Executed on June 18, 2007 for USD 2 million or approximately Baht 66.74 million for 3-year term period at interest of LIBOR+3% per annum.</li> <li>Agreement No. 2: Executed on August 1, 2007 for USD 2 million or approximately Baht 66.74 million for 3-year term period at interest of LIBOR+3% per annum.</li> </ul> </li> <li>This transaction is qualified as the connected transaction but is exempted according to the announcement of the Stock Exchange of Thailand regarding the Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003, Clause 7 (2).</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Paid interest according to 2 loan agreements for USD 152,415.88 or Baht 5,805,927.40</li> <li>As at December 31, 2009: Outstanding loan principal of USD 2,000,000 or approximately Baht 66,737,500 for each of 2 loan agreements for a total of USD 4,000,000 or approximately Baht 133,475,000</li> <li>Exchange rate: USD 1 = Baht 33.36875</li> </ul> <p><b>Interest Rate Policy</b></p> <ul style="list-style-type: none"> <li>Comparable interest rates of financial institution</li> </ul>
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<b>2</b>	<p><b>Type of Transaction</b> Loan Transaction</p> <p><b>Related Parties</b> Lender: Lanna Resources Public Co., Ltd. Borrower: PT. Lanna Mining Services</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly and indirectly holds 100 percent of paid-up capital in PT. Lanna Mining Services and is represented by the following directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having three representatives; namely, Mr. Kraisi Sirirungsi, Mr. Anun Louharanoo, and Mr. Srihasak Arirachakaran.</li> <li>(B) Board of Directors: having three representatives; namely, Mr. Pilas Puntakosol, Mr. Arkom Laoharanoo, and Mr. Panot Charoensuk.</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>Loan transactions without guarantee with 3 loan agreements for investment and development in the coal mine project no. 3 in Indonesia, with the following details:  Agreement No. 1: Loan has been fully repaid.  Agreement No. 2: Executed on January 17, 2008 for USD 6.866 million or approximately Baht 229.11 million for 3-year term period at interest of LIBOR+3% per annum.  Agreement No. 3: Executed on March 12, 2009 for Baht 84 million for 3-year term period at interest of LIBOR+3% per annum.</li> <li>This transaction is qualified as the connected transaction but is exempted according to the announcement of the Stock Exchange of Thailand regarding the Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003, Clause 7 (1).</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Loan transaction without guarantee according to Agreement No. 3 valued at Baht 84,000,000</li> <li>Paid back loan for Agreement No. 2 of USD 1,500,000 or approximately Baht 49,485,450</li> <li>Interest according to both Agreements of USD 335,304.55 or approximately Baht 11,216,496.95</li> <li>As at December 31, 2009: Outstanding loan principal according to Agreement No. 2 of USD 5,366,000 or approximately Baht 179,056,712.50 and Agreement No. 3 of Baht 84,000,000</li> <li>Exchange rate: USD 1 = Baht 33.36875</li> </ul> <p><b>Interest Rate Policy</b></p> <ul style="list-style-type: none"> <li>Comparable interest rates of financial institution</li> </ul>
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## **(G) Purchase and Sales of Lignite Exploration Project in Petchaboon Province**

<b>1</b>	<p><b>Type of Transaction</b> Purchase and Sales of Lignite Exploration Project in Petchaboon Province</p> <p><b>Related Parties</b> Seller: Lanna Resources Public Co., Ltd. Buyer: Siam City Cement Public Co., Ltd.</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Siam City Cement Public Co., Ltd. holds 44.99% of paid-up capital in Lanna Resources Public Co., Ltd., having two joint representatives being directors of Lanna Resources Public Co., Ltd., namely Mr. Paul Heinz Hugentobler, and Mr. Vanchai Tosomboon.</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Bidding process and award to proposal with best price and conditions.</li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>According to preliminary survey and exploration data and information, this coal deposit was found to be small with relatively low lignite reserves and quality and the Company also needed its working teams to develop a number of large coal mining projects in Indonesia of which 2 coal mining projects were already in operation. The sales price and conditions were the best offer as compared with offers from other parties.</li> </ul>	<p><b>Transactions in 2009</b></p> <ul style="list-style-type: none"> <li>Reimbursement for expenses of Baht 104,401.82</li> <li>Outstanding balance as of December 31, 2009: Baht 5,000,000</li> <li>Purchase and sale agreement executed in 2007 with the Parties still obligated to the terms and conditions.</li> </ul>
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## Opinion of the Audit Committee on the Related Transactions

February 24, 2010

Attention: Chairman of the Board of Directors  
Lanna Resources Public Company Limited

The Audit Committee had examined and reviewed the related transactions occurred during year 2009 between Lanna Resources Public Company Limited, its subsidiaries, associated companies, persons with associated interest or related persons, in order to express their opinions, including disclosure of the information and operation in accordance with the regulations established by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand, which can be summarized as follows.

(1) The Company sold imported coal to Siam City Cement Public Co., Ltd., which is both a Company's customer and a major shareholder, in accordance with the conditions agreed in the contract which was based on the similar quality of coal offered to other customers in the same industry.

(2) PT. Singlurus Pratama, a subsidiary company registered in Indonesia, sold coal to Siam City Cement Public Co., Ltd., which is both a Company's customer and a major shareholder, in accordance with the conditions agreed in the contract which was based on the similar quality of coal offered to other customers in the same industry.

(3) PT. Lanna Harita Indonesia, a subsidiary company registered in Indonesia, sold coal to Siam City Cement Public Co., Ltd., which is both a Company's customer and a major shareholder, in accordance with the conditions agreed in the contract which was based on the similar quality of coal offered to other customers in the same industry.

(4) The Company purchased imported coal for further selling from PT Lanna Harita Indonesia, a subsidiary company registered in Indonesia, in accordance with the conditions agreed in the contract and at the market price based on comparable quality of coal.

(5) The Company rendered coal marketing and distribution services for PT. Lanna Harita Indonesia and PT. Singlurus Pratama, both are subsidiary companies registered in Indonesia, in accordance with the conditions agreed in the contract and with sales commission based on comparable market service rates in general.

(6) The Company received fees from the coal produced and distributed from PT. Singlurus Pratama, a subsidiary company registered in Indonesia, in accordance with the conditions agreed in the contract and at the fee based on comparable service rate in general.

(7) United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, has rendered services to transport imported coals for the Company, in accordance with the conditions agreed in the contract and at the freight charge based on comparable market freight rates paid to other external vendors.

(8) The Company has rendered services to transport imported coal from Indonesia to Thailand for Siam City Cement Public Co., Ltd., which is both a customer and a major shareholder, in accordance with the conditions agreed in the contract and at the freight charge based on comparable market freight rates paid to other external vendors.

(9) PT. Lanna Mining Services has rendered management services to PT. Lanna Harita Indonesia and PT. Singlurus Pratama, by which all three are subsidiary companies registered in Indonesia, in accordance with the conditions agreed in the contract and at the service charge based on comparable general market service rates paid to other external vendors.

(10) United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, has rendered advisory services for coal logistics and transport for the Company, in accordance with the conditions agreed in the contract and at the service charge based on comparable general market service rates paid to other external vendors.

(11) PT. Lanna Harita Indonesia has rendered port and coal transport route services to PT. Citra Harita Mineral, both are subsidiary companies registered in Indonesia, in accordance with the conditions agreed in the contract and at the service charge based on comparable general market service rates paid to other external vendors.

(12) Lanna (Singapore) Pte. Ltd., a subsidiary company registered in Singapore, has extended a loan to PT. Lanna Mining Services, a subsidiary company registered in Singapore, for the purpose of investment and development of the Coal Mining Project No. 3 in Indonesia for amount of USD 4,000,000 or approximately Baht 133.48 million at interest rate of LIBOR+3% which was comparable to the interest rate of the financial institutions.

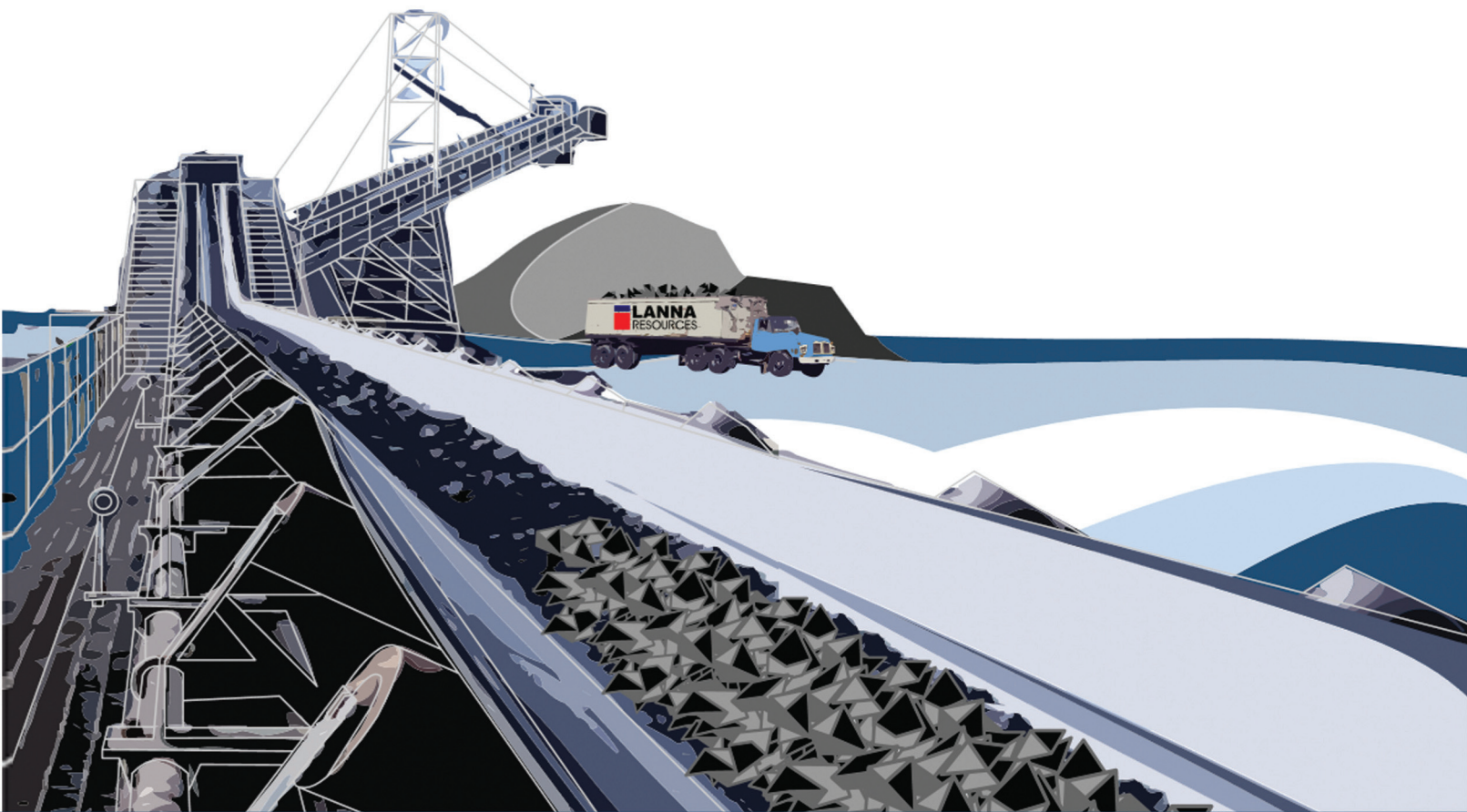
(13) The Company has extended loans to PT. Lanna Mining Services, a subsidiary company registered in Indonesia, for the purpose of investment and development of the Coal Mining Project No. 3 in Indonesia in accordance with the Loan Agreement No. 1 for amount of USD 2,300,000, of which this loan has already been paid off; and Loan Agreement No. 2 for amount of USD 6,866,000 or approximately Baht 229.78 million, of which USD 1.5 million has been paid already or Baht 49.49 million. As at December 31, 2009, there was an outstanding loan principal according to the Loan Agreement No. 2 of USD 5,366,000 or approximately Baht 179.06 million and the Loan Agreement No. 3 for amount of Baht 84 million, having interest rate of LIBOR+3% which was comparable to the interest rate of the financial institutions.

(14) The Company has sold its Lignite Coal Exploration Project in Petchaboon to Siam City Cement Public Co., Ltd., a major shareholder of the Company, in 2007 for Baht 40 million by receiving payments on the Project sale of Baht 15 million in 2007 and Baht 20 million in 2008. The remaining payment of Baht 5 million will be received when Siam City Cement Public Co., Ltd. has been granted first set of concession license from the authority or within 3 years from contract signing date, whichever comes first, and in 2009, the Company received reimbursement for the expenses from sending an employee to work on such Project from Siam City Cement Public Co., Ltd. for amount of Baht 104,401.82, in accordance with the conditions agreed in the contract.

(Mr. Padoong Techasarintr)  
Chairman of the Audit Committee

(Mr. Adul Tantharatana)  
Audit Committee Member

(Mrs. Duangkamol Suchato)  
Audit Committee Member



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