

ANNUAL REPORT

2011



LANNA RESOURCES PUBLIC COMPANY LIMITED



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## 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 purposes.

**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 Ms. Kamontip Lertwitworatep, certified public accountant no. 4377; and/or Mrs. Saifon Inkaew, certified public accountants no. 4434; and/or Mr. Wichart Lokatekrawee, certified public accountant no. 4451, 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

**Vision**

To be one of the coal  
business leaders in Asia

**Core Value**

Production and distribution  
of high-quality coal  
entrusted by its customers

**MISSION**

- Aim to attain business operation excellence through insisting on building customer satisfaction by paying attention to recommendations as well as making self-assessment and review in order to continually develop and create the best products for a sustainable development of the Company in the future.
- Develop excellent products and services, create new innovation to continue adding values to products and services and find new ways that are utmost beneficial for the customers.
- Develop skillful human resources and acquire modern technology in order to maintain high quality and standard of products and services.
- Take into consideration the corporate social responsibility to the overall community and society including environmental conservation by taking part in the creation and support of development that are sustainable and beneficial to the overall society, consistent with status of the Company.
- 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.

## REPORT OF THE BOARD OF DIRECTORS

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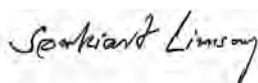
On behalf of the Board of Directors of Lanna Resources Public Company Limited, I would like to take this opportunity to report to the shareholders with regard to the financial status and operating results of the Company and affiliated companies for the past year 2011, which were considered excellent and satisfactory, having a steady and growing net income as compared to the previous year despite the flood disaster and economic crisis. According to the consolidated financial statements, the Company and its affiliated companies had total revenue of Baht 13,156.75 million with net income of Baht 1,043.40 million or net earnings per share of Baht 2.98. In comparison with year 2010, the revenue and net income increased by Baht 4,222.52 million and Baht 368.74 million or an increase of 47.26 percent and 54.66 percent, respectively. In 2011, the Company posted its highest net income ever in the past 27 years since the Company was founded back in 1985, having revenue proportion from sales of coal and ethanol accounting for 91.55 percent and 8.45 percent, respectively, and net income proportion from the coal business accounting for 103.11 percent and net loss from the ethanol business accounting for 3.11 percent, respectively.

From the coal business which is the Company's core business, the total revenue in 2011 was Baht 11,899.14 million, an increase from the previous year by Baht 3,881.93 million or 48.42 percent, and the net income was Baht 1,797.63 million, an increase of Baht 539.45 million from the previous year or an increase of 42.88 percent. The Company currently has a total of two operating coal mines in Indonesia with production capacity of approximately 2.5 million and 3 million metric tons per year. The remaining concession period for the first and second coal concession is approximately 19 years and 27 years, respectively. Nonetheless, the Company has planned to increase its coal production capacity and is actively seeking additional coal concession projects in order to enhance its coal business potential in the future. The shareholders shall be informed of the progress accordingly.

From the ethanol business which is the Company's second core business, the total revenue in 2011 was Baht 1,098.21 million, or an increase from the previous year by Baht 337.98 million or 44.46 percent, having a net loss of Baht 42.90 million, a decrease from the previous year by Baht 51.62 million or 54.61 percent, with increase in ethanol sales volume of 38.38 percent and decrease in selling price of 2.72 percent, respectively. However, the price of molasses, which was the main cost of ethanol production, had remained high in addition to the new Production Line No. 2 not yet generating revenue in 2011, resulting in the operating loss. The ethanol plant, which is located in Dan Chang District, Suphanburi Province, currently has two production lines, with ethanol production capacity of 150,000 liters per day for the Production Line No. 1 and 200,000 liters per day for the Production Line No. 2. The Production Line No. 2 is currently under efficiency improvement and commissioning process, of which completion is expected within the first quarter of 2012, raising the total ethanol production capacity to 350,000 liters per day, using molasses and cassava as the main raw materials. Both ethanol plants have been granted special investment promotion privileges according to the Investment Promotion Act, B.E. 2520 (1977). In order to add value in the future, the Company has planned to invest further by using the ethanol as a raw material for the downstream industry.

The Company's overall financial status and liquidity were still considered satisfactory. The current ratio was at 1.23 times, but the total debt to total assets ratio was only 43.49 percent and the debt to equity ratio was only 79.96 percent.

The Company's Board of Directors has endeavored to manage the business and resolve any problem with prudence by adhering to the principles of good corporate governance, which has enabled the Company to overcome obstacles and achieve good operating results. Accordingly, the Board of Directors shall cautiously and carefully consider the Company's investments and business development to achieve long term sustainable and stable development.



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

**BOARD OF DIRECTORS**

Lanna Resources Public Company Limited

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



**Mr. Paul Heinz Hugentobler**  
Director



**Mr. Philippe Paul Alexandre Arto**  
Director



**Mr. Vanchai Tosomboon**  
Director



**Mr. Tanon Tantisunthorn**  
Director



**Mr. Padoong Techasarintr**

Independent Director / Audit Committee Chairman



**Mr. Adul Tantharatana**

Independent Director / Audit Committee Member



**Mrs. Duangkamol Suchato**

Independent Director / Audit Committee Member



**Mr. Anan Siripong**

Independent Director



**Ms. Nopporn Tirawattanagool**

Independent Director / Audit committee Member

(Resigned on February 1, 2012)



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



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



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



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



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



## FINANCIAL INFORMATION

According to the Consolidated Financial Statements	Year 2009	Year 2010	Year 2011
<b>Financial Status</b> (Unit: Million Baht)			
Total Assets	4,351	5,883	7,218
Total Liabilities	1,491	2,699	3,139
Issued and Paid-up Capital	350	350	350
Total Shareholders' Equity	2,860	3,184	4,079
<b>Operating Results</b> (Unit: Million Baht)			
Total Revenue	5,369	8,934	13,157
Sales Revenue	5,159	8,777	12,997
Gross Earnings	2,320	3,567	5,152
EBITDA (Earnings before interest, tax, depreciation, & amortization)	1,457	2,008	2,991
Net Earnings	655	675	1,043
<b>Share Information</b> (Unit: Baht per Share)			
Book Value per Share	6.88	7.50	9.35
Net Earnings per Share	1.87	1.93	2.98
Dividend per Share	1.00	1.05	1.80
<b>Liquidity Ratio</b>			
Current Ratio (times)	1.59	1.44	1.23
Quick Current Ratio (times)	0.65	0.90	0.80
Cash Flow Liquidity Ratio (times)	0.41	0.92	0.71
Accounts Receivable Turnover Ratio (times)	12.91	13.95	12.70
Average Debt Collection Period (days)	28	26	29
Inventory Turnover Ratio (times)	7.31	14.82	29.04
Average Selling Period (days)	50	25	13
Accounts Payable Turnover Ratio (times)	12.23	18.22	22.92
Average Debt Payment Period (days)	30	20	16
Cash Cycle (days)	48	31	26
<b>Profitability Ratio</b>			
Gross Profit Margin (%)	44.96	40.63	39.64
EBITDA Margin (%)	27.13	22.47	22.74
Net Profit Margin (%)	19.22	13.02	13.34
Return on Equity (%)	28.94	26.81	35.40
<b>Efficiency Ratio</b>			
Return on Total Assets (%)	25.34	22.74	26.79
Return on Fixed Assets (%)	81.91	63.69	70.84
Assets Turnover Ratio (times)	1.32	1.75	2.01
<b>Financial Policy Ratio</b>			
Debt to Equity Ratio (times)	0.52	0.85	0.77
Interest Coverage Ratio (times)	59.93	88.64	101.06
Debt Service Coverage Ratio (Cash Basis) (times)	0.51	0.77	0.69
Dividend Payment Ratio (%)	95.84	98.22	91.33

## DIVIDEND PAYMENT POLICY

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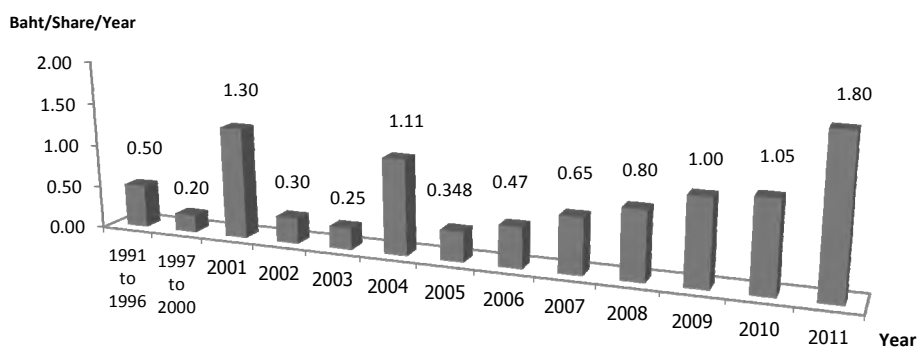
**The Company's dividend payment policy to the shareholders:** In the case that no additional investment is required and there are no outstanding loans, the Company's dividend payment policy is not less than 60 percent of its net income according to the separate financial statements for each financial 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 2011 have been shown in details for each of the companies on Page 12 of this Annual Report.

**Dividend Payment in Year 2011:** The Company's net income according to the separate financial statements was at Baht 689.78 million or Baht 1.97 per share. The Board of Directors has proposed for the appropriation of earnings for the purpose of dividend payment to the shareholders at Baht 1.80 per share or 91.33 percent of the net income according to the separate financial statements, which is in line with the Company's dividend payment policy above and lower than the dividend payment ratio of the previous year by 7.01 percent.

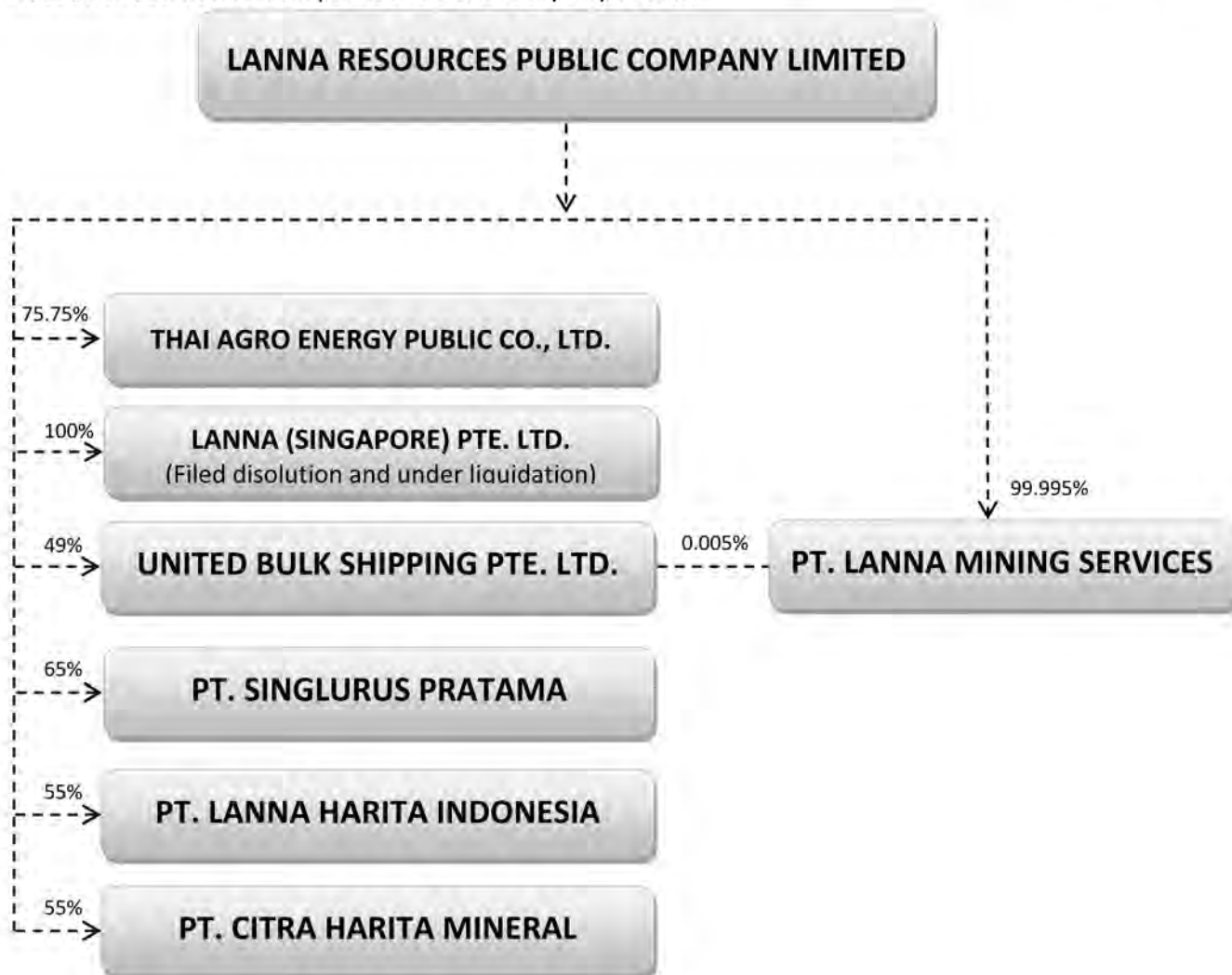
### DIVIDEND PAYMENT RECORD

(Par Value of Baht 1.00 per Share)



## 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.



### 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:	800,000,000 ordinary shares at Baht 1 per share totaling Baht 800,000,000
Company's Shareholding:	606,037,733 ordinary shares at Baht 1 per share totaling Baht 606,037,733, a direct shareholding of 75.75 percent of the paid-up capital

### **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.  
Filed for dissolution and currently under liquidation.

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: 20,999 ordinary shares at USD 100 per share totaling USD 2,099,000,  
a direct and indirect shareholding of 99.9975 percent of the paid-up capital

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

Location: Kawasan Bisnis Granadha, 8<sup>th</sup> Floor, Jl. Jend Sudirman Kav. 50,  
Jakarta 12930, Indonesia Tel.: 62(21) 2553-5036/37; 2553 9876,  
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 107.64262 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 2011

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	US Dollar	US Dollar
<b>Investment</b>							
Registered Capital	800,000,000	714,290	9,000,000	10,500,000	107,642.62	1,172,879.67	2,100,000
Issued and Paid-up Capital	800,000,000	71,429	9,000,000	8,000,000	107,642.62	1,172,879.67	2,100,000
Par Value per Share	1.00	0.71	1.00	1,000.00	107.64	147.53	100
Direct and Indirect Shareholding (%)	75.75	49	100	55	55	65	99.9975
<b>Operating Results Year 2011</b>							
Total Revenue	1,098,810,621.02	4,778,510.74	4,321.62	140,789,766.04	3,944,122.00	157,697,803.82	59,243,404.71
Net Earnings (Loss)	(42,903,472.95)	393,519.02	(42,142.01)	22,774,983.58	1,308,917.97	33,081,560.24	1,356,346.71
Retained Earnings (Loss)	47,219,364.93	1,306,687.98	237,527.85	7,665,186.49	3,951,774.32	33,679,828.42	3,536,657.53
Net Earnings (Loss) per Share	(0.05)	3.94	(0.005)	2,846.87	1,308.92	4,161.20	64.59
<b>Financial Status as at December 31, 2011</b>							
Total Assets	2,416,490,367.00	4,227,037.54	9,241,127.85	37,931,518.66	3,974,890.85	62,297,395.31	8,098,449.69
Total Liabilities	1,512,471,002.07	2,848,920.56	3,600.00	20,666,332.17	251,092.91	27,444,687.23	2,489,360.04
Total Shareholders' Equity	904,019,364.93	1,378,116.98	9,237,527.85	17,265,186.49	3,721,797.94	34,852,708.08	5,609,089.65
Book Value per Share	1.13	13.78	1.03	2,158.15	3,721.80	4,383.99	267.10
<b>Dividend Payment in Year 2011</b>							
Dividend per Share	-	-	-	3,300.00	600.00	2,000.00	-
Dividend Payment Amount	-	-	-	26,400,000.00	600,000.00	15,900,000.00	-
Dividend Payment Ratio (%)	-	-	-	115.92	45.84	48.06	-

**Note:** LANNA (SINGAPORE) PTE. LTD. has filed dissolution and is currently under liquidation to return capital to the shareholder.

## **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 2011 was approximately 3.79 percent.

The majority of domestic coal consumption in 2011 was mainly by the cement industry at around 35.92 percent with remaining 64.08 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**

For more than ten years, the Company has invested in 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 of direct and indirect shares of the paid-up capital, is a holding company for investment purpose in the coal business, having invested in three joint venture coal mining projects in Indonesia. The Company has 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. In 2011, Lanna (Singapore) Pte. Ltd. filed for dissolution and is currently under liquidation to adjust the investment structure in order to avoid double taxation.

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 (the 1<sup>st</sup> Mine) 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). SRK Consulting (UK) Limited has been hired to assess all of the existing coal reserves according to the Australasian Code for Reporting Mineral Resources Standards, or “JORC Code”, and the assessment reveals that the proved and probable coal reserves is estimated at 70 million tons. Currently, the production capacity is of 3 million tons per year, which will be increased to 3.80 million tons per year by 2015.

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 (the 2<sup>nd</sup> Mine) 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 changed its business to become a service provider of coal transport route and coal loading port and jetty facilities.

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 (the 3<sup>rd</sup> Mine) 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). Currently, SRK Consulting (UK) Limited has been assessing all of the existing coal reserves according to the Australasian Code for Reporting Mineral Resources Standards, or “JORC Code.” The assessment is expected to be completed in 2012. According to existing data, the mineable coal reserves have been estimated at least 25 million tons, having coal production capacity of approximately 2.50 million tons per year, which will be increased to 6 million tons per year by 2015.

PT Lanna Mining Services, a subsidiary company registered in Indonesia with Lanna Resources Public Co., Ltd. holding shares directly and indirectly at 99.9975 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 by volume) for bio-fuel purpose. Thai Agro Energy Public Co., has two ethanol production plants operating in Dan Chang District, Suphanburi Province – with a production capacity of 150,000 liters per day (Production Line No. 1) and with a production capacity of 200,000 liters per day (Production Line No. 2), totaling 350,000 liters per day, utilizing molasses and cassava as raw materials. 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 the Country’s foreign currency and reducing Country’s trade deficit as a whole.



## REVENUE STRUCTURE

Company's Revenue Structure	Year 2009		Year 2010		Year 2011	
	Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Revenues from Coal Sales	4,482.61	83.49	8,017.21	89.74	11,899.14	90.44
Revenues from Ethanol Sales	676.28	12.60	760.23	8.51	1,098.21	8.35
Other Revenues	209.98	3.91	156.79	1.75	159.40	1.21
<b>Total Revenue</b>	<b>5,368.87</b>	<b>100.00</b>	<b>8,934.23</b>	<b>100.00</b>	<b>13,156.75</b>	<b>100.00</b>

Revenue Structure of Subsidiary and Associated Companies	Share-holding	Year 2009		Year 2010		Year 2011		
		%	Million Baht	%	Million Baht	Million Baht	%	
<b>Thai Agro Energy Co., Ltd.</b>	75.75							
Ethanol Sales Revenue			676.28	99.74	760.23	99.97	1,098.21	99.95
Other Revenues			1.79	0.26	0.21	0.03	0.60	0.05
<b>Total Revenue</b>			<b>678.07</b>	<b>100.00</b>	<b>760.44</b>	<b>100.00</b>	<b>1,098.81</b>	<b>100.00</b>
<b>PT. Singlurus Pratama</b>	65							
Coal Sales Revenue			989.39	92.09	2,491.13	99.99	4,995.23	99.95
Other Revenues			84.95	7.91	0.31	0.01	2.40	0.05
<b>Total Revenue</b>			<b>1,074.34</b>	<b>100.00</b>	<b>2,491.44</b>	<b>100.00</b>	<b>4,997.63</b>	<b>100.00</b>
<b>PT. Lanna Harita Indonesia</b>	55							
Coal Sales Revenue			2,279.88	98.78	3,438.82	99.20	4,431.91	99.33
Other Revenues			28.24	1.22	27.73	0.80	29.89	0.67
<b>Total Revenue</b>			<b>2,308.12</b>	<b>100.00</b>	<b>3,466.55</b>	<b>100.00</b>	<b>4,461.80</b>	<b>100.00</b>
<b>PT. Citra Harita Mineral</b>	55							
Coal Sales Revenue			44.58	62.31	102.90	84.66	122.79	98.24
Other Revenues			26.97	37.69	18.64	15.34	2.20	1.76
<b>Total Revenue</b>			<b>71.55</b>	<b>100.00</b>	<b>121.54</b>	<b>100.00</b>	<b>124.99</b>	<b>100.00</b>
<b>United Bulk Shipping Pte. Ltd.</b>	49							
Ocean Freight Shipping Revenue			15.30	96.84	109.46	60.95	99.02	65.39
Other Revenues			0.50	3.16	70.12	39.05	52.42	34.61
<b>Total Revenue</b>			<b>15.80</b>	<b>100.00</b>	<b>179.58</b>	<b>100.00</b>	<b>151.44</b>	<b>100.00</b>
<b>PT. Lanna Mining Services</b>	99.9975							
Coal Sales Revenue			297.98	89.11	939.05	98.72	1,860.01	99.07
Other Revenues			36.41	10.89	16.49	1.73	17.49	0.93
<b>Total Revenue</b>			<b>334.39</b>	<b>100.00</b>	<b>955.54</b>	<b>100.00</b>	<b>1,877.50</b>	<b>100.00</b>
<b>Lanna (Singapore) Pte. Ltd.</b>	100							
Miscellaneous Revenues			5.44	100.00	1.19	100.00	0.11	100.00

**Note:** LANNA (SINGAPORE) PTE. LTD. has filed dissolution and is currently under liquidation to return capital to the shareholder.

## SIGNIFICANT CHANGES IN THE PAST YEAR

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### Lanna Resources Public Co., Ltd.

- May 9, 2011: Bangchak Petroleum Public Co., Ltd. entered into Sale and Purchase Agreement to purchase 246,037,733 ordinary shares in Thai Agro Public Co., Ltd. from Lanna Resources Public Co., Ltd. at the share price of Baht 1.37 per share, totaling Baht 337,071,694.21. Such sale and purchase of the ordinary shares shall be complete once all Condition Precedents are completed according to the Agreement.
- October 6, 2011: The Company temporarily ceased coal distribution from Ayutthaya Coal Center due to the great flood. Accordingly, coal distribution strategy was adjusted by directly delivering coal from vessels to customers.
- November 12, 2011: The Company resumed coal distribution from Ayutthaya Coal Center after the flood had ended.
- December 15, 2011: The Sale and Purchase Agreement of ordinary shares in Thai Agro Public Co., Ltd. (Thai Agro) between Lanna Resources Public Co., Ltd. (Lanna) and Bangchak Petroleum Public Co., Ltd. was terminated, without sale and purchase being conducted, because Lanna and Thai Agro could not complete the Condition Precedents according to the Agreement.

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

- February 4, 2011: Thai Agro Energy Public Co., Ltd. registered with the Department of Business Development, Ministry of Commerce, to increase the paid-up capital from Baht 600 million to Baht 800 million
- April 27, 2011: Bangchak Petroleum Public Co., Ltd. entered into Sale and Purchase Agreement to purchase 73,962,267 ordinary shares in Thai Agro Public Co., Ltd. from 22 minor shareholders at the share price of Baht 1.37 per share, totaling Baht 101,328,305.79. Such sale and purchase of the ordinary shares shall be complete once all Condition Precedents are completed according to the Agreement.
- May 9, 2011: Bangchak Petroleum Public Co., Ltd. entered into Sale and Purchase Agreement to purchase 246,037,733 ordinary shares in Thai Agro Public Co., Ltd. from Lanna Resources Public Co., Ltd. at the share price of Baht 1.37 per share, totaling Baht 337,071,694.21. Such sale and purchase of the ordinary shares shall be complete once all Condition Precedents are completed according to the Agreement.
- June 1, 2011: Thai Agro Energy Public Co., Ltd. registered with the Department of Business Development, Ministry of Commerce, to decrease the number of directors from 13 persons to 8 persons due to the resignation of 5 directors before reaching their terms.
- November 14, 2011: Thai Agro Energy Public Co., Ltd. entered into an agreement to hire Maguin S.A.S of France to modify the machinery and equipment of the Ethanol Production Line No. 2 so that molasses can also be used as raw materials.
- December 15, 2011: The Sale and Purchase Agreement of ordinary shares in Thai Agro Public Co., Ltd. (Thai Agro) between Lanna Resources Public Co., Ltd. (Lanna) and Bangchak Petroleum Public Co., Ltd., and between 22 minor shareholders and Bangchak Petroleum Public Co., Ltd. were terminated, without sale and purchase being conducted, because Lanna and Thai Agro could not complete the Condition Precedents according to the Agreement.

## **Lanna (Singapore) Pte. Ltd.**

October 7, 2011: Lanna (Singapore) Pte. Ltd., a subsidiary company registered in Singapore, registered for the dissolution of the company to enter into liquidation, according to the investment structure adjustment for tax benefit, avoiding double taxation.

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## **PT. Lanna Mining Services**

February 2, 2011: PT. Lanna Mining Services, a subsidiary company registered in Indonesia, repaid Lanna Resources Public Co., Ltd. the loan used for the development of coal reserves in Indonesia, according to the Loan Agreement No. 3, in an amount of Baht 53,681,250, with the remaining outstanding balance of this agreement at Baht 30,318,750.

April 25, 2011: PT. Lanna Mining Services, a subsidiary company registered in Indonesia, repaid Lanna Resources Public Co., Ltd. the loan according to the Loan Agreement No. 3, in an amount of Baht 29,694,838.50, with the remaining outstanding balance of this agreement at Baht 623,911.50.

April 28, 2011: PT. Lanna Mining Services, a subsidiary company registered in Indonesia, repaid Lanna Resources Public Co., Ltd. all of the outstanding balance according to the Loan Agreement No. 3, in an amount of Baht 623,911.50.

April 28, 2011: PT. Lanna Mining Services, a subsidiary company registered in Indonesia, repaid Lanna Resources Public Co., Ltd. the loan according to the Loan Agreement No. 4, in an amount of Baht 58,963,649.89, with the remaining outstanding balance of this agreement at Baht 61,036,350.11.

April 28, 2011: PT. Lanna Mining Services, a subsidiary company registered in Indonesia, repaid Lanna Resources Public Co., Ltd. the loan according to the Loan Agreement No. 4, in an amount of Baht 15,400,700.12, with the remaining outstanding balance of this agreement at Baht 45,635,649.99.

July 29, 2011: PT. Lanna Mining Services, a subsidiary company registered in Indonesia, borrowed from Lanna Resources Public Co., Ltd. Baht 45,000,000 as working capital, according to the Loan Agreement No. 5.

October 18, 2011: PT. Lanna Mining Services, a subsidiary company registered in Indonesia, repaid Lanna Resources Public Co., Ltd. the loan according to the Loan Agreement No. 4, in an amount of Baht 634,652.05, with the remaining outstanding balance of this agreement at Baht 45,000,997.94.

October 18, 2011: PT. Lanna Mining Services, a subsidiary company registered in Indonesia, repaid Lanna Resources Public Co., Ltd. all of the outstanding balance according to the Loan Agreement No. 5, in an amount of Baht 45,000,000.

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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 its 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 encountered very few bad debts from the sales of coal.

## Competitive 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., Asia Green Energy Public Co., Ltd., and Energy Earth Public Co., Ltd. are the main competitors. Since the Company has its own coal deposits with high quality coal and decades of 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 of coal in the following years will grow continually as the price of oil and other sources of fuel are still significantly more costly than coal. In 2012, it is expected that the price of coal will remain high in the same direction as the oil price.



# ETHANOL BUSINESS

## Ethanol Characteristics

Ethanol or ethyl alcohol is derived from digestion of starch to sugar (in case of starch raw material), and fermentation to convert sugar to alcohol; and then followed by distillation and dehydration to produce alcohol at the desired purity, up to 99.5% by volume. The raw materials of this process are agricultural products of starch and sugar crops, such as cassava, sugar cane, molasses and corn.

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 compound, carbon monoxide (CO) and carbon dioxide ( $CO_2$ ), which is the main cause of green house effect, including reduction of black smoke, aromatics and benzene compound, 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:

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.

- (1) Sugar-based feedstock: derived from sugar cane, molasses, and beet roots, etc.
- (2) 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. produces ethanol for fuel by using molasses and cassava as its main raw material. The ethanol production process consists of four main stages, namely, mash preparation, fermentation, distillation and dehydration. The two types of raw material mentioned above require different mash preparation processes; when using cassava as raw material, an additional process, converting starch to sugar, is required before proceeding to fermentation.

**(1) Mash Preparation:** each type of raw material requires different processes as follows:

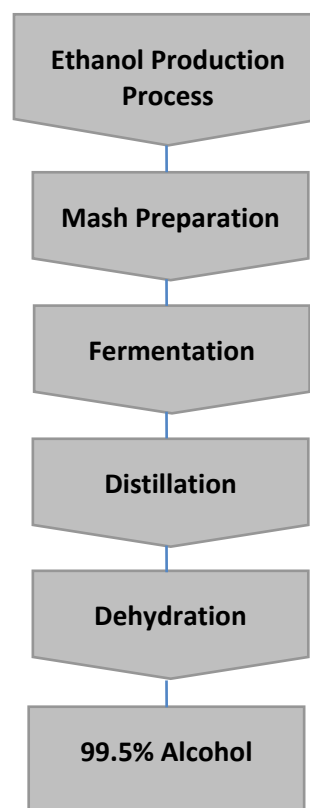
**(a) Molasses:** Preparation of molasses before fermentation by dilution with water for suitable concentration and added with acidic additive, causing organic substance or salt to settle from the molasses solvent.

**(b) Cassavas:** Prior fermentation, cassavas are cleaned to eliminate contaminants including metal and dirt. Subsequently, clean cassavas are mashed and mixed with water to make starch paste, then to be digested with enzyme, converting starch to sugar, before proceeding to fermentation.

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

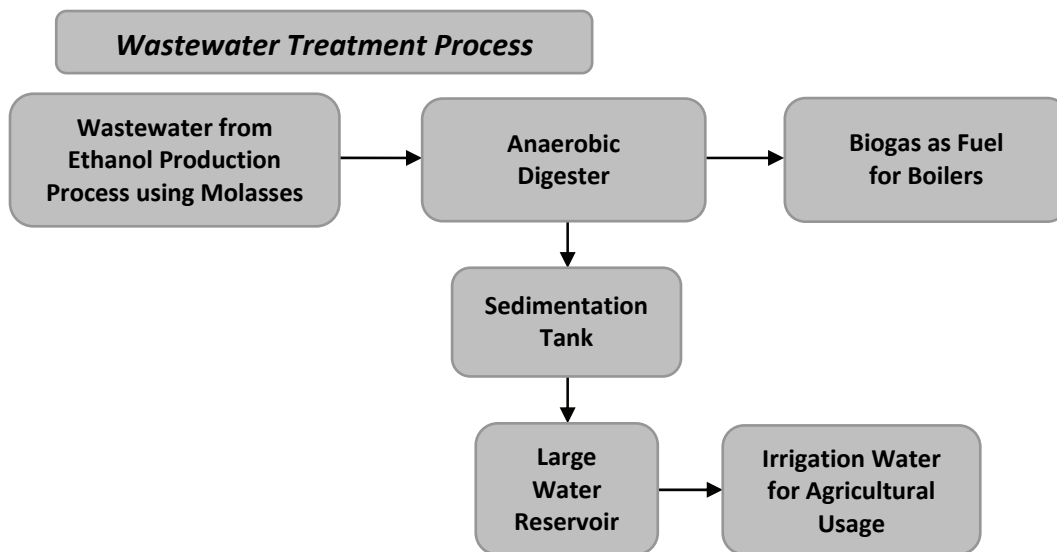
**(3) Distillation:** Fermentation mash from the second stage is fed to the distillation column to separate contaminants and water producing about 96 percent pure alcohol which is the maximum concentration that can be achieved through this normal fermentation process. The remaining 4 percent of water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

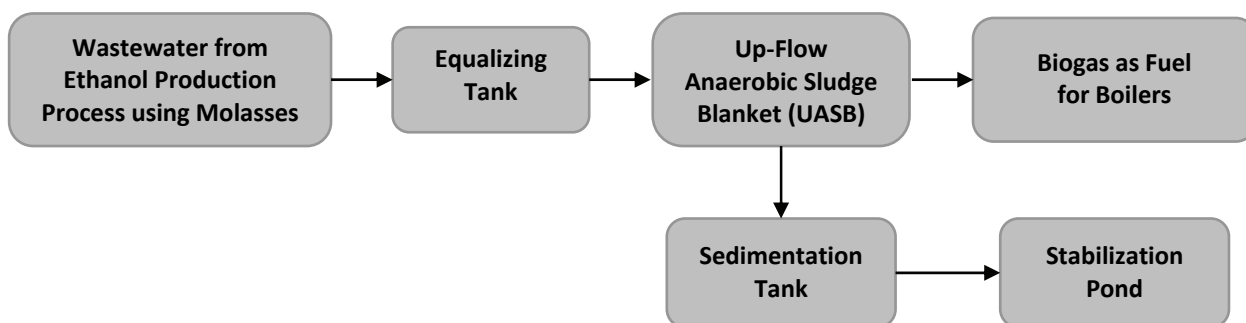


### Treatment of Effluents from Ethanol Production

(a) Wastewater from the production process using molasses is treated by anaerobic digester system; 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. Subsequently, treated wastewater passes through a sedimentation tank to reduce suspended solid in the treated wastewater. The treated wastewater from this process is then contained in a large water reservoir and can eventually be used as irrigation water for agricultural purpose, such as for the sugar cane and cassava plantations.

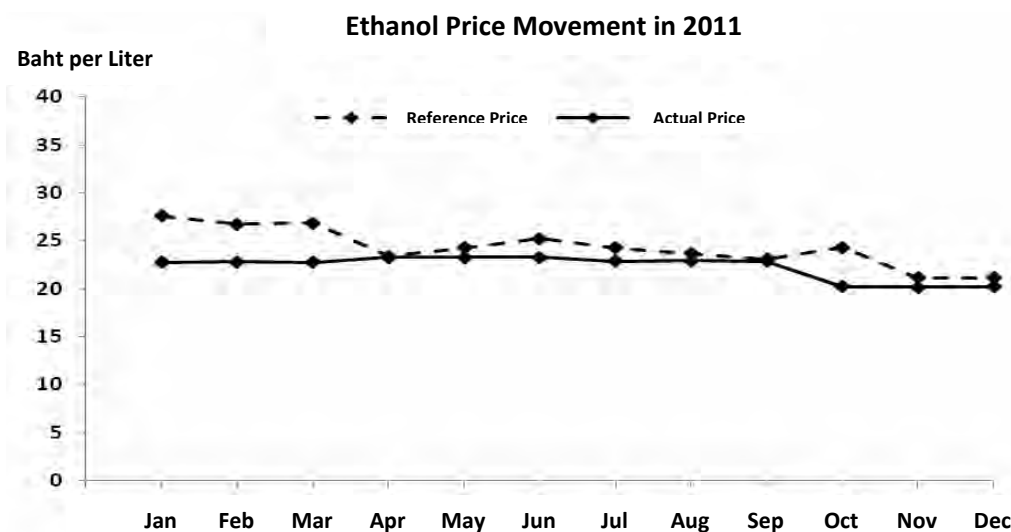


(b) Wastewater from the production process using cassava is sent to biogas production system. Firstly, temperature of the wastewater is reduced by heat exchanger system, and then it proceeds to the equalizing tank. Subsequently, the wastewater from the equalizing tank passes through the Up-Flow Anaerobic Sludge Blanket Treatment System (UASB) to produce biogas used as fuel substitution for bunker fuel oil used in boilers. This significantly saves the fuel cost and is environmentally friendly. The treated wastewater from UASB then passes through a sedimentation tank and is subsequently contained in a stabilization pond



## Ethanol Pricing Policy

Ethanol pricing is negotiated and agreed between buyers and the sellers, with the Energy Policy and Planning Office (EPPO) setting a reference pricing to be used in the price negotiation between the parties; however, there is no pricing control on ethanol. Therefore, the actual selling price in the market largely depends on the negotiation between buyers and sellers. The reference ethanol pricing structure prepared by EPPO is based on a cost-plus of domestic raw materials. However, such pricing does not truly reflect the actual production costs of the operators due to some constraints in the database used for the calculation. Presently, EPPO is conducting a study to improve the criteria used for the reference ethanol pricing calculation so that it better reflects the actual price in the market. The new reference pricing is expected to be announced in 2012.



## Ethanol Distribution

In compliance with tax exemption regulation of the Excise Department, the ethanol product sold to oil companies must undergo denaturation process, in which ethanol of 99.5 percent by volume is mixed with 91 RON gasoline of 0.5 percent by volume. The denatured ethanol purchased by the oil companies is then blended with gasoline at 10, 20 or 85 percent to become the Gasohol. While most customers are responsible for the transportation of ethanol, the Company is responsible for the transportation to the storages of a few other customers. Most of the sales are on credit term basis, and the customers are large oil companies with stable financial status. Therefore, the risk of bad debt is minimal.

## Competitive Strategy

Priorities are to given to service and quality control of the products which have earned customers' trust, making it possible to retain majority of the market share.

## Competition

In 2011, there was excess supply of ethanol since the demand of ethanol for domestic consumption was around 1.2 million liters per day, which was quite low when compared to the total production capacity of the whole industry. The prices of molasses and cassava, which are raw materials, were also high, resulting in some ethanol production operators ceasing their production. Moreover, the government has announced to temporarily reduce the tax collection of three types of fuel to the Fuel Fund, namely, 95 RON gasoline, 91 RON gasoline, and diesel, since April 27, 2011. Gasohol sales volume in the 4<sup>th</sup> Quarter of 2011 thus decreased about 15 to 20 percent. Some operators resolved the problem by exporting ethanol to other countries, such as, the Philippines, Korea, Japan, and Taiwan. The ethanol export volume was three times higher than that of 2010.



Ethanol produced to the market in 2011 was from 18 plants, with the total production capacity of 3.04 million liters per day. In 2012, it is anticipated that seven more plants will start operating. Most of these will use cassava as raw material, with total capacity of 2.22 million liters per day, pushing the net domestic ethanol production capacity at 5.26 million liters per day. Nevertheless, the actual production volume largely depends on the demand and the price. It is expected that in 2012, ethanol price will decrease according to an increase in sugar cane and cassava production.

### Industrial Trend

It is anticipated that in 2012, the demand of ethanol for gasohol production will continue to rise. The prominent factor is the government, with the National Energy Policy Committee's approval of the termination of 91 RON gasoline usage in order to promote Gasohol consumption, starting from October 1, 2012 onwards. It is expected that after the termination, ethanol consumption would increase by 800,000 liters per day. Moreover, the Government has a policy to resume the tax collection to the Fuel Fund from January 16, 2012 onwards. Thus, the price difference between Gasohol and normal gasoline would be wider, and consumers will in turn choose to use more gasohol.

Ethanol Production Capacity	Liters/Day
<b>Ethanol Producers in 2011</b>	
(1) Thai Agro Energy Public Co., Ltd.	150,000
(2) Thai Alcohol Public Co., Ltd.	200,000
(3) Thaiguan Ethanol Co., Ltd.	130,000
(4) Khon Kaen Alcohol Co., Ltd.	150,000
(5) Petrogreen Co., Ltd. (Chaiyaphum Province)	230,000
(6) Thai Sugar Ethanol Co., Ltd.	100,000
(7) K.I. Ethanol Co., Ltd.	100,000
(8) Petrogreen Co., Ltd. (Kalasin Province)	230,000
(9) Ekarat Pattana Co., Ltd.	230,000
(10) Thai Rungrueng Energy Co., Ltd.	120,000
(11) Rajburi Ethanol Co., Ltd.	150,000
(12) E.S. Power Co., Ltd.	150,000
(13) Maesod Clean Energy Co., Ltd.	200,000
(14) Saphthip Co., Ltd.	200,000
(15) P.S.C. Starch Products Public Co., Ltd.	150,000
(16) Taiping Ethanol Co., Ltd.	150,000
(17) Petrogreen Co., Ltd. (Suphanburi Province)	200,000
(18) Khon Kaen Alcohol Co., Ltd. (Kanchanaburi Province)	150,000
<b>Total Ethanol Production Capacity at end of 2011</b>	<b>3,040,000</b>
<b>Additional Ethanol Producers in 2012</b>	
(1) Thai Agro Energy Public Co., Ltd.	200,000
(2) T.P.K. Ethanol Co., Ltd. (Phase 1)	340,000
(3) T.P.K. Ethanol Co., Ltd. (Phase 2 and 3)	680,000
(4) Sima Inter Product Co., Ltd.	150,000
(5) Impress Technology Co., Ltd.	200,000
(6) Double A Ethanol Co., Ltd.	250,000
(7) Ubon Bio Ethanol Co., Ltd.	400,000
<b>Total Increase in Ethanol Production Capacity in 2012</b>	<b>2,220,000</b>
<b>Total Ethanol Production Capacity at end of 2012</b>	<b>5,260,000</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. As for the coal mining business, the subsidiary companies must operate according to the mine plan and conduct environmental impact analysis and study that must be approved by relevant authorities who also control and oversee the operation. The mine site rehabilitation and improvement are also carried out after mining operations are completed in order to improve environmental surroundings and ecosystem and return to its useful state. The Company has undertaken mine site rehabilitation and improvement by carrying out plantation of trees with conservational value, and land utilization and improvement for several activities including agriculture, water reservoirs, residence, etc.

PT. Lanna Harita Indonesia (LHI), a subsidiary company registered in Indonesia conducting coal mining business operation in Indonesia, has been awarded three environmental recognition in 2011 as follows.

- In June 2011, LHI was awarded the Green Certificate for Excellent Environmental Management for 2010-2011 from the Governor of East Kalimantan, Indonesia, since LHI had exceeded the regulation on environmental management.

- In October 2011, LHI was awarded the Blue Rank Certificate for Excellent Environmental Management for 2010-2011 from the Ministry of Environment of Indonesia since LHI had conducted environmental management well according to the regulation.

- In November 2011, LHI was awarded the Bronze Category for Mining Environmental Management for 2011 from the Directorate General of Mineral and Coal of Indonesia, in which there were six criteria for consideration: 1) Management of Rock Coverings, 2) Erosion and Sedimentation, 3) Nursery, 4) Seedling and Reclamation, 5) Supporting Facilities, and 6) Monitoring. There were twenty companies qualified for the awards: six companies awarded the 1<sup>st</sup> place (Gold), three companies awarded the 2<sup>nd</sup> place (Silver), and the other eleven companies awarded the 3<sup>rd</sup> place (Bronze).



PT. Lanna Harita Indonesia (LHI) emphasizes on the community, social, and environmental development in the area around Samarinda City and Kutai Regency, Indonesia, in which the coal concession for LHI is located. In 2011, LHI spent Indonesian Rupiah 2,077,219,169 for this purpose.

### Education and Sports

- LHI granted scholarships for high school students lacking financial means in Samarinda City and Kutai Regency, Indonesia, totaling Indonesian Rupiah 17,250,000.

- LHI granted supporting funds to accomplished teachers in Samarinda City and Kutai Regency, Indonesia, totaling Indonesian Rupiah 18,000,000.

### Community and Agricultural Development

- LHI granted supporting funds to fish farmers in Tanah Datar Village, Kutai Regency, Indonesia, totaling Indonesian Rupiah 17,750,000.

- LHI granted supporting funds to buy kilns for community's pottery business in Tanah Datar Village, Kutai Regency, Indonesia, totaling Indonesian Rupiah 17,600,000.

- LHI granted supporting funds for craftsmanship development in Anggana Village, Kutai Regency, Indonesia, totaling Indonesian Rupiah 32,230,000.

- LHI granted supporting funds to duck farmers in Muara Badak Village, Kutai Regency, Indonesia, totaling Indonesian Rupiah 43,975,000.

- LHI granted supporting funds to buy agricultural machinery for agricultural development in Sidomulyo Village, Kutai Regency, Indonesia, totaling Indonesian Rupiah 50,500,000.



## Infrastructure

- LHI granted supporting funds for reparation of roads and sewerage of Pampang Village, Samarinda City, Indonesia.
- LHI donated Indonesian Rupiah 216,505,000 for improvement of a soccer field and construction of a Badminton court in Pampang Village, Samarinda City, Indonesia.
- LHI donated Indonesian Rupiah 61,660,000 for restoration of mosques in Kutai Regency, Indonesia.
- LHI granted supporting funds for construction of school fences at Sungai Siring, Samarinda City, Indonesia, totaling Indonesian Rupiah 34,926,000.
- LHI granted supporting funds for building renovation of the kindergarten of Tanah Datar Village, Kutai Regency, Indonesia, totaling Indonesian Rupiah 10,585,000.
- LHI granted supporting funds for construction of Lamin traditional house for ceremonial purpose of the Dayak people, Kutai Regency, Indonesia, totaling Indonesian Rupiah 100,000,000.

## Public Health

- LHI granted supporting funds for construction of clean water reservoir for villages in Samarinda City, Indonesia, totaling Indonesian Rupiah 15,600,000.
- LHI granted supporting funds of Indonesian Rupiah 27,500,000 to buy a garbage container for Samarinda city, Indonesia.

## Environment

- LHI donated 2,000 seeds, equivalent to Indonesian Rupiah 9,000,000, to the East Kalimantan Green Program.
- LHI donated Indonesian Rupiah 14,080,000 to the National Planting Event in Indonesia.
- LHI was appointed by the Directorate of Technique and Environment of Indonesia to hold a seminar on the rehabilitation techniques for coal mining. LHI provided a fund of Indonesian Rupiah 7,300,000 to support the program.
- LHI donated Indonesian Rupiah 100,000,000 for evacuation and rescue of the victims of the bridge collapse in Kutai Regency, East Kalimantan.



As for the ethanol as bio-fuel business of Thai Agro Energy Public Co., Ltd., a subsidiary company, the plan has been established for solving the problem of 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 crops and plants. The wastewater will be used for agricultural purpose after it has been passed the treatment process and biogas production system. In addition, under the concept of “zero discharge”, wastewater from the ethanol production process will not be released into the environment.

In 2011, Ayutthaya Coal Center and Thai Agro Energy Public Co., Ltd. has been continuously supporting various activities for the development of the community and environment.

**Religious and Traditional Activities**

- Ayutthaya Coal Center granted supporting funds for various activities during Songkran Festival, including water blessing of the elderly, at Moo 1, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Ayutthaya Coal Center granted supporting funds for religious activities during Visakah Puja Day at Wat Thong Song Tham, Nakornluang District, Ayutthaya Province.
- Ayutthaya Coal Center presented the Buddhist Lent Candles during the Buddhist Lent to Wat Thong Song Tham, Wat Sadet, Wat Ban Dab, and Wat Ban Dai, Nakornluang District, Ayutthaya Province.
- Thai Agro Energy Public Co., Ltd. participated in Kathina Ceremony at Wat Chaeng and Wat Mai Chai Hiran, Suphanburi Province.

**Education and Sports**

- Thai Agro Energy Public Co., Ltd. granted supporting funds for construction of school fences and provided sport equipment to Wat Khokpra School, Chaeng Ngam Subdistrict, Nong Ya Sai District, Ayutthaya Province.
- Thai Agro Energy Public Co., Ltd., with Nong Makha Mong Subdistrict Administrative Organization, funded lunch for pupils of Ban Mai Kilo Paed School, Dan Chang District, Suphanburi Province.
- Ayutthaya Coal Center granted supported funds to buy a projector set for Wat Sadet School, Nakornluang District, Ayutthaya Province.
- Ayutthaya Coal Center granted 40 scholarships to primary school students of Wat Thong Song Tham School, Nakornluang District, Ayutthaya Province, in commemoration of the school’s 79<sup>th</sup> anniversary.
- Ayutthaya Coal Center granted 30 scholarships to students of Wat Sadet School, Nakornluang District, Ayutthaya Province.
- Ayutthaya Coal Center provided yoghurt to students during “Dharma Program”.



## Community and Environmental Development

- Ayutthaya Coal Center, with the residents of Moo 1, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province, held “Big Cleaning & Community Day” with cleaning and tree planting.
- Ayutthaya Coal Center received a certificate from the Governor of Ayutthaya Province for its support to Nong Ngu Hao Demonstration Farm, a Royal Project at Bang Rakam Subdistrict, Nakornluang District, Ayutthaya Province.
- Ayutthaya Coal Center granted supporting funds for construction of temporary bridges for the residents of Moo 1, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Ayutthaya Coal Center provided office appliances for the community hall of Moo 1, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Ayutthaya Coal Center provided bags of dry ration and blankets to the flood victim in Moo 1 and Moo 2, Klong Sakae Subdistrict, Nakornluang District, Ayutthaya Province.
- Thai Agro Energy Public Co., Ltd. provided appliances and food for the flood victims in Tha Klong Subdistrict, Singburi Province.
- Thai Agro Energy Public Co., Ltd., with the local residents, planted oil palms in the company’s land of 10 Rai, in commemoration of H.M. Bhumibol Adulyadej 84<sup>th</sup> Birthday.



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

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The consolidated financial statements year 2010 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 2011.

1 March 2012

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 four independent non-executive directors and assigned them with duties and responsibilities according to the Audit Committee Charter in accordance with the announcement of the Stock Exchange of Thailand.

During the year 2011 the Audit Committee had 9 meetings with the presence of all the committee members throughout the period. The Audit Committee regularly reported the operating results to the company Board of Directors every quarter. The key points could be summarized as follows:

- **Reviewing the Financial Statement:** The Audit Committee in cooperation with the Management of Accounting and External Auditors reviews the quarterly and annually financial statements for the year 2011 of the company and its subsidiaries to ensure that the above mentioned statements were prepared in conformity with the generally accepted accounting standards with sufficient disclosure of information and complete therefore the financial statements were essentially accurate and reliable.

- **Internal Control System:** The Company had a system to review the plan for assessing the sufficiency of the internal control system in order to maintain the appropriateness and efficiency of the auditing mechanism. The Audit Committee had an opinion that the Company had sufficient internal control system which properly corresponding for the situation. There was no significant weakness. The Audit Committee approved the auditing scope and plan for the year 2011 and also provided observations and suggestions for the Internal Audit Office to closely follow up and to take remedial actions for issues as stated in the Internal Audit reports of the Company. In year 2011, the committee put more emphasis on auditing the subsidiaries abroad in order to enhance the integration and the harmonization as well as to have sufficient and proper internal control corresponding to the business's environment. This was a key factor to support the business efficiency and effectiveness.

- **Reviews 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 2011. This was to ensure that they were conducted according to their normal business adhering to the best interest of the Company. 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 and Exchange Commission.

- **Overseeing the Risk Management:** The Company had a policy in managing organizational risks of which the management and the employees must emphasize and properly work in compliance with the risk management policy. There was a Risk Management Committee consisting of the Management Executives from various departments who had duties in overseeing the management of risks of the whole corporation systematically. The Audit Committee regularly reviewed the reports of the work performed by the Risk Management Committee every quarter as assigned by the Company's Board of Directors. This was to assure that the critical risks were managed to the appropriate level. Due to the flood last year at the Company's coal distribution center in Ayutthaya it caused the operation to halt. However, the Company managed the risk by acquiring the insurance to cover the damage of the coal kept in the store and also the other assets. As a result, the Company could reduce the loss by receiving the indemnity claim from the insurer of about 90 percent of the damaged value. Nevertheless, the Company has already included the details of the risk management in the annual report.



- **Worked 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 2011.

- **Good Corporate Governance:** The Company put emphasis on rigorously and continuously managing the works according to the good corporate governance principles. There existed a system set up to receive complaints from stakeholders. All employees were encouraged to participate in establishing rules, regulations and business ethics to ensure transparency. As a result, the Company was considered as having good corporate governance, therefore enhancing the confidence of the shareholders, the business partners, the customers and the relevant parties.

- **Appointment of the Auditors and the Fee:** The Audit Committee reviewed the qualifications of the auditors, their working standard, their expertise and their independence in carrying out their duty. 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 General Meeting of the shareholders for appointment of Ms. Kamontip Lertwitworatep, certified public accountant no. 4377, and/or Mrs. Saifon Inkaew, certified public accountant no. 4434, and/or Mr. Wichart Lokatekrawee, certified public accountant no. 4451, of Ernst & Young Office Limited, who were qualified as the auditors for listed companies according to the regulations of the Securities and Exchange Commission as the Company's auditors for the year 2012. The agreed auditing fee for the year 2012 was 1,000,000 Baht which was the same as last year and still considered reasonable.

The Audit Committee circumspectly carried out their works. They had entire freedom, were able to frankly express their opinions, being transparency and auditability in compliance with the good corporate governance principles for the Company's best interests. Taking into account the review and consideration in various matters carried out by the Audit Committee throughout the year 2011, the Audit Committee had the opinion that the Company prepared the financial statements in conformity with the generally accepted accounting standards. There was an internal control system, risk management and internal auditing which were sufficient and appropriate. Moreover all works were executed in accordance with announcements, procedures, regulations and relevant laws. No significant loopholes were found.

February 15, 2012

On behalf of the Audit Committee



(Padoong Techasarintr)

Chairman of the Audit Committee

## Report of Independent Auditor

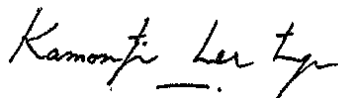
To the Shareholders of Lanna Resources Public Company Limited

I have audited the accompanying consolidated statements of financial position of Lanna Resources Public Company Limited and its subsidiaries as at 31 December 2011 and 2010, and the related consolidated statements of income, comprehensive income changes in shareholders' equity and cash flows for the years then ended, and have also audited 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 2011 of two overseas subsidiary companies (2010: three overseas subsidiaries), as included in the consolidated financial statements. These subsidiary companies have total assets as at 31 December 2011 of approximately Baht 379 million, representing 5 percent of the consolidated total and total revenues for the year then ended of approximately Baht 1,927 million, representing 15 percent of the consolidated total (2010: total assets of approximately Baht 321 million, representing 5 percent of the consolidated total and total revenues for the year then ended of approximately Baht 1,099 million, representing 12 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 2011 and 2010, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 3 to the financial statements. During the current year, the Company adopted a number of revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of its financial statements.



Kamontip Lertwitworatep

Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited

Bangkok: 23 February 2012

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

**Statements of financial position**

**As at 31 December 2011 and 2010**

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	1,212,390,580	829,222,524	381,840,160	26,343,062
Trade and other receivables	7, 9	1,197,934,596	866,335,154	199,828,808	213,217,242
Inventories	10	266,030,527	253,398,597	27,321,366	130,804,404
Cassava and sugar cane plantation costs		5,723,506	15,206,181	-	-
Input tax refundable		699,612,441	376,554,880	-	-
Prepaid income tax		103,558,079	159,439,040	18,265,829	30,403,085
Advance payments for goods	7, 28.2	170,906,117	129,252,091	109,613,269	17,335,898
Other current assets		68,908,721	61,564,212	1,336,501	1,785,940
<b>Total current assets</b>		<b>3,725,064,567</b>	<b>2,690,972,679</b>	<b>738,205,933</b>	<b>419,889,631</b>
<b>Non-current assets</b>					
Restricted bank deposits	8	51,541,193	30,517,482	-	-
Investments in subsidiary companies	11	-	-	1,068,589,476	917,080,043
Investment in associated company	12	23,714,804	17,811,031	890,679	890,679
Advance payment for purchase of investment in subsidiary company	7	-	-	-	151,509,433
Long-term loans to related party	7	-	-	45,000,998	204,000,000
Investment properties	13	36,529,742	37,552,650	36,529,742	37,552,650
Property, plant and equipment	14	2,716,090,829	2,434,236,556	214,934,536	226,830,851
Goodwill		185,999,788	185,999,788	-	-
Other intangible assets	15	3,503,932	3,913,832	1,765,261	1,703,948
Other non-current assets	16	475,122,264	481,611,899	95,158,831	107,706,835
<b>Total non-current assets</b>		<b>3,492,502,552</b>	<b>3,191,643,238</b>	<b>1,462,869,523</b>	<b>1,647,274,439</b>
<b>Total assets</b>		<b>7,217,567,119</b>	<b>5,882,615,917</b>	<b>2,201,075,456</b>	<b>2,067,164,070</b>

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

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

**Statements of financial position (continued)**

**As at 31 December 2011 and 2010**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institution	17	563,000,000	509,000,000	-	-
Trade and other payables	7, 18	377,585,721	540,591,094	230,400,190	308,733,043
Current portion of long-term loan from financial institution	19	900,000,000	-	-	-
Accrued expenses		598,376,870	421,001,413	26,515,787	22,254,914
Income tax payable		408,515,697	321,028,150	-	-
Other current liabilities		168,838,188	77,672,326	10,653,881	23,894,504
<b>Total current liabilities</b>		<b>3,016,316,476</b>	<b>1,869,292,983</b>	<b>267,569,858</b>	<b>354,882,461</b>
<b>Non-current liabilities</b>					
Long-term loan from financial institution - net					
of current portion	19	-	744,737,682	-	-
Provision for long-term employee benefits	20	122,556,463	84,701,109	22,165,420	18,217,234
<b>Total non-current liabilities</b>		<b>122,556,463</b>	<b>829,438,791</b>	<b>22,165,420</b>	<b>18,217,234</b>
<b>Total liabilities</b>		<b>3,138,872,939</b>	<b>2,698,731,774</b>	<b>289,735,278</b>	<b>373,099,695</b>
<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
Retained earnings					
Appropriated - Statutory reserve	22	35,000,000	35,000,000	35,000,000	35,000,000
Appropriated - General reserve		436,000,000	429,000,000	436,000,000	429,000,000
Unappropriated		1,891,579,408	1,327,680,656	409,940,178	199,664,375
Other components of shareholders' equity		(122,135,142)	(197,713,444)	-	-
<b>Equity attributable to owners of the Company</b>		<b>3,270,844,266</b>	<b>2,624,367,212</b>	<b>1,911,340,178</b>	<b>1,694,064,375</b>
Non-controlling interests of the subsidiaries		807,849,914	559,516,931	-	-
<b>Total shareholders' equity</b>		<b>4,078,694,180</b>	<b>3,183,884,143</b>	<b>1,911,340,178</b>	<b>1,694,064,375</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,217,567,119</b>	<b>5,882,615,917</b>	<b>2,201,075,456</b>	<b>2,067,164,070</b>
		-	-	-	-

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 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<b>Revenues</b>					
Sales	7	12,997,353,851	8,777,438,599	1,777,049,611	1,492,287,687
Commission and marketing service income	7	-	-	120,698,429	100,452,025
Other income					
Dividend income	7,11,12	-	-	771,465,580	415,227,768
Service income	7	-	-	39,077,376	28,797,774
Gain on exchange		-	-	9,512,894	-
Interest income	7	9,716,793	3,713,616	7,543,106	7,800,587
Others		149,678,318	153,078,609	6,250,175	13,521,157
Total other income		159,395,111	156,792,225	833,849,131	465,347,286
<b>Total revenues</b>		<b>13,156,748,962</b>	<b>8,934,230,824</b>	<b>2,731,597,171</b>	<b>2,058,086,998</b>
<b>Expenses</b>					
Cost of sales	7	7,845,545,225	5,210,784,769	1,607,865,838	1,346,618,343
Selling and distribution expenses		1,967,471,146	1,398,594,623	164,195,049	132,375,282
Administrative expenses	7	609,787,053	491,589,370	145,803,170	122,480,554
Loss on exchange		7,361,472	27,729,863	-	34,631,414
<b>Total expenses</b>	23	<b>10,430,164,896</b>	<b>7,128,698,625</b>	<b>1,917,864,057</b>	<b>1,636,105,593</b>
<b>Profit before share of profit from investment, finance cost and corporate income tax</b>					
		2,726,584,066	1,805,532,199	813,733,114	421,981,405
Share of profit from investment in associated company	12	5,903,773	5,169,033	-	-
<b>Profit before finance cost and corporate income tax</b>		<b>2,732,487,839</b>	<b>1,810,701,232</b>	<b>813,733,114</b>	<b>421,981,405</b>
Finance cost	7	(29,603,580)	(22,648,245)	(403,540)	(1,386,899)
<b>Profit before corporate income tax</b>		<b>2,702,884,259</b>	<b>1,788,052,987</b>	<b>813,329,574</b>	<b>420,594,506</b>
Withholding tax deducted at source		(123,553,771)	(46,446,919)	(123,553,771)	(46,446,919)
Corporate income tax		(824,601,310)	(577,953,736)	-	-
<b>Profit for the year</b>		<b>1,754,729,178</b>	<b>1,163,652,332</b>	<b>689,775,803</b>	<b>374,147,587</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		1,043,398,752	674,657,124	689,775,803	374,147,587
Non-controlling interests of the subsidiaries		711,330,426	488,995,208		
		1,754,729,178	1,163,652,332		
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company	25	2.98	1.93	1.97	1.07

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

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

**Statements of comprehensive income**

**For the years ended 31 December 2011 and 2010**

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Profit for the year</b>	<u>1,754,729,178</u>	<u>1,163,652,332</u>	<u>689,775,803</u>	<u>374,147,587</u>
<b>Other comprehensive income:</b>				
Exchange differences on translation of financial statements in foreign currency	<u>106,117,487</u>	<u>(165,092,879)</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the year</b>	<u>106,117,487</u>	<u>(165,092,879)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>1,860,846,665</u>	<u>998,559,453</u>	<u>689,775,803</u>	<u>374,147,587</u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	<u>1,118,977,054</u>	<u>566,244,491</u>	<u>689,775,803</u>	<u>374,147,587</u>
Non-controlling interests of the subsidiaries	<u>741,869,611</u>	<u>432,314,962</u>		
	<u>1,860,846,665</u>	<u>998,559,453</u>		

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

For the years ended 31 December 2011 and 2010

(Unit: Baht)

Consolidated financial statements											
Equity attributable to owners of the Company											
	Note	Issued and paid-up share capital	Share premium	Statutory reserve	Retained earnings		Unappropriated	Total other component of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
					Appropriated	General reserve					
<b>Balance as at 31 December 2009</b>		350,000,000	680,400,000	35,000,000	414,000,000	1,018,023,532	(89,300,811)	(89,300,811)	2,408,122,721	451,043,141	2,859,165,862
Dividend paid	26	-	-	-	-	(350,000,000)	-	-	(350,000,000)	(323,845,695)	(673,845,695)
Unappropriated retained earnings transferred to general reserve	26	-	-	-	15,000,000	(15,000,000)	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	674,657,124	(108,412,633)	(108,412,633)	566,244,491	432,314,962	998,559,453
Increase in non-controlling interest of the subsidiaries		-	-	-	-	-	-	-	-	4,523	4,523
<b>Balance as at 31 December 2010</b>		<b>350,000,000</b>	<b>680,400,000</b>	<b>35,000,000</b>	<b>429,000,000</b>	<b>1,327,680,656</b>	<b>(197,713,444)</b>	<b>(197,713,444)</b>	<b>2,624,367,212</b>	<b>559,516,931</b>	<b>3,183,884,143</b>

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 2011 and 2010**

(Unit: Baht)

	Note	Separate financial statements						Total
		Issued and paid-up share capital	Share premium	Retained earnings			Unappropriated	
				Statutory reserve	Appropriated	General reserve		
<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	
Dividend paid	26	-	-	-	-	(350,000,000)	(350,000,000)	
Unappropriated retained earnings transferred to general reserve	26	-	-	-	15,000,000	(15,000,000)	-	
Total comprehensive income for the year		-	-	-	-	374,147,587	374,147,587	
<b>Balance as at 31 December 2010</b>		<b>350,000,000</b>	<b>680,400,000</b>	<b>35,000,000</b>	<b>429,000,000</b>	<b>199,664,375</b>	<b>1,694,064,375</b>	
<b>Balance as at 31 December 2010</b>		<b>350,000,000</b>	<b>680,400,000</b>	<b>35,000,000</b>	<b>429,000,000</b>	<b>199,664,375</b>	<b>1,694,064,375</b>	
Dividend paid	26	-	-	-	-	(472,500,000)	(472,500,000)	
Unappropriated retained earnings transferred to general reserve		-	-	-	7,000,000	(7,000,000)	-	
Total comprehensive income for the year		-	-	-	-	689,775,803	689,775,803	
<b>Balance as at 31 December 2011</b>		<b>350,000,000</b>	<b>680,400,000</b>	<b>35,000,000</b>	<b>436,000,000</b>	<b>409,940,178</b>	<b>1,911,340,178</b>	

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

## Lanna Resources Public Company Limited and its subsidiaries

### Cash flow statements

For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Cash flows from operating activities</b>				
Profit before tax	2,702,884,259	1,788,052,987	813,329,574	420,594,506
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	258,957,638	196,766,040	32,540,849	28,391,504
Allowance for doubtful accounts	-	2,964,933	-	2,964,933
Decrease of inventory to net realisable value (reversal)	(7,168,235)	3,498,840	-	(5,975,600)
Write-off of prepaid corporate income tax	17,822,450	-	-	-
Share of profit from investment in associated company	(5,903,773)	(5,169,033)	-	-
Reversal of impairment of investment properties	-	(145,633)	-	(145,633)
Gain on disposal of fixed assets and investment properties	(4,209,782)	(1,387,321)	(4,320,422)	(499,775)
Loss on write-off of inventories, fixed assets and intangible assets	29,716,264	25,156	29,669,937	23,323
Dividend income	-	-	(771,465,580)	(415,227,768)
Reversal of provision for liabilities from lawsuit	(17,402,198)	-	(17,402,198)	-
Provision for long-term employee benefits	34,202,739	43,576,193	4,006,686	6,246,695
Unrealised loss (gain) on exchange	(1,541,186)	1,586,094	2,303,255	149,341
Interest income	(9,716,793)	(3,713,616)	(7,543,106)	(7,800,587)
Interest expenses	29,603,580	22,648,245	403,540	1,386,899
Profit from operating activities before changes in operating assets and liabilities	3,027,244,963	2,048,702,885	81,522,535	30,107,838
Operating assets (increase) decrease				
Trade and other receivables	(331,090,355)	(466,200,726)	13,634,750	(121,711,745)
Inventories	(35,017,158)	177,827,384	73,929,575	(21,295,746)
Cassava and sugar cane plantation costs	9,482,675	(15,206,181)	-	-
Input tax refundable	(323,057,561)	(179,897,849)	-	-
Prepaid income tax	38,987,361	84,903,053	12,173,757	-
Advance payments for goods	(40,940,974)	218,779,846	(91,564,319)	-
Other current assets	(7,344,509)	(41,996,351)	449,439	(781,549)
Operating liabilities increase (decrease)				
Trade and other payables	(666,274)	137,167,175	(82,766,939)	206,904,252
Accrued expenses	177,155,352	(21,475,444)	4,260,873	7,993,175
Income tax payable	-	78,829	-	-
Other current liabilities	108,568,060	(106,324,822)	4,161,575	(2,033,804)
Provision for long-term employee benefits	(394,363)	(12,775,226)	(58,500)	-
Cash from operating activities	2,622,927,217	1,823,582,573	15,742,746	99,182,421
Interest income	9,207,706	3,669,656	7,296,790	7,807,856
Cash paid for interest expenses	(29,383,475)	(22,590,842)	(403,540)	(1,401,998)
Cash paid for withholding tax deducted at source	(123,553,771)	(46,446,919)	(123,553,771)	(46,446,919)
Cash paid for corporate income tax	(738,042,613)	(265,050,267)	(36,501)	(154,509)
<b>Net cash from (used in) operating activities</b>	<b>1,741,155,064</b>	<b>1,493,164,201</b>	<b>(100,954,276)</b>	<b>58,986,851</b>

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

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

### **Notes to consolidated financial statements**

**For the years ended 31 December 2011 and 2010**

#### **1. General 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 was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of lignite. The registered office of the Company is at 888/99 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

#### **2. Basis of preparation**

- 2.1** The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

## 2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2011</u> Percent	<u>2010</u> Percent
<u>Held by the Company</u>				
Lanna (Singapore) Pte. Ltd.	Investment in foreign projects	Singapore	100.00	100.00
PT. Lanna Mining Services	Coal distribution	Indonesia	99.995	99.995
Thai Agro Energy Public Co., Ltd	Ethanol production and distribution	Thailand	75.75	75.75
PT. Singlurus Pratama	Coal production and distribution	Indonesia	65.00	65.00
PT. Lanna Harita Indonesia	Coal production and distribution	Indonesia	55.00	55.00
PT. Citra Harita Mineral	Service in coal production and port and jetty service	Indonesia	55.00	55.00
<u>Held by subsidiary/ associated company</u>				
PT. Lanna Mining Services	Coal distribution	Indonesia	0.005	0.005

- 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 using the same significant accounting policies as the Company.
- d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the shareholders’ equity.

- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- 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 separately presented as non-current asset in the consolidated statement of financial position and is measured at cost less any accumulated impairment losses (if any).

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

### **3. Adoption of new accounting standards during the year**

During the current year, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs

TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

**TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment using actuarial techniques. The Company and its subsidiaries previously evaluate and make a provision for post employment benefits using the estimate made by the management in accordance with the labour law.

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period immediately as an expense in profit or loss for the year. The change has the effect of decreasing the profit of the Company and its subsidiaries for the year ended 31 December 2011 by Baht 0.15 million, or 0.0004 Baht per share (Separate financial statements: increasing profit by Baht 0.09 million, or 0.0003 Baht per share).

#### 4. **New accounting standards issued during the years not yet effective**

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

##### **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.



## **TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates**

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

At present, the management is still evaluating the impact on the financial statements in the year when this standard is adopted.

### **5. Significant accounting policies**

#### **5.1 Revenue Recognition**

##### *Sales of goods*

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

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.

##### *Commission and marketing service income*

Commission and marketing service income are recognised on an accrual basis when oversea subsidiary companies sell coal to the buyer who the Company provides to subsidiary companies.

##### *Service income*

Service income is recognised on an accrual basis 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 interest rate.

##### *Dividends*

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

## **5.2 Cash and cash equivalents**

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

## **5.3 Trade accounts receivable**

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

## **5.4 Inventories**

Inventories are valued at the lower of cost (weighted average method) and net realisable value. Cost of finished goods and work in process include cost of material, labour and overheads. Net realisable value is selling price in normal course of business less other costs incurred to sell the goods.

Supplies are value at the lower of average cost and net realisable and are charged to production costs whenever consumed.

Allowance for diminution in inventory value is provided for the excess of cost over the net realisable value of inventories and for slow moving or deteriorated inventories.

## **5.5 Cassava plantation costs**

Cassava plantation costs consist of costs and expenses which are directly related to cassava plant and plantation activities and are incurred before the production period. Cassava plantation costs are stated at cost and are amortised when cassava plants are ready for harvest over the harvest period between 8 and 10 months.

## **5.6 Sugar cane plantation costs**

Sugar cane plantation costs consist of costs and expenses which are directly related to sugar cane plant and plantation activities and are incurred before the production period. Sugar cane plantation costs are stated at cost and are amortised when sugar cane plants are ready for harvest over the harvest period of 10 to 13 months.

## 5.7 Investments

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

## 5.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less allowance for loss on impairment (if any).

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

## 5.9 Property, plant and equipment and depreciation

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

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

Land improvement	5 - 10 years
Buildings and amenities	16 - 30 years
Crushing plants	15 years
Machinery and equipment	4 - 30 years
Furniture and office equipment	3 - 10 years
Vehicles	5 - 10 years

Depreciation is included in determining income.

No depreciation is provided on assets under construction and installation, land improvement of a local subsidiary company 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.

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

## **5.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## **5.11 Intangible assets**

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

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

Intangible asset with finite useful lives, which is computer software, has useful lives of 3 - 5 years.

Deferred overburden removal costs and other deferred expenses are charged as expenses 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 case when the future benefit of these assets is in doubt, they are written off to period expenses immediately.

## **5.12 Goodwill**

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in the profit or loss.

Goodwill is carried at cost less any accumulated impairment losses (if any). 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 in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

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

### **5.14 Long-term leases**

Leases of assets that all the significant risk and rewards of ownership are retained with the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense in the income statements on a straight-line basis over the lease period.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### **5.15 Foreign currencies**

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

Gains and losses on exchange are included in determining income.

## 5.16 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company 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 profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

## **5.17 Employee benefits**

### ***Short-term employee benefits***

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

### ***Post-employment benefits***

#### ***Defined contribution plans***

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

#### ***Defined benefit plans***

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, immediately as an expense in profit or loss for the year.

## **5.18 Government grants related to assets**

Government grants are recognised when there is reasonable assurance that the grants will be received and all attached conditions will be complied with. Government grants related to assets are presented as a deducting to the value of the related assets and are recognised in profit or loss over the useful life of the assets as a reduced depreciation expense.

### **5.19 Provisions**

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

### **5.20 Income tax**

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

### **5.21 Derivatives**

#### **Forward exchange contracts**

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrealised 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.

## **6. 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 from these estimates. 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 inventory value**

In determining an allowance for diminution in inventory value, the management needs to make judgment in estimating loss from slow moving and deteriorated inventories including the effect from declining in net realisable value of inventories.

**Property, plant and equipment and depreciation**

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

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses 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.

**Post-employment benefits under defined benefit plans**

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

**Litigation**

The subsidiaries have contingent liabilities as a result of litigation. The management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

## 7. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	796,767,110	677,246,987
Dividend income	-	-	771,465,580	407,393,648
Commission and marketing				
service income	-	-	120,698,429	100,452,025
Service income	-	-	39,077,376	28,797,774
Interest income	-	-	3,491,400	7,499,779
<u>Transactions with major shareholder</u>				
Sales of coal	1,054,227,801	902,694,530	1,054,227,801	902,694,530
Interest expenses and other				
expenses	-	22,440,102	-	-
Sales of the lignite prospecting				
project	-	5,000,000	-	5,000,000
<u>Transactions with associated company</u>				
Purchase of coal	72,877,565	126,637,747	72,877,565	126,637,747
Freight charge	56,420,545	59,853,667	56,420,545	59,853,667
Dividend income	-	-	-	7,834,120

Transfer Pricing Policy

Sales of coal	Market price at which equivalent quality coal is sold to the same industry
Purchase of coal	Market price for equivalent quality coal
Commission and marketing service income	At the price agreed between the parties which is general price for the same business
Service income	At the agreed price as stipulated in the agreement
Dividend income	At the declared rate
Interest income	LIBOR + 3% per annum and 6% per annum
Freight charge	Price comparable to freight charges paid to third parties
Interest expenses	SIBOR per annum
Other expenses	At the agreed price as stipulated in the agreement
Sales of the lignite prospecting project	Bidding by selling to the best bidder with the best condition

As at 31 December 2011 and 2010, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b><u>Trade and other receivables - related parties (Note 9)</u></b>				
Major shareholder	66,024,871	89,054,128	66,024,871	89,054,128
Subsidiaries	-	-	19,411,544	25,417,653
Total trade and other receivables - related parties	<u>66,024,871</u>	<u>89,054,128</u>	<u>85,436,415</u>	<u>114,471,781</u>
<b><u>Advance payments for goods - related party</u></b>				
Associated company	87,030,477	-	87,030,477	-
Total advance payment for goods - related party	<u>87,030,477</u>	<u>-</u>	<u>87,030,477</u>	<u>-</u>
<b><u>Advance payment for purchase of investment in subsidiary company</u></b>				
Subsidiary	-	-	-	151,509,433
Total advance payment for purchase of investment in subsidiary company	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,509,433</u>
<b><u>Long-term loans to related party</u></b>				
Subsidiary	-	-	45,000,998	204,000,000
Total long-term loans to related party	<u>-</u>	<u>-</u>	<u>45,000,998</u>	<u>204,000,000</u>
<b><u>Trade and other payables - related parties (Note 18)</u></b>				
Subsidiaries	-	-	205,589,726	267,242,819
Associated company	799,920	6,287,396	799,920	6,287,396
Total trade and other payables - related parties	<u>799,920</u>	<u>6,287,396</u>	<u>206,389,646</u>	<u>273,530,215</u>

As at 31 December 2011 and 2010, the balances of long-term loans between the Company and those related companies and the movement are as follows:

(Unit: Baht)

	Balance as at 31 December 2010	Decrease during the year	Balance as at 31 December 2011
<b><u>Long-term loans to subsidiary company</u></b>			
PT. Lanna Mining Services	204,000,000	(158,999,002)	45,000,998

The long-term loan granted to PT. Lanna Mining Services is unsecured, with a term not exceeding 3 years and interest rate at LIBOR + 3% per annum.

During the year, the Company granted unsecured short-term loan of Baht 45 million to PT. Lanna Mining Services, with a term not exceeding 3 months and interest rate at 6% per annum. The subsidiary had already repaid such loan.

#### Directors and management's benefits

During the year ended 31 December 2011 and 2010, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Short-term employee benefits	171,006,076	127,055,754	58,369,479	55,207,156
Post-employment benefits	10,220,403	7,902,300	2,448,119	1,539,793
Termination benefits	-	10,269,123	-	-
Total	<u>181,226,479</u>	<u>145,227,177</u>	<u>60,817,598</u>	<u>56,746,949</u>

#### Employee Joint Investment Program

On 17 October 2011, the meeting of the Company's Board of Directors passed a resolution approving the Employee Joint Investment Program of the Company, for a period of 5 years commencing 1 January 2012. The details and conditions in relation to such program depend on the determination of the Company's Board of Directors. Consequently, the Company obtained approval from the Securities and Exchange Commission of Thailand on 16 November 2011.

## 8. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash	235,470	232,964	40,000	40,000
Bank deposits	984,696,303	859,507,042	102,800,160	26,303,062
Investments in bill of exchange and bond of the Bank of Thailand	279,000,000	-	279,000,000	-
Total	1,263,931,773	859,740,006	381,840,160	26,343,062
Less: Restricted bank deposits	(51,541,193)	(30,517,482)	-	-
Total	1,212,390,580	829,222,524	381,840,160	26,343,062

As at 31 December 2011, bank deposits in saving accounts and fixed deposits and short-term investments carried interests between 0.05 and 6.5 percent per annum (2010: between 0.12 and 3 percent per annum).

As at 31 December 2011, the overseas subsidiary companies have restricted bank deposits of approximately Baht 52 million (2553: Baht 31 million) to secure bank guarantees issued by banks on behalf of the subsidiary companies as discussed in Note 29.4

## 9. Trade and other receivables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b><u>Trade receivables - related parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due	66,024,871	89,054,128	80,268,618	101,730,735
Past due				
Up to 3 months	-	-	-	5,750,131
Total trade receivables - related parties	66,024,871	89,054,128	80,268,618	107,480,866

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b><u>Trade receivables - unrelated parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due	1,122,974,899	769,350,280	112,528,986	94,804,227
Total trade receivable - unrelated parties	1,122,974,899	769,350,280	112,528,986	94,804,227
Total trade receivables	1,188,999,770	858,404,408	192,797,604	202,285,093
<b><u>Other receivables</u></b>				
Other receivable - related parties	-	-	5,167,797	6,990,915
Other receivable - unrelated parties	7,740,922	7,009,673	983,503	3,071,390
Advances	631,885	868,141	631,885	868,141
Interest receivable	562,019	52,932	248,019	1,703
Total other receivables	8,934,826	7,930,746	7,031,204	10,932,149
Total trade and other receivables	1,197,934,596	866,335,154	199,828,808	213,217,242

**10. Inventories**

(Unit: Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Coal and work in process	151,408,078	206,098,211	-	-	151,408,078	206,098,211
Finished goods - Ethanol	31,080,344	37,392,063	-	(11,957,462)	31,080,344	25,434,601
Work in process - Ethanol	7,097,086	-	-	-	7,097,086	-
Raw materials - Molasses	29,040,479	15,624,455	-	(1,346,507)	29,040,479	14,277,948
Raw materials - Cassava chips	45,479,802	-	(6,135,734)	-	39,344,068	-
Supplies	7,515,339	5,737,156	-	-	7,515,339	5,737,156
Spare parts	545,133	1,850,681	-	-	545,133	1,850,681
Total	272,166,261	266,702,566	(6,135,734)	(13,303,969)	266,030,527	253,398,597

(Unit: Baht)

	Separated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Coal	27,321,366	130,804,404	-	-	27,321,366	130,804,404
Total	27,321,366	130,804,404	-	-	27,321,366	130,804,404

## 11. Investments in subsidiaries

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

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2011	2010	2011 (%)	2010 (%)	2011	2010	2011	2010
Lanna (Singapore) Pte. Ltd. (Incorporated in Singapore)	SGD 9 million	SGD 9 million	100.00	100.00	215,795,869	215,795,869	-	11,582,243
PT. Lanna Mining Services (Incorporated in Indonesia)	USD 2.1 million	USD 2.1 million	99.995	99.995	70,918,908	70,918,908	-	-
Thai Agro Energy Public Co., Ltd.	Baht 800 million	Baht 600 million	75.75	75.75	606,037,733	454,528,300	-	-
PT. Singlurus Pratama (Incorporated in Indonesia)	Rp 7,950 million	Rp 7,950 million	65.00	65.00	18,626,118	18,626,118	318,620,055	-
PT. Lanna Harita Indonesia (Incorporated in Indonesia)	USD 8 million	USD 8 million	55.00	55.00	155,023,565	155,023,565	443,028,322	378,078,030
PT. Citra Harita Mineral (Incorporated in Indonesia)	Rp 1,000 million	Rp 1,000 million	55.00	55.00	2,187,283	2,187,283	9,817,203	17,733,375
<b>Total</b>					<b>1,068,589,476</b>	<b>917,080,043</b>	<b>771,465,580</b>	<b>407,393,648</b>

## **Local subsidiary**

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

On 28 October 2010, the Extraordinary General Meeting of shareholders of Thai Agro Energy Public Company Limited No. 1/2010 passed the following resolutions.

1. To decrease Thai Agro Energy Public Company Limited's registered share capital from Baht 800,000,000 (800,000,000 ordinary shares of Baht 1 each) to Baht 600,000,000 (600,000,000 ordinary shares of Baht 1 each) by decreasing the un-issued capital by 200,000,000 shares at the par value of Baht 1 each, in order to cancel the shares to be issued for the initial public offering.
2. To increase Thai Agro Energy Public Company Limited's registered share capital from Baht 600,000,000 (600,000,000 ordinary shares of Baht 1 each) to Baht 800,000,000 (800,000,000 ordinary shares of Baht 1 each) by issuing and offering 200,000,000 new ordinary shares at the par value of Baht 1 per share to the existing shareholders. The capital increase will be reserved for the construction of the second ethanol production plant.

As at 31 December 2011, the subsidiary received advance payments for the 196,401,907 shares of Baht 1 each, or a total of Baht 196,401,907. This included advance of the Company for purchase of 151,509,433 ordinary shares of Baht 1 per share of the subsidiary, or a total of Baht 151,509,433 to maintain its ownership interest in the subsidiary company.

In January 2011, the subsidiary had received additional advance payments for the 3,598,093 shares of Baht 1 each, or a total of Baht 3,598,093. The subsidiary subsequently registered the capital increase to be registered, issued and paid-up share capital of Baht 800,000,000 with the Ministry of Commerce on 4 February 2011.

On 18 April 2011, the meeting of the Company's Board of Directors passed a resolution to sell investment in Thai Agro Energy Public Company Limited, a subsidiary company, to The Bangchak Petroleum Public Company Limited. On 9 May 2011, the Company entered into the sale and purchase agreement to sell 246,037,733 ordinary shares of the subsidiary company at Baht 1.37 per share, totaling Baht 337,071,694. As a result, the Company's investment in such subsidiary will be reduced from 75.75 percent to 45 percent. The sale and purchase agreement contains certain conditions to be fulfilled by the Company and its subsidiary.



However, the Company and its subsidiary could not fulfill the condition precedent of the agreement within 15 December 2011. Therefore, the sale and purchase agreement of ordinary shares in such subsidiary between the Company and Bangchak Petroleum Public Company Limited was terminated.

### **Overseas subsidiaries**

#### Lanna (Singapore) Pte. Ltd.

On 21 June 2010, the meeting of the Board of Directors of the Company passed a resolution to approve the change in investment structure of overseas subsidiaries by dissolution and liquidation of Lanna (Singapore) Pte. Ltd. after such subsidiary company sells an ordinary share in PT. Lanna Mining Services to United Bulk Shipping Pte. Ltd.

On 25 June 2010, Lanna (Singapore) Pte. Ltd. already sold an ordinary share in PT. Lanna Mining Services to United Bulk Shipping Pte. Ltd. Currently, Lanna (Singapore) Pte. Ltd. is in the process of dissolution and liquidation.

#### PT. Lanna Mining Services

On 20 June 2011, the meeting of the Company's Board of Directors passed a resolution to sell 9 ordinary shares of PT. Lanna Mining Services to United Bulk Shipping Pte. Ltd., an associated company, at USD 219.81 per share, totalling USD 1,978 or equivalent to Baht 0.06 million. As a result, the percentage of shareholding of the Company in that subsidiary decreased from 99.995 percent to 99.95 percent. This is to comply with the regulation of the Board of Investment of Indonesia, which stipulates that a shareholder in PT. Lanna Mining Services must hold shares worth a minimum of USD 1,000.

In October 2011, the Board of Investment of Indonesia approved the change in the percentage of shareholding of the Company and the Company has transferred such investments to United Bulk Shipping Pte. Ltd. in January 2012.

## 12. Investment in associated company

### 12.1 Detail of associated company

Company's name	Nature of business	Paid-up capital		Shareholding percentage		Consolidated financial statements		Separate financial statements	
		2011	2010	2011 (%)	2010 (%)	Carrying amounts based on equity method	Cost	2011	2010
United Bulk Shipping Pte. Ltd. (Incorporated in Singapore)	Shipping business and coal distribution	SGD 0.1 million	SGD 0.1 million	49	49	23,714,804	17,811,031	890,679	890,679
Total						23,714,804	17,811,031	890,679	890,679

### 12.2 Share of profit and dividend received

During the years, the Company recognised its share of profit from investment in associated 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 profit from investment in associate for the years ended 31 December	Dividend received for the years ended 31 December	Share of profit from investment in associate for the years ended 31 December	Dividend received for the years ended 31 December
United Bulk Shipping Pte. Ltd.	2011 5,903,773	2010 5,169,033	2011 -	2010 7,834,120

Share of profit from United Bulk Shipping Pte. Ltd. for the year ended 31 December 2011 and 2010 had been calculated from the financial statements prepared by the management of the associated company and not being audited by its auditor.

### 12.3 Summarised financial information of associated company

Financial information of the associated company is summarised below.

Company's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues		Profit for the years ended 31 December
	2011	2010	31 December	2010	31 December	2010	31 December	2010	
United Bulk Shipping Pte. Ltd.	SGD 0.1	SGD 0.1	134	45	90	16	151	189	12
	million	million							11

(Unit: Million Baht)

### 13. Investment properties

	(Unit: Baht)	
	Consolidated and Separate financial statements	
	<u>2011</u>	<u>2010</u>
Cost	39,299,887	40,322,795
Less: Accumulated depreciation	(1,200,293)	(1,200,293)
Less: Allowance for diminution in value	(1,569,852)	(1,569,852)
Net book value	<u>36,529,742</u>	<u>37,552,650</u>
Depreciation for the year	<u>-</u>	<u>145,633</u>

A reconciliation of the net book value of investment properties for the years 2011 and 2010 is presented below.

	(Unit: Baht)	
	Consolidated and Separate financial statements	
	<u>2011</u>	<u>2010</u>
Net book value at beginning of year	37,552,650	37,675,451
Disposals - net book value on disposal date	(1,022,908)	(122,801)
Depreciation for the year	-	(145,633)
Decrease in allowance for impairment	-	145,633
Net book value at end of year	<u>36,529,742</u>	<u>37,552,650</u>

As at 31 December 2011, the Company had investment properties, which mainly are plots of land of Paka mine, with an aggregate net book value of approximately Baht 36.5 million (2010: Baht 37.6 million). The Company is considering making use and/or selling such assets to other parties. However, for some plots of land and land improvement which the Company had considered their net realisable value to be less than the net book value, the Company had set up allowance for impairment of such assets of Baht 1.6 million (2010: Baht 1.6 million).

The fair value of the investment properties which is land awaiting sales as at 31 December 2011 is Baht 51.3 million (2010: Baht 52.8 million), which is determined based on the price appraised by the Department of Land.

## 14. Property, plant and equipment

### Consolidated financial statements

Cost	(Unit: Baht)									
	Land	Ore	Land improvement	Buildings and amenities	Machinery and equipment	Office equipment	Vehicles	Assets under construction and installation	Total	
1 January 2010	333,638,970	71,951,986	57,754,009	84,103,642	1,109,628,076	74,667,387	50,344,466	150,995,416	1,933,083,952	
Additions	6,870,162	-	-	1,201,076	19,699,230	10,666,874	15,797,282	1,080,757,311	1,134,991,935	
Disposals/write-off	-	(268,913)	-	(182,214)	(2,980,061)	(4,537,505)	(8,675,440)	-	(16,644,133)	
Transfer in (transfer out)	-	-	22,269,670	9,473,212	32,396,768	(6,888,687)	7,652,483	(46,676,483)	18,226,963	
Capitalised interest	-	-	-	-	-	-	-	14,690,034	14,690,034	
Translation adjustments	(525,728)	-	(1,697,087)	(850,957)	(52,543,330)	(5,372,849)	-	(9,513,208)	(70,503,159)	
31 December 2010	339,983,404	71,683,073	78,326,592	93,744,759	1,106,200,683	68,535,220	65,118,791	1,190,253,070	3,013,845,592	
Additions	-	-	188,551	1,458,581	30,253,165	14,311,309	2,992,573	304,402,102	353,606,281	
Disposals/write-off	-	(2,843,631)	-	-	(12,701,803)	(4,130,905)	(14,951,368)	(493,709)	(35,121,416)	
Transfer in (transfer out)	(5,747,461)	-	5,747,461	171,167,044	13,131,517	3,968,854	-	(188,267,415)	-	
Capitalised interest	-	-	-	-	-	-	-	31,347,753	31,347,753	
Cash received from government grants	-	-	-	-	-	-	-	(15,000,000)	(15,000,000)	
Translation adjustments	251,618	-	812,241	668,216	15,676,228	1,777,296	619,498	1,304,966	21,110,063	
31 December 2011	334,487,561	68,839,442	85,074,845	267,038,600	1,152,559,790	84,461,774	53,779,494	1,323,546,767	3,369,788,273	

(Unit: Baht)

	Land	Ore	Land improvement	Buildings and amenities	Machinery and equipment	Office equipment	Vehicles	Assets under construction and installation	Total
<b>Accumulated depreciation</b>									
1 January 2010	-	71,951,986	19,079,314	13,285,210	324,182,007	52,405,471	38,850,708	-	519,754,696
Depreciation for the year	-	-	2,047,062	4,584,950	66,651,415	8,881,638	5,692,087	-	87,857,152
Accumulated depreciation of the disposed assets/write-off	-	(268,913)	-	(147,287)	(2,733,969)	(4,286,507)	(6,016,771)	-	(13,453,447)
Transfer in (transfer out)	-	-	-	2,360,149	(442,114)	(6,692,574)	4,774,539	-	-
Translation adjustments	-	-	(1,650,659)	50,199	(10,175,027)	(2,773,878)	-	-	(14,549,365)
31 December 2010	-	71,683,073	19,475,717	20,133,221	377,482,312	47,534,150	43,300,563	-	579,609,036
Depreciation for the year	-	-	2,354,178	10,772,376	68,870,167	10,599,563	5,916,696	-	98,512,980
Accumulated depreciation of the disposed assets/write-off	-	(2,843,631)	-	-	(12,244,963)	(3,917,342)	(14,761,277)	-	(33,767,213)
Transfer in (transfer out)	-	-	-	-	581,713	(581,713)	-	-	-
Translation adjustments	-	-	812,241	188,060	7,157,876	1,099,585	84,879	-	9,342,641
31 December 2011	-	68,839,442	22,642,136	31,093,657	441,847,105	54,734,243	34,540,861	-	653,697,444
<b>Net book value</b>									
31 December 2010	339,983,404	-	58,850,875	73,611,538	728,718,371	21,001,070	21,818,228	1,190,253,070	2,434,236,556
31 December 2011	334,487,561	-	62,432,709	235,944,943	710,712,685	29,727,531	19,238,633	1,323,546,767	2,716,090,829
<b>Depreciation for the year</b>									
2010 (Baht 42 million included in manufacturing cost, and the balance in selling and administrative expenses)									87,857,152
2011 (Baht 59 million included in manufacturing cost, and the balance in selling and administrative expenses)									98,512,980

## Separate financial statements

	Land	Ore	Land improvement	Buildings and amenities	Machinery and equipment	Office equipment	Vehicles	Assets under construction and installation	Total
	(Unit: Baht)								
<b>Cost</b>									
1 January 2010	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
Additions	-	-	-	-	1,315,979	2,085,934	23,005	7,525,716	10,950,634
Disposal/write-off	-	(268,913)	-	-	(83,116)	(1,685,044)	(1,473,938)	-	(3,511,011)
Transfer in (transfer out)	-	-	7,729,780	-	-	-	-	(7,729,780)	-
31 December 2010	180,000,000	71,683,073	15,609,693	4,120,000	88,890,477	21,622,193	28,296,399	781,835	411,003,670
Additions	-	-	188,551	835,716	1,700,085	3,832,751	6,727	152,000	6,715,830
Disposal/write-off	-	(2,843,631)	-	-	(645,141)	(1,548,035)	(14,158,000)	-	(19,194,807)
Transfer in (transfer out)	-	-	-	-	-	781,835	-	(781,835)	-
31 December 2011	180,000,000	68,839,442	15,798,244	4,955,716	89,945,421	24,688,744	14,145,126	152,000	398,524,693
<b>Accumulated depreciation</b>									
31 December 2009	-	71,951,986	1,960,028	400,180	51,479,134	17,345,813	26,314,887	-	169,452,028
Depreciation for the year	-	-	1,611,984	206,000	12,318,858	1,960,547	2,071,718	-	18,169,107
Accumulated depreciation of the disposed assets/write-off	-	(268,913)	-	-	(83,107)	(1,622,364)	(1,473,932)	-	(3,448,316)
31 December 2010	-	71,683,073	3,572,012	606,180	63,714,885	17,683,996	26,912,673	-	184,172,819
Depreciation for the year	-	-	2,354,178	230,499	12,430,535	2,166,523	1,290,830	-	18,472,565
Accumulated depreciation of the disposed assets/write-off	-	(2,843,631)	-	-	(641,510)	(1,412,098)	(14,157,988)	-	(19,055,227)
31 December 2011	-	68,839,442	5,926,190	836,679	75,503,910	18,438,421	14,045,515	-	183,590,157
<b>Net book value</b>									
31 December 2010	180,000,000	-	12,037,681	3,513,820	25,175,592	3,938,197	1,383,726	781,835	226,830,851
31 December 2011	180,000,000	-	9,872,054	4,119,037	14,441,511	6,250,323	99,611	152,000	214,934,536
<b>Depreciation for the year</b>									
2010 (included in selling and administrative expenses)									18,169,107
2011 (included in selling and administrative expenses)									18,472,565

A subsidiary has mortgaged part of its land and construction thereon with net book value as at 31 December 2011 amounting to approximately Baht 9.2 million as collateral for short-term loans, long-term loans and credit facilities granted by a commercial bank as discussed in Note 17 and 19.

A subsidiary had capitalised interest expenses as part of costs of machinery and equipment under installation with the capitalisation rate as follows:

	<u>2011</u>	<u>2010</u>
Interest expenses capitalised as costs of machinery and equipment (Baht)	31,347,753	14,690,034
Capitalisation rate (percent per annum)	3.53	3.80

During the current year, the subsidiary company received the subsidy of Baht 15 million, representing 75 percent of total subsidy, from the Energy Conservation Promotion Fund under "Biogas Technology for Industry Project". The subsidiary is required to comply with the terms under the agreement.

As at 31 December 2011, the Company and subsidiaries have certain plant and equipment which have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation, of those assets amounted to Baht 131 million (2010: Baht 100 million) (The Company only: Baht 56 million, 2010: Baht 54 million).



## 15. Intangible assets

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

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
1 January 2010	8,797,636	3,566,405
Additions	826,030	615,730
Write-off	(711,804)	(697,004)
Transfer in	86,925	-
Translation adjustments	(136,047)	-
31 December 2010	8,862,740	3,485,131
Additions	791,656	622,756
Write-off	(9,250)	(9,250)
Translation adjustments	65,114	-
31 December 2011	9,710,260	4,098,637
<b>Accumulated amortisation</b>		
1 January 2010	4,622,559	2,003,412
Amortisation for the year	1,156,986	474,699
Accumulated amortisation of the write-off assets	(709,895)	(696,928)
Translation adjustments	(120,742)	-
31 December 2010	4,948,908	1,781,183
Amortisation for the year	1,201,555	561,442
Accumulated amortisation of the write-off assets	(9,249)	(9,249)
Translation adjustments	65,114	-
31 December 2011	6,206,328	2,333,376
<b>Net book value</b>		
31 December 2010	3,913,832	1,703,948
31 December 2011	3,503,932	1,765,261

## 16. Other non-current assets

Other non-current assets as at 31 December 2011 and 2010 consist of the following and have been shown net of related accumulated amortisation.

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Deferred expenses - Indonesia				
coal mine project	298,394,403	336,345,775	-	-
Deferred overburden removal				
expenses	19,209,561	27,275,320	-	-
Deferred transferred service fees				
according to contract	91,774,997	105,281,839	91,774,997	105,281,839
Advance payment from				
purchases of machineries	59,747,420	-	-	-
Others	5,995,883	12,708,965	3,383,834	2,424,996
Total other non-current assets	<u>475,122,264</u>	<u>481,611,899</u>	<u>95,158,831</u>	<u>107,706,835</u>
Amortisation expenses for the year	<u>159,243,103</u>	<u>107,606,269</u>	<u>13,506,842</u>	<u>9,602,065</u>

### **Agreement of transferring service fees provided by PT. Indocoal Pratama Jaya**

On 6 March 2008, the Company and PT. Indocoal Pratama Jaya ("IPJ") entered into agreement of transferring service fees for service provided to the concession area of PT. Singlurus Pratama (SGP) for the first 15 million tons of coal produced and distributed at a price of USD 0.75 per ton, in accordance with the Service Agreement, which stipulate that 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 transfer such fees 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 amortised according to the quantity of coal sold from SGP and the Company had already started amortising the fee since July 2009.

## 17. Short-term loans from financial institution

As at 31 December 2011, a subsidiary had short-term loans from financial institution in the form of promissory notes which are repayable within 3 months. The loans bear interest at the rate of 3.80 - 6.63 percent per annum. The loan amounting to Baht 150 million is secured by the mortgage of part of the subsidiary's land and construction thereon as discussed in Note 14.

## 18. Trade and other payables

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Trade payable - related parties	799,920	6,287,396	799,920	71,784,930
Trade payable - unrelated parties	341,398,119	335,979,228	21,053,121	30,616,833
Other payables - related parties	-	-	205,589,726	201,745,285
Other payables - unrelated parties	15,518,577	57,419,528	2,329,332	4,547,549
Payable for purchases of plant and equipment	10,780,842	128,227,467	589,645	-
Retention payable	<u>9,088,263</u>	<u>12,677,475</u>	<u>38,446</u>	<u>38,446</u>
Total trade and other payables	<u>377,585,721</u>	<u>540,591,094</u>	<u>230,400,190</u>	<u>308,733,043</u>

## 19. Long-term loan from financial institution

(Unit: Baht)

	Consolidated	financial
	statements	statements
	<u>2011</u>	<u>2010</u>
Long-term loan from financial institution	900,000,000	744,737,682
Less: Current portion	<u>(900,000,000)</u>	<u>-</u>
Long-term loan from financial institution - net of current portion	<u>-</u>	<u>744,737,682</u>

On 16 September 2009, a subsidiary entered into a loan agreement with a local bank, obtaining loan facilities of Baht 900 million for the construction of the second ethanol production plant and the purchase of machinery for this plant. The loan initially carries interest at a fixed rate of 3.8 percent per annum for the first 2 years, and THBFIX reference rate plus 2.1 percent per annum during the 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 of part of the subsidiary's land and construction thereon as discussed in Note 14.

The loan agreement contains covenants that, among other things, requires the subsidiary to maintain certain financial ratios according to the agreement such as debt to equity and debt service coverage ratios.

On 19 October 2011, the Company, as a major shareholder of the subsidiary, sent a letter to the bank to notify its intention to provide attributable financial support on the subsidiary's debt obligations in case the subsidiary is unable to maintain the financial ratios as stipulated in the loan agreement.

As at 31 December 2011, the subsidiary could not maintain certain financial ratio as specified in the loan agreement, which empowered the bank to immediately call for loan settlement, thus the subsidiary classified this loan as current portion of long-term loan to reflect such condition. The subsidiary had negotiated with the bank, and had obtained a waiver letter for the condition to maintain certain financial ratios for the year ended 31 December 2011 from that bank on 7 February 2012.

On 15 February 2012, the bank has reduced the interest rate during March to December 2012 from THBFIX reference rate plus 2.1 percent per annum to THBFIX reference rate plus 1.85 percent per annum, and has requested the subsidiary to increase the collateral by mortgaging land of approximately Baht 50 million.

## 20. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011 and 2010, which are compensations on employees' retirement, was as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Balance - beginning of year	84,701,109	55,894,470	18,217,234	11,970,539
Liability (asset) in the transitional period	151,773	-	(85,178)	-
Current service cost	20,270,037	29,449,122	1,609,685	5,518,006
Interest cost	6,313,185	7,815,982	724,265	728,689
Benefits paid during the year	(394,363)	(12,775,226)	(58,500)	-
Actuarial loss	7,467,744	6,311,089	1,757,914	-
Translation adjustments	4,046,978	(1,994,328)	-	-
Balance - end of year	<u>122,556,463</u>	<u>84,701,109</u>	<u>22,165,420</u>	<u>18,217,234</u>

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2011 amounted to Baht 34 million, the Company only Baht 4 million (2010: Baht 44 million, the Company only: Baht 6 million).

Principal actuarial assumptions at the valuation date were as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.6 - 7	4 - 9	3.6	4
Future salary increase rate	6 - 9	6 - 10	6 - 7	6 - 7
Staff turnover rate	0 - 10	0 - 10	0 - 10	0 - 10

## 21. 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 the subsidiary also contribute a certain amount. The fund is managed by the Bank of Ayudhaya Public Co., Ltd. will be paid to employee upon termination in accordance with the fund rules of the Company and its subsidiary. Total contributions of the Company and the subsidiary during the year 2011 amounted to Baht 5.6 million, and of the Company amounted to Baht 4 million (2010: Baht 4.9 million, the Company only: Baht 3.4 million).

## 22. 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 profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

## 23. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Raw materials and consumables used	839,859,285	715,399,345	-	-
Purchase of finished goods	2,770,039,993	1,560,666,112	1,504,382,800	1,373,889,689
Changes in inventories of finished goods and work in process (increase) decrease	53,904,766	165,443,533	103,483,038	(21,295,746)
Overburden removal expenses	2,293,293,148	1,710,845,530	-	-
Freight and transportation of goods expenses	756,581,292	522,626,385	103,743,228	79,280,481
Royalty fee	1,133,618,030	715,488,239	-	-
Depreciation and amortisation expenses	258,957,638	196,766,040	32,540,849	28,391,504
Salary, wages and other employee benefits	217,464,260	166,838,965	34,762,483	30,264,104
Management benefit expenses	181,226,479	145,227,177	60,817,598	56,746,949
Electricity and fuel expenses	145,077,179	77,961,175	6,208,890	6,653,742
Repair and maintenance expenses	48,644,431	55,029,128	8,651,274	6,311,244
Loss on write-off of inventories, fixed assets and intangible assets	29,716,264	25,156	29,669,937	23,323
Write-off prepaid corporate income tax	17,822,450	-	-	-
Loss on exchange	7,361,472	27,729,863	-	34,631,414

## 24. 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	Manufacture of alcohol	Manufacture of ethanol (99.5%)	Manufacture of organic fertilizer
2. Significant privileges			
2.1 Exemption from corporate income tax on net income from promoted operations (commencing from the date of earning operating income) and exemption from income tax on dividend paid from the income of the promoted 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 to carry-forward the annual loss from promoted operations incurred during the corporate income tax exemption period to offset with net income incurred thereafter (after exemption period in 2.1)	5 years	5 years	5 years
2.3 Exemption from import duty on raw and essential materials or products used for manufacture for export commencing from the first import date.	1 year	1 year	1 year
3. Date of first earning operating income	31 January 2005	Not yet commenced	16 November 2009

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

On 10 November 2011, the Board of Investment had approved the cancellation of the promotional privileges for manufacture of organic fertilizer; certificate no. 1774(2)/2552 on 8 October 2009 since the subsidiary doesn't intend to operation on this project.

The subsidiary's operating revenues for the years were domestic sales, divided according to promoted and non-promoted operations as follows:

(Unit: Baht)

	Promoted operations		Non-promoted operations		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues from sales	1,017,161,766	756,206,289	81,052,164	4,019,479	1,098,213,930	760,225,768
Total	<u>1,017,161,766</u>	<u>756,206,289</u>	<u>81,052,164</u>	<u>4,019,479</u>	<u>1,098,213,930</u>	<u>760,225,768</u>

## 25. Earnings per share

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

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

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Profit attributable to equity holders				
of the Company (Baht)	1,043,398,752	674,657,124	689,775,803	374,147,587
Weighted average number of				
ordinary shares (shares)	350,000,000	350,000,000	350,000,000	350,000,000
Earnings per share (Baht)	2.98	1.93	1.97	1.07

## 26. Dividend paid

Dividends paid by the Company and its subsidiaries for the years ended 31 December 2011 and 2010 are as follows:

### The Company

				(Unit: Baht)
<u>Dividends</u>	<u>Approved by</u>	<u>Total</u>	<u>Dividend</u>	<u>Paid on</u>
		<u>Dividends</u>	<u>per share</u>	
<b><u>2011</u></b>				
Final dividends for 2010	Annual General Meeting of the shareholders on 18 April 2011	192,500,000	0.55	4 May 2011
Interim dividends for 2011	Board of Directors' meeting on 14 October 2011	280,000,000	0.80	16 November 2011
Total		<u>472,500,000</u>	<u>1.35</u>	
<b><u>2010</u></b>				
Final dividends for 2009	Annual General Meeting of the shareholders on 19 April 2010	175,000,000	0.50	18 May 2010
Interim dividends for 2010	Board of Directors' meeting on 18 October 2010	175,000,000	0.50	17 November 2010
Total		<u>350,000,000</u>	<u>1.00</u>	

In addition, the Annual General Meeting of the shareholders approved to set aside a general reserve of Baht 7 million (2010: Baht 15 million).



## Overseas subsidiaries

### Lanna Singapore Pte. Ltd.

(Unit: SG Dollar)

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>	<u>Paid on</u>
<b>2010</b>				
Interim dividends for 2010	Board of Directors' meeting on 9 July 2010	500,000	0.06	12 July 2010
Total		<u>500,000</u>	<u>0.06</u>	

In 2010, the Company received dividend income at 100 percent for a total of SGD 0.5 million or equivalent to Baht 11.6 million.

### PT. Singlurus Pratama

(Unit: US Dollar)

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>	<u>Paid on</u>
<b>2011</b>				
Final dividends for 2010	Annual General Meeting of the shareholders on 16 June 2011	7,950,000	1,000	28 June 2011 and 22 July 2011
Interim dividends for 2011	Board of Directors' meeting on 23 December 2011	7,950,000	1,000	27 December 2011
Total		<u>15,900,000</u>	<u>2,000</u>	

In the current year, the Company received dividend income at 65 percent for a total of USD 10.3 million or equivalent to Baht 318.6 million. The Company had been withheld the withholding tax deducted at source of Baht 63.7 million.

PT. Lanna Harita Indonesia

(Unit: US Dollar)

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>	<u>Paid on</u>
<b><u>2011</u></b>				
The fourth interim dividend for 2010	Board of Directors' meeting on 19 January 2011	6,400,000	800	24 January 2011
The first interim dividend for 2011	Board of Directors' meeting on 10 March 2011	1,600,000	200	14 March 2011
The second interim dividend for 2011	Board of Directors' meeting on 27 May 2011	6,400,000	800	6 June 2011
The third interim dividend for 2011	Board of Directors' meeting on 16 September 2011	6,000,000	750	21 September 2011
The fourth interim dividend for 2011	Board of Directors' meeting on 13 December 2011	6,000,000	750	14 December 2011
Total		<u>26,400,000</u>	<u>3,300</u>	
<b><u>2010</u></b>				
The third interim dividend for 2009	Board of Directors' meeting on 18 February 2010	2,000,000	250	2 March 2010
The fourth interim dividends for 2009	Board of Directors' meeting on 11 May 2010	4,000,000	500	21 May 2010
The first interim dividends for 2010	Board of Directors' meeting on 12 July 2010	4,000,000	500	27 July 2010
The second interim dividends for 2010	Board of Directors' meeting on 10 September 2010	10,000,000	1,250	24 September 2010
The third interim dividends for 2010	Board of Directors' meeting on 6 December 2010	2,000,000	250	28 December 2010
Total		<u>22,000,000</u>	<u>2,750</u>	

In the current year, the Company received dividend income at 55 percent for a total of USD 14.5 million or equivalent to Baht 443 million. The Company had been withheld the withholding tax deducted at source of Baht 33.2 million (2010: dividend income of USD 12.1 million or equivalent to Baht 378.1 million and withholding tax of Baht 28.4 million).

PT. Citra Harita Mineral

(Unit: US Dollar)

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>	<u>Paid on</u>
<b><u>2011</u></b>				
Final dividends for 2010	Annual General Meeting of the shareholders on 15 June 2011	600,000	600	19 August 2011
Total		<u>600,000</u>	<u>600</u>	
<b><u>2010</u></b>				
Interim dividends for 2010	Board of Directors' meeting on 11 May 2010	1,000,000	1,000	24 May 2010
Total		<u>1,000,000</u>	<u>1,000</u>	

In the current year, the Company received dividend income at 55 percent for a total of USD 0.3 million or equivalent to Baht 9.8 million. The Company had been withheld the withholding tax deducted at source of Baht 2 million (2010: dividend income of USD 0.6 million or equivalent to Baht 17.7 million and withholding tax of Baht 3.5 million).

## 27. Segment information

The Company and its subsidiaries' current main operations involve coal mining and manufacture of ethanol, which are carried on in Thailand and Indonesia. Information of the Company and its subsidiaries for the years ended 31 December 2011 and 2010 by business and geographical segment is as follows:

	Consolidated income statements for the years ended 31 December										(Unit: Baht)				
	Domestic coal business			Overseas coal business			Ethanol business			Elimination of inter-segment transactions			Total		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010		2011	2010	2011	2010
Revenues from external customers	1,777,049,611	1,492,287,687	10,122,090,310	6,524,925,144	1,098,213,930	760,225,768	-	-	-	-	-	-	-	12,997,353,851	8,777,438,599
Intersegment revenues	159,775,805	129,249,799	796,767,110	677,246,987	-	-	(956,542,915)	(806,496,786)	-	-	-	-	-	-	-
Total revenues	1,936,825,416	1,621,537,486	10,918,857,420	7,202,172,131	1,098,213,930	760,225,768	(956,542,915)	(806,496,786)	12,997,353,851	8,777,438,599	-	-	-	-	-
Operating income (loss)	328,959,578	274,919,143	4,932,600,343	3,465,593,386	36,400,024	(45,140,352)	(146,151,319)	(128,718,347)	5,151,808,626	3,566,653,830	-	-	-	-	-
Unallocated income (expenses)															
Other income									159,395,111	156,792,225					
Share of profit from investment in associated company									5,903,773	5,169,033					
Selling and distribution expenses									(1,967,471,146)	(1,398,594,623)					
Administrative expenses									(609,787,053)	(491,589,370)					
Loss on exchange									(7,361,472)	(27,729,863)					
Finance cost									(29,603,580)	(22,648,245)					
Withholding tax deducted at source									(123,553,771)	(46,446,919)					
Corporate income tax									(824,601,310)	(577,953,736)					
Non-controlling interests of the subsidiaries									(711,330,426)	(488,995,208)					
Profit for the year									1,043,398,752	674,657,124					

	Consolidated statements of financial position as at 31 December													
	Domestic coal business			Overseas coal business			Ethanol business			Elimination of inter-segment transactions			Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Assets employed	271,166,789	384,788,006	771,235,408	678,460,932	2,314,188,019	2,113,140,934	4,818,849	4,818,849	-	-	-	-	3,361,409,065	3,181,208,721
General corporate assets	1,929,907,667	1,682,376,064	2,739,624,891	2,098,857,709	102,302,348	250,351,960	225,348,137	216,777,506	(1,141,024,989)	(1,546,956,043)	3,856,158,054	2,701,407,196		
Total assets	2,201,074,456	2,067,164,070	3,510,860,299	2,777,318,641	2,416,490,367	2,363,492,894	230,166,986	221,596,355	(1,141,024,989)	(1,546,956,043)	7,217,567,119	5,882,615,917		

Transfer prices between business segments are as set out in Note 7 to the financial statements.

## **28. Significant contracts and agreements**

28.1 In 1998, PT. Lanna Harita Indonesia had 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.

28.2 On 25 April 2008, the Company and Saraburi Resources Pte. Ltd., which was 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 of 2 million metric tons, 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 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 has pledged 3,000 shares of PT. Saraburi Batu Hitum and the shareholders of Saraburi Resources Pte. Ltd. have pledged 10,000 shares as share charge to guarantee performance bonds as required under 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 had sued Saraburi Resource Pte. Ltd. and on 23 May 2011, the arbitrator of SIAC ordered Saraburi Resources Pte. Ltd. to pay advance for purchase of coal of USD 2 million, together with interest and other expenses, to the Company. However, for a prudent reason, the Company has set full allowance for doubtful account for this advance payment.

28.3 In 1997, PT. Singlurus Pratama was 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 February 2009, the subsidiary received the consent from Indonesian government to start the production activities.

28.4 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 a period of 3 years commencing April 2009. Service fees are charged at the rate as stipulated in the agreement.

28.5 On 20 May 2009, PT. Singlurus Pratama entered into the marketing and technical service agreements with the Company and entered into assistance service agreement with a company in Indonesia. The service fees are charged on the basis and at the rates as stipulated in the agreements.

28.6 On 17 August 2011, PT. Lanna Harita Indonesia entered into the sale commission agreement with a company in Indonesia. The agreement stipulates that such oversea company is to receive a commission fee of coal distributed by a subsidiary company to a customer provided by such oversea company. Commission fees are charged at the rate as stipulated in the agreement.

## 29. Commitments and contingent liabilities

### 29.1 Capital commitments

As at 31 December 2011, a subsidiary had capital commitments of approximately Baht 45.5 million and Euro 0.6 million, totaling approximately Baht 70.4 million, relating to the construction of the first and the second ethanol production plant and acquisition of machinery and equipment (2010: Baht 75 million and Euro 1.2 million, totaling approximately Baht 122.3 million).

### 29.2 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 and 5 years. As at 31 December 2011, future minimum payment under these lease and service agreements are as follows:

	(Unit: Million Baht)	
Payable within	Consolidated financial statements	Separate financial statements
Less than 1 year	29	10
1 to 5 years	31	23

### 29.3 Long-term service and purchase commitments

- a) The Company and its subsidiaries had commitments under several service agreements in respect of the security service, cars maintenance service and other services. The terms of the agreements are generally between 1 and 5 years. As at 31 December 2011, future minimum payments under these agreements are as follows:

Payable within	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
Less than 1 year	2	2
1 to 5 years	4	4

- b) The Company and its subsidiaries had commitments under service agreements with regard to the legal consulting, the consulting for mining, environment and safety and other consulting of Baht 1.7 million (the Company only: Baht 0.5 million).
- c) The Company had commitments under the purchase of coals agreement with an oversea company. The Company will purchase coals from such oversea company within 2012 which the price, coal quality and quantity to purchase are stipulated in the agreement.
- d) The local subsidiary entered into a power supply agreement with the Provincial Electricity Authority for a period of one year, commencing 21 December 2010 to 20 December 2011, and being automatically renewed for every one-year period. The subsidiary shall pay power supply at the rate as stipulated in the agreement.
- e) The local subsidiary had commitments under the purchase of molasses agreement with 15-year duration under which the price is to be determined every 5 years commencing the first year in 2005. The price for the first three years is that 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 those stipulated in the agreement.
- f) The local subsidiary had commitments under service agreement with regard to the consulting for the construction of the second ethanol production plant of Baht 2.7 million.

- g) The oversea subsidiary entered into an agreement with a company in respect of external relation consultation. The subsidiary is committed to pay a fee on the basis and at the rate as stipulated in the agreement.

#### **29.4 Guarantees**

As at 31 December 2011, the Company and its subsidiaries had bank guarantees of approximately Baht 5.5 million, USD 1.2 million and Rupiah 3,693 million and the Company had Baht 0.4 million (2010: Baht 12.1 million, the Company only: Baht 0.4 million) issued by banks on behalf of the Company and its subsidiaries in respect of mine reclamation of the overseas subsidiaries to the government, guarantee for a local subsidiary's contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department, Biogas Technologic promotion project 2011 (Year 4) of the Energy Policy and Planning Office Ministry of Energy, and to guarantee contracted performance under the license for using of electric to Provincial Electricity Authority.

#### **30. Litigation**

- 30.1 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 1.1 million or equivalent to Baht 34.5 million. There have been extensive negotiations with respect to the services but there is no written agreement. However, this company sued the Company in the 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 0.5 million or equivalent to Baht 17.4 million. However, in the second quarter of 2009, the 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. The Company received such money from the court in January 2010. However, as at 31 December 2010, the Company remained provision for litigation loss which approximates the amount placed with the Court until the case is finalised. Later, on 28 February 2011, the Court ordered dismissal of the case. The Company therefore reversed the provision for litigation loss of Baht 17.4 million to profit or loss for the year ended 31 December 2011.



- 30.2 In 2009, a subsidiary company in Indonesia was sued by an outside party, claiming for damage of Rupiah 62,000 million or equivalent to approximately Baht 232 million, 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 and ordered the subsidiary company to pay only the trial fee amounting to Rupiah 0.7 million or equivalent to Baht 0.003 million. Later, in September 2011, the Supreme Court ordered the subsidiary to pay the compensation of Rupiah 5 million or equivalent to approximately Baht 0.02 million.
- 30.3 In September 2011, a subsidiary company was sued by a company for its non-compliance with the cassava chip purchase agreement dated 21 January 2011 and memorandum dated 29 April 2011, claiming a compensation for damage of Baht 186.9 million. The subsidiary has advance payments for purchase of goods with that company of approximately Baht 6.9 million. The subsidiary is in the process of preparing the testimony to sue back that company. The subsidiary's lawyer has opined that the subsidiary had not breached the above agreement and the subsidiary's management believes that the case will be settled in the favour of the subsidiary, without any significant losses. Therefore, the subsidiary has not made any provision for loss from the lawsuit in the accounts.

## **31. Financial instruments**

### **31.1 Financial risk management**

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, loans, investments, 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 its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and its 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 its 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 statements of financial position.

### **Interest rate risk**

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, loans, interest bearing short-term and long-term loans. 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 2011 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				Interest rate (% per annum)
	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	
	(Million Baht)				
<b>Financial assets</b>					
Cash and cash equivalents	279	933	-	1,212	0.05 - 6.5
Trade and other receivables	-	-	1,198	1,198	-
Investment in associated company	-	-	24	24	-
	<u>279</u>	<u>933</u>	<u>1,222</u>	<u>2,434</u>	
<b>Financial liabilities</b>					
Short-term loans from financial institutions	563	-	-	563	3.80 - 6.63
Trade accounts payables	-	-	378	378	-
	<u>563</u>	<u>-</u>	<u>378</u>	<u>941</u>	

Long-term loan from financial institution of Baht 900 million carry interest at a fixed rate of 3.8 percent per annum for the first 2 years, and THBFIX reference rate plus 2.1 percent per annum during the third to seventh year.

On 15 February 2012, the bank has reduced the interest rate during March to December 2012 from THBFIX reference rate plus 2.1 percent per annum to THBFIX reference rate plus 1.85 percent per annum.

Separate financial statements

	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
	(Million Baht)				
<b>Financial assets</b>					
Cash and cash equivalents	279	103	-	382	0.05 - 3.2
Trade and other receivables	-	-	200	200	-
Investments in subsidiary and associated companies accounted for under cost method	-	-	1,069	1,069	-
Long-term loans to related party	-	45	-	45	LIBOR+3
	279	148	1,269	1,696	
<b>Financial liabilities</b>					
Trade and other payables	-	-	230	230	-
	-	-	230	230	

**Foreign currency risk**

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

As at 31 December 2011, the Company and local subsidiary had balances of financial assets and liabilities denominated in foreign currencies as follows:

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Exchange rate as at 31 December 2011 (Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	8.8	0.1	31.5505	31.8319
SG dollar	-	3.6	24.1566	24.6141
Euro	-	0.6	40.7150	41.3397

As at 31 December 2011, the Company and its subsidiaries had no outstanding forward exchange contract.

### **31.2 Fair values of financial instruments**

Since the majority of the Company's and its subsidiaries' 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 statements of financial position.

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.

### **32. Capital management**

The primary objective of the Company's and its subsidiaries' capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2011, the Company and its subsidiaries' debt-to-equity ratio was 0.77:1 (2010: 0.85:1) and the Company's was 0.15:1 (2010: 0.22:1).

### **33. Reclassification**

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2 and as the result of the adoption of revised and new accounting standards as described in Note 3, certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholder's equity.

### **34. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised directors on 23 February 2012.

**AUDIT FEES OF THE COMPANY AND SUBSIDIARIES**  
**FOR THE ACCOUNTING YEAR ENDED DECEMBER 31, 2011**

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.	MS. KAMONTIP LERTWITWORATEP ERNST & YOUNG OFFICE LIMITED	Baht 930,000.00
PT. LANNA HARITA INDONESIA	MR. HARI PURWANTONO FROM ERNST & YOUNG PURWANTONO SARWOKO & SANDJAJA	Baht 1,035,351.50 (Equivalent USD 32,670)
PT. CITRA HARITA MINERAL	MR. IGNATIUS ARRI SETIAWAN FROM KANTOR AKUNTAN JOHAN MALONDA ASTIKA & REKAN	Baht 77,423.50 (Equivalent Rp. 22,000,000)
PT. LANNA MINING SERVICES	MR. IGNATIUS ARRI SETIAWAN FROM KANTOR AKUNTAN JOHAN MALONDA ASTIKA & REKAN	Baht 190,039.50 (Equivalent Rp. 54,000,000)
PT. SINGLURUS PRATAMA	MR. HARI PURWANTONO FROM ERNST & YOUNG PURWANTONO SARWOKO & SANDJAJA	Baht 690,234.34 (Equivalent USD 21,780)

**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 39,016.56 (Equivalent SGD 1,600)	Baht 65,840.45 (Equivalent SGD 12,700)

**Remarks:** Using exchange rate of Singapore Dollar (SGD) 1 = Baht 24.38535, US Dollar (USD) 1 = Baht 31.6912 and Indonesian Rupiah (Rp) 1 = Baht 0.00351925

## FINANCIAL ANALYSIS AND OPERATING RESULTS

(According to the Consolidated Financial Statements of Year 2011)

REVENUES	Year 2011		Year 2010		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales Revenue from Coal	11,899.14	90.44	8,017.21	89.74	3,881.93	48.42
Sales Revenue from Ethanol	1,098.21	8.35	760.23	8.51	337.98	44.46
Other Revenue	159.40	1.21	156.79	1.75	2.61	1.66
<b>Total Revenues</b>	<b>13,156.75</b>	<b>100.00</b>	<b>8,934.23</b>	<b>100.00</b>	<b>4,222.52</b>	<b>47.26</b>

**REVENUES:** The Company's total revenues in 2011 were Baht 13,156.75 million, which increased from the previous year by Baht 4,222.52 million or an increase of 47.26 percent, due to the following reasons.

(1) Revenue from coal business in 2011 was Baht 11,899.14 million or 90.44 percent of the total revenues, which increased from the previous year by Baht 3,881.93 million or an increase of 48.42 percent. This was due to an increase in coal sales volume from the previous year by 25.20 percent, and average coal sales price increased from the previous year by 18.54 percent.

(2) Revenue from ethanol business in 2011 was Baht 1,098.21 million or 8.35 percent of the total revenues, which increased from the previous year by Baht 337.98 million or an increase of 44.46 percent. This was due to an increase in ethanol sales volume from the previous year by 38.38 percent, despite the decrease in average ethanol sale price of 2.72 percent.

(3) Other revenue in 2011 was Baht 159.40 million or 1.21 percent of the total revenues, which increased from the previous year by Baht 2.61 million or an increase of 1.66 percent, due to an increase interest income.

EXPENSES	Year 2011		Year 2010		Increase (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	% of Sales
<b>Coal Business</b>						
Cost of sales	6,783.72	57.01	4,405.42	54.95	2,378.30	53.99
Selling and administrative expenses	2,533.31	21.29	1,879.69	23.45	653.62	34.77
Financial cost	1.02	0.01	11.27	0.14	(10.25)	(90.95)
Corporate income tax	948.16	7.97	624.40	7.79	323.76	51.85
<b>Ethanol Business</b>						
Cost of sales	1,061.82	96.69	805.36	105.94	256.46	31.84
Selling and administrative expenses	51.31	4.67	38.22	5.03	13.09	34.25
Financial cost	28.58	2.60	11.38	1.50	17.20	151.14

### EXPENSES FROM COAL BUSINESS

(1) Cost of coal sales in 2011 increased from the previous year by Baht 2,378.30 million or an increase of 53.99 percent. This was due to the increase in coal sales volume and average cost of sales per ton by 25.20 percent and 22.99 percent, respectively.

(2) Selling and administrative expenses in 2011 increased from the previous year by Baht 653.62 million or an increase of 34.77 percent, in accordance with the increase in coal sales volume and revenue.

(3) Financial expenses in 2011 decreased from the previous year by Baht 10.25 million or a decrease of 90.95 percent due to the decrease in loan and interest expenses.

(4) Corporate income tax in 2011 increased from the previous year by Baht 323.76 million or an increase of 51.85 percent, in accordance with the increase in coal sales volume and profit from coal sales.

#### EXPENSES FROM ETHANOL BUSINESS

(1) Cost of ethanol sales in 2011 increased from the previous year by Baht 256.46 million or an increase of 31.84 percent due to the increase in ethanol sales volume of 38.38 percent but the average sales cost of ethanol per ton decreased by 14.73 percent due to a lower price of raw material, molasses, which is a major cost, by 13.89 percent as compared with the same period last year. Nonetheless, there were also the sales cost of deteriorated raw material, cassava, and allowance for diminution in inventory value of cassava of Baht 111.56 million.

(2) Selling and administrative expenses in 2011 increased from previous year by Baht 13.09 million or an increase of 34.25 percent according to the increase in ethanol sales volume and revenue.

(3) Financial expenses in 2011 increased from the previous year by Baht 17.20 million or increase 151.14 due to the increase in loan.

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

GROSS PROFIT	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Year 2011</b>						
Revenues from Sales	11,899.14	100.00	1,098.21	100.00	12,997.35	100.00
Less Cost of Sales	6,783.72	57.01	1,061.82	96.69	7,845.54	60.36
<b>Gross Profit</b>	<b>5,115.42</b>	<b>42.99</b>	<b>36.39</b>	<b>3.31</b>	<b>5,151.81</b>	<b>39.64</b>
<b>Year 2010</b>						
Revenues from Sales	8,017.21	100.00	760.23	100.00	8,777.44	100.00
Less Cost of Sales	4,405.42	54.95	805.36	105.94	5,210.78	59.37
<b>Gross Profit Margin (%)</b>	<b>3,611.79</b>	<b>45.05</b>	<b>(45.13)</b>	<b>(5.94)</b>	<b>3,566.66</b>	<b>40.63</b>

**GROSS PROFIT:** The Company's overall gross profit in 2011 was Baht 5,151.81 million, or a gross profit margin of 39.64 percent of the sales revenue. When compared with the gross profit from the previous year of Baht 3,566.66 million or gross profit margin of 40.63 percent of sales revenue, the gross profit margin decreased due to the following reasons.

(1) Gross profit margin from the coal business in 2011 was 42.99 percent of the sales revenue, which decreased slightly from the previous year with the gross profit margin of 45.05 percent of the sales revenue. This was due to the fact that the average coal selling price per ton increased at a lower proportion than the increase in average cost of coal sales per ton.

(2) Gross profit margin from the ethanol business in 2011 was 3.31 percent of the sales revenue which increase from the previous year due to the decrease in the price of raw material, molasses, which is considered a major cost.

NET PROFIT	Year 2011		Year 2010		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business	911.20	87.33	584.51	86.64	326.69	55.89
Loss from Ethanol Business	(33.10)	(3.17)	(71.81)	(10.64)	38.71	53.91
Share of income from investment in the associated company and other revenues	165.30	15.84	161.96	24.00	3.34	2.06
<b>Net Profit</b>	<b>1,043.40</b>	<b>100.00</b>	<b>674.66</b>	<b>100.00</b>	<b>368.74</b>	<b>54.66</b>
<b>Net Profit per Share-Baht per Share</b>	<b>2.98</b>		<b>1.93</b>		<b>1.05</b>	<b>54.66</b>
<b>Remark : Registered par value of Baht 1 per share</b>						

**NET PROFIT:** The Company's net profit in 2011 was Baht 1,043.40 million (net earnings of Baht 2.98 per share). When compared with the previous year with the net profit of Baht 674.66 million (net earnings of Baht 1.93 per share), the net profit increased by Baht 368.74 million (an increase of net earnings per share of Baht 1.05 per share) or an increase of 54.66 percent due to the following reasons.

(1) Net profit from the coal business in 2011 was Baht 911.20 million or 87.33 percent of the total net profit, which increased from the previous year by Baht 326.69 million or an increase of 55.89 percent, due to the increase in coal sales volume.

(2) Net loss from the ethanol business in 2011 was Baht 33.10 million, which decreased from the previous year by Baht 38.71 million or a decrease of 53.91 percent, due to the decrease in ethanol sales cost as the price of molasses, the raw material, decreased.

(3) Net share of income from investment in the associated company and other revenue in 2011 were Baht 165.30 million or 15.84 percent of the total net profit, which increased from the previous year by Baht 3.34 million or an increase of 2.06 percent, due to the increase in share of income from associated company and interest income.

**EBITDA:** The Company's EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) in 2011 was Baht 2,991.44 million. When compared with the previous year with EBITDA of Baht 2,007.62 million, the EBITDA increased by Baht 983.82 million, due to the increase in revenue and profit from the coal business as described above.

#### EARNINGS EFFICIENCY

(1) The Company's net profit margin in 2011 was 13.34 percent of the total revenues. When compared with the previous year with the net profit margin of 13.02 percent of the total revenues, the net profit margin slightly increased by 2.40 percent.

(2) The Company's EBITDA margin in 2011 was 22.74 percent of the total revenues. When compared with the previous year with the EBITDA margin of 22.47 percent of the total revenues, the EBITDA margin slightly increased by 1.19 percent.

(3) The Company's average return on equity in 2011 was 35.40 percent. When compared with the previous year with the average return on equity of 26.81 percent, it increased by 32.02 percent.

(4) The Company's return on total assets and return on fixed assets in 2011 were at 26.79 percent and 70.84 percent, respectively. When compared with the previous year with the return on total assets and return on fixed assets of 22.74 percent and 63.69 percent, they increased by 17.79 percent and 11.23 percent, respectively. The asset turnover ratio was at 2.01 times, which was higher than that of the previous year with the asset turnover ratio of 1.75 times.

FINANCIAL STATUS	Unit : Million Baht		Increase (Decrease)	
	As at December	As at December	Amount	%
	31, 2011	31, 2010		
Total Assets	7,217.57	5,882.62	1,334.95	22.69
Total Liabilities	3,138.87	2,698.73	440.14	16.31
Total Shareholders' Equity	4,078.70	3,183.89	894.81	28.10
<b>Book Value-Baht per Share</b>	<b>9.35</b>	<b>7.50</b>	<b>1.85</b>	<b>24.63</b>
<b>Remark : Registered par value of Baht 1 per share</b>				

**ASSETS:** The Company's total assets as at end of 2011 increased from the end of 2010 by Baht 1,334.95 million or an increase of 22.69 percent, consisting of:

(1) Current assets increased from the end of 2010 by Baht 1,034.09 million or an increase of 38.43 percent, due to the following reasons.

(1.1) Cash and cash equivalent increased from the end of 2010 by Baht 383.17 million or an increase of 46.21 percent.

(1.2) Accounts receivable and other debtors increased from the end of 2010 by Baht 331.59 million or an increase of 38.27 percent in accordance with the increase in sales volume and revenue.



(1.3) Inventories increased from the end of 2010 by Baht 3.14 million or a slight increase of 1.17 percent.

(1.4) Other current assets increased from the end of 2010 by Baht 316.19 million or an increase of 43.50 percent due to increase in refundable value added tax.

(2) Non-current assets increased from the end of 2010 by Baht 300.86 million or an increase of 9.43 percent, most of which were the investment of the subsidiary company for the construction of the ethanol plant's production line no. 2.

**LIABILITIES:** The Company's total liabilities as at end of 2011 increased from the end of 2010 by Baht 440.14 million or an increase of 16.31 percent, consisting of:

(1) Current liabilities increased from the end of 2010 by Baht 1,147.03 million or an increase of 61.86 percent, due to the following reasons.

(1.1) Trade accounts payable and other creditors decreased from the end of 2010 by Baht 163 million or a decrease of 30.15 percent, due to the payment of machinery and the construction of the ethanol plant's production line no.2 of a subsidiary company.

(1.2) Short term and long term loans with payment due within one year increased from the end of 2010 by Baht 954 million due to the fact that the subsidiary could not maintain certain financial ratio as specified in the long term loan agreement. In compliance with Thai Accounting Standard No.1, the entire amount of long term loan of Baht 900 million must be categorized as a long term loan that must be repaid within one year. Accordingly, the bank which is the creditor issued a waiver letter for the condition to maintain certain financial ratios as specified in the loan agreement on February 7, 2012. The problem was not the default of loan payment but the construction of the Ethanol Production Line No. 2 of the subsidiary company, which is not completed and from which no revenue was generated in 2011. The construction is expected to be completed and the ethanol production should begin in early 2<sup>nd</sup> quarter of 2012. The subsidiary company has adequate cash flow to repay the long term loan according to the schedule in the loan agreement, starting from March 2012 onwards.

(1.3) Other current liabilities increased from the end of 2010 by Baht 356.03 million or an increase of 43.43 percent due to the increase of corporate income tax payable, which was in line with the increase in profit.

(2) Non-current liabilities decreased from the end of 2010 by Baht 706.89 million or a decrease of 85.22 percent due to the abovementioned reason in (1.2) of "Liabilities".

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company as at end 2011 increased from the end of 2010 by Baht 894.81 million or an increase of 28.10 percent, resulting in an increase of the share's book value from Baht 7.50 per share to Baht 9.35 per share. This was due to the increase in net profit of Baht 1,043.40 million, dividend payment of Baht 472.50 million, decrease of translation adjustments in the financial statements of Baht 75.58 million and increase of minority shareholders' equity of Baht 248.33 million.

CASH FLOWS	Unit : Million Baht	
	Year 2011	Year 2010
Cash Flows from Operating Activities	1,741.16	1,493.16
Cash Flows from (used in) Investing Activities	(615.45)	(1,137.85)
Cash Flows from (used in) Financing Activities	(792.15)	(5.30)
Increase (decrease) of Translation Adjustments in Financial Statements	49.61	(10.38)
Net Increase (Decrease) in Cash	383.17	339.63
Cash at the beginning of the period	829.22	489.59
Cash at the end of the period	1,212.39	829.22
Net cash flow return on equity (%)	54.69	52.22

- The Company's net cash from operating activities in 2011 was at Baht 1,741.16 million, consisting of:

- (1) Income before corporate income tax and interest payment of Baht 2,702.88 million.

- (2) Transactions that did not affect the cash such as the depreciation and amortization of assets of Baht 324.36 million, most of which were the depreciation and amortization of overburden removal of coal mines in Indonesia.

- (3) Operating assets increased by Baht 688.98 million due to the increase in accounts receivable and other current assets.

- (4) Operating liabilities increased by Baht 284.67 million due to the increase in current liabilities.

- (5) Interest income increased by Baht 9.20 million but there were increases in interest expenses and taxes of Baht 890.97 million.

- The Company's net cash used in investment activities in 2011 was Baht 615.45 million including the increase in property, plant and equipment of Baht 496.77 million, mostly from the new ethanol plant construction of the subsidiary company and other assets such as expenses of coal mine projects in Indonesia, which increased by Baht 118.68 million.

- The Company's net cash used in financing activities in 2011 was Baht 792.15 million. This was due to the net increase in loan of Baht 209.26 million, dividend payment of Baht 1,014.53 million, cash deposit with guarantee obligation of Baht 21.02 million, and the increase in minority shareholders equity by Baht 34.14 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 2011 was at 54.69 percent.

#### **LIQUIDITY**

- (1) The Company's overall liquidity in 2011 was considered in good standing having a current ratio as at end 2011 at 1.23 times but a quick ratio as at end of 2011 was at 0.80 times, due to the abovementioned reason in (1.2) of "Liabilities", which does not affect the cash flow and liquidity of the Company and its subsidiary companies. Moreover, the Company and its subsidiary companies still have adequate credit line for working capital in the future.

- (2) The Company's cash cycle in 2011 was at 26 days, a decrease from the previous year by 5 days. The average debt collection period was at 29 days, an increase from the previous year by 3 days. The average inventory turnover was at 13 days, a decrease from the previous year by 12 days but the average debt payment period was at 16 days, or a decrease from the previous year by 4 days.

#### **BORROWING AND DEBT PAYMENT CAPABILITY**

The Company's total debt to equity ratio as at end of 2011 was as low as 0.77 to 1. Therefore, the Company's borrowing capacity remains high should additional funding be required for project investment in the future, having the interest coverage ratio in 2011 at 101.06 times, which was considered quite high ratio and therefore should have no problem concerning with default of interest payment.

## INVESTMENT POLICY AND DIRECTION

### Coal Business

Lanna Resources Public Co., Ltd. has coal mining concessions operated by two subsidiary companies as follows.

(1) PT. Lanna Harita Indonesia (LHI), a subsidiary company registered in Indonesia, with Lanna Resources Public Co., Ltd. holding 55 percent of paid-up capital, has been granted the Coal Contract of Work (“CCOW”) from the government of Indonesia for exploration, mining, and selling of coal in Samarinda City and Kutai Regency, East Kalimantan, with a total exploration area of approximately 30,018 hectares for a concession period of 30 years. The concession has 19 years remaining, or until 2031.

(2) PT. Singlurus Pratama (SGP), a subsidiary company registered in Indonesia, with Lanna Resources Public Co., Ltd. holding 65 percent of paid-up capital, has been granted the Coal Contract of Work (“CCOW”) from the government of Indonesia for exploration, mining and selling of coal in Kutai Regency, East Kalimantan, with total exploration area of approximately 24,760 hectares for a concession period of 30 years. The concession has 27 years remaining, or until 2039.

The Company has planned the investment to expand the production capacity of the above two mining concessions in the next five years (2012 – 2016) as follows.

Subsidiary Companies	Production Capacity per Year (Unit: Million Metric Tons)				
	2012	2013	2014	2015	2016
PT. Lanna Harita Indonesia	3.0	3.3	3.6	3.8	3.8
PT. Singlurus Pratama	2.5	3.7	5.0	6.0	6.0

### Ethanol-for-fuel Business

Thai Agro Public Co., Ltd., a subsidiary company registered in Thailand, with Lanna Resources Public Co., Ltd. holding 75.75 percent of the paid-up capital, has planned the following projects to increase value added in the future as follows.

#### (1) Production of Downstream Products which are Ethanol Derivatives

In order to minimize the risk from ethanol excess supply due to unbalanced domestic demand and supply, and to create new business opportunities, obviating adverse impact from fierce competition, Thai Agro Energy Public Co., Ltd. has been investigating on the feasibility of business diversification to related and downstream industries which are derivatives of ethanol. The current ethanol production process has been also explored to improve the process, enabling it to produce other biochemical products with higher value added and better market potential. Additionally, since the Ethanol Production Line No. 2 is able to produce both fuel grade ethanol and industrial grade ethanol, a study on Asia region market has been being conducted to support the export of industrial grade ethanol overseas in the future.

#### (2) Gas Engine Electricity Generation

Thai Agro Public Co., Ltd. has been conducting a study on electricity generation by gas engine with the biogas from the treatment of wastewater from ethanol production process. In order to avoid damage to the engine, hydrogen sulfide in the biogas must be at appropriate volume. This project can decrease the cost of the ethanol production and ensure power sustainability. The biogas created is adequate for the generation of electricity of one megawatt per hour.

## REPORT OF THE RISK MANAGEMENT COMMITTEE

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The Board of Directors has established the Risk Management Committee comprising of 9 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 2011, 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) Significant risk factors of the Company have been disclosed in details within the Annual Report 2011.

In the past year, due to the operation of the Risk Management Committee, the risks were able to be controlled to the level which incurred no impact to the Company's operation. The Committee supervises the risk management responsibly and carefully for the benefits of the Company, shareholders, and all stakeholders.

February 6, 2012

On behalf of the Risk Management Committee



(Mr. Pilas Puntakosol)

Chairman of the Risk Management Committee

## RISK FACTORS

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### Risks in Coal Mining Business

In 2011, Lanna Resources Public Co., Ltd. and its affiliated companies conducted risk evaluation and management to prevent and mitigate possible impact as follows.

**(1) Coal Mining Operation and Coal Procurement Risk:** The Company thoroughly conducts proper exploration and assessment activities of the coal deposits to ensure adequate coal reserves for mining. The results of such exploration and assessment are the basis for designing of pit design and mine master plan in accordance with 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. Accordingly, 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 such case where the seller fails to deliver coal as contracted, the Company has established that it will only select and procure coal from the sellers who have sound financial status and operating results. In case of consecutive coal procurements, performance guarantee shall be required from each seller for each case, as well as establishment of allowance for doubtful account to avoid any 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 similarly to oil prices and other types of fuel, depending on 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. 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 8.86 percent of the total coal sale revenue in 2011. 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 27 years; therefore, risk from SCCC not buying coal from the Company appears to be insignificant and should SCCC stop purchasing coal 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 already switched to coal as their source of energy every year, creating more demand for the coal.

**(4) Accounts Receivable 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 for the case of bad debt.

**(5) Fuel Product Substitutes Risk:** Although coal prices during 2011 fluctuated quite considerably; however, when comparing the price per heat unit with other substituted fuels, such as fuel oil, diesel oil and natural gas, the price per heat unit of coal is still significantly lower. Therefore, the risk from fuel product substitutes is still considered very low.

**(6) Coal Reserves Depletion Risk:** In order to mitigate the risk concerning coal reserves depletion, the Company has established a policy for the acquisition of additional coal deposits continually to compensate the amount of coal used each year. Moreover, as per usual every year, the Company has allocated budget for further exploration activities within the existing concession areas of 46,030 hectares (2887,687.50 Rai), encompassing the whole areas within both existing concession, of which the explorations are not completed (PT. Lanna Harita Indonesia, PT. Singlurus Pratama). In 2011, the Company has hired SRK Consulting (UK) Limited, a leading company in mining and ore reserve assessment, to audit the exploration results and assess the coal reserves of the affiliated companies in Indonesia, including giving suggestions on the exploration planning and development in order to have the coal reserves assessment comply with the internationally accepted standard of the 2004 Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. Additionally, SRK Consulting (UK) Limited has also conducted operational audit to ensure that the current mine design and production processes are appropriate for the geographic regions and ore orientation to ensure that every process of the production is of international standard and highly efficient.

**(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 the mining contract for at least three years term in order to guarantee sufficient work for the financing purpose of each mining contractor.

**(8) Risk from Natural Disasters:** In the late 2011, many provinces in Thailand endured the flood, including Ayutthaya province in which the Ayutthaya Coal Center of the Company is situated. A portion of the coal inventory and assets of the Company was damaged. Nevertheless, the Company has prepared to protect against the risk by entering insurance policy for coal inventory and other assets, such as, buildings, machinery and office appliances; therefore, the Company has received insurance claims at 90 percent of the damage occurred. Moreover, to ensure consistent fuel supply for customers, the Company adapted its coal distribution strategy by delivering coal from the vessels directly to customers, avoiding flood-affected areas during the flood event.

### **Risks in Ethanol Business**

Thai Agro Energy Public Co., Ltd. (TAE), a subsidiary company, conducts its business in the production and distribution of ethanol-for-fuel for blending with the benzene or gasoline at different proportions to become the Gasohol for use in automobiles. The risk factors associated with this business are as follows:

**(1) Risk from uncertainty of the Government policy** which has demonstrated lack of continuity and tendency to change with any 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 with goal to continuously increase ethanol consumption, along with the attempt to increase the target of renewable energy consumption from 20 percent to 25 percent. As of present, the government, however, has no concrete supporting measures being set out to support such target. Moreover, the announcement of the tax reduction of some types of fuel of the Fuel Fund in late

2011 further decreased the demand in ethanol for about 15 percent. Due to the uncertainty of the government's policy, operators were unable to establish clear operation plan to support the government's policy in the future.

**(2) Risk in the ethanol pricing:** The Government, by the Ministry of Energy, has established a formula for ethanol pricing structure using a "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. However, there is no ethanol price control mechanism; therefore, the actual price of ethanol being traded is depended on the agreement between the sellers and buyers, which mostly in the form of bidding. Moreover, with the oversupply of ethanol in the current market, bargaining power lies with buyers. TAE has taken this risk factor into its consideration and invested in the construction of Ethanol Production Line No. 2, which various raw materials may be used, including cassava and sugar, in order to increase flexibility in the management of raw materials and competitive advantage in marketing in long term.

**(3) Marketing Risk:** The demand for ethanol consumption in 2011 was not different from year 2010, in which was about 1.2 million liters per day. However, it has tendency to decrease in late 2011 due to the announcement of the tax reduction of some types of fuel of the Fuel Fund by the government, whilst the production of ethanol of every operator at the end of 2011 was about 3 million liters per day. In 2012, it is expected that the production of ethanol will increase by 2 million liters per day, reaching the total production of 5 million liters per day. Even though the government has a policy to cease the selling of Gasoline 91 starting from October 1, 2012, but the ethanol demand would not be higher than 2 million liters per day, resulting in excess supply of ethanol. For this reason, TAE has prepared to mitigate this risk by exporting of industrial grade ethanol, which is the product from Ethanol Production Line No. 2, overseas and conducting feasibility studies on the investment on the production of related products which are by-products of ethanol with high potential and further expand the business into other related industries in the future.

## **Financial Risk**

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

(A) Lanna Resources Public Co., Ltd. had no long term loan in year 2011, having only short term loan for its working capital not exceeding one month with current market interest rate of such loan. Therefore, there is no risk in the change of interest rate in long term. Nonetheless, such loan has no restriction or burden 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 563 million as at end of 2011, which were mostly borrowed for working capital in procurement of raw materials. The loans were promissory notes, each not exceeding three months term with 3.80 – 6.625 percent p.a. Therefore, there is no significant 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 two 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 of 2011, a total of Baht 900 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 two 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 in the future

(2.2) The debt to equity ratio (D/E) must be maintained not to exceed 1.5 to 1. The debt service coverage ratio (DSCR) must be maintained at not lower than 1.5 to 1. 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. However, the lender waived these requirements of maintaining the financial ratios above during the plant construction in the past 2010 to 2011.

(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 are due for payment immediately, which would have impact to the liquidity and financial status of such subsidiary company. However, there has been no such breach of the term according to the loan agreement.

**(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, there is currently no risk mitigation in place. If the time of project termination was known, this risk could be managed promptly and appropriately.

**(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 currencies 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. The result of this risk management during 2011, it appears that the Company incurred foreign exchange loss of Baht 7.36 million, as shown in the consolidated financial statements of year 2011.

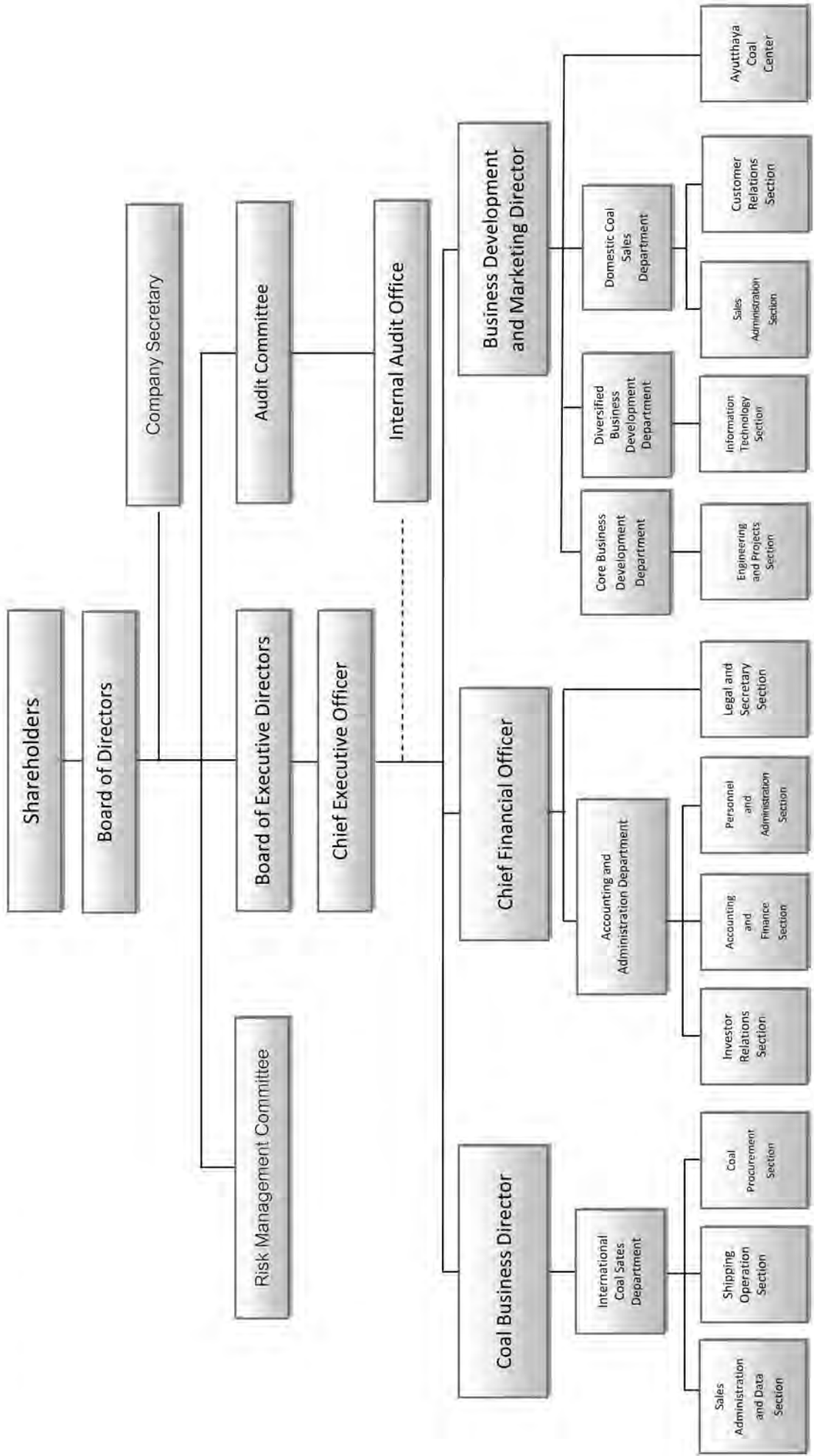
### **Other Factors Having Impact on Investment**

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.



# SHAREHOLDING STRUCTURE AND MANAGEMENT

## ORGANIZATION STRUCTURE



## Major Shareholders and Shareholding Proportion

Major shareholders and their respective shareholding percentages as at November 1, 2011, 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	158,282,720	45.22
(2)	Sirirungsi Group	28,102,000	8.03
(3)	Phanwongklom Group	23,463,600	6.70
(4)	Tantisunthorn Group	22,241,260	6.35
(5)	Limsong Group	22,160,640	6.33
(6)	Thai NVDR Co., Ltd.	7,795,300	2.23
(7)	Chase Nominee Limited 74	5,579,469	1.59
(8)	Mr. Kittipat Suthisamphat	4,150,000	1.19
(9)	Lertpanichayakul Group	3,737,700	1.07
(10)	Mr. Kawee Ngantawee	2,749,400	0.79
(11)	Other Shareholders	71,737,911	20.50
	<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 158,250,720 shares or 45.22 percent of the paid-up capital and all shares with voting right, having three representing directors; namely, Mr. Paul Heinz Hugentobler, Mr. Philippe Paul Alexandre Arto, 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, Mrs. Vassana Sirirungsi and Ms. Kraikarn Sirirungsi holding a total of 28,102,000 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 “Phanwongklom” group is the third largest shareholder, comprising of Mr. Yanyong Phanwongklom, Mrs. Wilai Phanwongklom and Ms. Waraporn Phanwongklom holding a total of 23,463,600 shares or 6.70 percent of the paid-up capital and all shares with voting right, having no representative as the director and/or executive.

- The “Tantisunthorn” group is the fourth 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. Naline Rattanavadi, Mrs. Malee Tantisunthorn, Ms. Wanida Tantisunthorn, Mrs. Sumruay Tantisunthorn, Ms. Siriphan Tissayakorn and Mr. Visuth Tantisunthorn, holding a total of 22,241,260 shares or 6.35 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 fifth largest shareholder, comprising of Mr. Somkiart Limsong, Gypsum Industry Co., Ltd., and Ms. Somsri Limsong, holding a total of 22,160,640 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 “Lertpanichayakul” group is the ninth largest shareholder, comprising of Mrs. Phrapai Lertpanichayakul and Ms. Chotinich Lertpanichayakul, holding a total of 3,737,700 shares or 1.07 percent of the paid-up capital and all shares with voting right, having no representative as the director and/or executive.

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 2012) from the Company’s website, [www.lannar.com](http://www.lannar.com), prior to the Annual General Meeting of Shareholders Year 2012.

## 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 15 Directors, including five Executive Directors, five Non-Executive Directors and five Independent Directors and Audit Committee Members, accounting for one third of the total number of the Board of Directors. The name, position and photograph of each Director are shown on Page 4-6 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 two 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 one 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 a 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 2011, there were six meetings altogether.

Director's Name	Position	Meeting Attendance in 2011
(1) Mr. Somkiart Limsong	Chairman of the Board	6 out of 6
(2) Mr. Paul Heinz Hugentobler	Director	2 out of 6
(3) Mr. Philippe Paul Alexandre Arto	Director	5 out of 6
(4) Mr. Vanchai Tosomboon	Director	6 out of 6
(5) Mr. Anan Siripong	Independent Director	4 out of 6
(6) Mr. Tanon Tantisunthorn	Director	6 out of 6
(7) Mr. Padoong Techasarintr	Independent Director/Audit Committee Chairman	6 out of 6
(8) Mrs. Duangkamol Suchato	Independent Director/Audit Committee Member	6 out of 6
(9) Mr. Adul Tantharatana	Independent Director/Audit Committee Member	6 out of 6
(10) Ms. Nopporn Tirawattanagool	Independent Director/Audit Committee Member	6 out of 6
(11) Mr. Kraisi Sirirungsi	Director/Executive Chairman	6 out of 6
(12) Mr. Suroj Subhasavasdikul	Director/Executive Director	6 out of 6
(13) Mr. Visit Tantisunthorn	Director/Executive Director	6 out of 6
(14) Mr. Pilas Puntakosol	Director/Executive Director	5 out of 6
(15) Mr. Anun Louharanoo	Director/Executive Director/Secretary	6 out of 6

- 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 three 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 five 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 2011</b>
1) Mr. Kraisi Sirirungsi	Executive Chairman	13 out of 13
2) Mr. Suroj Subhasavasdikul	Executive Director	12 out of 13
3) Mr. Visit Tantisunthorn	Executive Director	10 out of 13
4) Mr. Pilas Puntakosol	Executive Director	13 out of 13
5) Mr. Anun Louharanoo	Executive Director and Secretary	13 out of 13

- 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 2011, there were 13 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 plant 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 five years, including appointment of sales representative of not more than two 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, whom 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 three 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 one 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 a 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 three members, comprising of one Audit Committee Chairman, and at least two 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:

<b>Audit Committee</b>	<b>Position</b>	<b>Meeting Attendance in 2011</b>
(1) Mr. Padoong Techasarintr	Audit Committee Chairman	9 out of 9
(2) Mr. Adul Tantharatana	Audit Committee Member	9 out of 9
(3) Mrs. Duangkamol Suchato	Audit Committee Member	9 out of 9
(4) Ms. Nopporn Tirawattanagool	Audit Committee Member (Resigned since February 1, 2012)	9 out of 9
(5) Mrs. Wanna Chomkhokruad	Secretary	9 out of 9
Remarks:	Audit Committee Member No. (1), (3) and (4) 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 2011, there were 11 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 2011</b>
(1) Mr. Pilas Puntakosol	Chairman	12 out of 12
(2) Mr. Anun Louharanoo	Member	12 out of 12
(3) Mr. Srihasak Arirachakaran	Member	9 out of 12
(4) Mr. Vacharachai Nachailert	Member	9 out of 12
(5) Mr. Prasert Promdech	Member	10 out of 12
(6) Mrs. Petcharat Chayanon	Member	11 out of 12
(7) Mr. Saharat Vatanatumrak	Member	11 out of 12
(8) Mr. Sudusit Ounsangchan	Member	12 out of 12
(9) Mrs. Wanna Chomkhokkruad	Member and Secretary	11 out of 12

- Normally, the Risk Management Committee holds at least one meeting every month and occasionally holds extraordinary meeting. In 2011, 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 10 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 Tantisuinthorn	Senior Manager-Market Development
(9) Mr. Sudusit Ounsangchan	Senior Manager-Core Business Development
(10) Mr. Saharat Vatanatumrak	Senior Manager-Diversified Business Development

- **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 three years, including appointment of sales representative of not more than one 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 one 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 one 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.

## **Company Secretary**

The Board of Directors has appointed Mr. Anun Louharanoo as the Company Secretary having the scope of duties and responsibilities of the Company 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' Register

(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 2011, the Company and its affiliated companies have the following number of employees and employees-related expenses.

Description	Year 2011		
	Company Only	Affiliated Companies	Total
Number of Employees as at End of Year (Persons)	79	680	759
Employees-Related Expenses per Year (Million Baht)	77.95	239.44	317.39

Remunerations paid to the employees in 2011 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. In addition, the Company has established various personnel development and training programs and activities such as workshops in order to develop the executives, reinforcement of knowledge and relationship within the working teams, as well as making plans and improvement of strategies to develop the Company for higher efficiency. Moreover, the Company has made investments overseas, especially in the coal mining business in Indonesia and therefore, English and Indonesian Bahasa language training courses have been provided including knowledge on the basic laws and regulations, the traditions and culture for the employees whom must travel to work in such country to have correct understanding and follow the laws and regulations correctly.

In addition, the Company has established health-related activities to encourage the employees to have good health which would promote efficient and effective work, providing health exercise activities for employees to choose from various exercise programs, as well as providing knowledge, suggestions and prevention of health related risk factors in both physical and mental by inviting medical doctors specialized in such subjects from reputable hospital to come to the office offering advice on several illnesses as well as providing annual health checkup for the employees, in order for the employees to have good knowledge and understanding and also good health.

## **Employment Joint Investment Program**

The Company's Board of Directors has approved the Employment Joint Investment Program (EJIP) for the employees of Lanna Resources Public Co., Ltd., having details as follows.

### **(1) Program Objectives**

(1.1) This program is one type of welfare established especially for the employees of Lanna Resources Public Co., Ltd. to encourage the employees who are willing to join the joint investment program by purchasing the ordinary shares in Lanna Resources Public Co., Ltd. through trading system of the Stock Exchange of Thailand, which must be carried out in compliance with relevant laws and regulations.

(1.2) This program shall promote the employees to have a sense of business ownership and think in same course as the Company's shareholders, to build motivation of the employees to work efficiently and effectively, pushing the Company forward for sustainable growth and meet the business plan and targets in the future as anticipated.

### **(2) Program Period**

This Program commences from January 1, 2012 until December 31, 2016 totaling 5 years period.

### **(3) Eligible Employees**

Every salaried or permanent employee of the Company has the right to join the program except for those employees under work probation period. The program is on a voluntary basis with eligible employees accepting to comply strictly with the terms and conditions of the program and other related regulations. However, the directors and advisors of the Company are not included.

### **(4) Program Format**

(4.1) The Company shall appoint SICCO Securities Public Co., Ltd. to manage the program by taking the program fund to purchase ordinary shares of Lanna Resources Public Co., Ltd. in the Stock Exchange of Thailand within the payroll date (last Friday of the month) or the date as specified by the Company of every month and every time the bonus is paid. The sources of program investment fund are as follows.

(4.1.1) The Company shall deduct 5 percent but not less than Baht 500 from the base salary of the eligible employee who volunteers to participate the program, plus the annual bonus which the employee notifies that he/she wishes to include in the program but not more than one month salary, until the end of the program.

(4.1.2) The Company shall contribute its portion for the participating employee at 100 percent of the money paid in by the employee each time.

(4.1.3) The Company's investment ratio to the employee is 50 percent to 50 percent or 1:1.

(4.2) The employee who is a member of the program must open a separate securities trading account for this program and must pay the commission fee on the securities trading related to this program.

(4.3) The money contributed by the Company for the employee is regarded as income of each employee who has duty and responsibility to pay tax on a cash basis according to the Revenue Code or specified law for the money received.

## **(5) Silent Period**

(5.1) Participating employee must strictly comply with the conditions concerning the silent period as follows.

(5.1.1) Within the first two years of the program (January 1, 2012 to December 31, 2013), the participating employee is not allowed to sell the invested shares.

(5.1.2) From the third year of the program (from January 1, 2014 onwards), the participating employee is allowed to sell shares accumulated in the first two years (January 1, 2012 to December 31, 2013) directly in the Stock Exchange of Thailand.

(5.1.3) From the fourth year of the program (from January 1, 2015 onwards), the participating employee is allowed to sell shares accumulated in the first three years (January 1, 2012 to December 31, 2014) directly in the Stock Exchange of Thailand.

(5.1.4) From the fifth year of the program (from January 1, 2016 onwards), the participating employee is allowed to sell shares accumulated in the first four years (January 1, 2012 to December 31, 2015) directly in the Stock Exchange of Thailand.

(5.1.5) At the end of the program period (from January 1, 2017 onwards), the participating employee is allowed to sell all the remaining shares.

(5.2) When the participating employee is no longer the Company's employee, retired, passed away or requests to withdraw from the program, the program status of such employee shall immediately end according to the conditions of the agreement between the Company and participating employee, which shall automatically result in the termination of the conditions of silent period in Item (5.1) above.

## **(6) Program Withdrawal**

(6.1) Participating employee who once withdrawn from the program or the program status has been terminated are not eligible for re-enrollment.

(6.2) Participating employee can request for program termination or withdraw from the program prior to ending period but such participating employee must notify the Company at least one month in advance, having conditions concerning the termination request or withdrawal from the program prior to ending period or end of program participating status as follows.

(6.2.1) Employee who participates in the program or withdraws from the program within the first two years according to the silent period condition as specified above is required to return Company's contribution in full amount.

(6.2.2) Employee who participates or stays in the program for more than two years according to the silent period conditions as specified above is not required to return Company's contribution.

(6.2.3) Employee, who is retired, handicapped, pass away or laid off according to Company's condition or approval, is not required to return Company's contribution.

**(7)** This Program has already been endorsed from the Securities and Exchange Commission (SEC) on November 16, 2011; thereby the Company's executives are not required to report the change of shareholding in the Company according to the Form 59-2 from the acquisition of ordinary shares in this abovementioned Program.

### Mr. Somkiart Limsong



**Positions:** Chairman of the Board

**Age:** 71 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, 2011:

- 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:** 63 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, 2011:

- Holding 269,400 shares in Lanna Resources Plc. or 0.077 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

**Family Relationship with Executives:** None

#### Past 5-Year Experiences:

2004-Present: Director, Holcim Participations Ltd.

2001-Present: Member of the Executive Committee, Holcim Ltd.

1999-Present: Director, Siam City Cement Public Co., Ltd.

1998-Present: Director, Holcim Capital (Thailand) Ltd.

1998-Present: Director, Thai Roc-Cem Ltd.

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## Mr. Philippe Paul Alexandre Arto



**Positions:** Director

**Age:** 54 years

**Nationality:** French

**Education:**

- Master of Public Administration, Harvard Kennedy School, Harvard University, Boston, USA
- Master of Civil Engineering, Ecole Nationale des Ponts et Chaussees, Paris, France
- Bachelors' Degree Science and Engineering, Ecole Polytechnique, Paris, France

**Shareholding in Company and Affiliates as at December 31, 2011:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

- 2009-Present: Managing Director, Chairman of the Executive Committee Siam City Cement Public Company Limited / Cement Producer
- 2009-Present: Chairman, Siam City Concrete Company Limited (Subsidiary) / Ready-mixed concrete and aggregates
- 2009-Present: Chairman, Conwood Company Limited (Subsidiary) / Construction Material
- 2009-Present: Director, Eagle Cement Holding Company Limited (Subsidiary)/Holding
- 2003-2008: President and Chief of Executive Officer, ST.Lawrence Cement, Holcim Group, Canada/ Cement Producer
- 2002-2003: Managing Director, Queensland Cement Limited, Holcim Group, Australia/Cement Producer
- 1999-2001: General Manager, French Market Obourg-Origny, Holcim Group, French-Benelux/Cement Producer

## Mr. Kraisi Sirirungsi



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

**Age:** 62 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, 2011:**

- Holding 6,100,000 shares under his name and 22,002,000 shares under spouse's name, totaling 28,102,000 shares in Lanna Resources Pcl. or 8.03 percent of all shares with voting right
- Holding 41,500,000 shares or 5.17 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)

## Mr. Suroj Subhasavasdikul



**Positions:** Director, Executive Director, Authorized Director  
**Age:** 69 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, 2011:** None

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

2006-Present: Vice Chairman, Thai Agro Energy Public Co., Ltd.  
1997-Present: Director, Lanna (Singapore) Pte. Ltd. (Subsidiary)  
1996-Present: Director, United Bulk Shipping Pte. Ltd. (Associated Company)  
2004-2011: Independent Director, Royal Porcelain Public Co., Ltd.

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## Mr. Visit Tantisunthorn



**Positions:** Director, Executive Director  
**Age:** 53 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
- Capital Market Academy Course Class 3
- King Prajadhipok's Institute Course Class 5

### Shareholding in Company and Affiliates as at December 31, 2011:

- 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 Public Co., Ltd.  
2001-2009: Director, Tippaya Insurance Public Co., Ltd.  
2001-2009: Secretary General, Government Pension Fund

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## Mr. Padoong Techasarint



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

**Age:** 72 years

**Nationality:** Thai

**Education:**

- Bachelor Degree : Science in Accounting and Commerce, Thammasat 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, 2011:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

- 2000-Present: Independent Director/Audit Committee Member, Kulthorn Kirby Public Co., Ltd.  
1999-Present: Independent Director/Audit Committee Member, C.P. All Pcl.  
1999-Present: Independent Director/Audit Committee Chairman, Textile Prestige Public Co., Ltd.  
1994-Present: Independent Director/Audit Committee Chairman, Thanulux Public Co., Ltd.  
1991-Present: Independent Director/Audit Committee Member, Thai Nam Plastic Public Co., Ltd.  
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
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## Mr. Adul Tantharatana



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

**Age:** 72 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, 2011:** 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 Chaiyasit Co., Ltd.  
1988-1996: President, Siam Industrial Corporation Ltd.
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## Mrs. Duangkamol Suchato



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

**Age:** 66 years

**Nationality:** Thai

**Education:**

- B.A. (Accounting), Thammasat 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, 2011:**

- 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:**

2007-2011: Independent Director, Royal Porcelain Public Co., Ltd.

2007-2009: Audit Committee Member, Royal Porcelain Public Co., Ltd.

1999-2002: Independent Director and Audit Committee Member, Karat Sanitaryware Public Co., Ltd.

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## Ms. Nopporn Tirawattanagool



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

**Age:** 57 years

**Nationality:** Thai

**Education:**

- Master of Science (in Accounting), Thammasat University
- Bachelor of Business Administration (in Accounting), Thammasat University
- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 5/2003  
Director Certification Program (DCP) Class 135/2010  
Role of the Compensation Committee (RCC) Class 8/2009  
Audit Committee Program (ACP) Class 31/2010
- Certificate: The Institute of Certified Accountants and Auditors of Thailand  
CFO Certification Program, Class 1/2004  
COSO for CFO, Class 2/2008
- Working Effectiveness with Audit Committee, Thailand Management Association, 2003
- Financial Executive Development Program (FINNEX), The Thai Institute of Banking and Finance Association, 12/2003

**Shareholding in Company and Affiliates as at December 31, 2011:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2010-Present: Director, Nomination and Remuneration Committee Member, Bank of Ayudhya Public Co., Ltd.

2010-Present: Director (Authorized Director), BBTV International Holding Co., Ltd.

2010-Present: Director (Authorized Director), Sunrise Equity Co., Ltd.

2010-Present: Director (Authorized Director), BBTV Equity Co., Ltd.

April 2011-Present: Director (Authorized Director), Exclusive Senior Care International Co., Ltd.

2010-Present: Chairman of the Board (Authorized Director), Professional Call Center Co., Ltd.

2004-2011: Director, Dherakupt International Law Office Co., Ltd.

2009-2010: Director, Total Services Solutions Public Co., Ltd. and Ayudhya Total Solutions Public Co., Ltd.

2008-2010: Director, Ayudhya Securities Public Co., Ltd. and Ayudhya Capital Auto Lease Public Co., Ltd.

2003-2010: Director, Ayudhya Auto Lease Public Co., Ltd.



## Mr. Anan Siripong



**Positions:** Independent Director

**Age:** 69 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, 2011:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

- 1990-2008: Advisor, Banpu Public Co., Ltd.  
2005-2008: Director, BLC Power Limited  
1997-2006: Director, Aromatics (Thailand) Public Co., Ltd.

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## Mr. Vanchai Tosomboon



**Positions:** Director

**Age:** 63 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: 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, 2011:**

- Holding 760,700 shares in Lanna Resources Plc. or 0.22 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

- 2004-Present: Director, Siam City Cement Public Co., Ltd.  
2004-Present: Director, Eagle Cement Holding Co., Ltd.  
2002-Present: Director, Conwood Co., Ltd.  
1999-Present: Director, Royal Porcelain Public Co., Ltd.  
1999-2005: Chairman of the Board, Karat Faucet Co., Ltd.

## Mr. Pilas Puntakosol



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

**Age:** 60 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, 2011:**

- 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 (Subsidiary)  
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:** 40 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, 2011:** 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, Gulf 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 the House of Representative, Tak Province

## Mr. Anun Louharanoo



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

**Age:** 59 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, 2011:**

- Holding 590,550 shares in Lanna Resources Public Co., Ltd. or 0.17 percent of all shares with voting right
- Holding 4,550,000 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-February 28, 2011: 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:** 52 years

**Nationality:** Thai

**Education:**

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

**Shareholding in Company and Affiliates as at December 31, 2011:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2008-Present: Director, PT. Singlurus Pratama (Subsidiary)

2006-Present: Director, 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:** 43 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, 2011:**

- 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:**

2001-2003: Senior Manager-International Sales, Lanna Resources Public Co., Ltd.

1997-2001: Business Development Manager, Gulf Electric Public Co., Ltd.

1996-1997: Equity Sales Officer, SCB Securities Public Co., Ltd.

## Mr. Saharat Vatanatumrak



**Positions:** Senior Manager - Diversified Business Development

**Age:** 48 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, 2011:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

June 2010-Present: Commissioner, PT. Lanna Mining Services (Subsidiary)  
2008-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)  
2004-Present: Commissioner, PT. Lanna Harita Indonesia (Subsidiary)  
2004-Present: Commissioner, PT. Citra Harita Mineral (Subsidiary)

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## Mrs. Petcharat Chayanon



**Positions:** Senior Manager - Accounting and Administration

**Age:** 44 years

**Nationality:** Thai

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

**Shareholding in Company and Affiliates as at December 31, 2011:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

October 2010-Present: Director, PT. Lanna Mining Services (Subsidiary)  
2009-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)  
2004-Present: Director, PT. Citra Harita Mineral (Subsidiary)

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## Mr. Prasert Promdech



**Positions:** Senior Manager - International Coal Sales

**Age:** 44 years

**Nationality:** Thai

**Education:**

- Bachelor of Engineering (Mining Engineering), Chulalongkorn University
- MBA, Sasn Graduate Institute of Business Administration of Chulalongkorn University

**Shareholding in Company and Affiliates as at December 31, 2011:** None

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

- June 2010-Present: Director, PT. Lanna Mining Services (Subsidiary)  
2008-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)  
2000-2004: Chief Coal Transshipment, PT. Lanna Harita Indonesia (Subsidiary)

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## Mr. Vacharachai Nachailert



**Positions:** Senior Manager - Domestic Coal Sales

**Age:** 49 years

**Nationality:** Thai

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

**Shareholding in Company and Affiliates as at December 31, 2011:** 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 – Core Business Development

**Age:** 48 years

**Nationality:** Thai

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

**Shareholding in Company and Affiliates as at December 31, 2011:** 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.

## 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. Paul Heinz Hugentobler	/	-	-	-	/	-	-	-	/
3. Mr. Philippe Paul Alexandre Arto	/	-	-	-	-	-	-	-	/
4. Mr. Vanchai Tosomboon	/	-	-	-	-	-	-	-	/
5. Mr. Tanon Tantisunthorn	/	-	-	-	-	-	-	-	-
6. Mr. Padoong Techasarintr	/, XXX	-	-	-	-	-	-	-	-
7. Mrs. Duangkamol Suchato	/, ///	-	-	-	-	-	-	-	-
8. Mr. Adul Tantharatana	/, ///	-	-	-	-	-	-	-	-
9. Ms. Nopporn Tirawattanagool	/, ///	-	-	-	-	-	-	-	-
10. Mr. Anan Siripong	/	-	-	-	-	-	-	-	-
11. Mr. Kraisi Sirirungsi	/, XX	X	/	/	X	/	/X	/	-
12. Mr. Suroj Subhasavasdikul	/, //	/	-	-	-	-	/X	/	-
13. Mr. Visit Tantisunthorn	/, //	-	-	-	-	-	-	-	-
14. Mr. Pilas Puntakosol	/, //	/	XX	XX	XX	XX	-	/	-
15. Mr. Anun Louharanoo	/, //	/	//	/	/	//	/, ///	-	-
16. Mr. Srihasak Arirachakaran	-	-	/	/	/	//	/	-	-
17. Mrs. Petcharat Chayanon	-	-	-	//	//	/	-	-	-
18. Mr. Tanat Tantisunthorn	-	-	-	-	-	-	-	-	-
19. Mr. Prasert Promdech	-	-	-	-	//	/	-	-	-
20. Mr. Sudusit Ounsangchan	-	-	-	-	-	-	-	-	-
21. Mr. Vacharachai Nachailert	-	-	-	-	-	-	-	-	-
22. Mr. Saharat Vatanatumrak	-	-	/	/	/	/	-	-	-
<b>Subsidiary Companies</b>	1 = Lanna (Singapore) Pte. Ltd. 2 = PT. Lanna Harita Indonesia	3 = PT. Citra Harita Mineral 4 = PT. Lanna Mining Services	5 = PT. Singlurus Pratama 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.								

**Remarks :** X=Chairman of the Board, /X = Vice Chairman, /=Director (Commissioner for Indonesian companies)  
 XX = Executive Chairman, /XX=Vice Executive Chairman, // =Executive Director (Director for Indonesian companies)  
 XXX = Audit Committee Chairman, ///=Audit Committee Member

## Information on Directors of the Subsidiary and Associated Companies

Director's Name	Subsidiary Companies						Associated Company
	1	2	3	4	5	6	
1. Mr. Visith Noiphan	-	-	-	-	-	X	-
2. Mr. Somchit Limwathanagura	-	-	-	-	-	/	-
3. Mr. Padetpai Meekun-iam	-	-	-	-	-	/, XXX	-
4. Mr. Kraisi Sirirungsi	X	/	/	X	/	/X	/
5. Mr. Paul Heinz Hugentobler	-	-	-	/	-	-	-
6. Mr. Suroj Subhasavasdikul	/	-	-	-	-	/X	/
7. Mr. Somchai Lovisuth	-	-	-	-	-	/	-
8. Mr. Pilas Puntakosol	/	XX	XX	XX	XX	-	/
9. Mr. Anun Louharanoo	/	//	/	/	//	/	-
10. Mr. Srihasak Arirachakaran	-	/	/	//	//	/	-
11. Mr. Winyoo Boonkamol	-	//	-	-	-	-	-
12. Mr. Arkom Laoharanoo	-	/	-	//	-	-	-
13. Mrs. Petcharat Chayanon	-	-	//	//	/	-	-
14. Mr. Saharat Vatanatumrak	-	/	/	/	/	-	-
15. Mr. Panot Charoensuk	-	-	//	/	//	-	-
16. Mr. Thamrong Angsakul	-	//	-	-	-	-	-
17. Mr. Nattapon Ngamphol	-	-	//	-	-	-	-
18. Mr. Prasert Promdech	-	-	-	//	/	-	-
19. Mr. Ludi Prasetyo Hartono	-	-	-	-	//	-	-
20. Mrs. Yocke Kaseger	-	-	-	-	X	-	-
21. Mr. Sonny Susanto	-	-	-	-	//	-	-
22. Mr. Toto Iman Dewanto	-	-	-	-	/	-	-
23. Mr. Lim Hariyanto Wijaya Sarwono	-	X	X	-	-	-	-
24. Mr. Lim Gunawan Hariyanto	-	//	//	-	-	-	-
25. Mr. Lim Gunardi Hariyanto	-	//	//	-	-	-	-
26. Mrs. Rita Indriawati	-	-	/	-	-	-	-
27. Mr. Parasian Simanungkalit, SH	-	/	-	-	-	-	-
28. Mr. Ng Han Whatt Henry	-	/	/	-	-	-	X
29. Mr. Lee Boon Wah	/	//	//	-	-	-	/
30. Mr. Patrick Ng Bee Soon	-	-	-	-	-	-	/
31. 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.				

**Remarks :** X = Chairman of the Board, /X=Vice Chairman, /=Director (Commissioner for Indonesian companies)  
 XX=Executive Chairman, /XX=Vice Executive Chairman, // =Executive Director (Director for Indonesian companies)  
 XXX = Audit Committee Chairman, /// = Audit Committee Member



## Remuneration of Directors and Executives

### Explicit Remuneration

- In 2011, 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	800,000.00	1,520,000.00	-	-	-	-	
(2) Mr. Kraisi Sirirungsi	Director	360,000.00	600,000.00	960,000.00	360,000.00	842,985.92	621,939.80	75,632	
(3) Mr. Paul Heinz Hugentobler	Director	360,000.00	400,000.00	760,000.00	-	-	-	-	
(4) Mr. Philippe Paul Alexandre Arto	Director	360,000.00	400,000.00	760,000.00	-	-	-	-	
(5) Mr. Suroj Subhasavasdikul	Director	360,000.00	400,000.00	760,000.00	375,000.00	-	-	75,632	
(6) Mr. Anan Siripong	Director	360,000.00	400,000.00	760,000.00	-	-	-	-	
(7) Mr. Vanchai Tosomboon	Director	360,000.00	400,000.00	760,000.00	-	-	-	-	
(8) Mr. Visit Tantisunthorn	Director	360,000.00	400,000.00	760,000.00	-	-	-	-	
(9) Mr. Pilas Puntakosol	Director	360,000.00	400,000.00	760,000.00	-	2,864,884.48	1,567,867.60	75,632	
(10) Mr. Tanon Tantisunthorn	Director	360,000.00	400,000.00	760,000.00	-	-	-	-	
(11) Mr. Anun Louharanoo	Director	360,000.00	400,000.00	760,000.00	360,000.00	1,787,383.68	783,933.80	-	
(12) Mr. Padoong Techasarintr	Director	360,000.00	400,000.00	940,000.00	-	-	-	-	
	Audit Committee Chairman	180,000.00	-	-	-	-	-	-	
(13) Mr. Adul Tantharatana	Director	360,000.00	400,000.00	880,000.00	-	-	-	-	
	Audit Committee Member	120,000.00	-	-	-	-	-	-	
(14) Mrs. Duangkamol Suchato	Director	360,000.00	400,000.00	880,000.00	-	-	-	-	
	Audit Committee Member	120,000.00	-	-	-	-	-	-	
(15) Ms. Nopporn Tirawattanagool	Director	360,000.00	-	880,000.00	-	-	-	-	
	Audit Committee Member	120,000.00	-	-	-	-	-	-	

Remark: Exchange rate of USD 1 = Baht 30.6912

- 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 2010		Year 2011	
	Number of Persons	Baht per Year	Number of Persons	Baht per Year
Monthly Salary	12	25,799,520	12	28,839,342
Annual Remuneration (Bonus)	10	12,449,760	12	14,253,451
Total Remuneration	12	38,349,280	12	43,092,793

### Other Remunerations

- In 2011, the Company contributed a total of Baht 2,354,578.50 into the Provident Fund for 12 executives as employees of the Company (Baht 2,303,234.90 for 10 executives in 2009), and provided Company's vehicles for 4 executives.
- In 2011, 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 in 2011

Directors and/or Executives	Shareholding in Lanna Resources Public Co., Ltd.				Shares Increase (+)/Decrease(-) in 2011
	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	-
(2) Mr. Paul Heinz Hugentobler	269,400	-	269,400	0.08	+88,000
(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	760,700	-	760,700	0.22	+358,700
(8) Mrs. Duangkamol Suchato	120,000	-	120,000	0.03	-
(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 2011
	By Directors and/or Executives	By Spouse or Child under Legal Age	Total	Proportion (%)	
(1) Mr. Kraisi Sirirungsi	41,500,000	-	41,500,000	5.17	+10,399,050
(2) Mr. Anun Louharanoo	4,550,000	-	4,550,000	0.57	+1,153,770

- Remarks:**
- Disclosed information only on the Directors and Executives with shareholding in Lanna Resources Public Co., Ltd. and its affiliated companies.
  - Other Directors and Executives besides those above have no shareholding in Lanna Resources Public Co., Ltd. and its affiliated companies.

## CORPORATE GOVERNANCE

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### 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 2011, the Company convened the Annual General Meeting of Shareholders on April 18, 2011 between 15.30 hrs. to 19.10 hrs. at the Plaza Athenee Room 1, 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 14 Directors out of 15 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 97.50 points out of 100 points total for the assessment result on the Annual General Meeting of Shareholders Year 2010.

- 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 21 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 shall 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 3 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.

- At the shareholders' meeting, voting and vote counting procedure shall be announced to the shareholders before commencement of the meeting agendas. Voting ballots shall be provided for voting during important agendas and for appointment of directors, which shall be voted individually. Meeting resolutions shall be recorded clearly, including the number of "approval", "disapproval" and "abstain" for every meeting agenda that requires voting.

- In addition to the voting right at the shareholders' meeting, the shareholders also have other basic rights such as right to receive the dividend payment, right to consider the remuneration of directors every year, etc., of which the Company has strictly complied with the established regulation and law already.

- 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, as well as promote and encourage every employee to get involved in overseeing and continuously carry out safety procedures concerning lives, society, communities and environment.

## **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 its shareholding structure by explaining and showing details on major shareholders and shareholding proportion of the minority shareholders completely and clearly and disclosure of information of shareholding by the directors and executives within the Annual Registration Statements (Form 56-1) and Annual Report (Form 56-2).
- The Company has adequately and appropriately 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 of Directors

### (1) Structure of the Board of Directors

- During 2011, the Board of Directors consisted of 15 directors, including 5 executive directors and 5 non-executive directors and 5 independent and Audit Committee members, having list of names, positions and photographs of each director appeared on Page 4-6 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 2011, the Company had 5 independent directors, accounting for one-third of the total members of the Board of Directors. The Company has established description of the independent director of the Company equal 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 2011.
- 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.
    - The executive director or full time director may not take up directorship position at more than 4 companies.
    - The non-executive director or professional director may not take up directorship position at more than 6 companies; and
    - The Chairman of the Board may take up the Chairman of the Board position in only 1 listed company.
  - (B) In the case where a Company's director needs to hold directorship of more than 5 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 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) Sub-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 3 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 of Directors**

- 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' Meeting No. 1/2012 dated March 1, 2012, having three Audit Committee Member in attendance, has reviewed all 5 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 2010, 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' Meetings**

- 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 Secretary prepares and forwards the meeting invitation seven to ten 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 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 two 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 of 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.
- In 2011, 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).
- In 2011, the Company has established the Employee Joint Investment Program (EJIP) for every executives and employees of the Company, encouraging them to voluntarily join the Program so that they could invest and save by buying ordinary shares in the Company through securities trading system of the Stock Exchange of Thailand, which must be carried out according to relevant laws and regulations. This Program has a 5-year term period starting from January 1, 2012 until December 31, 2016, which should promote the executives and employees to become joint owners of the business and have the same view and direction as the Company's shareholders, creating incentives for the executives and employees to work efficiently and effectively, pushing forward for sustainable growth and development of the Company with future business plan and targets successfully achieved as anticipated.
- Since the Company has not established 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 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 of Year 2011**

The Thai Institute of Directors Association (IOD) has prepared the Corporate Governance Report of Thai Listed Companies Year 2011, of which Lanna Resources Public Co., Ltd. was placed with excellent assessment (  ) with the average score of 82 percent.



## **FUNDAMENTAL POLICY ON CORPORATE GOVERNANCE**

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Lanna Resources Public Company Limited is fully aware of the importance of good corporate governance and adheres 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 development of the Company in the future.

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 with 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.

### **REGULATION CONCERNING PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

In order to achieve the objectives of good corporate governance, demonstrating that the Company has employed the management system that is effective, transparent and can be reviewed, to help foster confidence and trust for the stakeholders, the Board of Directors has established the regulations concerning with the principles of good corporate governance as follows.

## **REGULATION OF THE BOARD OF DIRECTORS**

In order to demonstrate Company's intention and professionalism in the business management with transparency, morality, and accountability to all stakeholders, regulation for good practices of the Board of Directors has been established as the code of conduct as follows.

(1) Perform duties in accordance with the relevant laws and regulations, Company's regulation and resolutions of the Board of Directors' and shareholders' meetings.

(2) Strictly manage the business with honesty and unbiased position as well as be independent in the decision making and in other conducts.

(3) Authorize the executives for full control of management and daily operation without imposing inappropriate or unreasonable guidance.

(4) Have no direct or indirect interest in the business related with the Company and its affiliated companies or in the business that is in competition with the Company or its affiliated companies.

(5) Avoid having conflict of interest of oneself with the interest of the Company to achieve full efficiency and effectiveness in the business operation.

(6) Manage the business prudently without creating any obligations or commitments which might later be in conflict with the duties.

(7) Do not directly or indirectly seek unlawful benefit from work.

(8) Perform duties to the fullest capacity for the highest benefit of the organization.

(9) Do not execute anything that will destroy Company's interest or subserve interest to other individuals or juristic persons.

(10) Focus on the prevention and elimination of wrongful activities and consider that these matters must be dealt with promptly and decisively in order to create good values and image of the organization.

## **REGULATION OF THE EXECUTIVES AND STAFF**

The Company is the producer and distribution of coal and other types of fuel, which can reasonably add values to the stakeholders. The Company is also aware of the overall balance of environment and interest of the society. Thus, in order for the Company to achieve such qualities with strength and sustainability in long term, the regulation for good practices of the executives and staff has been established as the code of conduct as follows.

(1) Perform duties with accountability, honesty, determination, dedication and in compliance with the law, regulation, policy and corporate culture with consideration on the best interest of the Company.

(2) Strictly maintain confidentiality of the customers, trading partners and the Company, overseeing and guardedly ensuring that no confidential documents or information leak or fall into the hands of unrelated individuals.

(3) Respect the individual right of the staff, avoid taking information or story of the staff, including work-related and personal matters for disclosure or comments in such manner that would cause damage to the staff or Company's image overall.

(4) Do not abuse or do anything that would lead to disharmony or damage within the Company or individuals relating to the Company.

(5) Maintain and jointly create harmony and unity among all staffs, be helpful and supportive of one another for the overall and utmost benefit to the Company.

(6) Conduct oneself toward colleagues with respect, generosity, good human relations, not concealing necessary information for the work from colleagues and adjust oneself to work well with the others, as well as be respectful to others by not taking credit for the work of the others.

(7) Be determined on becoming a good person and intellect by continuously developing oneself in the direction that is beneficial to oneself and the Company.

(8) Study and seek for knowledge and experience to reinforce the knowledge and skills for the work and constantly update oneself with modern technology.

(9) Adhere to virtue, morality and refrain from all vices by not conducting oneself in such manner that would ruin the reputation of oneself and the Company.

(10) Inform superiors in order of ranking or the Audit Committee, if witness any activities that might indicate any fraud or wrongdoing within the organization.

(11) Perform any tasks that protect the environment and work conditions as well as help the Company to develop and achieve its excellence.

(12) Avoid giving or receiving goods, reception or any other benefits from trading partners or individuals related to the Company's business unless it is in accordance with the regulation and mandate of the Company.

#### **REGULATION CONCERNING HUMAN RESOURCE MANAGEMENT**

The Company's human resource management is aimed to nominate, select, develop, promote and maintain the staffs that possess knowledge, capability and quality, as they are considered as the most important asset of the Company. Moreover, the Company promotes good appearance within the unit, in order to achieve its targets effectively and efficiently in long term. Accordingly, regulation concerning the human resource management has been established as follows.

(1) Every staff shall be treated fairly and worthy of one's dignity being part of the organization.

(2) The selection of individual for employment in any position shall be conducted with fairness by considering the qualifications, education, experience, health and other necessary specifications for such position.

(3) The Company shall consider fair compensation for the staff which is suitable for the condition and job characteristics and results of the work performance according to the knowledge and capability of each individual.

(4) The Company shall conduct assessment on the work performance for each staff every year having the superior in the chain of command as the assessor in accordance with the rule and practice as established by the Company.

(5) The Company shall oversee the welfare of the staff and maintain the workplace in safe and good sanitary conditions.

(6) The Company provides opportunity and encourages the staffs to express their own opinion with the staffs taking part in the improvement of efficiency in their work and the Company.

(7) The Company has policy to support training courses and seminars which is deemed important to the development and improvement of the staff for the knowledge, capability and quality.

The Company has established this policy in order for the staff to follow and practice to achieve order, unity, relations and good understanding among one another, as well as to promote safety and development of the staff. The Company believes that the superior in each chain of command is very important part, who shall be responsible for the business and personnel management, as well as promoting good relationship among the staffs of the Company. Accordingly, every staff also has a role in maintaining such good relationship.

#### **REGULATION CONCERNING ACCOUNTING AND FINANCIAL TRANSACTIONS**

The Company has established regulation concerning with the accounting and financial transactions by specifying that the transactions be recorded accurately and completely which can be reviewed, according to the regulation of the Company and related laws. Moreover, every staff must adhere to the principles of honesty and ethics in their work and duties as follows.

(1) Accuracy of the Records

(A) All business transactions of the Company must be recorded accurately and completely which can be reviewed without any limitation or exception.

(B) Recording of the accounting transaction and business record must be based on facts without distortion or making any false transaction record regardless of any objectives.

(C) The staff at every level must carry out business tasks in conformation and in accordance with the rules and regulations of the Company, including accurate and complete supporting evidence and documents of the business transaction records. Accordingly, the information must be adequately and promptly provided so that the responsible staff in charge of the record taking and preparation of all types of accounting and financial transactions of the Company can record such transactions with accurate and complete details.

(2) Accounting and Financial Reports

(A) Every staff must not distort any information or make false transaction record regardless of whether they are accounting and financial information or any other business information of the Company.

(B) Every staff must realize that the accuracy and completeness of the accounting and financial transaction are joint accountability of the directors, executives and staffs.

(C) Every staff has duty and responsibility to prepare and/or provide detailed information supporting the accounting and financial transaction accurately and completely in accordance with the facts.

(3) Legal Compliance

(A) Every staff at every level must comply with the rules and regulations in accordance with the relevant laws in the preparation and record of the accounting and financial transactions of the Company with accuracy and completeness.

(B) Every staff at every level must adhere to the principles of honesty without prejudice and with trustworthiness in recording and filing of the information, as well as not involving in any illegal and unethical activities.

**REGULATION CONCERNING INTERNAL CONTROL**

The Company has established corporate governance policy for every unit to carry out their work effectively and efficiently in accordance with the objectives and goals of the Company, having supervision over the maintenance and utilization of the assets economically and appropriately. Risk assessment and management are continuously undertaken with effectiveness and security. Moreover, each unit must establish the work system with standard and adequate internal control in order to control risks to within the appropriate level so not to have any significant impact to the Company's operation. Communications and development of staffs within the unit should be established so that the staffs have shared feeling to carry out work in accordance with the principle of good and appropriate practices, including relevant laws and regulations, and is readily available for evaluation and review. These guidelines have been established as follows.

(1) To establish adequate control environment by assigning duty and responsibility for the executive at every level to supervise and review the work system within the executive's own unit to achieve efficiency and effectiveness and in accordance with the working regulation of the Company, having internal control system that is secure, adequate and can be reviewed and every unit must prepare its own standard work manual.

(2) To establish adequate risk assessment and management process by having each unit perform its own risk assessment on their work and find ways to mitigate the risks or reduce opportunity for the occurrence of such risks. The Company expects that every staff at every level take part in the assessment and control management of the risk in order to prevent from damage that may occur.

(3) To establish adequate control activities in every duty and level according to acceptable level of risk by requiring each unit to have a standard work system with adequate internal control to control the risk to within the acceptable level that does not significantly affect the operation of the Company.

(4) To establish adequate information and communication system that are reliable and in time by improving and developing the information technology system to be effective and secure with adequate safety and protection of the information. This is to increase efficiency and effectiveness in the operation and management, to become dependable and that such information be used to communicate throughout the organization internally and to the outside. Moreover, there should be communication and development of staffs within the unit to foster shared feeling to carry out work in accordance with appropriate practices, including compliance with the relevant laws and regulations.

(5) To establish adequate monitoring and evaluation system by assigning duty and responsibility to the executive at every level to supervise and review the work system within the executive's own unit to achieve efficiency and effectiveness and in accordance with the working regulation. The Internal Audit Office shall support the executive of every unit in establishing the internal control system and conduct a review from time to time as deemed appropriate in order to ensure that every unit possesses efficient and effective internal control system and carry out matters according to the established procedure at all times, which will bring about overall improvement of various work systems of the organization to be more efficient and more effective overall.

(6) Guidelines for the review and evaluation shall be emphasized on creativity and work system improvement. The report that the Internal Audit Office has prepared and agreed by the unit employing such work system shall be considered and approved by the Audit Committee before implementation. Should there be any work system in any unit that needs improvement for better efficiency or more security, it is regarded as the duty of every related unit that to improve or revise the system immediately. The Company regards that such duty is part of the work of such unit which must be accountable and is also part of the annual assessment of the relevant staffs.

#### **REGULATION CONCERNING THE USE OF INFORMATION TECHNOLOGY AND COMMUNICATION**

Information technology and communication system is regarded as an important factor in promoting business operation and increase efficiency and effectiveness of the work. Accordingly, the Company has established a joint responsibility for every staff that must use the information technology and communication system in compliance with the laws, regulations, orders and standard as established by the Company, which are as follows.

(1) The Company has established safety management of the information system by having issued Company's regulation and order for the Company's staff to comply with the law regarding the use of such computer.

(2) Every staff of the Company has duty and must adhere to the following practices.

(A) Staff must comply with the copyright law, law on the use of computer, regulations and orders of the Company concerning with the use of the information system.

(B) Staff must not violate software copyright or intellectual property of the others.

(C) Staff must not take software program belonging to the Company for own personal use or give it to other individual whom is not a Company's staff for commercial use, copy, disseminate, or make revision of any kind without permission.

(D) Staff must not use the Company's email system on the account of oneself or the others to send or forward information or messages which are deemed harmful to the security of the Country, religion, and royal institution, personal messages, messages with falsehood content, uncreative, chain letters, threatening, computer virus content, to the outside or within the Company, and no falsification of any statement in the email messages of the Company without any exception.

(E) Staff must not use the Company's email system to disseminate news or information of the Company to the outsiders except for those authorized and having duty concerning with the public relations.

(F) Staff must not download any types of file without permission and must not use internal network for any entertainment so not to deteriorate the efficiency of others' email receiving and sending capacity.

(G) Staff must not use the computer network with intention to perform any illegal activities, go against peace, moral standard, and commerce, disclose confidential information or express personal comments.

(H) The use of computer or personal communication device which requires connection with the network of the Company must be approved by the Chief Executive Officer first.

(I) The use of computer in the Company or taking the notebook computer for use outside the Company is required that a password be installed and entered every time of use for security of the work. The password must be kept confidential and should be changed from time to time or at least every three months.

(J) Staff must not install a software program that can check or capture information from the network unless having been authorized from the Chief Executive Officer on a special case in order to comply with the relevant laws or regulations.

(K) Staff must maintain the computer and devices under responsibility in good care and use them properly.

(3) In order to safeguard the information system of the Company, the Company shall inspect, search, monitor, investigate and control the use of information system of the staff if it has been found that the staff has used the system inappropriately or might cause damage to the Company.

(4) If the Company finds that a staff has violated or has not complied with the regulations and orders of the Company, such staff may be subject to disciplinary action and/or punishment by law, depending on the severity of the case.

### **REGULATION CONCERNING THE PROCUREMENT**

The Company has established a procurement unit to carry out any procurement matters in order to fulfill the purpose of every unit and in accordance with the established standard of quality. The related procedure and regulations are as follows.

(1) Every procurement transaction must emphasize on the benefit and quality for the Company by receiving package and product correctly as ordered on the quality, price, quantity, service period and promptness. The policy on quality, safety, health and environment of the Company must also be taken into consideration.

(2) Staff who is in charge of the procurement must plan ahead well to avoid unreasonable rush of procurement.

(3) The Company shall not take advantage of the trading partners by considering the benefit and damage that may occur in terms of reputation, image and perception of the Company with the outsiders.

(4) Staff who is in charge of the procurement must provide information that are correct, clear and complete to the trading partner, using disclosure method and providing equitable opportunity to the trading partners.

(5) Staff who is in charge should listen to comments and any suggestions that the trading partners complain or comment in order to improve and resolve problems that have occurred for better efficiency and effectiveness.

(6) Staff who is in charge must maintain the information received from each proposal or bidder as confidential and must not disclose the information to other parties.

(7) Invitation for the bidding process must be conducted in a competitive manner with fairness and impartiality to every trading partner.

(8) Negotiation should be based on business relations to both parties which are open and fair, having evidence that can be referred to.

(9) Maintain equitable business relationship with the trading partners without making demand, receiving goods or any other benefits directly or indirectly from the trading partner without any exception.

(10) The executive and/or authorized person in the procurement must employ impartial and fair discretion in providing advice, recommendations and listening to comments from the staff.

(11) The executive and/or authorized person on the procurement must control, check and supervise so that the task has been strictly undertaken in accordance with the code of conduct and if it is found that the code of conduct has been violated, investigation and disciplinary action or punishment must be strictly undertaken according to the established procedure.

(12) It is encouraged that the procurement is provided to the Thai operator and/or affiliated companies of the Company with important consideration on the receiving quality and benefit.

(13) The procurement should be conducted in a systematic manner and correct in principle having strict control which can always be improved in consistent with changing business situation.

#### **REGULATION CONCERNING SAFETY, HEALTH AND ENVIRONMENT**

The Company is concentrated in accident prevention and environmental protection by complying with relevant laws and regulations in order to ensure safety for the staff and to have good working environment, including continuing improvement on safety, health and environment.

##### **“5 Sor” Policy**

“5 Sor” activity is part of the duty involving every staff at all levels. The superior has duty to supervise, promote and recommend for the efficiency and effectiveness with continuing improvement of the program. The activity is aimed to promote good working environment and safety as well as to instill basic consciousness of increasing effectiveness in the operation.

The Company has established guidelines on the safety, health and environment as follows.

(1) Every executive and staff must operate with quality management system, safety, health and environment in order to reinforce the highest efficiency, effectiveness and values of the work for the Company.

(2) The executive and staff must strictly follow and operate in accordance with the laws, policy, regulations and standard in terms of quality, safety, health and environment.

(3) The Company shall employ every means to control and prevent all types of loss from accident, fire, injury or illness from the workplace, loss or damage to the assets, safety system violation, improper method of operation and all the errors, including protection of environment in the workplace and safety to all the staff. Accordingly, the report on any accident is the responsibility of the executive and staff by strictly follow the established procedure, regulation and order.

(4) The Company shall set up s prevention and control plan for emergency in every area of operation, including emergency and crisis management plan for the organization to be prepared for any emergency events that may occur and be ready for other crisis events which may halt the business operation, damage reputation and image of the organization.

(5) The Company shall arrange for the public relations and communication to build knowledge, understanding and dissemination of information to the staffs including all stakeholders to acknowledge and understand the policy, regulations, procedure and any cautions in terms of quality, safety, health and environment, to strictly follow for correct implementation without creating any hazard to the health, assets and environment.

(6) The Company shall promote and instill consciousness in the quality, safety, health and environment as part of daily routine of the staff.

(7) The Company shall train the staffs and increase role and duty of the supervisor in the control of operation so that it employs good safety system which is consistently followed.

(8) The Company shall improve on the safety and environmental standard to achieve international standard for good living quality and environment of the staffs.

(9) The Company shall seriously and continuously take part in social responsibilities in terms of quality, safety, health and environment, and in the best use of natural resources by realizing the importance of environment and safety of related stakeholders, as well as promoting social activities in the environmental protection and improvement of living quality in the communities according to sustainable development principle.

#### **REGULATION CONCERNING THE REPORTING OF FRAUD OR ILLEGAL CONDUCT**

The Company has established measures and procedure 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.

#### **REGULATION CONCERNING THE WHISTLEBLOWING OR COMPLAINTS BY THE STAKEHOLDERS**

The Company has established measures or channel for whistleblowing or complaints by the stakeholders as follows.

- (1) 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*  
*Chairman of the Audit Committee*  
*41/9 Rim Klong Bangsaka Road*  
*Bangkor, Chomthong, Bangkok 10150*
- *By E-Mail Address: [wanna@lannar.com](mailto:wanna@lannar.com)*

- (2) Protection for the Whistleblower

The stakeholder who makes whistleblowing or complaints according to (1) above does not need to disclose his/her name.

- (3) 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.

- (4) 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.

#### **REGULATION CONCERNING THE USE OF COMPANY'S INSIDE INFORMATION**

The Company has established measures and regulation concerning the protection against the use of Company's inside information, which has not been disclosed to the public, for the benefit of oneself or other persons as follows:

- (1) The Company has notified the Directors and executives for acknowledgment of their duty to report the securities holding in the Company of oneself, spouse, minor child and nominee, including the report of changes in securities holding to the Securities and Exchange Commission (SEC) and acknowledgment of penalties according to the law on Securities and Exchange.

The word "Executive" is defined as manager or executive of the first four levels of high ranking executive position downward from the manager, any person who is in the position equivalent to the forth level of the said high ranking executive position, as well as the executive position in the line of accounting and finance or equivalent level.



(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

(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.

(5) The Company expects that every director, executive, manager and employee at every level of the Company report in good faith to the superior of any misconduct or doubtful conduct in violation of the principles concerning the use of Company's inside information for the benefit of oneself. The superior is deemed to have duty in monitoring and supervising the subordinates on the use of Company's inside information for compliance with the established regulation.

#### **REGULATION CONCERNING CONFIDENTIALITY**

The Company has established measures and procedure concerning the protection of trade secrets which are deemed important to the Company's business operation and cannot be disclosed to the public as follows.

##### **(1) Protection of Company's Confidential Information**

(A) The Company's Board of Directors, executives and employees must protect the confidential information and documents that cannot be disclosed and/or trade secrets including formulas, inventions, and researches which the Company has the sole right.

(B) The persons holding position of Company's directors, executives, staffs and employees must not disclose confidential information and documents or trade secrets for another two years after leaving such position.

(C) The executives and staffs of the Company must acknowledge the procedure and measures in the safety protection of information, which must be strictly adhered to, in order to prevent from unintentional disclosure of confidential information.

##### **(2) Level of Confidential Information**

(A) The Company's trade secrets must be concealed and not leaked out, depending on the significance of the information such as information that can be disclosed, concealed information, secret information, top secret, etc.

(B) Using of internal information must only be in the assigned scope of duty and responsibility.

##### **(3) Provision of Information to the Outsiders**

(A) Director or executive assigned by the Company shall only be the person approving for the public disclosure of the information.

(B) Disclosure of information of other investors must be approved by such investors.

(C) In order to comply with the regulation of SET and/or other relevant laws regarding information disclosure of the listed companies, the Company has established that the person inquiring for news and information of the Company must contact the Investor Relations Office.

(4) Comments to the Outsiders

(A) Normally, the executive and/or staff of the Company must not disclose or express opinion to the outsider.

(B) The executive and/or staff must ask oneself first whether or not he/she has duty to answer such inquiries from the outsider. If not, he/she should politely refuse and recommend that the outsider directly make inquiry to the unit described above.

#### **REGULATION CONCERNING APPROVAL OF TRANSACTIONS WITH CONFLICT OF INTEREST**

The Company has established measures and procedure concerning the approval of transaction with conflict of interest; namely, connected transaction or transaction concerning acquisition or disposition of assets of the Company or its subsidiaries in order to comply with the regulation of SEC and SET as well as related laws, as follows.

(1) Directors, executives and employees of the Company are prohibited from conducting business which is similar in nature to or in competition with the business of the Company and shall avoid engaging in the connected transaction which may create conflict of interest with the Company.

(2) The stakeholder or person who may have conflict of interest may not approve the transaction that is connected to oneself.

(3) The establishment of price or compensation must be based on normal business and general commercial terms with consideration on the best interest of the Company.

(4) 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.

(5) In such case that the transaction is a commercial agreement that reasonable person ought to do with any contract party in general under the same situation, having commercial bargaining power without influence from the position of director, executive or related person on a case-by-case basis, or a normal business transaction or supporting normal business transaction with general commercial terms, the Company must present such agreement to the Board of Directors of the Company for consideration and approval or approval in principle, before the execution of the agreement, in compliance with the law of the Securities and Exchange.

(6) The Company must disclose the information on such transaction in accordance with the regulation and procedure as established by SEC and SET, including information disclosure within the Company's Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

#### **REGULATION CONCERNING REPORT ON INTEREST**

The Company has established rules, procedures and details on the reporting on interest of the directors, executives and related persons, in accordance with the Securities and Exchange Law as follows:

## **(1) Objectives**

(1.1) To comply with the Securities and Exchange Law 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 the Securities and Exchange Law 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 the Public Limited Company Law which stipulates that the director must notify the Company without delay for the following events:

- 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);
- 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 on 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.

(2.1.1) 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.

(2.1.2) 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.

## **REGULATION CONCERNING THE RIGHTS OF THE SHAREHOLDERS TO PROPOSE SHAREHOLDERS' MEETING AGENDA AND PROPOSAL FOR NOMINATION OF NEW DIRECTOR IN ADVANCE**

The Company provides opportunity for an individual shareholder or combined number of shareholders with shareholding of no less than 1 percent of the total number of voting rights of the Company to have the right to propose matters for inclusion as the meeting agenda for the shareholders' meeting and to propose a nomination of new director in advance. The Company conducts this matter by receiving the proposal prior to the shareholders' meeting from October 1<sup>st</sup> through December 31<sup>st</sup> of every year with the shareholder having to propose such matter in writing and sending it by mail or by facsimile to the Company Secretary or sending it through the website to for initial notification before sending document to the Company Secretary.

- *By Mail to:*  
*Company Secretary of Lanna Resources Public Co., Ltd.*  
*888/99 9<sup>th</sup> Floor, Mahathun Plaza Building, Ploenchit Road*  
*Lumpini, Pathumwan, Bangkok 10330*
- *By E-mail Address: [anun@lannar.com](mailto:anun@lannar.com)*  
*Telephone: 02-2538080 Facsimile: 02-2536822*

Accordingly, the consideration for inclusion of meeting agenda for the shareholders' meeting and proposal for nomination of the new director must follow the rule and procedure as established by the Company as earlier informed in advance.

## **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 Obedience of Law and Human Rights**

(6.1) Employees at every level must thoroughly understand the law concerning with their duties and responsibilities and strictly comply with the governmental laws and regulations.

(6.2) Must respect and strictly abide by the human rights principle by providing knowledge and understanding in human rights to every level of employees in order to follow consistently and seriously, as well as discouraging any business that violates human rights or illegal business.

(6.3) Employees traveling to work overseas should study laws, traditions and culture of the country of destination prior to the trip in order to ensure that overseas business undertaking shall not be illegal or contrary to the traditions and culture of the country of destination.

### **(7) Toward Communities, Society and Environment**

(7.1) Will not do anything that will damage the reputation of the Country, natural resources and environmental condition and the overall society.

(7.2) Support activities that are beneficial to communities and society overall.

(7.3) Encourage moral principles or conscience and responsibilities to the overall communities among the employees at every level seriously and on a regular basis.

(7.4) Strictly comply with or supervise on compliance with all relevant laws.

(7.5) 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.

## RELATED TRANSACTIONS

- During 2011, there were no interests or related transactions between the Company, subsidiaries and associated companies with the directors and/or the executives.

- During 2011, 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 three joint representatives being directors of Lanna Resources Public Co., Ltd., namely, Mr. Paul Heinz Hugentobler, Mr. Philippe Paul Alexandre Arto, 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 2011</b></p> <ul style="list-style-type: none"> <li>• Total Coal Volume: 498,429.42 tons</li> <li>• Total Value: Baht 1,054,227,800.62</li> <li>• Balance Amount as at December 31, 2011: Baht 66,024,870.66</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. 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 commissioners and directors: (A) Board of Commissioners, having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak (B) Board of Directors, having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Winyoo Boonkamol, and Mr. Thamrong Angsakul</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 2011</b></p> <ul style="list-style-type: none"> <li>• Total Coal Volume: 504,832 tons</li> <li>• Total Value: USD 23,240,242.78 or approximately Baht 710,544,959.91</li> <li>• Balance Amount as at December 31, 2011: 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>3</b>	<p><b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller: PT. Singlurus Pratama 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 65 percent of paid-up capital in PT. Singlurus Pratama and is represented by the following commissioners/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, future sales and purchase transactions should continue into the future.</li> </ul>	<p><b>Transactions in 2011</b></p> <ul style="list-style-type: none"> <li>Total Coal Volume: 44,651.55 tons</li> <li>Total Value: USD 2,823,139.97 or approximately Baht 86,222,150.29</li> <li>Balance Amount as at December 31, 2011: 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>4</b>	<p><b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller: United Bulk Shipping Pte. Ltd. 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 49 percent of paid-up capital in United Bulk Shipping Pte. Ltd., having three joint representatives being directors of United Bulk Shipping Pte. Ltd., namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavadikul 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 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 2011</b></p> <ul style="list-style-type: none"> <li>Total Coal Volume: 36,638.001 tons</li> <li>Total Value: of USD 2,401,674.30 or approximately Baht 72,877,565.12</li> <li>Balance Amount as at December 31, 2011: 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 commissioners and 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. Winyoo Boonkamol 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 2011</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 1,866,544.729 tons Total Service Value: USD 1,399,908.62 or approximately Baht 42,543,679.84</li> <li>Balance Amount as at December 31, 2011: USD 123,867.79 or approximately Baht 3,925,582.29</li> <li>Exchange Rate: USD 1 = Baht 31.6912</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, represented by following commissioners/ 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 2011</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 1,712,979.386 tons</li> <li>Total Service Value: USD 2,569,469.06 or approximately Baht 78,154,748.94</li> <li>Balance Amount as at December 31, 2011: USD 327,588.89 or approximately Baht 10,381,685.03</li> <li>Exchange Rate: USD 1 = Baht 31.6912</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> Service Fees</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 commissioners and 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 service fee from other investor in such company</li> </ul>	<p><b>Transactions in 2011</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 1,712,979.386 tons</li> <li>Total Right to Fee Value: USD 1,284,734.57 or approximately Baht 39,077,375.64</li> <li>Balance Amount as of December 31, 2011: USD 163,794.45 or approximately Baht 5,190,842.67</li> <li>Exchange Rate: USD 1 = Baht 31.6912</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 2011</b></p> <ul style="list-style-type: none"> <li>Coal Transport Volume: 162,470.515 tons</li> <li>Total Service Value: USD 1,824,579.64 or Baht 56,420,545.11</li> <li>Balance Amount as of December 31, 2011: USD 25,129.52 or approximately Baht 796,384.64</li> <li>Exchange Rate: USD 1 = Baht 31.6912</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

<p><b>1</b> <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 99.9975 percent of paid-up capital in PT. Lanna Mining Services and is represented by the following commissioners and directors:             <ol style="list-style-type: none"> <li>Board of Commissioners, having five representatives; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, Mr. Panot Charoensuk, and Mr. Saharat Vatanatumrak.</li> <li>Board of Directors, having five representatives; namely, Mr. Pilas Puntakosol, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Arkom Laoharanoo.</li> </ol> </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 commissioners and directors:             <ol style="list-style-type: none"> <li>Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak</li> <li>Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Winyoo Boonkamol and Mr. Thamrong Angsakul</li> </ol> </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 2011</b></p> <ul style="list-style-type: none"> <li>Total Service Value: USD 60,000 or approximately Baht 1,837,873</li> <li>Balance Amount as of December 31, 2011: 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>
<p><b>2</b> <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 99.9975 percent of paid-up capital in PT. Lanna Mining Services and is represented by the following commissioners and directors:             <ol style="list-style-type: none"> <li>Board of Commissioners, having five representatives; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, Mr. Panot Charoensuk, and Mr. Saharat Vatanatumrak.</li> <li>Board of Directors, having five representatives; namely, Mr. Pilas Puntakosol, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Arkom Laoharanoo.</li> </ol> </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 commissioners and directors:             <ol style="list-style-type: none"> <li>Board of Commissioners, having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, Mrs. Petcharat Chayanon.</li> <li>Board of Directors, having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Panot Charoensuk.</li> </ol> </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 2011</b></p> <ul style="list-style-type: none"> <li>Total Service Value: USD 60,000 or approximately Baht 1,837,873</li> <li>Balance Amount as of December 31, 2011: 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>

<b>3</b>	<p><b>Type of Transaction</b> Management Service</p> <p><b>Related Parties</b> Service Provider: PT. Lanna Mining Services 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 and indirectly holds 99.9975 percent of paid-up capital in PT. Lanna Mining Services and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having five representatives; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, Mr. Panot Charoensuk, and Mr. Saharat Vatanatumrak.</li> <li>(B) Board of Directors, having five representatives; namely, Mr. Pilas Puntakosol, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Arkom Laoharanoo.</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 commissioners and 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 2011</b></p> <ul style="list-style-type: none"> <li>Total Service Value: USD 30,000 or approximately Baht 918,936.53</li> <li>Balance Amount as of December 31, 2011: 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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### (E) Port and Coal Transport Route Service

<b>1</b>	<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. Winyoo Boonkamol 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 2011</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 775,295.73 tons</li> <li>Total Service Value: USD 211,444.28 or approximately Baht 6,470,229.68</li> <li>Balance Amount as of December 31, 2011: USD 16,609.96 or approximately Baht 526,389.56</li> <li>Exchange Rate: USD 1 = Baht 31.6192</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) Asset Rental Service

<b>1</b>	<p><b>Type of Transaction</b> Asset Rental 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 99.9975 percent of paid-up capital in PT. Lanna Mining Services and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having five representatives; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, Mr. Panot Charoensuk, and Mr. Saharat Vatanatumrak.</li> <li>(B) Board of Directors, having five representatives; namely, Mr. Pilas Puntakosol, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Arkom Laoharanoo.</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 commissioners and 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 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. The service rendering transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transactions in 2011</b></p> <ul style="list-style-type: none"> <li>Total Service Value: USD 282,000 or approximately Baht 8,638,003.13</li> <li>Balance Amount as of December 31, 2011: USD 23,500 or approximately Baht 744,743.20</li> <li>Exchange Rate: USD 1 = Baht 31.6192</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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## (G) Financial Assistance

<b>1</b>	<p><b>Type of Transaction</b> Loan Transaction</p> <p><b>Related Parties</b> Lender: Lanna Resources Public Co., Ltd. (Lanna) Borrower: PT. Lanna Mining Services (LMS)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna Resources Public Co., Ltd. directly and indirectly holds 99.9975 percent of paid-up capital in LMS and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having five representatives; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, Mr. Panot Charoensuk, and Mr. Saharat Vatanatumrak.</li> <li>(B) Board of Directors: having five representatives; namely, Mr. Pilas Puntakosol, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Arkom Laoharanoo.</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>Loan transactions without guarantee, given by Lanna to LMS, with 5 loan agreements for investment and development in the coal mine project no. 3 in Indonesia and also as working capital, with details as follows: <ul style="list-style-type: none"> <li>Agreement No. 1: Executed on October 5, 2007 for USD 2.30 million for 3-year term period at interest of LIBOR+3% per annum. The loan was fully repaid in 2008</li> <li>Agreement No. 2: Executed on January 17, 2008 for USD 6.866 million for 3-year term period at interest of LIBOR+3% per annum. The loan was fully repaid in 2010</li> <li>Agreement No. 3: Executed on March 12, 2009 for Baht 84 million for 3-year term period at interest of LIBOR+3% per annum. The loan was fully repaid in 2011</li> <li>Agreement No. 4: Executed on December 21, 2010 for Baht 120 million for 3-year term period at interest of LIBOR+3% per annum.</li> <li>Agreement No. 5: Executed on July 29, 2011 for Baht 45 million for 3-month term period at interest of 6% per annum. The loan was fully repaid in 2011.</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 (1).</li> </ul>	<p><b>Transactions in 2011</b></p> <ul style="list-style-type: none"> <li>Loan without guarantee according to Agreement No. 5 at Baht 45,000,000</li> <li>Loan repayment for Agreement No. 3 at Baht 84,000,000</li> <li>Loan repayment for Agreement No. 4 at Baht 74,999,002.13</li> <li>Interest payment according to Agreements No. 3, 4 and 5 at Baht 3,491,399.91</li> <li>As at December 31, 2011: Outstanding loan principal according to Agreement No. 4 at Baht 45,000,997.87</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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## OPINION OF THE AUDIT COMMITTEE ON THE RELATED TRANSACTIONS

February 15, 2012

Attention: Chairman of the Board of Directors  
Lanna Resources Public Company Limited

The Audit Committee has examined and reviewed the related transactions occurred during year 2011 among 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 information on the 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 has sold imported coal to Siam City Cement Public Co., Ltd., which is both a Company's customer and a major shareholder, with agreed trading price based on comparable quality of coal offered to other customers in the same industry and in accordance with general commercial terms.

(2) The Company has purchased imported coal for further selling from PT. Lanna Harita Indonesia and PT. Singlurus Pratama, both of which are subsidiary companies registered in Indonesia, with agreed trading price based on a market price for comparable quality of coal and in accordance with general commercial terms.

(3) The Company has purchased imported coal for further selling from United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, with agreed trading price based on a market price for comparable quality of coal and in accordance with general commercial terms.

(4) The Company has rendered coal distribution services to PT. Lanna Harita Indonesia and PT. Singlurus Pratama, both of which are subsidiary companies registered in Indonesia, with agreed commission fees based on comparable service rates in general and in accordance with general commercial terms.

(5) The Company has received fees from the coal produced and distributed from PT. Singlurus Pratama, a subsidiary company registered in Indonesia, due to the Company's purchase of such right from the other investor in 2008, which was in accordance with general commercial terms.

(6) United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, has rendered service for sea transport of coal to the Company, with agreed freight rate based on comparable freight rates offered to external parties and in accordance with general commercial terms.

(7) PT. Lanna Mining Services has rendered management services to PT. Lanna Harita Indonesia, PT. Singlurus Pratama, and PT. Citra Harita Mineral, all four of which are subsidiary companies registered in Indonesia, with agreed service rates based on comparable service rates offered to external parties and in accordance with general commercial terms.

(8) PT. Lanna Harita Indonesia has rendered port and coal transport route services to PT. Citra Harita Mineral, both of which are subsidiary companies registered in Indonesia, with agreed service rates based on comparable service rates offered to external parties and in accordance with general commercial terms.

(9) PT. Lanna Mining Services has rendered asset rental services to PT. Singlurus Pratama, both of which are subsidiary companies registered in Indonesia, with agreed rental fees based on comparable rental rates offered to external parties and in accordance with general commercial terms.

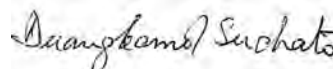
(10) In 2011, the Company has given a short term loan to PT. Lanna Mining Services (LMS), a subsidiary companies registered in Indonesia, at Baht 45 million as working capital, with interest rate based on comparable with interest rates of general financial institutions.



(Mr. Padoong Techarintra)  
Chairman of the Audit Committee



(Mr. Adul Tantharatana)  
Audit Committee Member



(Mrs. Duangkamol Suchato)  
Audit Committee Member





[www.lannar.com](http://www.lannar.com)

## Lanna Resources Public Company Limited

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