



**LANNA RESOURCES PUBLIC COMPANY LIMITED**

**REGISTRATION NO. 0107535000397**

**ANNUAL REGISTRATION STATEMENT**

**(FORM 56-1)**

**AS AT DECEMBER 31, 2015**

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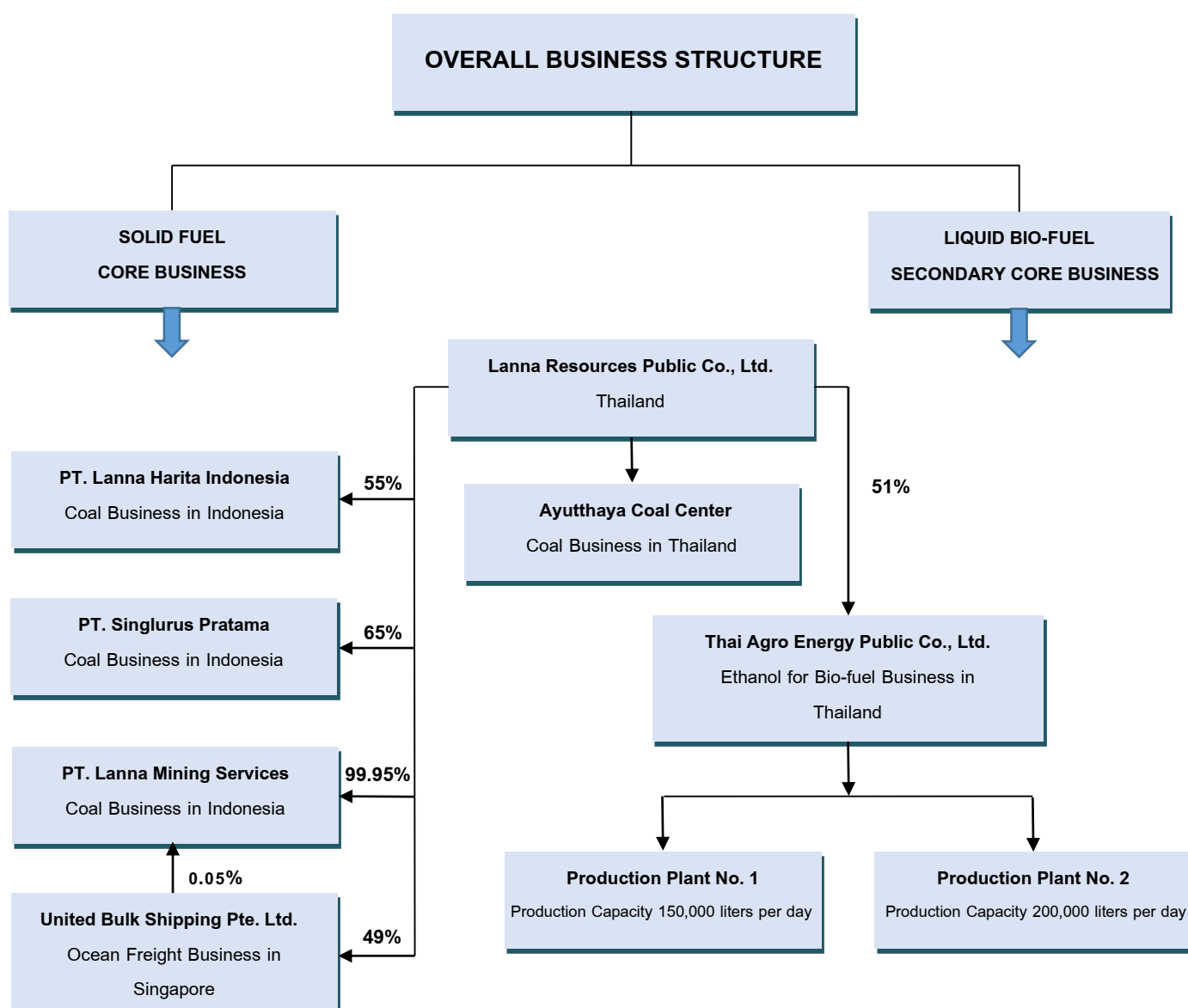
# Part 1 – Business Operation

## 1. Policy and Overall Business

**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 production and distribution base is located in Dan Chang District, Suphanburi.



The Company conducts businesses and investments with focus on long-term and sustainable growth. The Vision, Core Value, and Mission for the core business as determined by the Board of Directors are as follows.

## **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.
- Adhere to the corporate social responsibility to create and develop long term sustainability for the organization and intend to fight against corruption in every form.
- 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.



## Corporate Culture

Corporate Culture is a set of shared values that brings employees together with the aim of achieving organizational goals. Here, our corporate culture is called “LANNAR Spirit”.

**LANNAR SPIRIT** is an aspiration of our employees that expresses Lanna identity. It helps define employees’ well behavior and prevent inappropriate behavior. Moreover, it is a way to pass on the corporate value to stakeholders which are shareholders, customers, clients, employees, and society.

**L-LEARNING:** We prioritize learning as the world is moving faster, becoming smaller and filled with tougher competition in all industry. We must adapt to continue on and compete with others thus learning is the best and important shortcut to news and knowledge of changes in the fast-paced world.

**A-ATTITUDE:** To stay positive. Attitude is like a pair of glasses. We see things through glasses or attitude. With positive attitude, we see positive side of things and vice versa. By having positive attitude, we have different perspective on opportunities and new experiences in life.

**N-NEVER GIVE UP:** Never give up to problems or obstacles by finding solutions or turning the situation around by creating opportunity from them.

**N-NEW IDEA:** Looking out for new ideas in workplace and trying to improve the work that we’re doing for the better work environment and better results.

**A-ASPIRATION TO TEAMWORK:** To know the importance of teamwork and work together to share, to help and to achieve the goals together.

**R-RESPONSIBILITY:** To always take responsibility to:

- (1) Self: to know the importance of one’s role and to achieve the set goals.
- (2) Organization: to be responsible to one’s role in the organization and work together with others to grow together.
- (3) Society: to be responsible for society and environment and to operate business with good corporate governance.

“Lannar Spirit” trainings and activities are continuously provided by the Company in order to encourage learning, raise awareness of corporate culture among employees and for employees to develop expertise in working efficiently and effectively which in the long run drives the Company’s sustainable growth.

## Brief History

- Lanna Resources Public Company Limited – formerly Lanna Lignite Public Company Limited – registered as a limited company on October 4, 1985. Its objective was to lease coal mine license for a period of 20 years ending November 11, 2005, at Ban Pa Kha, Lee District, Lumphun Province, from the Department of Alternative Energy Development and Efficiency.

- On December 29, 1992, Lanna Lignite Company Limited registered for conversion to a public limited company as Lanna Lignite Public Company Limited. Afterwards, the Ministry of Finance approved the listing of the ordinary shares of the Company in the Stock Exchange of Thailand on May 12, 1994. On May 17, 2001, the Company changed its name to Lanna Resources Public Company Limited. Currently, the stock is categorized under Resources industry.

- In 1996, Lanna Resources Public Company Limited purchased 49 percent of total ordinary shares in United Bulk Shipping Pte Ltd of Singapore in order to operate ocean freight business.

- In 1997, Lanna Resources Public Company Limited purchased 100 percent of total ordinary shares in Lanna (Singapore) Pte Ltd as a holding company engaging in investment of foreign mines and utilities. Due to subsidiary restructuring, Lanna (Singapore) Pte Ltd completed its dissolution and liquidation on June 28, 2012.

- In 1998, Lanna (Singapore) Pte Ltd acquired 55 percent of total ordinary shares in PT. Lanna Harita Indonesia of Indonesia as the first coal mine investment in Indonesia. Coal production and distribution began in late 2001. In 2007, the acquired ordinary shares was divested to Lanna Resources Public Company Limited.

- In 2003, Lanna Resources Public Company Limited acquired 75 percent of total ordinary shares in Thai Agro Energy Public Company and increased to 75.75 percent in 2005. The company operates ethanol-for-fuel (99.5% purity) production and distribution business.

- In 2004, Lanna (Singapore) Pte Ltd acquired 55 percent of total ordinary shares in PT. Citra Harita Mineral of Indonesia as the second coal mine investment in Indonesia. Coal production and distribution began in late 2005. In 2007, all acquired ordinary shares was divested to Lanna Resources Public Company Limited. Currently, the company is under dissolution and liquidation process.

- In 2006, Lanna Resources Public Company Limited and Lanna (Singapore) Pte Ltd jointly established PT. Lanna Mining Services in Indonesia with 100 percent shareholding. It was initially established for operating coal businesses in Indonesia and facilitating the third coal mine in CCOW III concession of PT. Singlurus Pratama. In 2010, Lanna (Singapore) Pte Ltd sold its share in PT. Lanna Mining Services to United Bulk Shipping Pte Ltd – an associated company. Currently, Lanna Resources Public Company Limited is holding 99.95 percent of paid-up capital, and United Bulk Shipping Pte Ltd is holding 0.05 percent of paid-up capital.

- In 2008, Lanna (Singapore) Pte Ltd acquired 65 percent of total ordinary shares in PT. Singlurus Pratama of Indonesia as the third coal mine investment in Indonesia. In 2009, all acquired ordinary shares was divested to Lanna Resources Public Company Limited.

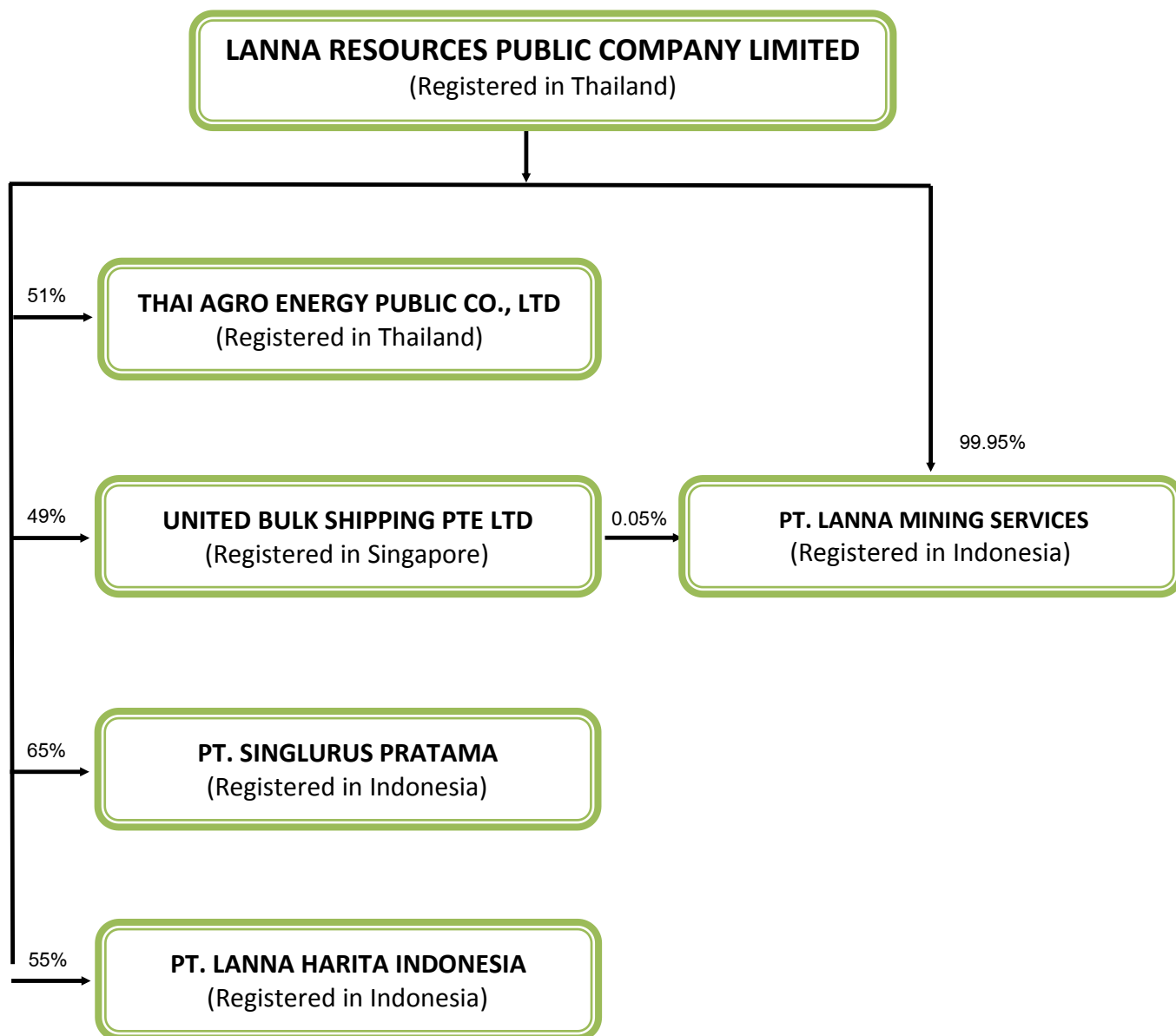
- Thai Agro Energy Public Company Limited, a subsidiary company, has been listed in the Stock Exchange of Thailand according to the spin-off plan, with initial public offering consisting of newly issued ordinary shares of 200,000,000 shares and ordinary shares originally held by Lanna of 96,037,733 shares, totaling 296,037,733 shares at Baht 2 per share. The objective was to raise fund required for improvement of production and distribution of ethanol, as well as for working capital in the future. Accordingly, the transactions was completed on June 2, 2014, resulting in the decrease of shareholding of Lanna in TAE from 75.75 percent to 51 percent of the paid-up capital. TAE still remains a subsidiary of Lanna. The trading of ordinary shares of TAE in the Stock Exchange of Thailand began on June 5, 2014.

## **Significant Changes in the Previous Year**

- PT. Citra Harita Mineral, a subsidiary company registered in Indonesia, completed its liquidation and dissolution proceedings with the Ministry of Law and Human Rights on November 19, 2015.

## INVESTMENT IN THE SUBSIDIARY AND ASSOCIATED COMPANIES

The Company has invested in four 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 as at December 31, 2015 below.



Note: Shareholding proportion in each company above represents all shares with voting rights, without any restrictions.



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

Location:	888/114 Mahathun Plaza Bldg., 11 <sup>th</sup> Floor, Ploenchit Rd., Pathumwan, Bangkok 10330, Tel.: 02-627-3890-94, Fax: 02-627-3888-89
Type of Business:	Production and Distribution of Ethanol-for-Fuel (99.5% Anhydrous Alcohol) The ethanol is a clean fuel used in 10%, 20% and 85% mixture as Gasohol E10, E20 and E85 for automobiles.
Registered Capital:	1,000,000,000 ordinary shares at Baht 1 per share totaling Baht 1,000,000,000
Paid-up Capital:	1,000,000,000 ordinary shares at Baht 1 per share totaling Baht 1,000,000,000
Company's Shareholding:	510,000,000 ordinary shares at Baht 1 per share totaling Baht 510,000,000
Shareholding Proportion:	Direct shareholding of 51 percent of 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:	20,990 ordinary shares at USD 100 per share totaling USD 2,099,000
Shareholding Proportion:	Direct and indirect shareholding of 99.975 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
Shareholding Proportion:	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

Shareholding Proportion: Direct shareholding of 55 percent of the paid-up capital

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

Location: 7 Temasek Boulevard #16-01, Suntec Tower One,  
Singapore 049623, Tel.: (65) 6305-7368, Fax: (65) 6238-1301

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

Shareholding Proportion: Direct shareholding of 49 percent of the paid-up capital

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## 2. Business Activities

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### **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 Distribution 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 2015 was approximately 4.88 percent.

The majority of domestic coal consumption in 2015 was mainly by cement industry at around 35.56 percent with the remaining 64.44 percent by electricity production and other industries. It is expected that the consumption of coal, with lower cost per heat unit than oil and other types of fuel, will continue to increase in the future.

### **Overseas Coal Business**

For more than fourteen 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 of the highly regarded and reliable coal companies in the Asia region.

PT. Lanna Harita Indonesia, a subsidiary company registered in Indonesia with Lanna Resource Public Co., Ltd. holding shares at 55 percent of the paid-up capital, conducts coal mining business operation in Samarinda district, Kutai Regency, in East Kalimantan, having received the coal mining concession (Coal Contract of Work) from the Indonesian Government for coal production and distribution for a period of 30 years (from 2001 to 2031). The coal reserves are at 57 million tons. Currently, the production capacity is approximately 3.50 million tons per year.

PT. Singlurus Pratama, a subsidiary company registered in Indonesia, with Lanna Resources Public Co., Ltd. holding shares at 65 percent of the paid-up capital, conducts coal mining business operation in Kutai Regency, East Kalimantan, having received the coal mining concession (Coal Contract of Work) from the Indonesian Government for coal production and distribution for a period of 30 years (from 2009 to 2039). The coal reserves are estimated at 40 million tons. Currently, the production capacity is approximately 2.50 million tons per year.

PT. Lanna Mining Services – a subsidiary company registered in Indonesia with Lanna Resources Public Co., Ltd. holding shares at 99.95 percent of the paid-up capital and United Bulk Shipping Pte. Ltd. holding shares at 0.05 percent of the paid-up capital – conducts coal trading business, sourcing coal from coal resources in Indonesia. Also, the Company intends to invest in the future coal concessions via this company.

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 with Lanna Resources Public Company Limited holding shares at 51 percent of the paid-up capital – conducts business in the production and distribution of ethanol (99.5 percent by volume) for bio-fuel purpose. Thai Agro Energy Public Co., Ltd. has two ethanol production plants operating in Dan Chang District, Suphanburi Province consisting of the Production Line No. 1 with a production capacity of 150,000 liters per day and the Production Line No. 2 with a production capacity of 200,000 liters, totaling 350,000 liters per day, utilizing molasses as major raw material. 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, namely E10, E20 and E85, that can be used by automobiles in general. Additionally, the ordinary shares of Thai Agro Energy Public Company Limited has been listed in the Stock Exchange of Thailand and has been traded since June 5, 2014.

## REVENUE STRUCTURE

Company's Revenue Structure	Year 2013		Year 2014		Year 2015	
	Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Revenues from Coal Sales	10,473.08	86.10	9,711.90	79.31	<b>7,550.01</b>	<b>74.15</b>
Revenues from Ethanol Sales	1,659.05	13.64	2,496.28	20.38	<b>2,600.32</b>	<b>25.54</b>
Other Revenues	31.83	0.26	37.52	0.31	<b>31.83</b>	<b>0.31</b>
<b>Total Revenue</b>	<b>12,163.96</b>	<b>100.00</b>	<b>12,245.70</b>	<b>100.00</b>	<b>10,182.16</b>	<b>100.00</b>

Revenue Structure of Subsidiary and Associated Companies	Share-holding %	Year 2013		Year 2014		Year 2015	
		Million Baht	%	Million Baht	%	Million Baht	%
<b>Thai Agro Energy Co., Ltd.</b>	51						
Ethanol Sales Revenue		1,659.05	99.96	2,496.28	99.83	<b>2,600.32</b>	<b>99.91</b>
Other Revenues		0.70	0.04	4.15	0.17	<b>2.25</b>	<b>0.09</b>
<b>Total Revenue</b>		<b>1,659.75</b>	<b>100.00</b>	<b>2,500.43</b>	<b>100.00</b>	<b>2,602.57</b>	<b>100.00</b>
<b>PT. Singlurus Pratama</b>	65						
Coal Sales Revenue		4,536.21	99.95	3,571.98	99.93	<b>2,603.51</b>	<b>99.88</b>
Other Revenues		2.18	0.05	2.46	0.07	<b>3.02</b>	<b>0.12</b>
<b>Total Revenue</b>		<b>4,538.39</b>	<b>100.00</b>	<b>3,574.44</b>	<b>100.00</b>	<b>2,606.53</b>	<b>100.00</b>
<b>PT. Lanna Harita Indonesia</b>	55						
Coal Sales Revenue		4,573.40	99.87	4,105.36	99.74	<b>3,457.52</b>	<b>99.74</b>
Other Revenues		6.07	0.13	10.50	0.26	<b>9.02</b>	<b>0.26</b>
<b>Total Revenue</b>		<b>4,579.47</b>	<b>100.00</b>	<b>4,115.86</b>	<b>100.00</b>	<b>3,466.54</b>	<b>100.00</b>
<b>PT. Lanna Mining Services</b>	99.975						
Coal Sales Revenue		418.31	97.00	162.15	93.09	<b>62.04</b>	<b>82.41</b>
Other Revenues		12.94	3.00	12.04	6.91	<b>13.24</b>	<b>17.59</b>
<b>Total Revenue</b>		<b>431.25</b>	<b>100.00</b>	<b>174.19</b>	<b>100.00</b>	<b>75.28</b>	<b>100.00</b>
<b>United Bulk Shipping Pte. Ltd.</b>	49						
Ocean Freight Shipping Revenue		1,005.04	99.99	1,331.98	100.00	<b>1,283.25</b>	<b>99.99</b>
Other Revenues		0.15	0.01	-	-	<b>0.14</b>	<b>0.01</b>
<b>Total Revenue</b>		<b>1,005.19</b>	<b>100.00</b>	<b>1,331.98</b>	<b>100.00</b>	<b>1,283.39</b>	<b>100.00</b>

## COAL BUSINESS

### 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 coal mine, 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 three 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 with further assessment of coal quality and reserve estimation for economic analysis to facilitate a decision for further development of the coal mine.

**(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 coal mining operation need to go through coal dressing process which includes crushing, sizing, sorting and 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

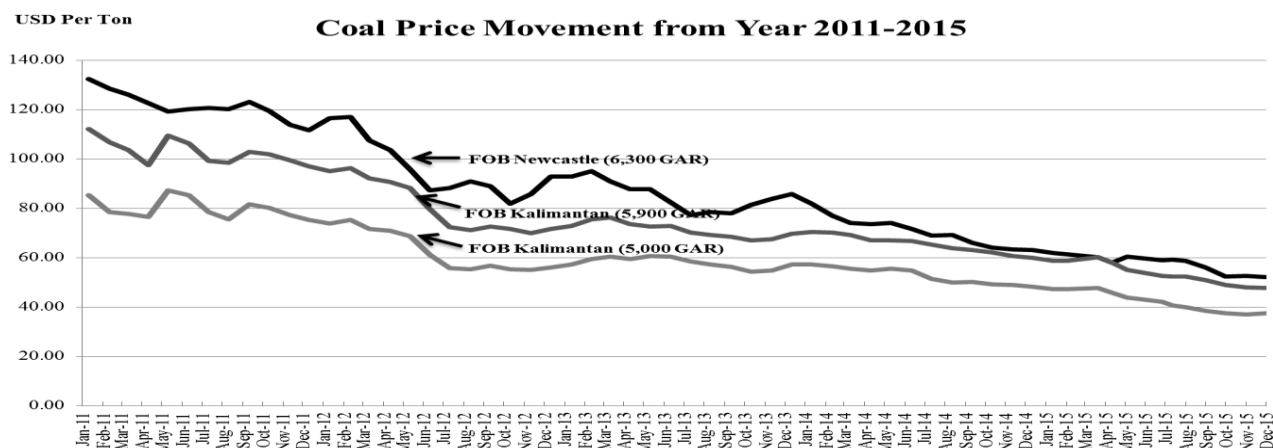
The Company focuses mainly on the service and quality control of the coal products as its marketing strategy rather than relying on pricing strategy. In addition, the Company has continually developed ways to produce high quality coal by bringing in modern technology for continuing improvement of coal 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, Energy Earth Public Co., Ltd., Unique Mining Services Public Co., Ltd., and Asia Green Energy 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

### Platts: Coal Trader International (ICT)



Coal can be used as a substitute for almost every kind of fuel, depending mainly on the convenience of utilization and demand on heating energy. The trend of coal consumption is still growing as the price of oil and other sources of fuel are still significantly more costly than coal. Coal prices has been decreasing significantly since 2011 and it is expected that coal prices in 2016 will still fluctuate at low level due to excess supply of coal according to the economic climate and the downtrend of oil market.

## ETHANOL-FOR-FUEL BUSINESS

Ethanol, also known as 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. As a result, it has been banned by several countries due to its impact on air pollution. Most importantly, Thailand has to spend several billion Baht annually for the import of MTBE.

### Production of Ethanol for Fuel

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 as follows:

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

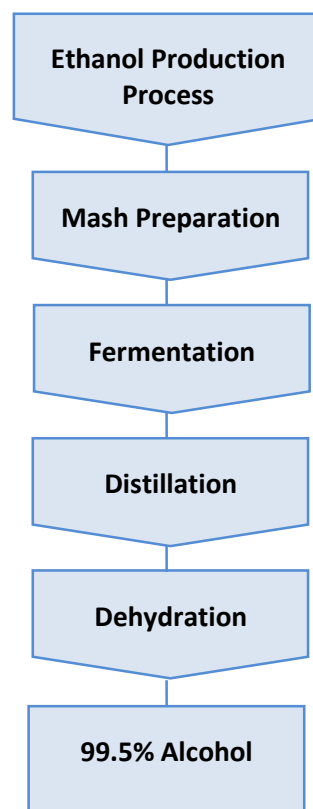
**(a) Molasses:** Preparation of molasses before fermentation by dilution with water for suitable concentration and added with acidic additive, causing organic substance or salt to settle from the molasses solvent.

**(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.



## **Ethanol Pricing Policy**

The Energy Policy Council has approved the reference ethanol pricing by comparing the lowest prices between the ethanol price as reported to the Excise Department by ethanol producers and the ethanol price as reported to the Energy Policy and Planning Office (EPPO), Ministry of Energy, by Section 7 traders. The reference pricing was to be effective from December 2015 onwards.

The determination of ethanol selling price is based on cost-plus-margin basis, as well as other factors, including, ethanol raw material price, supply and demand, and domestic and international competition.

## **Ethanol Sales and Distribution Channels**

In compliance with the regulation of the Excise Department, the ethanol product sold to oil companies must undergo denaturation process, in which ethanol of at least 99.5 percent by volume is mixed with gasoline or gasohol of 0.5 percent by volume. The result is denatured ethanol that can be sold to oil companies according to Section 7 of Fuel Trade Act B.E. 2543. The denatured ethanol purchased by the oil companies is then blended with gasoline at 10, 20 or 85 percent to become the Gasohol E10, E20 or E85. While most customers are responsible for the transportation of ethanol, in some cases the sellers are 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.

## **Ethanol Industrial Trend**

National Energy Policy Council (NEPC) has approved the application of the Alternative Energy Development Plan B.E. 2558-2579 on September 17, 2015. According to the plan, the proportion of alternative energy consumption is set at 30 percent of total energy consumption in year 2036, and ethanol demand targets are set for a twenty-year period (2015-2036): 5.09 million liters per day in 2019, 7.38 million liters per day in 2026, and 11.30 million liters per day in 2033. The demand targets are majorly derived from energy demand in transport sector and biofuel production capability. Accordingly, the Ministry of Energy has determined three strategies to promote alternative energy as follows: (1) Strategy #1: Preparation on raw material and alternative energy technology, (2) Strategy #2: Improvement on production, utilization, and market of alternative energy, and (3) Strategy #3: Enabling awareness and availability of knowledge and facts concerning alternative energy.

Additionally, NEPC has approved the Long-term National Oil Plan B.E. 2558-2579 (Oil Plan 2015) to set the direction of oil management in line with the Energy Efficiency Plan and Renewable Energy Development Plan. The main strategies of the Oil Plan 2015 include proper management of fuel category or type by decreasing the categories or types of fuel. Another strategy is to promote the Harmonisation of ASEAN Fuel Quality Standards (HAFQS) by decreasing the types of Gasohol E10, with discontinuation of Gasohol E10 - Octane 91 as top priority. Concurrently, a suitable pricing measure will be introduced by restructuring Gasohol E10 – Octane 95 pricing to reflect the production cost, and determination of appropriate price differentiation of each types of gasohol. Also, preparation on procurement of gasoline base is needed, as well as promoting usage of gasohol that is suitable for the type of automobile among consumers. Additionally, a working team on fuel quality standards in ASEAN region is needed to be established.



Due to the continuous downtrend of global crude oil price, consumers are turning to gasoline with less ethanol content, affecting especially Gasohol E85 with significant decrease in sales. Thus the ethanol promotion target may be affected. The sentiment is reflected by the stagnant demand of ethanol in 2015 at 3.49 liters per day on average. Additionally, the continuous decrease of global oil price has in turn decreased the price of ethanol, which is a material in gasohol.

## Competition

Currently, ethanol produced to market in Thailand is from 22 plants, with total capacity of 5,040,000 liters per day, and can be categorized from its raw material as follows:

- (1) Molasses and sugarcane juice: 11 producers, with total production capacity of 2,510,000 liters per day.
- (2) Cassava and molasses: 4 producers, with total production capacity of 700,000 million liters per day.
- (3) Cassava: 7 producers, with total production capacity of 1,830,000 liters per day.

Additionally, two ethanol production plants are under construction, with total production capacity of 1,220,000 liters per day. After their completion, the domestic total ethanol production capacity will be 6,260,000 liters per day. Although the domestic ethanol demand has been increasing continuously and reached 3.49 million liters per day at the end of 2015, there is still an excess ethanol supply. Additionally, with the continuous decrease of global oil price to below USD 30-40 per barrel, ethanol producers are under pressure to decrease their selling prices according to the market.

Market share of TAE has been increasing continuously: from 7.37 percent in 2010 to 13.33 percent in 2012. In 2013, ethanol demand has increased 87.21 percent from 2012, an increase of almost twofold. As a result, the market share of TAE in 2013 has decreased to 7.12 percent. As for year 2015, the market share of TAE was 8.19 percent, similar to year 2014. Regardless, TAE has planned to operate its two ethanol production lines at higher capacity in 2016, and its market share should be improved this year of 2016.

Year	Domestic Ethanol Consumption (Million Liters)	Denatured Ethanol Sales Volume of TAE (Million Liters)	Market Share of TAE (%)
2010	450.15	33.19	7.37
2011	446.51	45.93	10.29
2012	503.04	67.05	13.33
2013	941.75	67.06	7.12
2014	1,179.63	97.80	8.29
2015	1,273.08	104.30	8.19

Source: Department of Energy Business, Ministry of Energy

### 3. Risk Factors

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Lanna Resources Public Co., Ltd. (“Lanna”) and its subsidiary companies continuously conduct acceptable risk evaluation and management to prevent and mitigate possible impact as follows.

#### **Risks in Coal Mining Business**

**(1) Coal Mining Operation Risk:** Having been granted coal concessions of Coal Contract of Work type for the subsidiary companies, 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. 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 according to the obligations from advance coal sale agreements.

**(2) Coal Price Fluctuation Risk:** Coal prices tend to fluctuate similarly to other types of fuel, depending on market demand and supply, with several factors affecting the coal prices. Although coal prices in 2015 continuously fell, a certain portion of coal sales is sold in advance to regulate the production plan. Also, coal production and coal sales plans are regularly updated in order to minimize any potential negative impact in case of higher production cost. The market and coal price trend are also closely evaluated in order to determine an appropriate timing of coal sale and purchase agreement negotiation with customers. The price is also index-linked, corresponding to the market to ensure preferable sale price and certainty in revenue.

**(3) Risk in Coal Deliveries:** The risk is mostly from unforeseen incidents, for example, heavy rain preventing coal production according to the plan which results in late coal delivery to the customers and demurrage incurred. Close communication between sales department and production department, and information tracking system are put in place in order to determine the production capacity, quality, and stock of coal at all times, allowing preemptive change of production and delivery plans. In 2015, no penalty was incurred due to late coal delivery.

**(4) Risk from being Dependent on Coal Sales to the Major Customers:** In 2015, the subsidiary companies in Indonesia have been able to find new customers with an aim not to depend on any specific customer. Additionally, with price of coal lower than other types of fuel, many industrial operators increasingly switches to coal as their source of energy every year, creating supply of new customers who sought to mitigate the risk.

**(5) Risk from Customers’ Default on Coal Payment:** While most domestic coal sales are sold with credit, the coal sales of the subsidiary companies in Indonesia require a letter of credit before coal delivery. However, credit terms are only extended to quality customers. 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 doubtful debt in its accounts by considering the quality and period of outstanding debt in order to avoid any impact to the financial statements in the future for the case of bad debt.

**(6) Fuel Product Substitutes Risk:** 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 low.

**(7) Coal Reserve Risk:** In order to mitigate the risk concerning coal reserve depletion, the Company has established a policy for the continuous acquisition of additional coal deposits to compensate the amount of coal extracted each year. Moreover, operational audit is performed with the subsidiary companies. This is to warrant appropriate design and production processes for the geographic regions and ore orientation, ensuring that every process of the production is of international standards and highly efficient and allowing

complete commercial utilization of coal reserves, according to the Australasian Code for Reporting Mineral Standards (“JORC Code”).

**(8) Risk from Mining Contractors’ Operation:** The subsidiary companies hire mining contractors for coal winning and therefore, if the mining contractors could not perform their operation as planned – for example, procurement of machinery not according to the plan or inadequate maintenance – there would be adverse impact to the coal production and distribution of the Company and the subsidiary companies. Therefore, in order to prevent such risk, only reliable and experienced mining contractors with good work performance history are hired. The mining contracts entered with more than one contractor and are at least with three-year term to ensure that the contractors have sufficient work for their capital acquisition for machinery purchase and working capital. Additionally, the operation of contractors is closely monitored, and a weekly meeting is held together with every contractor for consideration on operating plan and solving any problems carefully.

**(9) Environmental Risk:** The Company and subsidiary companies have never neglected the good sense and its responsibility to the society, community and environment. Coal operations of the subsidiary companies must adhere to the mine plan and environmental impact analysis report, which have been approved by the authorities. The mined out land must be rehabilitated for improvement of environment, surrounding and ecology system with plantation of trees which are nature conservation. Improvement of surrounding land for several activities such as agricultural area, water reservoirs, residential area, etc. have been carried out by PT. Lanna Harita Indonesia (LHI) and PT. Singlurus Pratama (SGP), subsidiary companies, operating coal mines in Indonesia, having received environmental-related awards during year 2015 due to their environmental management well above the legislative requirement. As for the Ayutthaya Coal Distribution Center at Ayutthaya Province, which is the domestic operator, has taken care of the surrounding environment by planting trees around the area to protect against the wind and dust, as well as installing high pressure sprinklers to spray water around the coal stockpile and hauling road areas. Wastewater is channeled into the sediment pond so that the sediment will not flow into the public river. Coal hauling trucks are covered with canvases and wheels and tires are cleaned by driving into the water well so to protect them from carrying any scraps onto the public road. Monitoring of air quality and water quality are regularly conducted. Moreover, a close system of large silos has been constructed for coal storage that effectively minimizes dust dispersion.

### **Risks in Ethanol Business**

Thai Agro Energy Public Co., Ltd. (“TAE”), a subsidiary company in Thailand, conducts its business in the production and distribution of ethanol-for-fuel for blending with the gasoline at different proportions to become the Gasohol for use in automobiles, namely, E10, E20, and E85. Major risks being managed are as follows:

#### **(1) Risk from Procurement of Main Raw Material**

Molasses is the main raw material used to produce ethanol, contributing more than 80 percent to the overall ethanol production cost. The volume of molasses produced each year depends on the volume of sugarcane entered into the process of the sugar factories in that year. Being an agricultural product, various factors affect the volume of sugarcane, for example, the size of land used to plant sugarcane which varies by the price of sugarcane comparing to other crops, climate, crop disease, and water level. Accordingly, TAE has entered into long-term sale and purchase agreements with domestic molasses sellers in order to conclude the volume and delivery schedule of molasses each year. This allows efficient management on molasses inventory and ethanol production. The risk of stoppage or reduced production due to inadequate molasses is also decreased.

#### **(2) Risk from Fluctuation of Main Raw Material**

Molasses is the main raw material used to produce ethanol, contributing more than 80 percent to the overall ethanol production cost, and changes on the price of molasses thus has an impact to the cost of ethanol production. The price of molasses varies by the supply and demand, following the same trend as the price of sugar. Also, the price of molasses is seasonal; the price is low during the harvest season due to high amount of molasses in the market, and the price will then increase as molasses in the market decreases. Therefore, if the molasses price jumps up rapidly, the selling cost and the profit margin of TAE may be affected

since the selling price may not change proportionally with the increased cost of raw material. Recognizing this issue, TAE determines its ethanol selling price from the cost plus appropriate gross profit, with close and regular monitoring on the market and molasses price trend. Additionally, negotiations on the purchases of molasses are done in advance before the harvest season to ensure low and competitive price of molasses.

### **(3) Risk from being Dependent on Main Raw Material Seller**

TAE purchases molasses from Mitr Phol Sugar Company Limited (“Mitr Phol”) in a long-term agreement at 40-50 percent of annual molasses consumption. The reason is that the sugar factory of Mitr Phol is located nearby the production plants of TAE which helps decrease the cost of molasses. Regardless, TAE always engages in long-term molasses purchase agreements with other producers annually in order to decrease its dependence on any one vendor.

### **(4) Risk from being Dependent on Major Customers**

TAE sells ethanol-for-fuel to oil companies as defined by Section 7 of Fuel Trade Act B.E. 2543 for mixing in ethanol production. Being an oligopoly, the major buyers with high ethanol demand have more negotiating leverage in terms of price and selling terms, such as, longer credit term. However, without the purchase from the major buyers, or with lower volume of purchase, the revenue and profit of TAE may be affected. Accordingly, TAE focuses on keeping good relationship with customers, ensuring trust and satisfaction from customers. TAE also try to decrease its dependence on any single customer, having expanded its customer base to ensure ethanol sales target with optimal terms and prices.

### **(5) Risk from the Government Policy**

The National Energy Policy Council (NEPC) has approved the Alternative Energy Development Plan B.E. 2558–2579, with target ethanol consumption in 2036 at 11.30 million liters per day with major consideration from energy demand of transport sector and bio-fuel production capability. Additionally, it also introduces termination of Gasohol E10 Octane 91, and adjustment to price structures of various types of gasohol in order to reduce costs of refineries and gas stations. TAE recognizes such risk and aims to manage the production and distribution of ethanol at highest efficacy, with emphasis on product quality and good relationship with customers, ensuring minimal impact from government policy.

### **(6) Risk from the Utilization of Biogas as Main Fuel**

As one of the policies concerning cost reduction and improvement on ethanol production efficiency, TAE uses biogas as main fuel for steam and power generation in ethanol production instead of fuel oil. This greatly reduces the fuel cost. However, there is some risk from natural disaster, causing damage to the biogas ponds, rendering them dysfunctional and requiring substituted fuel (e.g. fuel oil, palm shell), increasing the cost of ethanol production. Recognizing such risk, TAE has strengthened the structure of the biogas ponds and conducts regular maintenance to ensure continuous and effective biogas generation. Moreover, insurance policies covering every type of risk from natural disaster are also in place.

### **(7) Risk from Environmental Impact**

TAE places emphasis and recognizes the health impacts to the surrounding community, with great care to the environment and potential pollution. With rigorous zero discharge practice, treated spent wash will never be discharged to the public. Additionally, bio-scrubbers are used for removal hydrogen sulfide in biogas, which is used for steam and power generation. Thus, the resulting biogas is clean and has better quality, and potential air pollution that would have an impact on the surrounding community is minimized.

### **(8) Risk from Falling Global Oil Price**

As gasohol is a mixture of ethanol and gasoline, significant and continuous downtrend of the global oil price will definitely affect the demand of ethanol for gasohol production, and ethanol producers will be pressed to reduce their ethanol selling prices. Recognizing this risk, TAE has endeavored to improve ethanol production process in order to decrease ethanol production cost. Also, any support will be made for the

government in order to promote gasohol usage according to the Alternative Energy Development Plan B.E. 2558–2579 as mentioned above.

**(9) Risk from Compliance with Loan Agreements**

**(9.1) Debt to Equity Ratio (D/E) and Debt Service Coverage Ratio (DSCR) Maintenance**

TAE has a long-term loan agreement with a commercial bank, with the remaining loan as at end of 2015 of Baht 477.76 million. Accordingly, TAE is able to follow the terms and maintain its financial ratios as required. TAE also has short-term loan agreements with two commercial banks with the amount totaling Baht 1,650 million for working capital used to purchase molasses as raw material. As at yearend of 2015, the actual used amount of the short-term loan was Baht 964.93 million. TAE well recognizes this risk and thus manage its cash flow with prudence in order to prevent default of the loan agreements.

**(9.2) Maintenance of shareholding of Lanna in TAE of no less than 50 percent of all shares during the whole duration of the loan agreement**

The lending commercial bank has determined a condition concerning the maintenance of shareholding of Lanna in TAE of no less than 50 percent of all shares during the whole duration of the loan agreement. Therefore, if Lanna sells its shares in TAE and the shareholding proportion in TAE decreases to less than 50 percent of all shares, TAE has the risk of breaching the loan agreement condition, and the lending bank may demand a full repayment of loan, which will ultimately affect the liquidity and the operation of TAE. Accordingly, the management has informed the Board of Directors of Lanna regarding such condition. If Lanna plans to decrease its shareholding proportion in TAE in the future, a written notification is needed to be sent to TAE so that TAE may negotiate with the lending bank without breaching the loan agreement.

**(9.3) Risk of TAE being unable to pay dividend to shareholders in the future**

The lending commercial bank has determined that TAE may not pay dividend to its shareholders if TAE is unable to follow the conditions in the loan agreement – such as, D/E and DSCR maintenance, shareholding of Lanna, etc. – TAE will not be able to pay dividend to its shareholders, including Lanna. In the past, TAE never was unable to follow the terms, and it can maintain the required ratios.

**Financial Risk**

**(1) Loan-Related Risk:** Lanna had no loan in year 2015, and therefore, has no risk related to loan. Only Thai Agro Energy Public Co., Ltd. has short-term and long-term loans as reported in Risks in Ethanol Business.

**(2) Overseas Investment Risk:** Lanna 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 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 associated company 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. In the past year, the foreign exchange is managed satisfactory, and there was no significant impact to the Company and its subsidiary companies.

**Other Factors Having Impact on Investment**

Apart from the aforementioned transactions, the Company and its subsidiary 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 might significantly affect financial status and operating results of the Company and its subsidiary companies.

#### 4. Assets in Business Operations

##### Property, Plant, and Equipment

Category	Owner	Objective	Book Value As at December 31, 2015 (Unit: Baht million)
▪ Property and land improvement			
(1) Ayutthaya Coal Center Area: 31 Rai 29 Sq. Wa	Lanna	Coal stockpile and distribution center	180.00
(2) Mine in Indonesia	SGP	Coal mining	18.99
(3) Land in Suphanburi Province Area: 1,489 Rai 19 Sq. Wa	TAE	Ethanol production plant	161.29
▪ Building and amenities			
(1) Ayutthaya Coal Center	Lanna	Coal stockpile and distribution center	28.46
(2) Mine in Indonesia (Site 1)	LHI	Coal mining	41.62
(3) Mine in Indonesia (Site 3)	SGP	Coal mining	310.06
(4) Ethanol production plant	TAE	Ethanol production	192.03
▪ Machinery and equipment			
(1) Ayutthaya Coal Center	Lanna	Coal stockpile and distribution center	24.95
(2) Mine in Indonesia (Site 1)	LHI	Coal mining	98.41
(3) Mine in Indonesia (Site 3)	SGP	Coal mining	142.93
(4) Ethanol production plant	TAE	Ethanol production	1,469.55
▪ Property, plant, and equipment under purchase/construction			
(1) Mine in Indonesia (Site 3)	SGP	Coal mining	115.76
(2) Ethanol production plant	TAE	Ethanol production	397.62
Abbreviations: Lanna = Lanna Resources Public Company Limited, LHI = PT. Lanna Harita Indonesia TAE = Thai Agro Energy Public Company Limited, SGP = PT. Singlurus Pratama			

Lanna and subsidiary companies are owners of assets, including property, plant, and equipment used for business operations. All assets are without obligations, **except**, some property, plant, equipment and machinery of TAE, with net book value of Baht 1,143.40 million, having obligations as mortgage collateral with a commercial bank that financing for the construction of ethanol production plant and working capital.

Lanna has investment property, most of which are plots of land of Paka mine in Lamphun Province that were parts of an expired coal concession for lignite mine, with an aggregate net book value as at December 31, 2015 of Baht 34.73 million. The land is currently under sale. It is expected that the net realizable value in should be more than the net book value

### **Coal Concessions**

Subsidiary companies in Indonesia estimate their coal reserves by using the Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), which is a globally accepted standard.

- PT. Lanna Harita Indonesia is a subsidiary company having Coal Contract of Work from the government of Indonesia for coal exploration, production, and distribution at Tenah Merah site, in Samarinda and Kutai, East Kalimantan Province, Indonesia. The mine site covers 30,018 hectares or 187,612.5 Rai, with a period of 30 years, from 2001 to 2031, and the current proven reserves is about 57 million tons. Additionally, royalties must be paid to the government of Indonesia at 13.50 percent of selling price.

- PT. Singlurus Pratama is a subsidiary company having Coal Contract of Work from the government of Indonesia for coal exploration, production, and distribution in Kutai, East Kalimantan Province, Indonesia. The mine site covers 24,760 hectares or 154,750 Rai, with a period of 30 years, from 2009 to 2039. The current proven reserves is about 40 million tons. Additionally, royalties must be paid to the government of Indonesia at 13.50 percent of selling price.

## 5. Legal Disputes

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In 2011, a company (plaintiff) accused a subsidiary company of breach of a cassava sale and purchase agreement dated January 21, 2011 and memorandum of standing dated April 29, 2011. The plaintiff filed a civil case to Bangkok South Civil Court on September 23, 2011 to claim damage against the subsidiary company in amount of Baht 186.9 million. The subsidiary company has filed a counter claim for damage in amount of Baht 82.40 million on November 8, 2011. Accordingly, on October 9, 2011, Bangkok South Civil Court, as the court of first instance, has rendered judgment by dismiss the claim of the plaintiff, having the plaintiff paying the cassava chip payment that the subsidiary company had paid of Baht 6.9 million, with interest rate of 7.5 p.a. from November 8, 2011 (date of counter claim) until fully paid. The plaintiff was also required to pay a part of court and lawyer fee for the subsidiary company.

On December 3, 2014, the subsidiary company appealed the judgment of the court of first instance above. On February 9, 2016, the Appeal Court upheld the judgment of the court of first instance. Accordingly, as at December 31, 2015, the subsidiary company has not received the payment from the above company, and thus has not booked the amount.



## 6. Company Profile and other important information

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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, 9th 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); Email: [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

**(2) Liquid Bio-Fuel:** Secondary business in the ethanol production and distribution for bio-fuel purposes.

**Registered and Paid-up Capital:** 524,999,679 ordinary shares at a par value of Baht 1.00 per share, for a total paid-up registered capital of Baht 524,999,679.

**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:** EY Office Limited, represented by Mrs. Saifon Inkaew, certified public accountants no.4434; and/or Mr. Wichart Lokatekrawee, certified public accountant no. 4451; and/or Miss Siriwan Surathephin, certified public accountant no. 4604, 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

For more information on the Company Profile, please refer to the Annual Registration Statement Year 2015 (From 56-1) on the Company website ([www.lannar.com](http://www.lannar.com)).

## Part 2 – Securities Information and Shareholders

### 7. Securities Information and Shareholders

#### Registered and Paid-up Capital

The Company's registered capital is Baht 524,999,679, which is fully paid-up, comprising 524,999,679 ordinary shares at Baht 1 per share.

#### Shareholders

Major shareholders and their respective shareholding percentages as at November 3, 2015, 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	238,132,930	45.36
(2)	Mr. Taweechat Chulangkul	52,500,000	10.00
(3)	Sirirungsi Group	42,678,398	8.13
(4)	Tantisunthorn Group	33,475,024	6.38
(5)	Limsong Group	33,433,460	6.37
(6)	Lertpanichayakul Group	7,096,600	1.35
(7)	Thai NVDR Co., Ltd.	5,067,450	0.97
(8)	Mr. Vilerd Wongapisumpho	4,949,700	0.94
(9)	Sukphisan Group	3,000,000	0.57
(10)	East Fourteen Limited – Emerging Markets Small Cap Series	1,970,550	0.37
(11)	Other Shareholders	102,695,567	19.56
	<b>Total</b>	<b>524,999,679</b>	<b>100.00</b>

(1) 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 238,132,930 shares or 45.36 percent of the paid-up capital and all shares with voting right, having three representing directors; namely, Mr. Paul Heinz Hugentobler, Mr. Vorathep Rangchaikul, and Mr. Vanchai Tosomboon, whom are non-executives and non-authorized Directors.

(2) Mr. Taweechat Chulangkul is the second largest shareholder, holding a total of 52,500,000 shares or 10.00 percent of the paid-up capital and being all shares with voting rights, having no representative as the director and/or executive.

(3) The "Sirirungsi" group is the third largest shareholder, comprising of Mr. Kraisi Sirirungsi and Ms. Kraikan Sirirungsi, holding a total of 42,678,398 shares or 8.13 percent of the paid-up capital and being all shares with voting right, having one representing director;

namely, Mr. Kraisi Sirirungsi, whom is the Executive Chairman and Company's authorized director.

(4) The "Tantisunthorn" group is the fourth largest shareholder, comprising of Mr. Tawee Tantisunthorn, Mr. Visit Tantisunthorn, Mr. Tanat Tantisunthorn, Mr. Boonlieng Tantisunthorn, Mrs. Mullika Intusuth, Mrs. Naline Rattanaavadi, Mrs. Malee Tantisunthorn, Ms. Wanida Tantisunthorn, Mrs. Sumruay Tantisunthorn, Mr. Phongthai Tantisunthorn, and Ms. Siriphan Tissayakorn, holding a total of 33,475,024 shares or 6.38 percent of the paid-up capital and being all shares with voting right, having two representing 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.

(5) The "Limsong" group is the fifth largest shareholder, comprising of Mstr. Kongphop Limsong, Gypsum Industry Co., Ltd., and Ms. Somsri Limsong, holding a total of 33,433,460 shares or 6.37 percent of the paid-up capital and being all shares with voting right, having one representing director; namely Mr. Somkiart Limsong, whom is the Chairman of the Board but non-authorized director and has no relationship with the management.

(6) The "Lertpanichayakul" group is the sixth largest shareholder, comprising of Mrs. Phrapai Lertpanichayakul and Ms. Chotinich Lertpanichayakul, Mr. Nawi Lertpanichayakul, and Mr. Niranat Lertpanichayakul, holding a total of 7,096,600 shares or 1.35 percent of the paid-up capital and being all shares with voting right, having no representative as the director and/or executive.

(7) Thai NVDR Co., Ltd. is the seventh largest shareholder, holding a total of 5,067,4500 shares or 0.97 percent of the paid-up capital and being all shares with voting right, having no representative as the director and/or executive.

(8) Mr. Vilerd Wongapisumpho is the eighth largest shareholder, holding a total of 4,949,700 shares or 0.94 percent of the paid-up capital and being all shares with voting rights, having no representative as the director and/or executive.

(9) The "Sukphisan" group is the ninth largest shareholder, comprising of Mr. Phisut Sukphisan, Ms. Ketwisut Sukphisan, Mr. Phongphisan Sukphisan, Ms. Kanwisut Sukphisan, and Mr. Phongphisut Sukphisan, holding a total of 3,000,000 shares or 0.57 percent of paid-up capital and being all shares with voting rights, having no representatives as the director and/or executive.

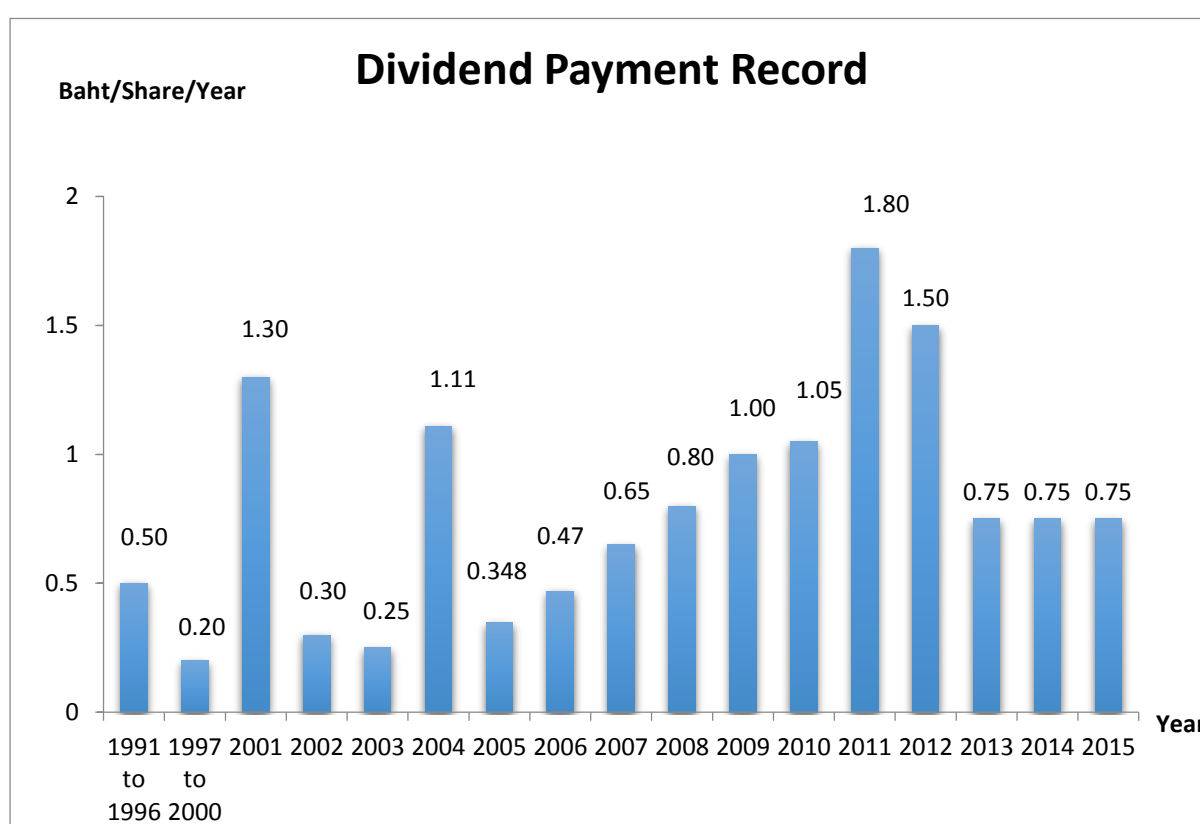
(10) East Fourteen Limited – Emerging Markets Small Cap Series is the tenth largest shareholder, holding a total of 1,970,550 shares or 0.37 percent of paid-up capital and being all shares with voting rights, having no representatives as the director and/or executive.

**Investors may look at the current information on the major shareholders and shareholding proportion eligible for attendance of the Annual General Meeting of Shareholders Year 2016 from the Company's website, [www.lannar.com](http://www.lannar.com), prior to the Annual General Meeting of Shareholders Year 2016.**

## DIVIDEND PAYMENT POLICY

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

**The dividend payment policy of the subsidiary companies to the Company:** In the case that the subsidiary company has no additional investment and no outstanding loans, the subsidiary's dividend policy payment is not less than 60 percent of its net income according to the separate financial statements for each financial period after deduction of legal provisions and the net loss carried forward (if any).

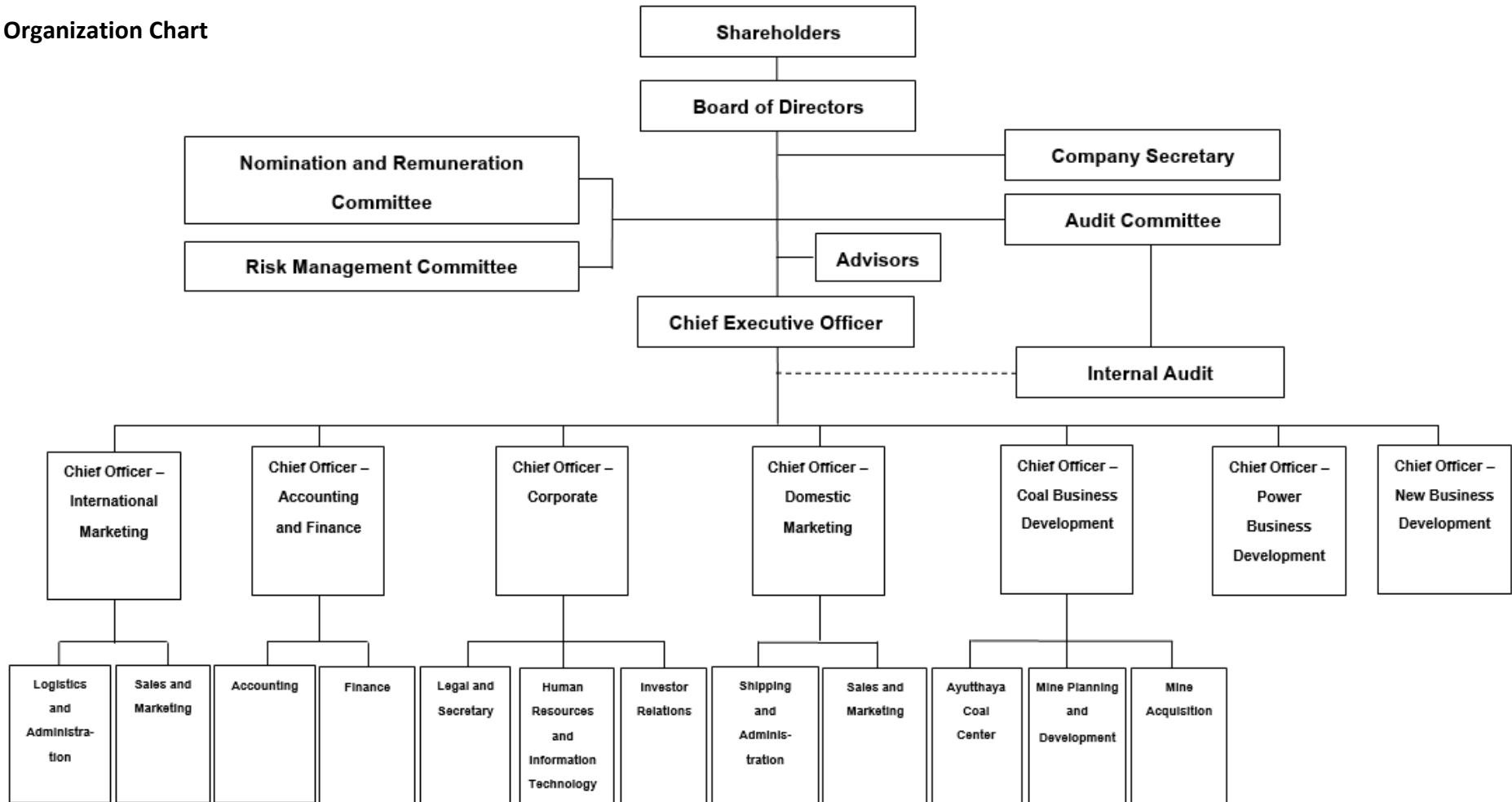


**Dividend Payment in Year 2015:** The Company's net income according to the separate financial statements was at Baht 404.86 million or Baht 0.77 per share. The Board of Directors has proposed for the appropriation of earnings for the purpose of dividend payment to the shareholders at Baht 0.75 per share or 97.26 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 0.83 percent. Regardless, the appropriation of earnings for the purpose of dividend payment above is not final and still pending approval of the Annual General Meeting of Shareholders Year 2016.

Separate Financial Statements	Unit	Y2010	Y2011	Y2012	Y2013	Y2014	Y2015
Net Profit per Share	Baht	1.07	1.97	1.94	0.87	0.76	0.77
Dividend per Share	Baht	1.05	1.80	1.50	0.75	0.75	0.75
Dividend Payment per Net Profit	%	98.22	91.33	77.24	86.02	98.07	97.26

## 8. Management Structure

### Organization Chart



Remarks: This organization structure does not indicate the level of importance, seniority, or salary of the positions

## Management Structure

- The management structure of the Company comprises the Board of Directors, Committees, Executives and Corporate Secretary. The Company has three sub-committees comprising the Nomination and Remuneration Committee (“NRC”), the Audit Committee (“AC”), and the Risk Management Committee (“RMC”).

### The Board of Directors

- The Board of Directors consists of 14 Directors, including 4 Executive Directors with Company’s authorized signatory, 6 Non-Executive Directors, and 4 Independent Directors and Audit Committee Members. The name, position, and photograph of each Director are shown on Page 3-5 of this Annual Report.

- 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. Srihasak Arirachakaran, 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 2015, there were 6 meetings altogether.

Director’s Name	Position	Meeting Attendance in 2015
(1) Mr. Somkiart Limsong	Chairman of the Board	6 out of 6
(2) Mr. Paul Heinz Hugentobler	Director	3 out of 6
(3) Mr. Vanchai Tosomboon	Director	6 out of 6
(4) Mr. Tanon Tantisunthorn	Director	4 out of 6
(5) Mr. Vorathep Rangchaikul	Director	4 out of 5
(6) Mr. Akasit Jirayuwanon	Independent 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	5 out of 6
(9) Mr. Adul Tantharatana	Independent Director/Audit Committee Member	6 out of 6
(10) Mr. Kraisi Sirirungsi	Director	6 out of 6
(11) Mr. Suroj Subhasavasdikul	Director	6 out of 6
(12) Mr. Visit Tantisunthorn	Director	5 out of 6
(13) Mr. Pilas Puntakosol	Director (Resigned since January 1, 2016)	6 out of 6
(14) Mr. Anun Louharanoo	Director	6 out of 6

- The Board of Directors is required to possess following qualifications:
  - (1) Directors are not required to be the shareholders and shall possess the qualifications in compliance with laws concerning public companies and related laws, but without inappropriate traits that express untrustworthiness to perform duties for the Company.
  - (2) Directors shall possess knowledge, expertise, value of honesty and business ethics and willingness to devote their time in performing duties to the fullest capacity for the highest benefit of the Company and shareholders.

(3) Directors shall possess experience and expertise in various professions e.g. industrial engineering, business management, sales and marketing, accounting and finance, law and corporate governance, etc.

(4) Directors must not be an entrepreneur, a shareholder or directors in any legal entity with similar business or a competitor unless it is declared at shareholders' meeting prior to the appointment.

(5) Independent Directors and/or Audit Committee must demonstrate an attribute of independence, in compliance with the Company's requirement and the Securities and Exchange Laws, as well as the ability to preserve the interest of shareholders equitably without conflict of interest as well as to express opinion independently in meetings of the Board of Directors.

(6) Directors should receive trainings and continuously master knowledge concerning business nature of the Company in order to match with emerging changes and continuously optimize efficiency and efficacy of the board.

- 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 authorities 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, sub-committees, and the management, as well as having routine communications to the Board of Directors, sub-committees, management and employees of the Company, which are summarized below.

(2.1) The Board of Directors has appointed and assigned the Chief Executive Officer to manage daily operations of the Company in accordance with the policy, business plan and budget, established 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 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) Chief Executive Officer or 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) Chief Executive Officer or 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) Chief Executive Officer or the management has organized for all departments 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 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 (“AC”) in accordance with the rules and regulations established by the Securities and Exchange Commission (SEC) and 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 Nomination and Remuneration Committee (“NRC”) with duties and responsibilities concerning nomination and determination of remuneration of directors and executives that is suitable and according to related laws and the regulations of the Company, comparable with other companies in the same industry.

(2.9) The Board of Directors has established the Risk Management Committee (“RMC”) 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.

(2.10) 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.

(2.11) 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 of each month with comparison to the budget plan as approved by the Board of Directors 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 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.



(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 business operation.

(5) Must 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 sub-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 interest or conflict of interest with the Company or affiliated companies, except for the approval of transactions which are in accordance with the policy and criteria that the Board of Directors has already approved.

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

(8) In addition, each director must adhere to and practice 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, unless the shareholder's meeting is informed before the resolution for appointment.

(B) Must inform the Company without delay if there is any 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.

- Roles and Responsibilities of Chairman of the Boards are as follows:

(1) To summon meetings of directors and oversee delivery of meeting invitation and other documents in order for directors to receive sufficient information in timely manner.

(2) To support and promote standards of good corporate governance, as well as monitor the management team. To give advice and support without any engagement or interference with management's everyday work

(3) Must exhibit leadership and ensure that directors are not under the influence of the management by taking the role as a chairman of the meeting. The chairman of the meeting shall monitor the meeting in compliance with the Company's regulations and planned agendas as well as relevant regulations and laws.

(4) To establish an effective communication among the shareholders, the directors and management as well as coordination to drive the Company's business operation to achieve long term development plan and target.

(5) To perform other duties as stipulated by the laws particularly duties of the chairman of the board.

- **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

- **Company Secretary**

The Board of Directors has appointed Mr. Saharat Vatanatumrak as the Company Secretary (his resume on page 161 of this Annual Report) 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 the activities of the Board of Directors and perform other matters according to laws or assigned by the Board of Directors.

## The Audit Committee

The board of directors has appointed the Audit Committee or “AC” 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, as approved by the Board of Directors, consists of at least 3 members, comprising 1 Audit Committee Chairman, and at least 2 Audit Committee members, having the qualifications as stated in (1) above. The Audit Committee shall appoint appropriate person as Secretary to the Audit Committee. The Audit Committee members are as follows:

Name	Position	Remarks
(1) Mr. Padoong Techasarintr	Audit Committee Chairman	Audit Committee members no. (1) and (3) possess sufficient knowledge and experience to review the reliability of the financial statements
(2) Mr. Adul Tantharatana	Audit Committee Member	
(3) Mrs. Duangkamol Suchato	Audit Committee Member	
(4) Mrs. Wanna Chomkhokkruad	Secretary	

### (3) Office Term

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

To ensure continuous performance, upon the retirement by rotation or premature resignation of a member of the Audit Committee that results in a total number of members of less than the number as determined in (2) above, the shareholder’s meeting or the Board of Directors must appoint new Audit Committee member for a complete committee at least within 3 months after the date with incomplete members as described in (2) above.

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

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

(4.2) 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.

(4.3) 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.

(4.4) 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.

(4.5) 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.

(4.6) 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.

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

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

(C) 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.

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

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

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

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

(H) 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.

(4.7) To periodically present the Report of the Audit Committee to the Company's Board of Directors for at least once every quarter, and 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 members may report of the said transaction or action to the Securities and Exchange Commission (SEC) 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.

## Report of the Audit Committee

The Board of Directors appointed the Audit Committee consisting of the three independent non-executive directors. The Audit Committee independently worked according to the scope and responsibilities assigned by the company board of directors. These were written in the Audit Committee Charter and in accordance with the announcement of the Stock Exchange of Thailand. This included the good corporate governance policy, the preparation for managing the risks which had critical impact to the organization and the efficiency and effectiveness of internal control system.

During the year 2015 the Audit Committee had ten meetings. The attendance detail of each Audit Committee member was listed below;

Name	Position	No. of Attendances/ Total Meeting
Mr. Padoong Techasarintr	Chairman of Audit Committee	10/10
Mr. Adul Tantharatana	Audit Committee Member	10/10
Mrs. Duangkamol Suchato	Audit Committee Member	9/10

The Audit Committee regularly reported the operating results to the company Board of Directors every quarter. The key points could be summarized as follows:

**1. Reviewing the financial statements:** The Audit Committee in cooperation with the Management of Accounting and External Auditors reviewed the quarterly and annually financial statements for the year 2015 of the company and its subsidiaries to ensure that the above mentioned statements were duly prepared in conformity with the generally accepted accounting standards with sufficient disclosure of information, complete, transparent, reliable and in accordance with the relevant laws and regulations for the benefit of the investors and the users of the financial statements. There were meetings with the external auditors and the management regularly participated. These were to review the independency and to seek the opinions and observations as well as the guidelines for improvements from the external auditors which could benefit to the company.

**2. Reviewing the effectiveness of the internal control system:** The Audit Committee reviewed the sufficiency and appropriateness of the internal control system of the company and its subsidiaries by considering the operation and the result monitoring which covered the areas of accounting and finance, assets management, prevention or reduction of errors, damages, wastages and frauds, reliability of financial statements as well as works in compliance with the relevant laws, regulations and procedures. There were checking and balancing mechanism by having the independent Internal Audit Office which was sufficiently efficient to safeguard and to take care of the benefits of the shareholders and the relevant parties. Additionally the auditors had the same opinion that there was no significant errors found during the year 2015. Moreover the internal audit plan and scope for the year 2016 which focused on the subsidiary companies to operate more systematically were also approved.

**3. Reviewing the related party transactions:** The Audit Committee reviewed business transactions among the company, its subsidiaries and the related parties including all the transactions which might cause conflict of interests during the year 2015 for completeness and accuracy. This was to ensure that they were conducted according to their normal business nature by adhering to the best interest of all stakeholders. The company has been practicing in accordance with the good corporate governance principles. No benefits were siphoned off. The 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 (SEC).

**4. Overseeing the risk management:** The Company had emphasized in risk management by setting up the policy and guidelines for managing the risks. There were assessments of both internal and external factors which may occur now and in the future. There was a risk management committee consisting of the executives from different departments who has duty in systematically observing the overall risk management of the company. The program of risks management were monitored by the Audit Committee before reporting the operation results to the company's board of directors every quarter. The audit committee had given suggestions to improve the risk management process in order to ascertain that the company could control and mitigate the impacts which may affect the achievement of the company's business objectives and kept them at acceptable level. Nevertheless the company has included the information about the risk management system in its annual report.

**5. 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 Exchange Committee, all the Accounting Standards and other laws which were relevant to the company's business. Works were carried in accordance with the relevant laws without any impact to the business.

**6. Good corporate governance:** The Company put emphasis on rigorously and continuously managing the works according to the good corporate governance principles. There was a system to handle complaints directly raised to the Audit Committee. All employees were encouraged to work according to the procedures, the regulations and the code of conduct for transparency. As a result the company was considered as having good corporate governance. This enhanced the confidence of the shareholders, the business partners, the customers and the relevant parties. Moreover the establishment of Anti-Corruption policy was also seriously reinforced till it became effective on October 20, 2014. The management and staff were aware of and adopted this as a standard for their operations. Additionally the Audit Committee also reviewed the self-evaluation in accordance with the anti-corruption measures of the Private Sector Collective Action Coalition against Corruption project or CAC. The company was certified as a member of the Private Sector Collective Action Coalition against Corruption on July 10, 2015.

**7. Appointment of the auditors and the fee:** The Audit Committee agreed to appoint the auditors, from the EY Office Limited as the company's auditors for the year 2016 and proposed to the company's Board of Directors for further approval at the General Meeting of the shareholders for the year 2016 for the appointment of these auditors and their fees. The Audit Committee selected the auditors by taking into account the independence, the quality and working standard in carrying out duty, the expertise which were appropriate to the company's business as well as being the qualified auditors according to the announcement of the Securities and Exchange Commission. It was agreed to appoint Mrs. Saifon Inkaew, certified public accountant 4434 and/or Mr. Wichart Lokatekrawee, certified public accountant 4451 and/or Ms. Siriwan Suratepin, certified public accountant 4604 of the EY Office Limited as the company's auditors for the year 2016 with the auditing fee for the year 2016 of 1,100,000 baht which was increased by 50,000 baht or 4.76 percent from last year and still considered reasonable.

The Audit Committee evaluated the performance of all and each committee member during the year 2015 in order to review their works which were executed in accordance with the assigned duties and responsibilities. The evaluation topics consisted of the audit committee structure, the qualification, the knowledge and the capability of the audit committee, the independence of the audit committee, the roles, the duties and the responsibilities of the audit committee, the meetings of the audit committee as well as the freedom and the works of the audit committee. According to the evaluation results the Audit Committee had an overall opinion that the factors, the qualifications and the works which were carried out in accordance with the scope of authority, duty and responsibility of the audit committee were complete and sufficient in conformity with the audit committee charter and the guidelines set up by the Stock Exchange of Thailand.

In conclusion the Audit committee carried out their works in accordance with the duties and responsibilities as stated in the Audit Committee Charter which was approved by the company's Board of Directors. They have been applying their knowledge and capability with care, having sufficient freedom for the equal benefit of the stakeholders. The Audit Committee had an opinion that the company's financial reports were accurate, reliable and in compliance with the generally accepted accounting standards. Risks were monitored, managed and kept at the acceptable level. The internal control system and the internal auditing were appropriate and effective. Works were conducted by adhering to the good corporate governance principles and strictly followed the regulations of the SEC. Additionally there were reviews to ascertain that works were executed in accordance with the relevant laws.

February 26, 2016

On behalf of the Audit Committee



(Padoong Techasarintr)

Chairman of the Audit Committee

## The Risk Management Committee

• The Risk Management Committee or “RMC” has been appointed by the Board of Directors, consisting of directors and executives from all departments of the Company, from the department manager or above, with at least one member from each department. The members, positions, meeting attendance of the newly appointed Risk Management Committee who started their duties on January 1, 2016 are as follows:

Name	Position	Meeting Attendance in 2015
(1) Mr. Anun Louharanoo	RMC Chairman	10 out of 12
(2) Mr. Srihasak Arirachakaran	RMC Vice Chairman	11 out of 12
(4) Mr. Vacharachai Nachailert	RMC Member	11 out of 12
(5) Mr. Prasert Promdech	RMC Member	10 out of 12
(6) Mrs. Petcharat Chayanon	RMC Member	12 out of 12
(7) Mr. Saharat Vatanatumrak	RMC Member	11 out of 12
(8) Mr. Sudusit Ounsangchan	RMC Member	11 out of 12
(9) Mrs. Wanna Chomkhokkrud	RMC Member and Secretary	11 out of 12

- The Risk Management Committee has the following duties:

(1) To manage risk in accordance with the policy and objectives as approved by the Board of Directors towards executions that encompass potential risk factors in business operations.

(2) To assess and analyze individual potential risk factors in business operation and determine rectification guidelines for risk mitigation and minimization. The risks can be categorized as follows:

Red Risk: A risk factor requiring urgent rectification, having highest priority for mitigation.

Yellow Risk: A risk factor requiring close monitoring. Preventative measures may be required.

Green Risk: An inconsequential risk factor or not yet requires close monitoring.

(3) To follow up risk management measures, including monitoring procedures, and provide report to ensure adequate and effective risk management framework.

(4) To regularly report risk management on each factor to the Board of Directors at least once every quarter for consideration and review on the risk management policy and objectives.

(5) To prepare the report on the operation of the risk management committee for disclosure in the Annual Registration Statements (Form 56-1) and the Annual Reports (Form 56-2). The reports shall be signed by the Risk Management Committee Chairman.

(6) To perform any other tasks relevant to risk management as assigned by the Board of Directors.

## Report of the Risk Management Committee

The Board of Directors has established the Risk Management Committee comprising directors and executives from all departments of the Company, from the department manager or above, with at least one member from each department, who are authorized to consider problems or risk factors that may possibly impact the operations of the Company and its subsidiary companies. According to the good corporate governance principles, effective risk management procedures are established for every aspect of the operations in order to minimize the risks and mitigate their impacts, decrease unpredictability of the overall operations, and promote success. Resources are used effectively for indication, evaluation, and appropriate risk management according to the ever-changing circumstances.

During year 2015, the Risk Management Committee held twelve meetings altogether in order to consider and assess possible risks that may occur and establish risk prevention 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 operations 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 operations of the Company and its subsidiary companies.
- (2) Consideration of the risk factors, including monitoring and supervision of the risk management in all aspects of the Company and its subsidiary companies 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) Risk management policy and significant risk management of the Company and its subsidiary companies have been disclosed in details within the Annual Registration Statement Year 2015 (Form 56-1) and the Annual Report Year 2015 (Form 56-2).

In the past year 2015, 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 operations of the Company and its subsidiary companies. The Committee supervises the risk management responsibly and carefully for the benefits of the Company, shareholders, and all stakeholders.

February 5, 2016

On behalf of the Risk Management Committee



(Mr. Anun Louharanoo)  
Risk Management Committee Chairman



## The Nomination and Remuneration Committee

The Nomination and Remuneration Committee or “NRC” has been appointed by the Board of Directors to perform its duties from January 1, 2016 onwards, with details as follows.

### (1) Composition and Qualification

Being appointed by the Board of Directors, the NRC comprises at least three directors, having one NRC Chairman, and at least two NRC Members. The Board of Directors or the NRC shall appoint a suitable person as Secretary. The name list and positions of the committee are as follows.

Name	Position
(1) Mr. Kraisi Sirirungsi	NRC Chairman
(2) Mr. Vanchai Tosomboon	NRC Member
(3) Mr. Anun Louharanoo	NRC Member
(4) Mr. Srihasak Arirachakaran	NRC Member
(5) Mr. Saharat Vatanatumrak	Secretary

### (2) Office Term

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

To ensure continuous performance, upon the retirement by rotation or premature resignation of a member of the NRC that results in a total number of members of less than the number as determined in (1) above, the Board of Directors must appoint new NRC members for a complete committee immediately or at least within three months after the date with incomplete members as described in (1) above.

### (3) Duties and Responsibilities of the NRC

#### (3.1) Duties and responsibilities concerning the nomination

(a) To determine the nomination procedure for persons succeeding the retired or resigned directors. The nomination shall be proposed to the Board of Directors for further proposition to the shareholders’ meeting for approval on case by case basis.

(b) To conceive succession plans and determine nomination procedure for persons qualifying for the Chief Executive Officer position and/or high-level executives, which shall be proposed to the Board of Directors for approval on case by case basis.

(c) To recommend procedure for performance assessment of the Board of Directors, Chief Executive Officer, and/or high-level executives, which shall be proposed to the Board of Directors for approval on case by case basis.

(d) To assess the independence of directors in performance of their duties and provide recommendations to the Board of Directors for its consideration on a case by case basis.

(e) To determine the appropriate qualifications of persons for the director positions by considering the diversity of skills, experience, and expertise that are beneficial to the Company and propose them to the Board of Directors for approval on a case by case basis.

(3.2) Duties and responsibilities concerning the remuneration

(a) To recommend guidelines and procedure for payment of remunerations for the Board of Directors and sub-committees appointed by the Board of Directors.

(b) To propose remuneration policy for the Chief Executive Officer and/or high-level executives in accordance with the Company's performance and actual operations before proposing the Board of Directors for approval.

(c) To consider budget for salary adjustment, wages, and annual bonus for employees before proposing the Board of Directors for approval or consent.

(3.3) General duties and responsibilities

(a) To regularly report the operation of the Nomination and Remuneration Committee to the Board of Directors at least once every year for disclosure in the Annual Registration Statements (Form 56-1) and Annual Reports (Form 56-2) in accordance with the good corporate governance.

(b) To hire consultants or specialists as deemed appropriate. The Company shall be responsible for the cost incurred.

(c) To invite executives and relevant persons of any level for briefing meetings or submission of related documents.

(d) To perform any other tasks as assigned by the Board of Directors on a case by case basis.

## Report of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) has been established by the Board of Directors and carried out its duties from January 1, 2016 onwards. Its duties and responsibilities include nomination of executives and determination of remuneration for directors, executives, and employees of the Company, as well as other duties assigned by the Board of Directors on case by case basis. NRC held one meeting on February 18, 2016, with the chairman and all members of NRC attending. The meeting can be summarized as follows:

(1) Salary adjustment year 2016 and bonus payment year 2015 for executives and employees have been reviewed. It has been found that they were correct and appropriate in accordance with the budget and rules as approved by the Board of Directors. Also, comparison with payments by other companies in various industrial sectors – as surveyed by independent organizations – has been made.

(2) According to good corporate governance principles, proposal of meeting agenda and director nomination by shareholders via the Company's website ([www.lannar.com](http://www.lannar.com)) from October 1, 2015 to December 31, 2015 has been acknowledged. It appeared that no shareholders had propose any meeting agenda nor director nomination for the Annual General Meeting of Shareholders Year 2016.

(3) Nomination of directors in place of directors retired by rotation has been considered for the Annual General Meeting of Shareholders Year 2016. The method and procedures for the nomination are as follows:

(3.1) NRC acknowledges the name list of directors retired by rotation and name list of outsiders being proposed for appointment to directorship positions in place of the directors retired by rotation.

(3.2) NRC considers and selects persons who are suitable for the director positions from the proposed name list. Qualifications being considered include skills, experience, and expertise from various occupation that are beneficial to the operation of the Company. The persons must also be eligible for the director positions of a listed company in compliance with the Company's regulations and related laws. The past performance as a director of the Company is also considered (if any).

(3.3) NRC shall select and propose the name list of suitable persons for the director positions in place of the directors retired by rotation to the Board of Directors for further proposal to the Annual General Meeting of Shareholders Year 2016 for its consideration.

(4) Remunerations of the Board of Directors and subcommittees have been considered by considering the scope of duties and responsibilities of each committee. Comparison with other companies in the same industrial sector has been made, including the size and expansion of business and operating results of the previous year. The remunerations, which are deemed appropriate, shall be proposed to the Board of Directors for further proposal to the Annual General Meeting of Shareholders Year 2016 for its consideration.

February 18, 2016

On Behalf of the NRC



(Mr. Kraisi Sirirungsi)

## The Executives of the Company

- The Executives of the Company includes Chief Executive Officer and first four persons in the executive positions below the Chief Executive Officer and also include all those persons who are in the equivalent positions as the fourth executive person. The Company's executives consist of 6 persons with names and position as follows.

Executive	Position
(1) Mr. Srihasak Arirachakaran	Chief Executive Officer
(2) Mr. Saharat Vatanatumrak	Chief Officer–Corporate
(3) Mrs. Petcharat Chayanon	Chief Officer–Accounting and Finance
(4) Mr. Prasert Promdech	Chief Officer–International Marketing
(5) Mr. Vacharachai Nachailert	Chief Officer–Domestic Marketing
(6) Mr. Sudusit Ounsangchan	Chief Officer–Coal 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, the Board of Directors, and Company's objectives and articles of association so as to maximize Company's best interests for short and long-term period.

(1.2) To prepare the annual corporate plan and budget including manpower, employees' expenses, earnings and expenses, and investment budget to be proposed annually to the Board of Directors for approval within 30 (thirty) days before the end of the year.

(1.3) To manage the Company according to the policy and objectives established by the Board of Directors, and according to the corporate plan and budget approved by the Board of Directors.

(1.4) 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.

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

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

### (2) Financial Authorities

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

(2.2) Having authority to purchase/hire for fixed assets and/or transactions which are not considered normal business operation according to the investment and budget plans as approved by the Board of Directors within Baht 2 (two) million each time per one transaction, provided that the transaction is approved by the Management Advisor before execution, and the Board of Directors must be proposed for approval at the earliest opportunity.

(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.

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

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

(c) 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:

(a) 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 purchase costs, mineral royalties, fees and taxes, electricity tariff and other utilities' expenses, etc.

(b) For other items besides (a), they can be approve 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 Directors once every quarter.

(2.6) Having authority to sell and write off inventory and/or damaged or lost assets, 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 Directors once every quarter.

(2.7) Having authority to set aside reserve for depreciation of every type of asset, and/or outdated or deteriorated inventories in accordance with relevant accounting standards, and report the matter to the Board of Directors at the earliest opportunity.

### **(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 (thirty) 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, with terms and conditions as established by the Board of 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/or 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 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 and/or increase its market share, as well as increase and maximize the revenue and profit, after the approval by the Board of Directors.

(4.5) Having authority to sell products and service both domestically and overseas by entering into contractual obligation of not more than 3 (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.

(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 Management Advisor 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, requiring Approval from the Management Advisor before Execution**

(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:

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

(b) 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.

(c) 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 Management Advisor 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 Directors consideration and approval before execution.

(8.3) The Chief Executive Officer may establish working groups and give authorities to 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.

### **• 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.

## Remuneration of Directors and Executives

### Explicit Remuneration

- In 2015, the Company had paid remunerations for the Directors in the form of monthly salary and annual remuneration (bonus) as follows:

(Unit: Baht)

Director's Name	Position in Company	Year 2014			Year 2015		
		Salary	Bonus	Total	Salary	Bonus	Total
(1) Mr. Somkiart Limsong	Chairman	720,000	814,758	1,534,758	720,000	762,204	1,482,204
(2) Mr. Kraisi Sirirungsi	Director	360,000	611,073	971,073	360,000	571,644	931,644
(3) Mr. Paul Heinz Hugentobler	Director	360,000	407,379	767,379	360,000	381,096	741,096
(4) Mr. Voratthep Rangchaikul	Director	300,000	-	300,000	360,000	381,096	741,096
(5) Mr. Suroj Subhasavasdikul	Director	360,000	407,379	767,379	360,000	381,096	741,096
(6) Mr. Vanchai Tosomboon	Director	360,000	407,379	767,379	360,000	381,096	741,096
(7) Mr. Visit Tantisunthorn	Director	360,000	407,379	767,379	360,000	381,096	741,096
(8) Mr. Pilas Puntakosol	Director	360,000	407,379	767,379	360,000	381,096	741,096
(9) Mr. Tanon Tantisunthorn	Director	360,000	407,379	767,379	360,000	381,096	741,096
(10) Mr. Anun Louharano	Director	360,000	407,379	767,379	360,000	381,096	741,096
(11) Mr. Padoong Techasarintr	Independent Director	360,000	407,379	947,379	360,000	381,096	921,096
	Audit Committee Chairman	180,000			180,000		
(12) Mr. Adul Tantharatana	Independent Director	360,000	407,379	887,379	360,000	381,096	861,096
	Audit Committee Member	120,000			120,000		
(13) Mrs. Duangkamol Suchato	Independent Director	360,000	407,379	887,379	360,000	391,096	861,096
	Audit Committee Member	120,000			120,000		
(14) Mr. Akasit Jirayuwanon	Independent Director	360,000	407,379	767,379	360,000	381,096	741,096

- The Company paid remunerations to the executives in the form of monthly salary and annual bonus, which varies according to operating results of the Company as follows.

Executives' Remuneration	Year 2014		Year 2015	
	Number of Persons	Baht per Year	Number of Persons	Baht per Year
Monthly Salary	10	33,289,740	10	35,236,608
Annual Remuneration (Bonus)	10	8,132,435	10	8,584,152
Total Remuneration	10	41,422,175	10	43,820,760

- The Company paid remuneration to Chief Executive Officer in the form of monthly salary and annual bonus, which varied according to operating results of the Company in 2015, totaling Baht 9,870,000 (Baht 9,350,000 in year 2014).

### Other Remunerations

- In 2015, the Company contributed a total of Baht 6,812,112.16 into the Employee Joint Investment Program (EJIP) and the Provident Fund for ten executives as employees of the Company (Baht 7,475,034 for 10 executives in 2014), and provided Company's vehicles for four executives.
- In 2015, the Company contributed a total of Baht 1,155,600 into the Employee Joint Investment Program (EJIP) and the Provident Fund for Chief Executive Officer (Baht 1,694,000 in 2014), and provided a Company's vehicle for the Chief Executive Officer.
- Other than the above mentioned remuneration, the Company does not issue shares, warrant, convertible debenture and/or other privilege to directors and executive



**Shareholding in Lanna Resources Public Co., Ltd. By the Directors and Executives**

Directors and/or Executives	Year 2015		Year 2014		Shares Increase (+)/Decrease(-) in 2015	
	Number of Shares	Proportion (%)	Number of Shares	Proportion (%)	Number of Shares	%
(1) Mr. Somkiart Limsong	33,355,460	6.353	33,355,460	6.353	-	-
(2) Mr. Paul Heinz Hugentobler	207,900	0.040	207,900	0.040	-	-
(3) Mr. Padoong Techasarintr	-	-	-	-	-	-
(4) Mr. Adul Tantharatana	-	-	-	-	-	-
(5) Mrs. Duangkamol Suchato	180,000	0.034	180,000	0.034	-	-
(6) Mr. Suroj Subhasavasdikul	-	-	-	-	-	-
(7) Mr. Kraisi Sirirungsi	9,967,781	1.847	9,529,752	1.815	438,029	0.083
(8) Mr. Akasit Jirayuwanon	-	-	-	-	-	-
(9) Mr. Vorathep Rangchaikul	-	-	-	-	-	-
(10) Mr. Vanchai Tosomboon	1,751,050	0.334	1,751,050	0.334	-	-
(11) Mr. Visit Tantisunthorn	6,430,500	1.225	6,430,500	1.225	-	-
(12) Mr. Tanon Tantisunthorn	-	-	-	-	-	-
(13) Mr. Pilas Puntakosol	665,149	0.127	530,518	0.101	134,631	0.026
(14) Mr. Anun Louharanoo	1,242,039	0.237	1,133,082	0.216	108,957	0.021
(15) Mr. Tanat Tantisunthorn	17,222,572	3.280	17,194,616	3.275	27,956	0.005
(16) Mr. Srihasak Arirachakaran	365,799	0.070	253,940	0.048	111,859	0.021
(17) Mrs. Petcharat Chayanon	106,028	0.020	73,278	0.014	32,750	0.006
(18) Mr. Prasert Promdech	159,112	0.030	108,264	0.021	50,848	0.010
(19) Mr. Vacharachai Nachailert	111,840	0.021	77,662	0.015	34,178	0.007
(20) Mr. Sudusit Ounsangchan	86,318	0.016	48,113	0.009	38,205	0.007
(21) Mr. Saharat Vatanatumrak	133,661	0.025	91,728	0.017	41,933	0.008

**Shareholding in Thai Agro Energy Public Co., Ltd (Subsidiary) By the Directors and Executives**

Directors and/or Executives	Year 2015		Year 2014		Shares Increase (+)/Decrease(-) in 2015	
	Number of Shares	Proportion (%)	Number of Shares	Proportion (%)	Number of Shares	%
(1) Mr. Somkiart Limsong	6,679,092	0.668	6,679,092	0.668	-	-
(2) Mr. Paul Heinz Hugentobler	-	-	-	-	-	-
(3) Mr. Padoong Techasarintr	-	-	-	-	-	-
(4) Mr. Adul Tantharatana	-	-	-	-	-	-
(5) Mrs. Duangkamol Suchato	36,000	0.004	36,000	0.004	-	-
(6) Mr. Suroj Subhasavasdikul	-	-	-	-	-	-
(7) Mr. Kraisi Sirirungsi	45,300,000	4.530	45,300,000	4.530	-	-
(8) Mr. Akasit Jirayuwanon	-	-	-	-	-	-
(9) Mr. Vorathep Rangchaikul	-	-	-	-	-	-
(10) Mr. Vanchai Tosomboon	-	-	-	-	-	-
(11) Mr. Visit Tantisunthorn	17,373,000	1.737	17,373,000	1.737	-	-
(12) Mr. Tanon Tantisunthorn	-	-	-	-	-	-
(13) Mr. Pilas Puntakosol	100,269	0.010	100,269	0.010	-	-
(14) Mr. Anun Louharanoo	4,771,895	0.477	4,771,895	0.477	-	-
(15) Mr. Tanat Tantisunthorn	-	-	-	-	-	-
(16) Mr. Srihasak Arirachakaran	45,940	0.005	45,940	0.005	-	-
(17) Mrs. Petcharat Chayanon	-	-	-	-	-	-
(18) Mr. Prasert Promdech	-	-	-	-	-	-
(19) Mr. Vacharachai Nachailert	-	-	-	-	-	-
(20) Mr. Sudusit Ounsangchan	-	-	-	-	-	-
(21) Mr. Saharat Vatanatumrak	-	-	-	-	-	-

**Remarks:** Disclosed information includes spouse, minor child, proxy and/or related individual.

## Information on Employees

### Number of Employees and Compensation

- In 2015, the Company and its affiliated companies have the following number of employees and employees-related expenses.

Description	Year 2015		
	Company Only	Affiliated Companies	Total
Number of Employees as at End of Year (Persons)	74	642	716
Employees-Related Expenses per Year (Million Baht)	91	258	349

- Remunerations paid to the employees in 2015 comprises 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.

### 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.

## Personnel Development Policy

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 Company has policy on personnel development which is carried out consistently to increase knowledge, skill, and expertise as well as work effectiveness of the employees at every level and to encourage development of knowledge and skill of employees through on-the-job training with new employee having a supervisor for each line of work assigned to train the new employee. Training courses have been regularly organized internally by inviting lecturers or speakers to pass on their experience and additional knowledge to the employees. The Company also sends its employees and executives to training program and seminars with topics relating to the work of each department for additional knowledge.

In addition, the Company has established regulations concerning training and development of employees and 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, since the Company has made investments overseas, especially in the coal mining business in Indonesia—the core business—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 who must travel to work in such country to have correct understanding and follow the laws and regulations correctly, preventing issues and difficulties while working in the country. In 2014, the Company has provided trainings for executives and employees to develop their potential as follows:

Training for Employee in 2015	Average Training Hour per Person	Objective of Training
Management level	28	To develop employees' management skills together with perspective and vision.
Heads of departments and employees	21	To develop personal competence and skills in working together as a teamwork

## Regulation Concerning Prevention and Rectification of Drug Abuse in Workplace

In pursuant to Narcotics Control Act (No. 3) B.E. 2543, the Board of Directors has determined the regulation concerning prevention and suppression of drug abuse in workplace as follows.

(1) All supervisors at every level shall set a good example and give advice to and support employees on drug related issues, as well as rehabilitation, to ensure better health and proper livelihood.

(2) All employees shall take part in drug abuse prevention and rectification campaign as per the Company's policy by being vigilant for any suspicious activities and reporting any incidents to supervisors or human resources department immediately or as soon as possible.

(3) All employees shall cooperate with the Company in an event of random drug examination by the Company. If any employee is found to possess illegal narcotics, disciplinary action shall be proceeded by the supervisor according to the work guidelines, and the employee shall be sent to a rehabilitation center. During the rehabilitation, the period shall be considered a special leave without any compensation from the Company.

(4) The Company allows the employee to work with the Company again after the completion of the drug abuse rehabilitation program. The employee is required to provide a medical confirmation from a specialized physician.

(5) The Company and all employees shall cooperate with governmental agencies on reporting of activities concerning drug abuse by any person with no exception.

## Corporate Culture

Corporate culture is regarded as committed value fusing the employees together to achieve Company's goals. The Company has the corporate culture named "LANNAR Spirit" (more detail on page 15 of this Annual Report). In the past year, the Company organized trainings for employee to encourage continuous learning and recognize value of corporate culture.

The Company has held three seminars for executives and employees, corresponding with the LANNAR Spirit as follows:

(1) Mr. Waiwit Saeng-Alagkarn from People Synergy Co., Ltd., was invited to be a speaker in a workshop under the theme of "Time Management and Prioritization" on May 11, 2015 (Class 1) and May 26, 2015 (Class 2) at The AETAS Hotel, Bangkok.



(2) Assistant Professor Dr. Cholvit Jearajit, Dean of Faculty of Social Science of Srinakharinwirot University was invited to be a speaker in a workshop under the theme of "Art of Being a Team Leader with Positive Thinking" on July 7, 2015 at Sivatel Hotel, Bangkok.





(3) Coaches from Black Box Team Co., Ltd. were invited to host a two-day workshop under the theme of teamwork being held on November 14-15, 2015 at Sarika and Srisuk Resort, Nakhon Nayok Province.



### **Employee Code of Conduct**

- The Company has established measure and practice guideline on the employee code of conduct for the employees to constantly follow and abide by on a regular basis as follows:

(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) Employees are prohibited from making accusation or abusive remarks to the Company, executives and coworkers without truth.

(10) 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.

(11) Notify the supervisor or relevant department of any wrongdoing or illegal activities and avoid or do not do anything that may damage the overall image or reputation of oneself and the Company.

### **Safety, Occupational Health and Environment**

- The Company gives precedence to accident prevention and environmental protection by complying with relevant laws and regulations in order to ensure safety for the employees and to have good working environment, including continuing improvement on safety, occupational health and environment. Accordingly, the Company had no accident from work during year 2015. Additionally, the Company has held a fire drill from a certified agency on June 9, 2015 at the Ayutthaya Coal Center, Ayutthaya Province.



- “5S” activity is part of the duty involving every employee 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 been undertaking sustainability development. Environmentally, dust suppression is achieved by tree planting along the perimeter as wind barriers and installation of high-pressure sprinklers around coal storage and conveyor belt areas. Drainage water is collected in a sedimentary trap to prevent sediment being discharged to public waterways. In order to prevent debris on public roads, departing coal trucks are required to have a proper covering and must pass through provided wheel wash facilities. Air and water conditions are regularly inspected to ensure the effectiveness of measures taken towards dust suppression. Furthermore, the Company has constructed a closed coal storage system consisting of silos and conveying machinery to reassure minimal environmental impact.

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

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

(2) 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 employees. Accordingly, the report on any accident is the responsibility of the executive and employee by strictly follow the established procedure, regulation and order.

(3) The Company shall set up a 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.

(4) The Company shall arrange for the public relations and communication to build knowledge, understanding and dissemination of information to the employees 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.

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

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

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

(8) 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.

### **Policies and Guidelines Concerning Remunerations of Employees**

The Company's remuneration of employee is appropriate and is comparable to general practice of companies in the same industry with yearly readjustment accordingly to individual's performance. The Company offers remuneration rate above wage policy as stipulated by laws (minimum daily wage of 300 baht). Furthermore, the Company offers wide range of benefits e.g. bonus, business trip allowance etc.

### **Development of Employees' Quality of Life in the Workplace**

The Company realizes good work performance comes from employee with good quality of life. Therefore, the Company has organized activities which promote health in order for the employees to become healthy which will promote quality and efficient work from the employees. The Company has organized the following activities to help develop the quality of life of the employees.

#### **(1) Health Checkup Program for the Employees**

The Company has arranged for the health checkup for the employees every year to assess health condition of each employee after receiving the results of the health checkup. The Company shall organize activities promoting health and health care for the employees as good health should promote better quality and more effective work performance from the employees.

#### **(2) Influenza Vaccination Program**

The Company has arranged to provide the employees with vaccination to protect employees from influenza every year to reduce employees' illness. The Company realizes that health is wealth which should be good for the business operation.

#### **(3) After-work Exercise Project**

The Company has organized exercise program after work for the employees by arranging a place for the employees to go for exercise to reduce health risk from stress such as office syndrome, etc. Accordingly, the employees have chosen to participate from many exercise programs.

#### **(4) Health Care Project**

The Company has organized health care program for the employees through website and journal of the Company to provide knowledge, recommendation and risk prevention that may affect health condition in both physical and mental by inviting medical doctors and health experts from reputable hospitals to provide recommendations on health, illnesses for the employees to understand and maintain good health.

#### **(5) Employee Life and Health Insurance**

In addition to the privileges that the employees have received from the Social Security Fund and Workmen's Compensation Fund, the Company has provided life and health insurance policy from reputable insurance companies for the employees. The employees may use health care services from the specified hospitals as well as insurance protection for loss of life due to accident and illness according to the coverage and conditions as stipulated in such insurance policy.

#### **Provident Fund**

The Company and employees have jointly established a provident fund under approval from the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530, which consists of employee contributions or saving deposit at 5 percent of the salary and employer contributions ranging from 5-10 percent depending on the employment period of the employee. This provident fund is managed by the Bank of Ayudhya Public Co., Ltd., which will pay back the saving deposit and employer contributions including benefit to the employee after employment termination according to the established provident fund regulation.

#### **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 has commenced 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 in the program, plus the annual bonus which the employee has notified his/her wish to include in the program with maximum amount 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.

## 9. Corporate governance

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### Corporate Governance Policy and Code of Conduct

- The Board of Directors has approved of the Corporate Governance Policy in writing by notifying everyone in the organization for practices, having disclosed in the Annual Registration Statement (Form 56-1) and the Annual Report (Form 56-2) and periodically monitoring and reviewing 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, having disclosed in the Annual Registration Statement (Form 56-1) and the Annual Report (Form 56-2) and periodically monitoring and performing assessment on the effectiveness of the Code of Conduct.

### 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 three sub-committees; namely, the Audit Committee (“AC”), the Nomination and Remuneration Committee (“NRC”), and the Risk Management Committee (“RMC”). Details are shown under the topic “Management Structure” in the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).
- The Company has no Corporate Governance Committee due to uncomplicated organization structure and a few number of executives.
- 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.

### Nomination and Appointment of Directors and Top Executives

- The selection of individual for the appointment of Company’s Director shall be undertaken through the Nomination and Remuneration Committee by considering work experience, education, capability and qualifications as stipulated by the law. The Board of Directors shall then be proposed with this matter for further proposal to the shareholders’ meeting for consideration of the appointment of Director.
- Composition and nomination, appointment, removal or termination of Company’s director position have been specified within the Company’s regulation which can be summarized as follows:
  - (1) The Board of Directors consists of no less than 5 directors and not less than half of all the directors must have residence in the Kingdom and must have qualifications as stipulated by the law.
  - (2) The shareholders’ meeting shall vote for the appointment of directors according to the following rule and procedure.
    - (A) For each share that shareholder holds will be counted as one vote.
    - (B) Each shareholder must use all the votes to appoint one person or several persons for the director position but cannot divide the votes into different number of votes for a particular person in case of appointments of several persons for the director positions.
    - (C) The person receiving the highest number of votes in descending order will be appointed as the directors for the total number of director positions available at the time. In the case of a tie (equal number of votes) for successive positions available, the chairman of the meeting shall have the casting vote.
  - (3) At every Annual General Meeting of Shareholder, one-third of the directors shall be retired by rotation and if the number of directors is not divisible directly into three parts, the number of directors to be retired shall be the nearest to one-third. The number of directors to be retired in the first year and second year after the Company’s registration shall be done by lottery selection. For subsequent years, the directors in position the longest time shall be retired first. The director retired by rotation may be re-appointed.

(4) Any director wishing to resign from the office shall submit resignation letter to the Company. The resignation will be effective from the date the letter is delivered to the Company.

(5) In the event of vacancy of director position for reason other than by rotation, the Board of Directors may select a person, who is qualified and not of forbidden nature under the laws of the Public Listed Companies and/or laws of the Securities and Exchange Commission, to replace such director at the following meeting of the Board of Directors unless the remaining office term is less than two months. The replacement director shall retain the directorship position only for remaining term of office of his predecessor. Accordingly, the resolution of the Board of Directors must be passed by a vote not less than three-fourth of the number of the remaining directors.

(6) The shareholders' meeting may pass a resolution retiring any director from the office before the time of retirement by rotation by a vote not less than three-fourth of the number of the shareholders attending the meeting and entitled to vote and having shares in aggregate not less than one-half of the number of shares held by the shareholders attending the meeting and entitled to vote.

- The Nomination and Remuneration Committee shall consider initially the qualification of the person who will take the position of the Independent Director by considering the qualification and forbidding nature of the director according to the Public Limited Companies Act, Securities and Exchange Law, Notifications of the Capital Market Advisory Board including announcements, regulations and/or relevant rules. Furthermore, the Nomination and Remuneration Committee shall consider the selection of independent director from expertise, work experience and appropriateness in several aspects. The appointment of the Company's director shall then be proposed to the Board of Directors for screening and consideration before proposing to the shareholders' meeting for consideration and appointment as the Company's director. Accordingly, the Company has policy on the appointment of the Independent Directors for at least one-third of the total number of directors and must not be less than 3 persons.

- The independent director who has been nominated and appointed must have qualification and hold shares according to the regulation of the Office of the Securities and Exchange Commission as follows:

(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, staff member, employee, 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 legal registration 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 2 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 2 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 2 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 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.

The Independent Director having qualification according to item (1) to (9) 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.

- The Board of Directors of the Company or the shareholders' meeting appoints the Audit Committee consisting of at least 3 members by appointing from the Independent Directors of the Company having qualification according to the Securities and Exchange Law, including regulations and/or rules of the Stock Exchange of Thailand, having been nominated by the Nomination and Remuneration Committee. Accordingly, each Audit Committee member shall have the office term of 3 years each. In addition, the Independent Directors who are also the members of the Audit Committee must have additional qualifications as follows:

(1) Must not be the Director assigned by the Board of Directors to make business operation decision of the Company, holding company, subsidiary company, associated company, subsidiary of the same level, or corporate with possible conflict..

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

(3) 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.

- The Nomination and Remuneration Committee has duty to screen, select and appoint the Chief Executive Officer according to the rules and procedure as established by the Board of Directors by selecting the individual with knowledge, capability as well as having suitable qualification and experience that is beneficial to the Company's business operation and management.

- The Nomination and Remuneration Committee has duty to screen, select and appoint the top executives from the chief officer level and above according to the established rule and procedure by selecting the individual with knowledge, capability as well as having suitable qualification and experience that is beneficial to the Company and appropriate with the position and responsibility on a case-by-case basis.

## **Control over Operation of Subsidiary Company and Associated Company**

- The Company has policy for investment in subsidiary company or associated company with the same or similar business nature or business that supports Company's business and increases operating results or profit, or business that has synergy with the Company, which can support the core business of the Company to be more complete.

- The investment in the subsidiary company and associated company shall be under the control and inspection by the Board of Directors. For the control of the subsidiary company and associated company, the Company shall consider sending the director of the Company or select executive with suitable qualifications and experience for the business to be a representative in management to establish important policy and control over the management of such subsidiary company and associated company such as capital increase or reduction, termination of the company, etc. as well as control over complete and accurate disclosure of information concerning financial status and operating results, related transactions which are connected transactions, acquisition and disposition of assets or any other transactions in accordance with relevant laws and regulations.

## **Supervision over 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.

(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.

## **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 and employees must not disclose confidential information and documents or trade secrets for another two years after leaving such position.

(C) The executives and employees 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 employee of the Company must not disclose or express opinion to the outsider.

(B) The executive and/or employee 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.

## **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 employee 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 employee 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 employee 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 employee 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 employee must realize that the accuracy and completeness of the accounting and financial transaction are joint accountability of the directors, executives and employees.

(C) Every employee 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 employee 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 employee 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.

**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 employee 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 employee to comply with the law regarding the use of such computer.

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

(A) Employee 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) Employee must not violate software copyright or intellectual property of the others.

(C) Employee 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 employee for commercial use, copy, disseminate, or make revision of any kind without permission.

(D) Employee 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) Employee 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) Employee 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) Employee 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) Employee 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) Employee 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 employee if it has been found that the employee has used the system inappropriately or might cause damage to the Company.

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

#### **NON-VIOLATION OF INTELLECTUAL PROPERTIES AND COPYRIGHT**

- In pursuant to copyright related laws and computer acts, the Company has established a guideline as follows:

(1) Software being used for operation of the Company must be legal copies. "Free ware" or "Shareware" are usable.

(2) Installation, updates, modification, or uninstallation of any software on the Company's computers must be conducted by the Information Technology Sector, or be approved by the Information Technology Sector.

(3) In case of installation of unauthorized software, the employee who installed the software, including any employee who uses the computer with such software, shall be fully responsible and may be subjected to disciplinary action in accordance with the Company's regulation.

(4) Software of the Company may not be used with personal computers or computers of third-party without approval.

(5) Software of the Company may not be given to external persons, or be commercialized without approval, such as, lending or selling.

(6) Software of the Company may not be copied, distributed, or modified without approval.

(7) Inventions or software being developed are considered assets of the Company. The Company has all rights to such inventions or software. Employees may not distribute or commercialized such inventions or software.

(8) Anti-virus software shall be regularly updated by the Information Technology Sector. Users must scan for virus on any external data being used on the Company's computer.

(9) Employees must be responsible and vigilant while using software of the Company to prevent damage to the software which is an asset of the Company, and to the business of the Company.

(10) Employees and external persons who use software of the Company must strictly follow regulations of the Company. Any violation shall be subjected to disciplinary action according to the regulations of the Company and be subjected to legal proceedings.



## **PROCUREMENT**

- The Company has established a procurement unit to carry out any procurement matters in order to fulfil 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) Employee 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) Employee 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) Employee 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) Employee 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 employee.

(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.

## **ENERGY MANAGEMENT**

- Being committed to effective energy utilization, the Company has established a guideline for energy utilization and conservation as follows:

(1) The Company shall regularly and continuously develop energy management system, having energy conservation as a part of operations of the Company, while proceeding in accordance with related laws and regulations.

(2) The Company shall regularly and continuously improve energy efficiency of the Company as appropriate for the technology being used and good operating standards.

(3) The Company shall established energy conservation plan and target annually and communicate such plan to all employees for understanding and proper proceedings.

(4) The Company expects energy conservation to be the duty and responsibility of all executives and employees at every level, who must cooperate with the elected measures.

(5) The Company shall give necessary support, including human resources, technology, budget, trainings, and feedback for regular and continuous energy management development.

(6) The Company shall revise and update energy related policy, target, and plan annually for most effective energy management development and utilization.

## Audit Fees

<b>(A) The Company and subsidiaries have paid the audit fees for year 2015 as follows:</b>		
<b>Company Paying Audit Fee</b>	<b>Auditor</b>	<b>Audit Fee</b>
(1) Lanna Resources Public Co., Ltd.	Mrs. Saifon Inkaew EY Office Limited	Baht 1,050,000.00
(2) Thai Agro Energy Public Co., Ltd. (Subsidiary)	Mrs. Saifon Inkaew EY Office Limited	Baht 925,000.00
(3) PT. Lanna Harita Indonesia (Subsidiary)	Mr. Peter Surja Purwantono, Sungkoro & Surja (A member firm of the Ernst & Young Global Limited)	Baht 1,421,888.87 (Equivalent to USD 39,400)
(4) PT. Singlurus Pratama (Subsidiary)	Mr. Peter Surja Purwantono, Sungkoro & Surja (A member firm of the Ernst & Young Global Limited)	Baht 1,111,527.34 (Equivalent to USD 30,800)
(5) PT. Lanna Mining Services (Subsidiary)	Mr. Peter Surja Purwantono, Sungkoro & Surja (A member firm of the Ernst & Young Global Limited)	Baht 721,771.00 (Equivalent to USD 20,000)
<b>Remarks:</b> (1) Above audit fees do not include reimbursements from actual incurred expenses such as transportation charges, photocopies and facsimile charges. (2) Exchange rate: USD 1.00 = Baht 36.08855		
<b>(B) The Company and its subsidiary companies did not hire nor pay non-audited fee to auditors in 2015</b>		

- The Audit Committee has duty to select, propose the Company's auditor, and determine the audit fee based on reliability, resource sufficiency, and workload of the audit office. The experience of the assigned auditor is also considered. (See "Report of the Audit Committee" on page 134 to 135 of this Annual Report for more information.)

## 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 2015, the Company convened the Annual General Meeting of Shareholders on April 27, 2015 between 15.00 hrs. to 16.30 hrs. at the Grand Hall Room, 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 13 directors out of 14 directors, and 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. For five consecutive years, the Company has received 100 points out of 100 points total for the assessment result on the Annual General Meeting of Shareholders Year 2011 to 2015.

- 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, including advertisement or meeting invitation at least 3 days prior to the meeting 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 an individual shareholder or combined number of shareholders with shareholding of no less than 0.50 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: [saharat@lannar.com](mailto:saharat@lannar.com)*

*Telephone: 02-2538080 Facsimile: 02-2536822*

- 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 at least 2 Audit Committee Members and encouraging the shareholder to use the proxy form which comments may be specified for the voting.

- The Company has provided adequate information for each meeting agenda within the shareholders' meeting invitation for decision making, including, background and rationale and opinion of the Board of Directors. 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, the Company has engaged Thailand Securities Depository Co., Ltd. to render services supervising vote counting for each meeting agenda. The procedure on voting and vote counting are 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. The Company will reveal the voting result of each agenda on the next working day through the Stock Exchange of Thailand.

- The shareholder has the right to vote at the shareholders' meeting with one share being counted as one vote. In addition, the shareholder also has 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.

- At the shareholders' meeting, the Board of Directors and Executives, comprising of the Chairman, Chief Executive Officer, Chairman of each sub-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, in which important inquiries and recommendations shall be recorded in the meeting minutes.

- The Company Secretary and the assigned working team have 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.

- In 2015, the Company has arranged three trips of plant visit at the Ayutthaya Coal Center for 45-50 shareholders each trip. This allows shareholders to visit the sites and inquire about operating issues.

## **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 human rights, copyright and intellectual property and/or violate the rights of those stakeholders, including anti-corruption and prohibit bribery for business interest by notifying the above policies to everyone in the organization for compliance and also disseminating the information within the Annual Registration Statements (Form 56-1), Annual Report (Form 56-2) 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 look after the environment 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.

- The Company has established criteria and procedures concerning reports on interest of the directors, executives and related persons, in accordance with the Securities and Exchange Law and other related law.

- The Company has established policies and guidelines regarding good corporate governance in order for clear understandings and practices which everyone in the organization shall adhere to while treats stakeholders' rights as priorities.

## **Information 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, Chief Executive Officer or Managing Director, 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 prepared the Management Discussion and Analysis (MD&A) to be disclosed together with the Financial Statements of each quarter and yearend for shareholders' and investors' acknowledgement and understanding of changes in the Company's financial and performance during each quarter and year.

- 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).

- In 2015, The Company has organized 4 meetings between the Company and analysts from over 12 securities companies and banks as follows:

**First Meeting:** On March 11, 2015 presented the yearly operating performance of 2014 and expected projects in 2015.

**Second Meeting:** On June 22, 2015, presented the operating performance of the first quarter of 2015 and projected operating performance for the second quarter of 2015, as well as coal and ethanol price and market and ongoing projects.

**Third Meeting:** On August 19, 2015, presented the operating performance of the second quarter of 2015 and the first six-month period of 2015, and projected operating performance for the third quarter of 2015, as well as coal and ethanol price and market and ongoing projects.

**Fourth Meeting:** On November 17, 2015, presented the operating performance of the third quarter of 2015 and the first nine-month period of 2015, and projected operating performance for the fourth quarter of 2015, as well as coal and ethanol price and market and ongoing projects.

## **Responsibilities of the Board of Directors**

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

- During 2015, the Board of Directors consisted of 14 directors, including 4 executive and authorized directors and 6 non-executive directors and 4 independent directors and Audit Committee members. 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 percent of all the number of shares with voting right.

- The nomination process for the Company's director positions must pass through the Nomination and Remuneration Committee. 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 sub-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.

- 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 Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

- 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) Executive directors or full time directors may take up directorship position at no more than 4 listed companies.

- (B) Non-executive directors or professional directors may take up directorship position at no more than 6 listed companies.

- (C) The Chairman of the Board may take up the Chairman of the Board position at only 1 listed company.

- For the proposal of the persons for the directorship positions of the Company, sufficient information on directorship positions in other companies for each person must be provided to the shareholders for consideration before the voting for the appointment.

- Top executives may take up directorship positions in the Company’s subsidiaries or affiliated companies with an approval from the Board of Directors.

- 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) 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.

## **(3) Transactions with Possible 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.

- The Company has disclosed the information on related transactions or connected transactions within the Company's Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

#### **(4) 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:

##### **(A) Objectives**

(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.

(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.

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

(3.1) 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);

(3.2) 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).

##### **(B) Procedures for Reporting on Interest**

(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.

(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.

(1.2) Reporting of change in information on the conflict of interest after the first time reporting in (1.1) must be filed without delay within 3 (three) working days starting from the date of the change in such information on interest.

(2) The Company Secretary shall forward a copy of the submitted report on interest of the directors and executives under (1) above 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 (1) to be used by the Company for the above objectives.

(3) The Company shall disclose information on the submitted interest of the directors and executives under (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.

#### **(5) Report on 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.

#### **(6) 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 7 to 10 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 the Annual Report (Form 56-2). 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.



## **(7) Assessment of Performance of the Board of Directors and Sub-Committees**

- The Board of Directors has established criteria and arranged for the self-assessment on the performance as a whole board and of individual director at least once every year. 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.

- The Audit Committee has established criteria and arranged for the self-assessment on the performance as a whole board and of individual member at least once every year. The aforementioned Self-Assessment Form requests that the assessor specify the strong points, weak points and matters that require improvements. The Audit Committee has jointly considered the results of the assessment and established guidelines for improvement of the Audit Committee's performance for the following years.

- The Risk Management Committee has established criteria and arranged for the self-assessment on the performance as a whole board and individual member at least once every year. The aforementioned Self-Assessment Form requests that the assessor specify the strong points, weak points and matters that require improvements. The Risk Management Committee has jointly considered the results of the assessment and established guidelines for improvement of the Risk Management Committee's performance for the following years.

## **(8) Remuneration of Directors and Executives**

- The Nomination and Remuneration Committee has duty to determine remuneration of directors and executives by establishing criteria that is comparable to the general practice of companies in the same industry or listed companies in the same sector. The remunerations are thoroughly considered with various factors including operating business result, profit, etc. and are then presented to the Board of Directors for further approval from the shareholders case by case basis.

- Sub-committee members or directors who have been appointed and given additional duty will receive additional remuneration correspondingly.

- 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).

- 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.

## **(9) Development of Directors and Executives**

- The Board of Directors has established that there is an orientation or a briefing for the new director and executive for understanding of the business and duties as the directors and executives as well as to develop knowledge and new aspects in terms of corporate governance, industry outlook, and innovations in order to effectively perform their duty at the earliest. The Company Secretary arranges matters as follows:

- (a) Must-know matters such as structure of business, structure of committee, structure of the company, scope of authority and responsibility as well as regulation related to business operation, etc.

- (b) General business knowledge i.e. operating guidelines and operation plant visits.

- (c) Arrange a meeting with Chairman of the Board, Chief Executive Officer of Managing Director for in-depth discussion regarding the business nature of the Company.

- 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.

- The Company has established policy to provide knowledge to the directors continuously by enrolling them in the courses offered by the Thai Institute of Directors (IOD) and other courses for the directors to understand the role of director and also provide knowledge about business nature of the Company.

- The Company encourages continuous learning for executives and employees e.g. the Company's Secretary, Auditor, Accountants, etc. Employees shall enroll in courses or training programs that are related to their field of work to always learn new technique and skill sets.

#### **(10) Succession Plan**

- The Board of Directors has managed to ensure that the Company has the system for nomination and selection of personnel to assume the duties and responsibilities in every level of important executive positions suitable for the business of the Company.

- In case that Chief Executive Officer or Managing Director cannot perform their duties, the Company has senior executives below from the Chief Executive Officer or Managing Director who can take up the task.

- The Company has developed a strategic plan in selecting successor as follows:

(a) Analyzing situation of the Company: considering business expansion in 3-5 years, the Company has to estimate appropriate headcount and qualifications of employees.

(b) Investigating positions with risk: Human Resources and Administrative Department will review each position's years of service, numbers of employees expect to join early retirement program, and numbers of employees that may leave in order to determine the competency of the workforce to carry out the Company's strategic plans. Otherwise, how long it would take to recruit new employees for the Company's expansion.


(c) Planning employee recruitment and development: for the recruiting position, specify desired requirement of knowledge, personality, and attitude.

(d) Selecting and reviewing performance and potential: to review employee performance and potential for promotion, 360-degree feedback method is used in order to minimize biased opinions and error in evaluation.

(e) Identifying the successor: Human Resources and Administrative Department must notify the qualified candidate in advance of trainings in preparation for new duty which normally takes a year before the opening of position. The employees must realize the importance of their positions to the Company hence the importance of a prompt replacement in case of one is promoted.

(f) Timely reviewing and developing: even after passing the evaluation, it is not certain that the successor can perform according to expectation therefor a performance evaluation from time to time, to review the learning curve and self-improvement, is crucial. If the performance does not meet the expectation, a more suitable candidate will replace in timely manner. A strategic plan for finding a succession for important positions allows the Company to potentially and effectively sustain a continuous long termed growth.

#### **Corporate Governance Assessment of Year 2015**

The Thai Institute of Directors Association (IOD) has prepared the Corporate Governance Report of Thai Listed Companies Year 2015, of which Lanna Resources Public Co., Ltd. was placed with excellent assessment (  ) with the average score of 84 percent.

## FUNDAMENTAL POLICY ON CORPORATE GOVERNANCE

- The Company 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) Oppose to any forms of corruption and instill 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.

Corporate governance is considered the responsibility of every Director, executive and employee at every level of the Company, which must be adhered to and practice with accountability, prudence and integrity. The shareholders must be taken care of fairly and equally. Inside information must be protected from wrongfully seeking for own and others' benefit. Information must be transparently disclosed. Code of business conduct must be practiced toward every group of stakeholders without violation of human rights. Political neutrality is to be maintained and every form of corruption must be fought against. This is for the development and sustainability of the Company in long term.

## **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 Community, Society and Environment**

(6.1) Will not engage in business activities and any actions that could damage the reputation of the Country, natural resources and environmental condition and the overall society.

(6.2) Support activities that are beneficial to the community and society overall. Be conscious in the conservation of the environment and local culture.

(6.3) Encourage moral principles or conscience and responsibilities to the overall communities among the employees at every level seriously and on a regular basis. Enhance the quality and security of the overall community, society, and environment by its own initiative or participating with the government.

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

(6.5) Will not cooperate or support any person involving in illegal business or dangerous to the society and security of the Country. Oppose to any forms of corruption.

## **(7) Toward International Human Rights**

(7.1) The Company strictly abide by the human rights principle by providing knowledge and understanding in human rights to employees as part of the operation in the Company, as well as discouraging any business that violates human rights or illegal business.

(7.2) Employees at every level must thoroughly understand the law concerning with their duties and responsibilities and strictly comply with the governmental laws and regulations. Employees should consult with their supervisors and/or related law consultant on any law related concerns. Do not imply and proceed alone.

(7.3) 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.

(7.4) The Company shall uphold fairness and sincerity upon engaging in management related to salary, wages, benefits, and employment terms without favoritism. Forced labors and child labors are not tolerated. The Company shall support all employees with equal opportunity and provide appropriate and pleasant working environment. Additionally, the Company shall comply with the Labor Protection Act and Thai Labor Standards, including other related laws and regulations.

## **(8) Toward Political Neutrality**

(8.1) The Company recognizes the importance of political neutrality. It shall not be involved and aligned with any political parties and political figures.

(8.2) The Company shall not give any monetary support or resources of the Company to any political parties and politicians, directly or indirectly.

(8.3) The Company shall not be involved in the promotion and advertisement of any political parties and politicians in the area of the Company, and resources and assets of the Company shall not be used for such purpose.

(8.4) The Company encourages all employees to exercise their rights on elections according to the Constitution. The Company does not have a policy of both direct and indirect monetary support in favor of any politicians and political parties.

(8.5) Employees at every level are able to exercise their just political rights as an individual. Employees shall not exploit their position in the Company and the name and the seal of the Company in convincing other people to give monetary and other supports to any politicians and political parties.

The Company has no policy for employee at every level of the Company to order or persuade in any way to make employee and subordinate join any type of political activities which may create conflict within the organization and cause damage to the Company in any case.

## **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.

## 10. Corporate Social Responsibility

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With focus on social responsibility in every aspect of operation, the Company has been pursuing sustainable development, including but not limited to, maintenance of good environment, wealth distribution throughout the community, uplifting the quality of life in the community, and fostering good relationship with stakeholders. The corporate social responsibility is integrated to the business operations, encompassing the following eight topics:

- |   |  |
|---|--|
| • <b>Fair Business Conduct</b>            | • <b>Responsibilities toward Consumers</b> |
| • <b>Anti-Corruption Measures</b>         | • <b>Environmental Responsibility</b>      |
| • <b>Respect for Human Rights</b>         | • <b>Community and Society Development</b> |
| • <b>Equitable Treatment to Workforce</b> | • <b>CSR and Innovation</b>                |

### **Fair Business Conduct**

In order to ensure fair business conduct, guidelines dealing with stakeholders are established in the Code of Conduct by focusing on responsibility toward stakeholders, including shareholders, employees, customers, business partners, community, society, and environment. Not only as stipulated by the law, the stakeholders' rights shall not be violated whatsoever.

- **Policy on Fair Business Conduct**

(1) Will not engage in business activities and any actions that could damage the reputation of the country, natural resources and environmental condition and the overall society.

(2) Support activities that are beneficial to the community and society overall. Be conscious in the conservation of the environment and local culture.

(3) Encourage moral principles or conscience and responsibilities to the overall communities among the employees at every level seriously and on a regular basis. Enhance the quality and security of the overall community, society, and environment by its own initiative or participating with the government.

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

(5) Will not cooperate or support any person involving in illegal business or dangerous to the society and security of the country. Oppose to any form of corruption.

- **Policy and Responsibility toward Shareholders**

(1) Determined to develop the Company based on actual potential and capability to ensure sustainable return for shareholders from effective operation and good profitability.

(2) Respect the equitable right of shareholders for access of necessary information, and disclose factual operating results, financial status, and related information as required by the Securities and Exchange Commission and the Stock Exchange of Thailand.

(3) Treat every shareholders with equality without restraining the right of shareholders to company's information and attendance of shareholders' meeting. For example, never abruptly disseminate additional documents with important information on the day of the meeting, never add additional meeting agenda or change important information without notice to shareholders, never prohibit attendance of late shareholders, allow minority shareholders to propose a topic to be added in the meeting agenda in advance, allow proposition of qualified persons for director position of the Company, and allow the shareholders to submit related questions prior the meeting, etc.

- **Policy on Conflict of Interest**

(1) Employees shall avoid having conflict of interest of oneself with the interest of the Company while dealing with business partners and other related persons.

(2) During employment and post-employment, employees shall not disclose confidential information of the Company to anyone, whether the electronic information, financial information, business information, business plan, or other important matters.

(3) Employees who become directors or consultants of other companies, organization, or business association shall not have any conflict of interest and have a prior approval from the Board of Directors and/or supervisors.

(4) In case of the employees or their family members participate or hold shares in any business which may have a conflict of interest, the Chief Executive Officer or Managing Director must be immediately notified in writing.

(5) Employees shall not insure and/or borrow money from business partners of the Company except from financial institution due to the fact that it may directly or indirectly influence the operation of the Company's agents.

(6) Employees shall never offer gratuity or assets of the Company to others without permission or approval from authorized supervisors.

(7) Employees shall fully devote their time and effort for the business of the Company. In case that necessitates additional part time job for additional income or other purposes, the nature of the job must not violate any law or upset the peace and morality of the populace, not be a conflict of interest of the Company, not adversely affect the reputation and operation of the Company, not abuse the confidential information of the Company, and not affect the responsible tasks, etc.

### **Anti-Corruption Measures**

The Company is committed to anti-corruption in every form. The Board of Directors has established a regulation concerning anti-corruption for raising of the awareness of directors, executives, and employees at every level about the danger of corruption, instilling proper values, and inspiring confidence of all stakeholders for sustainable development of the corporation in long-term. Accordingly, the Board of Directors' Meeting No. 7/2013 dated December 16, 2013 has resolved to enroll the Company in certification process as member of "Thailand's Private Sector Collective Action Coalition against Corruption (CAC)". Accordingly on January 24, 2014, the Company has signed the declaration of intention to fight against corruption. On July 10, 2015, the Company has been certified as a member of the CAC.





### • **Anti-Corruption Policy**

All directors, executives and employees of the Company at every level are prohibited from engaging in or tolerating any form of corruption, directly or indirectly, for both local and overseas businesses and all relevant work units. Regular inspections and reviews of the work are arranged to ensure compliance with the anti-corruption policy. Also, guidelines and regulations are regularly reviewed for conformity with changes in business condition, relevant rules, regulation and legal provision. The policy is as follows:

(1) All directors, executives and employees at every level must adhere to the anti-corruption policy and code of conduct by not involving in any corruption activities, directly or indirectly.

(2) All employees of the Company at every level must not neglect or ignore when seeing any corruption activities related to the Company and must immediately notify the supervisors or related persons for acknowledgment and cooperate in the investigation. If in doubt, the employee should consult with the supervisors or the person assigned by the Company to be responsible on matters related to the code of conduct through established channels.

(3) The Company shall protect the employee who has notified and reported on the corruption activities as specified under Company's policy on the whistleblowing or complaints by stakeholders.

(4) The person involved in the corruption activity is considered in violation of the code of conduct and must be put through disciplinary actions as stipulated in the Company's regulation. In addition, such person may be punishable by law if illegal action has been committed.

(5) The Company recognizes the importance in educating third-parties who do business with the Company about the compliance with the anti-corruption policy.

### • **Guidelines concerning Anti-Corruption**

(1) This anti-Corruption policy covers personnel management including, recruitment, promotion, training, performance evaluation, and remuneration. Supervisors at every hierarchical level need to communicate with employees to ensure effective compliance.

(2) Any measures according to the anti-corruption policy shall follow the guidelines established in the Corporate Governance Handbook and other related guidelines established by the Company in the future.

(3) For the matters with high risk of corruption, every director, executive and employee at every level must operate with caution especially on the following items.

(3.1) Receiving or giving of gifts, assets or other benefits must conform to stipulations of the Company.

(3.2) Receiving or giving of donation or supporting fund must be carried out in transparent and legal manners by ensuring that the donated or supporting money shall not be used as bribery.

(3.3) Receiving or giving of bribe in any business operations are forbidden. Company's operations and contacts with the government sector must be done strictly with transparency, integrity, and in compliance with the laws.

- **Duty and Responsibility on Anti-Corruption Policy**

(1) The Board of Directors has duty and responsibility to establish policies and oversee that there is a system in place to promote anti-corruption effectively in order to build confidence for the management to recognize and give precedence to anti-corruption and foster it to become part of the corporate culture.

(2) The Audit Committee has duty and responsibility to review the accounting and finance system, internal control system, internal audit system, and risk management system to ensure that every system has been carried out according to global standards with prudence, sufficiency, and effectiveness against corruption.

(3) The Chief Executive Officers and executives at every level have duty and responsibility to establish a system to promote anti-corruption policy and convey this policy to the employees and relevant work units, as well as to review the appropriateness of the system and measures to conform to changing business situation and relevant rules and regulations and laws.

(4) The Internal Audit Office has duty and responsibility in the audit and review of operations to be in compliance with policies, guidelines, rules, and regulation. It also has approval authority as well as relevant legal provision to ensure that the control system is appropriate and sufficient for the potential risk involving corruption. The Internal Audit Office directly reports to the Audit Committee.

(5) The Risk Management Committee has duty and responsibility to regularly assess the risk concerning corruption which may occur in any process as well as propose appropriate guidelines to mitigate the risk to be presented to the Board of Directors for review and establish measures for conformity to mitigate such risk that may occur.

- **Policy on Whistleblowing or Complaints**

According to good corporate governance, the Board of Directors has established the policy concerning policy concerning whistleblowing or complaints by stakeholders to ensure effective measures for stakeholder engagement as follows:

(1) Provide opportunity for the stakeholder for whistleblowing or making complaints

Any stakeholders who wish to contact the Board of Directors directly without going through the executives 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, to the following address:

Chairman of the Audit Committee

41/9 Rim Klong Bangsakae 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.

#### • Policy on Receiving or Giving of Gifts, Assets and/or Other Benefits

(1) Every Director, executive and employee at every level are strictly prohibited from demanding or receiving gifts, assets and/or any benefits from the customer, trading partner and/or person with related business with the Company regardless whether it is personal or for other persons which may cause unfair decision, bias or unease which might create conflict of interest.

(2) Receiving or giving of gifts on occasions of good traditions must be of little value, with price that is not inappropriate price or extravagant, such as souvenirs, marketing promotional gifts or general gifts, etc. Every employee can use their own judgment whether or not the gift is appropriate. If in doubt, the employee should consult with direct superior for advice, by considering the intention of the giver and receiver whether or not it is appropriate.

(3) Receiving or giving of gifts in form of cash, cheque, cash coupon, gold, jewelry or any other valuables is deemed inappropriate and uncalled-for. Without any exception, it should first be assumed that this action indicates wrongful doing or hidden intention to exploit one's authority.

(4) If it is found that any employee conducts wrongful action and/or has intention for exploitation whether for themselves or other persons, the Company shall deem that the employee is grossly breaking discipline and will be strictly subjected to disciplinary action according to the Company's regulation without any exception.

#### **Respect for Human Rights**

Respect for human rights is fundamental for human resource development and directly relates to the business as added value. Also, human resource is a key factor for the business. Therefore, the Company always improves the surrounding and working conditions for better quality of life and in order to draw full potential of the employees. The employees are also provided with opportunities to train and develop their skills. The policy and regulation in accordance with the principles of fundamental human rights have been established as follows:

(1) The Company strictly abides by human rights principle by providing knowledge and understanding in human rights to employees as part of the operation in the Company, as well as discouraging any businesses that violate human rights.

(2) Employees at every level must thoroughly understand the law concerning with their duties and responsibilities and strictly comply with the governmental laws and regulations. Employees should consult with their supervisors and/or related law consultant on any law related concerns. Do not imply and proceed alone.

(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.

(4) The Company shall uphold fairness and sincerity upon engaging in management related to salary, wages, benefits, and employment terms without favoritism. Forced labors and child labors are not tolerated. The Company shall support all employees with equal opportunity and provide appropriate and pleasant working environment. Additionally, the Company shall comply with the Labor Protection Act and Thai Labor Standards, including other related laws and regulations.

### **Equitable Treatment to Workforce**

(1) The Company always operates with equitable treatment to its workforce. In the past, the Company never had any disputes with its workforce and always strictly follows the labor law.

(2) The Company provides wages and salaries at no less than the rate required by law. Compensations to managers and employees are considered based on skills, experiences, and expertise of each individual. Suitable adjustment is also regularly made according to the economy.

(3) The Company also never ceases to improve the working environment. Events are regularly held to promote good relationship among employees, such as, New Year activities, founding day, etc.

(4) The Benefit Committee is established to ensure proper benefits as required by law and to inspire morale. Safety in workplace is focused, with related trainings regularly held. The surrounding environment is ensured with regular water and air quality monitoring every six month. In 2015, no accident has been occurred for three consecutive years.

(5) Other policy and guidelines concerning equitable treatment to workforce, including other activities are disclosed in this Annual Report, page 145 - 152, "Employee Information."

### **Responsibilities toward Consumers**

A customer relation sector has been established to engage with customers and receive any feedback in order to ensure customer's satisfaction in the products and services. Also, the production process is always being improved according to the customer's needs along with reduction of unnecessary cost. Moreover, business is conducted fairly. The policy and regulation regarding this matter are as follows:

(1) The Company shall produce products or services that are safe and reliable without any harm to the consumers' health.

(2) The Company shall safeguard customer information and shall not forward any information without customer's consent.

(3) The Company shall disclose correct and adequate information concerning its products by considering the health and good living of the consumers such as hype or exaggeration, complete and correct information on product label, easy to read and understand, product safety instruction as well as instruction on sanitary disposal of the product

(4) The Company shall encourage the consumers and manufacturers to use products and services that are concerned and care about environment and society.

(5) The Company shall develop its products and services for the benefit of the organization together with bringing the community of consumers to become a society full of good people with culture and moral which shall develop further toward sustainability.

(6) The Company shall operate on free competition and play by the rules. It shall never slanderously attack competitors without reasonable evidence.

(7) The Company shall cooperate with competitors for the benefit of the consumers. Such cooperation shall not involve being a monopoly, sharing of revenue and market, deterioration of product quality, and readjustment of price and service that would adversely affect overall consumers. The personnel of the Company shall engage with competitors or their personnel with care without disclosing or revealing any Company's secret to competitors.

(8) The Company shall select its business partners by considering the competency and experience of the business partners, their financial status, reputation, history on their whistleblowing and legal cases, business partners' company policy, and risk factors of the business partners, etc.

### **Environmental Protection and Preservation**

The Company operates with awareness of environmental responsibility trying to protect and preserve the environment in all action undertaken in the business operation in order to make sure that no consequential impact will occur from the Company's business operation.

#### **• Environmental Responsibility Policies and Guidelines**

(1) All executives and employees shall operate with quality management system of occupational health and safety, and environment as it optimizes efficiency and effectiveness for the best interest of the Company.

(2) Executives and employees must adhere to and work in compliance with laws, policies and regulations concerning quality standard of occupational health and safety, and environment.

(3) The Company shall undertake any measures to control and prevent loss from fire accident, physical accident, loss or damage of property, security breach, wrong procedure and operation error as well as maintain working environment to ensure employees' safety. It is executives' and employees' duty to report accidents by strictly following established protocol.

(4) The Company shall establish an emergency control and prevention plan for all work areas as well as an organization's emergency and crisis management plan to prepare countermeasures for situations that may occur. Moreover, the Company shall also undertake preparation for other crisis that may cause the business suspension, damage to the reputation and image of the organization.

(5) The Company shall publicize and communicate in order to convey knowledge and understanding to the employees and stakeholders about the policies, regulations, procedures and cautions concerning quality, safety and occupational health in order to bring into practice with accuracy without any harm to health, properties and environment.

(6) The Company shall promote and create awareness of quality, safety and occupational health and safety to be applied to employees' everyday work.

(7) The Company shall provide training for employees and assign supervisors with additional responsibility of managing and overseeing the operation with good safety system and constant practice always.

(8) The Company shall improve standards of safety and environment to an international standard for better quality of working life and environment.

(9) The Company is fully and continually committed to corporate social responsibility in terms of quality, safety and occupational health and safety, and environment. The Company recognizes the importance of environment, safety of stakeholders and social responsibility activities and plans to optimize the natural resources in order for a sustainable development of living standards in the community in accordance with the principles of sustainable development.

## • Activities for Environment in the Past Year

• Every coal mining project must operate according to the mine plan and conduct environmental impact analysis and study that must be approved by relevant governmental agency. The mine site rehabilitation and improvement are also carried out and completed in order to improve environmental surroundings and ecosystem and return to its useful state. Mine site rehabilitation and improvement was carried out by plantation of trees with conservational value, land utilization and improvement for agriculture, water reservoirs, residence, etc.

• PT. Lanna Harita Indonesia, a subsidiary company operating coal mining business in Indonesia, has received the following awards:

(1) Bronze Certificate for Environmental Management from Directorate General of Mineral and Coal of Indonesia in year 2015 for its good environmental management according to regulations.

(2) Green Rating for Excellent Environmental Management from the Governor of East Kalimantan, Indonesia for three consecutive years (2013-2015) for its good environmental management according to regulations.

(3) Blue Rating for Excellent Environmental Management from the Ministry of Environment of Indonesia for three consecutive years (2013-2015) for its good environmental management according to regulations.



- PT. Singlurus Pratama, a subsidiary company operating coal mining business in Indonesia, has received the following awards:

(1) Green Rating for Excellent Environmental Management from the Governor of East Kalimantan, Indonesia for three consecutive years (2013-2015) for its good environmental management according to regulations.

(2) Silver Certificate for Environmental Management from Directorate General of Mineral and Coal of Indonesia in year 2015 for its good environmental management according to regulations.

(3) Safety Management of Mineral and Coal Mining Contractor Period of 2014 from Directorate General of Mineral and Coal of Indonesia in year 2015 for its safety management according to regulations.





• The Ayutthaya Coal Distribution Center in Ayutthaya Province, a domestic operator, has carried out measures concerning the environment as well. In order to prevent dust pollution, trees have been planted as wind barriers, and high-pressure water spray system has been set up to constantly spray water around coal stockpiles and hauling roads. The sediment from waste water is contained and not released to the public river. Coal trucks are ensured to have complete coverage, and their wheels are washed before entering public road. Additionally, air and water quality are tested half-yearly. In order to contain the dust more effectively, a close system of large silos has been constructed for coal storage. Finally, the Company has been awarded with Corporate Social Responsibility Award in the 2<sup>nd</sup> Thailand Coal Awards 2015 on June 25, 2015, hosted by Department of Mineral Fuels, Ministry of Energy, underpinning the commitment of the Company towards the environment and sustainable coexistence with the local community.



#### THAILAND COAL AWARDS 2015 "CORPORATE SOCIAL RESPONSIBILITY"

Lanna Resources Public Company Limited has engaged in coal business both domestically and internationally since 1985, from the original coal mine in Li District, Lumphun Province and in Nong Ya Plong District, Petchaburi Province, to coal mines in Indonesia. Additionally, the company has diversified by engaging in ethanol-for-fuel business in Suphan Buri Province.

Established since 2002, the current center of domestic coal business is the Ayutthaya Coal Distribution Center, located at Nakhon Luang District, Ayutthaya Province. The center mainly distributes coal to domestic customers for cement production and other industries. With emphasis on coexistence with local community, sustainable business practice is ensured with tight production control, environmental measures, and engagement with the community.



Truck wheel washing before exiting to public road



Scholarship for local students



Prevention of dust from production process



Coal loading on trucks



Local labors are employed.



Wind barrier surrounding coal stockpile



Sediment pond



Dredging by employing local labors



Cargo is tightly sealed



Dust prevention using canvas



Riverside wind barrier



## **Community and Social Development**

- The Company realizes the importance of continuous community and social development and has established policies concerning community and social development as follows:

- (1) Not engage in business or an act that may defame the country or has negative impact to natural resources, environment or society in general.

- (2) Encourage activities that are beneficial to community and society and prioritize preservation of environment and local culture and tradition.

- (3) Commit to continuously raise awareness concerning community, social and environmental responsibility among employees in all levels as well as improve standard of quality and safety toward the community, society and environment by itself or with assistance from the government sector.

- (4) Operate or control so that there is strict compliance with relevant laws and regulations.

- (5) Must not support and engage with an individual or business that involves with illegal activity or is a danger to society and national security as well as stand against any types of corruptions.

- The Company has joined “Raks Chum Chon” group to organize and debut the activity called “Raks Baan Raks Chum Chon”, which is a group of business operators in coal and cement industry with operating sites in the district. The purpose of the group is to look after the local community, Nakorn Luang District, by auditing standards of ports, operation site and workplace condition of the member companies to ensure their standards are in accordance with the government’s regulations and continue to find way to improve the standard.

- The Company supports education by granting scholarships to student who needs financial aids, financially support an employment of an English teacher and encourage employees to volunteer as guest teachers at schools in local community under the project called “Lanna’s Volunteer Spirit Teaching Kids to Use Computers” at schools in Ayutthaya Province, etc.

## **CSR and Innovation**

- The Company operates business by applying the concept of social responsibility and sufficiency economy to business strategies which derived from years of expertise. The development of the combination leads to business innovation which adds competitive edge and value to the Company’s sustainable growth.

❖ **More information concerning corporate social responsibility is available for shareholders and investors to access at [www.lannar.com](http://www.lannar.com).**

## 11. Internal Control and Risk Management

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- 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 staff and executives are clearly specified in writing. There exists supervision and control on the use of Company's assets for the benefit of the Company. Also, duties of the personnel are separated to create appropriate balance and check among each other. The Company has established the Internal Audit Office to conduct internal audit to ensure that main operation and important financial activities of the Company are effectively performed according to the established guidelines, as well as to review of compliances with relevant laws and regulations.

- The Board of Directors has placed emphasis on the risk management having appointed the Risk Management Committee comprising of executives from every department joining together as members to carry out the risk assessment of the business covering the whole organization as specified within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2). Compliance with relevant laws and regulations are consistently monitored and supervised.

- 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; to maintain and utilize the assets economically and appropriately; to assess and manage risks effectively and cautiously and continuously. Moreover, each unit must establish work system that is standard and has adequate internal control in order to control risks to within an appropriate level so not to have any significant impact to the Company's operation. Communication and development of staff within the unit have been established so to foster shared feeling to carry out work in accordance with appropriate practices, including compliance with the relevant laws and regulations and 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 staff 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.

- 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. 1/2016 dated February 29, 2016, having Audit Committee Members 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 2015, the internal control system of the Company and its subsidiaries were sufficient and appropriate, by which the Audit Committee also shares the same opinion.

- The Audit Committee has duty to consider the independence of the audit office as well as to approve for the appointment, removal and transfer of the person in the position of Internal Audit Department Manager responsible for internal audit of the Company. (Please refer to Appendix 3)

- 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.

## 12.Related Party Transactions

(1) During year 2015, there were no interests or related party transactions between the Company, subsidiaries and associated companies with the directors and/or the executives.

(2) During year 2015, 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

1	<p><b>Type of Transaction</b></p> <p>Coal Sale and Purchase</p> <p><b>Related Parties</b></p> <p>Seller: Lanna Resources Public Co., Ltd. ("Lanna")</p> <p>Buyer: Siam City Cement Public Co., Ltd. ("SCCC")</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>SCCC holds 44.99 percent of paid-up capital in Lanna, having three joint representatives being directors of Lanna, namely, Mr. Paul Heinz Hugentobler, Mr. Vorathep Rangchaikul, 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. SCCC uses coal as its primary source of fuel; therefore, future sales and purchase transactions should continue into the future.</li> </ul>	<p><b>Transactions during Year 2015</b></p> <ul style="list-style-type: none"> <li>Total Coal Volume: 899,323.83 tons</li> <li>Total Value: Baht 1,581,398,975.73</li> <li>Balance Amount as at December 31, 2015: Baht 126,630,892.22</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>
2	<p><b>Type of Transaction</b></p> <p>Coal Sale and Purchase</p> <p><b>Related Parties</b></p> <p>Seller: United Bulk Shipping Pte. Ltd. ("UBS")</p> <p>Buyer: Lanna Resources Public Co., Ltd. ("Lanna")</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 49 percent of paid-up capital in UBS, having three joint representatives being directors of UBS, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul and Mr. Srihasak Arirachakaran.</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 Lanna's core business; therefore, the tendency for future transactions between the parties should continue into the future.</li> </ul>	<p><b>Transactions during Year 2015</b></p> <ul style="list-style-type: none"> <li>Total Coal Volume: 839,230 tons</li> <li>Total Value: of USD 27,650,738.86 or approximately Baht 945,238,403.03</li> <li>Balance Amount as at December 31, 2015: USD 131,288.06 or Baht 4,737,995.72</li> <li>Exchange Rate: USD 1 = Baht 36.08855</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Market price for similar coal quality</li> </ul>

3	<p><b>Type of Transaction</b></p> <p>Coal Sale and Purchase</p> <p><b>Related Parties</b></p> <p>Seller: PT. Lanna Harita Indonesia (“LHI”)</p> <p>Buyer: PT. Lanna Mining Services (“LMS”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 55 percent of paid-up capital in LHI, represented by following commissioners and directors:               <p>(A) Board of Commissioners: having two representatives from Lanna; namely, Mr. Kraisi Sirirungsi and Mr. Saharat Vatanatumrak.</p> <p>(B) Board of Directors: having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Atichart Mongkol and Mr. Thamrong Angsakul.</p> </li> <li>Lanna directly and indirectly holds 99.975 percent of paid-up capital in LMS and is represented by the following commissioners and directors:               <p>(A) Board of Commissioners: having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, and Mr. Panot Charoensuk.</p> <p>(B) Board of Directors: having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Saharat Vatanatumrak.</p> </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 Lanna’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 during Year 2015</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 49,500.732 tons</li> <li>Total Value: USD 1,263,753.67 or approximately Baht 44,490,977.31</li> <li>Balance Amount as at December 31, 2015: None</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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4	<p><b>Type of Transaction</b></p> <p>Coal Sale and Purchase</p> <p><b>Related Parties</b></p> <p>Seller: PT. Lanna Mining Services (“LMS”)</p> <p>Buyer: United Bulk Shipping Pte. Ltd. (“UBS”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 55 percent of paid-up capital in LMS, represented by following commissioners and directors:               <p>(A) Board of Commissioners: having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, and Mr. Panot Charoensuk.</p> <p>(B) Board of Directors: having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Saharat Vatanatumrak.</p> </li> <li>Lanna directly holds 49 percent of paid-up capital in UBS having three representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul, and Mr. Srihasak Arirachakaran.</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 Lanna’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 during Year 2015</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 48,810.00 tons</li> <li>Total Value: USD 1,719,088.20 or approximately Baht 61,663,006.10</li> <li>Balance Amount as at December 31, 2015: None</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) Coal Freight Transport Services

1	<p><b>Type of Transaction</b> Coal Freight Transport Services</p> <p><b>Related Parties</b> Employer: Lanna Resources Public Co., Ltd. (“Lanna”) Contractor: United Bulk Shipping Pte. Ltd. (“UBS”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 49 percent of paid-up capital in UBS having three representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul, and Mr. Srihasak Arirachakaran.</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 Lanna 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 during Year 2015</b></p> <ul style="list-style-type: none"> <li>Coal Transport Volume: 839,230 tons</li> <li>Total Service Value: USD 5,255,952.20 or Baht 180,354,234.55</li> <li>Balance Amount as of December 31, 2015: USD 73,639.95 Or approximately Baht 2,657,559.02</li> <li>Exchange Rate: USD 1 = Baht 36.08855</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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## (C) Coal Marketing and Distribution Services

1	<p><b>Type of Transaction</b> Broker for Coal with Commission Fee</p> <p><b>Related Parties</b> Broker: Lanna Resources Public Co., Ltd. (“Lanna”) Service Receiver: PT. Lanna Harita Indonesia (“LHI”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 55 percent of paid-up capital in LHI and is represented by the following commissioners and directors:</li> </ul> <p>(A) Board of Commissioners: having two representatives from Lanna; namely, Mr. Kraisi Sirirungsi and Mr. Saharat Vatanatumrak.</p> <p>(B) Board of Directors: having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Atichart Mongkol and Mr. Thamrong Angsakul.</p> <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 Lanna’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 during Year 2015</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 2,919,667.127 tons</li> <li>Total Service Value: 2,189,750.35 or approximately Baht 74,459,619.78</li> <li>Balance Amount as at December 31, 2015: USD 457,005.32 or approximately Baht 16,492,659.34</li> <li>Exchange Rate: USD 1 = Baht 36.08855</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></p> <p>Coal Marketing and Distribution Services</p> <p><b>Related Parties</b></p> <p>Service Provider: Lanna Resources Public Co., Ltd. (“Lanna”)</p> <p>Service Receiver: PT. Singlurus Pratama (“SGP”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 65 percent of paid-up capital in SGP, represented by following commissioners and directors:</li> </ul> <p>(A) Board of Commissioners: having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, and Mrs. Petcharat Chayanon.</p> <p>(B) Board of Directors: having three representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, and Mr. Panot Charoensuk.</p> <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 Lanna’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 during Year 2015</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 1,815,551.376 tons</li> <li>Total Service Value: USD 2,723,327.09 or approximately Baht 92,655,488.75</li> <li>Balance Amount as at December 31, 2015: USD 1,351,790.70 or approximately Baht 48,784,166.27</li> <li>Exchange Rate: USD 1 = Baht 36.08855</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></p> <p>Service Fees</p> <p><b>Related Parties</b></p> <p>Fee Receiver: Lanna Resources Public Co., Ltd. (“Lanna”)</p> <p>Fee Payer: PT. Singlurus Pratama (“SGP”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 65 percent of paid-up capital in SGP, represented by the following commissioners and directors:</li> </ul> <p>(A) Board of Commissioners: having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, and Mrs. Petcharat Chayanon.</p> <p>(B) Board of Directors: having three representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, and Mr. Panot Charoensuk.</p> <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 during Year 2015</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 1,815,551.376 tons</li> <li>Total Right to Fee Value: USD 1,361,663.56 or approximately Baht 46,327,744.87</li> <li>Balance Amount as of December 31, 2015: USD 675,895.34 or approximately Baht 24,392,082.77</li> <li>Exchange Rate: USD 1 = Baht 36.08855</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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## (D) Management Service

1	<p><b>Type of Transaction</b> Management Service</p> <p><b>Related Parties</b> Service Provider: PT. Lanna Mining Services ("LMS") Service Receiver: PT. Lanna Harita Indonesia ("LHI")</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly and indirectly holds 99.975 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 four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, and Mr. Panot Charoensuk.</li> <li>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Saharat Vatanatumrak.</li> </ul> </li> <li>Lanna directly holds 55 percent of paid-up capital in LHI and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners: having two representatives from Lanna; namely, Mr. Kraisi Sirirungsi and Mr. Saharat Vatanatumrak.</li> <li>(B) Board of Directors: having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Atichart Mongkol and Mr. Thamrong Angsakul.</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transactions during Year 2015</b></p> <ul style="list-style-type: none"> <li>Total Service Value: USD 60,000 or approximately Baht 2,065,118.25</li> <li>Balance Amount as of December 31, 2015: 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>
2	<p><b>Type of Transaction</b> Management Service</p> <p><b>Related Parties</b> Service Provider: PT. Lanna Mining Services ("LMS") Service Receiver: PT. Singlurus Pratama ("SGP")</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly and indirectly holds 99.975 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 four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, and Mr. Panot Charoensuk.</li> <li>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Saharat Vatanatumrak.</li> </ul> </li> <li>Lanna directly holds 65 percent of paid-up capital in SGP and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, and Mrs. Petcharat Chayanon.</li> <li>(B) Board of Directors, having three representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, 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 during Year 2015</b></p> <ul style="list-style-type: none"> <li>Total Service Value: USD 60,000 or approximately Baht 2,065,118.25</li> <li>Balance Amount as of December 31, 2015: 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>



## (E) Asset Rental Service

1	<p><b>Type of Transaction</b> Asset Rental Service</p> <p><b>Related Parties</b> Service Provider: PT. Lanna Mining Services (“LMS”) Service Receiver: PT. Singlurus Pratama (“SGP”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly and indirectly holds 99.975 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 four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, and Mr. Panot Charoensuk.</li> <li>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Saharat Vatanatumrak.</li> </ul> </li> <li>Lanna directly holds 65 percent of paid-up capital in SGP and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, and Mrs. Petcharat Chayanon.</li> <li>(B) Board of Directors, having three representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, 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 during Year 2015</b></p> <ul style="list-style-type: none"> <li>Total Service Value: USD 240,000 or approximately Baht 8,260,743.00</li> <li>Balance Amount as of December 31, 2015: USD 40,000 or approximately Baht 1,443,542</li> <li>Exchange Rate: USD 1 = Baht 36.08855</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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## Opinion of the Audit Committee on the Related Party Transactions

February 26, 2016

Attention: The Board of Directors

Lanna Resources Public Company Limited

The Audit Committee has examined and reviewed the related party transactions occurred during year 2015 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 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.

(3) PT. Lanna Harita Indonesia has sold coal to PT. Lanna Mining Services, both of which are subsidiary companies registered in Indonesia, with agreed trading price based on market price for comparable quality of coal and in accordance with general commercial terms.

(4) PT. Lanna Mining Services, a subsidiary company registered in Indonesia, has sold coal to United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, with agreed trading price based on market price for comparable quality of coal and in accordance with general commercial terms.

(5) 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.

(6) 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.

(7) 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.

(8) PT. Lanna Mining Services has rendered management services to PT. Lanna Harita Indonesia and PT. Singlurus Pratama, all three 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.

(Mr. Padoong Techasarintr)

Chairman of the Audit Committee

(Mr. Adul Tantharatana)  
Audit Committee Member

(Mrs. Duangkamol Suchato)  
Audit Committee Member

## Part 3 – Financial Status and Operating Results

### 13. Important Financial Information

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#### **Summary of Auditor's Report**

Consolidated financial statements and separate financial statements of Lanna Resources Public Company Limited are audited by EY Office Limited, which can be summarized as follows:

#### **Independent Auditor's Report**

The auditor has audited the consolidated financial statements of Lanna Resources Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and has also audited the separate financial statements of Lanna Resources Public Company Limited for the same period.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

The auditor has responsibility to express an opinion on these financial statements based on the audit. The auditor conducted the audit in accordance with Thai Standards on Auditing. Those standards require that the auditor complies with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The auditor believes that the audit evidence that the auditor obtained is sufficient and appropriate to provide a basis for the audit opinion.

#### **Opinion**

In the auditor's opinion, 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 December 31, 2015, 2014, and 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

**(A) Consolidated financial statements**  
**Balance sheet for year 2013 - 2015**

Items	Year 2013		Year 2014		Year 2015	
	Baht mil.	%	Baht mil.	%	Baht mil.	%
<u>Assets</u>						
<u>Current assets</u>						
Cash and bank deposits	822.02	9.49	446.92	4.99	<b>660.15</b>	<b>7.52</b>
Short-term investments	380.00	4.39	767.22	8.56	<b>850.79</b>	<b>9.69</b>
Trade and other receivables	864.12	9.97	723.94	8.08	<b>812.32</b>	<b>9.25</b>
Inventories - net	447.20	5.16	564.30	6.30	<b>478.14</b>	<b>5.45</b>
Other current assets	1,921.40	22.18	2,066.17	23.06	<b>1,667.05</b>	<b>18.99</b>
Total current assets	4,434.74	51.18	4,568.55	50.98	<b>4,468.45</b>	<b>50.90</b>
Restricted bank deposits	60.16	0.69	87.49	0.98	<b>78.30</b>	<b>0.89</b>
Investments in associated company	38.93	0.45	50.25	0.56	<b>42.22</b>	<b>0.48</b>
Property, plant, and equipment - net	3,243.83	37.44	3,393.26	37.86	<b>3,294.12</b>	<b>37.52</b>
Investment properties	34.73	0.40	34.73	0.39	<b>34.73</b>	<b>0.40</b>
Other assets	852.02	9.83	827.25	9.23	<b>861.34</b>	<b>9.81</b>
Total assets	8,664.41	100.00	8,961.53	100.00	<b>8,779.16</b>	<b>100.00</b>
<u>Liabilities and shareholders' equity</u>						
<u>Current liabilities</u>						
Short-term loans from financial institutions	996.31	11.50	1,197.73	13.37	<b>1,036.97</b>	<b>11.81</b>
Trade and other payables	677.37	7.82	462.80	5.16	<b>410.73</b>	<b>4.68</b>
Current portion of long-term loan	180.00	2.08	180.00	2.01	<b>180.00</b>	<b>2.05</b>
Other current liabilities	703.79	8.12	510.30	5.69	<b>538.09</b>	<b>6.13</b>
Total current assets	2,557.47	29.52	2,350.83	26.23	<b>2,165.79</b>	<b>24.67</b>
Lease over one year	-	-	4.33	0.05	<b>4.09</b>	<b>0.05</b>
Long-term loan	657.76	7.59	477.76	5.33	<b>297.76</b>	<b>3.39</b>
Provision for mine reclamation and decommissioning costs	114.09	1.32	84.95	0.95	<b>104.48</b>	<b>1.19</b>
Provision for long-term employee benefits	156.14	1.80	167.43	1.87	<b>151.25</b>	<b>1.72</b>
Deferred tax liabilities	30.57	0.35	33.89	0.38	<b>74.60</b>	<b>0.85</b>
Total liabilities	3,516.03	40.58	3,119.19	34.81	<b>2,797.97</b>	<b>31.87</b>
<u>Shareholders' equity</u>						
Registered and fully paid-up capital	525.00	6.06	525.00	5.86	<b>525.00</b>	<b>5.98</b>
Share premium	680.40	7.85	680.40	7.59	<b>680.40</b>	<b>7.75</b>
<u>Retained earnings</u>						
Statutory reserve	52.50	0.61	52.50	0.59	<b>52.50</b>	<b>0.60</b>
General reserve	650.60	7.51	727.20	8.11	<b>734.90</b>	<b>8.37</b>
Unappropriated	2,193.89	25.32	2,154.01	24.04	<b>2,057.90</b>	<b>23.44</b>
Other components of shareholders' equity	(37.62)	(0.43)	44.98	0.50	<b>206.67</b>	<b>2.35</b>
Equity attributable to owners of the Company	4,064.77	46.91	4,184.09	46.69	<b>4,257.37</b>	<b>48.49</b>
Non-controlling interests of the subsidiaries	1,083.61	12.51	1,658.25	18.50	<b>1,723.82</b>	<b>19.64</b>
Total shareholder's equity	5,148.38	59.42	5,842.34	65.19	<b>5,981.19</b>	<b>68.13</b>
Total liabilities and shareholders' equity	8,664.41	100.00	8,961.53	100.00	<b>8,779.16</b>	<b>100.00</b>

### Income statements for year 2013 - 2015

Items	Year 2013		Year 2014		Year 2015	
	Baht mil.	%	Baht mil.	%	Baht mil.	%
<b>Revenue</b>						
Revenue from sales	12,132.13	99.74	12,208.18	99.69	<b>10,150.33</b>	<b>99.69</b>
Other income (e.g. interest income)	31.83	0.26	37.52	0.31	<b>31.83</b>	<b>0.31</b>
Other revenues	12,163.96	100.00	12,245.70	100.00	<b>10,182.16</b>	<b>100.00</b>
<b>Expenses</b>						
Cost of sales	8,211.36	67.51	8,679.66	70.88	<b>7,403.02</b>	<b>72.71</b>
Selling and distribution expenses	2,952.14	24.27	2,680.67	21.89	<b>2,102.64</b>	<b>20.65</b>
Administrative expenses	59.51	0.49	66.21	0.54	<b>61.53</b>	<b>0.60</b>
Total expenses	11,223.01	92.26	11,426.54	93.31	<b>9,567.19</b>	<b>93.96</b>
Share of profit from subsidiaries and associated company	15.73	0.13	23.24	0.19	<b>25.46</b>	<b>0.25</b>
Corporate income tax	(229.97)	(1.89)	(232.68)	(1.90)	<b>(182.56)</b>	<b>(1.79)</b>
Profit (loss) before non-controlling interests	726.71	5.97	609.72	4.98	<b>457.87</b>	<b>4.50</b>
Profit (loss) attributable to non-controlling interests	(219.32)	(1.80)	(182.95)	(1.49)	<b>(148.26)</b>	<b>(1.46)</b>
Net profit (loss)	507.39	4.17	426.77	3.49	<b>309.61</b>	<b>3.04</b>
Net profit (loss) per share - Baht per share	0.97		0.81		<b>0.59</b>	
(Book value Baht 1 per share)						

### Retained earnings statements for year 2013 - 2015

Items	Unit: Baht million		
	Year 2013	Year 2014	Year 2015
Accumulated earnings (deficit) not carried forward	2,266.12	2,193.89	2,154.01
Cumulative effect of financial statement adjustment of previous year	126.33	-	-
Net profit (loss)	507.39	426.77	309.61
Earnings (deficit) for appropriation	2,899.84	2,620.66	2,463.62
Other items from comprehensive income statements	-	3.70	(4.27)
Unappropriated earnings transferred to general reserve	(172.20)	(76.60)	(7.70)
Earnings for appropriation	2,727.64	2,547.76	2,451.65
<b>Less</b> Appropriated items of previous year			
Final dividend	(350.00)	(210.00)	(210.00)
Interim dividend	(183.75)	(183.75)	(183.75)
Accumulated earnings (deficit) not brought forward	2,193.89	2,154.01	2,057.90

## Statements of cash flows year 2013 - 2015

Items	Unit: Baht million		
	Year 2013	Year 2014	Year 2015
Cash flows from operating activities			
Profit (loss) before tax	956.67	842.40	<b>640.43</b>
Depreciation and amortization	1,120.68	709.21	<b>699.52</b>
Share of loss (profit) from subsidiaries and associated company	(15.73)	(23.24)	<b>(20.72)</b>
Adjustment on other items that do not affect cash from operating activities	315.07	390.19	<b>268.40</b>
Increase (decrease) in operating assets	(939.37)	(798.12)	<b>133.73</b>
Interest income	18.73	24.97	<b>22.91</b>
Interest expenses	(51.21)	(66.37)	<b>(60.45)</b>
Corporate income tax	(537.40)	(197.24)	<b>11.49</b>
Net cash from (used in) operating activities	<b>867.44</b>	<b>881.80</b>	<b>1,695.31</b>
Cash flows in investing activities			
Dividend received from affiliated companies	11.36	11.92	<b>33.49</b>
Decrease (increase) in short-term investment	59.00	(383.69)	<b>(76.15)</b>
Government grants	12.34	8.62	<b>4.87</b>
Restricted bank deposits	10.94	(27.05)	<b>17.49</b>
Cash received from sale of property, plant, and equipment	3.76	2.27	<b>0.62</b>
Decrease (increase) in property, plant, and equipment	(456.33)	(379.36)	<b>(59.68)</b>
Increase in other assets	(991.34)	(554.95)	<b>(491.35)</b>
Net cash from (used in) investing activities	<b>(1,350.27)</b>	<b>(1,322.24)</b>	<b>(570.71)</b>
Cash flows from financing activities			
Increase (decrease) in loans from financial institutions	478.34	201.38	<b>(162.55)</b>
Cash received from trust receipt payables	297.50	-	-
Dividend paid	(509.62)	(525.77)	<b>(565.53)</b>
Repayment of long-term loan	(180.00)	(180.00)	<b>(180.00)</b>
Cash received from change in the percentage of shareholding in subsidiary	-	575.49	-
Increase in non-controlling interests	60.87	3.77	<b>87.68</b>
Net cash from (used in) financing activities	<b>147.09</b>	<b>74.87</b>	<b>(820.40)</b>
Foreign currency translation adjustments	5.17	(9.53)	<b>(90.97)</b>
Net increase (decrease) in cash and cash equivalents	<b>(330.57)</b>	<b>(375.10)</b>	<b>213.23</b>
Cash and cash equivalents as at January 1	<b>1,152.59</b>	<b>822.02</b>	<b>446.92</b>
Cash and cash equivalents as at December 31	<b>822.02</b>	<b>446.92</b>	<b>660.15</b>

### Financial ratios for year 2013 - 2015

From Consolidated Financial Statements	Unit	Y2013	Y2014	Y2015
<b>Share information</b>				
Book value	Baht	7.74	7.97	<b>8.11</b>
Net earnings per share	Baht	0.97	0.82	<b>0.59</b>
Dividend per share	Baht	0.75	0.75	<b>0.75</b>
<b>Liquidity ratio</b>				
Current ratio	times	1.73	1.94	<b>2.06</b>
Quick current ratio	times	0.80	0.82	<b>1.07</b>
Cash flow current ratio	times	0.36	0.36	<b>0.75</b>
Accounts receivable turnover ratio	times	14.11	15.67	<b>13.43</b>
Average debt collection period	days	26	23	<b>27</b>
Inventory turnover ratio	times	18.09	17.16	<b>14.20</b>
Average selling period	days	20	21	<b>25</b>
Accounts payable turnover ratio	times	12.41	17.59	<b>19.31</b>
Average debt payment period	days	29	21	<b>33</b>
Cash cycle	days	17	23	<b>19</b>
<b>Profitability ratio</b>				
Gross profit margin	%	32.32	28.90	<b>27.07</b>
Operating profit margin	%	7.49	6.40	<b>5.75</b>
Other profit margin	%	0.39	0.50	<b>0.56</b>
Cash to profit margin	%	95.42	112.81	<b>290.72</b>
EBITDA margin	%	17.57	13.21	<b>13.76</b>
Net profit margin	%	5.97	4.98	<b>4.50</b>
Return on equity	%	12.89	10.35	<b>7.34</b>
<b>Efficiency ratio</b>				
Return on total assets	%	8.77	6.92	<b>5.16</b>
Return on fixed assets	%	59.93	39.33	<b>34.26</b>
Assets turnover ratio	times	1.47	1.39	<b>1.15</b>
<b>Financial policy ratio</b>				
Debt to equity ratio	times	0.69	0.53	<b>0.47</b>
Interest coverage ratio	times	35.91	24.43	<b>22.78</b>
Commitment coverage ratio	times	0.76	0.81	<b>2.11</b>
Dividend payment ratio	%	77.60	92.26	<b>127.18</b>

**(B) Consolidated financial statements**  
**Balance sheet for year 2013 - 2015**

Items	Year 2013		Year 2014		Year 2015	
	Baht mil.	%	Baht mil.	%	Baht mil.	%
<u>Assets</u>						
<u>Current assets</u>						
Cash and bank deposits	162.78	6.88	19.97	0.85	<b>61.89</b>	<b>2.63</b>
Short-term investments	380.00	16.07	766.78	32.76	<b>850.01</b>	<b>36.15</b>
Trade and other receivables	329.59	13.94	255.49	10.92	<b>245.17</b>	<b>10.43</b>
Inventories - net	177.07	7.49	162.58	6.95	<b>96.14</b>	<b>4.09</b>
Other current assets	93.90	3.97	11.49	0.49	<b>2.28</b>	<b>0.10</b>
Total current assets	1,143.34	48.35	1,216.31	51.97	<b>1,255.49</b>	<b>53.40</b>
Investments in associated company	853.65	36.10	755.45	32.28	<b>755.43</b>	<b>32.13</b>
Property, plant, and equipment - net	253.06	10.70	271.61	11.61	<b>263.07</b>	<b>11.19</b>
Unused assets	34.73	1.47	34.73	1.48	<b>34.73</b>	<b>1.48</b>
Other assets	79.99	3.38	62.17	2.66	<b>42.42</b>	<b>1.80</b>
Total assets	2,364.77	100.00	2,340.27	100.00	<b>2,351.14</b>	<b>100.00</b>
<u>Liabilities and shareholders' equity</u>						
<u>Current liabilities</u>						
Trade and other payables	109.01	4.61	61.39	2.62	<b>50.12</b>	<b>2.13</b>
Other current liabilities	36.08	1.53	48.53	2.07	<b>62.53</b>	<b>2.66</b>
Total current assets	145.09	6.14	109.92	4.70	<b>112.65</b>	<b>4.79</b>
Provision for long-term employee benefits	24.58	1.04	27.49	1.17	<b>24.52</b>	<b>1.04</b>
Total liabilities	169.67	7.17	137.41	5.87	<b>137.17</b>	<b>5.83</b>
<u>Shareholders' equity</u>						
Registered and fully paid-up capital	525.00	22.20	525.00	22.43	<b>525.00</b>	<b>22.33</b>
Share premium	680.40	28.77	680.40	29.07	<b>680.40</b>	<b>28.94</b>
<u>Retained earnings</u>						
Statutory reserve	52.50	2.22	52.50	2.24	<b>52.50</b>	<b>2.23</b>
General reserve	650.60	27.51	727.20	31.07	<b>734.90</b>	<b>31.26</b>
Unappropriated	286.60	12.12	217.76	9.30	<b>221.17</b>	<b>9.41</b>
Total shareholder's equity	2,195.10	92.83	2,202.86	94.13	<b>2,213.97</b>	<b>94.17</b>
Total liabilities and shareholders' equity	2,364.77	100.00	2,340.27	100.00	<b>2,351.14</b>	<b>100.00</b>



### Income statements for year 2013 - 2015

Items	Year 2013		Year 2014		Year 2015	
	Baht mil.	%	Baht mil.	%	Baht mil.	%
<u>Revenue</u>						
Revenue from sales	1,787.53	82.81	2,168.43	87.43	<b>2,017.56</b>	<b>86.69</b>
Other income (e.g. interest income)	371.14	17.19	311.76	12.57	<b>309.71</b>	<b>13.31</b>
Other revenues	2,158.67	100.00	2,480.19	100.00	<b>2,327.27</b>	<b>100.00</b>
<u>Expenses</u>						
Cost of sales	1,345.28	62.32	1,707.55	68.85	<b>1,567.65</b>	<b>67.36</b>
Administrative expenses	289.05	13.39	295.25	11.90	<b>292.41</b>	<b>12.56</b>
Total expenses	1,634.33	75.71	2,002.80	80.75	<b>1,860.06</b>	<b>79.92</b>
Corporate income tax	(66.58)	(3.08)	(75.88)	(3.06)	<b>(56.52)</b>	<b>(2.43)</b>
Net profit (loss)	457.76	21.21	401.51	16.19	<b>410.69</b>	<b>17.65</b>
Net profit (loss) per share - Baht per share	0.87	0.44	0.76	0.39	<b>0.78</b>	<b>0.40</b>

### Retained earnings statements for year 2013 - 2015

Items	Unit: Baht million		
	Year 2013	Year 2014	Year 2015
Accumulated earnings (deficit) not carried forward	534.79	286.60	<b>217.76</b>
Net profit (loss)	457.76	401.51	<b>410.69</b>
Earnings (deficit) for appropriation	992.55	688.11	<b>628.45</b>
Other items from comprehensive income statements	-	-	<b>(5.83)</b>
Unappropriated earnings transferred to general reserve	(172.20)	(76.60)	<b>(7.70)</b>
Earnings for appropriation	820.35	611.51	<b>614.92</b>
<u>Less</u> Appropriated items of previous year			
Final dividend	(350.00)	(210.00)	<b>(210.00)</b>
Interim dividend	(183.75)	(183.75)	<b>(183.75)</b>
Accumulated earnings (deficit) not brought forward	286.60	217.76	<b>221.17</b>

## Statements of cash flows year 2013 - 2015

Items	Unit: Baht million		
	Year 2013	Year 2014	Year 2015
Cash flows from operating activities			
Profit (loss) before tax	524.33	477.39	<b>467.21</b>
Depreciation and amortization	31.50	27.20	<b>25.24</b>
Dividend received	(267.43)	(140.68)	<b>(230.11)</b>
Adjustment on other items that do not affect cash from operating activities	(24.85)	(107.60)	<b>(17.34)</b>
Increase (decrease) in operating assets	(137.18)	64.23	<b>82.75</b>
Interest income	14.68	17.48	<b>12.81</b>
Corporate income tax	(42.10)	(67.09)	<b>(54.26)</b>
Net cash from (used in) operating activities	98.95	270.93	<b>286.30</b>
Cash flows in investing activities			
Increase in short-term investment	59.00	(383.69)	<b>(76.15)</b>
Dividend received from subsidiaries and associated company	206.83	201.29	<b>230.11</b>
Cash received from sale of investment in subsidiary company	-	186.70	-
Cash received from sale of property, plant, and equipment	3.75	0.03	<b>0.06</b>
Increase in other assets	(40.56)	(25.30)	<b>(9.06)</b>
Net cash from (used in) investing activities	(3.58)	0.96	<b>4.40</b>
Cash flows from financing activities	225.44	(20.01)	<b>149.36</b>
Dividend paid			
Net cash from (used in) financing activities	(358.75)	(393.75)	<b>(393.75)</b>
Foreign currency translation adjustments of deposits	(358.75)	(393.75)	<b>(393.75)</b>
Net increase (decrease) in cash and cash equivalents	-	0.02	<b>0.01</b>
Cash and cash equivalents as at January 1	(34.36)	(142.81)	<b>41.92</b>
Cash and cash equivalents as at December 31	197.14	162.78	<b>19.97</b>

### Financial ratios for year 2013 - 2015

From Consolidated Financial Statements	Unit	Y2013	Y2014	Y2015
<b>Share information</b>				
Book value	Baht	4.18	4.20	<b>4.22</b>
Net earnings per share	Baht	0.87	0.76	<b>0.78</b>
Dividend per share	Baht	0.75	0.75	<b>0.75</b>
<b>Liquidity ratio</b>				
Current ratio	times	7.88	11.07	<b>11.15</b>
Quick current ratio	times	6.01	9.48	<b>10.27</b>
Cash flow current ratio	times	0.84	2.12	<b>2.57</b>
Accounts receivable turnover ratio	times	5.42	8.49	<b>8.23</b>
Average debt collection period	days	66	43	<b>44</b>
Inventory turnover ratio	times	7.60	10.50	<b>16.31</b>
Average selling period	days	48	35	<b>22</b>
Accounts payable turnover ratio	times	12.34	27.81	<b>31.28</b>
Average debt payment period	days	30	13	<b>12</b>
Cash cycle	days	84	65	<b>54</b>
<b>Profitability ratio</b>				
Gross profit margin	%	24.74	21.25	<b>22.30</b>
Operating profit margin	%	8.57	7.64	<b>7.81</b>
Other profit margin	%	17.19	12.57	<b>13.31</b>
Cash to profit margin	%	64.59	163.58	<b>181.78</b>
EBITDA margin	%	25.75	20.34	<b>21.16</b>
Net profit margin	%	21.21	16.19	<b>17.65</b>
Return on equity	%	20.85	18.23	<b>18.55</b>
<b>Efficiency ratio</b>				
Return on total assets	%	19.36	17.16	<b>17.47</b>
Return on fixed assets	%	159.06	131.07	<b>137.91</b>
Assets turnover ratio	times	0.19	0.17	<b>0.17</b>
<b>Financial policy ratio</b>				
Debt to equity ratio	times	0.08	0.06	<b>0.06</b>
Interest coverage ratio	times	N/A	N/A	<b>N/A</b>
Commitment coverage ratio	times	0.28	0.69	<b>0.73</b>
Dividend payment ratio	%	86.02	98.07	<b>95.88</b>

## **Statement of the Board Of Directors' Responsibilities to the Financial Report**

The consolidated financial statements year 2015 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 2015.

February 29, 2016

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



(Mr. Somkiart Limsong)  
Chairman of the Board



(Mr. Srihasak Arirachakaran)  
Chief Executive Officer

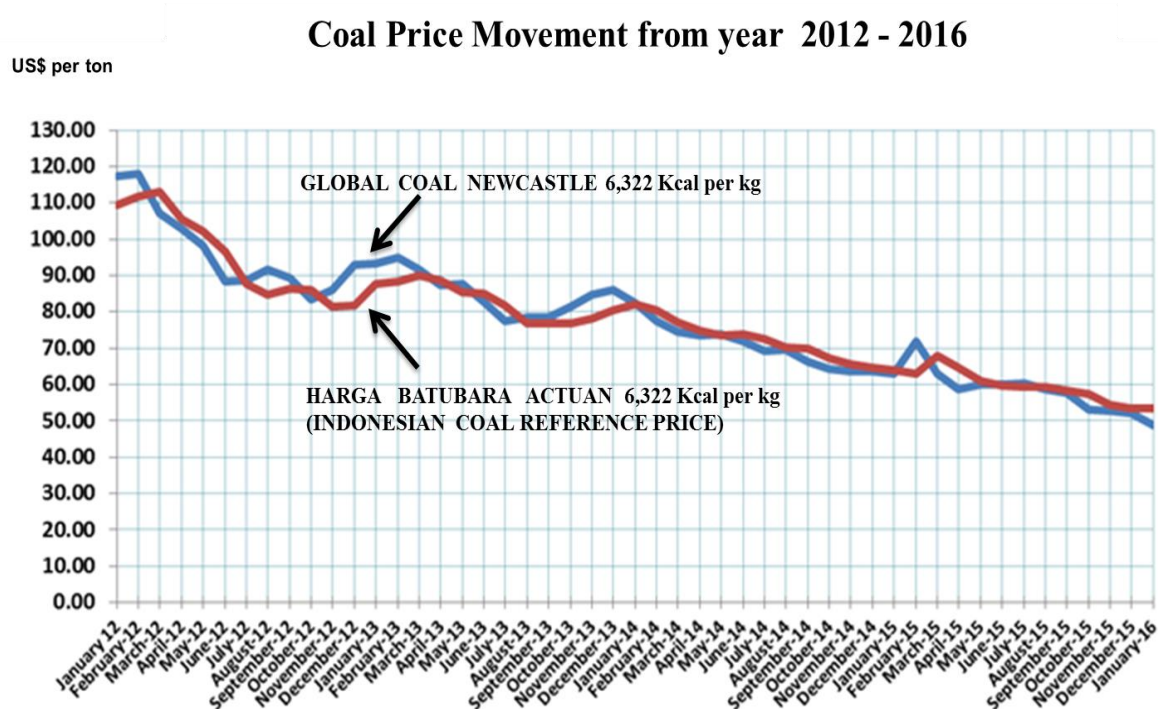
## 14. Management Discussion and Analysis (MD&A)

(For the Consolidated Financial Statements of Year 2015)

### Overall Operating Results

The Company's revenue in year 2015 were Baht 10,182.16 million, which decreased from the previous year by Baht 2,063.54 million or 16.85 percent. The net profit in year 2015 was Baht 309.61 million, which decreased from the previous year by Baht 117.16 million or 27.45 percent. This was due to the decrease in revenue and net profit from coal business in line with the continuously falling coal price in global market. Meanwhile, the revenue and net profit from ethanol business are good due to the Government policy on the termination of Gasoline 91 and promotion for usage of Gasohol E10 and E20.

**COAL BUSINESS:** The coal prices in global market have been continuously decreasing. The Company still employs mining cost reduction strategy and carefully selects the product mix with high price and profit.



In summary, the revenue of the coal business in year 2015 was Baht 7,550.01 million, which decreased from the previous year by Baht 2,161.89 million or 22.26 percent due to the decrease in coal sales volume and average selling price by 15.75 and 7.73 percent, respectively. The resulting net profit derived from shareholding proportion in year 2015 was Baht 129.98 million, which decreased from the previous year by 41.50 percent. Regardless, while the operating results of the coal business declines, it remains continuously profitable.

**ETHANOL BUSINESS:** The average ethanol selling price in year 2015 slightly decreased from the previous year by 2.27 percent. However, the ethanol demand increased from the previous year by 8.80 percent due to continuous increase in consumption of Gasohol E10 and E20, resulting in an increase in ethanol being used for the gasohol mixture. In summary, the revenue of the ethanol business in year 2015 was Baht 2,600.32 million, which increased from the previous year by Baht 104.04 million or 4.17 percent. The net profit in year 2015 was Baht 244.27 million, which increased from the previous year by Baht 24.96 million or 11.38 percent. However, the resulting net profit derived from shareholding proportion of the Company in 2015 was Baht 122.34 million, which decreased from the previous year by 14.94 percent. This was due to the selling of ordinary shares in the subsidiary company in ethanol business according to the spin-off plan in 2014, resulting in the decrease in Company's shareholding from 75.75 percent to 51 percent of paid-up capital. Accordingly, the net profit derived from shareholding proportion thus decreased from the previous year.

## Operating Results Analysis

Revenue	Year 2015		Year 2014		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Revenue from Coal Business	7,550.01	74.15	9,711.90	79.31	(2,161.89)	(22.26)
Revenue from Ethanol Business	2,600.32	25.54	2,496.28	20.38	104.04	4.17
Other Revenue	31.83	0.31	37.52	0.31	(5.69)	(15.17)
<b>Total Revenue</b>	<b>10,182.16</b>	<b>100.00</b>	<b>12,245.70</b>	<b>100.00</b>	<b>(2,063.54)</b>	<b>(16.85)</b>

**REVENUE:** The Company's revenue in year 2015 totaled Baht 10,182.16 million, which decreased from the previous year by Baht 2,063.54 million or 16.85 percent due to the following reasons:

(1) Revenue from coal business in year 2015 totaled Baht 7,550.01 million, which decreased from the previous year by Baht 2,161.89 million or 22.26 percent. This was due to the decrease in coal sales volume and average selling price of 15.75 percent and 7.73 percent, respectively, in line with the downtrend of the global coal market.

(2) Revenue from ethanol business in year 2015 totaled Baht 2,600.32 million, which increased from the previous year by Baht 104.04 million or 4.17 percent. This was due to the increase in ethanol sales volume by 6.65 percent, but the average ethanol selling price decreased by 2.27 percent due to the falling oil price.

(3) Other revenues in year 2015 totaled Baht 31.83 million, which decreased from the previous year by Baht 5.69 million or 15.17 percent due to the decrease in interest income.

Expenses	Year 2015		Year 2014		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
<b>Coal Business</b>						
Cost of Sales	5,158.73	68.33	6,514.07	67.07	(1,355.34)	(20.81)
Selling and Administrative Expenses	2,054.41	27.21	2,630.54	27.09	(576.13)	(21.90)
Financial Cost	11.47	0.15	9.21	0.09	2.26	24.54
Corporate Income Tax	166.85	2.21	223.73	2.30	(56.88)	(25.42)
<b>Ethanol Business</b>						
Cost of Sales	2,244.29	86.31	2,165.59	86.75	78.70	3.63
Selling and Administrative Expenses	48.23	1.85	50.13	2.01	(1.90)	(3.79)
Financial Cost	50.06	1.93	57.00	2.28	(6.94)	(12.18)
Corporate Income Tax	15.71	2.46	8.95	1.30	6.76	75.53

**COAL BUSINESS EXPENSES:** Coal business expenses in year 2015 totaled Baht 7,391.46 million, which decreased from the previous year by Baht 1,986.09 million or 21.18 percent, due to the following reasons:

(1) Cost of coal sales in year 2015 decreased from the previous year by Baht 1,355.34 million or 20.81 percent. This was due to the decrease in coal sales volume and average coal selling price of 15.75 percent and 6.01 percent, respectively.

(2) Selling and administrative expenses in year 2015 decreased from the previous year by Baht 576.13 million or 21.90 percent due to the decrease in coal sales volume.

(3) Financial cost in year 2015 increased from the previous year by Baht 2.26 million. This was due to loan engaged by a subsidiary company in Indonesia for a purchase of jetty and hauling roads, resulting in an increase in interest expense.

(4) Corporate income tax in year 2015 decreased from the previous year by 56.88 million or 25.42 percent due to the decrease in profit.

**ETHANOL BUSINESS EXPENSES:** Ethanol business expenses in year 2015 totaled Baht 2,358.29 million, which increased from the previous year by Baht 69.86 million or 3.06 percent, due to the following reasons:

(1) Cost of ethanol sales in year 2015 increased from the previous year by 78.70 million or 3.63 percent. This was due to the increase in ethanol sales volume and molasses price, which is a raw material and a major cost, of 6.65 percent and 0.55 percent, respectively.

(2) Selling and administrative expenses in year 2015 decreased from the previous year by Baht 1.90 million or 3.79 percent.

(3) Financial expenses in year 2015 decreased from the previous year by Baht 6.94 million or 12.18 percent due to loan repayment according to loan agreement terms.

(4) There was no corporate income tax on the earnings from the Ethanol Production Line No. 2 in year 2015, having received the Board of Investment Promotion according to the Investment Promotion Act B.E. 2520. However, the Investment Promotion for the Ethanol Production Line No. 1 has been expired, with incurred corporate income tax for year 2015 of Baht 15.71 million, which increased from the previous year by 75.53 percent.

Gross Profit	Coal Business		Ethanol Business		Total	
	Baht Million	%	Baht Million	%	Baht Million	%
<b>Year 2015</b>						
Revenues from Sales	7,550.01	100.00	2,600.32	100.00	10,150.33	100.00
Less Cost of Sales	5,158.73	68.33	2,244.29	86.31	7,403.02	72.93
<b>Gross Profit</b>	<b>2,391.28</b>	<b>31.67</b>	<b>356.03</b>	<b>13.69</b>	<b>2,747.31</b>	<b>27.07</b>
<b>Year 2014</b>						
Revenues from Sales	9,711.90	100.00	2,496.28	100.00	12,208.18	100.00
Less Cost of Sales	6,514.07	67.07	2,165.59	86.75	8,679.66	71.10
<b>Gross Profit</b>	<b>3,197.83</b>	<b>32.93</b>	<b>330.69</b>	<b>13.25</b>	<b>3,528.52</b>	<b>28.90</b>

**GROSS PROFIT:** The Company's gross profit in year 2015 was Baht 2,747.31 million, or gross profit margin of 27.07 percent of the sales revenue. When compared with the gross profit of the previous year of Baht 3,528.52 million or gross profit margin of 28.90 percent of sales revenue, the gross profit margin decreased due to the following reasons:

(1) Gross profit margin from coal business in year 2015 was 31.67 percent of the sales revenue, which decreased from the previous year with gross profit margin of 32.93 of the sales revenue. This was due to the decrease in coal sales price of 7.73 percent, while the cost of coal sales decreased by only 6.01 percent.

(2) Gross profit margin from ethanol business in year 2015 was 13.69 percent of the sales revenue, which increased from the previous year with gross profit margin of 13.25 percent of the sales revenue. This was due to the decrease in ethanol selling price of 2.27 percent, but the cost of ethanol sales decreased by 2.76 percent.

Net Profit	Year 2015		Year 2014		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Profit from Coal Business	129.98	41.98	222.19	52.06	(92.21)	(41.50)
Profit form Ethanol Business	122.34	39.51	143.82	33.70	(21.48)	(14.94)
Other revenues and share of income from investment in associate company	57.29	18.51	60.76	14.24	(3.47)	(5.71)
<b>Net Profit</b>	<b>309.61</b>	<b>100.00</b>	<b>426.77</b>	<b>100.00</b>	<b>(117.16)</b>	<b>(27.45)</b>
<b>Net Earnings per Share—Baht per Share</b>	<b>0.59</b>		<b>0.81</b>		<b>(0.22)</b>	<b>(27.45)</b>

**NET PROFIT:** The Company's net profit in year 2015 was Baht 309.61 million, or net earnings of Baht 0.59 per share. When compared with the previous year, the net profit decreased by 27.45 percent due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company in year 2015 was Baht 129.98 million or 41.98 percent of the total net profit, which decreased from the previous year by Baht 92.21 million or 41.50 percent. This was due to the decrease in coal sales volume and average selling price by 15.75 percent and 7.73 percent in line with the coal market downtrend.

(2) Net profit from ethanol business derived from shareholding proportion of the Company in year 2015 was Baht 122.34 million or 39.51 percent of the total net profit, which decreased from the previous year by Baht 21.48 million or 14.94 percent. While the net profit of the ethanol business in year 2015 was Baht 244.27 million, which increased from the previous year by Baht 24.96 million or 11.38 percent, the shareholding proportion of the Company in subsidiary company conducting the ethanol business had decreased from 75.75 percent to 51 percent of paid-up capital, resulting in the abovementioned decrease in net profit from ethanol business.

(3) Other revenues and share of income from investment in the associate company in year 2015 was Baht 57.29 million or 18.51 percent of the total net profit, which slightly decreased from the previous year by Baht 3.47 million or 5.71 percent due to the decrease in interest income.

### **EARNINGS EFFICIENCY**

The abovementioned decrease in the net profit in year 2015 results in a decrease in the earnings efficiency of the Company as follows:

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) in year 2015 was Baht 1,401.48 million, which decreased from the previous year by 13.37 percent.

(2) EBITDA margin in year 2015 was at 13.76 percent, which increased from the previous year by 4.18 percent.

(3) Net profit margin in year 2015 was at 4.50 percent, which decreased from the previous year by 9.69 percent.

(4) Return on equity in year 2015 was at 7.34 percent, which decreased from the previous year 29.11 percent.

(5) Return on total assets in year 2015 was at 5.16 percent, which decreased from the previous year by 25.39 percent. Also, return on fixed assets in year 2015 was at 34.26 percent, which decreased from the previous year by 12.90 percent.

### **Statement of Financial Position**

Financial Position	Unit: Million Baht		Increase (Decrease)	
	As at December 31, 2015	As at December 31, 2014	Million Baht	%
Total Assets	8,779.16	8,961.53	(182.37)	(2.04)
Total Liabilities	2,797.97	3,119.19	(321.22)	(10.30)
Total Shareholders' Equity	5,981.19	5,842.34	138.85	2.38
<b>Book Value-Baht per Share</b>	<b>8.11</b>	<b>7.97</b>	<b>0.14</b>	<b>1.76</b>
<b>Remark:</b> Registered par value of Baht 1 per share				



**ASSETS:** The Company's total assets as at end of year 2015 decreased from end of year of 2014 by Baht 182.37 million or a decrease of 2.04 percent, consisting of:

(1) Current assets decreased from end of year of 2014 by Baht 101.10 million or 2.19 percent, due to (A) cash and cash equivalent increased by Baht 296.80 million or 24.45 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 88.38 million or 12.21 percent; (C) inventories decreased by Baht 86.16 million or 15.27 percent; and (D) other current assets decreased by Baht 399.12 million or 19.32 percent, most of which were advance payment of corporate income tax and advance payment of goods.

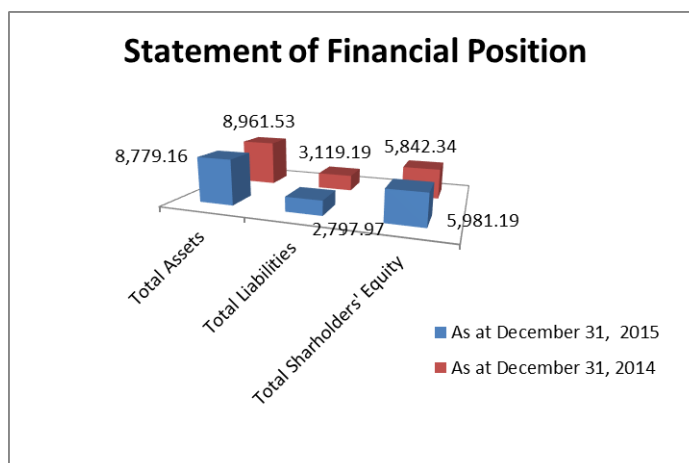
(2) Non-current assets decreased from end of year of 2014 by Baht 82.27 million or 1.87 percent.

**LIABILITIES:** The Company's total liabilities as at end of year 2015 decreased from end of year of 2014 by Baht 321.22 million or 10.30 percent, consisting of:

(1) Trade accounts payable and other accounts payable decreased from end of year of 2014 by Baht 52.07 million or 11.25 percent

(2) Short-term and long-term loans decreased from end of year of 2014 by Baht 340.76 million or 18.36 percent due to loan repayment by subsidiary companies according to loan agreement terms.

(3) Accrued expenses, most of which were overburden removal expenses, freight cost, etc., increased from end of year of 2014 by Baht 27.26 million or 5.35 percent.



(4) Other liabilities, most of which were provision for mine rehabilitation and allowance for long-term benefits of employees, etc., increased from end of year of 2014 by Baht 44.35 million or 15.21 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company as at end of year of 2015 increased from end of year of 2014 by Baht 138.85 million or 2.38 percent, resulting in an increase of the share's book value from Baht 7.97 per share to Baht 8.11 per share. This was due to: (A) an increase in net profit of Baht 309.61 million, (B) dividend payment of Baht 393.75 million, (C) a net increase in translation adjustment in financial statement and other items of Baht 157.42 million, and (D) an increase in minority shareholders' equity of Baht 65.57 million.

## CASH FLOWS

Cash Flows	(Unit: Million Baht)	
	Year 2015	Year 2014
Cash Flows from (used in) Operating Activities	1,695.31	881.80
Cash Flows from (used in) Investing Activities	(570.71)	(1,322.24)
Cash Flows from (used in) Financing Activities	(820.40)	74.87
Increase (Decrease) in Translation Adjustments in Financial Statements	(90.97)	(9.53)
Net Increase (Decrease) in Cash	213.23	(375.10)
Cash at the beginning of the period	446.92	822.02
<b>Cash at the end of the period</b>	<b>660.15</b>	<b>446.92</b>

(1) The Company's net cash from operating activities in year 2015 was Baht 1,695.31 million, consisting of: (A) income before corporate income tax and interest expense of Baht 640.43 million; (B) transactions that did not affect the cash such as depreciation and amortization of assets of Baht 947.20 million, most of which were transactions concerning coal mining operations of the subsidiary companies in Indonesia; (C) a decrease in operating assets of Baht 204.15 million due to a decrease in inventories and advance payment of goods; (D) a decrease in operating liabilities of Baht 70.42 million due to a decrease in trade accounts payable and in accrued expenses; and (E) an increase in interest income of Baht 22.91 million, despite an increase in interest expense and taxes of Baht 48.96 million.

(2) The Company's net cash used in investing activities in year 2015 was Baht 570.71 million, consisting of: (A) an increase in properties, buildings and equipment of Baht 59.06 million, most of which was a construction of a biogas power plant; (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 491.35 million; and (C) short-term cash investment and other items which increased by a total of Baht 20.30 million.

(3) The Company's net cash used in financing activities in year of 2015 was Baht 820.40 million, including (A) a net decrease in loan of Baht 342.55 million, (B) dividend payment of Baht 565.53 million, and (D) an increase in minority shareholders' equity of Baht 87.68 million.

### **ASSET MANAGEMENT CAPABILITY**

(1) The Company's trade accounts receivable and other accounts receivable as at end of year 2015 were 9.25 percent of total asset. The provision of doubtful debts are considered based on a review of receivable period and assessment of past debt collection experience. Accordingly, the Company has experienced very little bad debt and has not found any unusual transaction in 2014 and therefore, there was no provision for doubtful debt in the past year of 2015.

(2) Inventory as at end of year of 2015 was 5.45 percent of total asset without deterioration of the assets and impact from the lower market price. Therefore, there was no allowance for impairment loss of inventory in the past year of 2015.

(3) Goodwill from investment in the subsidiary company in Indonesia as at end of year of 2015 is accounted for 2.12 percent of total asset, of which the Company has considered financial projection and impact and found that that such subsidiary company could still be profitable and therefore there was no establishment of allowance for goodwill impairment from investment year 2015.

### **LIQUIDITY AND SUFFICIENCY OF CAPITAL**

(1) The Company's total debt to equity ratio as at end of year of 2015 was as low as 0.47 to 1. By having appropriate capital structure, the Company should still be able to borrow additional capital for future investment projects as the interest coverage ratio in 2015 is as high as 22.78 times. Therefore, the Company should not have any problem concerning with default of interest payment.

(2) The Company's current ratio and quick ratio as at end of year of 2015 were at 2.06 times and 1.07 times, respectively. The Company and its subsidiary companies have adequate credit line for working capital in the future.

(3) The Company's cash cycle in 2015 was at 33 days, an increase from the previous year of 9 days. The average debt collection period was at 27 days, an increase from the previous year of 4 days. The average inventory turnover was at 25 days, an increase from last year of 4 days. However, the average debt repayment period was at 19 days or a decrease from last year of 1 day, which is still within normal standard.

(4) Investment in coal business is still in downtrend period. Therefore, the Company has delayed additional investments. Regardless, the Company still has ample coal reserve in both coal concessions in Indonesia, which can still produce coal for several decades. Also, the Company always reviews its investment plan along with the changing situation.

(5) As for the ethanol business, the Ethanol Production Line No. 2 has undergone an improvement during year 2015, with investment of Baht 7 million. The purpose of the improvement is for using raw granulated sugar as a raw material in conjunction with molasses, resulting in the decrease in cost of ethanol production in 2015 as mentioned above. Additionally, a treatment system for hydrogen sulfide in biogas was constructed with an investment of Baht 42.59 million, with expected completion in the first quarter of 2016. The source of investment was from cash generation from the operation. The ethanol business still has good liquidity.

## DEBT OBLIGATION

The subsidiary company in a business of ethanol production and distribution for fuel purpose has obligation according to the terms and conditions of the loan agreement with a local commercial bank as follows:

(1) The subsidiary company must maintain its debt to equity ratio (D/E ratio) not exceeding 2 times and debt service coverage ratio (DSCR) of no less than 1.25 times until the expiration of the loan agreement. The subsidiary company is able to maintain the D/E ratio and DSCR as required by the contractual obligation of the loan without any default.

(2) The lending bank has determined that the Company must maintain its shareholding proportion in TAE of no less than 50 percent of the total number of shares during the whole duration of the loan agreement. Accordingly, the Company has no plan to decrease its shareholding proportion in TAE to below 50 percent of the total number of shares.

(3) The lending bank has stipulated that the subsidiary company cannot pay dividend to its shareholders, including the Company, if the subsidiary company cannot comply with the conditions as stipulated within the loan agreement, such as the maintenance of D/E ratio, DSCR, and shareholding proportion of the Company in the subsidiary company, etc. Accordingly, the subsidiary company has never breached the conditions of loan agreements and has been provided with good financial support from lending banks.

## IMPACT TO FUTURE OPERATIONS

**Coal Business:** It is expected that coal prices in 2016 will continue to move in low price level continuously in line with the downtrend of global oil and coal markets. Accordingly, the Company has set out a strategy to reduce coal production and distribution costs in line with the reduction of coal prices to ensure continuous profitability. At the same time, the Company has reviewed its investment plan and is currently studying coal fired power plant projects in Thailand and Indonesia. The Company and its subsidiary companies have capability to invest in such projects, having its own coal mine concessions. Not only the production and selling of coal will be improved, the projects should also yield a good return, generating more revenue and profit in the future.

**Ethanol Business:** The Alternative Energy Development Plan B.E. 2558–2579 aims to increase ethanol consumption from 3.49 million liters per day in 2015 to 11.30 million liters per day in 2036. Accordingly, the Ethanol Production Line No. 3, with production capacity of 200,000 liters per day, is planned to be constructed within 2018. To effectively manage the cost, ethanol export and raw material import from the ASEAN region are also considered.

Regardless, the Company and the subsidiary companies can still be profitable from both businesses in 2016, despite the downtrend of global oil and coal markets. Accordingly, the Company shall endeavor to manage and resolve all the problems with prudence to ensure good operating results in 2016 and proceed with regular dividend payment according to the established policy.

## Information Validity Verification

The Company has carefully reviewed the information in this Annual Registration Statement. The Company verifies that such information is complete. It does not contain information that is untrue, misinformation, and is not lack of key information. Additionally, the Company verifies that:

(1) The financial statements and financial information summarized in this Annual Registration Statement are complete in all material respects regarding the financial position, operating results, and cash flows of the Company and its subsidiary company.

(2) The Company has put in place an effective information disclosure system to ensure complete disclosure of materially important information of the Company and its subsidiary companies. Also, the system is supervised to ensure compliance.

(3) The Company has put in place an effective internal control system and ensures that the system is being used. Additionally, the Company reported its internal control system on February 29, 2016 to the auditor and the Audit Committee, covering any flaws and significant changes to the internal control system, as well as any misconducts that may affect the composition of financial reports of the Company and its subsidiary companies.

To this end, as an evidence that the entirety of this document is the same copy of the document that has been verified by the Company, the Company has assigned Mrs. Petcharat Chayanon, Senior Manager - Accounting and Administration, to affix signature on every page of this document. The information on any pages without the signature of Mrs. Petcharat Chayanon, Senior Manager - Accounting and Administration, shall not be considered verified by the Company.

Name	Position	Signature
(1) Mr. Srihasak Arirachakaran	Director	.....
(2) Mr. Anun Louharanoo	Director	.....

Name	Position	Signature
Authorized Person: Mrs. Petcharat Chayanon	Chief Officer – Accounting and Finance	.....

## Appendix 1

### Information on Directors, Executives, Authorized Persons, and Company Secretary

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#### Mr. Somkiart Limsong

**Positions:** Chairman of the Board

**Age:** 74 years

**Nationality:** Thai

**Education:**

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



**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:** 66 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



**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2000-Present: Director and Vice Chairman, Siam City Cement Public Co., Ltd.

2007-Present: Commissioner, PT. Lanna Mining Services (a subsidiary company)

2004-2014: Director, Holcim Participations Ltd.

2001-2014: Member of the Executive Committee, Holcim Ltd.

1998-2014: Director, Holcim Capital (Thailand) Ltd.

1998-2014: Director, Thai Roc-Cem Ltd.

## Mr. Voratthep Rangchaikul

**Positions:** Director

**Age:** 54 years

**Nationality:** Thai

**Education:**

- MBA. (Marketing), Detroit University, USA
- Bachelor of Engineering (Mechanical), Kasetsart University

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2013-Present: Director, Chief Executive Officer, Siam City Cement Public Company Limited  
2014-Present: Director, Siam City Concrete Company Limited  
2014-Present: Director, Conwood Company Limited  
2014-Present: Chairman, Siam City Power Company Limited  
2014-Present: Director, Insee Super Block Company Limited  
2014-Present: Chairman, Energy and Environmental Service Company Limited  
2014-Present: Director, Insee Digital Company Limited  
2009-2013: Managing Director and Chief Executive Officer, Dutch Mill Company Limited  
2009-2013: Managing Director and Chief Executive Officer, Kuiburi Fruit Canning Company Limited

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## Mr. Kraisi Sirirungsri

**Positions:** Director, Authorized Director, and Management Advisor

**Age:** 65 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

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2008-Present: Commissioner, PT. Singlurus Pratama, (Subsidiary)  
2006-Present: President Commissioner, PT. Lanna Mining Services, (Subsidiary)  
2003-Present: Director and Vice Chairman, Thai Agro Energy Public Company Limited, (Subsidiary)  
1998-Present: Commissioner, PT. Lanna Harita Indonesia, (Subsidiary)  
1996-Present: Director, United Bulk Shipping Pte.Ltd. (Associated Company)  
2001-2015: Chief Executive Officer, Lanna Resources Public Co., Ltd.

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## Mr. Suroj Subhasavasdikul

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

**Age:** 73 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

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2006-Present: Vice Chairman, Thai Agro Energy Public Co., Ltd.

1996-Present: Director, United Bulk Shipping Pte. Ltd. (Associated Company)

1992-2011: Director and Independent Director, Royal Porcelain Public Co., Ltd.

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## Mr. Visit Tantisunthorn

**Positions:** Director, Executive Director

**Age:** 56 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

**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:**

2014-Present: Director, Alter Energy Co., Ltd.

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 Techasarintr

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

**Age:** 75 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



**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.

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

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## Mr. Adul Tantharatana

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

**Age:** 75 years

**Nationality:** Thai

**Education:**

- Bachelor of Engineering (Mechanical), Chulalongkorn University
- Certificates: 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  
Monitoring the System of Internal Control and Risk Management (MIR) Class 14/2013



**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2002-2005: 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:** 69 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

**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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## Mr. Akasit Jirayuwanon

**Positions:** Independent Director

**Age:** 46 years

**Nationality:** Thai

**Education:**

- Bachelor of Engineering (Civil Engineering),  
King Mongkut's University of Technology Thonburi
- Master of Engineering (Structural Engineering)  
King Mongkut's University of Technology Thonburi
- Certificates: The Stock Exchange of Thailand  
CG Forum 3/2556 : Conflict of Interest : Fighting abusive RPT  
CG Forum 4/2556 : The Update COSO's 2013 Integrated Internal Control : What the Board and Management Should Do  
CG Forum 1/2557 : Effective in Boardroom : Route to Success & Best Practices  
CG Forum 2/2557 : Corporate Governance in the Perspective of Investors  
CG Forum 3/2557 : Challenging as Expectations for Board Engagement on Strategic Risk Management Oversight  
CG Forum 2/2558 : Building Better Board Through Effective Independent Director

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

1996-Present: Civil Engineer, BBTV Equity Co., Ltd.

2003-Present: Project Engineer, Merit Holdings (1989) Co., Ltd. and Affiliates

2007-Present: Project Engineer, Tonson Property Co., Ltd.

2007-Present: Assistant Engineer, Eastern Star Real Estate Pcl.

2013-Present: Executive Director, Agriculture and Asset Co., Ltd.



## Mr. Tanon Tantisunthorn

**Positions:** Director

**Age:** 43 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
- The 3<sup>rd</sup> Training Course on Administrative Justice for Executives, 2012



**Family Relationship with Executives:**

- Cousin of Mr. Visit Tantisunthorn, Company's 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

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## Mr. Srihasak Arirachakaran

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

**Age:** 56 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
- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 107/2014  
Director Certification Program (DCP) Class 198/2014  
How to Develop a Risk Management Plan (HRP) Class 6/2014  
Anti-Corruption Seminar Class 1/2015

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

Jan 1, 2016-Present: Chief Executive Officer, Lanna Resources Public Co., Ltd.  
2008-Present: Director, PT. Singlurus Pratama (Subsidiary)  
2006-Present: Director, PT. Lanna Mining Services (Subsidiary)  
2003-Present: Director, Thai Agro Energy Public Co., Ltd. (Subsidiary)  
2002-Present: Commissioner, PT. Lanna Harita Indonesia (Subsidiary)  
2001-2015: Business Development and Marketing Director, Lanna Resources Public Co., Ltd.



## Mr. Vanchai Tosomboon

**Positions:** Director

**Age:** 66 years

**Nationality:** Thai

**Education:**

- Master in Business Management, Asian Institute of Management
- Bachelor of Law, Thammasat University
- Certificate “Senior Management Program, Institute of Management Development (IMD), Switzerland Year 2006
- Certificate “Breakthrough Program for Senior Executives”, Institute of Management Development (IMD), Switzerland Year 2002
- Certificate “Managing Corporate Resources”, Institute of Management Development (IMD), Switzerland Year 2000
- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 7/2004  
Director Certification Program (DCP) Class 7/2001  
Advanced Audit Committee Program (AACP) Class 19/2015  
Corporate Governance for Capital Class 10/2015
- Certificates: The Stock Exchange of Thailand  
CG Forum 2/2014 : Corporate in Governance in The Perspective of Investors.



**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

2014-Present: Audit Director, Krungsri Securities Public Co., Ltd  
2012-Present: Director and Consultant, Siam City Cement Public Co., Ltd.  
2002-Present: Director, Conwood Co., Ltd.  
1999-2014: Director, Royal Porcelain Public Co., Ltd.  
2004-2012: Director and Vice Executive Chairman, Siam City Cement Public Co., Ltd.  
2004-2012: Director, Eagle Cement Holding Co., Ltd.  
2004-2005: Chairman of the Board, Karat Faucet Co., Ltd.  
1999-2004: Managing Director, Diamond Building Products Public Co., Ltd.  
(Formerly “Diamond Roofing Tiles Public Co., Ltd.)

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## Mr. Anun Louharanoo

**Positions:** Director, Authorized Director  
and Financial Advisor

**Age:** 62 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
- Certificates: The Stock Exchange of Thailand  
CG Forum 3/2013: Conflict of Interest : Fighting abusive RPT  
CG Forum 4/2013: The Update COSO's 2013 Integrated Internal Control : What the Board and Management should do  
CGR Workshop: Enhancing Good Corporate Governance Based on CGR Scorecard 2014  
CG Forum 4/2014: Performance Assessment of the Board of Directors and Remuneration of Directors Forum  
CG Forum 1/2015: CG in Substance  
CG Forum 3/2015: Risk Oversight: High Priority Roles of the Board  
CFO in the New Financial World by the Securities and Exchange Commission Year 2015  
Responsibilities of Directors and the Management in Internal Control Year 2015  
M&A and Directors' Duties Year 2015

**Family Relationship with Executives:** None

### Past 5-Year Experiences:

2012-Present:	Independent Director and Audit Committee Member, Thailand Carpet Manufacturing Public Co., Ltd.
2008-Present:	Director, PT. Singlurus Pratama (Subsidiary)
2006-Present:	Commissioner, PT. Lanna Mining Services (Subsidiary)
2005-Present:	Independent Director, Audit Committee Member and Nomination and Remuneration Committee, Diamond Roofing Tiles Public Co., Ltd.
2003-Present:	Director, Thai Agro Energy Public Co., Ltd. (Subsidiary)
1998-Present:	Director, PT. Lanna Harita Indonesia (Subsidiary)
2001-2015:	Chief Financial Officer and Company Secretary, Lanna Resources Public Co., Ltd.

**Mrs. Petcharat Chayanon**

**Positions:** Chief Officer - Finance and Accounting

**Age:** 48 years

**Nationality:** Thai

**Education:**

- B.A. (Accounting), Thammasat University
- Federation of Accounting Professions courses:
  - Pack 5 Implementation in 2015
  - XBRL 2015
  - Deferred Income Tax, 2015
- Bank of Thailand Seminar: AEC Important Facts, 2014
- Fiscal Policy Office Forum (FPO) : Evaluating Impact of Government Policies Implementation, 2014
- Thai Listed Companies Association: CEO in IR Role and His Key Challenges, 2015
- Stock Exchange of Thailand courses:
  - Infrastructure Policy, 2015
  - How does ESG disclosure add value to business?, 2015
  - Strategic CFO in Capital Markets, 2015

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

Jan 1, 2016-Present: Chief Officer - Finance and Accounting, Lanna Resources Public Co., Ltd.  
2005-2015: Senior Manager - Accounting and Administration, Lanna Resources Public Co., Ltd.  
2010-Present: Director, PT. Lanna Mining Services (Subsidiary)  
2009-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)  
1993-2000: Section Head Accounting, Lanna Resources Public Co., Ltd.

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**Mr. Saharat Vatanatumrak**

**Positions:** Chief Officer - Corporate

**Age:** 51 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
- Thai Institute of Directors:
  - How to Develop a Risk Management Plan (HRP) Class 6/2014
  - CG Report Assessment Criteria, 2015
  - Company Secretary program (CSP), 2015
- Stock Exchange of Thailand: CRS Engagement Program, 2014

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

Jan 1 2016-Present: Chief Officer - Corporate, Lanna Resources Public Co., Ltd.  
2010-Present: Commissioner, PT. Lanna Mining Services (Subsidiary)  
2008-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)  
2004-Present: Commissioner, PT. Lanna Harita Indonesia (Subsidiary)  
2008-2015: Senior Manager - Diversified Business Development, Lanna Resources Public Co., Ltd.  
2001-2008: Manager - Diversified Business Development, Lanna Resources Public Co., Ltd.  
1999-2001: Project Manager, Universal Project Company Limited  
1994-1999: Project Manager, Infrastructure Development Company Limited

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## Mr. Prasert Promdech

**Positions:** Chief Officer - International Marketing

**Age:** 47 years

**Nationality:** Thai

**Education:**

- Bachelor of Engineering (Mining Engineering), Chulalongkorn University
- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Course by Coaltrans Conferences Ltd : Coaltrans Coal Trading & Risk Management, Singapore, 2014

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

Jan 1, 2016-Present: Chief Officer - International Marketing, Lanna Resources Public Co., Ltd.

2010-Present: Director, PT. Lanna Mining Services (Subsidiary)

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

2006-2015: Senior Manager - International Coal Sales

2000-2004: Chief Coal Transshipment, PT. Lanna Harita Indonesia (Subsidiary)

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## Mr. Vacharachai Nachailert

**Positions:** Chief Officer - Domestic Marketing

**Age:** 53 years

**Nationality:** Thai

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

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

Jan 1, 2016-Present: Chief Officer - Domestic Marketing, Lanna Resources Public Co., Ltd.

2008-2015: Senior Manager - Domestic Coal Sales, Lanna Resources Public Co., Ltd.

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:** Chief Officer - Coal Business Development

**Age:** 51 years

**Nationality:** Thai

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

- Thai Institute of Directors: Anti-Corruption in Practice, 2015
- Stock Exchange of Thailand: CSR Engagement Year 2014

**Family Relationship with Executives:** None

**Past 5-Year Experiences:**

Jan 1, 2016-Present: Chief Officer - Coal Business Development, Lanna Resources Public Co., Ltd.

2012-2015: Senior Manager - Core Business Development, Lanna Resources Public Co., Ltd.

2003-2008: Core Business Development Manager, Lanna Resources Public Co., Ltd.

1997-2002: Manager-Planning, Lanna Resources Public Co., Ltd.

1987-1996: Mining Engineer, Sahakol Engineering Co., Ltd.

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**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		
(1) Mr. Somkiart Limsong	X	-	-	-	-	-	-
(2) Mr. Paul Heinz Hugentobler	/	-	/	-	-	-	/
(3) Mr. Vorathep Rangchaikul	/	-	-	-	-	-	/
(4) Mr. Vanchai Tosomboon	/	-	-	-	-	-	/
(5) Mr. Tanon Tantisunthorn	/	-	-	-	-	-	-
(6) Mr. Padoong Techasarintr	/,XXX	-	-	-	-	-	-
(7) Mrs. Duangkamol Suchato	/,///	-	-	-	-	-	-
(8) Mr. Adul Tantharatana	/,///	-	-	-	-	-	-
(9) Mr. Akasit Jirayuwanon	/	-	-	-	-	-	-
(10) Mr. Kraisi Sirirungsi	/,XX	/	X	/	/X	/	-
(11) Mr. Suroj Subhasavasdikul	/,//	-	-	-	/X	/	-
(12) Mr. Visit Tantisunthorn	/,//	-	-	-	-	-	-
(13) Mr. Pilas Puntakosol	/,//	-	-	-	-	-	-
(14) Mr. Anun Louharanoo	/,//	//	/	//	/,///	-	-
(15) Mr. Srihasak Arirachakaran	-	XX	XX	XX	/	/	-
(16) Mrs. Petcharat Chayanon	-	-	//	/	-	-	-
(17) Mr. Tanat Tantisunthorn	-	-	-	-	-	-	-
(18) Mr. Prasert Promdech	-	-	//	/	-	-	-
(19) Mr. Sudusit Ounsangchan	-	-	-	-	-	-	-
(20) Mr. Vacharachai Nachailert	-	-	-	-	-	-	-
(21) Mr. Saharat Vatanatumrak	-	/	//	/	-	-	-
Subsidiary Company	1. = PT. Lanna Harita Indonesia 3. = PT. Singlurus Pratama2 = PT. Lanna Mining Services 4 = Thai Agro Energy Public Co., Ltd.						
Associated Company	United Bulk Shipping Pte. Ltd.						
Related Company	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, // = Executive Director (Director for Indonesian companies) XXX = Audit Committee Chairman, /// = Audit Committee Member							

## Appendix 2

### Information on Directors of the Subsidiary and Associated Companies

Director's Name	Subsidiary Companies				Associated Company
	1	2	3	4	
1. Mr. Visith Noiphan	-	-	-	X	-
2. Mr. Somchit Limwathanagura	-	-	-	/	-
3. Mr. Padetpai Meekun-iam	-	-	-	/,XXX	-
4. Mr. Kraisi Sirirungsi	/	X	/	/X	/
5. Mr. Paul Heinz Hugentobler	-	/	-	-	-
6. Mr. Suroj Subhasavasdikul	-	-	-	/X	/
7. Mr. Somchai Lovisuth	-	-	-	/	-
8. Mr. Anun Louharanoo	//	/	//	/,//	-
9. Mr. Srihasak Arirachakaran	XX	XX	XX	/	-
10. Mr. Atichart Mongkol	//	-	-	-	-
11. Mrs. Petcharat Chayanon	-	//	/	-	-
12. Mr. Saharat Vatanatumrak	/	//	/	-	-
13. Mr. Panot Charoensuk	-	/	//	-	-
14. Mr. Thamrong Angsakul	//	-	-	-	-
15. Mr. Prasert Promdech	-	//	/	-	-
16. Mr. Ludi Prasetyo Hartono	-	-	//	-	-
17. Mrs. Yocke Kaseger	-	-	X	-	-
18. Mr. Sonny Susanto	-	-	//	-	-
19. Mr. Toto Iman Dewanto	-	-	/	-	-
20. Mr. Lim Gunardi Hariyanto	//	-	-	-	-
21. Mr. Parasian Simanungkalit, SH	X	-	-	-	-
22. Mr. Ng Han Whatt Henry	-	-	-	-	X
23. Mr. Lee Boon Wah	//	-	-	-	/
24. Mr. Patrick Ng Bee Soon	-	-	-	-	/
25. Ms. Ng Bee Bee	/	-	-	-	/
Subsidiary Companies			Associated Company		
1 = PT. Lanna Harita Indonesia		3 = PT. Singlurus Pratama		United Bulk Shipping Pte. Ltd.	
2 = PT. Lanna Mining Services		4 = Thai Agro Energy Public Co., Ltd.			
Remarks : X = Chairman of the Board, /X = Vice Chairman, / = Director (Commissioner for Indonesian companies) XX = Executive Chairman, // = Executive Director (Director for Indonesian companies) XXX = Audit Committee Chairman, /// = Audit Committee Member					



## Appendix 3

### Information on Internal Audit Department Manager

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The Audit Committee has approved to appoint Mrs. Wanna Chomkhokkrud as the Internal Audit Office Manager having seen that she possesses the education, work experience and training appropriate and sufficient for such work and duties with effectiveness, having background as follows:

**First and Last Name:** Mrs. Wanna Chomkhokkrud

**Current Position:** Internal Audit Department Manager,  
Secretary of the Audit Committee,  
Risk Management Committee Member and Secretary

**Age:** 50 years

**Nationality:** Thai

**Education:**

- B.A. (Accounting), Ramkhamhaeng University
- Certificates of the Thai Institute of Directors Association
  - Company Secretary Program (CSP) Class 22/2007
  - Effective Minute Taking (EMT) Class 9/2008
  - How to Develop a Risk management Plan (HRP) Class 6/2514
  - Tackling Corruption Through Public – Private Collaboration, 2014
  - Anti-Corruption for Executive Program Year 2015
- Thai Institute of Internal Auditors: Emerging Identity of Internal Audit, 2014
- Stock Exchange of Thailand: Preparation for Internal Audit Office to be Listed in the Stock Exchange

**Shareholding in Company and Affiliates as at December 31, 2015**

- Holding 48,769 shares in Lanna Resources Plc. or 0.009 percent of all shares with voting right
- Holding 39 shares in Thai Agro Energy Plc. (subsidiary) or 0.000 percent of all shares with voting right

**Family Relationship with Executives:** None

**Past 5 – Year Experiences:**

Jan 1, 2016-Present: Internal Audit Department Manager

2001-Present: Secretary of Audit Committee

2008-2015: Internal Audit Office Manager



Appendix 4  
Details about Asset Valuation

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-Not Available-

Apart from the information as reported in this Annual Registration Statement (Form 56-1), investors may read more information about the company at the website – [www.lannar.com](http://www.lannar.com).