

Lanna Resources Public Company Limited  
and its subsidiaries  
Report and interim financial statements  
For the three-month and six-month periods ended  
30 June 2012 and 2011

## **Independent Auditor's Report on Review of Interim Financial Information**

To the Shareholders of Lanna Resources Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Lanna Resources Public Company Limited and its subsidiaries as at 30 June 2012, the related consolidated statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2012 and 2011, and the related consolidated statements of changes in shareholders' equity and cash flows for the six-month periods ended 30 June 2012 and 2011, as well as the condensed notes to the consolidated financial statements, and have also reviewed the separate financial information of Lanna Resources Public Company Limited for the same periods. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my reviews.

### **Scope of review**

I conducted my reviews in accordance with Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

### **Conclusion**

Based on my reviews, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.

## **Statements of financial position as at 31 December 2011 for comparative purposes**

I have previously audited the consolidated financial statements of Lanna Resources Public Company Limited and its subsidiaries and the separate financial statements of Lanna Resources Public Company Limited for the year ended 31 December 2011 in accordance with Thai auditing standards, and based on my audit and the reports of the auditors of oversea subsidiary companies, expressed an unqualified opinion and drew attention to the adoption of the new accounting standards on those statements under my report dated 23 February 2012. The consolidated and separate statements of financial position as at 31 December 2011, as presented herein for comparative purposes, formed an integral part of those financial statements. I have not performed any other audit procedures subsequent to the date of the above report.

Kamontip Lertwitworatep  
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited  
Bangkok: 6 August 2012

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

**Statements of financial position**

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		30 June 2012 (Unaudited but reviewed)	31 December 2011 (Audited)	30 June 2012 (Unaudited but reviewed)	31 December 2011 (Audited)
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	1,133,340	1,212,391	295,384	381,840
Trade and other receivables	2, 4	995,612	1,197,935	260,380	199,829
Inventories	5	589,180	266,030	220,414	27,321
Cassava and sugar cane plantation costs		-	5,723	-	-
Input tax refundable		800,164	699,612	7,404	-
Prepaid income tax		93,360	103,558	250	18,266
Advance payments for goods	2	57,030	170,906	10,988	109,613
Other current assets		40,052	68,909	2,986	1,337
<b>Total current assets</b>		<b>3,708,738</b>	<b>3,725,064</b>	<b>797,806</b>	<b>738,206</b>
<b>Non-current assets</b>					
Restricted bank deposits	3	44,574	51,541	-	-
Investments in subsidiary companies	6	-	-	852,763	1,068,589
Investment in associated company	7	23,658	23,715	891	891
Long-term loans to related party	2	-	-	45,001	45,001
Investment properties		34,726	36,530	34,726	36,530
Property, plant and equipment	8	2,811,909	2,716,091	207,972	214,934
Goodwill		186,000	186,000	-	-
Intangible assets		4,412	3,504	1,624	1,765
Other non-current assets	9	524,705	475,122	94,845	95,159
<b>Total non-current assets</b>		<b>3,629,984</b>	<b>3,492,503</b>	<b>1,237,822</b>	<b>1,462,869</b>
<b>Total assets</b>		<b>7,338,722</b>	<b>7,217,567</b>	<b>2,035,628</b>	<b>2,201,075</b>

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position (continued)

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		30 June 2012 (Unaudited but reviewed)	31 December 2011 (Audited)	30 June 2012 (Unaudited but reviewed)	31 December 2011 (Audited)
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	10	523,000	563,000	-	-
Trade and other payables	2, 11	617,039	377,586	62,691	230,400
Current portion of long-term loan from financial institution	12	180,000	900,000	-	-
Accrued expenses		634,727	598,377	8,619	26,516
Income tax payable		60,913	408,516	-	-
Other current liabilities		114,337	168,838	6,264	10,654
<b>Total current liabilities</b>		<b>2,130,016</b>	<b>3,016,317</b>	<b>77,574</b>	<b>267,570</b>
<b>Non-current liabilities</b>					
Long-term loan from financial institution - net of current portion	12	630,000	-	-	-
Provision for long-term employee benefits		136,521	122,556	22,027	22,165
<b>Total non-current liabilities</b>		<b>766,521</b>	<b>122,556</b>	<b>22,027</b>	<b>22,165</b>
<b>Total liabilities</b>		<b>2,896,537</b>	<b>3,138,873</b>	<b>99,601</b>	<b>289,735</b>
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered, issued and fully paid up					
350,000,000 ordinary shares of Baht 1 each		350,000	350,000	350,000	350,000
Share premium		680,400	680,400	680,400	680,400
Retained earnings					
Appropriated - Statutory reserve		35,000	35,000	35,000	35,000
Appropriated - General reserve		495,900	436,000	495,900	436,000
Unappropriated		2,073,535	1,891,579	374,727	409,940
Other components of shareholders' equity		(92,565)	(122,135)	-	-
<b>Equity attributable to owners of the Company</b>		<b>3,542,270</b>	<b>3,270,844</b>	<b>1,936,027</b>	<b>1,911,340</b>
Non-controlling interests of the subsidiaries		899,915	807,850	-	-
<b>Total shareholders' equity</b>		<b>4,442,185</b>	<b>4,078,694</b>	<b>1,936,027</b>	<b>1,911,340</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,338,722</b>	<b>7,217,567</b>	<b>2,035,628</b>	<b>2,201,075</b>
		-	-	-	-

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

Directors

## Lanna Resources Public Company Limited and its subsidiaries

## Income statements

For the three-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht except earnings per share presented in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Revenues</b>					
Sales	2	3,899,396	3,207,160	480,817	499,930
Commission and marketing service income	2	-	-	37,733	27,220
Other income					
Dividend income	2, 6, 7	-	-	181,942	264,829
Service income	2	-	-	10,234	8,083
Gain on exchange		4,800	10,491	7,661	-
Interest income	2	3,335	1,098	2,136	911
Others		5,703	40,739	1,534	3,075
Total other income		13,838	52,328	203,507	276,898
<b>Total revenues</b>		<b>3,913,234</b>	<b>3,259,488</b>	<b>722,057</b>	<b>804,048</b>
<b>Expenses</b>					
Cost of sales	2	2,470,821	1,839,018	420,831	459,467
Selling and distribution expenses		564,028	475,463	44,560	40,650
Administrative expenses		129,233	150,971	40,538	37,052
Loss on exchange		-	-	-	1,227
<b>Total expenses</b>		<b>3,164,082</b>	<b>2,465,452</b>	<b>505,929</b>	<b>538,396</b>
<b>Profit before share of profit from investment, finance cost and corporate income tax</b>					
Share of profit from investment in associated company	7	4,214	1,635	-	-
<b>Profit before finance cost and corporate income tax</b>		<b>753,366</b>	<b>795,671</b>	<b>216,128</b>	<b>265,652</b>
Finance cost		(16,067)	(8,103)	-	(369)
<b>Profit before corporate income tax</b>		<b>737,299</b>	<b>787,568</b>	<b>216,128</b>	<b>265,283</b>
Withholding tax deducted at source		(22,249)	(33,767)	(22,249)	(33,767)
Corporate income tax		(181,410)	(235,977)	-	-
<b>Profit for the period</b>		<b>533,640</b>	<b>517,824</b>	<b>193,879</b>	<b>231,516</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		344,637	298,483	193,879	231,516
Non-controlling interest of the subsidiaries		189,003	219,341		
		533,640	517,824		
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company (Baht)	13	0.98	0.85	0.55	0.66

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of comprehensive income

For the three-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Profit for the period</b>	<u>533,640</u>	<u>517,824</u>	<u>193,879</u>	<u>231,516</u>
<b>Other comprehensive income:</b>				
Exchange differences on translation of financial statements in foreign currency	<u>64,151</u>	<u>33,755</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the period</b>	<u>64,151</u>	<u>33,755</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u><u>597,791</u></u>	<u><u>551,579</u></u>	<u><u>193,879</u></u>	<u><u>231,516</u></u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	<u>386,178</u>	<u>323,484</u>	<u><u>193,879</u></u>	<u><u>231,516</u></u>
Non-controlling interests of the subsidiaries	<u>211,613</u>	<u>228,095</u>		
	<u><u>597,791</u></u>	<u><u>551,579</u></u>		

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

## Lanna Resources Public Company Limited and its subsidiaries

## Income statements

For the six-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht except earnings per share presented in Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues</b>					
Sales	2	6,570,023	5,907,403	913,326	906,001
Commission and marketing service income	2	-	-	61,737	54,799
Other income					
Dividend income	2, 6, 7	-	-	343,056	399,276
Service income	2	-	-	17,610	16,650
Gain on exchange		2,203	-	1,933	256
Interest income	2	7,783	3,154	5,577	2,513
Others		62,569	76,442	35,458	4,156
Total other income		72,555	79,596	403,634	422,851
<b>Total revenues</b>		<b>6,642,578</b>	<b>5,986,999</b>	<b>1,378,697</b>	<b>1,383,651</b>
<b>Expenses</b>					
Cost of sales	2	4,164,510	3,354,561	786,574	836,348
Selling and distribution expenses		912,189	918,200	82,148	73,583
Administrative expenses		249,930	230,418	73,848	50,308
Loss on exchange		-	855	-	-
<b>Total expenses</b>		<b>5,326,629</b>	<b>4,504,034</b>	<b>942,570</b>	<b>960,239</b>
<b>Profit before share of profit from investment, finance cost and corporate income tax</b>		<b>1,315,949</b>	<b>1,482,965</b>	<b>436,127</b>	<b>423,412</b>
Share of profit from investment in associated company	7	7,629	2,093	-	-
<b>Profit before finance cost and corporate income tax</b>		<b>1,323,578</b>	<b>1,485,058</b>	<b>436,127</b>	<b>423,412</b>
Finance cost		(24,108)	(11,785)	-	(403)
<b>Profit before corporate income tax</b>		<b>1,299,470</b>	<b>1,473,273</b>	<b>436,127</b>	<b>423,009</b>
Withholding tax deducted at source		(59,185)	(50,401)	(59,185)	(50,401)
Corporate income tax		(308,341)	(427,584)	(2,255)	-
<b>Profit for the period</b>		<b>931,944</b>	<b>995,288</b>	<b>374,687</b>	<b>372,608</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		616,483	591,842	374,687	372,608
Non-controlling interest of the subsidiaries		315,461	403,446		
		931,944	995,288		
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company (Baht)	13	1.76	1.69	1.07	1.06

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



(Unaudited but reviewed)

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

**Statements of comprehensive income**

**For the six-month periods ended 30 June 2012 and 2011**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Profit for the period</b>	<u>931,944</u>	<u>995,288</u>	<u>374,687</u>	<u>372,608</u>
<b>Other comprehensive income:</b>				
Exchange differences on translation of financial statements in foreign currency	<u>10,826</u>	<u>50,224</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the period</b>	<u>10,826</u>	<u>50,224</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u>942,770</u>	<u>1,045,512</u>	<u>374,687</u>	<u>372,608</u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	<u>621,432</u>	<u>631,610</u>	<u>374,687</u>	<u>372,608</u>
Non-controlling interests of the subsidiaries	<u>321,338</u>	<u>413,902</u>		
	<u>942,770</u>	<u>1,045,512</u>		

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

(Unaudited but reviewed)

## Lanna Resources Public Company Limited and its subsidiaries

## Statements of cash flows

For the six-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Profit before tax	1,299,470	1,473,273	436,127	423,009
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	98,417	105,850	14,852	15,259
Reduction of inventory to net realisable value (reversal)	(3,590)	(11,221)	-	2,083
Write-off of prepaid corporate income tax	-	17,356	-	-
Share of profit from investment in associated company	(7,629)	(2,093)	-	-
Gain from return on investment and disposal of investment in subsidiaries	-	-	-5,607	-
Gain on disposal of equipment and investment properties	(1,510)	(3,213)	(1,507)	(2,595)
Loss on write-off of equipment and intangible assets	622	6,310	-	30
Dividend income	-	-	(343,056)	(399,276)
Reversal of provision for liabilities from lawsuit	-	(17,402)	-	(17,402)
Provision for long-term employee benefits	20,182	5,219	1,294	1,082
Unrealised loss (gain) on exchange	(79)	(972)	(79)	5,079
Interest income	(7,783)	(3,154)	(5,577)	(2,513)
Interest expenses	24,108	11,785	-	403
Profit from operating activities before changes in operating assets and liabilities	1,422,208	1,581,738	96,447	25,159
Operating assets (increase) decrease				
Trade and other receivables	202,093	(107,057)	(60,714)	16,642
Inventories	(319,560)	(484,279)	(193,093)	(154,963)
Cassava and sugar cane plantation costs	5,723	13,633	-	-
Input tax refundable	(100,552)	(170,636)	(7,404)	(11,277)
Advance payments for goods	113,924	75,197	98,673	-
Other current assets	28,857	(12,993)	(1,649)	(1,374)
Operating liabilities increase (decrease)				
Trade and other payables	245,953	79,282	(167,324)	33,698
Accrued expenses	36,452	252,945	(17,897)	(13,386)
Other current liabilities	(54,501)	72,004	(4,390)	(1,775)
Provision for long-term employee benefits	(6,288)	-	(1,432)	-
Cash from (used in) operating activities	1,574,309	1,299,834	(258,783)	(107,276)
Interest income	8,013	3,087	5,740	2,435
Cash paid for interest expenses	(24,210)	(11,836)	-	(403)
Refund of corporate income tax	17,852	-	17,852	-
Cash paid for withholding tax deducted at source	(59,185)	(50,401)	(59,185)	(50,401)
Cash paid for corporate income tax	(663,598)	(475,175)	(2,091)	(42)
<b>Net cash from (used in) operating activities</b>	<b>853,181</b>	<b>765,509</b>	<b>(296,467)</b>	<b>(155,687)</b>

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

(Unaudited but reviewed)

**Lanna Resources Public Company Limited and its subsidiaries****Statements of cash flows (continued)**

For the six-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Cash flows from investing activities</b>				
Decrease (increase) in restricted bank deposits	7,187	(14,994)	-	-
Cash received from repayment of long-term loans to related party	-	-	-	158,364
Dividend received from subsidiary and associated companies	7,686	-	343,056	339,961
Cash received from return on investment and disposal of investment in subsidiaries	-	-	221,433	-
Proceeds from disposals of equipment and investment properties	3,652	4,508	3,327	3,226
Cash received from government grants	5,000	-	-	-
Acquisitions of property, plant and equipment	(171,457)	(305,336)	(1,976)	(3,450)
Acquisitions of computer software	(484)	(220)	(198)	(140)
Increase in other non-current assets	(82,294)	(45,276)	(5,662)	(4,985)
<b>Net cash from (used in) investing activities</b>	<u>(230,710)</u>	<u>(361,318)</u>	<u>559,980</u>	<u>492,976</u>
<b>Cash flows from financing activities</b>				
Increase in bank overdrafts and short-term loans from financial institutions	523,000	595,355	-	-
Repayment of short-term loans from financial institutions	(563,000)	(509,000)	-	-
Cash received from long-term loan from financial institution	-	155,262	-	-
Repayment of long-term loan from financial institution	(90,000)	-	-	-
Dividend paid	(579,303)	(442,659)	(350,000)	(192,500)
Increase in non-controlling interests of the subsidiaries	5,907	58,946	-	-
<b>Net cash used in financing activities</b>	<u>(703,396)</u>	<u>(142,096)</u>	<u>(350,000)</u>	<u>(192,500)</u>
<b>Increase in translation adjustments</b>	<u>1,843</u>	<u>28,504</u>	<u>-</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(79,082)</u>	<u>290,599</u>	<u>(86,487)</u>	<u>144,789</u>
Cash and cash equivalents at beginning of period	1,212,391	829,223	381,840	26,343
Effect of change in foreign exchange rate on cash at bank balance	31	626	31	626
<b>Cash and cash equivalents at end of period (Note 3)</b>	<u>1,133,340</u>	<u>1,120,448</u>	<u>295,384</u>	<u>171,758</u>

**Supplemental cash flows information:**

## Non-cash transactions

Increase (decrease) in accounts payable from purchases of

plant, equipment and intangible assets

(6,500) (115,355) (385) 984

Transferred property, plant and equipment to intangible assets

1,100 - - -

Transferred advance payment for purchase of

investment to investment in subsidiary company

- - - 151,509

Dividend receivable from subsidiary company

- - - 59,315

Dividend payable

- 32,077 - -

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the six-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht)

Consolidated financial statements

	Equity attributable to owners of the Company											
	Issued and paid-up share capital	Share premium	Retained earnings			Unappropriated	Exchange differences on translation of financial statements in foreign currency	Other component of shareholders' equity	Total other component of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
			Appropriated									
			Statutory reserve	General reserve								
<b>Balance as at 31 December 2010</b>	350,000	680,400	35,000	429,000	1,327,681	(197,713)	(197,713)	2,624,368	559,517	3,183,885		
Dividend paid (Note 14)	-	-	-	-	(192,500)	-	-	(192,500)	-	(192,500)		
Unappropriated retained earnings transferred to general reserve (Note 14)	-	-	-	7,000	(7,000)	-	-	-	-	-		
Total comprehensive income for the period	-	-	-	-	591,842	39,768	39,768	631,610	413,902	1,045,512		
Decrease in non-controlling interests of the subsidiaries from dividend payments of subsidiaries (Note 14)	-	-	-	-	-	-	-	-	(282,236)	(282,236)		
Increase in non-controlling interests of the subsidiaries from increase in share capital	-	-	-	-	-	-	-	-	48,490	48,490		
<b>Balance as at 30 June 2011</b>	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>436,000</u>	<u>1,720,023</u>	<u>(157,945)</u>	<u>(157,945)</u>	<u>3,063,478</u>	<u>739,673</u>	<u>3,803,151</u>		

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

(Unaudited but reviewed)

## Lanna Resources Public Company Limited and its subsidiaries

## Statements of changes in shareholders' equity (continued)

For the six-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht)

<b>Consolidated financial statements</b>												
<b>Equity attributable to owners of the Company</b>												
	Issued and paid-up share capital	Share premium	Retained earnings			Unappropriated	Exchange differences on translation of financial statements in foreign currency	Other component of shareholders' equity Other comprehensive income	Total other component of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
			Statutory reserve	General reserve	Appropriated							
<b>Balance as at 31 December 2011</b>	350,000	680,400	35,000	436,000	1,891,579	(122,135)	(122,135)	3,270,844	807,850	4,078,694		
Dividend paid (Note 14)	-	-	-	-	(350,000)	-	-	(350,000)	-	(350,000)		
Unappropriated retained earnings transferred to general reserve (Note 14)	-	-	-	59,900	(59,900)	-	-	-	-	-		
Effect of liquidation of the subsidiary	-	-	-	-	(24,627)	24,621	24,621	(6)	-	(6)		
Total comprehensive income for the period	-	-	-	-	616,483	4,949	4,949	621,432	321,338	942,770		
Decrease in non-controlling interests of the subsidiaries from dividend payments of subsidiaries (Note 14)	-	-	-	-	-	-	-	-	(229,303)	(229,303)		
Increase in non-controlling interests of the subsidiaries from disposal of investment in subsidiary	-	-	-	-	-	-	-	-	30	30		
<b>Balance as at 30 June 2012</b>	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>495,900</u>	<u>2,073,535</u>	<u>(92,565)</u>	<u>(92,565)</u>	<u>3,542,270</u>	<u>899,915</u>	<u>4,442,185</u>		

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the six-month periods ended 30 June 2012 and 2011

(Unit: Thousand Baht)

	Separate financial statements					Total
	Issued and paid-up share capital	Share premium	Retained earnings		Unappropriated	
			Appropriated			
			Statutory reserve	General reserve		
<b>Balance as at 31 December 2010</b>	350,000	680,400	35,000	429,000	199,664	1,694,064
Dividend paid (Note 14)	-	-	-	-	(192,500)	(192,500)
Unappropriated retained earnings transferred to general reserve (Note 14)	-	-	-	7,000	(7,000)	-
Total comprehensive income for the period	-	-	-	-	372,608	372,608
<b>Balance as at 30 June 2011</b>	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>436,000</u>	<u>372,772</u>	<u>1,874,172</u>
<b>Balance as at 31 December 2011</b>	350,000	680,400	35,000	436,000	409,940	1,911,340
Dividend paid (Note 14)	-	-	-	-	(350,000)	(350,000)
Unappropriated retained earnings transferred to general reserve (Note 14)	-	-	-	59,900	(59,900)	-
Total comprehensive income for the period	-	-	-	-	374,687	374,687
<b>Balance as at 30 June 2012</b>	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>495,900</u>	<u>374,727</u>	<u>1,936,027</u>

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

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

**Notes to interim financial statements**

**For the three-month and six-month periods ended 30 June 2012 and 2011**

**1. General information**

**1.1 Corporate information**

Lanna Resources Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Siam City Cement Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of coal. The registered office of the Company is at 888/99 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

**1.2 Bases for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income statement, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

**1.3 Basis of consolidation**

These interim consolidated financial statements included the financial statements of Lanna Resources Public Company Limited and its subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2011. There have been no significant changes in the composition of the Group during the current period, except for the return on investment from a subsidiary and disposal of some ordinary shares of another subsidiary as discussed in Note 6.

**1.4 New accounting standard issued during the period not yet effective**

During the current period, the Federation of Accounting Professions issued the Thai Financial Reporting Standard No. 8 Operating Segments which is effective for fiscal years beginning on or after 1 January 2013.

The Company's management believes that the above TFRS will not have any significant impact on the financial statements for the year when it is initially applied.

**2. Related party transactions**

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

(Unit: Thousand Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	-	219,537
Dividend income	-	-	174,256	264,829
Commission and marketing				
service income	-	-	37,733	27,220
Service income	-	-	10,234	8,083
Interest income	-	-	395	736
<u>Transactions with major shareholder</u>				
Sales of coal	274,157	287,951	274,157	287,951
<u>Transactions with associated company</u>				
Purchase of coal	388,395	38,408	388,395	38,408
Freight charge	64,311	-	64,311	-
Dividend income	7,686	-	7,686	-



(Unaudited but reviewed)

(Unit: Thousand Baht)

For the six-month periods ended 30 June

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	-	466,279
Dividend income	-	-	335,370	399,276
Commission and marketing service income	-	-	61,737	54,799
Service income	-	-	17,610	16,650
Interest income	-	-	798	2,102
<u>Transactions with major shareholder</u>				
Sales of coal	531,454	526,174	531,454	526,174
<u>Transactions with associated company</u>				
Purchase of coal	649,055	72,878	649,055	72,878
Freight charge	94,736	5,763	94,736	5,763
Dividend income	7,686	-	7,686	-

Transfer pricing policy

Sales of coal	Market price at which equivalent quality coal is sold to the same industry
Purchase of coal	Market price for equivalent quality coal
Commission and marketing service income	At the price agreed between the parties which is general price for the same business
Service income	At the agreed price as stipulated in the agreement
Dividend income	At the declared rate
Interest income	LIBOR + 3% per annum
Freight charge	Price comparable to freight charges paid to third parties

(Unaudited but reviewed)

As at 30 June 2012 and 31 December 2011, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b><u>Trade and other receivables - related parties (Note 4)</u></b>				
Major shareholder	135,872	66,025	135,872	66,025
Subsidiaries	-	-	26,198	19,412
Total trade and other receivables - related parties	<u>135,872</u>	<u>66,025</u>	<u>162,070</u>	<u>85,437</u>
<b><u>Advance payments for goods - related party</u></b>				
Associated company	-	87,030	-	87,030
Total advance payment for goods - related party	<u>-</u>	<u>87,030</u>	<u>-</u>	<u>87,030</u>
<b><u>Long-term loans to related party</u></b>				
Subsidiary	-	-	45,001	45,001
Total long-term loans to related party	<u>-</u>	<u>-</u>	<u>45,001</u>	<u>45,001</u>
<b><u>Trade and other payables - related parties (Note 11)</u></b>				
Subsidiary	-	-	-	205,590
Associated company	4,058	800	4,058	800
Total trade and other payables - related parties	<u>4,058</u>	<u>800</u>	<u>4,058</u>	<u>206,390</u>

The long-term loans to related party represent loans granted to PT. Lanna Mining Services. The loans are unsecured, with a term not exceeding 3 years and interest rate at LIBOR + 3% per annum. There was no movement in such loans during the period.

#### Directors and management's benefits

During the three-month and six-month periods ended 30 June 2012 and 2011, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Short-term employee benefits	48	44	19	16
Post-employment benefits	6	2	-	-
Total	<u>54</u>	<u>46</u>	<u>19</u>	<u>16</u>

(Unaudited but reviewed)

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Short-term employee benefits	78	71	29	26
Post-employment benefits	8	5	1	1
Total	<u>86</u>	<u>76</u>	<u>30</u>	<u>27</u>

### 3. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash	212	236	40	40
Bank deposits	1,014,272	984,696	145,344	102,800
Investments in bill of exchange and bond of the Bank of Thailand	<u>163,430</u>	<u>279,000</u>	<u>150,000</u>	<u>279,000</u>
Total	1,177,914	1,263,932	295,384	381,840
Less: Restricted bank deposits	<u>(44,574)</u>	<u>(51,541)</u>	-	-
Total	<u>1,133,340</u>	<u>1,212,391</u>	<u>295,384</u>	<u>381,840</u>

As at 30 June 2012, bank deposits in savings account and fixed deposits carried interests between 0.1 and 6.5 percent per annum (31 December 2011: between 0.05 and 6.5 percent per annum).

As at 30 June 2012, the oversea subsidiary companies had restricted bank deposits of approximately Baht 45 million (31 December 2011: Baht 52 million) to secure bank guarantees issued by banks on behalf of the subsidiary companies as discussed in Note 17.5.

(Unaudited but reviewed)

#### 4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
<b><u>Trade receivables - related parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due	135,872	66,025	155,088	80,269
Total trade receivables - related parties	135,872	66,025	155,088	80,269
<b><u>Trade receivables - unrelated parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due	835,334	1,122,975	96,736	112,529
Past due				
Up to 3 months	11,173	-	-	-
Total trade receivable - unrelated parties	846,507	1,122,975	96,736	112,529
Total trade receivables	982,379	1,189,000	251,824	192,798
<b><u>Other receivables</u></b>				
Other receivables - related parties	-	-	6,982	5,168
Other receivables - unrelated parties				
Advances	11,413	7,741	1	983
Interest receivable	1,488	632	1,488	632
Interest receivable	332	562	85	248
Total other receivables	13,233	8,935	8,556	7,031
Total trade and other receivables	995,612	1,197,935	260,380	199,829

#### 5. Reduction of inventory to net realisable value

Movements in the reduction of inventory to net realisable value during the six-month period ended 30 June 2012 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 31 December 2011	6,136	-
Add: Reversal of reduction of inventory value during the period	(3,590)	-
Balance as at 30 June 2012	2,546	-

(Unaudited but reviewed)

**6. Investments in subsidiaries**

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

(Unit: Thousand Baht)

Company's name	Nature of business	Relationship	Paid-up capital		Shareholding percentage		Cost		Dividend received for the six-month periods ended	
			30 June 2012	31 December 2011	30 June 2012 (%)	31 December 2011 (%)	30 June 2012	31 December 2011	30 June 2012	30 June 2011
PT. Lanna Mining Services (Incorporated in Indonesia)	Coal distribution	Direct holding and common directors	USD 2.1 million	USD 2.1 million	99.95	99.995	70,889	70,919	-	-
Thai Agro Energy Public Co., Ltd.	Ethanol production and distribution	Direct holding and common directors	Baht 800 million	Baht 800 million	75.75	75.75	606,038	606,038	-	-
PT. Singlurus Pratama (Incorporated in Indonesia)	Coal production and distribution	Direct holding and common directors	Rp 7,950 million	Rp 7,950 million	65.00	65.00	18,626	18,626	161,114	158,803
PT. Lanna Harita Indonesia (Incorporated in Indonesia)	Coal production and distribution	Direct holding and common directors	USD 8 million	USD 8 million	55.00	55.00	155,023	155,023	139,380	240,473
PT. Citra Harita Mineral (Incorporated in Indonesia)	Service in coal production and port and jetty service	Direct holding and common directors	Rp 1,000 million	Rp 1,000 million	55.00	55.00	2,187	2,187	34,876	-
Lanna (Singapore) Pte. Ltd. (Incorporated in Singapore)	Investment in foreign projects	Direct holding and common directors	-	SGD 9 million	-	100.00	-	215,796	-	-
Total							<u>852,763</u>	<u>1,068,589</u>	<u>335,370</u>	<u>399,276</u>

## **Overseas subsidiaries**

### Lanna (Singapore) Pte. Ltd.

On 21 June 2010, the meeting of the Board of Directors of the Company passed a resolution approving the dissolution and liquidation of Lanna (Singapore) Pte. Ltd.

In March 2012, the Company received its return on investment of Baht 221.4 million from Lanna (Singapore) Pte. Ltd. and recognised gain from return on investment of Baht 5.6 million in the income statement for the six-month period ended 30 June 2012.

On 28 June 2012, Lanna (Singapore) Pte. Ltd. had completed its liquidation and had submitted the related documents to the Regulatory Authority on 4 July 2012. The dissolution takes about 3 months after submitting the documents.

### PT. Lanna Mining Services

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

In January 2012, the Company already sold such ordinary shares of the subsidiary to United Bulk Shipping Pte. Ltd.

### PT. Citra Harita Mineral

On 17 April 2012, the meeting of Board of Directors passed a resolution approving the dissolution and liquidation of PT. Citra Harita Mineral, which is a subsidiary incorporated in Indonesia. The dissolution and liquidation of this subsidiary is expected to be completed within 2013.

(Unaudited but reviewed)

**7. Investment in associated company**

(Unit: Thousand Baht)

Company	Nature of business	Relationship	Paid-up capital		Shareholding percentage		Carrying amounts based on equity method		Cost		Dividend received for the six-month periods ended	
			30 June 2012	31 December 2011	30 June 2012 (%)	31 December 2011 (%)	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	30 June 2011
United Bulk Shipping Pte. Ltd. (Incorporated in Singapore)	Shipping business and coal distribution	Direct holding	SGD 0.1 million	SGD 0.1 million	49	49	23,658	23,715	891	891	7,686	-
<b>Total</b>							<b>23,658</b>	<b>23,715</b>	<b>891</b>	<b>891</b>	<b>7,686</b>	<b>-</b>

Share of profit from United Bulk Shipping Pte. Ltd. for the three-month and six-month periods ended 30 June 2012 of approximately Baht 4.2 million and Baht 7.6 million, respectively (2011: Baht 1.6 million and Baht 2.1 million, respectively) had been calculated from the financial statements prepared by the management of the associated company and not being reviewed by its auditor.

The Company's management believes that the management accounts of the associated company would not be significantly different from the accounts reviewed by its auditor.

(Unaudited but reviewed)

## 8. Property, plant and equipment

Movements in the property, plant and equipment account for the six-month period ended 30 June 2012 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 31 December 2011	2,716,091	214,934
Acquisitions during the period - cost	164,953	1,591
Disposals and write-off during the period - net book value on disposal/write-off date	(958)	(16)
Transfer to intangible assets	(1,100)	-
Cash received from government grants	(5,000)	-
Depreciation for the period	(63,412)	(8,537)
Translation adjustments	1,335	-
Net book value as at 30 June 2012	<u>2,811,909</u>	<u>207,972</u>

A subsidiary has mortgaged part of its land and construction thereon with net book value as at 30 June 2012 amounting to approximately Baht 9.2 million as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 10 and 12. Later, in July and August 2012, the subsidiary has mortgaged part of its land and construction thereon and machinery of the second ethanol production plant with net book value amounting to approximately Baht 50.3 million and Baht 846.2 million, respectively, as additional collateral for these loans.

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

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Interest expenses capitalised as costs of machinery and equipment under installation (Thousand Baht)	-	6,683	9,639	14,678
Capitalisation rate (percent per annum)	-	2.98	4.31	3.38

During the period, a subsidiary received the remaining subsidy of Baht 5 million from the Energy Conservation Promotion Fund under "Biogas Technology for Industry Project". The subsidiary is required to comply with the terms under the agreement.



**9. Other non-current assets**

Other non-current assets consist of the following items, which are shown net of relevant accumulated amortisation.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Deferred expenses - Indonesia				
coal mine project	341,042	298,394	-	-
Deferred overburden removal				
expenses	17,357	19,210	-	-
Advance payment from				
purchases of fixed assets	66,905	59,747	-	-
Deferred transferred service				
fees according to contract	85,799	91,775	85,799	91,775
Others	13,602	5,996	9,046	3,384
Total other non-current assets	<u>524,705</u>	<u>475,122</u>	<u>94,845</u>	<u>95,159</u>

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

On 6 March 2008, the Company and PT. Indocoal Pratama Jaya (“IPJ”) entered into agreement of transferring service fees for service provided to the concession area of PT. Singlurus Pratama (“SGP”) for the first 15 million tons of coal produced and distributed at a price of USD 0.75 per ton, in accordance with the Service Agreement, which stipulate that IPJ is to receive a fee of USD 0.75 per ton of coal produced and distributed from SGP.

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

That creditor agreed to transfer such fees to the Company at a negotiated price of USD 3.75 million, or equivalent to Baht 118.3 million, with the Company making a lump sum payment. Such fees will be amortised according to the quantity of coal sold from SGP and the Company had already started amortising the fee since July 2009.

(Unaudited but reviewed)

## 10. Short-term loans from financial institutions

As at 30 June 2012, a subsidiary had short-term loans from financial institutions in the form of promissory notes which are repayable within 3 months. The loans bear interest at the rate of 3.80 - 5.05 percent per annum. The loan amounting to Baht 150 million is secured by the mortgage of part of the subsidiary's land and construction thereon as discussed in Note 8.

## 11. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
Trade payables - related parties	4,058	800	4,058	800
Trade payables - unrelated parties	575,831	341,398	56,433	21,053
Other payables - related parties	-	-	-	205,590
Other payables - unrelated parties	18,749	15,519	1,986	2,329
Payables for purchases of plant, equipment and intangible assets	4,281	10,781	205	590
Retention payable	14,120	9,088	9	38
Total trade and other payables	<u>617,039</u>	<u>377,586</u>	<u>62,691</u>	<u>230,400</u>

## 12. Long-term loan from financial institution

Movements in the long-term loan from financial institution for the six-month period ended 30 June 2012 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Balance as at 31 December 2011	900,000	-
Less: Repayment during the period	(90,000)	-
Balance as at 30 June 2012	810,000	-
Less: Current portion	(180,000)	-
Long-term loan from financial institution - net	<u>630,000</u>	<u>-</u>

(Unaudited but reviewed)

On 16 September 2009, a subsidiary entered into a loan agreement with a local bank, obtaining loan facilities of Baht 900 million for the construction of the second ethanol production plant and the purchase of machinery for this plant. The loan initially carries interest at a fixed rate of 3.8 percent per annum for the first 2 years, and THBFIX reference rate plus 2.1 percent per annum during the third to the seventh year. The loan is repayable within 7 years with grace period of 30 months and then to be repaid in 10 semi-annual installments of Baht 90 million each from March 2012 to October 2016. The loan is secured by the mortgage of part of the subsidiary's land and construction thereon as discussed in Note 8.

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

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

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

As at 30 June 2012, the subsidiary could not maintain certain financial ratio as specified in the loan agreement, which empowered the bank to immediately call for loan settlement. However, the subsidiary had negotiated with the bank, and had obtained a waiver letter for the condition to maintain certain financial ratios for the six-month period ended 30 June 2012 from that bank on 29 June 2012.

### 13. Earnings per share

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

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Profit for the period (Thousand Baht)	344,637	298,483	193,879	231,516
Weighted average number of ordinary shares (Thousand shares)	350,000	350,000	350,000	350,000
Basic earnings per share (Baht)	0.98	0.85	0.55	0.66

(Unaudited but reviewed)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Profit for the period (Thousand Baht)	616,483	591,842	374,687	372,608
Weighted average number of ordinary shares (Thousand shares)	350,000	350,000	350,000	350,000
Basic earnings per share (Baht)	1.76	1.69	1.07	1.06

**14. Dividend paid**

Dividends paid by the Group during the six-month periods ended 30 June 2012 and 2011 are as follows:

**The Company**

Dividends	Approved by	Total Dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<b>2012</b>				
Final dividends for 2011	Annual General Meeting of the shareholders on 17 April 2012	350,000	1.00	2 May 2012
Total		<u>350,000</u>	<u>1.00</u>	
<b>2011</b>				
Final dividends for 2010	Annual General Meeting of the shareholders on 18 April 2011	192,500	0.55	4 May 2011
Total		<u>192,500</u>	<u>0.55</u>	

In addition, the Annual General Meeting of the shareholders approved to set aside a general reserve of Baht 59.9 million (2011: Baht 7 million).

**Overseas subsidiaries****PT. Singlurus Pratama**

Dividends	Approved by	Total dividends (Thousand US Dollar)	Dividend per share (US Dollar)	Paid on
<b>2012</b>				
The second interim dividend for 2011	Board of Directors' meeting on 19 January 2012	7,950	1,000	26 January 2012
Total		<u>7,950</u>	<u>1,000</u>	

(Unaudited but reviewed)

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends (Thousand US Dollar)</u>	<u>Dividend per share (US Dollar)</u>	<u>Paid on</u>
<b><u>2011</u></b>				
Final dividends for 2010	Annual General Meeting of the shareholders on 16 June 2011	7,950	1,000	28 June 2011 and 22 July 2011
Total		<u>7,950</u>	<u>1,000</u>	

During the six-month period ended 30 June 2012, the Company received dividend income at 65 percent for a total of USD 5.2 million or equivalent to Baht 161.1 million. The Company had been withheld the withholding tax deducted at source of Baht 32.2 million (2011: dividend income of USD 5.2 million or equivalent to Baht 158.8 million. The Company had been withheld the withholding tax deducted at source of Baht 31.4 million).

**PT. Lanna Harita Indonesia**

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends (Thousand US Dollar)</u>	<u>Dividend per share (US Dollar)</u>	<u>Paid on</u>
<b><u>2012</u></b>				
Final dividends for 2011	Annual General Meeting of the shareholders on 7 June 2012	5,600	700	25 June 2012
The first interim dividend for 2012	Board of Directors' meeting on 7 June 2012	2,400	300	25 June 2012
Total		<u>8,000</u>	<u>1,000</u>	
<b><u>2011</u></b>				
The fourth interim dividend for 2010	Board of Directors' meeting on 19 January 2011	6,400	800	24 January 2011
The first interim dividend for 2011	Board of Directors' meeting on 10 March 2011	1,600	200	14 March 2011
The second interim dividend for 2011	Board of Directors' meeting on 27 May 2011	6,400	800	6 June 2011
Total		<u>14,400</u>	<u>1,800</u>	

(Unaudited but reviewed)

During the six-month period ended 30 June 2012, the Company received dividend income at 55 percent for a total of USD 4.4 million or equivalent to Baht 139.4 million. The Company had been withheld the withholding tax deducted at source of Baht 10.5 million (2011: dividend income of USD 7.9 million or equivalent to Baht 240.5 million. The Company had been withheld the withholding tax deducted at source of Baht 18 million).

**PT. Citra Harita Mineral**

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u> (Thousand US Dollar)	<u>Dividend per share</u> (US Dollar)	<u>Paid on</u>
<b><u>2012</u></b>				
Final dividends for 2011	Extraordinary meeting of the shareholders on 28 May 2012	2,000	2,000	1 June 2012
Total		<u>2,000</u>	<u>2,000</u>	

During the six-month period ended 30 June 2012, the Company received dividend income at 55 percent for a total of USD 1.1 million or equivalent to Baht 34.9 million. The Company had been withheld the withholding tax deducted at source of Baht 7 million.

(Unaudited but reviewed)

**15. Segment information**

The Company's and its subsidiaries' current main operations involve coal mining and manufacture of ethanol, which are carried on in Thailand and Indonesia. Information of the Company and its subsidiaries for the three-month and six-month periods ended 30 June 2012 and 2011 by geographical and business segment is as follows:

(Unit: Thousand Baht)

	Consolidated income statements for the three-month periods ended 30 June									
	Domestic coal business		Oversea coal business		Ethanol business		Elimination of inter-segment revenues		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues from external customers	480,817	499,930	2,999,745	2,423,370	418,834	283,860	-	-	3,899,396	3,207,160
Inter-segment revenues	47,967	35,303	-	219,537	-	-	(47,967)	(254,840)	-	-
Total revenues	<u>528,784</u>	<u>535,233</u>	<u>2,999,745</u>	<u>2,642,907</u>	<u>418,834</u>	<u>283,860</u>	<u>(47,967)</u>	<u>(254,840)</u>	<u>3,899,396</u>	<u>3,207,160</u>
Operating income	107,953	75,766	1,256,516	1,302,923	109,723	24,407	(45,617)	(34,954)	1,428,575	1,368,142
Unallocated income (expenses)										
Other income									9,038	41,837
Share of profit from investment in associated company									4,214	1,635
Gain on exchange									4,800	10,491
Selling and distribution expenses									(564,028)	(475,463)
Administrative expenses									(129,233)	(150,971)
Finance cost									(16,067)	(8,103)
Withholding tax deducted at source									(22,249)	(33,767)
Corporate income tax									(181,410)	(235,977)
Non-controlling interest of the subsidiaries									(189,003)	(219,341)
Profit for the period									<u>344,637</u>	<u>298,483</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

Consolidated income statements for the six-month periods ended 30 June										
	Domestic coal		Oversea coal		Ethanol business		Elimination of inter-segment revenues		Total	
	business		business							
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues from external customers	913,326	906,001	4,950,089	4,486,557	706,608	514,845	-	-	6,570,023	5,907,403
Inter-segment revenues	79,347	71,449	-	466,279	-	-	(79,347)	(537,728)	-	-
Total revenues	<u>992,673</u>	<u>977,450</u>	<u>4,950,089</u>	<u>4,952,836</u>	<u>706,608</u>	<u>514,845</u>	<u>(79,347)</u>	<u>(537,728)</u>	<u>6,570,023</u>	<u>5,907,403</u>
Operating income	206,099	141,102	2,074,017	2,452,251	200,140	29,023	(74,743)	(69,534)	2,405,513	2,552,842
Unallocated income (expenses)										
Other income									70,352	79,596
Share of profit from investment in associated company									7,629	2,093
Gain (loss) on exchange									2,203	(855)
Selling and distribution expenses									(912,189)	(918,200)
Administrative expenses									(249,930)	(230,418)
Finance cost									(24,108)	(11,785)
Withholding tax deducted at source									(59,185)	(50,401)
Corporate income tax									(308,341)	(427,584)
Non-controlling interest of the subsidiaries									<u>(315,461)</u>	<u>(403,446)</u>
Profit for the period									<u>616,483</u>	<u>591,842</u>



## **16. Significant contracts and agreements**

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

16.2 On 25 April 2008, the Company and Saraburi Resources Pte. Ltd., which was incorporated in Singapore (which received the right to sell coal from PT. Saraburi Batu Hitum in Indonesia) entered into the Agreement for Sale and Purchase of Steam Coal of 2 million metric tons, whereby the Company is to take delivery of coal for a term of about 2 years, and is to make advance payment amounting to USD 4 million to Saraburi Resources Pte. Ltd. On 6 May 2008, the Company made advance payment amounting to USD 2 million, or equivalent to Baht 63 million. Saraburi Resources Pte. Ltd. will refund the advance payment in the form of a deduction from the price of coal delivered to the Company, at a rate of USD 2 per ton, until the advance has been covered. Other conditions are specified in the agreements. PT. Saraburi Batu Hitum and two directors of Saraburi Resources Pte. Ltd. are guarantors for performance in accordance with the agreement, and a shareholder of PT. Saraburi Batu Hitum has pledged 3,000 shares of PT. Saraburi Batu Hitum and the shareholders of Saraburi Resources Pte. Ltd. have pledged 10,000 shares as share charge to guarantee performance bonds as required under the agreement.

Saraburi Resources Pte. Ltd. was obliged to start delivering coal within January 2009 but it was unable to comply with the agreement. The Company had sued Saraburi Resource Pte. Ltd. and on 23 May 2011, the arbitrator of SIAC ordered Saraburi Resources Pte. Ltd. to pay advance for purchase of coal of USD 2 million, together with interest and other expenses, to the Company. However, for a prudent reason, the Company has set full allowance for doubtful account for this advance payment.

16.3 In 1997, PT. Singlurus Pratama was granted the right under a Coal Contract of Work (“CCOW”) from the Indonesian government to explore for and exploit coal for a period of thirty years beginning at the commencement of the first mining operation in a total survey area of 24,760 hectares in Kutai, East Kalimantan, Indonesia. The subsidiary has a continuing obligation to pay a fee and compensation under the contract.

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

(Unaudited but reviewed)

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

## 17. Commitments and contingent liabilities

### 17.1 Capital commitments

As at 30 June 2012, the Company and its subsidiary had capital commitments of approximately Baht 8.8 million and Euro 0.6 million, totalling Baht 33.1 million, relating to the construction of the Company's jetty and the subsidiary's the first and the second ethanol production plant and the acquisitions of machinery and equipment. (31 December 2011: Baht 45.5 million and Euro 0.6 million, totaling Baht 70.4 million).

### 17.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of office building space, vehicles and other services. The terms of the agreements are generally between 1 and 5 years. As at 30 June 2012, future minimum payments under these lease agreements are as follows:

	(Unit: Million Baht)	
<u>Payable within</u>	Consolidated financial statements	Separate financial statements
Less than 1 year	33	10
1 to 5 years	31	18

### 17.3 Long-term service and purchase commitments

- a) The Company and its subsidiaries have commitments under several service agreements in respect of the security service, cars maintenance service and other services. The terms of the agreements are generally between 1 and 5 years. As at 30 June 2012, future minimum payments under these service agreements are as follows:

	(Unit: Million Baht)	
<u>Payable within</u>	Consolidated Financial Statements	Separate financial statements
Less than 1 year	4	2
1 to 5 years	4	4

- b) The Company and its subsidiaries have commitments under service agreements with regard to the legal consulting and other consulting of Baht 2 million (the Company only: Baht 0.5 million).
- c) The Company has commitment under the coal purchase agreement with an oversea company. The Company will purchase coals from such oversea company within 2012, at which the price, coal quality and quantity to purchase are as stipulated in the agreement.
- d) The local subsidiary entered into a power supply agreement with the Provincial Electricity Authority for a period of one year, commencing 21 December 2010 to 20 December 2011, and being automatically renewed for every one-year period. The subsidiary shall pay power supply at the rate as stipulated in the agreement.
- e) The local subsidiary has commitment under the purchase of molasses agreement with 15-year duration under which the price is to be determined every 5 years commencing the first year in 2005. The price for the first three years is that stipulated in the agreement and for the fourth and fifth year, using the average actual market price of the first three years for comparison and the quantity to purchase and sales of molasses are those stipulated in the agreement.
- f) The local subsidiary has commitment under service agreement with regard to the consulting for the construction of the second ethanol production plant of Baht 2.7 million.

#### **17.4 Coal supply agreement commitments**

PT. Lanna Harita Indonesia and PT. Singlurus Pratama have coal supply commitments to domestic customers in accordance with the Domestic Market Obligation regulation required by the Indonesian government.

#### **17.5 Guarantees**

As at 30 June 2012, the Company and its subsidiaries had bank guarantees of approximately Baht 10.7 million, USD 0.6 million and Rupiah 6,690 million and the Company had Baht 0.4 million (31 December 2011: Baht 5.5 million, USD 1.2 million Rupiah 3,693 million and the Company only of Baht 0.4 million) issued by banks on behalf of the Company and its subsidiaries in respect of mine reclamation of the oversea subsidiaries to the government, guarantee for a local subsidiary's contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department, Biogas Technologic promotion project 2011 (Year 4) of the Energy Policy and Planning Office Ministry of Energy, and to guarantee contractual performance under the license for using of electric to Provincial Electricity Authority.

**18. Litigation**

In September 2011, a subsidiary company was sued by a company for its non-compliance with the cassava chip purchase agreement dated 21 January 2011 and memorandum dated 29 April 2011, claiming a compensation for damage of Baht 186.9 million. On 8 November 2011, the subsidiary submitted the testimony to sue back that company, claiming a compensation for damage of Baht 82.4 million. As at 30 June 2012, the case is still being conciliated by the Civil Court. The subsidiary's lawyer has opined that the subsidiary had not breached the above agreement and the subsidiary's management believes that the case will be settled in the favour of the subsidiary, without any significant losses. Therefore, the subsidiary has not made any provision for loss from the lawsuit in its accounts.

**19. Foreign currency risk**

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

The balances of financial assets and liabilities denominated in foreign currencies as at 30 June 2012 are summarised below.

Foreign currency	Financial	Financial	Exchange rate	
	Assets	liabilities	as at 30 June 2012	
	(Million)	(Million)	Buying rate	Selling rate
US dollar	7.5	0.6	31.6871	31.9651

As at 30 June 2012, the Company and its subsidiaries had no outstanding forward exchange contract.

**20. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company's authorised directors on 6 August 2012.