

Lanna Resources Public Company Limited
and its subsidiaries
Report and interim financial statements
For the three-month and six-month periods ended
30 June 2014

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 2014, the related consolidated statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2014, and the related consolidated statements of changes in shareholders' equity and cash flows for the six-month period ended 30 June 2014, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Lanna Resources Public Company Limited for the same period. 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 review.

Scope of review

I conducted my review in accordance with Thai 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 Thai Standards on Auditing 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 review, 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*.

Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

EY Office Limited

Bangkok: 13 August 2014

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2014 (Unaudited but reviewed)	31 December 2013 (Audited)	30 June 2014 (Unaudited but reviewed)	31 December 2013 (Audited)
Assets					
Current assets					
Cash and cash equivalents	3	953,074	822,019	198,284	162,782
Current investments	4	526,363	380,000	526,166	380,000
Trade and other receivables	2, 5	1,050,343	864,118	253,300	329,590
Inventories		816,762	430,502	102,262	177,067
Input tax refundable		858,568	888,653	-	4,972
Prepaid income tax		406,024	584,947	94	94
Advance payments for goods	2, 6	258,721	419,495	154,692	87,090
Other current assets		24,538	28,316	1,892	1,742
Total current assets		4,894,393	4,418,050	1,236,690	1,143,337
Non-current assets					
Restricted bank deposits	3	85,478	60,162	-	-
Investments in subsidiaries	7	-	-	756,725	852,763
Investment in associated company	8	37,524	38,930	891	891
Investment properties		34,726	34,726	34,726	34,726
Property, plant and equipment	9	3,334,994	3,240,457	263,941	251,639
Goodwill		186,000	186,000	-	-
Intangible assets		2,999	3,375	1,233	1,415
Deferred tax assets		65,949	68,849	18,529	18,238
Other non-current assets	10	455,605	489,111	50,532	61,757
Total non-current assets		4,203,275	4,121,610	1,126,577	1,221,429
Total assets		9,097,668	8,539,660	2,363,267	2,364,766

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	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		30 June	31 December	30 June	31 December
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	11	569,804	996,308	-	-
Trade and other payables	2, 12	784,986	677,372	45,106	109,015
Current portion of long-term loan from financial institution	13	180,000	180,000	-	-
Accrued expenses		635,897	552,003	8,519	17,943
Income tax payable		34,774	30,056	25,665	12,614
Other current liabilities		<u>213,683</u>	<u>121,728</u>	<u>28,097</u>	<u>5,521</u>
Total current liabilities		<u>2,419,144</u>	<u>2,557,467</u>	<u>107,387</u>	<u>145,093</u>
Non-current liabilities					
Long-term loan from financial institution - net of current portion	13	567,757	657,757	-	-
Provision for long-term employee benefits		171,479	156,141	26,028	24,573
Provision for mine reclamation and decommissioning costs		121,400	114,093	-	-
Deferred tax liabilities		<u>17,718</u>	<u>11,503</u>	<u>-</u>	<u>-</u>
Total non-current liabilities		<u>878,354</u>	<u>939,494</u>	<u>26,028</u>	<u>24,573</u>
Total liabilities		<u>3,297,498</u>	<u>3,496,961</u>	<u>133,415</u>	<u>169,666</u>

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)

	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity (continued)				
Shareholders' equity				
Share capital				
Registered, issued and fully paid up				
(524,999,679 ordinary shares of Baht 1 each)	525,000	525,000	525,000	525,000
Share premium	680,400	680,400	680,400	680,400
Retained earnings				
Appropriated - Statutory reserve	52,500	52,500	52,500	52,500
Appropriated - General reserve	727,200	650,600	727,200	650,600
Unappropriated	2,159,480	2,132,462	244,752	286,600
Other components of shareholders' equity	21,432	(37,626)	-	-
Equity attributable to owners of the Company	4,166,012	4,003,336	2,229,852	2,195,100
Non-controlling interests of the subsidiaries	1,634,158	1,039,363	-	-
Total shareholders' equity	5,800,170	5,042,699	2,229,852	2,195,100
Total liabilities and shareholders' equity	9,097,668	8,539,660	2,363,267	2,364,766

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

Directors

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Income statements

For the three-month period ended 30 June 2014

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

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Revenues					
Sales	2	3,501,637	2,841,608	434,273	339,868
Commission and marketing service income	2	-	-	62,648	45,874
Other income					
Gain on disposal of investment in subsidiary	7	-	-	90,658	-
Dividend income	2, 7, 8	-	-	40,351	90,843
Service income	2	-	-	17,943	13,541
Interest income	2	5,832	5,407	5,709	4,265
Gain on exchange		-	-	845	6,538
Others		2,980	1,980	1,240	152
Total other income		8,812	7,387	156,746	115,339
Total revenues		3,510,449	2,848,995	653,667	501,081
Expenses					
Cost of sales	2	2,408,729	1,799,054	379,710	287,931
Selling and distribution expenses		646,027	532,081	38,482	34,871
Administrative expenses		162,258	138,751	37,574	40,063
Loss on exchange		50,150	17,781	-	-
Total expenses		3,267,164	2,487,667	455,766	362,865
Profit before share of profit from investment, finance cost and income tax expenses		243,285	361,328	197,901	138,216
Share of profit from investment in associated company	8	4,167	4,461	-	-
Profit before finance cost and income tax expenses		247,452	365,789	197,901	138,216
Finance cost		(16,691)	(15,184)	-	-
Profit before income tax expenses		230,761	350,605	197,901	138,216
Income tax expenses	15	(82,055)	(93,972)	(36,567)	(13,612)
Profit for the period		148,706	256,633	161,334	124,604
Profit attributable to:					
Equity holders of the Company		98,575	167,062	161,334	124,604
Non-controlling interests of the subsidiaries		50,131	89,571		
		148,706	256,633		
Basic earnings per share					
Profit attributable to equity holders of the Company (Baht)	16	0.19	0.32	0.31	0.24

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 period ended 30 June 2014

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit for the period	<u>148,706</u>	<u>256,633</u>	<u>161,334</u>	<u>124,604</u>
Other comprehensive income:				
Exchange differences on translation of financial statements in foreign currency	<u>925</u>	<u>134,226</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the period	<u>925</u>	<u>134,226</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u><u>149,631</u></u>	<u><u>390,859</u></u>	<u><u>161,334</u></u>	<u><u>124,604</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u>99,220</u>	<u>253,380</u>	<u><u>161,334</u></u>	<u><u>124,604</u></u>
Non-controlling interests of the subsidiaries	<u>50,411</u>	<u>137,479</u>		
	<u><u>149,631</u></u>	<u><u>390,859</u></u>		

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries**Income statements****For the six-month period ended 30 June 2014**

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

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues					
Sales	2	6,789,631	5,700,369	980,642	686,356
Commission and marketing service income	2	-	-	111,854	91,895
Other income					
Gain on disposal of investment in subsidiary	7	-	-	90,658	-
Dividend income	2, 7, 8	-	-	68,496	122,860
Service income	2	-	-	32,836	27,212
Interest income	2	11,053	10,534	9,136	8,395
Gain on exchange		8,590	-	-	2,860
Others		4,913	7,011	2,006	3,884
Total other income		<u>24,556</u>	<u>17,545</u>	<u>203,132</u>	<u>165,211</u>
Total revenues		<u>6,814,187</u>	<u>5,717,914</u>	<u>1,295,628</u>	<u>943,462</u>
Expenses					
Cost of sales	2	4,639,409	3,672,107	852,116	586,000
Selling and distribution expenses		1,184,584	1,042,016	79,643	70,101
Administrative expenses		321,026	254,243	66,460	68,575
Loss on exchange		-	26,393	26	-
Total expenses		<u>6,145,019</u>	<u>4,994,759</u>	<u>998,245</u>	<u>724,676</u>
Profit before share of profit from investment,					
finance cost and income tax expenses		669,168	723,155	297,383	218,786
Share of profit from investment in					
associated company	8	<u>10,518</u>	<u>7,073</u>	-	-
Profit before finance cost and income tax expenses		<u>679,686</u>	<u>730,228</u>	<u>297,383</u>	<u>218,786</u>
Finance cost		<u>(34,099)</u>	<u>(28,337)</u>	-	-
Profit before income tax expenses		<u>645,587</u>	<u>701,891</u>	<u>297,383</u>	<u>218,786</u>
Income tax expenses	15	<u>(180,311)</u>	<u>(181,703)</u>	<u>(52,631)</u>	<u>(23,749)</u>
Profit for the period		<u>465,276</u>	<u>520,188</u>	<u>244,752</u>	<u>195,037</u>
Profit attributable to:					
Equity holders of the Company		313,618	345,046	<u>244,752</u>	<u>195,037</u>
Non-controlling interests of the subsidiaries		<u>151,658</u>	<u>175,142</u>		
		<u>465,276</u>	<u>520,188</u>		
Basic earnings per share					
Profit attributable to equity holders of the Company (Baht)	16	<u>0.60</u>	<u>0.66</u>	<u>0.47</u>	<u>0.37</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 comprehensive income

For the six-month period ended 30 June 2014

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit for the period	<u>465,276</u>	<u>520,188</u>	<u>244,752</u>	<u>195,037</u>
Other comprehensive income:				
Exchange differences on translation of financial statements in foreign currency	<u>(27,567)</u>	<u>44,041</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the period	<u>(27,567)</u>	<u>44,041</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u><u>437,709</u></u>	<u><u>564,229</u></u>	<u><u>244,752</u></u>	<u><u>195,037</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u>296,171</u>	<u>372,944</u>	<u><u>244,752</u></u>	<u><u>195,037</u></u>
Non-controlling interests of the subsidiaries	<u>141,538</u>	<u>191,285</u>		
	<u><u>437,709</u></u>	<u><u>564,229</u></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 period ended 30 June 2014**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities				
Profit before tax	645,587	701,891	297,383	218,786
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	141,818	115,228	15,063	14,809
Reversal of reduction of inventory to net realisable value	-	(9,703)	-	-
Gain on disposals and change in value of investments in trading securities	(1,250)	-	(1,053)	-
Share of profit from investment in associated company	(10,518)	(7,073)	-	-
Write-off of input tax refundable and prepaid income tax	79,311	-	-	-
Gain on disposal of investment in subsidiary	-	-	(90,658)	-
Gain on disposal of equipment	(346)	(3,692)	(19)	(3,692)
Loss on write-off of equipment	397	1,174	-	-
Dividend income	-	-	(68,496)	(122,860)
Provision for long-term employee benefits	22,785	23,786	1,455	1,290
Provision for mine reclamation and decommissioning costs	17,374	40,880	-	-
Share-based payment transactions	556	-	-	-
Unrealised loss (gain) on exchange	13,770	(318)	1,677	(318)
Interest income	(11,053)	(10,534)	(9,136)	(8,395)
Interest expenses	34,099	28,337	-	-
Profit from operating activities before changes in operating assets and liabilities	932,530	879,976	146,216	99,620
Operating assets (increase) decrease				
Trade and other receivables	(186,145)	43,724	76,084	(4,634)
Inventories	(386,260)	(196,662)	74,805	32,555
Input tax refundable	(47,223)	(110,062)	4,972	1,850
Advance payments for goods	160,342	(113,271)	(69,011)	2,735
Other current assets	3,778	(16,983)	(150)	(303)
Operating liabilities increase (decrease)				
Trade and other payables	148,803	(132,081)	(59,635)	(23,789)
Accrued expenses	87,238	122,195	(9,424)	(7,054)
Other current liabilities	72,309	(67,849)	2,930	1,467
Provision for long-term employee benefits	(7,460)	(1,220)	-	-
Provision for mine reclamation	(10,968)	(12,735)	-	-
Cash from operating activities	766,944	395,032	166,787	102,447
Interest income	10,973	10,560	9,056	8,425
Cash paid for interest expenses	(37,443)	(28,299)	-	-
Refund of income tax	173,313	36	-	36
Cash paid for income tax	(172,105)	(288,667)	(20,225)	(24,277)
Net cash from operating activities	741,682	88,662	155,618	86,631

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 period ended 30 June 2014

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from investing activities				
Increase in current investments	(145,113)	(11,000)	(145,113)	(11,000)
Increase in restricted bank deposits	(25,973)	(21,231)	-	-
Dividend received from subsidiary and associated companies	11,924	11,362	68,496	122,860
Cash received from disposal of investment in subsidiary	186,696	-	186,696	-
Proceed from disposals of equipment	461	3,756	33	3,756
Cash received from government grants	-	6,000	-	-
Acquisitions of property, plant and equipment	(238,096)	(91,148)	(20,700)	(18,574)
Acquisitions of computer software	(303)	(507)	(117)	(307)
(Increase) decrease in other non-current assets	<u>(19,155)</u>	<u>(53,717)</u>	<u>571</u>	<u>(1,592)</u>
Net cash from (used in) investing activities	<u>(229,559)</u>	<u>(156,485)</u>	<u>89,866</u>	<u>95,143</u>
Cash flows from financing activities				
Increase (decrease) in short-term loans from financial institutions	(426,504)	179,000	-	-
Cash received from factoring liabilities	-	49,957	-	-
Repayment of long-term loan from financial institution	(90,000)	(90,000)	-	-
Dividend paid	(256,286)	(257,169)	(210,000)	(175,000)
Cash received from non-controlling interest for issuance of ordinary shares of subsidiary	388,796	-	-	-
Increase (decrease) in translation adjustments of non-controlling interests of the subsidiaries	<u>(10,120)</u>	<u>16,143</u>	<u>-</u>	<u>-</u>
Net cash used in financing activities	<u>(394,114)</u>	<u>(102,069)</u>	<u>(210,000)</u>	<u>(175,000)</u>
Increase in translation adjustments	<u>13,028</u>	<u>13,082</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>131,037</u>	<u>(156,810)</u>	<u>35,484</u>	<u>6,774</u>
Cash and cash equivalents at beginning of period	822,019	1,152,588	162,782	197,144
Effect of change in foreign exchange rate on cash at bank balance	<u>18</u>	<u>227</u>	<u>18</u>	<u>227</u>
Cash and cash equivalents at end of period (Note 3)	<u>953,074</u>	<u>996,005</u>	<u>198,284</u>	<u>204,145</u>

Supplemental cash flows information:

Non-cash transactions from investing activities

Increase (decrease) in payables for purchases of plant, equipment and intangible assets

(41,189) 2,059 (4,274) (505)

Transferred property, plant and equipment to

other non-current assets

- 238 - -

Transferred property, plant and equipment to intangible assets

- 30 - 30

Non-cash transaction from financing activities

Issuance of stock dividend

- 175,000 - 175,000

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 period ended 30 June 2014

(Unit: Thousand Baht)

Consolidated financial statements										
Equity attributable to owners of the Company										
					Other components of shareholders' equity					
					Other comprehensive income					
					Exchange differences on					
					translation of					
					financial					
					statements in					
					foreign currency					
					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					
Issued and paid up		Retained earnings								
share capital		Appropriated								
Share premium		Statutory reserve		General reserve	Unappropriated					
Balance as at 31 December 2012	350,000	680,400	35,000	495,900	2,266,118	(146,001)	(146,001)	3,681,417	894,455	4,575,872
Dividend paid (Note 17)	175,000	-	-	-	(350,000)	-	-	(175,000)	-	(175,000)
Unappropriated retained earnings transferred to general reserve (Note 17)	-	-	-	154,700	(154,700)	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	345,046	27,898	27,898	372,944	191,285	564,229
Decrease in non-controlling interests of the subsidiaries from dividend payments of subsidiaries	-	-	-	-	-	-	-	-	(82,169)	(82,169)
Balance as at 30 June 2013	<u>525,000</u>	<u>680,400</u>	<u>35,000</u>	<u>650,600</u>	<u>2,106,464</u>	<u>(118,103)</u>	<u>(118,103)</u>	<u>3,879,361</u>	<u>1,003,571</u>	<u>4,882,932</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 period ended 30 June 2014

(Unit: Thousand Baht)

Consolidated financial statements													
Equity attributable to owners of the Company													
					Other components of shareholders' equity								
					Other comprehensive income			Exchange differences on					
					Retained earnings			translation of	Surplus on change	Capital reserve	Total other	Total equity	Equity attributable
Issued and		Appropriated			Unappropriated	financial	in the percentage	for share-based	component of	attributable to	to non-controlling	Total	
share capital	Share premium	Statutory reserve	General reserve	Unappropriated	statements in	of shareholding	payment	shareholders' equity	the Company	interests of	the subsidiaries	shareholders' equity	
Balance as at 31 December 2013	525,000	680,400	52,500	650,600	2,132,462	(37,626)	-	-	(37,626)	4,003,336	1,039,363	5,042,699	
Dividend paid (Note 17)	-	-	-	-	(210,000)	-	-	-	(210,000)	-	-	(210,000)	
Unappropriated retained earnings transferred to general reserve (Note 17)	-	-	-	76,600	(76,600)	-	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	313,618	(17,447)	-	-	(17,447)	296,171	141,538	437,709	
Adjustment of capital reserve for share-based payment transactions (Note 14)	-	-	-	-	-	-	-	556	556	556	-	556	
Disposal of investment in subsidiary and issuance of additional ordinary shares of subsidiary (note 7)	-	-	-	-	-	-	75,949	-	75,949	75,949	499,543	575,492	
Decrease in non-controlling interests of the subsidiaries from dividend payments of subsidiaries	-	-	-	-	-	-	-	-	-	-	(46,286)	(46,286)	
Balance as at 30 June 2014	525,000	680,400	52,500	727,200	2,159,480	(55,073)	75,949	556	21,432	4,166,012	1,634,158	5,800,170	

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 period ended 30 June 2014

(Unit: Thousand Baht)

	Separate financial statements					Total shareholders' equity
	Issued and paid up share capital	Share premium	Retained earnings			
			Appropriated		Unappropriated	
		Statutory reserve	General reserve			
Balance as at 31 December 2012	350,000	680,400	35,000	495,900	534,793	2,096,093
Dividend paid (Note 17)	175,000	-	-	-	(350,000)	(175,000)
Unappropriated retained earnings transferred to general reserve (Note 17)	-	-	-	154,700	(154,700)	-
Total comprehensive income for the period	-	-	-	-	195,037	195,037
Balance as at 30 June 2013	<u>525,000</u>	<u>680,400</u>	<u>35,000</u>	<u>650,600</u>	<u>225,130</u>	<u>2,116,130</u>
Balance as at 31 December 2013	525,000	680,400	52,500	650,600	286,600	2,195,100
Dividend paid (Note 17)	-	-	-	-	(210,000)	(210,000)
Unappropriated retained earnings transferred to general reserve (Note 17)	-	-	-	76,600	(76,600)	-
Total comprehensive income for the period	-	-	-	-	244,752	244,752
Balance as at 30 June 2014	<u>525,000</u>	<u>680,400</u>	<u>52,500</u>	<u>727,200</u>	<u>244,752</u>	<u>2,229,852</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 2014

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 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2012) "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 2013. There have been no significant changes in the composition of the Group during the current period, except for the disposal of some ordinary shares of a subsidiary and issuance of additional ordinary shares of such subsidiary as discussed in Note 7.

1.4 New accounting standards

(a) Accounting standards that became effective in the current accounting period

The Company disclosed the accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after 1 January 2014, in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effects of the above accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations, and believes that they are not relevant to the business of the Company or do not have a significant impact.

(b) Accounting standards that will become effective in the future

The Company has disclosed the financial reporting standard that will be effective in the future in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effect of this financial reporting standard and believes that it is not relevant to the business of the Company.

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2013, except the following accounting policy for investments in trading securities which has been adopted in the financial statements for the current period.

Investments in trading securities

Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities, which is determined from their net asset value, are recorded in profit or loss.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(Unaudited but reviewed)

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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Dividend income	-	-	28,427	79,481
Commission and marketing service income	-	-	62,648	45,874
Service income	-	-	17,943	13,541
Interest income	-	-	2,578	-
<u>Transactions with major shareholder</u>				
Sales of coal	368,388	283,634	368,388	283,634
<u>Transactions with associated company</u>				
Purchase of coal	214,560	138,484	214,560	138,484
Freight charge	43,201	25,002	43,201	25,002
Dividend income	-	-	11,924	11,362

(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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Dividend income	-	-	56,572	111,498
Commission and marketing service income	-	-	111,854	91,895
Service income	-	-	32,836	27,212
Interest income	-	-	2,578	-
<u>Transactions with major shareholder</u>				
Sales of coal	828,726	572,925	828,726	572,925
<u>Transactions with associated company</u>				
Purchase of coal	508,128	341,246	508,128	341,246
Freight charge	99,773	64,272	99,773	64,272
Dividend income	-	-	11,924	11,362

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	Rate comparable paid to third parties
Dividend income	At the declared rate
Freight charge	Price comparable to freight charges paid to third parties
Interest income	SIBOR rate plus 4.5% per annum

(Unaudited but reviewed)

As at 30 June 2014 and 31 December 2013, 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	31 December	30 June	31 December
	2014	2013	2014	2013
<u>Trade and other receivables - related parties</u>				
(Note 5)				
Major shareholder	128,135	169,098	128,135	169,098
Subsidiaries	-	-	109,387	138,977
Total trade and other receivables - related parties	<u>128,135</u>	<u>169,098</u>	<u>237,522</u>	<u>308,075</u>
<u>Advance payment for goods - related parties</u>				
(Note 6)				
Subsidiary	-	-	86,113	87,090
Associated company	<u>68,579</u>	<u>-</u>	<u>68,579</u>	<u>-</u>
Total advance payment for goods - related parties	<u>68,579</u>	<u>-</u>	<u>154,692</u>	<u>87,090</u>
<u>Trade and other payables - related parties</u>				
(Note 12)				
Subsidiary	-	-	-	5,544
Associated company	<u>278</u>	<u>3,652</u>	<u>278</u>	<u>3,652</u>
Total trade and other payables - related parties	<u>278</u>	<u>3,652</u>	<u>278</u>	<u>9,196</u>

Directors and management's benefits

During the three-month and six-month periods ended 30 June 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Short-term employee benefits	51,398	40,522	16,879	18,804
Post-employment benefits	<u>6,417</u>	<u>3,353</u>	<u>578</u>	<u>429</u>
Total	<u>57,815</u>	<u>43,875</u>	<u>17,457</u>	<u>19,233</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Short-term employee benefits	84,869	70,211	27,790	29,409
Post-employment benefits	10,283	6,532	1,157	858
Total	<u>95,152</u>	<u>76,743</u>	<u>28,947</u>	<u>30,267</u>

Employee Joint Investment Program

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

3. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash	154	180	40	40
Bank deposits	888,398	832,001	48,244	112,742
Investments in bills of exchange and bond of the Bank of Thailand	150,000	50,000	150,000	50,000
Total	1,038,552	882,181	198,284	162,782
Less: Restricted bank deposits	<u>(85,478)</u>	<u>(60,162)</u>	-	-
Total	<u>953,074</u>	<u>822,019</u>	<u>198,284</u>	<u>162,782</u>

As at 30 June 2014, bank deposits in savings account, fixed deposits and investments in bills of exchange and bond carried interests between 0.1 and 9.5 percent per annum (31 December 2013: between 0.02 and 9.5 percent per annum).

As at 30 June 2014, the overseas subsidiaries had restricted bank deposits of approximately Baht 85.5 million (31 December 2013: Baht 60 million) to secure bank guarantees issued by banks on behalf of the subsidiaries as discussed in Note 20.5.

(Unaudited but reviewed)

4. Current investments

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
Investments in trading securities - fair value	152,363	-	152,166	-
Fixed deposit	150,000	-	150,000	-
Investments in bills of exchange	224,000	380,000	224,000	380,000
Total	526,363	380,000	526,166	380,000

As at 30 June 2014, the Company had current investments in the form of bills of exchange and fixed deposit amounting to Baht 374 million (31 December 2013: Baht 380 million) carried interests between 2.9 and 3.15 percent per annum (31 December 2013: between 3.1 and 3.35 percent per annum) and due for redemption within September 2014.

5. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
<u>Trade receivables - related parties</u>				
Age on the basis of due dates				
Not yet due	128,135	169,098	162,219	192,631
Past due				
Up to 3 months	-	-	30,593	31,707
3 - 6 months	-	-	9,389	-
Total trade receivables - related parties	128,135	169,098	202,201	224,338
<u>Trade receivables - unrelated parties</u>				
Age on the basis of due dates				
Not yet due	847,773	684,138	13,366	16,588
Past due				
Up to 3 months	40,798	-	-	-
3 - 6 months	3,641	-	-	-
Total trade receivable - unrelated parties	892,212	684,138	13,366	16,588
Total trade receivables	1,020,347	853,236	215,567	240,926
<u>Other receivables</u>				
Other receivable - related parties	-	-	32,743	83,737
Other receivable - unrelated parties	27,635	6,163	53	211
Advances	535	394	535	394
Interest receivable from related party	-	-	2,578	-
Interest receivable from unrelated parties	1,826	4,325	1,824	4,322
Total other receivables	29,996	10,882	37,733	88,664
Total trade and other receivables	1,050,343	864,118	253,300	329,590

(Unaudited but reviewed)

6. Advance payments for goods

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Advance payments for goods - related parties	68,579	-	154,692	87,090
Advance payments for goods - unrelated parties	190,142	419,495	-	-
Total advance payments for goods	<u>258,721</u>	<u>419,495</u>	<u>154,692</u>	<u>87,090</u>

The local subsidiary had significant business transactions with local companies in respect of purchases of molasses and cassava chips under the purchase and sales of molasses agreement and cassava chips agreement. To comply with the conditions in the agreements, as at 30 June 2014, the subsidiary had outstanding advance payments for purchase of molasses and cassava chips amounting to Baht 170.9 million (31 December 2013: Baht 366.9 million).

(Unaudited but reviewed)

7. Investments in subsidiaries

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

Company's name	Nature of business	Relationship	Paid up capital		Shareholding percentage		Cost		(Unit: Thousand Baht) Dividend received for the six-month periods ended	
			30 June	31 December	30 June	31 December	30 June	31 December	30 June	30 June
			2014	2013	2014	2013	2014	2013	2014	2013
PT. Lanna Mining Services (Incorporated in Indonesia)	Coal distribution	Direct holding and common directors	USD 2.1 million	USD 2.1 million	99.95	99.95	70,889	70,889	-	-
Thai Agro Energy Public Co., Ltd.	Ethanol production and distribution	Direct holding and common directors	Baht 1,000 million	Baht 800 million	51.00	75.75	510,000	606,038	-	18,181
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	-	-
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	56,572	93,317
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	-	-
Total							<u>756,725</u>	<u>852,763</u>	<u>56,572</u>	<u>111,498</u>

Local subsidiary

Thai Agro Energy Public Co., Ltd.

On 18 September 2013, the Extraordinary General Meeting of the Company's shareholders passed the following resolutions.

- a) Approved the plan for the listing of Thai Agro Energy Public Co., Ltd. in the Stock Exchange of Thailand. The listing shall proceed by the initial public offering (IPO) and the offer to the Company's shareholders by pre-emptive right according to shareholding proportion in the Company totaling 296,037,733 shares at the par value of Baht 1 per share, totaling Baht 296,037,733 consisting of:
 1. Capital increase ordinary shares in Thai Agro Energy Public Co., Ltd. of 200,000,000 shares at the par value of Baht 1 per share, totaling Baht 200,000,000.
 2. Ordinary shares in Thai Agro Energy Public Co., Ltd. originally held by the Company of 96,037,733 shares at the par value of Baht 1 per share, totaling Baht 96,037,733.
- b) Approved the allocation of the capital increase ordinary shares in Thai Agro Energy Public Co., Ltd. of 105,037,733 shares to the Company's shareholders for subscription by pre-emptive right according to their shareholding proportion in the Company. The offer price shall be the same as the initial public offering price.

Subsequently, on 21 April 2014, the meeting of the Board of Directors of the Company passed a resolution to allocate such capital increase ordinary shares to the Company's shareholders at the proportion of 5 ordinary shares in the Company per 1 ordinary share in Thai Agro Energy Public Co., Ltd. Additionally, the Company's shareholders may subscribe more capital increase ordinary shares in excess of their allocated proportion at the same offer price. The Board of Directors of Thai Agro Energy Public Co., Ltd. or a person authorised by the Board of Directors of Thai Agro Energy Public Co., Ltd. has authorised to consider the allocation of the remaining shares unsubscribed by the Company's shareholders to each of the Company's shareholders who have indicated intention to subscribe the shares in excess of their allocated proportion in the Company on a pro-rata basis but the total amount of allocated shares shall not exceed 105,037,733 shares.

- c) Approved the sale of ordinary shares in Thai Agro Energy Public Co., Ltd. originally held by the Company of 96,037,733 shares, to be offered together with the public offering of newly issued capital increase ordinary shares of Thai Agro Energy Public Co., Ltd. The offer price shall be the same as the initial public offering price.

(Unaudited but reviewed)

On 19 September 2013, the Extraordinary General Meeting of Thai Agro Energy Public Co., Ltd.'s shareholders passed a resolution to approve the increase in its registered capital from Baht 800,000,000 (800,000,000 shares of Baht 1 each) to Baht 1,000,000,000 (1,000,000,000 shares of Baht 1 each) to support the initial public offering to public and a subsidiary's shareholders. The subsidiary registered the increase of its issued and paid up share capital with Ministry of Commerce on 2 June 2014.

On 10 April 2014, the Securities and Exchange Commission approved the share offering of Thai Agro Energy Public Co., Ltd. The registration statement and prospectus of Thai Agro Energy Public Co., Ltd. have been effective on 9 May 2014. The Company and Thai Agro Energy Public Co., Ltd. determined the offering price of shares of Thai Agro Energy Public Co., Ltd. to the Company's existing shareholders who has name on the Company's share registration book on 7 May 2014 and public at the price of Baht 2.00 per share. The subscription periods for the Company's shareholders is 21 - 23 May 2014 and for public is 28 - 30 May 2014. The Company had already received the full payment from the disposal of Thai Agro Energy Public Co., Ltd.'s ordinary shares and Thai Agro Energy Public Co., Ltd. had already received the full payment from issuance of additional ordinary shares on 2 June 2014. Then, the Stock Exchange of Thailand approved 1,000,000,000 ordinary shares with a par value of Baht 1 each of Thai Agro Energy Public Co., Ltd. as listed securities for trading, effective from 5 June 2014.

The disposal of some ordinary shares of Thai Agro Energy Public Co., Ltd. and issuance of additional ordinary shares of Thai Agro Energy Public Co., Ltd. to the Company's shareholders and public led to a decrease in shareholding percentage of the Company in such subsidiary from 75.75 percent to 51.00 percent. The Company recognised gain from disposal of investment in subsidiary of Baht 90.7 million in profit or loss in the separate financial statements and recorded surplus on change in the percentage of shareholding in subsidiary of Baht 75.9 million in the consolidated statement of change in shareholders' equity.

Overseas subsidiary

PT. Citra Harita Mineral

On 17 April 2012, the meeting of the Board of Directors of the Company passed a resolution to approve the dissolution and liquidation of PT. Citra Harita Mineral, which is a subsidiary incorporated in Indonesia. Currently, the subsidiary is in the process of dissolution and liquidation.

(Unaudited but reviewed)

8. Investment in associated company

(Unit: Thousand Baht)

Company	Nature of business	Relationship	Paid up capital		Shareholding percentage		Consolidated financial statements		Separate financial statements			
			Carrying amounts based on equity method		Dividend received for the six-month periods ended		Cost					
			30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013
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 (%)	37,524	38,930	891	891	11,924	11,362
Total							37,524	38,930	891	891	11,924	11,362

Share of profit from United Bulk Shipping Pte. Ltd. for the three-month and six-month periods ended 30 June 2014 of approximately Baht 4.1 million and Baht 10.5 million, respectively (2013: Baht 4.5 million and Baht 7.1 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)

9. Property, plant and equipment

Movements in the property, plant and equipment account for the six-month period ended 30 June 2014 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial Statements
Net book value as at 31 December 2013	3,240,457	251,639
Acquisitions during the period - cost	196,989	16,475
Disposals and write-off during the period - net book value on disposal/write-off date	(512)	(14)
Depreciation for the period	(93,223)	(4,159)
Translation adjustments	(8,717)	-
Net book value as at 30 June 2014	<u>3,334,994</u>	<u>263,941</u>

A subsidiary has mortgaged part of its land and construction thereon and machinery with net book value as at 30 June 2014 amounting to approximately Baht 1,196.1 million (31 December 2013: Baht 1,198.7 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 11 and 13.

10. 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 2014	31 December 2013	30 June 2014	31 December 2013
Deferred expenses - Indonesia coal mine project	377,643	398,514	-	-
Deferred overburden removal expenses	10,899	12,132	-	-
Deferred transferred service fees according to contract	41,149	51,803	41,149	51,803
Others	25,914	26,662	9,383	9,954
Total other non-current assets	<u>455,605</u>	<u>489,111</u>	<u>50,532</u>	<u>61,757</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 stipulates 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 agrees 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.

11. Short-term loans from financial institutions

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	30 June 2014	31 December 2013
Promissory notes	569,804	604,684
Trust receipts	-	297,504
Short-term loans from financial institutions	-	94,120
Total	569,804	996,308

As at 30 June 2014, the local subsidiary had short-term loans from financial institutions of Baht 569.8 million (31 December 2013: Baht 604.7 million), which are repayable within 3 months. The loans bear interests between 3.6 and 4.1 percent per annum (31 December 2013: between 3.7 and 4.1 percent per annum). The loan amounting to Baht 569.8 million (31 December 2013: Baht 604.7 million) is secured by the mortgage of part of the subsidiary’s land and construction thereon and machinery as discussed in Note 9.

(Unaudited but reviewed)

12. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Trade payables - related parties	278	3,652	278	3,652
Trade payables - unrelated parties	708,997	568,163	43,479	93,359
Other payables - related parties	-	-	-	5,544
Other payables - unrelated parties	62,925	17,690	1,254	1,675
Payables for purchases of plant, equipment and intangible assets	8,722	49,911	95	4,369
Retention payable	4,064	37,956	-	416
Total trade and other payables	<u>784,986</u>	<u>677,372</u>	<u>45,106</u>	<u>109,015</u>

13. Long-term loan from financial institution

(Unit: Thousand Baht)

	Consolidated	
	financial statements	
	30 June 2014	31 December 2013
Long-term loan	<u>747,757</u>	<u>837,757</u>
Less: Current portion	<u>(180,000)</u>	<u>(180,000)</u>
Long-term loan - net of current portion	<u>567,757</u>	<u>657,757</u>

Movements in the long-term loan from financial institution during the six-month period ended 30 June 2014 are summarised below.

(Unit: Thousand Baht)

Balance as at 31 December 2013	<u>837,757</u>
Less: Repayment during the period	<u>(90,000)</u>
Balance as at 30 June 2014	<u>747,757</u>

On 6 November 2013, the local subsidiary entered into long-term loan agreement with a local bank, obtaining loan facilities of Baht 845 million, for the debt refinance with another local bank. Then, on 18 December 2013, the subsidiary withdrew the loan for the debt refinance and repaid all of short-term and long-term loans to that local bank totaling Baht 837.8 million. The loan initially carries interest rate at THBFIX reference rate plus 1.75 percent per annum for the first year, and the interest rate increases by 0.05 percent per annum from the second to fifth year. The loan is repayable within 5 years in 10 semi-annually installments of Baht 90 million during the first to ninth installment, and remaining balance is repayable in the tenth installment. The repayment period is from June 2014 to December 2018. The loan is secured by the mortgage of a part of the subsidiary's land and construction thereon and machinery as discussed in Note 9.

Subsequently, on 7 March 2014, the subsidiary made executed an annex of the long-term loan agreement with the bank to revise certain conditions and debt service coverage ratios.

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

As at 30 June 2014, the subsidiary could maintain certain financial ratios as specified in the loan agreement (31 December 2013: the subsidiary could not maintain certain financial ratios as specified in the loan agreement, however, the subsidiary had negotiated with the bank, and had obtained a waiver letter for the condition to maintain certain financial ratios for the year ended 31 December 2013 from that bank on 27 December 2013. The subsidiary could maintain all conditions in a waiver letter and the loan agreement).

14. Capital reserve for share-based payment transactions

During the year 2011, a shareholder of the local subsidiary sold 3.1 million shares to directors and employees of the subsidiary at a price of Baht 1 per share. This transaction falls under the scope of TFRS 2 (revised 2012): Share-based Payment, which requires that the subsidiary records the difference between the selling price and the fair value of shares as an expense. The subsidiary considered that the book value approach is appropriate to determine fair value as book value was calculated based on the financial statements as at 31 December 2010, which was close to the transaction date. However, the resulting difference of Baht 0.6 million was recorded as an expense in profit or loss in the consolidated income statement for the current period and as capital reserve for share-based payment transactions in the consolidated statement of financial position as at 30 June 2014.

15. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month and six-month periods ended 30 June 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current income tax:				
Interim corporate income tax charge	69,998	76,902	34,580	-
Withholding tax deducted at source recognised as expenses during the period	2,132	14,468	2,132	14,468
Deferred tax:				
Relating to origination and reversal of temporary differences	9,925	2,602	(145)	(856)
Income tax expense reported in the income statements	82,055	93,972	36,567	13,612

	(Unit: Thousand Baht)			
	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current income tax:				
Interim corporate income tax charge	167,141	152,384	48,679	-
Withholding tax deducted at source recognised as expenses during the period	4,243	24,207	4,243	24,207
Deferred tax:				
Relating to origination and reversal of temporary differences	8,927	5,112	(291)	(458)
Income tax expense reported in the income statements	180,311	181,703	52,631	23,749

16. 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.

The following tables set forth the computation of basic earnings per share:

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit attributable to equity holders of the Company (Thousand Baht)	98,575	167,062	161,334	124,604
Weighted average number of ordinary shares (Thousand shares)	525,000	525,000	525,000	525,000
Basic earnings per share (Baht)	0.19	0.32	0.31	0.24

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit attributable to equity holders of the Company (Thousand Baht)	313,618	345,046	244,752	195,037
Weighted average number of ordinary shares (Thousand shares)	525,000	525,000	525,000	525,000
Basic earnings per share (Baht)	0.60	0.66	0.47	0.37

17. Dividend paid

Dividends paid by the Group during the six-month periods ended 30 June 2014 and 2013 are as follows:

The Company

Dividends	Approved by	Total Dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<u>2014</u>				
Final dividends for 2013	Annual General Meeting of the shareholders on 21 April 2014	210,000	0.40	9 May 2014
Total		210,000	0.40	
<u>2013</u>				
Final dividends for 2012	Annual General Meeting of the shareholders on 22 April 2013	175,000	0.50	21 May 2013
Stock dividends for 2012	Annual General Meeting of the shareholders on 22 April 2013	175,000 ⁽¹⁾	0.50	21 May 2013
Total		350,000	1.00	

⁽¹⁾ On 22 April 2013, the Annual General Meeting of the Company's shareholders approved the Company's distribution of a stock dividend totaling 175 million shares at Baht 1 each, by allocating these newly issued shares to the Company's existing shareholders in proportion to their shareholding at the ratio of 2 existing issued ordinary shares to 1 stock dividend at the par value of Baht 1 per share, or dividend payment at Baht 0.50 per share. In case of any fraction of shares from the allocation of newly issued shares, it shall be rounded off and paid in cash instead of stock dividend with calculation based on the stock dividend payment ratio at amount of Baht 0.50 per share.

In addition, the Annual General Meeting of the shareholders approved to set aside a general reserve of Baht 76.6 million (2013: Baht 154.7 million).

(Unaudited but reviewed)

Subsidiaries

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>
<u>2014</u>				
The third interim dividend for 2013	Board of Directors' meeting on 10 March 2014	1,600	200	19 March 2014
Final dividends for 2013	Annual General Meeting of the shareholders on 19 June 2014	1,600	200	23 June 2014
Total		<u>3,200</u>	<u>400</u>	
<u>2013</u>				
The third interim dividend for 2012	Board of Directors' meeting on 19 March 2013	2,000	250	22 March 2013
Final dividends for 2012	Annual General Meeting of the shareholders on 3 June 2013	3,600	450	26 June 2013
Total		<u>5,600</u>	<u>700</u>	

During the six-month period ended 30 June 2014, the Company received dividend income at 55 percent for a total of USD 1.76 million or approximately Baht 56.6 million. The Company had been withheld the withholding tax deducted at source Baht 4.2 million (2013: dividend income of USD 3.1 million or approximately Baht 93.3 million. The Company had been withheld the withholding tax deducted at source of Baht 7 million).

Thai Agro Energy Public Co., Ltd.

<u>Dividends</u>	<u>Approved by</u>	<u>Total Dividends (Thousand Baht)</u>	<u>Dividend per share (Baht)</u>	<u>Paid on</u>
<u>2013</u>				
Final dividends for 2012	Annual General Meeting of the shareholders on 23 April 2013	24,000	0.03	20 May 2013
Total		<u>24,000</u>	<u>0.03</u>	

18. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The Company and its subsidiaries are organised into business units based on its products. During the current period, the Company and its subsidiaries have not changed the organisation of their reportable segments.

The following tables present revenue and profit information regarding of the Company and its subsidiaries' operating segments for the three-month and six-month periods ended 30 June 2014 and 2013:

(Unit: Million Baht)

	For the three-month periods ended 30 June									
	Domestic coal business		Overseas coal business		Ethanol business		Elimination of inter-segment transactions		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues from external customers	434	340	2,467	2,098	601	404	-	-	3,502	2,842
Inter-segment revenues	81	59	-	-	-	-	(81)	(59)	-	-
Total revenue	515	399	2,467	2,098	601	404	(81)	(59)	3,502	2,842
Operating results										
Segment profit	135	111	950	925	88	63	(80)	(57)	1,093	1,042
Other income									9	8
Share of profit from investment in associated company									4	4
Loss on exchange									(50)	(17)
Selling and distribution expenses									(646)	(532)
Administrative expenses									(162)	(139)
Finance cost									(17)	(15)
Profit before income tax expenses									231	351
Income tax expenses									(82)	(94)
Non-controlling interests of the subsidiaries									(50)	(90)
Profit for the period									99	167

(Unaudited but reviewed)

(Unit: Million Baht)

For the six-month periods ended 30 June

	Domestic coal business		Oversea coal business		Ethanol business		Elimination of inter-segment transactions		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	Revenues from external customers	980	686	4,578	4,204	1,232	810	-	-	6,790
Inter-segment revenues	145	119	-	-	-	-	(145)	(119)	-	-
Total revenue	1,125	805	4,578	4,204	1,232	810	(145)	(119)	6,790	5,700
Operating results										
Segment profit	273	219	1,802	1,787	215	136	(140)	(114)	2,150	2,028
Other income									16	17
Share of profit from investment in associated company									10	7
Gain (loss) on exchange									9	(26)
Selling and distribution expenses									(1,184)	(1,042)
Administrative expenses									(321)	(254)
Finance cost									(34)	(28)
Profit before income tax expenses									646	702
Income tax expenses									(180)	(182)
Non-controlling interests of the subsidiaries									(152)	(175)
Profit for the period									314	345

The following table presents segment assets of the Company and its subsidiaries' operating segments as at 30 June 2014 and 31 December 2013:

Segment assets	(Unit: Million Baht)					
	Domestic coal business	Oversea coal business	Ethanol business	Total Segments	Adjustments and eliminations	Consolidated
At 30 June 2014	2,549	4,363	3,116	10,028	(930)	9,098
At 31 December 2013	2,551	4,165	2,888	9,604	(1,064)	8,540

19. Significant contracts and agreements

19.1 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.

19.2 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.

19.3 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.

20. Commitments and contingent liabilities

20.1 Capital commitments

As at 30 June 2014, the Company and its subsidiary had capital commitments of approximately Baht 114.1 million, relating to the construction of the Company’s machinery, installation of building system and coal conveyance, the construction of the subsidiary’s Biogas systems, molasses tanks, and electricity system by biogas and the acquisitions of machinery and equipment (the Company only: Baht 3.7 million) (31 December 2013: Baht 194 million (the Company only: Baht 17.7 million)).

20.2 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. Future minimum payments under these lease agreements are as follows:

(Unaudited but reviewed)

(Unit: Million Baht)

Payable within	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Less than 1 year	37	36	12	11
In over 1 and up to 5 years	28	31	15	19

20.3 Long-term service and purchase commitments

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

(Unit: Million Baht)

Payable within	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Less than 1 year	5	3	2	2
In over 1 and up to 5 years	1	2	1	2

- b) The Company and its subsidiaries have commitments under service agreements with regard to the legal consulting, the consulting for mining, environment and safety and other consulting of Baht 1.8 million (the Company only: Baht 0.5 million) (31 December 2013: Baht 1.7 million (the Company only: Baht 0.5 million)).
- c) The Company and its subsidiary have commitment under the coal purchase agreements with two overseas companies. The price, coal quality and quantity are as stipulated in the agreements.
- 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 of molasses are those stipulated in the agreement. In addition, the subsidiary had additional two commitments under the purchase of molasses agreements with 5-year duration under which the price is to be determined before shipment in the next period and the quantity to purchase of molasses are those stipulated in the agreements.

(Unaudited but reviewed)

- f) The local subsidiary had commitments under service agreement with advisory companies with regards to the legal service for a subsidiary to list on the Stock Exchange of Thailand. The service fees are to be paid as stipulated in the agreement.

20.4 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.

20.5 Guarantees

As at 30 June 2014, the Company and its subsidiaries had bank guarantees of approximately Baht 11.9 million, Rupiah 14,166 million and USD 0.64 million (the Company only: Baht 0.8 million) (31 December 2013: Baht 11.5 million, Rupiah 21,892 million and USD 0.03 million (the Company only: Baht 0.4 million)) issued by banks on behalf of the Company and its subsidiaries in respect of mine reclamation of the overseas subsidiaries to the government, guarantee for a local subsidiary's contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department, Biogas Technologic promotion project 2012 (Year 5) of the Energy Policy and Planning Office Ministry of Energy, and to guarantee contractual performance under the license for using of electric to the Provincial Electricity Authority.

21. 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 2014, the case is still being conciliated by the Civil Court. The subsidiary's lawyer 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.

22. 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 are summarised below.

As at 30 June 2014				
Foreign currency	Financial assets	Financial liabilities	Exchange rate	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	9.3	-	32.3114	32.5986

As at 31 December 2013				
Foreign currency	Financial assets	Financial liabilities	Exchange rate	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	5.1	0.3	32.6778	32.9494

As at 30 June 2014 and 31 December 2013, the Company and its subsidiaries had no outstanding forward exchange contract.

23. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 13 August 2014.