

## **AGENDA NO. 1**

### **TO ADOPT AND APPROVE THE MINUTES OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS YEAR 2016**

#### **Background and Rationale**

The Company convened the Annual General Meeting of Shareholders Year 2016 on Monday, April 25, 2016 during 15:00 hours to 17:20 hours at the Grand Hall Room, 2<sup>nd</sup> Floor, Plaza Athenee Bangkok – A Royal Meridien Hotel, 61 Wireless Road, Lumpini, Pathumwan, Bangkok, according to the attached minutes of the meeting which has been published in the Company's website and forwarded in advance to every shareholder along with the meeting invitation.

#### **Board of Directors' Opinion**

The Board of Directors has considered that the said minutes of the meeting was correctly recorded in accordance with the resolutions of the shareholders' meeting. Therefore, the Board of Directors proposes that the Minutes of the Annual General Meeting of Shareholders Year 2016 be approved by the shareholders' meeting accordingly.

#### **Voting Procedure**

The resolution for this meeting agenda shall be based on the majority votes from all the votes of shareholders attending the meeting and casting their votes. If the vote counts are even, the Chairman of the Meeting shall have the right for a casting vote.

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## **AGENDA NO. 2**

### **TO ACKNOWLEDGE THE REPORT OF THE BOARD OF DIRECTORS ON THE OPERATING RESULTS OF YEAR 2016**

#### **Background and Rationale**

The Report of the Board of Directors on the Operating Results of Year 2016 have been printed in the Annual Report Year 2016 Page 1 to 2 under the topic “Report of the Board of Directors”, along with other information of the Company during year 2016, which have been disseminated on the Company’s website and forwarded to all the shareholders in advance in the CD-ROM format along with this meeting invitation.

#### **Board of Directors’ Opinion**

The Report of the Board of Directors on the Operating Results of Year 2016 is being proposed to the shareholders’ meeting for its acknowledgement (having details as attached herewith).

#### **Voting Procedure**

Voting for this meeting agenda (if any) shall be based on the majority votes from all the votes of shareholders attending the meeting and casting their votes. If the vote counts are even, the Chairman of the Meeting shall have the right for a casting vote.

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## REPORT OF THE BOARD OF DIRECTORS

On behalf of the Board of Directors of Lanna Resources Public Company Limited, I would like to take this opportunity to report to the shareholders with regard to the financial status and operating results of the Company and subsidiary companies for the past year 2016, which still had a satisfactory revenue and net profit despite lower global economic growth than expected and coal selling price, which is regarded as the core business of the Company, remained at low level during the first half of 2016, together with the ethanol selling price, secondary core business, which was also reduced in line with the global oil price that remained at low level during the past year 2016. Nevertheless, the Company and its subsidiary companies were able to reduce cost of sales and other expenses, as well as choosing product mix corresponding to market condition for higher selling price and good profit margin. According to the consolidated financial statements, the Company and its subsidiary companies had total revenue of Baht 8,814.17 million with net profit of Baht 271.45 million or net earnings per share of Baht 0.52. In comparison with year 2015, the revenue decreased by Baht 1,367.99 million or a decrease of 13.44 percent, and the net profit decreased by Baht 38.16 million or a decrease of 12.33 percent. The revenue proportion from sales of coal and ethanol accounted for 72.56 percent and 27.44 percent, and the net profit proportion from the coal business and ethanol business accounted for 66.54 percent and 33.46 percent, respectively.

For the coal business, which is the Company's core business, the total revenue in 2016 was Baht 6,346.48 million, a decrease from the previous year of Baht 1,203.53 million or 15.94 percent, and the net profit was Baht 235.45 million, a increase from the previous year of Baht 21.86 million or 10.23 percent, with a decrease in coal sales volume of 7.94 percent and a decrease in coal sale price of 8.69 percent. Despite the fact that global coal prices had recovered during the second half of 2016 but did not yet have much effect to the Company's operation as the Company had already entered into certain coal sales contracts in advance from the beginning of 2016. The Company currently owns and operates a total of two coal mine concessions in Indonesia with total coal production capacity of approximately 6 million metric tons per year. The remaining concession periods for the first and second coal concession are approximately 14 and 22 years, respectively. Additionally, the Company is currently conducting a feasibility study on coal-fired power plant projects in Thailand and Indonesia having established Lanna Power Generation Company Limited in 2016, a 100-percent owned subsidiary company, to invest in such power projects. Accordingly, the Company and subsidiary companies have potential to invest in these projects having its own coal concessions. Furthermore, the Company has been actively seeking to invest in additional coal concession projects. Not only will this increase coal production and distribution capabilities, the Company can also enjoy good return from such investments in the power plant projects with greater profitability in the future. The shareholders shall be periodically informed of the progress.

For the ethanol business which is the Company's secondary core business, the total revenue in 2016 was Baht 2,415.08 million or a decrease from the previous year of Baht 185.24 million or 7.12 percent, with a net profit of Baht 178.10 million, a decrease from the previous year of Bath 66.17 million or 27.09 percent. The ethanol sales volume increased by 1.54 percent but the ethanol selling price slightly decreased by 8.54 percent. The ethanol plant, which is located in Dan Chang District, Suphanburi Province, currently has two production lines, with total ethanol production capacity of 350,000 liters per day, using molasses and cassava as the main raw materials. Both ethanol production lines have been granted special investment promotion privileges according to the Investment Promotion Act, B.E. 2520. Currently, investment in the third production line is being studied, with production capacity of 200,000 liters per day. Also, a feasibility study on business expansion into downstream ethanol derivative products has been conducted, as these value added products should yield higher revenue and profit in the future. The shareholders shall be further informed on this matter when it becomes more definite.

The Company's overall financial status and liquidity are considered excellent. The current ratio is at 1.99 times and the total debt to total assets ratio is only 31.93 percent with the debt to equity ratio of only 46.92 percent.

The Company operates its business with commitment to corporate social responsibility and sustainable development. The Ayutthaya Coal Center conducts its business operation domestically with responsibility toward communities, society and environment, having been granted the Green Industry Accreditation Level 3 (Green System) from the Ministry of Industry and awarded with the testimonial of “Best Dock and Warehouse for Pollution Reduction” from Ayutthaya Province in 2016. The subsidiary companies with coal mining operations in Indonesia have also continued to receive the awards and recognitions in 2016 with regard to their excellent environmental management in compliance with relevant laws and regulations. Additionally, the Company places great importance on countering corruption by announcing its determination on anti-corruption having been certified as a member of “Thailand’s Private Sector Collective Action Coalition against Corruption” since 2015.

The Board of Directors continuously and constantly endeavors to manage and resolve any difficulties and risks with prudence in all aspects, holding to good corporate governance principles, which allows the Company to always get through any obstacles and maintain good operating results and proceed with regular dividend payment at satisfactory level to its shareholders. Accordingly, the Board of Directors shall continue to broaden business investments for sustainable and stable growth of the Company and subsidiary companies in long term.



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

## **AGENDA NO. 3**

### **TO CONSIDER AND APPROVE THE BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **Background and Rationale**

Mrs. Saifon Inkaew, certified public accountant no. 4434, of Ernst & Young Office Limited, has audited and certified the balance sheets and statement of earnings for the year ended December 31, 2016, of which have been published in the Annual Report Year 2016, under the topic "Report of the Independent Auditor and Financial Statements", Page 29 to 108, including the analysis of financial status and operation results on Page 109 to 115, which have been disseminated on the Company's website and forwarded to all the shareholders in advance in the CD-ROM format along with the meeting invitation. Accordingly, the Audit Committee has reviewed the said financial statements and supervised that they comply with the generally accepted accounting standards as well as complete and adequate disclosure of financial information, according to the Report of the Audit Committee included in the Annual Report 2016, Page 135 to 136.

#### **Board of Directors' Opinion**

The Board of Directors has considered that the Financial Statements of Year 2016 provide complete and adequate information on the financial status and operating results, in accordance with the generally accepted accounting standards. Therefore, the balance sheets and statements of earnings for the year ended December 31, 2016 are being proposed to the shareholders' meeting for its consideration and approval as presented above (Analysis of Financial Status and Operating Results of Year 2016, having details as attached herewith).

#### **Voting Procedure**

The resolution for this meeting agenda shall be based on the majority votes from all the votes of shareholders attending the meeting and casting their votes. If the vote counts are even, the Chairman of the Meeting shall have the right for a casting vote.

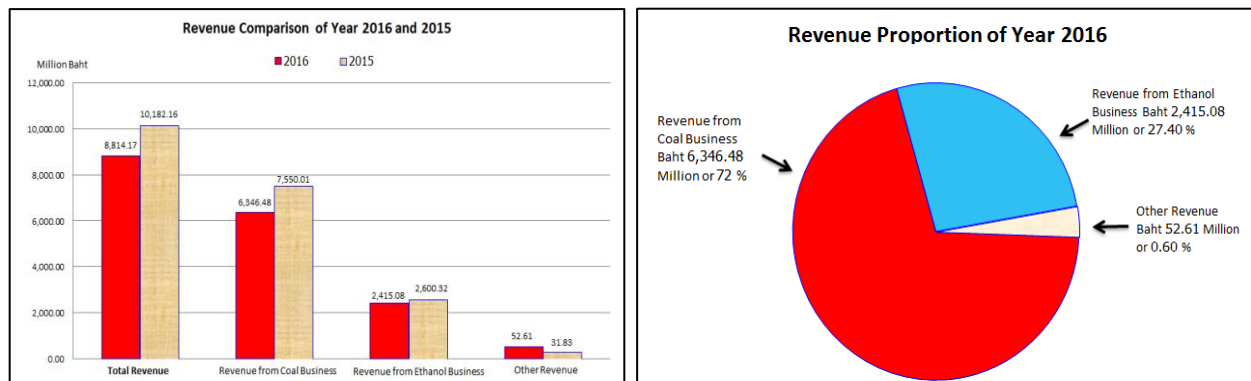
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**LANNA RESOURCES PUBLIC COMPANY LIMITED**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
(For the Consolidated Financial Statements of Year 2016)

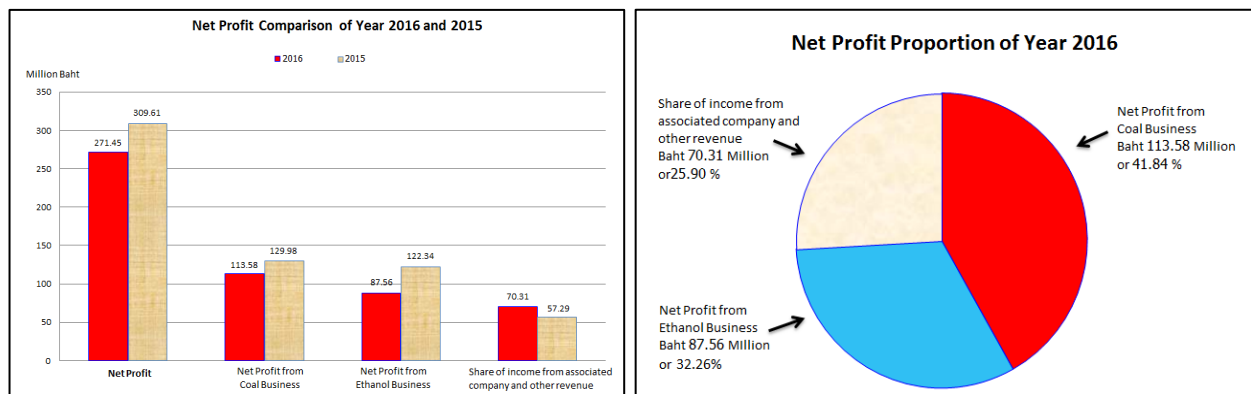
**OVERALL OPERATING RESULTS**

The overall operating results of the Company and subsidiary companies during the past year 2016 are considered good and satisfactory despite the fact that global economic growth was below expectation and coal selling price, regarded as the core business of the Company, also remained at low level during the first half of 2016. Furthermore, for the secondary core business of ethanol, the ethanol selling price was lower in line with global oil price that remained low throughout the past year 2016. Nevertheless, the Company and its subsidiary companies were able to reduce cost of sales and other expenses, as well as choosing product mix corresponding to market condition for better profit margin.

The Company and subsidiary companies had total revenue of Baht 8,814.17 million. In comparison with year 2015, the revenue decreased by Baht 1,367.99 million or a decrease of 13.44 percent. The revenue proportion from coal business, ethanol business and other revenue accounted for 72, 27.40 and 0.60 percent, respectively.



The Company and subsidiary companies had total net profit during the past year 2016 of Baht 271.45 million or net earnings per share of Baht 0.52. In comparison with year 2015, the net profit decreased by Baht 38.16 million or a decrease of 12.33 percent. The net profit proportion from coal business, ethanol business and share of income from investment in associate company and other revenue accounted for 41.84, 32.26 and 25.90 percent, respectively.



The overall financial status and liquidity of the Company and subsidiary companies are considered excellent. The current ratio is at 1.99 times but the total debt to total assets ratio is only 31.93 percent with debt to equity ratio of only 46.92 percent.

**COAL BUSINESS:** Even though global coal prices had recovered during the second half of 2016 but it did not have much effect to the Company's operation and net profit as the Company had already entered into certain coal sales contracts in advance from the beginning of 2016. The Company was able to reduce cost of sales and other expenses, as well as choosing product mix corresponding to market condition for higher selling price and good profit margin. In summary, the Company and its subsidiaries had revenue from the coal business, which is the core business, totaling Baht 6,346.48 million, which decreased from the previous year by Baht 1,203.53 million or a decrease of 15.94 percent due to the coal sales volume and the average coal selling price decreased by 7.94 and 8.69 percent, respectively. The net profit derived from shareholding proportion of the Company in year 2016 was Baht 113.58 million, which decreased from the previous year by Baht 16.40 million or a decrease of 12.62 percent. Regardless, although the operating results of coal business have reduced, the profit is still maintained at satisfactory level.

**ETHANOL BUSINESS:** The total revenue from ethanol business in year 2016, which is the Company's secondary core business, was Baht 2,415.08 million, which decreased from the previous year by Baht 185.24 million or a decrease of 7.12 percent. Despite increase in ethanol sales volume from the previous year by 1.54 percent but the average ethanol selling price was still lower than the previous year by 8.54 percent. This was due to the fact that global oil price remained at low level. The net profit derived from shareholding proportion of the Company in year 2016 was Baht 87.56 million which decreased from the previous year by Baht 34.78 million or a decrease of 28.43 percent. The ethanol business still continues to be profitable as well as the coal business as mentioned above.

#### OPERATING RESULTS ANALYSIS

| Revenue                    | Year 2016       |               | Year 2015        |               | Increase (Decrease) |                |
|----------------------------|-----------------|---------------|------------------|---------------|---------------------|----------------|
|                            | Million Baht    | %             | Million Baht     | %             | Million Baht        | %              |
| Revenue from Coal Sales    | 6,346.48        | 72.00         | 7,550.01         | 74.15         | (1,203.53)          | (15.94)        |
| Revenue from Ethanol Sales | 2,415.08        | 27.40         | 2,600.32         | 25.54         | (185.24)            | (7.12)         |
| Other Revenue              | 52.61           | 0.60          | 31.83            | 0.31          | 20.78               | 65.28          |
| <b>Total Revenue</b>       | <b>8,814.17</b> | <b>100.00</b> | <b>10,182.16</b> | <b>100.00</b> | <b>(1,367.99)</b>   | <b>(13.44)</b> |

**REVENUE:** The Company's revenue in year 2016 totaled Baht 8,814.17 million, which decreased from the previous year by Baht 1,367.99 million or 13.44 percent due to the following reasons:

(1) Revenue from coal business totaled Baht 6,346.48 million, which decreased from the previous year by Baht 1,203.53 million or 15.94 percent. This was due to the decrease in coal sales volume and coal selling price as mentioned above.

(2) Revenue from ethanol business totaled Baht 2,415.08 million, which decreased from the previous year by Baht 185.24 million or 7.12 percent. This was due the decrease in ethanol selling price as mentioned above.

(3) Other revenues totaled Baht 52.61 million, which increased from the previous year by Baht 20.78 million or 65.28 percent due to the increase in foreign exchange gain of Baht 13.82 million and interest received and other items of Baht 6.96 million.

| Expenses                            | Year 2016    |       | Year 2015    |       | Increase (Decrease) |         |
|-------------------------------------|--------------|-------|--------------|-------|---------------------|---------|
|                                     | Million Baht | %     | Million Baht | %     | Million Baht        | %       |
| <b>Coal Business</b>                |              |       |              |       |                     |         |
| Cost of Sales                       | 4,448.53     | 70.09 | 5,158.73     | 68.33 | (710.20)            | (13.77) |
| Selling and Administrative Expenses | 1,603.36     | 25.26 | 2,054.41     | 27.21 | (451.05)            | (21.96) |
| Financial Cost                      | 12.30        | 0.19  | 11.47        | 0.15  | 0.83                | 7.24    |
| Corporate Income Tax                | 113.88       | 1.79  | 166.85       | 2.21  | (52.97)             | (31.75) |
| <b>Ethanol Business</b>             |              |       |              |       |                     |         |
| Cost of Sales                       | 2,111.84     | 87.44 | 2,244.29     | 86.31 | (132.45)            | (5.90)  |
| Selling and Administrative Expenses | 77.67        | 3.22  | 48.23        | 1.85  | 29.44               | 61.04   |
| Financial Cost                      | 37.80        | 1.57  | 50.06        | 1.93  | (12.26)             | (24.49) |
| Corporate Income Tax                | 12.94        | 0.54  | 15.71        | 0.60  | (2.77)              | (17.63) |

**COAL BUSINESS EXPENSES :** Coal business expenses in year 2016 totaled Baht 6,178.07 million, which decreased from the previous year by Baht 1,213.39 million or 16.42 percent, due to the following reasons:

(1) Cost of coal sales decreased from the previous year by Baht 710.20 million or 13.77 percent. This was due to the decrease in coal sales volume and cost of sales by 7.94 and 6.33 percent, respectively.

(2) Selling and administrative expenses decreased from the previous year by Baht 451.05 million or 21.96 percent due to the decrease in coal sales volume.

(3) Financial expenses increased from the previous year by Baht 0.83 million or 7.24 percent due to an increase in interest expense according to the lease agreement on coal transport jetty investment of the subsidiary company; and

(4) Corporate income tax decreased from the previous year by Baht 52.97 million or 31.75 percent due to the decrease in profit.

**ETHANOL BUSINESS EXPENSES:** Ethanol business expenses in year 2016 totaled Baht 2,240.25 million, which decreased from the previous year by Baht 118.04 million or 5.01 percent, due to the following reasons:

(1) Cost of ethanol sales decreased from the previous year by 132.45 million or 5.90 percent. This was due to the increase in ethanol sales volume of 1.54 percent but the molasses price, which is a raw material and a major cost, decreased by 8.61 percent.

(2) Selling and administrative expenses increased from the previous year by Baht 29.44 million or 61.04 percent. This was due to the increase in ethanol sales volume as well as the Ethanol Production Line No. 1 had a temporary shutdown for repair and maintenance during the end of year 2016. Therefore, the expenses of Ethanol Production Line No. 1 were recorded as administrative expenses of Baht 16.06 million, and there was a provision for doubtful debt of Baht 6.87 million.

(3) Financial expenses decreased from the previous year by Baht 12.26 million or 24.49 percent due to loan repayment according to terms and repayment schedule in the loan agreement; and

(4) There was no corporate income tax on the earnings from the Ethanol Production Line No. 2, having received the Board of Investment Promotion according to the Investment Promotion Act B.E. 2520. However, the Investment Promotion for the Ethanol Production Line No. 1 has been expired, with incurred corporate income tax of Baht 12.94 million, which decreased from the previous year by Baht 2.77 million or 17.63 percent due to the decrease in profit.



| Gross Profit        | Coal Business   |              | Ethanol Business |              | Total           |              |
|---------------------|-----------------|--------------|------------------|--------------|-----------------|--------------|
|                     | Million Baht    | %            | Million Baht     | %            | Million Baht    | %            |
| <b>Year 2016</b>    |                 |              |                  |              |                 |              |
| Revenues from Sales | 6,346.48        | 100.00       | 2,415.08         | 100.00       | 8,761.56        | 100.00       |
| Less Cost of Sales  | 4,448.53        | 70.09        | 2,111.84         | 87.44        | 6,560.37        | 74.88        |
| <b>Gross Profit</b> | <b>1,897.95</b> | <b>29.91</b> | <b>303.24</b>    | <b>12.56</b> | <b>2,201.19</b> | <b>25.12</b> |
| <b>Year 2015</b>    |                 |              |                  |              |                 |              |
| Revenues from Sales | 7,550.01        | 100.00       | 2,600.32         | 100.00       | 10,150.33       | 100.00       |
| Less Cost of Sales  | 5,158.73        | 68.33        | 2,244.29         | 86.31        | 7,403.02        | 72.93        |
| <b>Gross Profit</b> | <b>2,391.28</b> | <b>31.67</b> | <b>356.03</b>    | <b>13.69</b> | <b>2,747.31</b> | <b>27.07</b> |

**GROSS PROFIT:** The Company's gross profit in year 2016 totaled Baht 2,201.19 million, or 25.12 percent of the sales revenue. When compared with the gross profit of the previous year of Baht 2,747.31 million or 27.07 percent of the sales revenue, the gross profit decreased due to the following reasons:

(1) Gross profit from coal business was 29.91 percent of the sales revenue, which decreased from the previous year with gross profit of 31.67 of the sales revenue. This was due to the decrease in coal selling price of 8.69 percent, while the cost of coal sales decreased by only 6.33 percent; and

(2) Gross profit from ethanol business was 12.56 percent of the sales revenue, which decreased from the previous year with gross profit of 13.69 percent of the sales revenue. This was due to the decrease in ethanol selling price of 8.54 percent, but the cost of ethanol sales decreased by 7.34 percent.

| Net Profit   | Year 2016     |               | Year 2015     |               | Increase (Decrease) |                |
|--|---------------|---------------|---------------|---------------|---------------------|----------------|
|  | Million Baht  | %             | Million Baht  | %             | Million Baht        | %              |
| Profit from Coal Business                                  | 113.58        | 41.84         | 129.98        | 41.98         | (16.40)             | (12.62)        |
| Profit form Ethanol Business                               | 87.56         | 32.26         | 122.34        | 39.51         | (34.78)             | (28.43)        |
| Share of income from associated company and other revenues | 70.31         | 25.90         | 57.29         | 18.51         | 13.02               | 22.73          |
| <b>Net Profit</b>  | <b>271.45</b> | <b>100.00</b> | <b>309.61</b> | <b>100.00</b> | <b>(38.16)</b>      | <b>(12.33)</b> |
| <b>Net Earnings per share – Baht per share</b>             | <b>0.52</b>   |               | <b>0.59</b>   |               | <b>(0.07)</b>       | <b>(12.33)</b> |

**NET PROFIT:** The Company's net profit in year 2016 totaled Baht 271.45 million, or net earnings per share of Baht 0.52. When compared with the previous year, the net profit decreased by Baht 38.16 million, or a decrease in net earnings per share of Baht 0.07 or 12.33 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company was Baht 113.58 million or 41.84 percent of the total net profit, which decreased from the previous year by Baht 16.40 million or 12.62 percent. This was due to the decrease in coal sales volume and coal selling price as mentioned above.

(2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 87.56 million or 32.26 percent of the total net profit, which decreased from the previous year by Baht 34.78 million or 28.43 percent due to the decrease in the ethanol selling price and the increase in administrative expenses as mentioned above; and

(3) Share of income from associated company and other revenues were Baht 70.31 million or 25.90 percent of the total net profit, which increased from previous year by Baht 13.02 million or 22.73 percent due to the increase in foreign exchange gain by Baht 13.82 million.

## EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) in year 2016 was Baht 1,177.10 million, which decreased from the previous year by Baht 224.38 million or 16.01 percent and EBITDA margin was at 13.35 percent, which decreased from the previous year by 2.97 percent.

(2) Net profit margin in year 2016 was at 4.69 percent, which increased from the previous year by 4.34 percent.

(3) Return on equity in year 2016 was at 6.48 percent, which decreased from the previous year by 11.64 percent.

(4) Return on total assets in year 2016 was at 4.78 percent, which decreased from the previous year by 7.43 percent. The return on fixed assets in year 2016 was at 28.57 percent, which decreased from the previous year by 16.61 percent.

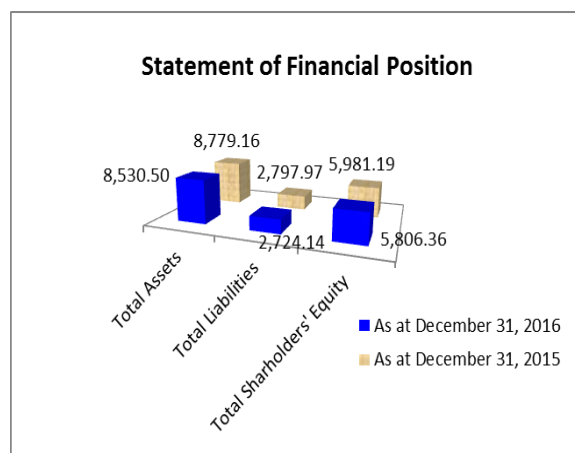
## STATEMENT OF FINANCIAL POSITION

| Description   | Unit: Million Baht      |                         | Increase (Decrease) |               |
|---|-------------------------|-------------------------|---------------------|---------------|
|   | As at December 31, 2016 | As at December 31, 2015 | Million Baht        | %             |
| Total Assets  | 8,530.50                | 8,779.16                | (248.66)            | (2.83)        |
| Total Liabilities                                       | 2,724.14                | 2,797.97                | (73.83)             | (2.64)        |
| Total Shareholders' Equity                              | 5,806.36                | 5,981.19                | (174.83)            | (2.92)        |
| <b>Book Value-Baht per Share</b>                        | <b>7.84</b>             | <b>8.11</b>             | <b>(0.27)</b>       | <b>(3.33)</b> |
| <b>Remark:</b> Registered par value of Baht 1 per share |                         |                         |                     |               |

**ASSETS:** The total assets of the Company and subsidiary companies as at end of year 2016 decreased from the previous year by Baht 248.66 million or 2.83 percent, due to (1) Current assets decreased by Baht 502.62 million or 11.25 percent, consisting of: (A) cash and cash equivalent decreased by Baht 179.96 million or 11.91 percent; (B) trade accounts receivable and other accounts receivable decreased by Baht 195.77 million or 24.10 percent; (C) inventories decreased by Baht 17.75 million or 3.71 percent; and (D) other current assets most of which were income tax, prepaid expenses, etc., decreased by Baht 109.14 million or 6.55 percent. (2) Non-current assets, most of which were properties, buildings and equipment increased by Baht 253.96 million or 5.89 percent.

**LIABILITIES:** The total liabilities of the Company and subsidiary companies as at end of year 2016 decreased from the previous year by Baht 73.83 million or 2.64 percent, due to (1) Trade accounts payable and other accounts payable increased by Baht 70.66 million or 17.20 percent (2) Loan decreased by Baht 185.42 million or 12.24 percent (3) Accrued expenses, most of which were overburden removal expenses, freight cost, etc., decreased by Baht 237.07 million or 44.18 percent. (4) Other liabilities, most of which were the lease agreement on coal transport jetty investment of the subsidiary company and provision for mine rehabilitation and allowance for long-term benefits of employees, etc., which increased by Baht 278 million or 82.77 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company and subsidiary companies as at end of year 2016 decreased from the previous by Baht 174.83 million or 2.92 percent, resulting in a decrease of the share's book value from Baht 8.11 per share to Baht 7.84 per share, a decrease of Baht 0.27 per share or 3.33 percent. This was due to: (1) a decrease in retained earnings of Baht 126.14 million or 4.43 percent, due to an increase in net profit of Baht 271.45 million but there was a dividend payment of Baht 393.75 million and a decrease of other items of Baht 3.84 million (2) a net decrease in translation adjustment in financial of Baht 12.68 million or 9.74 percent, and (3) a decrease in minority shareholders' equity of Baht 36.01 million or 2.09 percent.



### CASH FLOWS

| Description  | (Unit: Million Baht) |               |
|--|----------------------|---------------|
|  | Year 2016            | Year 2015     |
| Cash Flows from (used in) Operating Activities                         | 1,019.28             | 1,695.31      |
| Cash Flows from (used in) Investing Activities                         | (236.36)             | (570.71)      |
| Cash Flows from (used in) Financing Activities                         | (757.79)             | (820.40)      |
| Increase (Decrease) in Translation Adjustments in Financial Statements | 12.89                | (90.97)       |
| Net Increase (Decrease) in Cash  | 38.02                | 213.23        |
| Cash at the beginning of the period                                    | 660.15               | 446.92        |
| <b>Cash at the end of the period</b>                                   | <b>698.17</b>        | <b>660.15</b> |

(1) The net cash from operating activities of the Company and subsidiary companies in year 2016 was totaled Baht 1,019.28 million, consisting of: (A) income before corporate income tax and interest expense of Baht 540.37 million; (B) transactions that did not affect the cash such as depreciation and amortization of assets of Baht 664.27 million, most of which were mostly transactions concerning coal mining operations of the subsidiary companies in Indonesia; (C) a decrease in operating assets of Baht 208.51 million; (D) a decrease in operating liabilities of Baht 299.02 million; and (E) an increase in interest received of Baht 22.37 million, but interest expense and taxes increase of Baht 117.22 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in year 2016 totaled Baht 236.36 million, consisting of: (A) properties, buildings and equipment, most of which was the coal transport jetty purchase transaction of the subsidiary company, which increased by Baht 199.25 million; (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 294.82 million; and (C) short-term capital investment and other items decreased by a total of Baht 257.71 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in year 2016 totaled Baht 757.79 million, consisting of: (A) a decrease in loan of Baht 188.15 million, (B) dividend payment of Baht 561.69 million, and (C) a decrease in minority shareholders' equity of Baht 7.95 million.

### **ASSET MANAGEMENT CAPABILITY**

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at end of year 2016 were 7.23 percent of total assets. The provisions of doubtful debts are considered based on review of receivable period and assessment of past debt collection experience. Accordingly, the Company and subsidiary companies have experienced very little bad debt, having established provision for doubtful debt only of Baht 0.14 million at the end of year 2016.

(2) Inventory of the Company and subsidiary companies as at end of year of 2016 was 5.40 percent of total assets, having established allowance for impairment loss of inventory in year 2016 of only Baht 4.02 million.

(3) The Company's goodwill caused by investment in the subsidiary company in Indonesia as at the end of year 2016 is accounted for 2.18 percent of total assets, of which the Company has considered financial projection and impact in various aspects and found that it was not yet necessary for establishment of allowance for goodwill impairment from investment in year 2016.

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

(1) The Company's total debt to equity ratio as at the end of year 2016 was as low as 0.47 to 1. By having appropriate capital structure, the Company should still be able to borrow additional capital for future investment projects as the interest coverage ratio in year 2016 was as high as 23.88 times. Therefore, the Company should not have any problem concerning with default of interest payment.

(2) The Company's current ratio and quick ratio as at the end of year 2016 were as high as 1.99 times and 0.97 times, respectively. In addition, the Company and its subsidiary companies have adequate credit line for working capital in the future and therefore have no financial liquidity problem.

(3) The Company's cash cycle in year 2016 was at 34 days, an increase from the previous year of 1 day. The average debt collection period was at 29 days, an increase from the previous year of 2 days. The average inventory turnover was at 26 days, an increase from the previous year of 1 day. However, the average debt repayment period was at 21 days or an increase from the previous year of 2 days, which is still within normal standard.

### **DEBT OBLIGATION**

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

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

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

(3) The lending bank has stipulated that the subsidiary company cannot pay dividend to its shareholders, including the Company, if the subsidiary company cannot comply with the conditions as stipulated within the loan agreement, such as the maintenance of D/E ratio, DSCR, and shareholding proportion of the Company in the subsidiary company, etc. Accordingly, the subsidiary company has

never breached the conditions of loan agreements and has been provided with good financial support from lending banks.

## **IMPACT TO FUTURE OPERATIONS**

**Coal Business:** Global coal prices started to rise continuously during the second half of year 2016. It is expected that the operating results of the coal business, which is the Company's core business, in year 2017 will increase and perform better than the past year 2016 in accordance with the increase in global coal prices as mentioned above. Meanwhile, the Company and its subsidiary companies are currently studying and prepared for investment in coal-fired power plant projects in Thailand and Indonesia. The Company and its subsidiary companies have capability to invest in such projects, having its own coal mine concessions. Furthermore, the Company has been actively seeking to invest in additional coal concession projects which should generate more revenue and profit in long term.

**Ethanol Business:** It is expected that the operating results of the ethanol business which is the Company's secondary core business, will increase and perform better than the past year 2016 as the Ethanol Production Line No. 2 will start using both molasses and cassava as the raw materials instead of just using molasses as the past year 2016, which should provide higher production yield, resulting in a lower production cost and higher profit. Moreover, investment in the third ethanol production line is being studied, with production capacity of 200,000 liters per day. Furthermore, a feasibility study on business expansion into downstream ethanol derivative products has been conducted, as these value added products should yield higher revenue and profit in the future.

Regardless, the Company and the subsidiary companies can still be profitable from both businesses, despite fluctuation of global coal and oil markets. Accordingly, the Company shall endeavor to manage and resolve all the problems with prudence and caution to ensure good operating results in year 2017 and proceed with regular dividend payments to shareholders according to the established policy.

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## AGENDA NO. 4

### TO CONSIDER AND APPROVE THE APPROPRIATION OF EARNINGS

#### Background and Rationale

According to Section 116 of the Public Limited Companies Act B.E. 2535, “The Company is required to set aside a statutory reserve at least five percent of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches ten percent of the registered share capital, except that the statutory reserve level set in the Company’s Memorandum of Association or in other regulations is required to be higher than ten percent.”. The Company may appropriate the net profit as other reserve.

#### Dividend Payment Policy

In the case that no additional investments are required and that there are no outstanding loans, the Company’s dividend payment policy is not less than 60 percent of its yearly net profit of the separate financial statements for each financial period after the deductions of statutory reserve and the net loss carried forward (if any).

#### Board of Directors’ Opinion

According to the operating results of the Company in year 2016, the net profit based on separate financial statements was Baht 337,251,025.53 or a net profit of Baht 0.64 per share, calculated from the issued and paid-up shares of 524,999,679 shares at a share value of Baht 1.00 per share. The Board of Directors has considered that the Shareholders’ Meeting should approve of the appropriation of earnings for the operating results of year 2016, having the following details.

| Details of the Appropriation  | Amount (Baht)  |
|---|----------------|
| Retained Earnings from previous year  | 70,881.17      |
| <b>Plus • Net Earnings of Year 2016</b>   | 337,251,025.53 |
| Retained Earnings for Appropriation for Year 2016   | 337,321,906.70 |
| <b>Less • Appropriation for General Reserve</b>   | 1,300,000.00   |
| • Appropriation for Interim Dividend Payment at Baht 0.35 per share, already approved by the Board of Directors and paid to the shareholders on November 16, 2016 | 183,749,887.65 |
| • Appropriation for Dividend Payment to be approved for this period at Baht 0.29 per share  | 152,249,906.91 |
| Earnings Carried Forward  | 22,112.14      |

(1) To appropriate the earnings for general reserve at Baht 1,300,000, and

(2) To appropriate the earnings for dividend payment to shareholders at Baht 0.64 per share, totaling Baht 335,999,794.56. The Board of Directors already approved the interim dividend payment to the shareholders on November 16, 2016 at Baht 0.35 per share, totaling Baht 183,749,887.65; therefore, the remaining dividend payment for shareholders is at Baht 0.29 per share, totaling Baht 152,249,906.91. The name list of shareholders having right to receive the dividend for this period will be determined on March 21, 2017 and complied according to Section 225 of the Securities and Exchange Act using share register book closing method, suspending share transfer on March 22, 2017. The dividend payment of this period will be paid on May 16, 2017. Shareholders receiving the dividend will receive no tax credit as the dividend is paid from the portion of earnings exempted from the corporate income tax. Accordingly, shareholders are required to pay income tax for such dividend according to the Revenue Code.

### **Comparison of Dividend Payment to Net Profit**

The Shareholders will receive the dividend payment appropriated from the net profit derived from the separate financial statements in year 2016 at Baht 0.64 per share or 99.63 percent of the net profit.

### **Comparison of Dividend Payment with the Past Year**

| <b>Details of the Dividend Payment</b>                  | <b>Year 2016</b>    | <b>Year 2015</b>    |
|---|---------------------|---------------------|
| Net Profit  | Baht 337,251,025.53 | Baht 404,859,944.02 |
| Number of Shares of Interim and Annual Dividend Payment | 524,999,679 shares  | 524,999,679 shares  |
| Total Dividend Payment per Share                        | 0.64 Baht per share | 0.75 Baht per share |
| • Interim Dividend                                      | 0.35 Baht per share | 0.35 Baht per share |
| • Annual Dividend                                       | 0.29 Baht per share | 0.40 Baht per share |
| Total Dividend Payment                                  | Baht 335,999,794.56 | Baht 393,749,759.25 |
| Dividend Payment Ratio                                  | 99.63 percent       | 97.26 percent       |

The Board of Directors has proposed for the dividend payment from the operating results of the Company in year 2016 at 99.63 percent of the net profit, which is more than the established dividend payment policy and the dividend payment is higher than the previous year by 2.44 percent.

### **Voting Procedure**

The resolution for this meeting agenda shall be based on the majority votes from all the votes of shareholders attending the meeting and casting their votes. If the vote counts are even, the Chairman of the Meeting shall have the right for a casting vote.

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## AGENDA NO. 5

### TO CONSIDER THE APPOINTMENT OF DIRECTORS RETIRED BY ROTATION

#### Background and Rationale

According to the Article No. 11 of the Company's Articles of Association, corresponding to the Section 71 of the Public Limited Company Act B.E. 2535, stating that "at every Annual General Meeting of Shareholders, one-third (1/3) of the directors shall be retired by rotation and if the number of directors are not divisible by one-third, the number of directors to be retired shall be nearest to one-third (1/3).

The number of directors to be retired in the first year and second year after the Company's registration shall be done by lottery selection. For subsequent years, the directors in position for the longest time shall be retired first."

At the Annual General Meeting of Shareholders Year 2017, the following five directors are retired by rotation according to the Article No. 11 of the Company's Articles of Association; namely (1) Mr. Kraisi Sirirungsi, (2) Mr. Suroj Subhasavasdikul, (3) Mr. Vanchai Tosomboon, and (4) Mr. Visit Tantisunthorn, and (5) Mrs. Duangkamol Suchato.

#### Board of Directors' Opinion

The Board of Directors has considered and resolved to propose to the Shareholders' Meeting for consideration and approval of the appointment of 5 directors in place of the directors who are retired by rotation. Accordingly, the Shareholder's Meeting shall be proposed for consideration for each appointment individually.

| <b>Proposed Names for Appointment of Directors Replacing the Directors Retired by Rotation</b> | <b>Proposed Director's Positions</b> |
|--|--------------------------------------|
| (1) Mr. Kraisi Sirirungsi  | Director                             |
| (2) Mr. Suroj Subhasavasdikul  | Director                             |
| (3) Mr. Vanchai Tosomboon  | Director                             |
| (4) Mr. Visit Tantisunthorn  | Director                             |
| (5) Mrs. Duangkamol Suchato  | Director and Independent Director    |

#### Criteria and Nomination Procedure

Nomination process for the Company's directorship positions has been through the deliberation of the Nomination and Remuneration Committee. It was considered and concluded that all of the five directors above possess the knowledge, capabilities, experience and various expertise, which are deemed beneficial to the Company's business operation and also possess all the qualifications to take the director position of the listed company, according to the Company's Article of Association and governing laws. Past work experiences as the Company's directors have also been reviewed.

The Company provided the opportunity for the shareholders to propose meeting agenda items and appointment of new director according to the good corporate governance principles through the Company's website ([www.lannar.com](http://www.lannar.com)) during October 1, 2016 through December 31, 2016. However, there was no shareholder proposing any meeting agenda item in advance or proposing any appointment for a new director.



### **Information of the Proposed Persons for Director Positions**

Brief curricula vitae of all five persons being proposed for the director positions, including performance results as the Company's directors during the past years (if any), with details attached herewith.

### **Voting Procedure**

- The resolution for this meeting agenda will be based on the majority votes from all the votes of shareholders attending the meeting and casting their votes by voting according to the following procedures:

- (1) The shareholder will have each share being counted as one vote.

- (2) Each shareholder must use all the votes according to (1) to appoint one person or several persons for the director position but cannot divide the votes into different number of votes for a particular person.

- (3) The persons receiving the highest number of votes in descending order will be appointed as the directors for the total number of director positions available at the time. In the case of a tie (same number of votes) for successive positions available, the Chairman of the Meeting shall have the casting vote.

- The Directors holding shares in the Company shall not use voting right for the re-appointment of oneself due to a direct interest although there is not any legal provision prohibiting such vote. The number of shares and votes of these Directors shall be announced upon the consideration of this agenda since the number at the closing date of share register book is required to determine the right to attend the Annual General Meeting of Shareholders Year 2017.

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## INFORMATION OF THE PERSON PROPOSED FOR DIRECTOR POSITION

**Name and Surname:** Mr. Kraisi Sirirungsi  
**Current Position:** Director and Authorized Director  
**Nationality:** Thai  
**Age:** 66 years  
**Address:** 293 Soi Suanpak 29, Talingchan, Bangkok 10170  
**Education:** Bachelor of Engineering (Mining Engineering and Mining Geology),  
Chulalongkorn University



**Director Accreditation Program:** Director Accreditation Program (DAP) Class 39/2005  
**Other Program:** The National Defence Course for the Joint State-Private Sectors Class 4212, Year 1999,  
Thailand National Defence College

**Period of Directorship:** Holding Director Position since 1985 until present for total of 31 years.

**Meeting Attendance of the Past Year:** Attended 6 of 6 Board of Directors' Meetings

**Shareholding in the Company as at December 31, 2016:** 9,697,781 shares or 1.85 percent of all shares  
with voting rights

**Direct and indirect interest in any of business with Company and its subsidiaries:** None

### Director/Executive Positions in other Business:

| Listed Company |   | Other Non-Listed Company | Other Position in Competing Business/Connected with Company's Business |
|----------------|---|--------------------------|--|
| Total          | Type of Directorship  |                          |  |
| 1 company      | Director and Vice Chairman, Thai Agro Energy Public Co., Ltd. | 5 companies              | None   |

### Work Experience:

2016-Present: Management Advisor, Lanna Resources Public Co., Ltd.  
2016-Present: Chairman, Lanna Power Generation Co., Ltd.  
2015-Present: Nomination and Remuneration Committee Chairman, Lanna Resources Public Co., Ltd.  
2008-Present: Commissioner, PT. Singlurus Pratama, (Subsidiary)  
2006-Present: President Commissioner, PT. Lanna Mining Services, (Subsidiary)  
2003-Present: Director and Vice Chairman, Thai Agro Energy Public Co., Ltd., (Subsidiary)  
1998-Present: Commissioner, PT. Lanna Harita Indonesia, (Subsidiary)  
1996-Present: Director, United Bulk Shipping Pte.Ltd. (Associated Company)  
2001-2015: Chief Executive Officer, Lanna Resources Public Co., Ltd.

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## INFORMATION OF THE PERSON PROPOSED FOR DIRECTOR POSITION

**Name and Surname:** Mr. Suroj Subhasavasdikul  
**Current Position:** Director and Authorized Director  
**Nationality:** Thai  
**Age:** 74 years  
**Address:** 39 Sarinpark Village, Soi Ratchadapisek 66, Bangsue, Bangkok 10800  
**Education:** - Ph.D. in Chemical Engineering Institute Du Genie Chimique, France  
**Director Accreditation Program:** Director Accreditation Program (DAP) Class 39/2005  
**Period of Directorship:** Holding Director Position since 1985 until present for total of 31 years.  
**Meeting Attendance of the Past Year:** Attended 6 of 6 Board of Directors' Meetings  
**Shareholding in the Company as at December 31, 2016:** None  
**Direct and indirect interest in any of business with Company and its subsidiaries:** None  
**Director/Executive Positions in other Business:**



| Listed Company |   | Other Non-Listed Company | Other Position in Competing Business/Connected with Company's Business |
|----------------|---|--------------------------|--|
| Total          | Type of Directorship/Executive                                |                          |  |
| 1 company      | Director and Vice Chairman, Thai Agro Energy Public Co., Ltd. | 1 company                | None   |

### Work Experience:

2006-Present: Director and Vice Chairman  
Thai Agro Energy Public Co., Ltd. (Subsidiary Company)  
1996-Present: Director, United Bulk Shipping Pte. Ltd. (Associated Company)  
1992-2011: Independent Director and Audit Committee Chairman, Royal Porcelain Public Co., Ltd.  
1997-2012: Director, Lanna (Singapore) Pte. Ltd. (Subsidiary Company) (Company Discontinued)  
1997-2002: Executive Chairman and Managing Director  
Kohler (Thailand) Public Co., Ltd.  
1991-2004: Director, Royal Porcelain Public Co., Ltd.  
1994-2001: Director, Gulf Electric Public Co., Ltd.  
1969-1971: Last Position: Executive Director and Deputy Managing Director, Project and Engineering Division, Siam City Cement Public Co., Ltd.

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## INFORMATION OF THE PERSON PROPOSED FOR DIRECTOR POSITION

**Name and Surname:** Mr. Vanchai Tosomboon  
**Current Position:** Director  
**Nationality:** Thai  
**Age:** 67 years  
**Address:** 95 Wattananiwet, Suthisarnvinichai, Samsennok, Huaykwang, Bangkok, 10310  
**Education:** - Master in Business Management, Asia Institute of Management  
 - Bachelor of Law, Thammasat University



**Director Accreditation Program:**

- Director Certification Program (DCP) Class 7/2001
- Director Accreditation Program (DAP) Class 7/2004
- Advanced Audit Committee Program (AACP) Class 19/2015
- Corporate Governance for Capital Market Intermediaries Class 10/2015

**Other Program:**

- Senior Management Program IMD Switzerland, 2006
- Breakthrough Program for Senior Executives IMD Switzerland, 2002
- Managing Corporate Resources IMD Switzerland, 2000

**Period of Directorship:** Holding Director Position since 1999 until present for total of 17 years

**Meeting Attendance of the Past Year:** Attended 6 of 6 Board of Directors' Meetings

**Shareholding in the Company as at December 31, 2016:** 942,350 shares or 0.18 percent of all shares with voting rights

**Direct and indirect interest in any of business with Company and its subsidiaries:** None

**Director/Executive Positions in other Business:**

| Listed Company |  | Other Non-Listed Company | Other Position in Competing Business/Connected with Company's Business |
|----------------|--|--------------------------|--|
| Total          | Type of Directorship   |                          |  |
| 2 companies    | (1) Director, Director of Governance, Director of Nomination and Compensation Committee, Siam City Cement Public Co., Ltd.<br>(2) Audit Committee Member, Krungsri Securities Public Co., Ltd. | 2 companies              | None   |

**Work Experience:**

2016-Present: Director, Siam City Cement (Lanka) Limited (Sri Lanka)  
 2015-Present: Director, Chip Mong Insee Cement Corporation (Cambodia)  
 2014-Present: Audit Committee Member, Krungsri Securities Public Co.,Ltd  
 2014-Present: Director of Governance, Risk and Compliance Committee  
 Director of Nomination and Compensation Committee  
 Siam City Cement Public Co., Ltd.  
 2012-Present: Consultant, Siam City Cement Public Co., Ltd.  
 2004-Present: Director, Siam City Cement Public Co., Ltd.  
 2002-Present: Director, Conwood Co., Ltd.  
 1999-2011: Director and Executive Vice President, Siam City Cement Public Co., Ltd.  
 1999-2005: Managing Director and Chairman of Executive Board, Royal Porcelain Public Co., Ltd.  
 2004-2005: Chairman of the Board, Karat Faucet Co., Ltd.  
 1999-2004: Managing Director, Diamond Building Products Public Co., Ltd.  
 (Formerly "Diamond Roofing Tiles Public Co., Ltd.)

**INFORMATION OF THE PERSON PROPOSED FOR DIRECTOR POSITION**

**Name and Surname:** Mr. Visit Tantisunthorn

**Current Position:** Director

**Nationality:** Thai

**Age:** 57 years

**Address:** 303/1 Sukhumvit 49, Klongtan Nuea, Watthana, Bangkok

**Education:** - MBA, University of Wisconsin-Madison  
- B.A. (Statistics), Chulalongkorn University



**Director Accreditation Program:** Director Certification Program (DCP) Class 17/2001

**Other Program:**

- The National Defence Course for the Joint State-Private Sectors, Year 2004, Thailand National Defence College
- Capital Market Academy Course, Class 3
- King Prajadhipok’s Institute Course, Class 5

**Period of Directorship:** Holding Director Position since 2000 until present for total of 16 years

**Meeting Attendance of the Past Year:** Attended 6 of 6 Board of Directors’ Meetings

**Shareholding in the Company as at December 31, 2016:** 6,430,500 shares or 1.225 percent of all shares with voting rights

**Direct and indirect interest in any of business with Company and its subsidiaries:** None

**Director/Executive Positions in other Business:**

| Listed Company |  | Other Non-Listed Company | Other Position in Competing Business/Connected with Company’s Business |
|----------------|--|--------------------------|--|
| Total          | Type of Directorship/Executive   |                          |  |
| 1 company      | Independent Director and Audit Committee Chairman, Nok Airlines Public Co., Ltd. | 2 companies              | None   |

**Work Experience:**

- 2015-Present: Independent Director and Audit Committee Chairman, Nok Airlines Public Co., Ltd.
- 2015-Present: Chairman, Thailand Management Association
- 2014-Present: Director, True Visions Public Co., Ltd.
- 2006-2009: Director, IRPC Public Co., Ltd.
- 2005-2009: Chairman, Royal Porcelain Public Co., Ltd.
- 2001-2009: Secretary General, Government Pension Fund
- 2001-2009: Director, Tippaya Insurance Public Co., Ltd.
- 1998-2001: Last Position: Deputy Chairman, Grammy Entertainment Public Co., Ltd.
- 1992-1998: Senior Vice President and Regional Director- Investment American International Assurance Co., Ltd.
- 1984-1992: Director, Loan Department, Tisco Finance Public Co., Ltd.

## INFORMATION OF THE PERSON PROPOSED FOR DIRECTOR AND INDEPENDENT DIRECTOR POSITION

**Name and Surname:** Mrs. Duangkamol Suchato

**Current Position:** Director, Independent Director and Audit Committee Member

**Nationality:** Thai

**Age:** 70 years

**Address:** 31/3 Soi Metheeniwet, Sukhumvit 24 Road, Klongtan, Kongtoey, Bangkok, 10110

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

**Director Accreditation Program:**

- Audit Committee Program (ACP) Class 17/2007

- Director Accreditation Program (DAP) Class 64/2007

- Director Certification Program (DCP) Class 91/2007

**Period of Directorship:** Holding Director and Independent Director Position since 2007 until present for total of 9 years

Holding Audit Committee Member Position since 2007 until present for total of 9 years

**Meeting Attendance of the Past Year:** Attended 6 of 6 Board of Directors' Meetings

Attended 10 of 10 Audit Committee Meetings

**Shareholding in the Company as at December 31, 2016:** 180,000 shares or 0.03 percent of all shares with voting rights

**Direct and indirect interest in any of business with Company and its subsidiaries:** None

**Director/Executive Positions in other Business:**

| Listed Company |                                | Other Non-Listed Company | Other Position in Competing Business/Connected with Company's Business |
|----------------|--------------------------------|--------------------------|--|
| Total          | Type of Directorship/Executive |                          |  |
| None           | None                           | None                     | None   |

**Work Experience:**

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

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

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

1970-2002: Last Position: Director, Executive Director and Deputy Managing Director, Central Administration, Siam City Cement Public Co., Ltd.

1968-1969: Teacher Assistant, Faculty of Commerce and Accountancy, Thammasat University



### **Definition of the Independent Director**

Independent director has the following definition and qualifications:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has established the qualifications of the Independent Directors the same as the minimum requirements of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand regarding the shareholding in the Company such that the Independent Director must not hold more than 1 percent of total voting shares of the Company. In addition, the individuals proposed for appointment of the Independent Director possess no other types of relationship as follows.

| <b>Type of Relationship</b>  | <b>Proposed Independent Directors<br/>Mrs. Duangkamol Suchato</b> |
|--|---|
| Shareholding in Company <ul style="list-style-type: none"> <li>• Number of Shares</li> <li>• Proportion of All Shares with Voting Right</li> </ul>   | 180,000<br>0.03   |
| Being close relative with Executive/Major Shareholder of the Company/Subsidiary  | No  |
| Having the following relationship with Company/holding company/subsidiary/associated or juristic person with possible conflict of interest currently or during past 2 years <ol style="list-style-type: none"> <li>(1) Being director who takes part in the management of the Company, employee, staff member, advisor who receives a regular salary</li> <li>(2) Being professional service provider (such as auditor, legal advisor)</li> <li>(3) Having business relationship (such as trading of raw material/service, lending or borrowing) with specified transaction size.</li> </ol> | No<br>No<br>None  |



## **AGENDA NO. 6**

### **TO CONSIDER THE REMUNERATIONS OF DIRECTORS**

#### **Background and Rationale**

According to the Public Limited Company Act B.E. 2535, Section 90, first paragraph, states that “to prohibit the company from offering payments or assets to the director except for remuneration compensation as stated by the company’s articles of association”.

The Company’s Articles of Association, Article No. 16, second paragraph, states that “the director is entitled to receive remuneration from the company; namely salaries, wages, rewards, meeting allowances, remunerations, bonuses, or other types of benefits in accordance with the articles or the shareholders’ meeting consideration, which can specify the amounts or establish the criteria and specify for each occasion, or be effective until any changes.”

#### **Composition of the Remuneration**

(1) The Board of Directors receives the following remuneration:

(1.1) Fixed monthly remuneration, with the Chairman receiving Baht 60,000 per month and the Directors receiving Baht 30,000 per month each, which were approved by the Extraordinary Meeting of Shareholders No. 2/1993 dated December 8, 1993 and have been used since December 1993 without any changes.

(1.2) Annual remuneration, which must be approved by the shareholders’ meeting each year, varied according to the Company’s operating results of each year. For the past year 2016, the Annual General Meeting of Shareholders Year 2016 resolved to approve the annual remunerations for fourteen directors, totaling Baht 5,907,000, using the same basis as every past year by which 2 parts are given to the Chairman of the Board at Baht 762,204; 1.5 parts to the Chairman of the Board of Executive Directors at Baht 571,644; and 1 part to 12 Directors at Baht 381,096 each person.

(2) Subcommittees receive remunerations, in addition to (1), as follows:

(2.1) The Audit Committee members each receive fixed monthly remuneration. The Chairman of the Audit Committee receives Baht 15,000 per month, with the other Audit Committee Members receiving Baht 10,000 per month per person. The above remuneration rates have been used since October 1999 without any changes. The composition and scope of duties of the Audit Committee have been disclosed within the Annual Report Year 2016, Page 133 to 134 under the topic “Management Structure”, which has been disseminated on the Company’s website and forwarded to every shareholder along with the meeting invitation.

(2.2) The Nomination and Remuneration Committee members each receive fixed remuneration per meeting. The Chairman of the Nomination and Remuneration Committee receives Baht 15,000 per meeting, with the other Nomination and Remuneration Committee Members receiving Baht 10,000 per meeting per person. The above remuneration rates have been used since January 1, 2016 without any changes. The composition and scope of duties of the Nomination and Remuneration Committee have been disclosed within the Annual Report Year 2016, Page 139 to 140 under the topic “Management Structure”, which has been disseminated on the Company’s website and forwarded to every shareholder along with the meeting invitation.

(2.3) The Corporate Governance Committee and the Risk Management Committee, of which members are all executives whom already receive monthly salary and other benefits as the Company's employees; therefore, there are no additional remuneration.

(3) The Company does not provide any other remuneration or offer any other privileges to the directors other than what mentioned in (1) and (2) above. The remunerations paid to each of the directors during year 2016 have been disclosed in the Annual Report Year 2016, Page 171 under the topic "Management Structure", which has been disseminated on the Company's website and forwarded to every shareholder along with the meeting invitation.

### **Board of Directors' Opinion on the Directors' Remuneration for 2017 and Comparison with the Past Year**

The Board of Directors has considered and resolved to propose to the Shareholders' Meeting for approval of the Directors' remunerations for 2017, having details as follows:

(1) The Board of Directors shall receive remunerations as follows:

(1.1) Fixed monthly remuneration – The Chairman of the Board shall receive Baht 60,000 per month, and the Directors receive Baht 30,000 per month each, which is based on the same basis as of the remuneration paid in the previous year without any changes.

(1.2) Annual remuneration shall be paid once a year according to the Company's operating results of each year. For year 2017, the annual remuneration shall be paid to 14 Directors totaling Baht 5,040,000, lower than the past year 2016 by Baht 867,000 or 14.68 percent, by which 2 parts are given to the Chairman of the Board at Baht 672,000; and 1 part to each of the 13 directors at Baht 336,000 per person.

(2) The Audit Committee members will receive a monthly remuneration which is fixed every month, with the Audit Committee Chairman receiving Baht 15,000 per month and the other Audit Committee Members receiving Baht 10,000 per month per person, which is based on the same basis as of the remuneration paid in the previous year without any changes.

(3) The Nomination and Remuneration Committee shall receive a remuneration which is fixed per meeting, with the Nomination and Remuneration Committee Chairman receiving Baht 15,000 per meeting and the other Nomination and Remuneration Committee Members receiving Baht 10,000 per meeting per person, which is based on the same basis as of the remuneration paid in the previous year without any changes.

### **Criteria, Procedure, and Proposal of Remuneration**

The above remuneration proposed above has been through deliberation from the Nomination and Remuneration Committee ("NRC"), by considering and comparing with references from the same industrial sector, including the business size, business expansion and operating results of the Company. It was deemed appropriate to determine the directors' remuneration as proposed above. The tables below show the information of directors' remuneration of the listed companies for year 2015 as published by the Stock Exchange of Thailand and Thai Director Compensation Survey Report for year 2016 by the Thai Institute of Directors Association with the directors' remuneration paid by the Company.

**(1) Comparison of Directors' Remuneration of Listed Companies for year 2015 by the Stock Exchange of Thailand;**

**(a) Comparison of Remuneration of Directors of the Company with 593 Listed Companies on 2015 Survey Report by the Stock Exchange of Thailand:**

| Description<br>(Unit: Baht per person per year)                            | Chairman's Remuneration |         |            | Average Director's Remuneration |         |           |
|--|-------------------------|---------|------------|---------------------------------|---------|-----------|
|  | Average                 | Lowest  | Highest    | Average                         | Lowest  | Highest   |
| Listed companies in Energy and Infrastructure sector in 2015               | 1,200,000               | 30,000  | 4,090,000  | 890,000                         | 50,000  | 2,970,000 |
| Listed companies with revenue exceeding 10,000 million Baht in 2015        | 2,850,000               | 250,000 | 50,420,000 | 970,000                         | 180,000 | 3,490,000 |
| Listed companies with net profit (loss) less than 500 million Baht in 2015 | 880,000                 | 50,000  | 3,670,000  | 520,000                         | 70,000  | 1,940,000 |
| Lanna Resources Public Co., Ltd.<br>• Remuneration year 2015-2016          | 1,482,204               |         |            | 755,754                         | 741,096 | 931,644   |

**(b) Comparison of Remuneration of the Audit Committee of the Company with 593 Listed Companies on 2015 Survey Report by the Stock Exchange of Thailand:**

| Description<br>(Unit: Baht per person per year)                            | Audit Committee Chairman's Remuneration |        |           | Average Audit Committee Member's Remuneration |        |           |
|--|---|--------|-----------|---|--------|-----------|
|  | Average                                 | Lowest | Highest   | Average                                       | Lowest | Highest   |
| Listed companies in Energy and Infrastructure sector in 2015               | 340,000                                 | 40,000 | 2,850,000 | 290,000                                       | 40,000 | 2,660,000 |
| Listed companies with revenue exceeding 10,000 million Baht in 2015        | 380,000                                 | 40,000 | 1,920,000 | 300,000                                       | 30,000 | 1,880,000 |
| Listed companies with net profit (loss) less than 500 million Baht in 2015 | 200,000                                 | 40,000 | 600,000   | 160,000                                       | 30,000 | 440,000   |
| Lanna Resources Public Co., Ltd.<br>• Remuneration year 2014-2016          | 180,000                                 |        |           | 120,000                                       |        |           |

**(2) Comparison of Thai Director Compensation for year 2016 by the Thai Institute of Directors Association;**

**(a) Comparison of Compensation of Directors of the Company with 228 Listed Companies on 2016 Survey Report by Thai Institute of Directors Association:**

| Description<br>(Unit: Baht per person per year)                     | Chairman's Compensation |         |           | Average Director's Compensation |         |           |
|---|-------------------------|---------|-----------|---------------------------------|---------|-----------|
|   | Average                 | Lowest  | Highest   | Average                         | Lowest  | Highest   |
| Listed companies in Resources sector in 2016                        | 639,036                 | 252,000 | 1,800,000 | 438,108                         | 150,000 | 1,440,000 |
| Listed companies with revenue exceeding 10,000 million Baht in 2016 | 1,144,560               | 231,204 | 4,080,000 | 428,676                         | 120,000 | 900,000   |
| Lanna Resources Public Co., Ltd.<br>• Remuneration year 2015-2016   | 1,482,204               |         |           | 755,754                         | 741,096 | 931,644   |

**(b) Comparison of Compensation of the Audit Committee of the Company with 228 Listed Companies on 2016 Survey Report by Thai Institute of Directors Association:**

| Description<br>(Unit: Baht per person per year)                    | Audit Committee Chairman's Remuneration |         |           | Average Audit Committee Member's Remuneration |        |         |
|--|---|---------|-----------|---|--------|---------|
|  | Average                                 | Lowest  | Highest   | Average                                       | Lowest | Highest |
| Listed companies in Resources sector in 2016                       | 269,004                                 | 99,996  | 480,000   | 210,000                                       | 39,996 | 360,000 |
| Listed companies with income exceeding 10,000 million Baht in 2016 | 399,924                                 | 120,000 | 1,392,000 | 279,492                                       | 80,004 | 748,800 |
| Lanna Resources Public Co., Ltd.                                   |   |         |           |   |        |         |
| • Remuneration year 2014-2016                                      | 180,000                                 |         |           | 120,000                                       |        |         |

**(c) Comparison of Compensation of the Nomination and Remuneration Committee of the Company with 228 Listed Companies on 2016 Survey Report by Thai Institute of Directors Association:**

| Description<br>(Unit: Baht per person per year)                    | Nomination and Remuneration Committee Chairman's Compensation |        |           | Average Nomination and Remuneration Committee Member's Compensation |        |         |
|--|---|--------|-----------|---|--------|---------|
|  | Average   | Lowest | Highest   | Average   | Lowest | Highest |
| Listed companies in Resources sector in 2016                       | 258,336   | 99,996 | 375,000   | 193,332   | 39,996 | 300,000 |
| Listed companies with income exceeding 10,000 million Baht in 2016 | 344,640   | 39,996 | 1,392,000 | 215,628   | 39,996 | 748,800 |
| Lanna Resources Public Co., Ltd.                                   |   |        |           |   |        |         |
| • Remuneration year 2016 (held 2 meetings)                         | 30,000  |        |           | 20,000  |        |         |
| • Remuneration year 2017 (3 meetings anticipated)                  | 45,000  |        |           | 30,000  |        |         |

**Voting Procedure**

• The resolution for this meeting agenda shall be based on two-thirds of all votes from shareholders attending the meeting and casting their votes.

• Directors who are the shareholders will not have the right to vote in this agenda due to direct interest. The number of shares and votes of these Directors shall be announced upon the consideration of this agenda since the number at the closing date of share register book is required to determine the right to attend the Annual General Meeting of Shareholders Year 2017.

## AGENDA NO. 7

### TO CONSIDER THE APPOINTMENT OF THE AUDITOR AND DETERMINATION OF AUDIT FEE

#### **Background and Rationale**

According to the Company's Articles of Association concerning with the appointment of auditor and determination of the audit fees for the Company, stating that the matter should be carried out according to the governing law; by which the Public Limited Company Act B.E. 2535 states as follows:

Section 120: The Company's financial auditor must be chosen and fees are reviewed and approved by the Annual General Meeting of Shareholders where the meeting may vote for the same auditor to continue as the company's financial auditor.

Section 121: The financial auditor must not be a director, employee, or take any position in the company.

#### **Auditor Appointment Policy**

The Company shall contact various auditor offices, having financial auditors whom have been approved by the Securities and Exchange Commission (SEC) to audit the listed companies, to obtain their service proposals and audit fees for comparison and selection for the best and most suitable service terms and fees.

#### **Audit Committee's Opinion**

The Audit Committee has considered for the selection of the Company's auditor by reviewing the auditor's qualifications, working quality and standard, expertise and independence, performance results, in comparison with the volume of work and the audit fees; and therefore has recommended to the Board of Directors to propose to the Shareholders' Meeting to consider appointing Mrs. Saifon Inkaew, certified public accountant no. 4434, and/or Mr. Wichart Lokatekrawee, certified public accountant no. 4451, and/or Ms. Siriwan Suratepin, certified public accountant no. 4604, and/or Ms. Satida Ratananurak, certified public accountant no.4753 of EY Office Limited, one or the other, whom is qualified to be the financial auditor of the listed companies as established by the SEC, to be the Company's financial auditor for the year 2017, and for the approval of the audit fee for year 2017 at Baht 1,200,000, which increases from the previous year by Baht 100,000 or 9.09 percent, which is deemed appropriate.

#### **Board of Directors' Opinion**

In compliance with the Public Limited Company Act B.E. 2535 which stipulates that the Shareholders' Meeting appoints the auditor and determines the audit fee regularly every year, and with recommendation from the Audit Committee, the Board of Directors has considered proposing to the Shareholders' Meeting to consider appointing any one of the auditors from EY Office Limited from the following name list to be the financial auditor for the year 2017 with the yearly audit fee of Baht 630,000 and the three quarterly reviews at Baht 190,000 each quarter, for a total of Baht 1,200,000, which increases from the previous year by Baht 100,000 or 9.09 percent as proposed by the Audit Committee above.

(1) Mrs. Saifon Inkaew, certified public accountant no. 4434 (used to be the auditor signing in the Company's financial statements for from 2003 to 2007, and 2013-2016) and/or,

(2) Mr. Wichart Lokatekrawee, certified public accountant no. 4451 (never been the auditor signing in the Company's financial statements) and/or,

(3) Ms. Siriwan Suratepin, certified public accountant no. 4604 (never been the auditor signing in the Company's financial statements) and/or,

(4) Ms. Satida Ratananurak, certified public accountant no. 4753 (never been the auditor signing in the Company's financial statements).

## Supporting Information

(1) The proposed audit fee of the Company for year 2017 at Baht 1,200,000 above increases from the previous year by Baht 100,000 or an increase of 9.09 percent, with details as follows:

| Descriptions                          | Unit : Baht |           |                     | %    |
|---------------------------------------|-------------|-----------|---------------------|------|
|                                       | 2016        | 2017      | Increase (Decrease) |      |
| Yearly Audit Fee                      | 530,000     | 630,000   | 100,000             | 9.09 |
| Interim Financial Statement Audit Fee | 570,000     | 570,000   | -                   | -    |
| Total                                 | 1,100,000   | 1,200,000 | 100,000             | 9.09 |

(2) Subsidiary and affiliated companies has engaged the auditor affiliated with the same auditing office during year 2016-2017, with details as follows:

| Subsidiary/Affiliated Company   | Auditor/Auditing Office  |
|---|--|
| (1) Thai Agro Energy Public Co., Ltd.<br>(Subsidiary company in Thailand) | Mrs. Saifon Inkaew<br>EY Office Limited<br>(Formerly Ernst and Young Office Limited)               |
| (2) Lanna Power Generation<br>(Subsidiary company in Thailand)            | Ms. Satida Ratananurak<br>EY Office Limited<br>(Formerly Ernst and Young Office Limited)           |
| (3) PT. Lanna Harita Indonesia<br>(Subsidiary company in Indonesia)       | Mr. Peter Surja<br>Purwantono, Sungkoro & Surja<br>(A member firm of Ernst & Young Global Limited) |
| (4) PT. Singlurus Pratama<br>(Subsidiary company in Indonesia)            | Mr. Peter Surja<br>Purwantono, Sungkoro & Surja<br>(A member firm of Ernst & Young Global Limited) |
| (5) PT. Lanna Mining Services<br>(Subsidiary company in Indonesia)        | Mr. Peter Surja<br>Purwantono, Sungkoro & Surja<br>(A member firm of Ernst & Young Global Limited) |
| (6) United Bulk Shipping Pte. Ltd.<br>(Affiliated company in Singapore)   | Ms. Low Yen Mei<br>Ernst & Young LLP   |

(3) During the past year 2016, the Company and the subsidiary company only used audit services, without using any non-audit services from the audit company employing the auditor and related person or business with the auditor or the audit company employing the auditor.

(4) The financial auditors proposed above have independence in the audit and opinions to the Company's financial statements, without having any relationship or other stakes or interests whatsoever with the Company/subsidiary companies/executives/major shareholders or relevant persons to the above parties.

(5) The financial auditors proposed above are endorsed by the SEC to audit the listed companies, with the shareholders' meeting having appointed EY Office Limited as the Company's financial auditor for the past eighteen years from 1999 to 2016. Accordingly, the Company has strictly complied with the regulation regarding the Auditor Rotation as stipulated by the SEC, by changing the financial auditor every five accounting years.

## Voting Procedure

The resolution for this meeting agenda shall be based on the majority votes from all the votes of shareholders attending the meeting and casting their votes. If the vote counts are even, the Chairman of the Meeting shall have the right for a casting vote.