

ANNUAL REPORT

2017

LANNA RESOURCES PUBLIC COMPANY LIMITED



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# REPORT OF THE BOARD OF DIRECTORS

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On behalf of the Board of Directors of Lanna Resources Public Company Limited, I would like to take this opportunity to report to the shareholders with regard to the financial status and operating results of the Company and subsidiary companies for the past year 2017, which is considered quite excellent as profitability has improved significantly. The net profit increased nearly twofold from the previous year, which is the highest in the past five years.

**Overall Operating Results in 2017:** The total revenue was Baht 12,135.63 million with the net profit of Baht 729.44 million or net earnings per share of Baht 1.39. In comparison with year 2016, the revenue and net profit increased by Baht 3,321.46 and 457.99 million or an increase of 37.68 and 168.72 percent, respectively. The revenue proportion from the sales of coal and ethanol accounted for 79.55 percent and 20.45 percent with the net profit proportion from the coal business and ethanol business of 96.58 percent and 3.42 percent, respectively. In addition, the EBITDA margin increased from 13.35 percent in 2016 to 20.78 percent in 2017; the net profit margin increased from 4.69 percent in 2016 to 10.04 percent in 2017; and the return on equity increased from 6.48 percent in 2016 to 17.25 percent in 2017. Therefore, the profitability is considered much better in 2017.

**Operating Results of the Core Business in 2017, The Coal Business:** The total revenue was Baht 9,609.67 million and the net profit was Baht 1,169.93 million, an increase from the previous year of Baht 3,263.19 million and Baht 934.48 million or increase of 51.42 percent and 396.88 percent, respectively. Even though coal sales volume increased by only 18.87 percent but the average coal selling price increased by 27.38 percent due to rising global coal prices throughout the past year 2017. Currently, there are two coal mining concessions in operation in Indonesia with total coal production capacity of approximately 6 million metric tons per year. More discussions and negotiations are under way as well for new investment opportunities in coal mining concessions in order to expand Company's production and distribution capacity in the future.


**Operating Results of the Secondary Core Business in 2017, the Ethanol-for-Fuel Business:** The total revenue was Baht 2,470.52 million, an increase from the previous year of Baht 55.44 million or 2.30 percent. Nonetheless, the net profit was Baht 48.86 million, a decrease from the previous year of Baht 129.25 million or 72.57 percent due to the flood incident causing the treated wastewater pond of the ethanol production plant of the subsidiary company to collapse in the late 2017. Consequently, there was no income during a 2-month temporary shutdown of the ethanol production plant for repair during October and November 2017. The ethanol production plant, which is located in Dan Chang District, Suphanburi Province, consists of two ethanol production lines with a total production capacity of 350,000 liters per day, mainly utilizing molasses and cassava as the raw materials. Both ethanol production lines have been granted special investment promotion privileges according to the Investment Promotion Act, B.E. 2520.

**Future Investments:** The Company plans to invest in coal-fired power plant and other renewable energy projects in both Thailand and overseas, having established Lanna Power Generation Co., Ltd. in 2016, a wholly-owned subsidiary company, to conduct feasibility studies and prepare to invest in such businesses. To begin with, the Company and PT. Indonesia Power, a state enterprise of Indonesia, entered into the memorandum of understanding to establish partnership and look into viable joint venture investment in coal-fired power plant project in Indonesia. The Company and subsidiary companies certainly have potential to invest in such project with its own coal mining concessions. In addition to the increase in coal production and distribution capacity, the return on investment in such power plant projects should yield higher revenue and profit for the Company in the future.

**Overall Financial Position in 2017:** Company's financial position was in good standing having the total asset as at the end of 2017 of Baht 8,774.60 million, an increase from the previous year of Baht 244.10 million or 2.86 percent and the total liabilities as at the end of 2017 of Baht 2,879.59 million increased from the previous year by Baht 155.45 million or 5.71 percent. The total shareholders' equity as at the end of 2017 of Baht 5,895.01 million increased from the previous year by Baht 88.65 million or 1.53 percent, resulting in an increase in the book value from Baht 7.84 per share in 2016 to Baht 8.26 per share in 2017, an increase of Baht 0.42 per share or 5.36 percent.

**Overall Liquidity in 2017:** Company's liquidity was also considered in good standing with the current ratio as high as 1.85 times with the total debt to total asset ratio was only 32.82 percent and the total debt to equity ratio was only 48.85 percent. In addition, the Company has cash flow and credit facilities from financial institutions that are sufficient for business operations and future investments.

The Company continues to give priority to the principles of good corporate governance and realizes the importance of corporate social responsibility to create sustainable development for the corporation in the long run, as well as being committed to promoting anti-corruption in every form. Accordingly, the Company has received the following rewards and recognitions in 2017:

- The Company was placed in a "Very Good" level or 4 stars (  ) for the assessment of Corporate Governance ("CGR") Year 2017 by the Thai Institute of Directors Association, having received a score of 88 percent, higher than the previous year 2016 with the score of 86 percent, ranking in the Top Quartile of the group of companies with a market capitalization of Baht 3,000-9,999 million.
- The Company received a full 100-score or "excellent" level on the Annual General Meeting Quality Assessment of the Listed Companies ("AGM Checklist") Year 2017 conducted by the Thai Investors Association. The Company has received the full 100-score assessment for seven consecutive years from 2011 to 2017.
- The Company has been officially certified as a member of "Thailand's Private Sector Collective Action Coalition Against Corruption" since 2015 and will proceed with the certificate renewal in 2018.
- The Ayutthaya Coal Center conducts its business operation in Thailand with responsibility toward the communities, society and environment, having been granted the Green Industry Accreditation (Green System) Level 3 and recently awarded with the Corporate Social Responsibility Department of Industrial Works (CSR-DIW Award 2017) from the Ministry of Industry in 2017.
- Both subsidiary companies with coal mining operations in Indonesia have been consistently awarded every year with regard to their excellent environmental management from the Governor of East Kalimantan. Both subsidiary companies also received safety management certificates from the Directorate General of Mineral and Coal for good environmental and safety management standards in compliance with relevant laws and regulations.

The Board of Directors has endeavored to manage and resolve any difficulties with prudence and diligence by adhering to good corporate governance principles, having allowed the Company to get through any obstacles and maintain good operating results, which enables the Company to pay dividend to the shareholders at high level every year. Accordingly, the Board of Directors shall continue to consider business expansion for sustainable development of the Company in long term.



**(Mr. Somkiart Limsong)**

**Chairman of the Board**

**Lanna Resources Public Company Limited**



## BOARD OF DIRECTORS

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### Lanna Resources Public Company Limited



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



**Mr. Vanchai Tosomboon**  
Director



**Mr. Paul Heinz Hugentobler**  
Director



**Mr. Siva Mahasandana**  
Director



**Mr. Tanon Tantisunthorn**  
Director



**Mr. Kraisi Sirirungsi**  
Director



**Mr. Suroj Subhasavadikul**  
Director



**Mr. Visit Tantisunthorn**  
Director



**Mr. Anun Louharanoo**  
Director



**Mr. Srihasak Arirachakaran**  
Director / Chief Executive Officer



**Mr. Padoong Techasarintr**

Independent Director / Audit Committee Chairman



**Mr. Adul Tantharatana**

Independent Director / Audit Committee Member



**Mrs. Duangkamol Suchato**

Independent Director / Audit Committee Member



**Mr. Akasit Jirayuwanon**

Independent Director

## COMPANY PROFILE AND OTHER

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### IMPORTANT INFORMATION

**Background:** Lanna Resources Public Company Limited, Registration No. 0107535000397 (formerly Bor.Mor.Jor. 72), formerly Lanna Lignite Public Company Limited, was initially established as a registered company on the October 4, 1985 and later converted to a public company limited on December 29, 1992. On July 12, 1994, the Company was given permission by the Ministry of Finance to register its ordinary shares for trading in the Stock Exchange of Thailand. The Company is listed in the Resources Group (Energy and Utilities sector). The Company has registered and changed its name to Lanna Resources Public Company Limited since May 17, 2001.

**Head Office:** 888/99, 9<sup>th</sup> Floor, Mahathun Plaza Building, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330; Tel.: 0-2253-8080, 0-2253-6820; Fax: 0-2253-6822, 0-2253-5014; Website: [www.lannar.com](http://www.lannar.com); Email: [lanna@lannar.com](mailto:lanna@lannar.com)

**Branch Office:** Ayutthaya Coal Distribution Center: 108 Moo 1, Klong Sakae Sub-district, Nakhonluang District, Ayutthaya Province, Tel.: 035-724158; Fax: 035-724158

**Type of Business:** The Company operates three following main businesses:

- (1) Solid Fuel:** Core business in the coal production and distribution domestically and overseas
- (2) Liquid Bio-Fuel:** Secondary business in the ethanol production and distribution for bio-fuel purposes.
- (3) Power Generation:** Investment and provision of power generation and distribution services.

**REGISTERED AND PAID-UP CAPITAL:** 524,999,679 ordinary shares at a par value of Baht 1 per share, for a total paid-up registered capital of Baht 524,999,679.

**REGISTRAR:** Thailand Securities Depository Co., Ltd., 93 Stock Exchange of Thailand Building, Rajadapisek Road, Klongtoey, Bangkok 10110 Tel.: 0-2009-9000, Fax: 0-2009-9991

**AUDITOR:** EY Office Limited, represented by Ms. Siriwan Suratepin, certified public accountants no. 4604; or Ms. Kamontip Lertwitworatep, certified public accountant no. 4377; or Ms. Satida Ratananurak, certified public accountant no. 4753 of EY Office Limited with address at 193/136-137 Ratchadapisek Rd., Klongtoey, Bangkok 10110, Tel.: 0-2264-9090, Fax: 0-2264-0789-90

**LEGAL ADVISOR:** Dharmniti International Co., Ltd., 2/4 Nai Lert Tower, Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Tel.: 0-2252-1260, Fax: 0-2252-1104

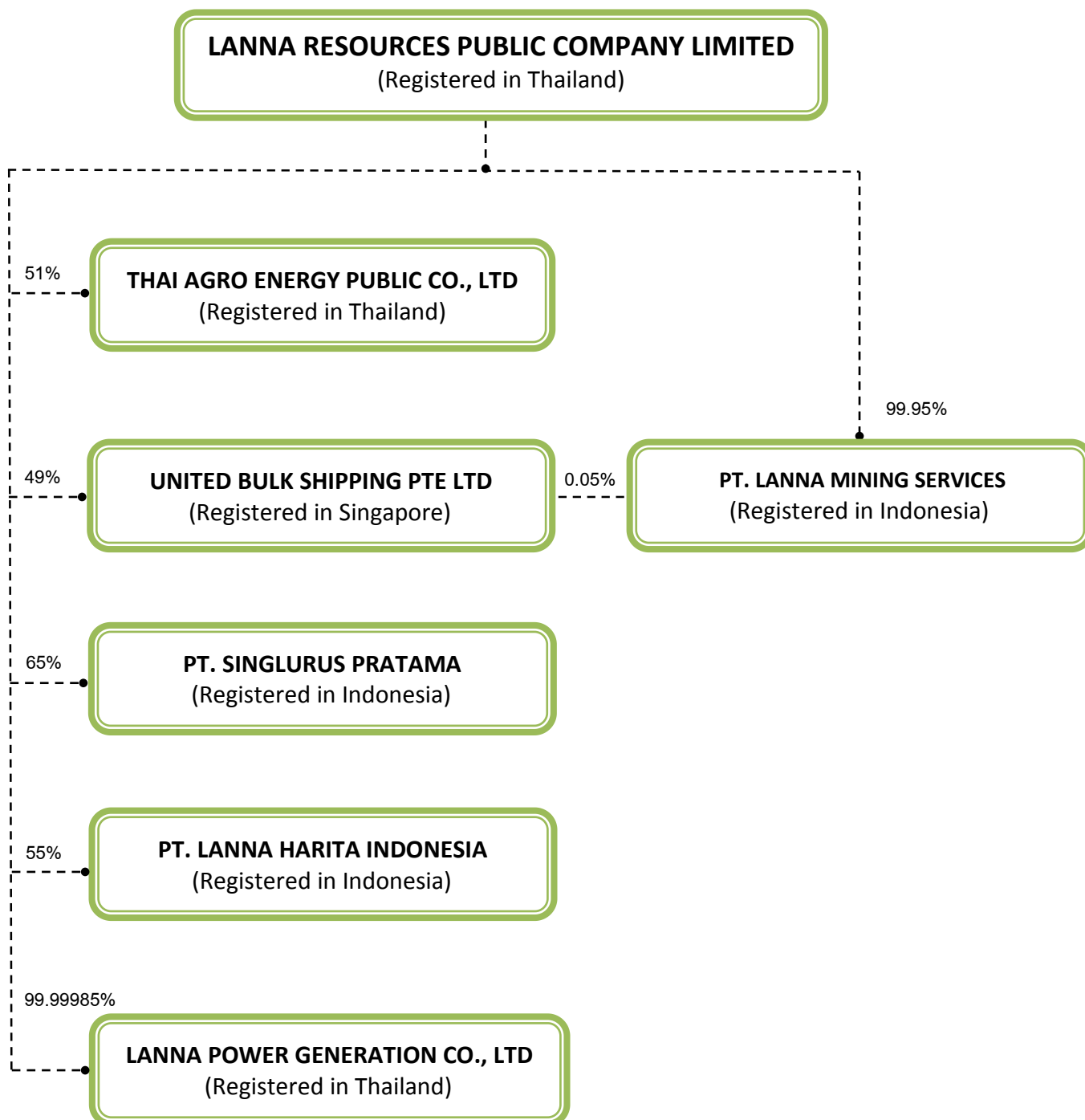
For more information on the Company Profile, please refer to the Annual Registration Statement Year 2017 (From 56-1) on the Company website ([www.lannar.com](http://www.lannar.com)).



## INVESTMENT IN THE SUBSIDIARY AND ASSOCIATED COMPANIES

### INVESTMENT IN THE SUBSIDIARY AND ASSOCIATED COMPANIES

The Company has invested in five subsidiary companies both direct and indirect shareholding exceeding 50 percent of the paid-up capital, and in one associated company in direct shareholding of less than 50 percent of the paid-up capital, according to the investment structure and profile of each company as at December 31, 2017 below.



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

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

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

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### **PT. LANNA MINING SERVICES (REGISTERED IN INDONESIA)**

Location:	Kawasan Bisnis Granadha, 8 <sup>th</sup> Floor Jl. Jend Sudirman Kav. 50, Jakarta 12930, Indonesia Tel.: 62(21) 2553-9313, Fax: 62(21) 2553-9314
Type of Business:	Coal Trading
Registered Capital:	21,000 ordinary shares at USD 100 per share totaling USD 2,100,000
Paid-up Capital:	21,000 ordinary shares at USD 100 per share totaling USD 2,100,000
Company's Shareholding:	20,990 ordinary shares at USD 100 per share totaling USD 2,099,000
Shareholding Proportion:	Direct and indirect shareholding of 99.975 percent of the paid-up capital

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

Location:	Kawasan Bisnis Granadha, 8 <sup>th</sup> Floor, Unit 003, Jl. Jend Sudirman Kav. 50, Jakarta 12930, Indonesia Tel.: 62(21) 2553-5036; Fax: 62(21) 2553-9821
Type of Business:	Coal Production and Distribution
Registered Capital:	7,950 ordinary shares at Indonesian Rupiah 1,000,000 per share totaling Indonesian Rupiah 7,950,000,000
Paid-up Capital:	7,950 ordinary shares at Rp. 1,000,000 per share totaling Indonesian Rupiah 7,950,000,000
Company's Shareholding:	5,168 ordinary shares at Indonesian Rupiah 1,000,000 per share totaling Indonesian Rupiah 5,168,000,000
Shareholding Proportion:	Direct shareholding of 65 percent of the paid-up capital

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**PT. LANNA HARITA INDONESIA (REGISTERED IN INDONESIA)**

Location:	Kawasan Bisnis Granadha, 8 <sup>th</sup> Floor Jl. Jend Sudirman Kav. 50, Jakarta 12930, Indonesia Tel.: 62(21) 2553-9313, Fax: 62(21) 2553-9314
Type of Business:	Coal Production and Distribution
Registered Capital:	10,500 ordinary shares at USD 1,000 per share totaling USD 10,500,000
Paid-up Capital:	8,000 ordinary shares at USD 1,000 per share totaling USD 8,000,000
Company's Shareholding:	4,400 ordinary shares at USD 1,000 per share totaling USD 4,400,000
Shareholding Proportion:	Direct shareholding of 55 percent of the paid-up capital

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

Location:	7 Temasek Boulevard #16-01, Suntec Tower One, Singapore 038987, Tel.: (65) 6305-7368, Fax: (65) 6238-1301
Type of Business:	Ocean Freight Shipping
Registered Capital:	1,000,000 ordinary shares at USD 0.71429 per share totaling USD 714,290
Paid-up Capital:	100,000 ordinary shares at USD 0.71429 per share totaling USD 71,429
Company's Shareholding:	49,000 ordinary shares at USD 0.71429 per share totaling USD 35,000
Shareholding Proportion:	Direct shareholding of 49 percent of the paid-up capital

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**LANNA POWER GENERATION CO., LTD. (REGISTERED IN THAILAND)**

Location:	888/98 Mahathun Plaza Bldg., 9 <sup>th</sup> Floor, Ploenchit Rd., Pathumwan, Bangkok 10330, Tel.: 02-252-4469, Fax: 02-255-2676
Type of Business:	Power Generation and Distribution
Registered Capital:	2,000,000 ordinary shares at Baht 5.00 per share totaling Baht 10,000,000
Paid-up Capital:	2,000,000 ordinary shares at Baht 5.00 per share totaling Baht 10,000,000
Company's Shareholding:	1,999,997 ordinary shares at Baht 5.00 per share totaling Baht 9,999,985
Shareholding Proportion:	Direct shareholding of 99.99985 percent of the paid-up capital

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## Shareholders

Major shareholders and their respective shareholding percentages as at November 1, 2017, which was the record date for listing the names of shareholders having right to receive the interim dividend, are as follows:

List of Shareholders	Number of Shares	Proportion (%)
(1) Siam City Cement Public Co., Ltd. Group and its executives	237,116,330	45.17
(2) Mr. Taweechat Chulangkul	70,177,300	13.37
(3) Sirirungsi Group	42,697,781	8.13
(4) Tantisunthorn Group	33,512,297	6.38
(5) Limsong Group	33,400,060	6.36
(6) Thai NVDR Co., Ltd.	7,862,800	1.50
(7) Lertphanichkul Group	6,087,000	1.16
(8) Mr. Vilerd Wongapisumpho	4,454,400	0.85
(9) Mrs. Nuttapa Tangpakorn	1,950,000	0.37
(10) East Fourteen Limited – Emerging Markets Small Cap Series	1,833,750	0.35
(11) Other Shareholders	85,907,961	16.36
<b>Total</b>	<b>524,999,679</b>	<b>100.00</b>

(1) The group of “Siam City Cement Public Co., Ltd.” and its executives is the largest shareholder, comprising of Siam City Cement Public Co., Ltd. and Mr. Vanchai Tosomboon holding a total of 237,116,330 shares or 45.17 percent of the paid-up capital and all shares with voting right, having three representing directors; namely, Mr. Paul Heinz Hugentobler, Mr. Siva Mahasandana, and Mr. Vanchai Tosomboon, whom are non-executives and non-authorized Directors.

(2) Mr. Taweechat Chulangkul is the second largest shareholder, holding a total of 70,177,300 shares or 13.37 percent of the paid-up capital and being all shares with voting rights, having no representative as the director and/or executive.

(3) The “Sirirungsi” group is the third largest shareholder, comprising of Mr. Kraisi Sirirungsi and Ms. Kraikan Sirirungsi, holding a total of 42,697,781 shares or 8.13 percent of the paid-up capital and being all shares with voting right, having one representing director; namely, Mr. Kraisi Sirirungsi, whom is the Management Advisor and Company’s authorized director.

(4) The “Tantisunthorn” group is the fourth largest shareholder, comprising of Mr. Tawee Tantisunthorn, Mr. Visit Tantisunthorn, Mr. Tanat Tantisunthorn, Mr. Boonlieng Tantisunthorn, Mrs. Mullika Intusuth, Mrs. Naline Rattavadi, Mrs. Malee Tantisunthorn, Ms. Wanida Tantisunthorn, Mrs. Sumruay Tantisunthorn, Mr. Phongthai Tantisunthorn, and Ms. Siriphan Tissayakorn, holding a total of 33,512,297 shares or 6.38 percent of the paid-up capital and being all shares with voting right, having two representing directors; namely, Mr. Visit Tantisunthorn, and Mr. Tanon Tantisunthorn, whom are a non-executive and non-authorized directors.



(5) The “Limsong” group is the fifth largest shareholder, comprising of Mr. Kongphop Limsong, Gypsum Industry Co., Ltd., and Ms. Somsri Limsong, holding a total of 33,400,060 shares or 6.36 percent of the paid-up capital and being all shares with voting right, having one representing director; namely, Mr. Somkiart Limsong, whom is the Chairman of the Board but non-authorized director and has no relationship with the management.

(6) Thai NVDR Co., Ltd. is the sixth largest shareholder, holding a total of 7,862,800 or 1.50 percent of the paid-up capital and being all shares with voting right, having no representative as the director and/or executive.

(7) The “Lertphanichkul” group is the seventh largest shareholder, comprising of Mrs. Prapai Lertphanichkul and Ms. Chotinij Lertphanichkul, holding a total of 6,087,000 shares or 1.16 percent of the paid-up capital and being all shares with voting right, having no representative as the director and/or executive.

(8) Mr. Vilerd Wongapisumpho is the eighth largest shareholder, holding a total of 4,454,400 shares or 0.85 percent of the paid-up capital and being all shares with voting rights, having no representative as the director and/or executive.

(9) Mrs. Nuttapa Tangpakorn is the ninth largest shareholder, holding a total of 1,950,000 shares or 0.37 percent of paid-up capital and being all shares with voting rights, having one representing director; namely, Mr. Suroj Subhasavasdikul, whom is the Company’s authorized director.

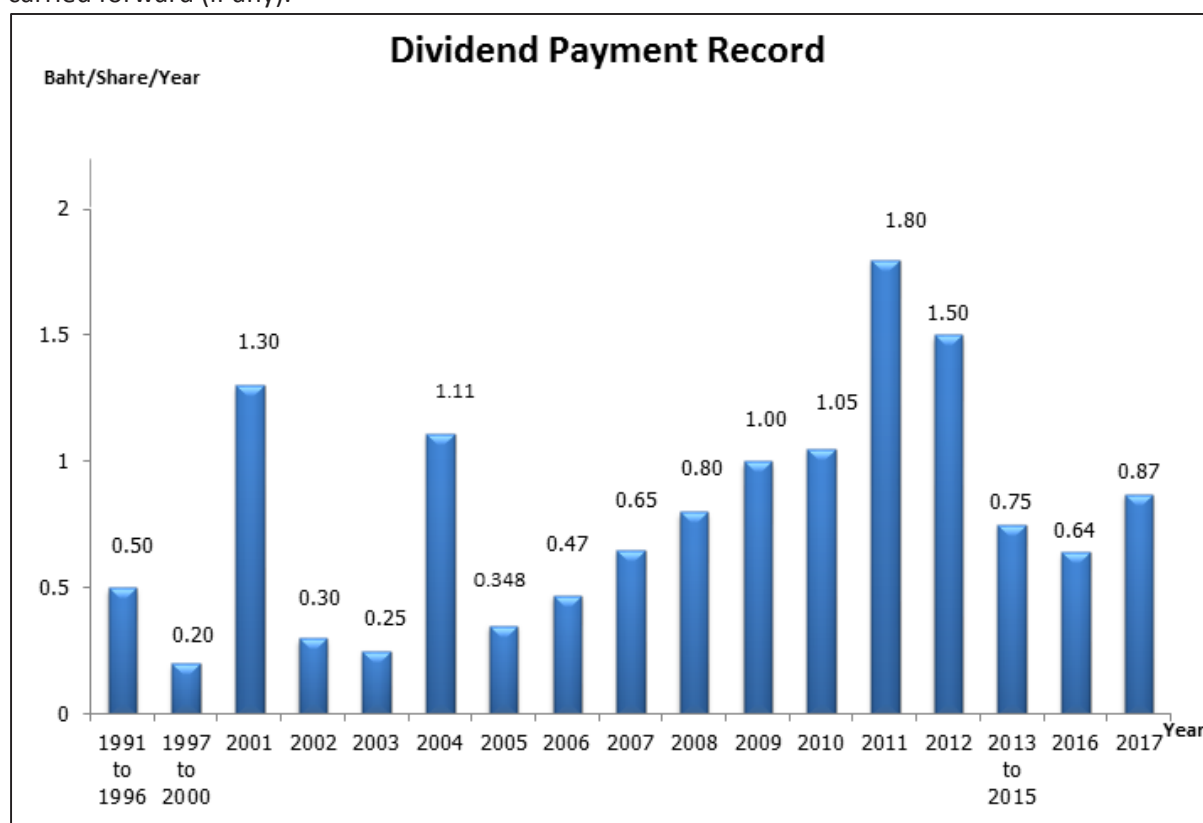
(10) East Fourteen Limited – Emerging Markets Small Cap Series is the tenth largest shareholder, holding a total of 1,833,750 shares or 0.35 percent of paid-up capital and being all shares with voting rights, having no representatives as the director and/or executive.

**Investors may look at current information on the major shareholders and shareholding proportion eligible for attendance of the Annual General Meeting of Shareholders Year 2018 from the Company’s website, [www.lannar.com](http://www.lannar.com), prior to the Annual General Meeting of Shareholders Year 2018.**

## DIVIDEND PAYMENT POLICY

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

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



**Dividend Payment in Year 2017:** The Company's net income according to the separate financial statements was at Baht 754.00 million or Baht 1.44 per share. The Board of Directors has proposed for the appropriation of earnings for the purpose of dividend payment to the shareholders at Baht 0.87 per share or 60.58 percent of the net income according to the separate financial statements, which is in line with the Company's dividend payment policy above and lower than the dividend payment ratio of the previous year by 39.20 percent. Regardless, the appropriation of earnings for the purpose of dividend payment above is not final and still pending approval of the Annual General Meeting of Shareholders Year 2018.

Separate Financial Statements	Unit	Y2012	Y2013	Y2014	Y2015	Y2016	Y2017
Net Profit per Share	Baht	1.94	0.87	0.76	0.78	0.642	1.44
Dividend per Share	Baht	1.50	0.75	0.75	0.75	0.64	0.87
Dividend Payment per Net Profit	%	77.24	86.02	98.07	97.26	99.63	60.58

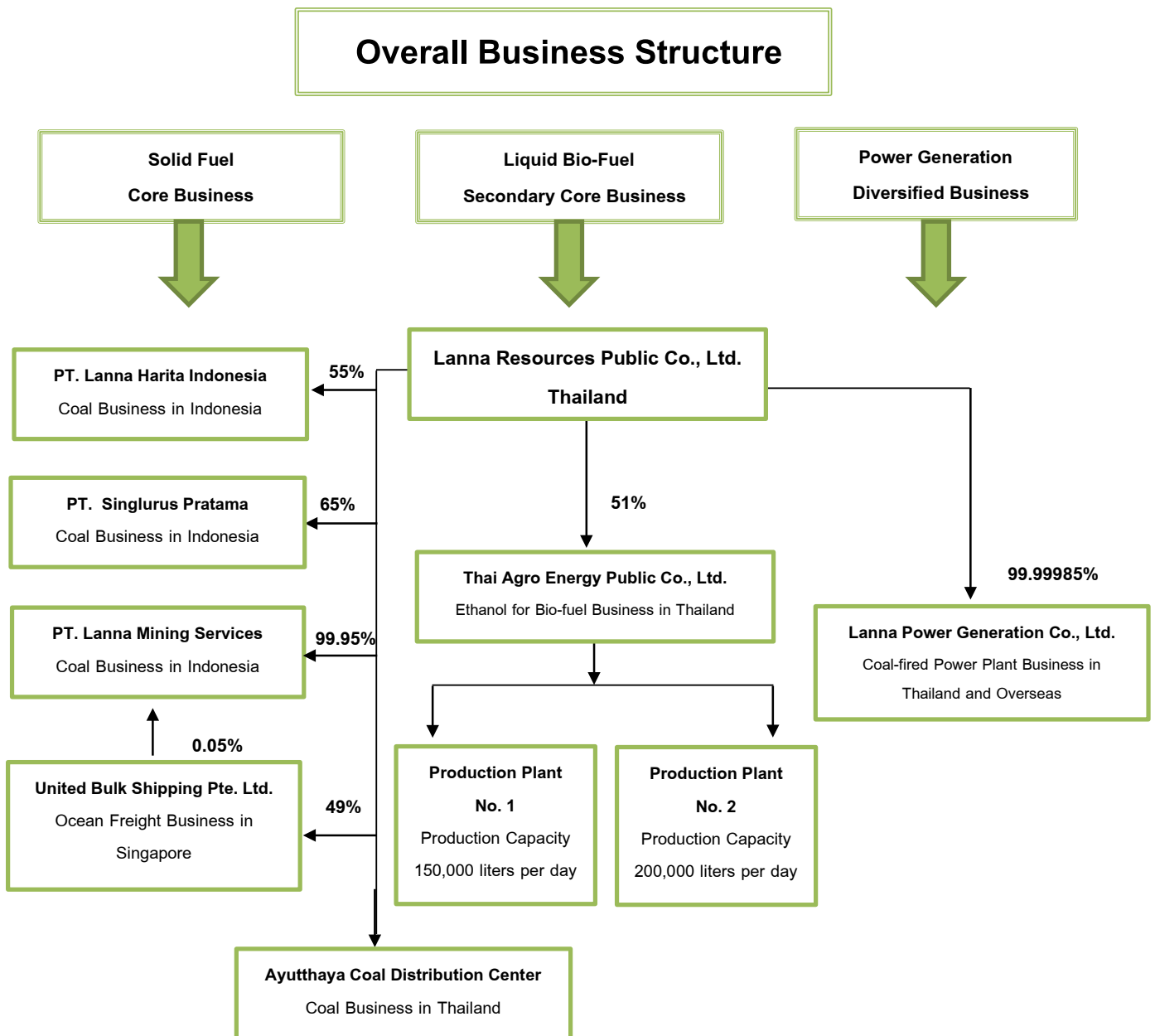
# POLICY AND OVERALL BUSINESS

The Company's business operation consists of 3 major categories as follows:

**(1) Solid Fuel:** Company's core business is in the coal production and distribution domestically and overseas, having coal mine projects located in Indonesia as its base for coal production and distribution activities. In addition, the Company has ocean freight transport service business in Singapore to effectively support and manage coal transport for distribution in the Country or delivery to other countries.

**(2) Liquid Bio-Fuel:** Company's secondary core business is the ethanol production and distribution used for bio-fuel purpose in the Country. The production and distribution base is located in Dan Chang District, Suphanburi.

**(3) Power Generation:** Investment and provision of power generation and distribution services with intention to invest in coal-fired power plant and other renewable energy both in Thailand and overseas.



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

### **VISION**

To be the leading global company in coal and renewable energy businesses

### **CORE VALUE**

Production and distribution of coal and renewable energy with focus on quality, attention to society and environmental conservation

### **MISSION**

- Aim to attain business operation excellence through insisting on building customer satisfaction by paying attention to recommendations as well as making self-assessment and review in order to continually develop and create the best products for a sustainable development of the Company in the future.
- Develop excellent products and services, create new innovation to continue adding values to products and services and find new ways that are utmost beneficial for the customers.
- Develop skillful human resources and acquire modern technology in order to maintain high quality and standard of products and services.
- Adhere to the corporate social responsibility to create and develop long term sustainability for the organization and intend to fight against corruption in every form.
- Become aware of the importance of good corporate governance by adhering to the principles of fairness and integrity, accountability, responsibility and transparency, and promoting equitable treatment, as well as gaining faith from all the stakeholders.



## CORPORATE CULTURE

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

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

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

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

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

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

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

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

- (1) Self: to know the importance of one’s role and to achieve the set goals.
- (2) Organization: to be responsible to one’s role in the organization and work together with others to grow together without creating problems and obstacles to the organization.
- (3) Society: to be responsible for society and environment and to operate business with ethics and good management for business growth with quality, stability and sustainability in long term.

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

## BUSINESS ACTIVITIES

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### Domestic Coal Business

The Company imports coal from the joint venture coal mining projects and from other sources in Indonesia for distribution in the domestic market by either direct delivery or for inventory and processing before delivery to the customers at Ayutthaya Coal Distribution Center, located in Nakornluang District, Ayutthaya Province on an area of 31 rai and 29 square wah, which can support over 200,000 tons of coal inventory. The Company's domestic coal market share in 2017 was approximately 4.50 percent.

The majority of domestic coal consumption in 2017 was mainly by cement industry at around 35.77 percent with the remaining 64.23 percent by electricity production and other industries. It is expected that the consumption of coal, with lower cost per heat unit than other types of fuel, will continue to increase in the future.

### Overseas Coal Business

For more than fifteen years, the Company has invested in joint venture coal mining projects in Indonesia, of which coal is imported for distribution to the domestic customers and exported to other countries especially in the Asia region market, such as India, Japan, South Korea, Taiwan and Hong Kong, etc. Coal produced by the Company has good quality with reputable brand and trusted by both domestic and overseas customers. The Company is one of the highly regarded and reliable coal companies in the Asia region.

PT. Lanna Harita Indonesia, a subsidiary company registered in Indonesia with Lanna Resources Public Co., Ltd. holding shares at 55 percent of the paid-up capital, conducts coal mining business operation in Samarinda district, Kutai Regency, in East Kalimantan, having received the coal mining concession (Coal Contract of Work) from the Indonesian Government for coal production and distribution for a period of 30 years (from 2001 to 2031). The coal reserves are estimated at 35 million metric tons. Currently, the production capacity is approximately 3.5 million metric tons per year.

PT. Singlurus Pratama, a subsidiary company registered in Indonesia, with Lanna Resources Public Co., Ltd. holding shares at 65 percent of the paid-up capital, conducts coal mining business operation in Kutai Regency, East Kalimantan, having received the coal mining concession (Coal Contract of Work) from the Indonesian Government for coal production and distribution for a period of 30 years (from 2009 to 2039). The coal reserves are estimated at 45 million metric tons. Currently, the production capacity is approximately 3 million metric tons per year.

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

United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, with Lanna Resources Public Co., Ltd. holding 49 percent of the paid-up capital, has been established to undertake business in ocean freight transport and coal trading, which has effectively managed coal transport services for imported coal into Thailand and coal distribution to other countries at reasonable costs.

### Ethanol Business for Bio-Fuel Purpose

Thai Agro Energy Public Company Limited – a subsidiary company registered in Thailand with Lanna Resources Public Company Limited holding shares at 51 percent of the paid-up capital, conducts business in the production and distribution of ethanol (99.5% anhydrous alcohol by volume) for bio-fuel purpose. Thai Agro Energy Public Co., Ltd. has two ethanol production plants operating in Dan Chang District, Suphanburi Province consisting of the Production Line No. 1 with a production capacity of 150,000 liters per day and the Production Line No. 2 with a production capacity of 200,000 liters per day, totaling 350,000 liters per day, utilizing molasses and cassava as major raw materials. Both ethanol plants have received investment privileges under the Investment Promotion Act B.E. 2520. Ethanol is a clean fuel used for blending with gasoline at 10, 20 and 85 percent to become gasohol, namely E10, E20 or E85, that can be used by automobiles in general. Additionally, the ordinary shares of Thai Agro Energy Public Company Limited has been listed in the Stock Exchange of Thailand and has been traded since June 5, 2014.

### Coal-Fired Power Plant Business Domestically and Overseas

Lanna Power Generation Co., Ltd., registered in Thailand with Lanna Resources Public Co., Ltd. holding shares at 99.99985 percent of the paid-up capital, conducts coal-fired power plant business both domestically and overseas, having primary objective to submit tender for coal-fired power plant projects in Indonesia. Accordingly, the Company and its subsidiary companies have potential to invest in such project, having its own coal concessions.

## REVENUE STRUCTURE

Company's Revenue Structure	Year 2015		Year 2016		Year 2017	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from Coal Sales	7,550.01	74.15	6,346.48	72.00	9,609.67	79.19
Revenues from Ethanol Sales	2,600.32	25.54	2,415.08	27.40	2,470.52	20.36
Other Revenues	31.83	0.31	52.61	0.60	55.44	0.45
<b>Total Revenue</b>	<b>10,182.16</b>	<b>100.00</b>	<b>8,814.17</b>	<b>100.00</b>	<b>12,135.63</b>	<b>100.00</b>

Revenue Structure of Subsidiary and Associated Companies	Direct and Indirect Shareholding %	Year 2015		Year 2016		Year 2017	
		Million Baht	%	Million Baht	%	Million Baht	%
<b>Thai Agro Energy Co., Ltd.</b>	51						
Ethanol Sales Revenue		2,600.32	99.91	2,415.07	99.86	2,470.52	99.91
Other Revenues		2.25	0.09	3.28	0.14	2.24	0.09
<b>Total Revenue</b>		<b>2,602.57</b>	<b>100.00</b>	<b>2,418.35</b>	<b>100.00</b>	<b>2,472.76</b>	<b>100.00</b>
<b>PT. Singlurus Pratama</b>	65						
Coal Sales Revenue		2,603.51	99.88	1,666.34	99.81	3,173.15	99.95
Other Revenues		3.02	0.12	3.15	0.19	1.59	0.05
<b>Total Revenue</b>		<b>2,606.53</b>	<b>100.00</b>	<b>1,669.49</b>	<b>100.00</b>	<b>3,174.74</b>	<b>100.00</b>
<b>PT. Lanna Harita Indonesia</b>	55						
Coal Sales Revenue		3,457.52	99.74	3,441.35	99.46	4,572.19	99.45
Other Revenues		9.02	0.26	18.53	0.54	25.11	0.55
<b>Total Revenue</b>		<b>3,466.54</b>	<b>100.00</b>	<b>3,459.88</b>	<b>100.00</b>	<b>4,597.30</b>	<b>100.00</b>
<b>PT. Lanna Mining Services</b>	99.975						
Coal Sales Revenue		62.04	82.41	91.55	83.05	68.05	90.61
Other Revenues		13.24	17.59	18.68	16.95	7.05	9.39
<b>Total Revenue</b>		<b>75.28</b>	<b>100.00</b>	<b>110.23</b>	<b>100.00</b>	<b>75.10</b>	<b>100.00</b>
<b>United Bulk Shipping Pte. Ltd.</b>	49						
Ocean Freight Shipping and Coal Trading Revenue		1,283.25	99.99	914.79	100.00	1,017.93	99.94
Other Revenues		0.14	0.01	-	-	0.63	0.06
<b>Total Revenue</b>		<b>1,283.39</b>	<b>100.00</b>	<b>914.79</b>	<b>100.00</b>	<b>1,018.56</b>	<b>100.00</b>
<b>Lanna Power Generation Co., Ltd.</b>	99.99985						
Other Revenues		-	-	0.02	100.00	0.05	100.00

# COAL BUSINESS

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## Coal Characteristics

Coal is a fossil fuel, consisting of volatile matter, inherent moisture and important combustible mixture of carbon. After combustion with the volatile matter and inherent moisture driven out, small portion of coal ash remains. Coal is found in various forms or grades based on the contents of heating or calorific value, volatile matter and fixed carbon, representing in descending order of quality in 4 groups from (1) anthracite, (2) bituminous, (3) sub-bituminous, and (4) lignite. The indigenous coal deposits in that have been explored and extensively developed for local industries in Thailand are generally of lignite grade. Imported coal is mostly of bituminous grade which contains higher calorific value than lignite coal produced in Thailand.

The price of coal is usually determined based on the quality of coal, consisting of calorific value, moisture, volatile matter, fixed carbon, ash, sulfur and size.

## Coal Production

Coal is formed in several stages from plant remains that have been compacted, hardened, chemically altered and metamorphosed by heat and pressure over millions of years. Therefore, in order to develop a coal mine, coal exploration works are required for the collection and interpretation of geological data in order to learn about the thickness of coal seams, boundary areas of the coal resource, chemical content and quality, and economic reserve estimation. The development of coal deposit is generally based on the information and data obtained from these exploration programs. Accordingly, the production of coal consists of following three major steps:

**(1) Coal Exploration:** The exploration program begins with the preliminary collection and analysis of the land surface and geological data at the target areas. Subsequently, fieldwork includes scout drilling to study the formation and type of soil and rock, and geological structure of the target areas to ascertain that there exists the coal deposit with further assessment of coal quality and reserve estimation for economic analysis to facilitate a decision for further development of the coal mine.

**(2) Coal Mining:** Before proceeding with coal mining operation, more detail drilling activities are required to collect and interpret necessary information and data of the mining areas; such as, coal reserves and quality for each of the coal seam formations including soil layers. The collected data and information will be used to determine the mine master plan which includes the analysis of mining costs and mining methods, as well as the quantity and areas for overburden removal and coal winning logistics, and also selection of suitable mining equipment and machinery.

**(3) Coal Dressing:** In order to attain the quality as required by the users or customers, coal extracted from the coal mining operation need to go through coal dressing process which includes crushing, sizing, sorting and washing to remove any contaminations, etc.

## Coal Pricing Policy

Coal pricing is mainly determined by its heating value, similar to other type of fuels. Coal sale price for each customer varies depending on certain factors such as order volume, coal specifications such as calorific value, credit term and other conditions specified by the customer. These factors shall be used to determine the coal price fairly and similarly with all the customers. The price for imported coal is based on the agreement with each customer which can either be priced on FOB or CIF basis, or priced as delivered to the customer's factory, etc.

## Coal Distribution

For coal distribution in the domestic market, the Company directly sells coal to customers without going through agent. As for the overseas market, coal are sold directly to the customers or through coal trading agents, mostly on the credit term basis, of which the Company carefully provides credit terms only for the long time customers with stable financial status. For new customers, the Company protects the risk by having a letter of credit (L/C) opened by the customer. Since the start of operation in 1985, the Company has encountered very few bad debts from the sales of coal.

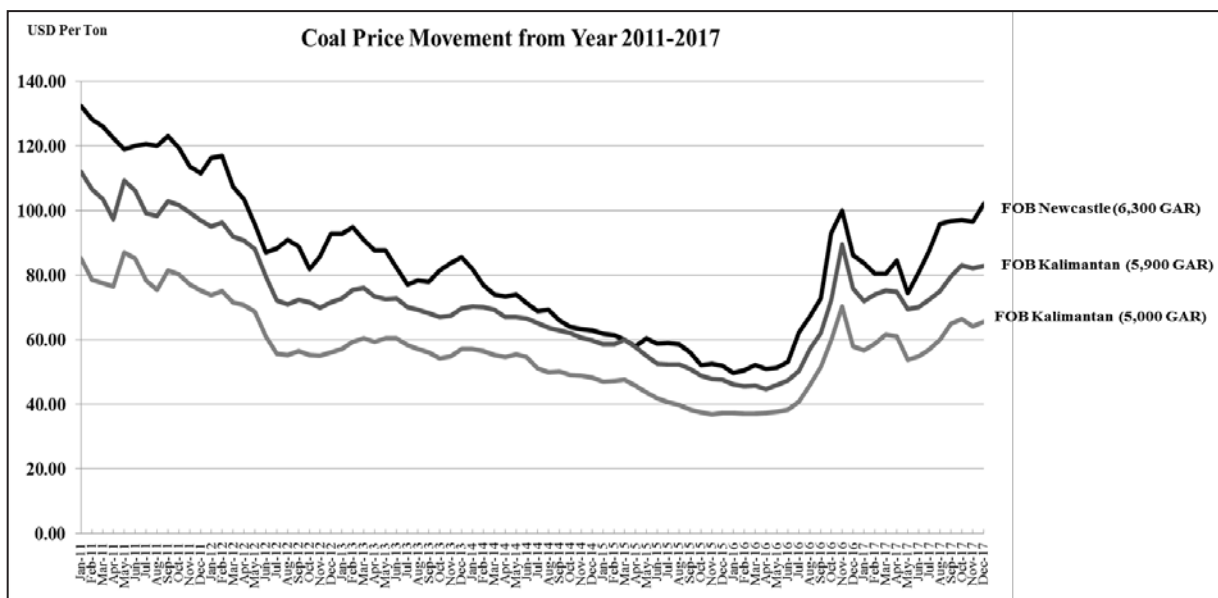
## Competitive Strategy

The Company focuses mainly on the service and quality control of the coal products as its marketing strategy rather than relying on pricing strategy. In addition, the Company has continually developed ways to produce high quality coal by bringing in modern technology for continuing improvement of coal production and operation.

## Competition

The domestic coal distribution business has been recognized as an oligopoly market with only a few numbers of operators, having group of large and small industrial customers with the major competitor is Banpu Public Co., Ltd. Nevertheless, since the Company has its own coal mines with high quality coal and decades of mineable reserves, therefore possesses sufficient competitive advantage and business potential.

## Industrial Trend



## ETHANOL-FOR-FUEL BUSINESS

Ethanol, also known as ethyl alcohol, is an alcohol derived from the processing of agricultural products of starch and sugar crops such as cassava, sugarcane, molasses and corn, derived from digestion of starch to sugar (in case of starch raw material), and fermentation to convert sugar to alcohol; and then followed by distillation and dehydration to produce alcohol at the desired purity, up to 99.5% by volume.

The molecular formula of ethanol is  $C_2H_5OH$  with a boiling point at around  $78^\circ C$ . In general, its properties are transparent liquid, colorless, flammable, and high octane fuel. Since ethanol contains up to 35 percent of oxygen, it can be blended with gasoline at an appropriate amount to produce a clean and complete combustible fuel and reduce air pollution with less formation of hydrocarbon compound, carbon monoxide (CO) and carbon dioxide ( $CO_2$ ), which are the main cause of greenhouse effect in the atmosphere.

### Production of Ethanol for Fuel

Thai Agro Energy Co., Ltd. produces ethanol for fuel by using molasses and cassava as its main raw material. The ethanol production process consists of four main stages as follows:

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

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

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

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

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

**(4) Dehydration:** The water removal process for producing the dehydrated alcohol from the distillation process into 99.5 percent pure alcohol. Water content is absorbed by zeolites molecular sieves in two dehydration units. The dehydrated alcohol will then be distilled and cooled down before being stored for further distribution.

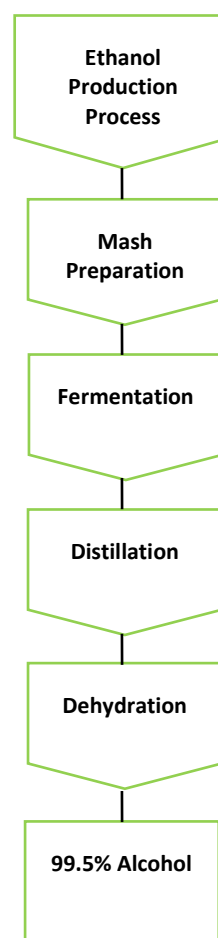
### Ethanol Pricing Policy

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

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

### Ethanol Sales and Distribution Channels

In compliance with the regulation of the Excise Department, the ethanol product sold to oil companies must undergo denaturation process, in which ethanol of at least 99.5 percent by volume is mixed with gasoline or gasohol of 0.5 percent by volume. The result is denatured ethanol that can be sold to oil companies according to Section 7 of Fuel Trade Act B.E. 2543. The denatured ethanol purchased by the oil companies is then blended with gasoline at 10, 20 or 85 percent to become the Gasohol E10, E20 or E85. While most customers are responsible for the transportation of ethanol, in some cases the sellers are responsible for the transportation to the storages of a few other customers. Most of the sales are on credit term basis, and the customers are large oil companies with stable financial status. Therefore, the risk of bad debt is minimal.





## Competitive Strategy

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

### Ethanol Industrial Trend

Ethanol consumption demand in year 2017 averaged at 4 million liters per day, which was lower than the target in accordance with the Alternative Energy Development Plan B.E. 2558-2579 that had projected the ethanol consumption in 2017 at 4.35 million liters per day. Nonetheless, ethanol demand in 2017 increased from year 2016 (3.66 million liters per day) by 9 percent as global oil price was still at low level with the average price at USD 52 per barrel while the average ethanol selling price in 2017 increased from 2016 according to the higher molasses price.

The Department of Alternative Energy Development and Efficiency (DEDE), is currently in the process of preparing the new draft of Alternative Energy Development Plan (AEDP 2015) by increasing the proportion of electricity generation from renewable energy from the original plan of 20 percent to 40 percent, resulting in an increase in the total electricity capacity at the end of year 2039 plan of 37,202 megawatts from the previous plan of 17,500 megawatts, as well as reducing the proportion of ethanol consumption within year 2036 from 11.3 million liters per day to 7 million liters per day and reducing the proportion of bio-diesel consumption from 14 million liters per day to 7 million liters per day. Nonetheless, the short-term and long-term directions must be taken into consideration, by which the oil price in the short-term is still at low level which can be an obstacle to bio-fuel promotion, while future automobile industry is moving toward the electric vehicle or EV, which may change the proportion of different car types.

Fuel Type	Consumption Proportion	
	Original Plan : AEDP 2015	New Draft of AEDP
(1) Ethanol	11.3 million liters/day	7 million liters/day
(2) Bio-Diesel	14 million liters/day	7 million liters/day
(3) CBG (Compress Bio-methane Gas)	4,800 tons/day	3,300 tons/day

### Competition

Currently, there are 26 ethanol production plants in operation in Thailand with total production capacity of 5,790,000 liters per day, which can be categorized according to their use of raw materials as follows:

- (1) Molasses only: 11 ethanol plants with total production capacity of 2,580,000 liters per day.
- (2) Molasses and Sugarcane Juice: 1 ethanol plant with total production capacity of 230,000 liters per day.
- (3) Molasses and Cassava: 5 producers with total production capacity of 900,000 liters per day.
- (4) Cassava: 9 ethanol plants with total production capacity of 2,080,000 liters per day.

The market share of TAE, a subsidiary company, has changed in accordance with the policy concerning termination of sale of the 91 benzene as follows:

Year	Domestic Ethanol Consumption (Million Liters)	Denatured Ethanol Sales Volume of TAE (Million Liters)	Market Share of TAE (%)
2012	503.04	67.05	13.33
2013	941.75	67.06	7.12
2014	1,179.63	97.80	8.29
2015	1,273.08	104.30	8.19
2016	1,334.91	105.92	7.93
2017	1,435.18	98.09	6.83

**Remark:** TAE's market share decreased to 6.83 percent in year 2017 due to the flood incident in the 4<sup>th</sup> quarter of 2017, resulting in the temporary halt of ethanol production and distribution for more than 2 months to resolve such problem.

Source: Department of Alternative Energy Development and Efficiency, Ministry of Energy

## POWER BUSINESS

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The Company has established diversified business strategies and investment plans for the Company to grow in quality, stability and sustainability in the long term, in which the Company has two mining concessions in Indonesia with the remaining concession period for several decades with quality coal reserves that is sufficient to use as fuel for coal-fired power plant. Indonesia currently has insufficient electricity to meet the needs of the population which continues to grow, together with the expansion of Indonesian economy every year, by which the Indonesian government had planned to add 35,000 megawatts to its power generation capacity within 2019. Recently, the Indonesian government has revised the “2017-2026 Electricity Supply Business Plan” by increasing its power generation capacity by 77,900 megawatts within 2026, which will be invested by the State Electricity Company of Indonesia (“Perusahaan Listrik Negara Electricity Company or PLN”) and provides opportunity for private sector or Independent Power Producers (“IPP”) to make a direct offer or direct appointment, which mainly uses coal as fuel for power generation. From the preliminary study, the Company and its subsidiary companies certainly have potential to invest in coal-fired power plant projects, thereby, having established Lanna Power Generation Co., Ltd. (“LPG”) in 2016, a wholly-owned subsidiary company, to conduct feasibility studies and prepare to invest in electricity generation and distribution business in Indonesia and also aims to expand the investment in power plant business in Thailand and other countries.

The Company has discussed and negotiated with other strategic companies having expertise in power business and recently entered into Memorandum of Understanding (“MOU”) with PT. Indonesia Power, a state-owned enterprise in Indonesia, for joint-investment in coal-fired power plant project and other related businesses, having studied and prepared for a tender process of the mine-mouth coal-fired power plant project of 200 megawatts at the coal mining concession of PT. Singlurus Pratama, a subsidiary in Indonesia. Additionally, the Company is conducting a feasibility study in the investment in biogas power plant project using wastes from palm oil production process in Indonesia.

For the investment in power plant business in Thailand, a consortium is interested to participate in a tender process of coal procurement project for coal-fired power plant of the Electricity Generating Authority of Thailand (“EGAT”), which has been selected in the pre-qualification process, and also ready to consider an investment in coal-fired power plant project or other renewable energy in Thailand, such as municipal solid waste to energy project in the provincial area, etc., which is a potential investment project in the future since the government actively promotes and supports.

The Company has planned and set goal to invest in coal-fired power plant business as mentioned above, which is a business that shall increase the capacity of coal production and distribution with expected good return from its investments in such power plant project in correspondence with the Company’s business strategy to generate more revenue and profit in the future.

## FINANCIAL INFORMATION

Details	Consolidated Financial Statements			Separate Financial Statements		
	Y2015	Y2016	Y2017	Y2015	Y2016	Y2017
<b>Financial Status</b> (Unit: Million Baht)						
Total Assets	8,779	8,531	8,775	2,351	2,343	2,661
Total Liabilities	2,798	2,724	2,880	137	186	112
Issued and Paid-up Capital	525	525	525	525	525	525
Total Shareholders' Equity	5,981	5,806	5,895	2,214	2,157	2,549
<b>Operating Results</b> (Unit: Million Baht)						
Total Revenue	10,182	8,814	12,136	2,327	1,910	2,882
Sales Revenue	10,150	8,762	12,080	2,018	1,627	2,108
Gross Earnings	2,747	2,201	4,232	450	351	368
EBITDA (Earnings before interest, tax, depreciation, & amortization)	1,401	1,177	2,521	492	395	863
Net Earnings	310	271	729	411	337	754
<b>Share Information</b> (Unit: Baht per Share)						
Book Value per Share	8.11	7.84	8.26	4.22	4.11	4.86
Net Earnings per Share	0.59	0.52	1.39	0.78	0.64	1.44
Dividend per Share	0.75	0.64	0.87	0.75	0.64	0.87
<b>Liquidity Ratio</b>						
Current Ratio (times)	2.06	1.99	1.85	11.15	7.84	18.74
Quick Current Ratio (times)	1.07	0.97	1.35	10.27	5.77	15.62
Accounts Receivable Turnover Ratio (times)	13.43	12.43	13.34	8.23	7.82	11.36
Average Debt Collection Period (days)	27	29	27	44	46	32
Inventory Turnover Ratio (times)	14.20	13.98	18.40	16.31	7.86	8.43
Average Selling Period (days)	25	26	20	22	46	43
Accounts Payable Turnover Ratio (times)	19.31	17.45	18.16	31.28	13.93	19.73
Average Debt Payment Period (days)	19	21	20	12	26	18
Cash Cycle (days)	33	34	27	54	66	57
<b>Profitability Ratio</b>						
Gross Profit Margin (%)	27.07	25.12	35.03	22.30	21.60	17.48
EBITDA Margin (%)	13.76	13.35	20.78	21.16	20.66	29.95
Net Profit Margin (%)	4.50	4.69	10.04	17.65	17.66	26.16
Return on Equity (%)	7.34	6.48	17.25	18.55	15.43	32.04
<b>Efficiency Ratio</b>						
Return on Total Assets (%)	5.16	4.78	14.09	17.47	14.37	30.13
Return on Fixed Assets (%)	34.26	28.57	52.41	137.91	117.93	242.00
Assets Turnover Ratio (times)	1.15	1.02	1.40	0.86	0.81	1.15
<b>Financial Policy Ratio</b>						
Debt to Equity Ratio (times)	0.47	0.47	0.49	0.06	0.09	0.04
Interest Coverage Ratio (times)	22.78	23.88	50.65	N/A	N/A	N/A
Dividend Payment Ratio (%)	127.18	123.78	62.62	95.88	99.63	60.58

## RISK FACTORS

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The Risk Management Committee has managed risks by assessing key risk factors and considering risk factors that may possibly impact the business operations in the future with prudence and carefulness in all aspects, including supervising, improving, establishing risk prevention measure and monitoring to have the effective risk management system in order to minimize the risks and mitigate their impacts and make efforts to reduce unpredictability of the overall operations to ensure that the Company has a concise and appropriate risk management framework according to the good corporate governance.

### Risks in Coal Mining Business

The Risk Management Committee focuses on revenue and cost of sales management, by having the Management plans to produce and distribute coal in correspondence with the fluctuation of global coal prices, and on foreign currency exchange management to ensure that the Company and its subsidiary companies have good profitability. The significant risk management in year 2017 is as follows:

**(1) Coal Mining Operation Risk:** Subsidiary companies having been granted coal concessions of Coal Contract of Work type from the Indonesian government. The Company thoroughly conducts proper exploration and assessment activities of the coal deposits to ensure adequate coal reserves for mining. The results of such exploration and assessment are the basis for designing pit design and preparing mine master plan. Risks associated with coal mining operation are mainly from natural occurrences, particularly for the coal deposits in Indonesia which experience heavy rain each year, hampering and delaying coal production and delivery. Accordingly, in order to mitigate such risks, the Company has established policy for the coal operation departments to keep adequate inventory of the finished coals for distribution according to the obligations in the advance coal sale agreements.

**(2) Coal Price Fluctuation Risk:** Coal prices tend to fluctuate similarly to other types of fuel, depending on market demand and supply with several factors affecting coal prices. Coal prices in year 2017 have continuously increased, regardless, coal production and sales plans are regularly updated in line with market conditions and the fluctuation of global coal prices in order to determine appropriate timing of coal sale and purchase agreement negotiation with customers. The price is also index-linked corresponding to the market and product mix is adjusted for higher selling price and good profit margin. The operating results of coal business in year 2017 were considered excellent compared with the previous year.

**(3) Risk in Coal Delivery:** The risk is mostly from delayed coal delivery to customers and vessel demurrage incurred, which is mostly from unforeseen incidents, for example, heavy rain preventing coal production according to the plan. Close communication between sales department and production department, and information tracking system are put in place in order to determine the production capacity, quality, and coal inventory at all time, allowing preemptive change of production and delivery plans. In 2017, no penalty was incurred due to delayed coal delivery.

**(4) Risk from Being Dependent on Coal Sales to the Major Customers:** In 2017, the subsidiary companies in Indonesia have been able to find new customers with an aim not to depend on any specific customer. Additionally, with price of coal lower than other types of fuel, many industrial operators increasingly switch to coal for their source of energy every year, creating more demand to support new customers who seek to mitigate the risk.

**(5) Risk from Customers' Default on Coal Payment:** While most domestic coal sales are sold with credit, coal sales of the subsidiary companies in Indonesia require a letter of credit (L/C) before coal delivery. Nonetheless, credit terms are only extended to quality customers. The Company has established the Credit Committee for consideration of credit terms for the customers to carefully screen any credit sales.

**(6) Fuel Product Substitutes Risk:** Comparing the price per heat unit with other substituted fuels, such as fuel oil, diesel oil, and natural gas, the price per heat unit of coal is still significantly lower. Therefore, the risk from fuel product substitutes is still considered low.

**(7) Coal Reserve Risk:** In order to mitigate the risk concerning coal reserve depletion, the Company has established a policy for the acquisition of additional coal deposits to increase coal reserves or to extend the mine life. Moreover, operational audit is performed to ensure that the mine design and ongoing coal production process are consistent with the geographic regions and ore deposits orientation. This is to warrant that every process of the production is of international standards and highly effective, allowing complete commercial utilization of coal reserves, according to the Australasian Code for Reporting Mineral Standards (“Joint Ore Reserves Committee Code”).

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

**(9) Environmental Risk:** The Company and affiliated companies are aware of the responsibility to the society, community and environment. Coal operations of the subsidiary companies must adhere to the mine plan and environmental impact analysis report, which have been approved by the authorities. The mined out land must be rehabilitated for improvement of environment, surrounding and ecology system with plantation of trees which are nature conservation and improvement of surrounding land for several activities such as agricultural area, water reservoirs, residential area, etc. Both subsidiary companies operating coal mines in Indonesia have received environmental and safety-related awards and recognitions during year 2017 due to their good environmental and safety management as required by the laws. As for the Ayutthaya Coal Distribution Center at Ayutthaya Province, which is the domestic operator, has taken care of the surrounding environment by planting trees around the area to protect against wind and dust, as well as installing high pressure sprinklers to spray water around the coal stockpile and hauling road areas. Wastewater is channeled into the sediment pond so that the sediment will not flow into the public river. Coal hauling trucks are covered with canvases and wheels and tires are cleaned by driving into the water well so to protect them from carrying any scraps onto the public road. Monitoring of air quality and water quality are regularly conducted. Moreover, a close system of large silos has been constructed for coal storage that effectively minimizes dust dispersion. The Ayutthaya Coal Distribution Center has been granted the Green Industry Accreditation Level 3 (Green System) and awarded with the Corporate Social Responsibility Department of Industrial Works (CSR-DIW Award) from the Ministry of Industry.

**(10) Risk in the Compliance with the Regulations and Relevant Laws:** The Company places emphasis on the compliance with the regulations and relevant laws both inside and outside the country with the awareness of the impact on operations and reputation of the Company and its subsidiary companies by having the executives to closely monitor and coordinate with related agencies to keep up with the changes in policies, rules, regulations and laws, including hiring legal advisors to interpret and establish guidelines to ensure strict compliance with the laws.

**(11) Anti-Corruption Risk:** The Company places emphasis on anti-corruption policy by establishing strong anti-corruption policy for Lanna Corporate Group, by which self-assessment has been conducted on the corruption risk with all departments having to improve the rules and regulations relating to daily operations to cover such risks in a concise and adequate manner.

#### **Risks in Ethanol Business**

Thai Agro Energy Public Co., Ltd. (“TAE”), a subsidiary company in Thailand, conducts its business in the production and distribution of ethanol-for-fuel for blending with the gasoline at different proportions to become the Gasohol for use in automobiles, namely, E10, E20, and E85. TAE is the midstream sector which is not upstream or downstream industry, therefore, the importance of risk management is in the procurement of raw materials, which is the upstream industry, such as molasses, cassava, ground rice, etc., including the use of biogas which is a main fuel, both are the major costs in ethanol production affecting profitability. The significant risk management in year 2017 is as follows:

**(1) Risk from Procurement of Main Raw Materials:** Molasses and cassava are the main raw materials used to produce ethanol of TAE, contributing more than 80 percent to the overall ethanol production cost. As molasses and cassava are agricultural products with various impacting factors, for example, the size of land used for planting which is varied by the compensation comparing to other crops, climate condition, crop diseases, rainfall and water level, demand in other industries and export volume each year, etc. Accordingly, TAE has entered into long-term sale and purchase agreements with domestic molasses producers or sellers to conclude on the volume and delivery schedule of molasses in advance, while the procurement of cassava will be purchased from the cassava farm near TAE plant. This allows efficient management on inventory and effective ethanol production.

**(2) Risk from Price Fluctuation of Main Raw Materials:** Fluctuation of raw materials prices directly impact to the cost of ethanol production since they are major costs in production process. The price of molasses varies by the supply and demand, following the same trend as the price of sugar which is seasonal and market force; as well as the price of cassava. In addition to the supply and demand in the market, it is also affected by government intervention. Therefore, if the raw materials prices rise rapidly, the cost of sales and the profit margin of TAE may be affected since the selling price may not change proportionally with the increased cost of raw material. Recognizing this issue, TAE determines its ethanol selling price based on a cost-plus basis with appropriate gross margin. In addition, market situation and price trend of the raw materials are closely and regularly monitored in order to procure raw materials at appropriate or competitive price to achieve good profit margin.

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

**(4) Risk from the Government Policy:** Due to the policy promoting the use of renewable energy has an impact on ethanol business, including the Alternative Energy Development Plan (AEDP 2015), which has established targets on ethanol demand and action plans and the Oil Plan 2015, which determines the appropriate types of oil to be sold. Therefore, if the government policy has changed or in case where the government policy is discontinued or unclear, this will impact the business of TAE. TAE recognizes such risk and aims to manage the production and distribution of ethanol at the highest efficiency, with emphasis on cost management, product quality and good relationship with customers, including export market expansion or add value to the products, ensuring minimal impact from the government policy.

**(5) Risk from the Growing Trends of Electric Cars and Hybrid Cars:** As the government has a policy to support the electric vehicles industry (“EVs”) in line with the Energy 4.0 policy to shift fossil reliance to renewable energy, and the use of hybrid cars using both electricity and fuel is likely to increase as well, despite the disadvantage of price and battery life, charging time, including the number of service stations to be improved in the future. Clearly, the utilization of electricity power in cars will have an impact on fuel and ethanol demand in the future. Accordingly, TAE is currently conducts a feasibility study of producing other products or derivatives products of ethanol to mitigate the impact of the decrease in ethanol demand.

**(6) Risk from the Utilization of Biogas as Main Fuel for Steam and Power Generation used in Ethanol Production:** TAE uses biogas as main fuel for steam and power generation in ethanol production as one of the policies concerning cost reduction and improvement on ethanol production efficiency, instead of using fuel oil as before, which significantly reduces the fuel cost. Currently, TAE can produce enough biogas for steam and power generation, however, there are certain risks from the natural disaster occurrence, causing damage to the biogas ponds, rendering them dysfunctional and requiring substituted fuel (e.g. fuel oil, palm shell), increasing the cost of ethanol production. Recognizing such risks, TAE has strengthened the structure of the biogas ponds and conducts regular maintenance to ensure continuous and effective biogas generation. Moreover, insurance policies covering every type of risk from natural disaster are also in place.

**(7) Risk from Environmental Impact:** TAE places emphasis and recognizes the health and sanitation impacts to the surrounding community, and thus, is determined to pay attention to the environment and two potential pollution risks as follows:

**(7.1) Risk from Environmental Impact of Air Pollution:** TAE uses bio scrubber for removal hydrogen sulfide in biogas, which is used for steam and power generation for the biogas to be clean and has better quality. Additionally, there is a working team monitoring and repairing the canvas covering biogas to ensure that it is in good condition. In case where it is damaged, it will be repaired immediately in order to prevent and minimize air pollution that would have an impact on the surrounding community.



### **(7.2) Risk from Environmental Impact of Water Resources and Wastewater Treatment:**

TAE has complied with the requirements of the Department of Industrial Works, Ministry of Industry, in “Wastewater Management in Industrial Plants” by constructing properly treated spent wash ponds from biogas production process with inspection and repair of the levees in accordance with the engineering standards and maintenance of the water level below 1 meter from the levee to reduce the risk of the overflows caused by heavy rains. In addition, the investment in spent wash evaporation project with evaporation system will take place in order to reduce the treated spent wash and mitigate the risk of water leakage in the event of flooding to prevent the potential impact on the surrounding community. Nonetheless, the highest risk is from natural disaster, by which in late 2017, the heavy rain and flood caused the damaged and collapse of wastewater treatment pond of TAE’s ethanol production plant and affected nearby communities and agricultural areas. The Ministry of Industry therefore ordered TAE to temporarily shut down of all ethanol plants to repair the wastewater treatment ponds to be in accordance with government standards, which was granted a permission to continue for ethanol production and distribution as normal in early December 2017. However, TAE can claim damages from the insurance company under the insurance policy, which will reduce the impact of such risk.

### **(8) Risk from Compliance with Loan Agreements**

**(8.1) Debt to Equity Ratio (D/E) and Debt Service Coverage Ratio (DSCR) Maintenance:** TAE has a long-term loan agreement with a commercial bank, with the remaining loan as at year end of 2017 of Baht 117.76 million, which will be due in year 2018, with debt to equity ratio (“D/E”) of 0.74 times according to the loan agreement of not exceeding 2 times, but the debt service coverage ratio (“DSCR”) was at 1.06 times which the requirement in the loan agreement is not less than 1.25 times. This was due to the flood incident causing the ethanol production to be temporary halted as mentioned above, which was a force majeure event. Accordingly, the lending bank has granted a waiver of compliance with the terms of loan agreement on January 29, 2018. In addition, TAE also has short-term loan agreements with the amount totaling Baht 1,850 million for working capital used for the purchase of raw materials. As at end of year 2017, the actual used amount was only Baht 899.07 million. TAE is well aware of this risk and thus manages its cash flow with prudence in order to prevent default of the loan agreements.

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

**(8.3) Risk of TAE being unable to pay dividend to shareholders in the future:** The lending bank has stipulated that TAE may not pay dividend to its shareholders if TAE is unable to follow the conditions in the loan agreement such as, D/E and DSCR maintenance, shareholding of LANNA, etc. – TAE will not be able to pay dividend to its shareholders, including LANNA. Nevertheless, TAE has always been able to follow the established terms in the loan agreement without ever breaching any terms and conditions.

## Financial Risk

**(1) Loan-Related Risk:** At present, LANNA had no loan for business operation and therefore has no risk related to loan. Only TAE, a subsidiary company, has short-term and long-term loans for business operation as already reported in the Risks in Ethanol Business above.

**(2) Overseas Investment Risk:** LANNA has investments in the subsidiary and associated companies overseas in several currencies including Singapore Dollars, US Dollars and Indonesian Rupiahs, of which are long-term investments without definite term period, and therefore, there is currently no risk mitigation in place. If the time of project termination was known, this risk could be managed promptly and appropriately.

**(3) Foreign Exchange Risk:** LANNA has revenues from coal sales in Thai Baht currency and coal procurements for sales are done in US Dollar currency. While the revenues for coal sales of the subsidiary companies in Indonesia are in US Dollar but their operating expenses are paid in US Dollar and Indonesian Rupiah. As for the associated company in Singapore, the revenues are in US Dollar; however, the operating expenses are paid in US Dollar and Singapore Dollar. As a result, LANNA and its affiliates possess foreign exchange related risk from changes of the aforementioned currency values. Accordingly, LANNA mitigates the risk related to foreign exchange by entering into forward exchange contracts or deposit of foreign currencies received from coal sales to LANNA's various bank accounts as cash reserves for payments of coals or future investments, protecting from possible future foreign exchange risk. In the past year, the foreign exchange was managed at satisfactory level, and there was no significant impact to LANNA and its subsidiary companies.

**(4) Other Factors Having Impact on Investment:** Apart from the aforementioned transactions, LANNA and its subsidiary companies have no commitments or obligations regarding issued shares, warrants, convertible securities, debentures or other types of derivatives currently or in the future, as well as there are no unusual or serious event or important incident that might significantly affect financial status and operating results of LANNA and its subsidiary companies.

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

The consolidated financial statements year 2017 of Lanna Resources Public Company Limited and its subsidiary companies have been prepared in accordance with the Notification of the Department of Business Development, regarding to the condensed transactions of the financial statements, effective under the Accounting Act B.E. 2543 and in compliance with the accounting standard established in the Accounting Profession Act B.E. 2547.

The Board of Directors is responsible for the preparation of the financial report of Lanna Resources Public Company Limited and its subsidiary companies, assuring that the financial status, operating results, and cash flows are presented in truth and fairness by having established a correct and complete keeping of the of the financial records. These financial statements have been prepared in accordance to the generally accepted accounting standard by using accounting policies that are appropriate and corresponding to the business operation, which are undertaken on a regular basis. The Company also considers and maintains adequate provisions for uncertainty items or items that may have significant effect on future operation, by disclosing important information in the Notes to Financial Statements with certified accountant's opinions in the Report of Independent Auditor.

Accordingly, the Board of Directors has appointed the Audit Committee, comprising of independent and non-executive directors with complete qualifications as established by the Securities and Exchange Commission (SEC), to review the financial statements for compliance with the accounting standard; to review the internal control system, internal audit system and risk management for appropriateness and efficiency; to review that the business operation has been conducted in accordance with the Company's regulations and relevant laws; and to oversee that there are no conflict of interest; as well as to consider and propose for the appointment of the Company's auditors. The opinions of the Audit Committee are expressed in the Report of the Audit Committee which has been included within the Annual Report 2017.

March 5, 2018

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



(Mr. Somkiart Limsong)

Chairman of the Board



(Mr. Srihasak Arirachakaran)

Chief Executive Officer

## **Independent Auditor's Report**

To the Shareholders of Lanna Resources Public Company Limited

### **Opinion**

I have audited the accompanying consolidated financial statements of Lanna Resources Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Lanna Resources Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lanna Resources Public Company Limited and its subsidiaries and of Lanna Resources Public Company Limited as at 31 December 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

#### *Revenue recognition*

Revenue from sales is a significant account because the amount of revenue from sales is material and directly affects the Group's profit or loss. The Group has major revenues from production and distribution of coals and ethanol which are prone to fluctuations in price and demand. In addition, revenues from sales of overseas subsidiaries represent a significant portion of the Group's total sales. There is therefore a risk with respect to the amount and timing of revenue recognition.

I examined the Group's revenue recognition by assessing and testing its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I applied a sampling method to select sales agreements to assess whether the revenue recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Group's policy. On a sampling basis, I also examined supporting documents for actual sales transactions occurring during the year and near the end of the accounting period, and reviewed credit notes that the Group issued after the period-end. Moreover, I performed analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

#### *Coal reserve estimates for the overseas subsidiaries*

Coal reserves are estimates of the amounts of coal that can be economically and legally extracted by the subsidiary companies. The subsidiary companies determine and report their coal reserves under the Australasian Code for Reporting, Exploration Results, Mineral Resources and Ore Reserves (Joint Ore Reserves Committee Code).

Estimating coal reserves requires the use of assumptions about a range of geological, technical and economic factors, including production quantities, production techniques, stripping ratio, production costs, transport costs, commodity demand, coal prices and exchange rates.

Estimating the quantity and/or calorific value of coal ore reserves requires the size, shape and depth of coal ore bodies or fields to be determined through an analysis of geological data such as drilling data, samples and topography. The process of making judgements with respect to such geological data is complex and difficult.

Because the economic assumptions used to estimate the reserves change from period to period, and because additional geological data may be generated during the course of operations, the estimates of reserves may change from period to period.

Changes in reported reserves may affect the subsidiary companies' financial results and financial position in a number of ways, including the following:

- Assets' carrying values may be affected by changes in estimated future cash flows.
- Depreciation, depletion and amortisation charges in the statements of income and other comprehensive income may change when such charges are determined by the units of production basis, or when the useful economic lives of assets change.
- Overburden removal costs recorded in the statements of financial position or charged to the statement of income and other comprehensive income may change due to changes in stripping ratios.
- Decommissioning costs and provisions for site and environmental restoration may change due to changes in estimated reserves which result from the timing or cost of these activities.
- The recognised value of deferred tax assets/liabilities may change due to changes in estimates of the recoverable amounts of the tax benefits.

I audited the coal reserve estimates by assessing the competency and capability of the management and the expert used by the management to estimate the subsidiary companies' coal reserves as of 31 December 2017. In addition, I tested the significant assumptions used by the management and the expert in the estimation, especially the assumptions relating to coal prices, production levels and discount rate determination. I also reviewed the disclosure of the accounting policy relating to the estimation of coal reserves in the notes to the financial statements.

### *Goodwill*

As at 31 December 2017, the Company recorded goodwill amounting to Baht 186 million, as disclosed in Note 16 to the financial statements. The assessment of goodwill impairment is a significant accounting estimate requiring the management to exercise a high degree of judgement in identifying the cash generating unit, estimating the cash inflows that are expected to be generated from the group of assets in the future, and setting an appropriate discount rate and long-term growth rate. This will affect the appropriateness of the amount of goodwill.

I assessed the identification of cash generating units and the financial models selected by the management by making enquiry of the management and gaining an understanding of its decision-making process to assess whether the decisions made were consistent with how the assets are utilised. In addition, I tested the significant assumptions applied by the management in preparing estimates of the cash flows expected to be realised from the assets, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgment in estimating the cash flow projections. I also evaluated the discount rate applied by the management through analysis of the weighted average finance costs of the Company and of the industry, tested the calculation of the recoverable amounts of the assets using the selected financial model and considered the impact of changes in key assumptions on those recoverable amounts, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosures made with respect to the impairment assessment for goodwill.

### *Estimation of recoverable amount of tax refund claims by overseas subsidiaries*

As of 31 December 2017, three overseas subsidiaries recognised estimates of tax refund claims totaling Baht 632.3 million, which consisted of value added tax and corporate income tax amounting to Baht 607.0 million and Baht 25.3 million, respectively.

The estimate of the value added tax refund claim was determined based on the netting of the input tax and output tax. The subsidiary companies recognised the overpaid value added tax as assets because they generated revenue mostly from export sales, which are subject to value added tax at a 0% rate.

The estimates of the corporate income tax refund claim was measured at the amount expected to be recovered from the tax authority, which is the excess of prepaid corporate income tax over the corporate income tax expense for the respective fiscal year. The corporate income tax expense is determined by multiplying the estimated taxable income by the prevailing tax rate.



The recoverability of the estimated claims for tax refunds is dependent on examination by the tax authority. In addition, there are complexities and uncertainties with respect the interpretation of tax regulations.

I have audited the management's assessment of the uncertainties relating to the tax refund claims through a discussion with the management, review of the correspondence between the subsidiaries and the tax authority and consideration of the past results of tax assessments by the tax authority. I also reviewed the related disclosures made in the notes to the financial statements.

### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

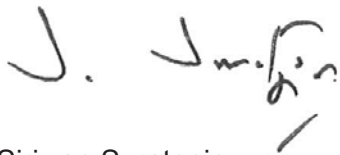
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.



Siriwan Suratepin

Certified Public Accountant (Thailand) No. 4604

EY Office Limited

Bangkok: 20 February 2018

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

**Statements of financial position**

**As at 31 December 2017**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	1,128,070,350	698,170,417	261,622,317	82,501,985
Current investments	8	834,292,459	632,805,833	826,066,447	629,525,469
Trade and other receivables	6, 9	1,268,274,483	616,554,847	197,347,488	203,026,352
Inventories	10	392,755,150	460,385,948	184,234,636	228,407,387
Input tax refundable		606,959,198	805,566,404	9,760,912	9,101,435
Prepaid income tax		25,329,190	131,525,167	-	-
Advance payments for goods	6, 11	56,889,979	585,797,067	60,272,314	89,147,000
Other current financial assets		91,467,273	35,024,129	2,307,522	1,984,144
<b>Total current assets</b>		<b>4,404,038,082</b>	<b>3,965,829,812</b>	<b>1,541,611,636</b>	<b>1,243,693,772</b>
<b>Non-current assets</b>					
Restricted bank deposits	7	86,446,953	78,608,521	-	-
Investments in subsidiaries	12	-	-	764,538,181	757,038,192
Investment in associated company	13	28,073,207	25,221,109	890,679	890,679
Investment properties	14	32,422,689	32,422,689	32,422,689	32,422,689
Property, plant and equipment	15	3,547,727,135	3,635,875,583	295,605,947	274,597,056
Goodwill	16	185,999,788	185,999,788	-	-
Intangible assets	17	4,985,379	5,108,820	3,100,776	2,587,872
Deferred tax assets	30	22,876,571	22,010,866	19,263,908	18,795,879
Other non-current assets	18	462,028,242	579,425,002	3,739,570	13,213,821
<b>Total non-current assets</b>		<b>4,370,559,964</b>	<b>4,564,672,378</b>	<b>1,119,561,750</b>	<b>1,099,546,188</b>
<b>Total assets</b>		<b>8,774,598,046</b>	<b>8,530,502,190</b>	<b>2,661,173,386</b>	<b>2,343,239,960</b>

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

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

**Statements of financial position (continued)**

As at 31 December 2017

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institution	19	899,068,030	1,031,549,635	-	-
Trade and other payables	6, 20	557,020,822	481,386,566	44,931,302	136,407,208
Current portion of liabilities under finance lease agreements	21	3,254,811	2,804,604	-	-
Current portion of long-term loan from financial institution	22	117,757,191	180,000,000	-	-
Accrued expenses		283,482,978	151,377,824	25,458,568	12,524,661
Income tax payable		378,673,524	25,405,166	-	91,335
Other current liabilities	25	136,869,211	122,790,597	11,856,595	9,524,879
<b>Total current liabilities</b>		<b>2,376,126,567</b>	<b>1,995,314,392</b>	<b>82,246,465</b>	<b>158,548,083</b>
<b>Non-current liabilities</b>					
Liabilities under finance lease agreements					
- net of current portion	21	2,583,978	3,956,711	-	-
Long-term loan from financial institution					
- net of current portion	22	-	117,757,191	-	-
Provision for long-term employee benefits	23	198,601,493	186,709,390	29,704,626	27,220,179
Provision for mine reclamation and decommissioning costs	24	75,813,120	110,388,866	-	-
Deferred tax liabilities	30	43,952,373	51,395,872	-	-
Other non-current liabilities	25	182,513,702	258,619,500	-	-
<b>Total non-current liabilities</b>		<b>503,464,666</b>	<b>728,827,530</b>	<b>29,704,626</b>	<b>27,220,179</b>
<b>Total liabilities</b>		<b>2,879,591,233</b>	<b>2,724,141,922</b>	<b>111,951,091</b>	<b>185,768,262</b>

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

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

**Statements of financial position (continued)**

As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<b>Liabilities and shareholders' equity (continued)</b>					
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered, issued and fully paid up					
524,999,679 ordinary shares of Baht 1 each		524,999,679	524,999,679	524,999,679	524,999,679
Share premium		680,400,000	680,400,000	680,400,000	680,400,000
Retained earnings					
Appropriated - Statutory reserve	26	52,500,000	52,500,000	52,500,000	52,500,000
Appropriated - General reserve		747,300,000	746,000,000	747,300,000	746,000,000
Unappropriated		2,282,730,339	1,920,661,331	544,022,616	153,572,019
Other components of shareholders' equity		50,979,693	193,989,842	-	-
<b>Equity attributable to owners of the Company</b>		<b>4,338,909,711</b>	<b>4,118,550,852</b>	<b>2,549,222,295</b>	<b>2,157,471,698</b>
Non-controlling interests of the subsidiaries		1,556,097,102	1,687,809,416	-	-
<b>Total shareholders' equity</b>		<b>5,895,006,813</b>	<b>5,806,360,268</b>	<b>2,549,222,295</b>	<b>2,157,471,698</b>
<b>Total liabilities and shareholders' equity</b>		<b>8,774,598,046</b>	<b>8,530,502,190</b>	<b>2,661,173,386</b>	<b>2,343,239,960</b>

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

.....  
Directors  
.....



Lanna Resources Public Company Limited and its subsidiaries

Income statements

For the year ended 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<b>Revenues</b>					
Sales	6	12,080,187,301	8,761,554,028	1,941,730,936	1,478,787,972
Commission and marketing service income	6	-	-	166,011,630	147,779,879
Other income					
Dividend income	6, 12, 13	-	-	696,314,477	226,618,856
Service income	6	-	-	48,969,798	33,790,855
Gain on exchange		-	13,819,164	-	3,528,424
Interest income	6	22,580,526	21,949,311	13,704,778	8,558,215
Others		32,866,250	16,843,167	15,762,207	10,659,418
Total other income		55,446,776	52,611,642	774,751,260	283,155,768
<b>Total revenues</b>		<b>12,135,634,077</b>	<b>8,814,165,670</b>	<b>2,882,493,826</b>	<b>1,909,723,619</b>
<b>Expenses</b>					
Cost of sales	6	7,848,219,423	6,560,372,014	1,739,397,638	1,275,245,295
Selling and distribution expenses		1,854,624,992	1,264,404,176	172,786,995	157,185,720
Administrative expenses		519,552,873	416,616,341	123,496,793	103,633,970
Loss from flood event	29	73,317,726	-	-	-
Loss on exchange		19,550,458	-	4,923,135	-
<b>Total expenses</b>	28	<b>10,315,265,472</b>	<b>8,241,392,531</b>	<b>2,040,604,561</b>	<b>1,536,064,985</b>
<b>Profit before share of profit from investment, finance cost and income tax expenses</b>		<b>1,820,368,605</b>	<b>572,773,139</b>	<b>841,889,265</b>	<b>373,658,634</b>
Share of profit from investment in associated company	13	19,152,977	17,697,521	-	-
<b>Profit before finance cost and income tax expenses</b>		<b>1,839,521,582</b>	<b>590,470,660</b>	<b>841,889,265</b>	<b>373,658,634</b>
Finance cost		(63,892,101)	(50,099,648)	-	-
<b>Profit before income tax expenses</b>		<b>1,775,629,481</b>	<b>540,371,012</b>	<b>841,889,265</b>	<b>373,658,634</b>
Income tax expenses	30	(556,839,026)	(126,814,287)	(87,888,889)	(36,407,608)
<b>Profit for the year</b>		<b>1,218,790,455</b>	<b>413,556,725</b>	<b>754,000,376</b>	<b>337,251,026</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		729,440,730	271,453,431	754,000,376	337,251,026
Non-controlling interests of the subsidiaries		489,349,725	142,103,294		
		<u>1,218,790,455</u>	<u>413,556,725</u>		
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company	32	1.39	0.52	1.44	0.64

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

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

**Statements of comprehensive income**

**For the year ended 31 December 2017**

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		
	<u>Note</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Profit for the year</b>		<u>1,218,790,455</u>	<u>413,556,725</u>	<u>754,000,376</u>	<u>337,251,026</u>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of financial statements in foreign currency		<u>(229,589,173)</u>	<u>(20,638,082)</u>	<u>-</u>	<u>-</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		<u>(229,589,173)</u>	<u>(20,638,082)</u>	<u>-</u>	<u>-</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial loss		(9,451,590)	(8,658,676)	-	-
Less: Income tax effect	30	<u>2,504,064</u>	<u>2,592,702</u>	<u>-</u>	<u>-</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		<u>(6,947,526)</u>	<u>(6,065,974)</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the year</b>		<u>(236,536,699)</u>	<u>(26,704,056)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>982,253,756</u></u>	<u><u>386,852,669</u></u>	<u><u>754,000,376</u></u>	<u><u>337,251,026</u></u>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		582,608,638	254,923,884	<u>754,000,376</u>	<u>337,251,026</u>
Non-controlling interests of the subsidiaries		<u>399,645,118</u>	<u>131,928,785</u>		
		<u><u>982,253,756</u></u>	<u><u>386,852,669</u></u>		

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2017

(Unit: Baht)

Consolidated financial statements													
Equity attributable to owners of the Company													
	Issued and paid up share capital	Share premium	Statutory reserve	Retained earnings		Unappropriated reserve	Translation of financial statements in foreign currency	Surplus on change in the percentage of shareholding in subsidiary	Capital reserve for share-based payment transactions	Total other component of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
				Appropriated	General reserve								
<b>Balance as at 1 January 2016</b>	524,999,679	680,400,000	52,500,000	734,900,000	2,057,901,972	130,169,947	75,948,676	556,451	206,675,074	4,257,376,725	1,723,819,503	5,981,196,228	
Profit for the year	-	-	-	-	271,453,431	-	-	-	-	271,453,431	142,103,294	413,556,725	
Other comprehensive income for the year	-	-	-	-	(3,844,313)	(12,685,232)	-	-	(12,685,232)	(16,529,545)	(10,174,509)	(26,704,054)	
Total comprehensive income for the year	-	-	-	-	267,609,118	(12,685,232)	-	-	(12,685,232)	254,923,886	131,928,785	386,852,671	
Dividend paid	-	-	-	-	(393,749,759)	-	-	-	-	(393,749,759)	-	(393,749,759)	
Unappropriated retained earnings transferred to general reserve	-	-	-	11,100,000	(11,100,000)	-	-	-	-	-	-	-	
Decrease in non-controlling interests of the subsidiaries from dividend payments of subsidiaries	-	-	-	-	-	-	-	-	-	-	(167,938,872)	(167,938,872)	
<b>Balance as at 31 December 2016</b>	524,999,679	680,400,000	52,500,000	746,000,000	1,920,661,331	117,484,715	75,948,676	556,451	193,989,842	4,118,550,852	1,687,809,416	5,806,360,268	

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



Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

	Note	Separate financial statements						Total shareholders' equity
		Issued and paid up share capital	Share premium	Retained earnings			Total	
				Statutory reserve	General reserve	Unappropriated		
<b>Balance as at 1 January 2016</b>		524,999,679	680,400,000	52,500,000	734,900,000	221,170,752	2,213,970,431	
Profit for the year		-	-	-	-	337,251,026	337,251,026	
Other comprehensive income for the year		-	-	-	-	-	-	
Total comprehensive income for the year		-	-	-	-	337,251,026	337,251,026	
Dividend paid	33	-	-	-	-	(393,749,759)	(393,749,759)	
Unappropriated retained earnings transferred to general reserve	33	-	-	-	11,100,000	(11,100,000)	-	
<b>Balance as at 31 December 2016</b>		<u>524,999,679</u>	<u>680,400,000</u>	<u>52,500,000</u>	<u>746,000,000</u>	<u>153,572,019</u>	<u>2,157,471,698</u>	
<b>Balance as at 1 January 2017</b>		524,999,679	680,400,000	52,500,000	746,000,000	153,572,019	2,157,471,698	
Profit for the year		-	-	-	-	754,000,376	754,000,376	
Other comprehensive income for the year		-	-	-	-	-	-	
Total comprehensive income for the year		-	-	-	-	754,000,376	754,000,376	
Dividend paid	33	-	-	-	-	(362,249,779)	(362,249,779)	
Unappropriated retained earnings transferred to general reserve	33	-	-	-	1,300,000	(1,300,000)	-	
<b>Balance as at 31 December 2017</b>		<u>524,999,679</u>	<u>680,400,000</u>	<u>52,500,000</u>	<u>747,300,000</u>	<u>544,022,616</u>	<u>2,549,222,295</u>	

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

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

**Statements of cash flows**

**For the year ended 31 December 2017**

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>				
Profit before tax	1,775,629,481	540,371,012	841,889,265	373,658,634
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	681,903,301	586,634,890	21,292,938	20,912,871
Reduction of inventory to net realisable value (reversal)	(3,312,232)	3,860,154	-	-
Allowance for doubtful debt	-	144,302	-	144,302
Gain on disposals and change in value of investments in trading securities	(4,334,420)	(5,899,890)	(4,234,842)	(5,698,705)
Share of profit from investment in associated company	(19,152,977)	(17,697,521)	-	-
Write-off of input tax refundable	42,154,798	43,537,906	-	-
Loss (gain) on disposal/write-off of equipment	3,510,267	(4,270,501)	(4,376)	(4,338,784)
Loss on write-off of deferred stripping costs	248,702	-	-	-
Reversal of dividend payable	(4,164,370)	-	(4,164,370)	-
Dividend income	-	-	(696,314,477)	(226,618,856)
Provision for long-term employee benefits	23,560,027	32,721,901	2,484,447	2,703,561
Provision for mine reclamation and decommissioning costs	7,750,309	27,985,933	-	-
Unrealised loss (gain) on exchange	(17,904,713)	(26,608,952)	5,639,709	141,752
Interest income	(22,580,526)	(21,949,311)	(13,704,778)	(8,558,215)
Interest expenses	63,686,760	45,806,472	-	-
Profit from operating activities before changes in operating assets and liabilities	2,526,994,407	1,204,636,395	152,883,516	152,346,560
Operating assets (increase) decrease				
Trade and other receivables	(650,482,522)	195,195,861	9,982,352	41,592,146
Inventories	71,098,012	13,736,491	44,172,751	(132,268,965)
Input tax refundable	132,997,995	10,365,983	(659,477)	(9,101,435)
Advance payments for goods	528,907,088	12,727,496	23,046,282	(89,650,000)
Other current assets	(56,443,144)	(23,516,584)	(323,378)	295,865
Operating liabilities increase (decrease)				
Trade and other payables	67,318,174	43,213,652	(93,336,377)	86,579,741
Accrued expenses	131,378,101	(278,764,300)	12,933,907	(6,689,016)
Other current liabilities	20,576,525	(13,700,241)	(1,203,746)	(15,165,328)
Provision for long-term employee benefits	(3,868,203)	(24,961,755)	-	(11,790,800)
Provision for mine reclamation	(25,655,944)	(24,805,968)	-	-
Cash from operating activities	2,742,820,489	1,114,127,030	147,495,830	16,148,768

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Cash flows from operating activities (continued)</b>				
Interest income	21,343,412	22,372,692	9,353,226	9,026,216
Cash paid for interest expenses	(33,802,531)	(37,159,225)	-	-
Refund of income tax	78,606,984	58,584,313	-	-
Cash paid for income tax	<u>(193,362,530)</u>	<u>(138,646,729)</u>	<u>(80,748,421)</u>	<u>(43,721,457)</u>
<b>Net cash from (used in) operating activities</b>	<u>2,615,605,824</u>	<u>1,019,278,081</u>	<u>76,100,635</u>	<u>(18,546,473)</u>
<b>Cash flows from investing activities</b>				
Investment in subsidiaries	-	-	(7,499,989)	(2,499,996)
Decrease (increase) in current investments	(197,152,206)	223,888,207	(192,306,136)	226,188,207
Increase in restricted bank deposits	(14,748,639)	(871,132)	-	-
Dividend received from subsidiaries and associated company	16,300,879	34,693,568	696,314,477	226,618,856
Proceeds from disposals of equipment	989,265	7,333,320	8,577	6,809,956
Acquisitions of property, plant and equipment	(265,907,605)	(203,873,157)	(30,038,292)	(22,531,406)
Acquisitions of computer software	(1,618,904)	(2,711,399)	(1,437,220)	(2,533,000)
Decrease (increase) in other non-current assets	<u>(355,407,733)</u>	<u>(294,819,795)</u>	<u>(10,500)</u>	<u>861,791</u>
<b>Net cash from (used in) investing activities</b>	<u>(817,544,943)</u>	<u>(236,360,388)</u>	<u>465,030,917</u>	<u>432,914,408</u>
<b>Cash flows from financing activities</b>				
Decrease in short-term loans from financial institutions	(132,481,605)	(5,414,107)	-	-
Repayment of long-term loan from financial institution	(180,000,000)	(180,000,000)	-	-
Cash paid for liabilities under finance lease agreements	(3,337,424)	(2,736,265)	-	-
Cash paid for liabilities under capital lease agreement	(85,362,021)	-	-	-
Dividend paid	(893,607,222)	(561,688,631)	(362,249,779)	(393,749,759)
Decrease in non-controlling interests of the subsidiaries	<u>(86,579,013)</u>	<u>(7,952,849)</u>	<u>-</u>	<u>-</u>
<b>Net cash used in financing activities</b>	<u>(1,381,367,285)</u>	<u>(757,791,852)</u>	<u>(362,249,779)</u>	<u>(393,749,759)</u>
<b>Increase in translation adjustments</b>	<u>12,967,778</u>	<u>12,900,790</u>	<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	429,661,374	38,026,631	178,881,773	20,618,176
Cash and cash equivalents at beginning of year	698,170,417	660,146,420	82,501,985	61,886,443
Effect of change in foreign exchange rate				
on cash at bank balance	<u>238,559</u>	<u>(2,634)</u>	<u>238,559</u>	<u>(2,634)</u>
<b>Cash and cash equivalents at end of year (Note 7)</b>	<u>1,128,070,350</u>	<u>698,170,417</u>	<u>261,622,317</u>	<u>82,501,985</u>

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

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

**Statements of cash flows (continued)**

**For the year ended 31 December 2017**

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Supplemental cash flows information:</b>				
Non-cash transaction from operating activities				
Transferred provision for long-term employee benefits to accrued expenses	4,089,548	2,545,386	-	-
Non-cash transactions from investing activities				
Accounts payable from purchases of plant, equipment and intangible assets	36,666,428	28,352,146	2,161,058	302,387
Acquisitions of equipment under finance lease agreements	1,993,124	3,447,500	-	-
Acquisitions of assets under capital lease agreement	-	308,940,493	-	-

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



**Lanna Resources Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2017**

**1. General information**

Lanna Resources Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Siam City Cement Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of lignite. The registered office of the Company is at 888/99 Mahathun Plaza Building 9th floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok.

**2. Basis of preparation**

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

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

**2.2 Basis of consolidation**

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

Company's name	Nature of business	Relationship	Country of incorporation	Shareholding percentage	
				2017 Percent	2016 Percent
<b><u>Held by the Company</u></b>					
<b>Local subsidiary</b>					
Lanna Power Generation Company Limited	Investment business and power generation and distribution services	Direct holding and common directors	Thailand	100.00	100.00
Thai Agro Energy Public Company Limited	Ethanol production and distribution	Direct holding and common directors	Thailand	51.00	51.00
<b>Overseas subsidiaries</b>					
PT. Lanna Mining Services	Coal distribution	Direct holding and common directors	Indonesia	99.95	99.95
PT. Singlurus Pratama	Coal production and distribution	Direct holding and common directors	Indonesia	65.00	65.00
PT. Lanna Harita Indonesia	Coal production and distribution	Direct holding and common directors	Indonesia	55.00	55.00

Company's name	Nature of business	Relationship	Country of incorporation	Shareholding percentage	
				<u>2017</u> Percent	<u>2016</u> Percent
<b><u>Held by associated company</u></b>					
PT. Lanna Mining Services	Coal distribution	Direct holding	Indonesia	0.05	0.05

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- h) The excess of the cost of investment in a subsidiary company over the Company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired as at the investment date has been shown as "Goodwill" and separately presented as non-current asset in the consolidated statement of financial position and is measured at cost less any accumulated impairment losses (if any).

2.3 The separate financial statements present investments in subsidiaries and associated company under the cost method.

### **3. New financial reporting standards**

#### **(a) Financial reporting standards that became effective in the current year**

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

#### **(b) Financial reporting standards that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

### **4. Significant accounting policies**

#### **4.1 Revenue Recognition**

##### *Sales of goods*

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

Income from coal sales are recorded according to the weight as recorded at the Company's site or the customer's site. Adjustments of the sales price due to quality and weight considerations are recognised in the month in which notification is received from customers.

#### *Commission and marketing service income*

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

#### *Service income*

Service income is recognised on an accrual basis when overseas subsidiary sells coal which is produced from its concession area to the buyer.

#### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

#### *Dividends*

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

### **4.2 Cash and cash equivalents**

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

### **4.3 Trade accounts receivable**

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

### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (under the weighted average method) and net realisable value. Such cost includes cost of material, labour and overheads.

Raw materials, supplies and spare parts are value at the lower of cost (under the weighted average method) and net realisable value and are charged to production costs whenever consumed.

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

Net realisable value is selling price in normal course of business less other costs incurred to sell the goods.

#### **4.5 Investments**

- a) Investments in securities held for trading are stated at fair value. Change in the fair value of these securities, which is determined from their net asset value, are recorded in profit or loss.
- b) Investment in associated company is accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries and associated company are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).

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

#### **4.6 Investment properties**

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

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

#### **4.7 Property, plant and equipment and depreciation**

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

The cost of property, plant and equipment also includes the initial estimate of the cost of dismantling and removing an item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

Land improvement	5 - 10 years
Building and amenities	5 - 30 years
Machinery and equipment	4 - 30 years
Furniture and office equipment	3 - 15 years
Vehicles	5 - 10 years

Depreciation is included in determining income.

No depreciation is provided on assets under construction and installation, land improvement of a local subsidiary and land, except for mining land which is depleted in accordance with the difference between its purchase cost and fair value and on the basis of units produced in proportion to the total coal reserves.

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

#### **4.8 Intangible assets**

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

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

Intangible asset with finite useful lives, which is computer software, has useful lives of 3 - 10 years.

## 4.9 Other non-current assets

### *Assets under exploration for and evaluation of mineral resources*

Exploration and evaluation expenditures of the subsidiaries involve expenditures relating to the search for mineral resources after the subsidiaries have obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource such as license costs, expenditures from topographical, geological, geochemical and geophysical studies, exploratory drilling expenditure and sampling expenditure.

Exploration and evaluation expenditures are recorded as assets except for administration expenditures that are not directly attributable to the specific area are charged to profit or loss. Following the initial recognition, exploration and evaluation assets are stated at cost less allowance for impairment (if any). In case when the future benefit of these assets is in doubt, they are written off to period expenses immediately.

Exploration and evaluation assets are classified as part of deferred exploration and development costs when proven reserves of the specific area are completely determined.

### *Deferred exploration and development costs*

Development expenditures and incorporated costs before the production stage, which are net of proceeds from the sale of coal extracted during the development phase, are capitalised as deferred exploration and development costs. When the mine construction project moves into the production stage, deferred exploration and development costs are amortised as expenses in accordance with the proportion of units produced to total coal reserves.

### *Deferred stripping costs*

Stripping costs/overburden removal expenses during the development phase of the mine are capitalised as part of the deferred stripping costs.

Stripping costs during the production phase are capitalised as part of the deferred stripping costs if, and only if, all of the following are met:

- a) It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the subsidiaries.
- b) The subsidiaries can identify the component of the ore body for which access has been improved.
- c) The costs relating to the stripping activity associated with that component can be measured reliably.

The deferred stripping costs shall be initially recognised at cost and subsequently stated at cost less accumulated amortisation, which is calculated using the proportion of unit produced to total reserves, and allowance for impairment (if any). In case when the future benefit of these assets is in doubt, they are written off to period expenses immediately.

#### **4.10 Goodwill**

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

Goodwill is carried at cost less any accumulated impairment losses (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.11 Related party transactions**

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

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



#### **4.12 Long-term leases**

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.13 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

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

Gains and losses on exchange are included in determining income.

#### **4.14 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

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

#### **4.15 Employee benefits**

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

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

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

###### *Defined contribution plans*

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

###### *Defined benefit plans*

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

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

#### **4.16 Government grants related to assets**

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

#### **4.17 Provisions**

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

#### **4.18 Provision for mine reclamation and decommissioning costs**

The subsidiaries recognise a provision for mine reclamation and decommissioning costs where an obligation exists. The estimated amount of the eventual costs relating to the site restoration and reclamation is discounted to its present value. Such costs are included in profit or loss based on the unit-of-production method on the total estimated reclamation and decommissioning costs over the total proven reserves.

#### **4.19 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### *Current tax*

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

##### *Deferred tax*

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.20 Derivatives**

##### **Forward exchange contracts**

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

#### **4.21 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### **Coal reserve estimates**

The subsidiaries determine coal reserve based on best estimate of product that can be economically extracted from the relevant mining area. Such determination is made based on various assumptions including a range of geological, technical and economic factors, quantities, production techniques, stripping ratios, production costs, transport costs, coal prices and exchange rates.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Allowance for diminution in inventory value**

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

### **Allowance for impairment of investments**

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

## **Property, plant and equipment and depreciation**

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

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

## **Goodwill**

The initial recognition and measurement of goodwill, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## **Tax refundable**

The estimated claim for value added tax refund is determined in a net basis between value added tax input and output. The subsidiaries recognise overpayment of value added tax because they generated revenue mostly from export sales which are subject to value added tax at a 0% rate.

The estimated claim for income tax refund is measured at the amount expected to be recovered from tax authority which is the excess of prepaid corporate income tax over the corporate income tax expense during the respective fiscal year. The corporate income tax expense is determined based on the estimated taxable income computed using prevailing tax rates.

The management needs to make judgement which the recoverability of the estimated claims for taxes refund is dependent on the examination by tax authority which gives rise to the complexity and uncertainty exist with respect the interpretation of tax regulations.

## **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

## Post-employment benefits under defined benefit plans

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

## Provision for mine reclamation and decommissioning costs

The majority of the decommissioning and reclamation costs is incurred at the end of a mine's life. In determining a provision for such costs, the management needs to make judgement regarding the expected future costs to be incurred, the timing of these expected future costs, largely dependent on the life of the mine, and the estimated future level of inflation.

## 6. Related party transactions

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Dividend income	-	-	680,014	191,925
Commission and marketing service income	-	-	166,012	147,780
Service income	-	-	48,970	33,791
Interest income	-	-	4,798	-
Purchase of coal	-	-	373,167	246,676
<u>Transactions with major shareholder</u>				
Sales of coal	1,505,821	1,202,997	1,505,821	1,202,997
<u>Transactions with associated company</u>				
Purchase of coal	872,639	748,364	872,639	748,364
Freight charge	166,161	141,280	166,161	141,280
Dividend income	-	-	16,301	34,694



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
Interest income	At the rate agreed between the parties
Freight charge	Price comparable to freight charges paid to third parties

As at 31 December 2017 and 2016, the balances of the accounts between the Company and those related parties are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b><u>Trade and other receivables - related parties</u></b>				
<b>(Note 9)</b>				
Major shareholder	79,542	145,436	79,542	145,436
Subsidiaries	-	-	48,157	10,329
Total trade and other receivables - related parties	<u>79,542</u>	<u>145,436</u>	<u>127,699</u>	<u>155,765</u>
<b><u>Advance payments for goods - related parties</u></b>				
<b>(Note 11)</b>				
Subsidiary company	-	-	60,272	89,147
Total advance payment for goods - related parties	<u>-</u>	<u>-</u>	<u>60,272</u>	<u>89,147</u>
<b><u>Trade and other payables - related parties</u></b>				
<b>(Note 20)</b>				
Subsidiary company	-	-	-	94,283
Associated company	1,753	7,643	1,753	7,643
Total trade and other payables - related parties	<u>1,753</u>	<u>7,643</u>	<u>1,753</u>	<u>101,926</u>

**Directors and management's benefits**

During the years ended 31 December 2017 and 2016, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Short-term employee benefits	162,698	140,384	42,171	39,522
Post-employment benefits	19,994	14,260	1,075	1,013
Total	<u>182,692</u>	<u>154,644</u>	<u>43,246</u>	<u>40,535</u>

## 7. Cash and cash equivalents/Restricted bank deposits

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash	149	178	40	40
Bank deposits	1,114,368	726,601	161,582	32,462
Investments in bill of exchange	100,000	50,000	100,000	50,000
Total	1,214,517	776,779	261,622	82,502
Less: Restricted bank deposits	(86,447)	(78,609)	-	-
Total	<u>1,128,070</u>	<u>698,170</u>	<u>261,622</u>	<u>82,502</u>

As at 31 December 2017, bank deposits in savings accounts, fixed deposits and short-term investments carried interests between 0.1 and 7.5 percent per annum (2016: between 0.1 and 7.50 percent per annum).

As at 31 December 2017, the overseas subsidiaries have restricted bank deposits of USD 2.6 million or approximately Baht 86.4 million (2016: USD 2.2 million or approximately Baht 78.6 million) to secure bank guarantees issued by banks on behalf of the subsidiaries as discussed in Note 36.5.

## 8. Current investments

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Investments in trading securities - fair value	504,292	232,806	496,066	229,525
Fixed deposit	100,000	150,000	100,000	150,000
Investments in bills of exchange	230,000	250,000	230,000	250,000
Total	<u>834,292</u>	<u>632,806</u>	<u>826,066</u>	<u>629,525</u>

During the year 2017, the Company and its subsidiaries recognised gains on the sales of trading securities amounting to Baht 5.4 million (the Company only: Baht 5.3 million) (2016: Baht 4.7 million (the Company only: Baht 4.5 million)). As at 31 December 2017, the Company and its subsidiaries recognised loss on valuation of trading securities amounting to Baht 1.1 million (the Company only: Baht 1.1 million) in profit or loss (2016: recognised gain on valuation by Baht 1.2 million (the Company only: Baht 1.2 million)).

As at 31 December 2017, the Company had current investments in the form of fixed deposit and bill of exchange amounting to Baht 330 million (2016: Baht 400 million) carried interests between 1.3 and 1.7 percent per annum (2016: between 1.5 and 1.7 percent per annum) and due for redemption during January to June 2018.

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b><u>Trade receivables - related parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due	79,542	145,436	95,060	151,170
Past due				
Up to 3 months	-	-	11,097	2,389
Total trade receivables - related parties	<u>79,542</u>	<u>145,436</u>	<u>106,157</u>	<u>153,559</u>
<b><u>Trade receivables - unrelated parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due	1,163,445	457,482	56,235	45,063
Past due				
Up to 3 months	10,002	72	10,002	72
Over 3 months to 6 months	-	72	-	72
Total trade receivables - unrelated parties	<u>1,173,447</u>	<u>457,626</u>	<u>66,237</u>	<u>45,207</u>
Less: Allowance for doubtful debt	-	(144)	-	(144)
Total trade receivable - unrelated parties, net	<u>1,173,447</u>	<u>457,482</u>	<u>66,237</u>	<u>45,063</u>
Total trade receivables - net	<u>1,252,989</u>	<u>602,918</u>	<u>172,394</u>	<u>198,622</u>
<b><u>Other receivables</u></b>				
Other receivables - related parties	-	-	18,363	2,206
Other receivables - unrelated parties	11,913	11,390	150	2
Advances	304	416	304	412
Interest receivable - related parties	-	-	3,179	-
Interest receivable - unrelated parties	<u>3,068</u>	<u>1,831</u>	<u>2,957</u>	<u>1,784</u>
Total other receivables	<u>15,285</u>	<u>13,637</u>	<u>24,953</u>	<u>4,404</u>
Total trade and other receivables - net	<u>1,268,274</u>	<u>616,555</u>	<u>197,347</u>	<u>203,026</u>

The overseas subsidiary has pledged its accounts receivable to secure credit facilities from the financial institutions. As at 31 December 2017, the balance of accounts receivable totaling Rupiah 90,000 million or approximately Baht 228.6 million (2016: Rupiah 19,210 million or approximately Baht 51.2 million) were placed to secure such credit facilities.

## 10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Coal and work in process	260,826	329,190	-	(4,022)	260,826	325,168
Finished goods - Ethanol	17,051	9,026	(555)	-	16,496	9,026
Work in process - Ethanol	18,312	17,220	-	-	18,312	17,220
Raw materials	78,179	90,804	-	-	78,179	90,804
Supplies	13,137	12,304	-	-	13,137	12,304
Spare parts	5,805	5,864	-	-	5,805	5,864
<b>Total</b>	<b>393,310</b>	<b>464,408</b>	<b>(555)</b>	<b>(4,022)</b>	<b>392,755</b>	<b>460,386</b>

(Unit: Thousand Baht)

	Separated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Coal	184,235	228,407	-	-	184,235	228,407
<b>Total</b>	<b>184,235</b>	<b>228,407</b>	<b>-</b>	<b>-</b>	<b>184,235</b>	<b>228,407</b>

During the current year, the subsidiary company reduced cost of inventories by Baht 0.6 million, to reflect the net realisable value. This was included in cost of sales. (2016: Baht 4.0 million).

## 11. Advance payments for goods

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Advance payments for goods - related parties	-	-	60,272	89,147
Advance payments for goods - unrelated parties	56,890	585,797	-	-
<b>Total advance payments for goods</b>	<b>56,890</b>	<b>585,797</b>	<b>60,272</b>	<b>89,147</b>

The local subsidiary had significant business transactions with local companies in respect of purchases of molasses and cassava chips under the purchase of molasses agreement and cassava chips agreement. To comply with the conditions in the agreements, as at 31 December 2017, the subsidiary had outstanding advance payments for purchase of molasses and cassava chips amounting to Baht 38.4 million (2016: Baht 543.6 million).

## 12. Investments in subsidiaries

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

Company's name	Paid up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	2017	2016	2017 (%)	2016 (%)	2017	2016	2017	2016
<b>Local subsidiary</b>								
Lanna Power Generation Company Limited	Baht 10 million	Baht 2.5 million	100.00	100.00	10,000	2,500	-	-
Thai Agro Energy Public Co., Ltd.	Baht 1,000 million	Baht 1,000 million	51.00	51.00	510,000	510,000	76,500	76,500
<b>Overseas subsidiaries</b>								
PT. Lanna Mining Services (Incorporated in Indonesia)	USD 2.1 million	USD 2.1 million	99.95	99.95	70,889	70,889	-	-
PT. Singlurus Pratama (Incorporated in Indonesia)	Rp 7,950 million	Rp 7,950 million	65.00	65.00	18,626	18,626	128,369	-
PT. Lanna Harita Indonesia (Incorporated in Indonesia)	USD 8 million	USD 8 million	55.00	55.00	155,023	155,023	475,145	115,425
<b>Total</b>					<b>764,538</b>	<b>757,038</b>	<b>680,014</b>	<b>191,925</b>

(Unit: Thousand Baht)

## **Local subsidiary**

### Lanna Power Generation Company Limited

On 20 June 2016, the meeting of the Company's Board of Directors passed a resolution to establish Lanna Power Generation Company Limited, a new subsidiary. The subsidiary registered its establishment with the Ministry of Commerce on 7 July 2016 with registered share capital of Baht 10 million (2,000,000 ordinary shares of Baht 5 each), being 25 percent of issued and paid up capital of Baht 2.5 million, in which the Company holds 100 percent interest. On 4 July 2016, the Company paid for share subscription of Baht 2.5 million (1,999,997 ordinary shares of Baht 1.25 each). The subsidiary is principally engaged in the investment business and power generation and distribution services in domestic and overseas countries. Its registered address is at 888/98 Mahathun Plaza Building 9th Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok.

On 26 October 2017, the meeting of the Board of Directors of Lanna Power Generation Company Limited approved to call up additional share capital of Baht 7.5 million (2,000,000 ordinary shares at Baht 3.75 each). As a result, as at 31 December 2017, the subsidiary had issued and paid up share capital of Baht 10 million (2,000,000 ordinary shares of Baht 5 each fully paid up). On 16 November 2017, the Company paid for shares subscription of Baht 7.5 million (1,999,997 ordinary shares at Baht 3.75 each).

## **Overseas subsidiaries**

The Company has 3 overseas subsidiaries in which the Company has shareholding percentage between 55.00% and 99.95% and, as at 31 December 2017, such subsidiaries had unappropriated retained earnings of the Company's portion totaling USD 36.2 million or approximately Baht 1,212 million (2016: USD 35.7 million or approximately Baht 1,188.4 million). The Group may have obligations regarding withholding tax deducted at source in Indonesia when the subsidiaries pay dividends from such amount in the future.

## 12.2 Details of investments in subsidiaries that have material non-controlling interests.

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Profit/loss allocated to non-controlling interests during the year		Other comprehensive income allocated to non-controlling interests during the year		Translation adjustment allocated to non-controlling interests during the year		Dividend paid to non-controlling interests during the year	
	2017 (%)	2016 (%)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Thai Agro Energy Public Co., Ltd.	49.00	49.00	796	847	24	87	(1)	-	-	-	(74)	(74)
PT. Singlurus Pratama	35.00	35.00	346	329	122	(45)	-	(2)	(36)	(4)	(69)	-
PT. Lanna Harita Indonesia	45.00	45.00	421	520	343	100	(2)	-	(51)	(4)	(389)	(94)

12.3 Summarised financial information that based on amounts before inter-company elimination about subsidiaries that have material non-controlling

Summarised information about financial position

(Unit: Million Baht)

	Thai Agro Energy		PT. Singlurus Pratama		PT. Lanna Harita	
	Public Co., Ltd.				Indonesia	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current assets	425	905	975	526	1,435	1,323
Non-current assets	2,406	2,320	1,072	1,264	324	426
Current liabilities	(1,198)	(1,370)	(540)	(267)	(665)	(393)
Non-current liabilities	(5)	(123)	(309)	(373)	(158)	(202)

Summarised information about comprehensive income

(Unit: Million Baht)

For the year ended 31 December

	Thai Agro Energy		PT. Singlurus Pratama		PT. Lanna Harita	
	Public Co., Ltd.				Indonesia	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue	2,473	2,418	3,237	1,641	4,744	3,403
Profit (loss)	49	178	349	(129)	761	221
Other comprehensive income	(3)	-	(1)	(5)	(4)	(1)
Total comprehensive income	46	178	348	(134)	757	220

Summarised information about cash flow

(Unit: Million Baht)

For the year ended 31 December

	Thai Agro Energy		PT. Singlurus Pratama		PT. Lanna Harita	
	Public Co., Ltd.				Indonesia	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash flow from operating activities	641	461	390	466	1,377	412
Cash flow from investing activities	(222)	(122)	(122)	(452)	(284)	(164)
Cash flow from financing activities	(421)	(311)	(236)	(27)	(850)	(215)
Net increase (decrease) in cash and cash equivalents	<u>(2)</u>	<u>28</u>	<u>32</u>	<u>(13)</u>	<u>243</u>	<u>33</u>



### 13. Investment in associated company

#### 13.1 Detail of associated company

Company's name	Nature of Business	Paid up capital		Shareholding percentage		Carrying amounts based on equity method		(Unit: Thousand Baht)	
		2017	2016	2017	2016	2017	2016	Consolidated financial statements	Separate financial statements
				(%)	(%)				
United Bulk Shipping Pte. Ltd. (Incorporated in Singapore)	Shipping business and coal distribution	SGD 0.1 million	SGD 0.1 million	49	49	28,073	25,221	891	891
Total						28,073	25,221	891	891

### 13.2 Share of comprehensive income and dividend received

During the years, the Company recognised its share of profit from investment in associated company in the consolidated financial statements and dividend income in the separate financial statements as follows:

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit from investment in associate for the years ended 31 December	Share of other comprehensive income from investment in associate for the years ended 31 December	Dividend received for the years ended 31 December	
	2017	2016	2017	2016
United Bulk Shipping Pte. Ltd.	19,153	17,698	-	34,694

Share of profit from United Bulk Shipping Pte. Ltd. for the years ended 31 December 2017 and 2016 had been calculated from the financial statements prepared by the management of the associated company and not being audited by its auditor.

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

### 13.3 Summarised financial information about material associates

#### Summarised information about financial position

	(Unit: Million Baht)	
	United Bulk Shipping Pte. Ltd.	
	<u>2017</u>	<u>2016</u>
Current assets	139	75
Current liabilities	(80)	(17)
Net assets	<u>59</u>	<u>58</u>
Carrying amounts of associates based on equity method	<u>28</u>	<u>25</u>

#### Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the years ended 31 December	
	United Bulk Shipping Pte. Ltd.	
	<u>2017</u>	<u>2016</u>
Revenue	1,050	901
Profit	39	36
Other comprehensive income	-	-
Total comprehensive income	39	36

#### 14. Investment properties

The net book value of investment properties as at 31 December 2017 and 2016 is presented below.

(Unit: Thousand Baht)

	<u>Consolidated and Separate financial statements</u>	
	<u>2017</u>	<u>2016</u>
Cost	35,193	35,193
Less: Accumulated depreciation	(1,200)	(1,200)
Less: Allowance for diminution in value	(1,570)	(1,570)
Net book value	<u>32,423</u>	<u>32,423</u>

A reconciliation of the net book value of investment properties for the years 2017 and 2016 is presented below.

(Unit: Thousand Baht)

	<u>Consolidated and Separate financial statements</u>	
	<u>2017</u>	<u>2016</u>
Net book value at beginning of year	32,423	34,726
Disposal - net book value on disposal date	-	(2,303)
Net book value at end of year	<u>32,423</u>	<u>32,423</u>

As at 31 December 2017, the Company had investment properties, which mainly are plots of land of Paka mine, with an aggregate net book value of approximately Baht 32.4 million (2016: Baht 32.4 million). The Company is considering making use and/or selling such assets to other parties. However, for some plots of land and land improvement which the Company had considered their net realisable value to be less than the net book value, the Company had set up allowance for impairment of such assets of Baht 1.6 million (2016: Baht 1.6 million).

The fair value of the investment properties as at 31 December 2017 is Baht 48.0 million (2016: Baht 50.2 million), which is determined based on the price appraised by the Department of Land.

## 15. Property, plant and equipment

### Consolidated financial statements

(Unit: Thousand Baht)

Cost	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Furniture and office equipment	Vehicles	Assets under construction		Total
								and installation	Total	
1 January 2016	360,275	65,045	118,331	741,043	2,654,831	97,815	58,430	513,688	4,609,458	
Additions	12,486	-	19,945	391,487	7,079	3,892	5,091	132,292	572,272	
Disposals/write-off	-	-	-	(1,302)	(2,082)	(3,111)	(11,786)	(125)	(18,406)	
Transfer in (transfer out)	-	-	-	-	101,996	767	-	(102,763)	-	
Translation adjustment	(136)	-	(136)	(3,236)	(3,712)	(350)	(143)	(827)	(8,540)	
31 December 2016	372,625	65,045	138,140	1,127,992	2,758,112	99,013	51,592	542,265	5,154,784	
Additions	49,224	-	2,108	20,570	1,904	4,243	1,817	197,595	277,461	
Disposals/write-off	-	-	-	(14,909)	(8,104)	(2,493)	(3,515)	(315)	(29,336)	
Transfer in (transfer out)	-	-	-	56,437	510,887	-	-	(567,324)	-	
Translation adjustment	(1,658)	-	(1,661)	(73,926)	(45,406)	(4,314)	(1,748)	(10,346)	(139,059)	
31 December 2017	420,191	65,045	138,587	1,116,164	3,217,393	96,449	48,146	161,875	5,263,850	

(Unit: Thousand Baht)

	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Furniture and office equipment	Vehicles	Assets under construction and installation	Total
<b>Accumulated depreciation</b>									
1 January 2016	-	65,045	37,640	169,149	917,911	86,000	44,342	-	1,320,087
Depreciation for the year	-	-	3,583	63,079	141,785	6,149	5,033	-	219,629
Accumulated depreciation of the disposal/written-off	-	-	-	(752)	(2,046)	(3,063)	(11,786)	-	(17,647)
Translation adjustment	-	-	(136)	(723)	(1,892)	(325)	(85)	-	(3,161)
31 December 2016	-	65,045	41,087	230,753	1,055,758	88,761	37,504	-	1,518,908
Depreciation for the year	-	-	4,550	86,261	157,199	4,702	4,642	-	257,354
Accumulated depreciation of the disposal/written-off	-	-	-	(1,572)	(7,102)	(2,461)	(2,934)	-	(14,069)
Translation adjustment	-	-	(1,661)	(13,393)	(25,680)	(4,073)	(1,263)	-	(46,070)
31 December 2017	-	65,045	43,976	302,049	1,180,175	86,929	37,949	-	1,716,123
<b>Net book value</b>									
31 December 2016	372,625	-	97,053	897,239	1,702,354	10,252	14,088	542,265	3,635,876
31 December 2017	420,191	-	94,611	814,115	2,037,218	9,520	10,197	161,875	3,547,727
<b>Depreciation for the year</b>									
2016 (Baht 181 million included in manufacturing cost, and the balance in selling and administrative expenses)									219,629
2017 (Baht 179 million included in manufacturing cost, and the balance in selling and administrative expenses)									257,354

## Separate financial statements

(Unit: Thousand Baht)

	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Furniture and office equipment	Vehicles	Assets under construction and installation	Total
<b>Cost</b>									
1 January 2016	180,000	65,045	42,510	31,988	94,145	26,983	10,847	306	451,824
Additions	-	-	19,945	-	1,056	1,544	-	-	22,545
Disposal/write-off	-	-	-	-	-	(674)	(8,024)	(125)	(8,823)
Transfer in (transfer out)	-	-	-	-	-	181	-	(181)	-
31 December 2016	180,000	65,045	62,455	31,988	95,201	28,034	2,823	-	465,546
Additions	-	-	2,108	9,739	549	1,267	-	18,234	31,897
Disposal/write-off	-	-	-	-	-	(131)	(8)	-	(139)
31 December 2017	180,000	65,045	64,563	41,727	95,750	29,170	2,815	18,234	497,304
<b>Accumulated depreciation</b>									
1 January 2016	-	65,045	18,604	3,527	69,198	22,258	10,846	-	189,478
Depreciation for the year	-	-	3,583	1,626	2,568	2,348	1	-	10,126
Accumulated depreciation of the disposal/written-off	-	-	-	-	-	(631)	(8,024)	-	(8,655)
31 December 2016	-	65,045	22,187	5,153	71,766	23,975	2,823	-	190,949
Depreciation for the year	-	-	4,550	1,895	2,465	1,974	-	-	10,884
Accumulated depreciation of the disposal/written-off	-	-	-	-	-	(127)	(8)	-	(135)
31 December 2017	-	65,045	26,737	7,048	74,231	25,822	2,815	-	201,698
<b>Net book value</b>									
31 December 2016	180,000	-	40,268	26,835	23,435	4,059	-	-	274,597
31 December 2017	180,000	-	37,826	34,679	21,519	3,348	-	18,234	295,606
<b>Depreciation for the year</b>									
2016 (included in selling and administrative expenses)									10,126
2017 (included in selling and administrative expenses)									10,884

The subsidiary has mortgaged part of its land and construction thereon and machinery with net book value as at 31 December 2017 amounting to approximately Baht 1,107 million (2016: Baht 1,108 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 19 and Note 22.

As at 31 December 2017, subsidiaries had office equipment and vehicles under finance lease agreements with net book values amounting to Baht 7.6 million (2016: Baht 8.3 million) and hauling road and special terminal under capital lease agreement with net book values amounting to Baht 312.4 million.

As at 31 December 2017, the Company and subsidiaries had certain plant and equipment which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to Baht 290 million (2016: Baht 266 million) (the Company only: Baht 98 million (2016: Baht 95 million)).

## 16. Goodwill

The Company has determined recoverable amounts of its cash generating units (CGUs) based on value in use calculation using cash flow projections from financial budgets approved by the management.

Key assumptions used in value in use calculations summarise as follows:

	(Unit: Percent per annum)
Terminal growth rate	0
Discount rate	12

The management has considered the growth rate from policy, business plan, expected overall market growth rate, and discount rate which are the rates before income tax which relate to the specific risk in that operating segment.

The management has considered and believed that no impairment was required for goodwill.



## 17. Intangible assets

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
1 January 2016	15,903	4,519
Additions	2,720	2,533
Write-off	(429)	-
Translation adjustment	(27)	-
31 December 2016	18,167	7,052
Additions	1,594	1,437
Write-off	(607)	(601)
Translation adjustment	(319)	-
31 December 2017	18,835	7,888
<b>Accumulated amortisation</b>		
1 January 2016	11,156	3,797
Amortisation for the year	2,349	667
Accumulated amortisation of the written-off assets	(428)	-
Translation adjustment	(19)	-
31 December 2016	13,058	4,464
Amortisation for the year	1,705	924
Accumulated amortisation of the written-off assets	(607)	(601)
Translation adjustment	(306)	-
31 December 2017	13,850	4,787
<b>Net book value</b>		
31 December 2016	5,109	2,588
31 December 2017	4,985	3,101

## 18. Other non-current assets

Other non-current assets have been shown net of related accumulated amortisation as at 31 December 2017 and 2016 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Deferred expenses - Indonesia				
coal mine project	316,774	344,670	-	-
Deferred stripping costs	123,315	162,584	-	-
Deferred transferred service fees				
according to contract	-	9,485	-	9,485
Others	21,939	62,686	3,740	3,729
Total other non-current assets	<u>462,028</u>	<u>579,425</u>	<u>3,740</u>	<u>13,214</u>
Amortisation expenses				
for the year	<u>422,844</u>	<u>364,657</u>	<u>9,485</u>	<u>10,119</u>

### Deferred expenses - Indonesia coal mine project

A reconciliation of the net book value of deferred expenses - Indonesia coal mine project for the years 2017 and 2016 is presented below.

	(Unit: Thousand Baht)		
	Consolidated financial statements		
	Exploration and evaluation assets	Deferred exploration and development costs	Total
As at 1 January 2016	39,634	363,229	402,863
Increase during the year	-	15	15
Amortisation for the year	-	(55,329)	(55,329)
Translation adjustment	(283)	(2,596)	(2,879)
As at 31 December 2016	39,351	305,319	344,670
Increase during the year	-	43,404	43,404
Amortisation for the year	-	(41,002)	(41,002)
Translation adjustment	(3,459)	(26,839)	(30,298)
As at 31 December 2017	<u>35,892</u>	<u>280,882</u>	<u>316,774</u>

## Deferred stripping costs

A reconciliation of the net book value of deferred stripping costs for the years 2017 and 2016 is presented below.

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2017</u>	<u>2016</u>
Net book value at beginning of year	162,584	208,192
Increase during the year	347,628	255,089
Write-off during the year	(248)	-
Amortisation for the year	(372,357)	(299,209)
Translation adjustment	<u>(14,292)</u>	<u>(1,488)</u>
Net book value at end of year	<u>123,315</u>	<u>162,584</u>

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

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

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

That creditor agreed to transfer such fees to the Company at a negotiated price of USD 3.75 million, or equivalent to Baht 118.3 million, with the Company making a lump sum payment. Such fees will be amortised according to the quantity of coal sold from SGP and the Company had already started amortising the fee since July 2009. In September 2017, the Company had amortised the whole amount of such fees.

On 9 February 2018, the Company and IPJ entered into agreement of transferring service fees for service provided to the concession area of SGP for 25 million tons of local produced and distributed since September 2017 at a price of USD 0.75 per ton, in accordance with the service agreement, which stipulate that IPJ is to receive such fees. IPJ agreed to transfer such fees to the Company at a negotiated price of USD 6 million or equivalent to Baht 197.1 million in which the Company will pay in 2018.

## 19. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate		Consolidated	
	(percent per annum)		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Promissory notes	2.75 - 3.00	2.85 - 3.10	633,210	757,266
Trust receipts	2.75 - 2.85	2.85	265,858	229,371
Short-term loans from financial institution	-	3.08	-	44,913
Total			<u>899,068</u>	<u>1,031,550</u>

As at 31 December 2017 and 2016, credit facilities are secured by the mortgage of part of the subsidiary's land and construction thereon and machinery as discussed in Note 15.

## 20. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Trade payables - related parties	1,753	7,643	1,753	101,926
Trade payables - unrelated parties	462,522	392,622	39,729	32,941
Other payables - unrelated parties	92,746	81,121	3,449	1,540
Total trade and other payables	<u>557,021</u>	<u>481,386</u>	<u>44,931</u>	<u>136,407</u>

## 21. Liabilities under finance lease agreements

Details of liabilities under finance lease agreements of a subsidiary as at 31 December 2017 and 2016 are as follows:

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2017</u>	<u>2016</u>
Liabilities under finance lease agreements	6,227	7,560
Less: Deferred interest expenses	(388)	(799)
Total	5,839	6,761
Less: Current portion	(3,255)	(2,804)
Liabilities under finance lease agreements - net of current portion	<u>2,584</u>	<u>3,957</u>

The subsidiary has entered into the finance lease agreements with leasing company for rental of office equipment and vehicles for use in its operations, whereby it is committed to pay rental on a monthly basis. The term of the agreement is 3 years and 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Thousand Baht)		
	As at 31 December 2017		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	3,560	2,667	6,227
Deferred interest expenses	(305)	(83)	(388)
Present value of future minimum lease payments	<u>3,255</u>	<u>2,584</u>	<u>5,839</u>

	(Unit: Thousand Baht)		
	As at 31 December 2016		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	3,225	4,335	7,560
Deferred interest expenses	(421)	(378)	(799)
Present value of future minimum lease payments	<u>2,804</u>	<u>3,957</u>	<u>6,761</u>

## 22. Long-term loan from financial institution

	(Unit: Thousand Baht)	
	<u>Consolidated financial statements</u>	
	<u>2017</u>	<u>2016</u>
Long-term loan from financial institution	117,757	297,757
Less: Current portion	<u>(117,757)</u>	<u>(180,000)</u>
Long-term loan from financial institution - net of current portion	<u>-</u>	<u>117,757</u>

Movements in the long-term loan from financial institution during the year ended 31 December 2017 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 January 2017	297,757
Less: Repayment during the year	<u>(180,000)</u>
Balance as at 31 December 2017	<u>117,757</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 an another local bank. 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 15.

Subsequently, on 7 March 2014, the Company executed a memorandum attached to the long-term loan agreement made with the bank to revise certain conditions and debt service coverage ratios.

The loan agreement contains several covenants which, among other things, require the subsidiary to maintain certain financial ratio according to the agreement such as debt to equity and debt service coverage ratio at the rate prescribed in the agreement.

As at 31 December 2017, the subsidiary could not maintain certain financial ratios as specified in the loan agreement. However, the subsidiary had obtained a waiver letter for the condition to maintain certain financial ratios for the years ended 31 December 2017 from a bank on 29 January 2018 (2016: the subsidiary could maintain certain financial ratios as specified in the long-term loan agreement). As at 31 December 2017, the long-term loan of Baht 117.8 million is current portion of long-term loan.

### 23. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire from the Company and its subsidiaries, was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Provision for long-term employee benefits at</b>				
<b>beginning of year</b>	186,710	151,254	27,220	24,517
Included in profit or loss:				
Current service cost	21,125	22,151	1,603	1,752
Interest cost	12,553	12,617	882	951
Past service costs	(10,119)	(2,046)	-	-
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	815	-	-	-
Financial assumptions changes	6,179	10,315	-	-
Experience adjustments	2,457	(1,656)	-	-
Benefits paid during the year	(5,412)	(12,958)	-	-
Translation adjustment	(15,707)	7,033	-	-
<b>Provision for long-term employee benefits at</b>				
<b>end of year</b>	<u>198,601</u>	<u>186,710</u>	<u>29,705</u>	<u>27,220</u>

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cost of sales	69	454	-	-
Selling and administrative expenses	<u>23,490</u>	<u>32,268</u>	<u>2,485</u>	<u>2,703</u>
Total expenses recognised in profit or loss	<u>23,559</u>	<u>32,722</u>	<u>2,485</u>	<u>2,703</u>

The Company and its subsidiaries expect to pay Baht 4.1 million of long-term employee benefits during the next year (the Company only: None) (2016: Baht 14.6 million (the Company only: None)).

As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefit is 9 - 20 years (Separate financial statements: 20 years) (2016: 10 - 20 years, separate financial statements: 20 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.40 - 6.90	2.90 - 8.26	3.62	3.62
Salary increase rate	5.00 - 8.00	5.70 - 8.00	7.55	7.55

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 and 2016 are summarised below:

(Unit: Thousand Baht)

	As at 31 December 2017					
	Consolidated financial statements				Separate	
	The group in Thailand		The group in oversea		financial statements	
	Increase	Increase	Increase	Decrease	Increase	Decrease
	0.5% - 1.0%	0.5% - 1.0%	1.0%	1.0%	0.5%	0.5%
Discount rate	(1,060)	1,458	(9,963)	11,185	(903)	1,288
Salary increase rate	1,862	(1,391)	11,094	(10,064)	1,487	(1,096)



(Unit: Thousand Baht)

	As at 31 December 2016					
	Consolidated financial statements				Separate	
	The group in Thailand		The group in oversea		financial statements	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	0.5%	0.5%	1.0%	1.0%	0.5%	0.5%
Discount rate	(1,008)	1,341	(8,161)	9,246	(923)	1,248
Salary increase rate	1,405	(1,078)	9,359	(8,386)	1,168	(913)

**24. Provision for mine reclamation and decommissioning costs**

(Unit: Thousand Baht)

	Consolidated financial statements		
	Provision for mine reclamation	Provision for decommissioning	
		costs	Total
As at 1 January 2016	74,507	29,968	104,475
Increase during the year	27,986	-	27,986
Decrease from actual paid	(24,806)	-	(24,806)
Translation adjustment	1,424	1,310	2,734
As at 31 December 2016	79,111	31,278	110,389
Increase (decrease) during the year	15,290	(13,906)	1,384
Decrease from actual paid	(25,656)	-	(25,656)
Translation adjustment	(7,397)	(2,907)	(10,304)
As at 31 December 2017	61,348	14,465	75,813

**25. Other non-current liabilities**

As at 31 December 2017, an oversea subsidiary had other long-term liability under capital lease agreement from purchase the hauling road and special terminal of USD 5.6 million or approximately Baht 182.5 million (2016: USD 7.2 million or approximately Baht 258.6 million) and portion due within one year is classified as other current liabilities of USD 1.2 million or approximately Baht 40.3 million (2016: USD 1.4 million or approximately Baht 50.3 million).

## 26. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 27. Provident fund

The Company and a subsidiary and their employees jointly established a provident fund, in accordance with the Provident Fund Act B.E. 2530. The fund is contributed by employees at a rate of 5% of their basic salaries and the Company and the subsidiary also contribute a certain amount. The fund, which is managed by the Bank of Ayudhaya Public Co., Ltd., will be paid to employee upon termination in accordance with the fund rules of the Company and its subsidiary. The contributions of the Company and the subsidiary for the year 2017 amounting to Baht 7.7 million (the Company only: Baht 4.7 million) (2016: Baht 7.3 million (the Company only: Baht 4.4 million)) were recognised as expenses.

## 28. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Purchase of finished goods	1,995,713	1,456,254	1,744,346	1,376,873
Raw materials and consumables used	1,954,052	1,880,433	-	-
Changes in inventories of finished goods and work in process (increase) decrease	59,247	4,778	44,172	(132,269)
Royalty fee	1,006,223	628,376	-	-
Freight and transportation of goods expenses	654,495	528,515	102,114	93,784
Coal winning and conveyance expenses	2,681,015	2,262,814	-	-
Depreciation and amortisation expenses	681,903	586,635	21,293	20,913
Salaries, wages and other employee benefits	345,631	190,658	48,412	43,719
Management benefit expenses	182,692	154,644	43,246	40,535
Electricity and fuel expenses	101,312	63,184	6,335	5,787
Repair and maintenance expenses	63,747	59,722	6,913	6,303
Loss on exchange	19,550	-	4,923	-

## 29. Loss from flood event

In October 2017, it was inundated by flood, which caused the collapse of a part of the vinasse reservoirs at the subsidiary's ethanol plant, resulting in overflows of treated vinasse into a village and some related agricultural areas. The subsidiary therefore had to pay compensation and the Ministry of Industry ordered to shut down its ethanol plant temporarily in order to repair the damaged reservoirs to a safe level. The subsidiary investigated the damages and recorded losses from flood event of Baht 73.3 million in profit or loss for the year 2017. However, the subsidiary has insurance covering the damages on which it is in the process of claiming compensation from the insurance company.

## 30. Income tax

Income tax expenses for the years ended 31 December 2017 and 2016 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Current income tax:</b>				
Current income tax charge	486,471	136,328	16,277	28,321
Adjustment in respect of income				
tax of previous year	(164)	2,258	-	-
Withholding tax deducted at source recognised				
as expenses during the year	72,080	8,657	72,080	8,657
<b>Deferred tax:</b>				
Relating to origination and reversal of				
temporary differences	(1,548)	(20,429)	(468)	(570)
<b>Income tax expenses reported in the statement of</b>				
<b>    income</b>	<u>556,839</u>	<u>126,814</u>	<u>87,889</u>	<u>36,408</u>

The amount of income tax related to each component of comprehensive income for the years ended 31 December 2017 and 2016 are as follow:

	(Unit: Thousand Baht)			
	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Deferred tax relating to actuarial loss	<u>2,504</u>	<u>2,593</u>	<u>-</u>	<u>-</u>

The reconciliation between accounting profit and income tax expenses is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Accounting profit before tax	1,775,629	540,371	841,889	373,659
Applicable tax rate	10% - 30%	10% - 30%	20%	20%
Accounting profit before tax multiplied by income tax rate	507,917	121,384	168,378	74,732
Adjustment in respect of income tax of previous year	(164)	2,258	-	-
Withholding tax deducted at source recognised as expenses during the year	72,080	8,657	72,080	8,657
Effects of:				
Promotional privileges (Note 31)	(14,734)	(28,284)	-	-
Utilisation of tax loss carried forward of previous year	(16,926)	(2,880)	-	-
Non-deductible expenses	20,955	26,756	2,798	652
Income not subject to tax	(3,982)	(4,063)	(139,263)	(45,660)
Additional expense deductions allowed	(2,201)	(359)	(1,688)	(242)
Taxable withholding tax deducted at source expenses	(14,416)	(1,731)	(14,416)	(1,731)
Others	(863)	(26)	-	-
Total	(32,167)	(10,587)	(152,569)	(46,981)
Unrecognised tax loss as deferred tax assets	8,991	5,450	-	-
Translation adjustment	182	(348)	-	-
Income tax expenses reported in the statement of income	<u>556,839</u>	<u>126,814</u>	<u>87,889</u>	<u>36,408</u>

A reconciliation of the book value of deferred tax assets and deferred tax liabilities for the years ended 31 December 2017 and 2016 is presented below.

	Consolidated financial statements				Separate financial statements				
	As at 1 January 2017	Recognise to profit or loss	Recognise to comprehensive income	Translation adjustment	As at 31 December 2017	As at 1 January 2017	Recognise to profit or loss	Recognise to comprehensive income	As at 31 December 2017
<b>Deferred tax assets</b>									
Provision for long-term employee benefits	53,115	5,899	2,504	(4,358)	57,160	5,444	497	-	5,941
Accumulated depreciation - ore, plant and equipment	22,749	(873)	-	(824)	21,052	13,009	-	-	13,009
Inventories	3,320	(1,036)	-	(239)	2,045	-	-	-	-
Government grants	4,148	729	-	-	4,877	-	-	-	-
Capital lease	5,075	(7,173)	-	(258)	(2,356)	-	-	-	-
Others	1,695	(633)	-	-	1,062	343	(29)	-	314
<b>Total</b>	<b>90,102</b>	<b>(3,087)</b>	<b>2,504</b>	<b>(5,679)</b>	<b>83,840</b>	<b>18,796</b>	<b>468</b>	<b>-</b>	<b>19,264</b>
<b>Deferred tax liabilities</b>									
Accumulated amortisation - deferred exploration and development costs and deferred stripping costs	116,066	(4,635)	-	(9,936)	101,495	-	-	-	-
Accumulated depreciation - machinery	3,421	-	-	-	3,421	-	-	-	-
<b>Total</b>	<b>119,487</b>	<b>(4,635)</b>	<b>-</b>	<b>(9,936)</b>	<b>104,916</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,264</b>
<b>Deferred tax assets (liabilities) - net</b>					<b>(21,076)</b>				
Deferred tax assets					22,876				19,264
Deferred tax liabilities					43,952				-
<b>Deferred tax assets (liabilities) - net</b>					<b>(21,076)</b>				<b>19,264</b>

(Unit: Thousand Baht)

	Consolidated financial statements				Separate financial statements				
	As at 1 January 2016	Recognise to profit or loss	Recognise to other comprehensive income	Translation adjustment	As at 31 December 2016	As at 1 January 2016	Recognise to profit or loss	Recognise to other comprehensive income	As at 31 December 2016
<b>Deferred tax assets</b>									
Provision for long-term employee benefits	42,888	7,717	2,593	(83)	53,115	4,903	541	-	5,444
Accumulated depreciation - ore, plant and equipment	23,920	(1,044)	-	(127)	22,749	13,009	-	-	13,009
Inventories	4,652	(1,505)	-	173	3,320	-	-	-	-
Government grants	4,732	(584)	-	-	4,148	-	-	-	-
Capital lease	-	5,075	-	-	5,075	-	-	-	-
Others	1,422	273	-	-	1,695	314	29	-	343
Total	77,614	9,932	2,593	(37)	90,102	18,226	570	-	18,796
<b>Deferred tax liabilities</b>									
Accumulated amortisation - deferred exploration and development costs and deferred stripping costs	127,198	(10,497)	-	(635)	116,066	-	-	-	-
Accumulated depreciation - machinery	3,421	-	-	-	3,421	-	-	-	-
Total	130,619	(10,497)	-	(635)	119,487	-	-	-	-
<b>Deferred tax assets (liabilities) - net</b>					<u>(29,385)</u>				<u>18,796</u>
Deferred tax assets					22,011				18,796
Deferred tax liabilities					(51,396)				-
<b>Deferred tax assets (liabilities) - net</b>					<u>(29,385)</u>				<u>18,796</u>

As at 31 December 2017, the subsidiaries has unused tax losses totaling Baht 40.8 million (2016: Baht 141.3 million), on which deferred tax assets have not been recognised as the subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the unused tax losses.

The unused tax loss amounting to Baht 40.8 million will expire by year 2022.

### 31. Promotional privileges

Thai Agro Energy Public Company Limited, a subsidiary, has been granted the promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment as follows:

Certificate No.	1760(2)/2546	2078(9)/2551
Date	26 December 2003	19 November 2008
1. Promotional privileges for	Manufacture of alcohol	Manufacture of ethanol (99.5%)
2. Significant privileges		
2.1 Exemption from corporate income tax on income derived from the promoted operations (commencing from the date of earning operating income) and exemption from income tax on dividend paid from the income of the promoted operations throughout the period in which the corporate income tax is exempted.	8 years (expired)	8 years (will expire on 1 April 2020)
2.2 Allowance to carry-forward the annual loss from promoted operations incurred during the corporate income tax exemption period to offset with net income incurred thereafter (after exemption period in 2.1).	5 years	5 years
2.3 Exemption from import duty on raw and essential materials or products used for manufacture for export commencing from the first import date.	1 year	1 year
3. Date of first earning operating income	31 January 2005	2 April 2012

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

The subsidiary's operating revenues for the years ended 31 December 2017 and 2016 were domestic sales, which were divided between promoted and non-promoted operations, are summarised below:

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
Revenues from sales		
Promoted operations	1,461,624	1,507,508
Non-promoted operations	1,008,895	907,567
Total	<u>2,470,519</u>	<u>2,415,075</u>

### 32. Earnings per share

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

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

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit attributable to equity holders of the Company (Thousand Baht)	729,441	271,453	754,000	337,251
Weighted average number of ordinary shares (Thousand shares)	525,000	525,000	525,000	525,000
Basic earnings per share (Baht)	1.39	0.52	1.44	0.64

### 33. Dividend paid

Dividends paid by the Company and its subsidiaries for the years ended 31 December 2017 and 2016 are as follows:

#### The Company

Dividends	Approved by	Total Dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<b><u>2017</u></b>				
Final dividends for 2016	Annual General Meeting of the shareholders on 25 April 2017	152,250	0.29	16 May 2017
The interim dividend in respect of operation income for the period from January to June 2017	Board of Directors' meeting on 16 October 2017	210,000	0.40	15 November 2017
Total		<u>362,250</u>	<u>0.69</u>	
<b><u>2016</u></b>				
Final dividends for 2015	Annual General Meeting of the shareholders on 25 April 2016	210,000	0.40	16 May 2016
The interim dividend in respect of operation income for the period from January to June 2016	Board of Directors' meeting on 17 October 2016	183,750	0.35	16 November 2016
Total		<u>393,750</u>	<u>0.75</u>	

In addition, the Annual General Meeting of the shareholders for 2017 approved to set aside a general reserve of Baht 1.3 million (2016: Baht 11.1 million).



## Local subsidiary

### Thai Agro Energy Public Company Limited

Dividends	Approved by	Total Dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<b><u>2017</u></b>				
The dividend in respect of operation income from BOI promoted operation for the period from July to December 2016	Annual General Meeting of the shareholders on 24 April 2017	50,000	0.05	23 May 2017
The interim dividend in respect of operation income from BOI promoted operation for the period from January to June 2017	Board of Directors' meeting on 17 August 2017	100,000	0.10	15 September 2017
Total		150,000	0.15	
<b><u>2016</u></b>				
The dividend in respect of operation income from BOI promoted operation for the period from July to December 2015	Annual General Meeting of the shareholders on 18 April 2016	50,000	0.05	18 May 2016
The interim dividend in respect of operation income from BOI promoted operation for the period from January to June 2016	Board of Directors' meeting on 18 August 2016	100,000	0.10	16 September 2016
Total		150,000	0.15	

During the year 2017, the Company received dividend income at 51 percent for a total of Baht 76.5 million (2016: Baht 76.5 million).

## Overseas subsidiaries

### PT. Lanna Harita Indonesia

Dividends	Approved by	Total dividends (Thousand US Dollar)	Dividend per share (US Dollar)	Paid on
<b><u>2017</u></b>				
The third interim dividend for 2016	Board of Directors' meeting on 24 March 2017	6,000	750	24 March 2017
Final dividends for 2016	Annual General Meeting of the shareholders on 12 June 2017	4,000	500	16 June 2017
The first interim dividend for 2017	Board of Directors' meeting on 18 September 2017	6,000	750	18 September 2017
The second interim dividend for 2017	Board of Directors' meeting on 29 November 2017	10,000	1,250	12 December 2017
Total		26,000	3,250	
<b><u>2016</u></b>				
The third interim dividend for 2015	Board of Directors' meeting on 15 March 2016	1,200	150	18 March 2016
Final dividends for 2015	Annual General Meeting of the shareholders on 13 June 2016	1,200	150	14 June 2016
The first interim dividend for 2016	Board of Directors' meeting on 14 September 2016	1,200	150	15 September 2016
The second interim dividend for 2016	Board of Directors' meeting on 4 November 2016	2,400	300	11 November 2016
Total		6,000	750	

During the year 2017, the Company received dividend income at 55 percent for a total of USD 14.3 million or equivalent to Baht 475.1 million. The Company had been withheld the withholding tax deducted at source of Baht 35.6 million (2016: dividend income of USD 3.3 million or equivalent to Baht 115.4 million. The Company had been withheld the withholding tax deducted at source of Baht 8.7 million).

## PT. Singlurus Pratama

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend</u> <u>per share</u>	<u>Paid on</u>
		(Thousand US Dollar)	(US Dollar)	
<b><u>2017</u></b>				
Final dividends for 2016	Annual General Meeting of the shareholders on 22 June 2017	1,988	250	30 June 2017
The first interim dividend for 2017	Board of Directors' meeting on 22 September 2017	1,988	250	26 September 2017
The second interim dividend for 2017	Board of Directors' meeting on 29 November 2017	1,988	250	12 December 2017
Total		<u>5,964</u>	<u>750</u>	

During the year 2017, the Company received dividend income at 65 percent for a total of USD 3.9 million or equivalent to Baht 128.4 million. The Company had been withheld the withholding tax deducted at source of Baht 25.7 million.

### **34. 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.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have three reportable segments as follows:

1. Domestic coal segment, which purchases and sells of coal
2. Overseas coal segment, which produces and sells of coal
3. Ethanol segment, which produces and sells of ethanol

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit and total assets information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2017 and 2016, respectively.

(Unit: Million Baht)

	For the years ended 31 December													
	Domestic coal business		Overseas coal business		Ethanol business		Domestic other business		Total segments		Adjustments and eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue from external customers	1,942	1,479	7,667	4,868	2,471	2,415	-	-	12,080	8,762	-	-	12,080	8,762
Inter-segment revenue	215	182	373	246	-	-	-	-	588	428	(588)	(428)	-	-
Interest income	14	9	14	13	-	-	-	-	28	22	(5)	-	23	22
Interest expenses	-	-	36	12	33	38	-	-	69	50	(5)	-	64	50
Depreciation and amortisation	21	21	516	441	147	125	-	-	684	587	(2)	-	682	587
Share of profit from investment in associated company accounted for by the equity method	19	18	-	-	-	-	-	-	19	18	-	-	19	18
Income tax expenses	88	36	469	78	-	13	-	-	557	127	-	-	557	127
<b>Segment profit</b>	<b>417</b>	<b>385</b>	<b>3,771</b>	<b>1,685</b>	<b>251</b>	<b>303</b>	<b>-</b>	<b>-</b>	<b>4,439</b>	<b>2,373</b>	<b>(207)</b>	<b>(172)</b>	<b>4,232</b>	<b>2,201</b>
<b>Segment total assets</b>	<b>2,847</b>	<b>2,530</b>	<b>3,947</b>	<b>3,711</b>	<b>2,830</b>	<b>3,225</b>	<b>7</b>	<b>2</b>	<b>9,631</b>	<b>9,468</b>	<b>(856)</b>	<b>(937)</b>	<b>8,775</b>	<b>8,531</b>
Investment in associated company accounted for by equity method	28	25	-	-	-	-	-	-	28	25	-	-	28	25
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	12	(17)	(295)	244	85	27	-	-	(198)	254	-	-	(198)	254

## Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
Revenue from external customers		
Thailand	5,163,230	4,380,852
India	3,498,266	2,727,112
Singapore	1,107,034	-
South Korea	339,098	388,016
China	312,629	114,966
Australia	88,815	-
Others	1,571,115	1,150,608
Total	<u>12,080,187</u>	<u>8,761,554</u>
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	2,951,233	2,851,504
Indonesia	1,396,450	1,691,158
Total	<u>4,347,683</u>	<u>4,542,662</u>

## Major customers

During the year 2017, the Company and its subsidiaries have revenue from 5 major customers in amount of Baht 4,617 million and Baht 1,506 million, arising from sales by the overseas coal business and domestic coal business, respectively (2016: Baht 1,759 million and Baht 1,203 million derived from 3 major customers, arising from sales by the overseas coal business and domestic coal business, respectively).

## 35. Significant contracts and agreements

35.1 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.

35.2 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.

35.3 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.

Subsequently on 29 October 2016, PT. Singlurus Pratama has made the agreement to amend the service fees to the new rates as stipulated in the agreements. This agreement shall be effective retroactively as of 1 August 2016.

## 36. Commitments and contingent liabilities

### 36.1 Capital commitments

As at 31 December 2017, the Company and a subsidiary had capital commitments of Baht 14.3 million relating to the construction of the Company’s jetty and the subsidiary’s Vinasse Evaporation Reservoirs (2016: Baht 43.4 million relating to the construction of the company’s jetty and the subsidiary’s Bio Scrubber and Biogas Burner).

### 36.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of office building space, vehicles and other services. The terms of the agreements are generally between 1 and 5 years. As at 31 December 2017 and 2016, future minimum payment under these lease and service agreements are as follows:

(Unit: Million Baht)

Payable	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
In up to 1 year	33	22	12	11
In over 1 and up to 5 years	43	31	20	28

### 36.3 Long-term service and purchase commitments

- a) The Company and its subsidiaries had commitments under several service agreements in respect of the security service, car maintenance service and other services. The terms of the agreements are generally between 1 and 5 years. As at 31 December 2017 and 2016, future minimum payments under these agreements are as follows:

(Unit: Million Baht)

Payable	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
In up to 1 year	2.1	2.0	0.9	1.0
In over 1 year and up to 5 years	1.8	2.0	1.8	2.0

- b) The Company and its subsidiaries had commitments under service agreements regarding the legal consulting, the consulting for mining, environment and safety and other consulting of Baht 17.3 million (the Company only: Baht 17.2 million) (2016: Baht 9 million (the Company only: Baht 9 million)).
- c) The Company had commitments under the coal purchase agreement and coal shipping agreement with an overseas company which the coal price and freight rate, coal quality and quantity to purchase are stipulated in the agreement.
- d) The local subsidiary entered into a power supply agreement with the Provincial Electricity Authority for a period of one year, commencing 21 December 2010 to 20 December 2011, and being automatically renewed for every one-year period. The subsidiary shall pay power supply at the rate as stipulated in the agreement.
- e) The local subsidiary had commitments under the purchase of molasses agreement with 15-year duration under which the price is to be determined every 5 years commencing the first year in 2005. The price for the first three years is that stipulated in the agreement and for the fourth and fifth year, using the average actual market price of the first three years for comparison and the quantity to purchase and sales of molasses are those stipulated in the agreement. In addition, the subsidiary had additional two commitments under the purchase of molasses agreements with 5-years 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.

#### **36.4 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.

#### **36.5 Guarantees**

As at 31 December 2017, the Company and its subsidiaries had bank guarantees of approximately Baht 6 million, Rupiah 41,328 million and USD 0.1 million (the Company only: Baht 0.9 million) (2016: Baht 5 million, Rupiah 34,845 million and USD 0.2 million (the Company only: Baht 0.6 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 coal supply of the overseas subsidiary, guarantee for a local subsidiary's contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department and to guarantee contractual performance for using of electric to the Provincial Electricity Authority.

#### **37. Litigation**

In September 2011, a subsidiary company was sued by a company for its alleged 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 and countersued that company, claiming a compensation for damage of Baht 82.4 million. Subsequently, on 9 October 2014, the Civil Court dismissed the lawsuit filed by that company and ordered it to make payments for purchases of cassava chip that the subsidiary paid in advance of Baht 6.9 million which together with interest expense of 7.5 percent per annum, calculated from 8 November 2014 (the countersue date) until completion of payment. In addition, that company shall pay for charges and partial lawyer fee for the subsidiary. However, on 3 December 2014, the subsidiary lodged an appeal with the Appeal Court. On 9 February 2016, the Appeal Court affirmed the judgment of the civil court.

Subsequently, on 7 April 2016, the subsidiary lodged an appeal with the Supreme Court. Presently, the case is under consideration of the Supreme Court. As at 31 December 2017, the subsidiary has not received such payment; therefore, the subsidiary recorded allowance for impairment in advanced paid to that company for a whole amount.



### 38. Fair value hierarchy

As at 31 December 2017 and 2016, the Company and its subsidiaries had the assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 December 2017			
	Consolidated		Separate	
	financial Statements		financial Statements	
	Level 2	Total	Level 2	Total
<b>Asset measured at fair value</b>				
Held for trade investments -				
Debt instruments	504,292	504,292	496,066	496,066
<b>Assets for which fair value are disclosed</b>				
Investment property	32,423	32,423	32,423	32,423

(Unit: Million Baht)

	As at 31 December 2016			
	Consolidated		Separate	
	financial Statements		financial Statements	
	Level 2	Total	Level 2	Total
<b>Asset measured at fair value</b>				
Held for trade investments -				
Debt instruments	232,806	232,806	229,525	229,525
<b>Assets for which fair value are disclosed</b>				
Investment property	32,423	32,423	32,423	32,423

### 39. Financial instruments

#### 39.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, investments, trade and other payables, short-term and long-term borrowings. The financial risks associated with these financial instruments and how they are managed is described below.

### **Credit risk**

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statements of financial position.

### **Interest rate risk**

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, and interest bearing short-term and long-term borrowings. However, since most of financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

As at 31 December 2017 and 2016, significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements						
As at 31 December 2017						
	Fixed interest rates within 1 year	Fixed interest rates 1 - 5 year	Floating interest rate	Non- interest bearing	Total	Interest rate  (% per annum)
<b>Financial assets</b>						
Cash and cash equivalents	522	-	595	11	1,128	0.10 - 7.50
Current investments	330	-	-	504	834	1.30 - 1.70
Trade and other receivables	-	-	-	1,268	1,268	-
Restricted bank deposits	86	-	-	-	86	4.25 - 7.50
	<u>938</u>	<u>-</u>	<u>595</u>	<u>1,783</u>	<u>3,316</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	-	-	899	-	899	2.75 - 3.00
Trade and other payables	-	-	-	557	557	-
Liabilities under finance lease agreements	3	3	-	-	6	0.27 - 15.32
Long-term loan	-	-	118	-	118	THBFIX+1.95
	<u>3</u>	<u>3</u>	<u>1,017</u>	<u>557</u>	<u>1,580</u>	

(Unit: Million Baht)

## Consolidated financial statements

As at 31 December 2016

	Fixed interest rates within 1 year	Fixed interest rates 1 - 5 year	Floating interest rate	Non- interest bearing	Total	Interest rate (% per annum)
<b>Financial assets</b>						
Cash and cash equivalents	342	-	356	-	698	0.10 - 7.50
Current investments	400	-	-	233	633	1.50 - 1.70
Trade and other receivables	-	-	-	617	617	-
Restricted bank deposits	79	-	-	-	79	0.50 - 7.25
	<u>821</u>	<u>-</u>	<u>356</u>	<u>850</u>	<u>2,027</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	45	-	987	-	1,032	2.85 - 3.10
Trade and other payables	-	-	-	481	481	-
Liabilities under finance lease agreements	3	4	-	-	7	2.29 - 15.32
Long-term loan	-	-	298	-	298	THBFIX+1.90
	<u>48</u>	<u>4</u>	<u>1,285</u>	<u>481</u>	<u>1,818</u>	

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2017

	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	100	162	-	262	0.10 - 1.30
Current investments	330	-	496	826	1.30 - 1.70
Trade and other receivables	-	-	197	197	-
	<u>430</u>	<u>162</u>	<u>693</u>	<u>1,285</u>	
<b>Financial liabilities</b>					
Trade and other payables	-	-	45	45	-
	<u>-</u>	<u>-</u>	<u>45</u>	<u>45</u>	

(Unit: Million Baht)

Separate financial statements					
As at 31 December 2016					
	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	50	33	-	83	0.10 - 1.40
Current investments	400	-	230	630	1.50 - 1.70
Trade and other receivables	-	-	203	203	-
	<u>450</u>	<u>33</u>	<u>433</u>	<u>916</u>	
<b>Financial liabilities</b>					
Trade and other payables	-	-	136	136	-
	<u>-</u>	<u>-</u>	<u>136</u>	<u>136</u>	

### Foreign currency risk

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

The Company had balances of financial assets and liabilities denominated in foreign currencies as follows:

As at 31 December 2017				
Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Exchange rate as at 31 December 2017 (Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	7.9	0.1	32.5146	32.8472

As at 31 December 2016				
Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Exchange rate as at 31 December 2016 (Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	3.5	2.8	35.6588	36.0025

As at 31 December 2016, the Company had buying contract totaling USD 1.5 million at rate of 35.6150 - 35.9550 which expire within January 2017.

## **39.2 Fair values of financial instruments**

Since the majority of the Company's and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates or fixed interest rates which are close to the market rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

## **40. Capital management**

The primary objective of the Company's and its subsidiaries' capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2017, the Group's debt-to-equity ratio was 0.49:1 (2016: 0.47:1) and the Company's debt-to-equity ratio was 0.04:1 (2016: 0.09:1).

## **41. Event after the reporting period**

### **The Company**

On 16 February 2018, the Company entered into the coal screening plant construction in Ayutthaya of Baht 19.8 million.

### **The local subsidiary**

On 15 February 2018, the meeting of the subsidiary's Board of Directors passed a resolution to approve the payment of dividend in respect of operating income from BOI promoted operation for the year 2017 to the subsidiary's shareholders for 1,000 million shares of Baht 0.15 per share, or a total of Baht 150 million. The interim dividends were paid on 15 September 2017 of Baht 0.10 per share, amounting to Baht 100 million, and there is the remaining dividend of Baht 0.05 per share, amounting to Baht 50 million. Such resolution will later be proposed for approval in the 2018 Annual General Meeting of the subsidiary's shareholders.

## **42. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised directors on 20 February 2018.

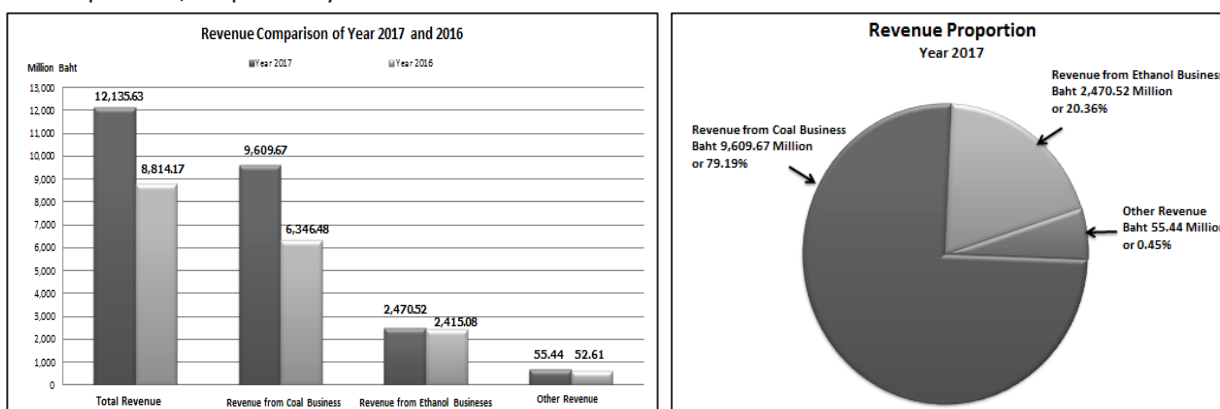
# MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements Year 2017)

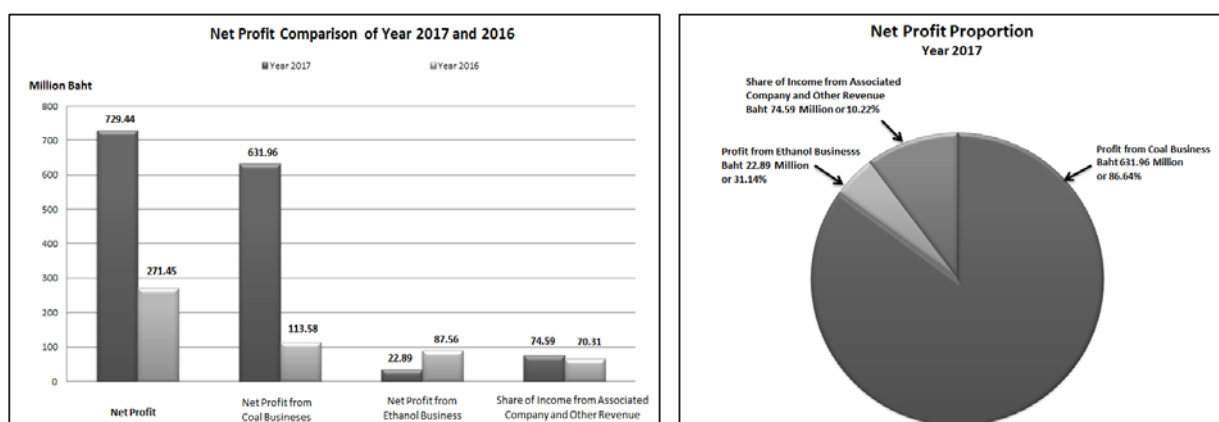
## OVERALL OPERATING RESULTS

The overall operating results for year 2017 of the Company and subsidiary companies recorded an excellent growth in terms of revenue and net profit with an increase in net profit of nearly twofold as compared with the previous year, in line with continuous rise in coal prices, which is the Company's core business. Thus, earnings efficiency has improved significantly.

The Company and subsidiary companies had total revenue in year 2017 of Baht 12,135.63 million, increased from the previous year by Baht 3,321.46 million or 37.68 percent. The revenue proportion from coal business, ethanol business and other revenue accounted for 79.19, 20.36 and 0.45 percent, respectively.



The Company and subsidiary companies had total net profit in year 2017 of Baht 729.44 million or net earnings per share of Baht 1.39, increased from the previous year by Baht 457.99 million or 168.72 percent. The net profit proportion from coal business, ethanol business, and share of income from the associated company and other revenue accounted for 86.64, 3.14 and 10.22 percent, respectively, with the net profit margin of 10.04 percent, an increase from the previous year of 114.05 percent; the EBITDA margin of 20.78 percent, an increase from the previous year of 55.58 percent; and the return on equity of 17.25 percent, an increase from the previous year of 166.13 percent.



The overall financial status and liquidity of the Company and subsidiary companies as at the end of 2017 were considered excellent. The current ratio and quick ratio were as high as 1.85 and 1.35 times, respectively, but the total debt to total assets ratio was only 32.82 percent, with debt to equity ratio of only 48.85 percent, and cash cycle in year 2017 was only 27 days, a decrease of 7 days from the previous year.

**COAL BUSINESS:** Coal prices, which is Company's core business, continued to increase during the past year, with the revenue from the coal business in year 2017 totaled Baht 9,609.67 million, which increased from the previous year by Baht 3,263.19 million or 51.42 percent, due to the increase in coal sales volume and average coal selling price of 18.87 and 27.38 percent, respectively. The net profit derived from shareholding proportion of the Company in year 2017 were Baht 631.96 million, an increase from the previous year of Baht 518.38 million or 456.40 percent. Thus, earnings efficiency has improved significantly.

**ETHANOL BUSINESS:** The total revenue in year 2017 from ethanol business, which is the Company's secondary core business, was Baht 2,470.52 million, which increased from the previous year by Baht 55.44 million or 2.30 percent. Despite the decrease in ethanol sales volume of 7.39 percent from the previous year, the average ethanol selling price increased from the previous year by 10.48 percent. The net profit derived from shareholding proportion of the Company in year 2017 was Baht 22.89 million, which decreased from the previous year by Baht 64.67 million or 73.86 percent due to the flood incident causing damage to the treated wastewater pond of the ethanol production plant of the subsidiary company. Consequently, the ethanol production was temporary halted to solve such problem which lasted more than two months during the 4<sup>th</sup> quarter year 2017, by which the compensation was paid to the affected villagers totaling Baht 73.32 million. The ethanol production plant was reopened and continued with ethanol production and distribution as normal in early December 2017. The net profit from ethanol business in year 2017 therefore decreased as mentioned above.

#### OPERATING RESULTS ANALYSIS

Revenue	Year 2017		Year 2016		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Coal Sales	9,609.67	79.19	6,346.48	72.00	3,263.19	51.42
Revenue from Ethanol Sales	2,470.52	20.36	2,415.08	27.40	55.44	2.30
Other Revenue	55.44	0.45	52.61	0.60	2.83	5.38
<b>Total Revenue</b>	<b>12,135.63</b>	<b>100.00</b>	<b>8,814.17</b>	<b>100.00</b>	<b>3,321.46</b>	<b>37.68</b>

**REVENUE:** The revenue of the Company and subsidiary companies in year 2017 totaled Baht 12,135.63 million, which increased from the previous year by Baht 3,321.46 million or 37.68 percent due to the following reasons:

(1) Revenue from coal business totaled Baht 9,609.67 million, which increased from the previous year by Baht 3,263.19 million or 51.42 percent. This was due to the increase in coal sales volume and coal selling price as described above.

(2) Revenue from ethanol business totaled Baht 2,470.52 million, which increased from the previous year by Baht 55.44 million or 2.30 percent. This was due to the increase in ethanol selling price as described above; and

(3) Other revenue totaled Baht 55.44 million, which increased from the previous year by Baht 2.83 million or 5.38 percent due to the increase in interest received.

Expenses	Year 2017		Year 2016		Increase (Decrease)	
	Million Baht	% Sales	Million Baht	% Sales	Million Baht	% Sales
<b>Coal Business</b>						
Cost of Sales	5,628.56	58.57	4,448.53	70.09	1,180.03	26.53
Selling and Administrative Expenses	2,295.36	23.89	1,603.36	25.26	692.00	43.16
Financial Expense	31.04	0.32	12.30	0.19	18.74	152.36
Corporate Income Tax	557.34	5.80	113.88	1.79	443.46	389.41
<b>Ethanol Business</b>						
Cost of Sales	2,219.66	89.85	2,111.84	87.44	107.82	5.11
Selling and Administrative Expenses	171.68	6.95	77.67	3.22	94.01	121.04
Financial Expense	32.85	1.33	37.80	1.57	(4.95)	(13.10)
Corporate Income Tax	(0.50)	(0.02)	12.94	0.54	(13.44)	(103.86)

**COAL BUSINESS EXPENSES:** The coal business expenses of the Company and subsidiary companies in year 2017 totaled Baht 8,512.30 million, which increased from the previous year by Baht 2,334.23 million or 37.78 percent, due to the following reasons:

(1) Cost of coal sales increased from the previous year by Baht 1,180.03 million or 26.53 percent, due to the increase in coal sales volume and cost of coal sales by 18.87 and 6.44 percent, respectively.

(2) Selling and administrative expenses increased from the previous year by Baht 692.00 million or 43.16 percent due to the increase in coal sales volume and revenue from coal sales as described above.

(3) Financial expense increased from the previous year by Baht 18.74 million or 152.36 percent due to the increase in interest expense according to the lease agreement on coal transport jetty investment of the subsidiary company; and

(4) Corporate income tax increased from the previous year by Baht 443.46 million or 389.41 percent due to the increase in profit.

**ETHANOL BUSINESS EXPENSES:** Ethanol business expenses of the subsidiary company in year 2017 totaled Baht 2,423.69 million, which increased from the previous year by Baht 183.44 million or 8.19 percent, due to the following reasons:

(1) Cost of ethanol sales increased from the previous year by 107.82 million or 5.11 percent, due to the increase in the molasses price, which is a major cost, of 18.59 percent.

(2) Selling and administrative expenses increased from the previous year by Baht 94.01 million or 121.04 percent, due to the compensation of Baht 73.32 million paid to the affected villagers from the flood incident that caused damage to the treated wastewater pond of the ethanol production plant as described above.

(3) Financial expense decreased from the previous year by Baht 4.95 million or 13.10 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 Ethanol Production Line No. 1 incurred net operating loss in 2017, therefore, the incurred corporate income tax therefore decreased from the previous year by Baht 13.44 million or 103.86 percent.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Year 2017</b>						
Revenues from Sales	9,609.67	100.00	2,470.52	100.00	12,080.19	100.00
Less Cost of Sales	5,628.56	58.57	2,219.66	89.85	7,848.22	64.97
<b>Gross Profit</b>	<b>3,981.11</b>	<b>41.43</b>	<b>250.86</b>	<b>10.15</b>	<b>4,231.97</b>	<b>35.03</b>
<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>

**GROSS PROFIT:** The gross profit of the Company and subsidiary companies in year 2017 totaled Baht 4,231.97 million, or 35.03 percent of the sales revenue, which increased from the previous year with the gross profit of Baht 2,201.19 million or 25.12 percent of the sales revenue, due to the following reasons:

(1) Gross profit from coal business was 41.43 percent of the sales revenue, which increased from the previous year with gross profit of 29.91 percent of the sales revenue. This was due to the increase in average coal selling price of 27.38 percent, while the average cost of coal sales slightly increased by 6.44 percent; and

(2) Gross profit from ethanol business was 10.15 percent of the sales revenue, which decreased from the previous year with gross profit of 12.56 percent of the sales revenue. This was due to the increase in average ethanol selling price of 10.48 percent, while the average cost of ethanol sales increased by 13.49 percent.

Net Profit	Year 2017		Year 2016		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business	631.96	86.64	113.58	41.84	518.38	456.40
Profit form Ethanol Business	22.89	3.14	87.56	32.26	(64.67)	(73.86)
Other Revenue and Share of Income from Associated Company	74.59	10.22	70.31	25.90	4.28	6.09
<b>Net Profit</b>	<b>729.44</b>	<b>100.00</b>	<b>271.45</b>	<b>100.00</b>	<b>457.99</b>	<b>168.72</b>
<b>Net Earnings per share (Baht per share)</b>	<b>1.39</b>		<b>0.52</b>		<b>0.87</b>	<b>168.72</b>

**NET PROFIT:** The net profit of the Company and subsidiary companies in year 2017 totaled Baht 729.44 million, or net earnings per share of Baht 1.39, which increased from the previous year by Baht 457.99 million or net earnings per share of Baht 0.87 or 168.72 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company was Baht 631.96 million or 86.64 percent of the total net profit, which increased from the previous year by Baht 518.38 million or 456.40 percent. This was due to the increase in coal sales volume and average coal selling price of 18.87 and 27.38 percent, respectively.

(2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 22.89 million or 3.14 percent of the total net profit, which decreased from the previous year by Baht 64.67 million or 73.86 percent due to the flood incident as described above.

(3) Share of income from associated company and other revenue were Baht 74.59 million or 10.22 percent of the total net profit, which increased from the previous year by Baht 4.28 million or 6.09 percent, due to an increase in share of income from associated company and interest received as described above.

#### **EARNINGS EFFICIENCY**

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in year 2017 was Baht 2,521.42 million, which increased from the previous year by Baht 1,344.32 million or 114.21 percent and EBITDA margin was at 20.78 percent, which increased from the previous year by 55.58 percent.

(2) Net profit margin of the Company and subsidiary companies in year 2017 was at 10.04 percent, which increased from the previous year by 114.05 percent.

(3) Return on equity of the Company and subsidiary companies in year 2017 was at 17.25 percent, which increased from the previous year by 166.13 percent.

(4) Return on total assets of the Company and subsidiary companies in year 2017 was at 14.09 percent, which increased from the previous year by 194.79 percent. The return on fixed assets in year 2017 was at 52.41 percent, which increased from the previous year by 83.46 percent.

#### **STATEMENT OF FINANCIAL POSITION**

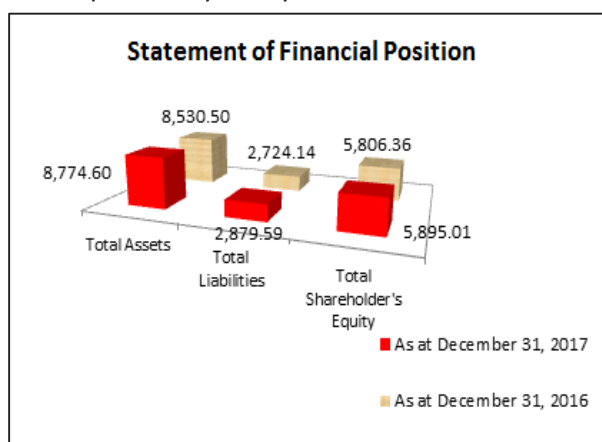
Description	Unit: Million Baht		Increase (Decrease)	
	As at December 31, 2017	As at December 31, 2016	Million Baht	%
Total Assets	8,774.60	8,530.50	244.10	2.86
Total Liabilities	2,879.59	2,724.14	155.45	5.71
Total Shareholders' Equity	5,895.01	5,806.36	88.65	1.53
Book Value-Baht per Share	8.26	7.84	0.42	5.36

Remark: Registered par value of Baht 1 per share

**ASSETS:** The total assets of the Company and subsidiary companies as at end of year 2017 increased from the previous year by Baht 244.10 million or 2.86 percent, due to (1) Current assets increased by Baht 438.21 million or 11.05 percent, consisting of: (A) cash and cash equivalent increased by Baht 631.38 million or 47.44 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 651.72 million or 105.70 percent; (C) inventories decreased by Baht 67.63 million or 14.69 percent; and (D) other current assets most of which were prepaid corporate income tax, prepaid expenses, etc., decreased by Baht 777.26 million or 49.89 percent; and (2) Non-current assets, most of which were properties, buildings and equipment decreased by Baht 194.11 million or 4.25 percent.

**LIABILITIES:** The total liabilities of the Company and subsidiary companies as at end of year 2017 increased from the previous year by Baht 155.45 million or 5.71 percent, due to (1) Trade accounts payable and other accounts payable increased by Baht 75.63 million or 15.71 percent (2) Loan decreased by Baht 312.48 million or 23.51 percent (3) Accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 499.46 million or 166.73 percent; and (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., decreased by Baht 107.16 million or 17.46 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company and subsidiary companies as at end of year 2017 increased from the previous year by Baht 88.65 million or 1.53 percent, resulting in an increase of the share's book value from Baht 7.84 per share to Baht 8.26 per share, an increase of Baht 0.42 per share or 5.36 percent. This was due to: (1) an increase in retained earnings of Baht 363.37 million or 13.36 percent due to an increase in net profit of Baht 729.44 million but there was dividend payment of Baht 362.25 million and a decrease in miscellaneous items of Baht 3.82 million (2) a net decrease in translation adjustment in financial of Baht 143.01 million or 121.73 percent; and (3) a decrease in minority shareholders' equity of Baht 131.71 million or 7.80 percent.



## CASH FLOWS

Description	Unit: Million Baht	
	Year 2017	Year 2016
Cash Flows from (used in) Operating Activities	2,615.61	1,019.28
Cash Flows from (used in) Investing Activities	(817.54)	(236.36)
Cash Flows from (used in) Financing Activities	(1,381.37)	(757.79)
Increase (Decrease) in Translation Adjustments in Financial Statements	13.20	12.89
Net Increase (Decrease) in Cash	429.90	38.02
Cash at the beginning of the period	698.17	660.15
<b>Cash at the end of the period</b>	<b>1,128.07</b>	<b>698.17</b>

(1) The net cash from operating activities of the Company and subsidiary companies in year 2017 totaled Baht 2,615.61 million, consisting of: (A) income before corporate income tax and interest expense of Baht 1,775.63 million; (B) transactions that did not affect the cash such as depreciation and amortization of assets, most of which were mostly transactions concerning coal mining operations of the subsidiary companies in Indonesia of Baht 751.36 million; (C) a decrease in operating assets of Baht 26.09 million; (D) an increase in operating liabilities of Baht 189.74 million; and (E) an increase in interest received of Baht 21.34 million and interest expense and taxes increased by Baht 148.55 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in year 2017 totaled Baht 817.54 million, consisting of: (A) properties, buildings and equipment increased by Baht 266.54 million, most of which were the coal transport jetty construction and wastewater treatment system construction of the subsidiary company; (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 355.40 million; and (C) short-term capital investment and other items increased by Baht 195.60 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in year 2017 totaled Baht 1,381.37 million, consisting of: (A) a decrease in loan of Baht 315.82 million, (B) dividend payment of Baht 893.61 million, (C) an increase in interest expense under investment lease agreement of Baht 85.36 million and (D) a decrease in minority shareholders' equity of Baht 86.58 million.

#### **ASSET MANAGEMENT CAPABILITY**

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at end of year 2017 were 14.45 percent of total assets. The provisions of doubtful debts are considered based on review of receivable period and assessment of past debt collection experience. Therefore, there was no provision of doubtful debt in year 2017.

(2) Inventory of the Company and subsidiary companies as at end of year 2017 was 4.48 percent of total assets without deterioration of the products. Therefore, there was no allowance for impairment loss of inventory in year 2017.

(3) The Company's goodwill incurred from investment in the subsidiary company in Indonesia as at end of year 2017 was accounted for 2.12 percent of total assets, of which the Company 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 2017.

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

(1) The total debt to equity ratio of the Company and subsidiary companies as at end of year 2017 was as low as 0.49:1 with appropriate capital structure, and the Company has cash generation and credit facilities for future investment projects as the interest coverage ratio in year 2017 was as high as 50.65 times. Therefore, the Company should not have any problem.

(2) The current ratio and quick ratio of the Company and subsidiary companies as at end of year 2017 were as high as 1.85 times and 1.35 times, respectively, regarding as high liquidity.

(3) The cash cycle of the Company and subsidiary companies in year 2017 was only 27 days, which was considered within good standard and decreased from the previous year by 7 days. The average debt collection period was at 27 days, which decreased from the previous year by 2 days. The average inventory turnover was at 20 days, which decreased from the previous year by 6 days, but the average debt repayment period was at 20 days, decreased from the previous year by 1 day.

## DEBT OBLIGATION

The subsidiary company in a business of ethanol-for-fuel production and distribution 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, but the subsidiary company was affected by the flood incident in late 2017 as described above, as a result, it is unable to maintain the DSCR as required by the contractual obligation of the loan, by which the lending bank has issued a letter of notification to waive the debt to equity ratio for year ended December 31, 2017.

(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 sell or 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.

## FUTURE TREND

**Coal Business:** As global coal prices have continued to rise, it is expected that the operating results of the coal business, which is a core business, will be able to make more profit growth in year 2018 with positive global coal price trend. In early 2018, PT. Lanna Harita Indonesia (“LHI”) and PT. Lanna Singlurus Pratama (“SGP”), subsidiary companies in Indonesia, have amended their coal mining concession on the divestment of foreign or non-Indonesian shareholding to not more than 49 percent of paid-up capital within year 2019, by which the Company has disclosed this information to the Stock Exchange of Thailand to inform the shareholders and investors. Nevertheless, the Company still has management control in both subsidiary companies, which allows for the consolidation of both subsidiary companies’ financial statements into the Company’s consolidated financial statements as before.

**Ethanol Business:** Impact from the flood incident in late 2017 as described above has caused the operating results of ethanol business in 2017 to be lower than expectation. It is anticipated that the ethanol business will be profitable in year 2018 as before as the Energy Business Department is considering the direction on gasohol 91 phase-out which will drive the use of gasohol E20 and should result in higher demand for ethanol.

Regardless, the overall operating results in year 2018 are expected to be more profitable with coal price staying at high level. Nonetheless, the Company shall endeavor to manage and resolve all the problems with prudence and caution to ensure good operating results in the following year and proceed with regular dividend payments to shareholders according to the established policy.

## CORPORATE SOCIAL RESPONSIBILITY

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With focus on social responsibility in every aspect of operation, the Company has been pursuing sustainable development by integrated the corporate social responsibility to the business operations, encompassing the following eight topics:

- Fair Business Conduct
- Anti-Corruption Measures
- Respect for Human Rights
- Equitable Treatment to Workforce
- Responsibilities toward Consumers and Customers
- Environmental Responsibility and Preservation
- Community and Society Development
- Innovation and Dissemination of Innovation through CSR

### FAIR BUSINESS CONDUCT

In order to ensure fair business conduct, guidelines dealing with stakeholders are established in the code of conduct by focusing on responsibility toward shareholders, employees, customers, business partners, community, society, and environment. The guidelines set a standard more stringent than the required regulations and include prohibition on actions that violate the stakeholders.

- **Policy on Fair Business Conduct**

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

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

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

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

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

- **Policy on Responsibility toward Shareholders**

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

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

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

- **Policy on Conflict of Interest**

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

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

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

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

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

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

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

## **ANTI-CORRUPTION MEASURES**

The Company is committed to anti-corruption in every form. The Board of Directors has established a regulation concerning anti-corruption for raising of the awareness of directors, executives, and employees at every level about the danger of corruption, instilling proper values, and inspiring confidence of all stakeholders for sustainable development of the corporation in long-term. Accordingly, on July 10, 2015, Lanna Resources Public Company Limited has been officially certified as a member of "Thailand's Private Sector Collective Action Coalition Against Corruption" or CAC.

- **Anti-Corruption Policy**

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

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

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



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

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

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

• **Guidelines concerning Anti-Corruption**

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

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

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

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

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

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

(4) Training courses are organized for personnel to provide knowledge concerning rules and regulations, practice guideline, policies on anti-corruption. In 2017, the Company organized such training course on November 14, 2017 at the meeting room of Lanna Resources Public Co., Ltd.

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

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

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

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

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



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

• **Policy on Whistleblowing or Complaints by Stakeholders**

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

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

Any stakeholders who wish to contact the Board of Directors directly without going through the executives of the Company in order to offer any opinions concerning with the business operation including whistleblowing or complaints such as inappropriate action, fault, wrongdoing or mistake, illegal action or unethical behavior etc., it can be directly forwarded to the Audit Committee of the Company by mail as follows:

**Chairman of the Audit Committee**

**41/9 Rim Klong Bangsaka Road**

**Bangkor, Chomthong, Bangkok 10150**

**By e-mail address: wanna@lannar.com**

(2) Protection for the Whistleblower

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

(3) Procedure after Whistleblowing or Complaints

The Audit Committee is assigned to investigate the information or facts informed by the whistleblower according (1) above and directly presents the matter to the Board of Directors for acknowledgment and consideration.

(4) Correction Measures and Compensation

In case the stakeholder has been damaged from the violation of right according to the laws, the Company is willing to listen to opinion or complaint and will urgently correct the fault and impact without delay including finding measures to prevent recurrence of the event and will consider making appropriate compensation to the damaged person based on cause and effect on a case-by-case basis.

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

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

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

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

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

## **RESPECT OF HUMAN RIGHTS**

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

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

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

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

(4) The Company shall uphold fairness and sincerity upon engaging in management related to salary, wages, benefits, and employment terms. Forced labors and child labors are not tolerated. The Company shall support all employees with equal opportunity and provide appropriate and pleasant working environment. Additionally, the Company shall strictly comply with the Labor Protection Act and Thai Labor Standards, including other related laws and regulations.

## **EQUITABLE TREATMENT TO WORKFORCE**

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

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

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

(4) The Benefit Committee is established to ensure proper benefits as required by law and to inspire morale. Safety in workplace is focused, with related trainings regularly held. Corporate with the government on surrounding environment with regular water and air quality monitoring every six month to ensure good environment of surrounding communities. In 2017, no accident has been occurred for three consecutive years.

(5) Other policy and guidelines concerning equitable treatment to workforce, including other activities are disclosed in this Annual Report, page 152-155, under the topic "Information on Employees".

## **RESPONSIBILITIES TOWARD CONSUMERS AND CUSTOMERS**

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

(1) The Company's products are safe and reliable without any harm to the consumers' health.

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

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

(4) The Company encourages environmental and societal consciousness for the usage of its products.

(5) The Company shall sustainably develop its products and services for the benefit of both the Company and consumer society.

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

(7) The Company shall cooperate with competitors for the benefit of the consumers. Such cooperation shall not be a monopoly, sharing of market, deterioration of product quality, and price readjustment that is disadvantageous for overall consumers. The personnel of the Company shall engage with competitors with care without disclosing or revealing any company's secret to competitors.

(8) The Company shall select its business partners by considering the competency and experience of the business partners, their financial status, reputation, whistleblowing and legal cases, policy of the business partners, and risks.

(9) The Company shall not violate intellectual property or copyright of others.

(10) The Company shall pay the business partners with the correct and punctual payment and shall conduct its business in a sustainable and transparent manner, in compliance with the prescribed terms and conditions of trade and contract, which is fair to stakeholders.

## **ENVIRONMENTAL RESPONSIBILITY AND PRESERVATION**

The Company operates with awareness of environmental responsibility in all action undertaken in business procedure in order to prevent any consequential impact from Company's business operations.

- **Environmental Responsibility Policies and Guidelines**

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

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

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

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

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

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

(7) The Company shall provide trainings for employees and assign supervisors with additional responsibility of managing operation with safety systems and continually adhering to operate with it.

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

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

- **Activities for Environment Preservation during the Past Year**

(1) The Ayutthaya Coal Distribution Center, a domestic operator, has carried out measures concerning the environment as well. Trees have been planted as wind barriers in order to prevent dust pollution, and high-pressure water spray system has been set up to constantly spray water around coal stockpiles and hauling roads. The sediment from waste water is contained and not released to the public river. Coal trucks are ensured to have complete coverage, and their wheels are washed before entering public road. Air and water quality are measured every six months in order to ensure that the dust was effectively in control. Moreover, a close system of large silos has been constructed for coal storage and transportation that effectively minimizes dust dispersion. The Ayutthaya Coal Distribution Center has been granted the Green Industry Accreditation Level 3 (Green System) and awarded with the Corporate Social Responsibility Department of Industrial Works (CSR-DIW Award) from the Ministry of Industry.

(2) Every coal mining project must operate according to the mine plan and environmental impact analysis report which was approved by relevant governmental agencies and carry out the mine site rehabilitation in order to improve environmental surroundings and ecosystem and return to its useful state such as agriculture, water reservoirs, residence, etc. In the past year 2017, subsidiary companies which are PT. Lanna Harita Indonesia and PT. Singlurus Pratama, operating coal mining business in Indonesia, have again received the awards and recognitions in 2017 for its good and continuing environmental and safety management according to the regulations.

**The Ayutthaya Coal Distribution Center has environmental related activities as follows:**

(1) The coal processing and coal storage and silos for coal distribution to customers of small and medium-sized enterprises (SMEs) have been operating well in terms of quality and in accordance with the established objectives, which can significantly and effectively reduce the dispersion of dust. The 4,000-square-meter parking area for customers' trucks has adequate area and has been improved with concrete surface.

(2) The Company arranges yearly for quality measurement of air, noise and surface water, by engaging Mine Engineering Consultant Co., Ltd., for inspection to ensure that they meet the standards according to the Announcement of the National Environment Board No. 24 (B.E. 2547).

(3) The Company realizes the importance of tree planting and caring in the Ayutthaya Coal Distribution Center as it is wind barrier and suppresses dust from spreading into public places.

(4) The Company has constructed sediment treatment system in the Ayutthaya Coal Distribution Center in order to prevent sediment from being discharged into public waterways. The sediment traps are scattered across the area in order to collect and keep surface water, which includes rain and water used for sprinkle on stockpile for dust suppression. The collected water is then stored in sedimentary ponds. Once the process is over, the water is brought back for reuse with the purpose of minimizing waste and saving the water resources.

(5) The Company has constructed two wheel washing facilities at Ayutthaya Coal Distribution Center which departing coal trucks are required to pass through before entering public roads to prevent debris and other problems that may obstruct public transportation.

**COMMUNITY AND SOCIAL DEVELOPMENT**

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

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

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

(3) Commit to continuously raise community and social responsibility awareness among employees in all levels as well as improve standard of safety in the community and society with or without help from government sector.

(4) Strictly operate in compliance with the relevant laws and regulations.

(5) Must not support and engage with an individual or business that is harmful to society and national security or any kind of corruption.

(6) Community development through community relations activities such as participation in local traditions at Nakhon Luang District, Ayutthaya Province, and financially support an employment of English language teacher at Wat Sadej School, as well as provide lunch support for children at Ban Pa Kha School.



AWARDS AND RECOGNITIONS FOR ENVIRONMENT AND SAFETY IN 2017

LANNA RESOURCES PUBLIC CO., LTD.



CSR-DIW Award 2017 from the Ministry of Industry



Environmental Governance Award from the Ministry of Industry

PT LANNA HARITA INDONESIA



The Bronze Certificate for Safety Management 2017 from the Ministry of Energy and Mineral Resources of Indonesia



The Bronze Certificate for Environmental 2017 from the Ministry of Energy and Mineral Resources of Indonesia

## PT SINGLURUS PRATAMA



The Bronze Certificate for Safety Management 2017 from the Ministry of Energy and Mineral Resources of Indonesia



The Bronze Certificate for Environmental 2017 from the Ministry of Energy and Mineral Resources of Indonesia

### INNOVATION AND DISSEMINATION OF INNOVATION THROUGH CSR ACTIVITIES

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

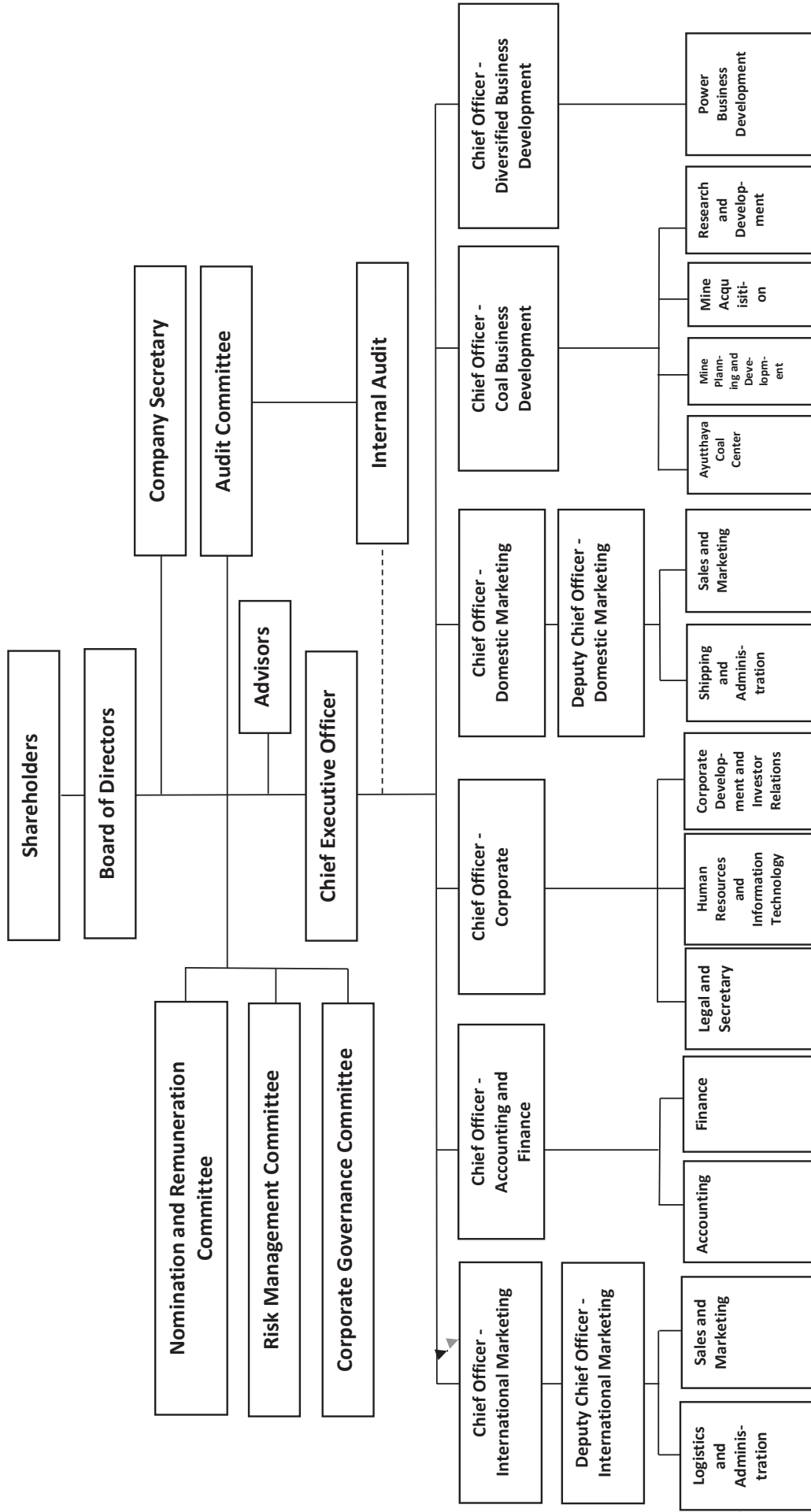
- In 2017, the Company has established the Coal Research and Development Department to achieve higher quality of coal and reduce emissions of pollution. The coal that being developed will have higher calorific value, which should reduce the amount of coal used by the customers and in turn, contributes to the energy conservation.

- Improve the coal separation process to be a closed system by constructing coal separation plant to reduce the dispersion of dust caused by the coal separation process and use the conveyor system to load coal onto the truck to reduce the unnecessary procedures of loading and transportation of coal.

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

# MANAGEMENT STRUCTURE

## Organization Structure



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



## Management Structure

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

### The Board of Directors

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

- Name list and number of Directors who have been authorized to sign on behalf of the Company are Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, two out of four Directors sign and affixed with the Company’s seal.

- The term for the directorship position is in accordance with the Public Limited Companies Act B.E. 2535 and the Company does not establish the maximum number of consecutive terms of directorship position.

- Normally, the Board of Directors holds meeting at least once for every two months (one meeting every other month) and will occasionally hold extraordinary meeting in case of important or urgent matter. In 2017, there were 6 meetings altogether, having details are as follows:

Director’s Name	Position	Meeting Attendance in 2017
(1) Mr. Somkiart Limsong	Chairman of the Board	4 out of 6
(2) Mr. Paul Heinz Hugentobler	Director	3 out of 6
(3) Mr. Vanchai Tosomboon	Director	6 out of 6
(4) Mr. Tanon Tantisunthorn	Director	6 out of 6
(5) Mr. Siva Mahasandana	Director	6 out of 6
(6) Mr. Akasit Jirayuwanon	Independent Director	6 out of 6
(7) Mr. Padoong Techasarintr	Independent Director/Audit Committee Chairman	6 out of 6
(8) Mrs. Duangkamol Suchato	Independent Director/Audit Committee Member	6 out of 6
(9) Mr. Adul Tantharatana	Independent Director/Audit Committee Member	6 out of 6
(10) Mr. Kraisi Sirirungsi	Director	6 out of 6
(11) Mr. Suroj Subhasavasdikul	Director	6 out of 6
(12) Mr. Visit Tantisunthorn	Director	5 out of 6
(13) Mr. Srihasak Arirachakaran	Director	6 out of 6
(14) Mr. Anun Louharanoo	Director	6 out of 6

- The Board of Directors is required to possess following qualifications:

(1) Directors are not required to be the shareholders and shall possess the qualifications in compliance with laws concerning public companies and related laws, but without inappropriate traits that express untrustworthiness to perform duties for the Company.

(2) Directors shall possess knowledge, expertise, value of honesty and business ethics and willingness to devote their time in performing duties to the fullest capacity for the highest benefit of the Company and shareholders.

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

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

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

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

- The Board of Directors has the authority, duties and responsibilities in the management of the Company by conducting its duties in compliance with all laws, the objects and the articles of association of the Company, and the resolutions of any shareholder meetings in good faith, and with care to preserve the interests of the Company. In summary, the authorization and responsibilities are as follows:

(1) The Board of Directors has adopted the Company's direction, objectives, business plan and budget, as well as monitor and supervises over the management to operate efficiently and effectively in accordance with the established business plan and budget, in order to maximize economic value of the business and shareholders' wealth and stability, having important details summarized as follows:

(1.1) Establishment of Company's organization structure with highly effective and efficient management and operation system.

(1.2) Approval of annual business plan and budget within 30 days prior to the end of the year for the management to managed according to the approval of the Board of Directors each and every year.

(1.3) Approval of investment projects or joint-venture projects, as well as business expansion and/or reduction of business operation, which are deemed most beneficial for the Company's operation in both long-term and short-term, not including transactions that need approval from the Shareholders according to the regulations established by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand.

(1.4) Approval of financial plans of the Company, as well as the plan for securing loan and credit facilities sufficiently and appropriately for the operation of the Company occasionally.

(1.5) Arrangement for preparation of balance sheets and statement of income at end of the Company's accounting period in order for a review and verification by the auditor appointed by the shareholders before presenting the matter for approval by the shareholders' meeting.

(1.6) Consideration of various matters proposed for approval by the shareholders' meeting, including dividend payment, capital increase, capital reduction, issuance of debenture, sale or transfer of business, purchase, acquisition, or merger of business, etc.

(1.7) Consideration for the establishment of Company's policies, direction, objectives, vision, mission and values and other important matters that may impact Company's financial status and operating results presently or in the future.

(2) The Board of Directors has duties to clearly establish and separate roles and responsibilities between the Board of Directors, sub-committees, and the management, as well as having routine communications to the Board of Directors, sub-committees, the management and employees of the Company, which are summarized below.

(2.1) The Board of Directors has appointed and assigned the Chief Executive Officer to manage daily operations of the Company in accordance with the policy, business plan and budget, established by the board of directors.

(2.2) The Chief Executive Officer shall assign and establish duties to each department and employee level in descending order within the authorities assigned by the Board of Executive Directors, by establishing audit and control system in order to have effective work coordination and achieve both short term and long term objectives.

(2.3) Chief Executive Officer or the management shall arrange individual meetings or specific purpose meetings among employees and managers in order to be informed on the operating results and work progress, as well as considering problems and obstacles encountered in the operation (if any) from time to time.

(2.4) Chief Executive Officer or the management has issued announcement, establishing procedures for carrying out important tasks, for employees to understand and utilize as work guidelines in order to achieve systematic and well-coordinated operation.

(2.5) Chief Executive Officer or the management has organized for all the business units to participate in the preparation of the annual business plan and budget by having management level staff from each of the departments jointly prepares the annual business plan and budget for effective operation and efficient control of expenses, as well as achieving the policy and objectives established by the Board of Directors. The Chief Executive Officer also attends the meeting, participating in the consideration of the annual business plan and budget before proposing to the Board of Directors for its consideration and approval. The business plan and budget will then be implemented and monthly evaluated to see whether it meets the established policies and objectives. The business plan and budget may be appropriately adjusted according to changing circumstances.

(2.6) The Board of Directors has established internal audit division to oversee and review the operations of the Company to be in accordance with the established internal control system, and also to coordinate and support the Audit Committee for good corporate governance.

(2.7) The Board of Directors has established the Audit Committee (“AC”) in accordance with the rules and regulations established by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand with duties and responsibilities to oversee that the operations are trustworthy and beneficial to all related parties.

(2.8) The Board of Directors has established the Nomination and Remuneration Committee (“NRC”) with duties and responsibilities concerning nomination and determination of remuneration of directors and executives that is suitable and according to related laws and the regulations of the Company, comparable with other companies in the same industry.

(2.9) The Board of Directors has established the Risk Management Committee (“RMC”) with duties and responsibilities to consider any problems and risk factors which may impact Company’s operation and seek measures to mitigate or minimize the risks.

(2.10) The Board of Directors has appointed Corporate Governance Committee (“CGC”) with responsibilities to establish policy, regulations and good practices in various activities in accordance with good corporate governance principles.

(2.11) The Board of Directors may occasionally seek consultants or experts in particular fields such as legal or financial advisors to give opinions concerning certain matters in consideration as appropriately and necessary.

(2.12) The Board of Directors has appointed a Company Secretary including working team with responsibilities to oversee activities of the directors and shareholders in accordance with the relevant laws and regulations.

(3) The Board of Directors has established an effective internal control system, internal audit and risk management system for the Company, as well as having regular monitoring and review of above matters by the Board of Directors periodically, which can be summarized as follows:

(3.1) The Chief Executive Officer must report the operating results and financial status for each month with comparison to the work plan and budget as approved by the Board of Directors to the Board of Directors at least once every quarter.

(3.2) The Chief Executive Officer must report on the progress of investment projects, as well as problems and obstacles encountered (if any) to the Board of Directors at every meeting.

(3.3) The Chief Executive Officer must periodically report on the litigation cases concerning with the Company, including its compliance with relevant laws and contractual terms to the Board of Directors.

(4) Arrangement of the Annual General Meeting of Shareholders within 4 months after the end of accounting period of the Company and convene extraordinary shareholders' meeting necessary for the operation.

(5) Must become aware of the importance of good corporate governance by adhering to the principles of fairness and integrity, accountability, and promoting equitable treatment, as well as gaining faith from all the stakeholders, focusing on building value to the business and persons sharing the benefit in long term in order for sustainable growth and development of the Company. In addition, the scope of authority of the Board of Directors including to ensure compliance with the Securities and Exchange law also the notification and/or regulations of the Stock Exchange of Thailand such as related party transaction, acquisition or disposal of assets, etc., and to comply with all applicable laws which relevant to the Company's business.

(6) The Board of Directors of the Company may assign duties and responsibilities to the sub-committees, individual or several Directors or other persons to perform certain matter on behalf of the Board of Directors under supervision of the Board of Directors according to terms and time period deemed appropriate and necessary for Company's business operation. The Board of Directors may cancel, revoke or change the authorized person or such authority when deemed appropriate.

Such assignment of authority in above paragraph must not be in the way of granting authority which will enable the authorized person to approve transaction that may have any interest or conflict of interest with the Company or affiliated companies, except for the approval of transactions which are in accordance with the policy and criteria that the Board of Directors has already approved.

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

(8) Encourage conscience and moral principles among the employees at every level by established code of conduct in writing as appropriate guidelines for each of every employees to realize the importance of moral standard which the Company use in conducting business, realize the importance of internal control system and risk management system to minimize the risk on corruption and the abuse of power. In addition, to prevent violation of laws that relevant to the Company's business.

(9) The Board of Directors grant the right to each director to propose meeting agenda in advance at least ten days prior to the meeting by sending meeting agenda to the Company Secretary by *E-Mail Address: saharat@lannar.com* or *Facsimile: 0-2253-6822* for the Company Secretary to include in the meeting agenda.

(10) The Board of Directors has appointed the Company Secretary and determined roles and responsibilities of the Company Secretary to perform duties with integrity, prudence and honesty as follows:

(A) Arrange the Shareholder's Meeting and Board of Directors' Meeting according to laws and regulations of the Company.

(B) Prepare the minutes of the Shareholders' Meeting and Board of Directors' Meeting, including monitor that the resolutions from the Shareholders' Meeting and Board of Directors' Meeting are followed completely and accurately.

(C) Supervise on the disclosure of information and report within scope of responsibilities according rules and regulations established by the Securities and Exchange Commission and the Stock Exchange of Thailand.

(D) Prepare and Safekeeping of the following documents: Director Registration, Board of Directors' Meeting Invitations and Minutes, Shareholders' Meeting Invitations and Minutes, Company's Annual Reports, and other documents as required by law (if any).

(E) Safekeeping of the reports of interest which are reported by the Directors and Executives.

(F) Provide initial suggestions to the Directors concerning with rules, regulations and regulations of the Company and monitor the operation to ensure regularly and accurately compliance, and periodically report to the Board on any significant changes.

(G) Supervise the activities of the Board of Directors and perform other matters according to laws or assigned by the Board of Directors.

(11) Each director must adhere to and practice as follows:

(A) Must not operate the business that is of the same nature and in competition with the business of the Company or become a partner in ordinary partnership limited or unlimited partner in the partnership limited or be a director of a private company or other juristic company operating in the same nature and in competition with the Company, regardless of doing it for the benefit of oneself or for the others, unless the shareholder's meeting is informed before the resolution for appointment.

(B) Must inform the Company without delay if there is any interest, whether direct or indirect, in the contract that the Company or affiliated company engages in, or holding more or less shares or other securities in the Company or affiliated company.

(12) The Company's Strategic Planning and Implementation

In the Board of Directors Meeting each year, the Board shall consider together on the next 5-Year Strategic Plan. In the past year 2017, the Board of Directors has considered the Strategic Plan of year 2018-2022, and subsequently, the Board of Directors shall monitor the work progress from the Management on implementation of such strategic plan, which the Management shall regularly report on an implementation progress to the Board of Directors for acknowledgement regularly.

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

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

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

(3) Must exhibit leadership and ensure that committees are not under the influence of the management by taking the role as a chairman of the Board of Directors' meeting and Shareholders' meeting by monitoring the meeting to be in compliance with the Company's restriction and planned agendas as well as regulations and laws.

(4) To establish an efficient communication between shareholders, the board and the management as well as coordination to drive the Company's business operation to reach the long term growth plan.

(5) To perform other duties as stipulated by the laws, particularly concerning with duties of the chairman of the Board.

- **Regulation of the Board of Directors**

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

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

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

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

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

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

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

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

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

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

(10) Focus on the prevention and elimination of wrongful activities and consider that these matters need to be managed quickly and decisively in order to create value and positive image for the organization.

- **Company Secretary**

The Board of Directors has appointed Mr. Saharat Vatanatumrak as the Company Secretary (his brief curriculum vitae on page 170 of this Annual Report) having the scope of duties and responsibilities of the Company Secretary as follows:

(1) Provide initial suggestions to the Directors concerning with requirements, rules and regulations of the Company and monitor the operation for compliance including report of any significant changes.

(2) Arrange the Shareholder's Meeting and Board of Directors' Meeting according to laws and regulations as well as relevant laws of the authorities.

(3) Prepare the minutes of the Shareholders' Meeting and Board of Directors' Meeting, including monitor that the resolutions from the Shareholders' Meeting and Board of Directors' Meeting are followed.

(4) Supervise on the disclosure of information and report within scope of responsibilities according rules and regulations established by the Stock Exchange of Thailand and Securities and Exchange Commission.

(5) Prepare and Safekeeping of the following documents:

(5.1) Director Registry

(5.2) Board of Directors' Meeting Invitations and Minutes

(5.3) Shareholders' Meeting Invitations and Minutes

(5.4) Company's Annual Reports

(6) Safekeeping of the reports of stake/interest which are reported by the Directors and Executives.

(7) Supervise the activities of the Board of Directors and perform other matters according to laws or assigned by the Board of Directors.

## The Audit Committee

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The Board of Directors has appointed the Audit Committee or “AC” to have duties and responsibilities in compliance with regulations established by the board of directors, which can be summarized as follows:

### (1) Qualifications

(A) Must be Independent Director of the Company

(B) Must not be the Director assigned by the Board to make business operation decision of the Company, holding company, subsidiary company, associated company, subsidiary of the same level, or corporate with possible conflict, except that the decision is made based on a collective decision.

(C) Must not be the Director of the holding company, subsidiary company or subsidiary of the same level for only the listed company and;

(D) Possesses sufficient knowledge and expertise to perform duties as the Audit Committee Member. Nonetheless, at least one member of the Audit Committee must have sufficient knowledge and expertise to perform and review a reliability of the financial statements.

### (2) Composition

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

Name	Position	Meeting Attendance in 2017
(1) Mr. Padoong Techasarintr	Independent Director and Audit Committee Chairman	10 out of 10
(2) Mrs. Duangkamol Suchato	Independent Director and Audit Committee Member	10 out of 10
(3) Mr. Adul Tantharatana	Independent Director and Audit Committee Member	10 out of 10
(4) Mrs. Wanna Chomkhokkruad	Secretary	

### (3) Office Term

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

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

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

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

(4.2) To review that the Company has established appropriate and effective internal control system and internal audit system and observe the independence of the internal audit unit, as well as to approve the appointment, transfer and dismissal of the head of the internal audit unit or any other units responsible for the internal audit.

(4.3) To review that the Company abides by the law and regulations of the Securities and Exchange and the regulations of the Stock Exchange of Thailand, or any relevant laws governing the Company’s business.



(4.4) To select and propose for appointment of the Company's auditor and the audit fee based on the trustworthiness, adequacy of the resources and audit work amount by the audit firm, as well as work experience of the personnel assigned to perform the financial audit of the Company; and to attend a meeting with the auditor without the presence of the management for at least once a year.

(4.5) To consider the connected transactions or transactions that may involve conflict of interest in accordance with the laws and regulations of the Stock Exchange of Thailand to ensure that such transactions are appropriate and most beneficial to the Company.

(4.6) To prepare the Report of the Audit Committee and disclose the report in the Company's Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2). The Report of the Audit Committee must be signed by the Chairman of the Audit Committee and must at least contain the following information:

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

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

(C) Opinions concerning with the Company's compliance with the law and regulations of the Securities and Exchange and regulations of the Stock Exchange of Thailand, or any law governing the Company's business.

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

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

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

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

(H) Other reports which should be acknowledged by the shareholders and general investors under the duties and responsibilities assigned from the Board of Directors of the Company.

(4.7) To periodically present the Report of the Audit Committee to the Company's Board of Directors for at least once every quarter, and to perform other activities as delegated by the Company's Board of Directors with consent from the Audit Committee on a case-by-case basis.

**(5)** Within the duties performed by the Audit Committee, should any of the following transactions or actions be found or suspected to have significant impact to the Company's financial status and operating results, the Audit Committee shall report to the Company's Board of Directors so that the matter may be resolved within the time period that the Audit Committee deems appropriate.

(A) Transaction having conflict of interest

(B) Illegal conduct or irregularity or significant deficiency in the internal control system.

(C) Violation of laws relating to the Securities and Exchange, regulations of the Stock Exchange of Thailand or laws relating to Company's business.

Should the Company's Board of Directors or executives did not resolve the matter within the established time period, any one of the Audit Committee members may report of the said transaction or action to the Securities and Exchange Commission (SEC) and/or the Stock Exchange of Thailand.

**(6)** The Audit Committee may audit the concerning persons and matters within the authorities of the Audit Committee and may seek independent professional counsel when it is deemed necessary and appropriate on a case-by-case basis.



## Report of the Audit Committee

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The Audit Committee was assigned with the duty and responsibility in accordance with the Charter defined by the company's Board of Directors. The key duties and responsibilities consist of reviewing the financial statements to ensure accuracy and reliability, reviewing the internal control and internal audit systems to ensure their appropriateness, reviewing the operation to ensure its compliance with the relevant laws, considering the selection and propose for approval of the appointment of company's external auditor which either proposing the appointment of or discontinue the service of the same auditors, reviewing the acquisition or retirement of asset, reviewing the related transactions or the transactions which might cause the conflict of interests to ensure that they were carried out according to the law, reviewing the risk management and the Anti-Corruption guidelines which were considered proper, efficient and effective, reviewing and expressing opinion towards the internal auditing plan and the scope as well as the works of the Internal Audit department and encouraging the management to establish and appropriate whistle blowing guidelines for all stakeholders. The Audit Committee would like to report their operating results during the year 2017. The key points can be summarized as follows:

**1. The Audit Committee Meeting :** During the year 2017, the Audit Committee had 10 meetings with the presence of all three committee members in every meeting. There were meetings with the company's external auditors without the participation of the Management. For some agenda the Management were invited to provide information or to exchange useful suggestions and ideas. The operating results were reported to the Company's Board of Directors for their acknowledgement and consideration every quarter.

**2. Reviewing the Financial Statement :** The Audit Committee reviewed the quarterly and annually financial statements for the year 2017 of both the company and its subsidiaries. It was agreed that they were accurate and reliable. They were duly prepared in conformity with the generally accepted accounting standards with sufficient and appropriate disclosure of information.

**3. Reviewing the effectiveness of the Internal Control System :** The Audit Committee considered the internal auditing plan and scope for the year 2017 to assure their coverage of the key risks as well as the Anti-Corruption guidelines and the sufficiency of the company and its subsidiaries' internal control system. Additionally priority has been given to the internal control system of the company's subsidiaries covering the areas of accounting and finance, persona administration, assets management, prevention or reduction of errors, damages, wastages, frauds and reliability of financial statement. This was to ensure that the company's subsidiaries properly operated in accordance with the regulations instructed by the local government. In this regard recommendations have been given to the Management to improve and to correct all errors for more circumspective and appropriateness.

**4. Good Corporate Governance :** The Audit Committee has been given precedence to review the management of works in accordance with the good corporate governance principles and the laws including the regulations which were relevant to the company's business as well as the Anti-Corruption guidelines during the year 2017. Focus has been put on accuracy and complete disclosure of information to all stakeholders for fairness and equality which could be referred to and transparently checked.

**5. Reviewing the Connected Transactions :** The Audit Committee reviewed the acquisition and the selling of assets including the connected transactions or the transactions which might cause conflict of interests occurred during the year 2017. It was agreed that these transactions were priced and carried out with commercial conditions according to their normal business nature.

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

**7. Working According to the Laws and the Government's Regulations :** The Audit Committee reviewed the company's operation to ensure that they were in compliance with the Securities and Exchange Act, the regulations of the Stock Exchange of Thailand and the Securities Exchange Committee, all the Accounting Standards and other laws which were relevant to the company's business. Works were carried out in accordance with the relevant laws without any impact to the business.

**8. Audit Committee's Performance Evaluation** : The Audit Committee evaluated the committee's and individual performance during the year 2017 by identifying their strengths and weaknesses as well as items that required improvement. According to the results of evaluation the Audit Committee has effectively carried out their tasks and in accordance with the scope, duty and responsibility as stated in the Audit Committee's Charter.

**9. Appointment of the Auditors and the Fee** : The Audit Committee agreed to appoint the auditors from the EY Office Limited as the company' auditor for the year 2018 and proposed to the company's Board of Directors for further approval at the General Meeting of shareholders for the year 2018 for the appointment of these auditors and their fees. The Audit Committee selected the auditors by taking into account the qualifications, the quality and working standard in carrying out duty, the expertise which were appropriate to the company's business as well as being the qualified auditors according to the announcement of the Securities and Exchange Commission. It was agreed to appoint Ms. Siriwan Suratepin, certified public accountant no. 4604 and/or Ms. Kamontip Lertwitworatep, certified public accountant no. 4377 and/or Ms. Satida Ratananurak, certified public accountant no. 4753 of the EY Office Limited as the company's auditors for the year 2018 with the auditing fee for the year 2018 of 1,200,000 baht which is equivalent to the previous year.

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

February 20, 2018

On behalf of the Audit Committee



(Padoong Techasarintr)

Chairman of the Audit Committee

## The Risk Management Committee

• The Risk Management Committee or “RMC” has been appointed by the Board of Directors, consisting of directors and executives from all departments of the Company, from the department manager or above, with at least one member from each department. The members and position of the Risk Management Committee are as follows:

Name	Position	Meeting Attendance in 2017
(1) Mr. Anun Louharanoo	RMC Chairman	8 out of 8
(2) Mr. Srihasak Arirachakaran	RMC Vice Chairman	7 out of 8
(3) Mr. Vacharachai Nachailert	RMC Member	7 out of 8
(4) Mr. Prasert Promdech	RMC Member	6 out of 8
(5) Mrs. Petcharat Chayanon	RMC Member	8 out of 8
(6) Mr. Saharat Vatanatumrak	RMC Member	8 out of 8
(7) Mr. Sudusit Ounsangchan	RMC Member	8 out of 8
(8) Mrs. Wanna Chomkhokkrud	RMC Member and Secretary	8 out of 8

• The Risk Management Committee has the following duties:

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

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

<b>Red Risk</b>	<b>A risk factor requiring urgent rectification, having highest priority for mitigation.</b>
<b>Yellow Risk</b>	<b>A risk factor requiring close monitoring. Preventative measures may be required.</b>
<b>Green Risk</b>	<b>An inconsequential risk factor or not yet requires close monitoring.</b>

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

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

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

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

## REPORT OF THE RISK MANAGEMENT COMMITTEE

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The Board of Directors has established the Risk Management Committee or “RMC” comprising directors and executives from all departments, from the department manager or above, with at least one member from each department, who are authorized to consider risk factors that may possibly impact the operations of the Company and its subsidiary companies by establishing prevention measures and focus on effective risk management in every aspect of operations according to the good corporate governance principles in order to minimize the risks and mitigate their impacts. Resources are used effectively for evaluation and manage risk in the overall to be in accordance with the current situation and ever-changing circumstances.

During year 2017, the Risk Management Committee held eight meetings altogether in order to consider and assess risks, as well as monitor the risk management of all departments that might significantly impact the business operation of the Company and its subsidiary companies in order to establish risk prevention measures and mitigate impacts or opportunities of risk in various aspects to be suitable with the current and future economic conditions and business environment of the Company and its subsidiary companies. The report can be summarized as follows:

(1) The Risk Management Committee has considered the risk management process and plan in accordance with the policies and objectives approved by the Board of Directors in order to ensure that the risk management is effective and efficient in acceptable risk level and appropriately and concisely in line with the operations of the Company and its subsidiary companies according to the good corporate governance.

(2) The Risk Management Committee has considered the risk factors, including monitoring and supervision of the risk management of the Company and its subsidiary companies by convening the Risk Management Committee’s Meeting periodically to encourage efficiency of the risk management process, as well as providing suggestions which are beneficial to the risk management presently and for the future.

(3) The Risk Management Committee has regularly reviewed risks at all levels by assessing and analyzing risk factors to cover and in line with the strategic plan in terms of production, marketing, personnel development, as well as laws and other matters that might affect the business operation of the Company and its subsidiary companies. The risks are categorized into a risk requiring urgent rectification (Red Risk) and the risk requiring close monitoring which might be a risk factor in the future (Yellow Risk).

(4) The Risk Management Committee and the Management has required a review and self-assessment on the risks concerning corruption of all departments in order to apply the risk assessment results to amend the regulations and orders regarding day-to-day operations to appropriately and concisely cover such risks.

(5) The Risk Management Committee has prepared a performance summary report for presentation to the Board of Directors and the Audit Committee for acknowledgment once every quarter to take comments and/or suggestions to improve risk management to be more effective.

(6) The Risk Management Committee has established rules and prepared self-assessment as a whole and individual for year 2017 for the assessor to indicate strengths, weakness and matters that needed improvements. The Risk Management Committee together considered the results of the assessment and established guidelines for achieving more effective operation in the following year.

(7) The Risk Management Committee has disclosed the details of the significant risk management of the Company and its subsidiary companies within the Annual Registration Statement Year 2017 (Form 56-1) and the Annual Report Year 2017 (Form 56-2).

The operation of the Risk Management Committee the past year 2017, the risks in various aspects were able to be controlled to the level which incurred no significant impact to the operations of the Company and its subsidiary companies by responsibly and carefully performing assigned duties for the best benefit of the Company and all stakeholders.

February 5, 2018

On behalf of the Risk Management Committee



(Mr. Anun Louharanoo)

Chairman of the Risk Management Committee

## The Nomination and Remuneration Committee

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

### (1) Composition and Qualification

The NRC is appointed by the Board of Directors to comprise of at least 3 Company’s directors, having 1 NRC Chairman, and at least 2 NRC Members. The Board of Directors or the NRC shall appoint a suitable person as the Secretary. The name list and positions of the NRC members are as follows.

Name	Position	Meeting Attendance in 2017
(1) Mr. Kraisi Sirirungsi	NRC Chairman	2 out of 2
(2) Mr. Vanchai Tosomboon	NRC Member	2 out of 2
(3) Mr. Anun Louharanoo	NRC Member	2 out of 2
(4) Mr. Srihasak Arirachakaran	NRC Member	2 out of 2
(5) Mr. Saharat Vatanatumrak	Secretary	2 out of 2

### (2) Office Term

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

To ensure continuity of operation, the NRC member, upon retirement by rotation or in the event that can no longer serve until the term ends, resulting in a lesser number of members as specified in (1) above, the Board of Directors shall nominate and appoint new NRC member(s) to complete the NRC immediately or at least within 3 months after the date with incomplete members as described in (1) above.

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

#### (3.1) Duties and Responsibilities concerning Nomination

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

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

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

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

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

### (3.2) Duties and Responsibilities concerning Remuneration

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

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

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

### (3.3) General duties and responsibilities

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

(b) To have authority to hire consultants or experts to provide advice and/or opinions as deemed appropriate on a case by case basis. The Company shall be responsible for the incurred expenses.

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

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

## Report of the Nomination and Remuneration Committee

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The Nomination and Remuneration Committee (“NRC”) has been appointed by the Board of Directors, having authorities, duties and responsibilities including nomination of executives and determination of remunerations for directors, executives, and employees of the Company, as well as other duties as assigned by the Board of Directors on a case-by-case basis. The NRC held two meetings in year 2017, which can be summarized as follows.

(1) The NRC has established rule for salary adjustments of employees for year 2018 including the Chief Executive Officer and high-level executives and for the bonus payments for employees for year 2017 including for the Chief Executive Officer and high-level executives based on performance results in year 2017 which is correct and appropriate in accordance with the rules and conditions as approved by the Board of Directors with comparison of information with other companies in various industrial sectors as surveyed by the independent organizations.

(2) The NRC has acknowledged the opening of opportunity for the shareholders to propose meeting agenda and nomination of new directors in accordance with good corporate governance principles by submitting written proposals by mail or facsimile (FAX) to the Company Secretary from October 1, 2017 to December 31, 2017. It appeared that no shareholders proposed any meeting agenda or new director nomination for the Annual General Meeting of Shareholders Year 2018.

(3) The NRC has considered the organizational structure, manpower and wage budget of the Company for year 2018, which are deemed appropriate and corresponding to the Company’s operation, including the allocation of resources of the Company to be efficiently and effectively used and for further proposal to the Board of Directors for its consideration and approval.

(4) The NRC has considered nomination of directors in place of directors retired by rotation at the Annual General Meeting of Shareholders Year 2018, having established method and procedures for the nomination as follows:

(4.1) The NRC acknowledged the name list of directors retired by rotation and name list of outsiders being proposed for appointment to director positions in place of the directors retired by rotation.

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

(4.3) The NRC selected and proposed the name list of suitable persons for the director positions in place of the directors retired by rotation to the Board of Directors for further proposal to the Annual General Meeting of Shareholders Year 2018 for its consideration.

(5) The NRC considered the remunerations of the Board of Directors and sub-committees by considering the scope of duties, responsibilities and performance results of each committee. Comparisons with other companies in the same industrial sector were made, including the size and expansion of business and operating results of the previous year. Accordingly, the NRC has proposed appropriate remunerations to the Board of Directors for further proposal to the Annual General Meeting of Shareholders Year 2018 for its consideration.

(6) The NRC has reviewed and made self-assessment of its performance during year 2017 as the whole committee and individual in accordance with good corporate governance. According to the results of the self-assessment, the NRC has operated effectively and in accordance with the assigned duties and responsibilities.

February 20, 2018  
On Behalf of the NRC



(Mr. Kraisi Sirirungsri)

Chairman of the NRC



## The Corporate Governance Committee

The Corporate Governance Committee or the “CGC” has been appointed by the Board of Directors to perform its duties from June 20, 2016, which can be summarized as follows.

### (1) Composition and Qualification

The CGC is appointed by the Board of Directors to comprise of at least 3 Company’s directors and executives, having 1 CGC Chairman, and at least 2 CGC Members. The Board of Directors or the CG Committee shall appoint a suitable person as Secretary. The name list and positions of the CGC members are as follows.

Name	Position	Number of Meeting Attendance in Year 2017
(1) Mr. Srihasak Arirachakaran	CGC Chairman	2 of 2 Meetings
(2) Mrs. Petcharat Chayanon	CGC Member	2 of 2 Meetings
(3) Mr. Prasert Promdech	CGC Member	2 of 2 Meetings
(4) Mr. Sudusit Ounsangchan	CGC Member	2 of 2 Meetings
(5) Mr. Vacharachai Nachailert	CGC Member	2 of 2 Meetings
(6) Mr. Saharat Vatanatumrak	CGC Member and Secretary	2 of 2 Meetings

### (2) Office Term

The CGC Members has a three-year term of office each. The member of the CGC who is retired by rotation may be re-appointed.

To ensure continuity of operation, upon retirement by rotation or the event that can no longer serve until the term ends, resulting in a lesser number of members as specified in (1) above, the Board of Directors shall nominate and appoint new CGC Committee member(s) to complete the CGC immediately or at least within three months after the date with incomplete members as described in (1) above.

### (3) Authorities, Duties and Responsibilities of the CGC

(3.1) To consider and propose the policy, rule and practice guidelines for activities in accordance with corporate governance principles.

(3.2) To prepare the Corporate Governance Handbook to be adhered and followed by the directors, executives and employees at every level, which must be regarded as important duties to operate in accordance with corporate governance principles and must not be neglected by everyone.

(3.3) To monitor, improve and promote effective corporate governance culture and practice within the organization.

(3.4) To consider forms of self-assessment of the performance of the Board of Directors and sub-committees including offering opinions to propose to the Board of Directors for consideration on a yearly basis.

#### (3.5) Other Duties and Responsibilities

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

(b) To have authority to hire consultants or experts to provide advice and/or opinions as deemed appropriate on a case-by-case basis. The Company shall be responsible for the incurred expenses.

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

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



## Report of the Corporate Governance Committee

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The Corporate Governance Committee (CGC) has operated in accordance with the principles of good corporate governance for the Company to have effective, transparent and fair management and operate the business with ethics acceptable by all stakeholders. During year 2017, the CG Committee held two meeting altogether, which can be summarized as follows.

(1) The CGC has revised and improved on the Good Corporate Governance Handbook (CG Handbook) in accordance with the good corporate governance as stipulated by the Capital Market Supervisory Board and the Stock Exchange of Thailand including revision of best practices and business code of conduct, which have been disseminated on the Company's website and intranet.

(2) The CGC has monitored and supervised that the employees adhere to the CG Handbook and the Business Code of Conduct so that it will developed into the Company's culture, which have included as part of the orientation program of new employees and development training of Company's employees. Related documents and leaflets have been given out to the employees for their acknowledgment and practice.

(3) The CGC has reviewed and improved on the performance self-assessment forms of the Board of Directors and sub-committees once a year by referring to the guidelines of the Thai Institute of Directors Association (IOD) and the Stock Exchange of Thailand and revising the forms as appropriately for the Company. In 2016, self-assessment of performance of the Board of Directors and sub-committees were conducted as a whole and as individual, having objectives as follows.

(3.1) To acknowledge the problems and obstacles preventing achievements of established targets during the past year.

(3.2) To achieve more effective operation of the Company's Board of Directors and sub-committees as their roles, duties and responsibilities are clearly specified.

(3.3) The results of the self-assessment on the performance of the Board of Directors and sub-committees as a whole and as individual during 2017 ranged between 81.25 to 100 percent. The Board of Directors and each of the sub-committees offered opinions and recommendations on improvement for more effective operation of each committee for the best interest of the Company.

(4) To plan and carry out the re-certification of accreditation for the membership of Thailand's Private Sector Collective Action Coalition Against Corruption ("CAC") in year 2018.


(5) The Company's Directors, executives and employees had been enrolled in several development courses during year 2017 as follows.

(5.1) "Anti-Corruption for Employees" seminar on November 6 – 7, 2017, organized by the Thai Institute of Directors Association to promote understanding of anti-corruption among employees.

(5.2) "Thai Intelligent Investors Program Class 16" on October 28 to November 25, 2017, organized by the Thai Investors Association.

(5.3) "Boards that Make a Difference (BMD)" seminar on November 11 – 22, 2017, organized by the Thai Institute of Directors Association.

(6) Awards and Recognitions Received in Year 2017 are as follows.

(6.1) The Company was placed in a “Very Good” level or 4 stars (  ) for the assessment of Corporate Governance and ranked in the Top Quartile level within the group of companies with market capitalization of Baht 3,000 - 9,999 million from the Thai Institute of Directors Association, having received a score of 88 percent in 2017 which is higher than in 2016 at 86 percent.

(6.2) The Company received a full 100-score “Excellent” level for the Annual General Meeting (AGM) Quality Assessment of the Listed Companies from the Thai Investors Association for the 7<sup>th</sup> consecutive year from year 2011 to 2017.

The operations concerning corporate governance during year 2017 have been in accordance with the established plan. The CGC shall focus on the development of good corporate governance within the organization in order for the Company and its affiliated companies to manage their businesses effectively, building trust and be acceptable by all stakeholders.

February 1, 2018

On Behalf of the Corporate Governance Committee



(Mr. Srihasak Arirachakaran)

Chairman of the Corporate Governance Committee

## The Executives of the Company

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

Executive	Position
(1) Mr. Srihasak Arirachakaran	Chief Executive Officer
(2) Mr. Saharat Vatanatumrak	Chief Officer–Corporate
(3) Mrs. Petcharat Chayanon	Chief Officer–Accounting and Finance
(4) Mr. Prasert Promdech	Chief Officer–International Marketing
(5) Mr. Vacharachai Nachailert	Chief Officer–Domestic Marketing
(6) Mr. Sudusit Ounsangchan	Chief Officer–Coal Business Development

- **The Chief Executive Officer has the following scope of duties and responsibilities:**

### **(1) Duties and Responsibilities**

(1.1) To effectively control, monitor and supervise the management of the Company, in accordance with the resolutions of the Shareholders' Meeting, the Board of Directors, and Company's objectives and articles of association to maximize Company's best interests for short and long-term period.

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

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

(1.4) To manage Company's finance in accordance with the financial plan approved by the Board of Directors, as well as Company's contractual commitments to every creditor.

(1.5) To function under the relevant laws concerning with the Company, as well as follow the Company's contractual commitments with the government authorities and the third parties.

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

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

### **(2) Financial Authorities**

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

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

(2.3) Having authority to obtain a loan for the business of the Company within the credit amount and under conditions and terms which have been approved by the Board of Directors. In the case that the assets of the Company must be used for loan guarantee, the matter must be approved by the Board of Directors every time, **except** for the following matters that are considered normal transaction, having authority in every case.

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

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

(C) Execution of risk protection contracts on foreign currencies such as forward exchange contracts, etc., but only in the case that the Company has contractual obligation that must make payment in foreign currencies.

(2.4) Approving of advance for the employee for use in the Company's business as follows:

(A) For expenses according to contractual obligation or by laws and/or as already approved by the Board of Directors for the advance to actual payment such as land purchase costs, mineral royalties, fees and taxes, electricity tariff and other utilities' expenses, etc.

(B) For other items besides (A), they can be approved for not more than Baht 500,000 (five hundred thousand Baht) each time or per item.

(2.5) Having authority to set provision and/or write off bad debt of the Company at not more than Baht 50,000 (fifty thousand Baht) each time or per item during each financial year, and not exceeding Baht 1,000,000 (one million Baht) overall in the financial year, and report the matter to the Board of Executive Directors once every quarter.

(2.6) Having authority to sell and write off inventory and/or damaged or lost assets, and/or make compensation at not more than Baht 50,000 (fifty thousand Baht) each time and not more than Baht 1,000,000 (one million Baht) overall in a financial year, and report the matter to the Board of Directors once every quarter.

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

### **(3) Production Authorities**

(3.1) To establish production target and plan for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 (thirty) days before the end of year.

(3.2) To plan and perform production in accordance with the plan and target as approved by the Board of Directors at the lowest cost. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the earliest opportunity.

(3.3) To establish target and strategy for additional exploration or acquisition of coal deposits or other minerals that have commercial benefits in order to increase production and distribution potential of the Company in the future and for Company's business expansion and long term and sustainable growth, with terms and conditions as established by the Board of Directors.

### **(4) Marketing Authorities**

(4.1) To establish target, plan and strategy for the marketing the products for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 days before the end of year.

(4.2) To plan and distribute products in accordance with the plan and target as approved by the Board of Directors in order for the Company to maintain or increase its market share, as well as to increase and/or maximize the revenue and profit. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the earliest opportunity.

(4.3) Having authority to establish pricing and conditions for the sales and service of the Company as established by the Board of Executive Directors and/or according to the contractual obligation with every customer.

(4.4) Having authority to purchase/hire for production and/or to import products for selling in order for the Company to maintain and/or increase its market share, as well as increase and maximize the revenue and profit, after the approval by the Board of Directors.

(4.5) Having authority to sell products and service both domestically and overseas by entering into contractual obligation of not more than 3 (three) years, including appointment of sales representative of not more than one year each time.

#### **(5) Employment Authorities**

(5.1) Having authority to establish suitable number of manpower or employees in line with the Company's business operation, as well as, to set salaries and wages, compensations and bonuses for every employee at every level according to the manpower and budget as approved by the Board of Directors.

(5.2) Having authority to employ, appoint, transfer, remove and terminate every employee and every level, except for employee of director level and above which must be approved by the Management Consultant first.

(5.3) Having authority to establish job regulations and benefits for the employees of the Company following the criteria, conditions and budget as approved by the Board of Directors.

#### **(6) Authorities concerning Legal Case and Contract**

(6.1) Having authority to execute only the contract that is considered normal daily business operation according to the budget approved by the Board of Directors, not more than one year each time.

(6.2) Having authority to file a legal case and put up a defense for the benefit of the Company by reporting to the Board of Directors for acknowledgement at every meeting and when the legal case occurs.

#### **(7) Authorities concerning Projects, requiring Approval from the Management Consultant**

(7.1) To consider and perform preliminary feasibility study of the project that is deemed beneficial to the Company's business operation in the future and/or providing satisfactory return in long term.

(7.2) To consider hiring consultants for the projects within the budget approved by the Board of Directors.

(7.3) If the project is found to be feasible after the project's feasibility study, detailed information of the project is to be presented to the Board of Directors for consideration and approval before execution.

(7.4) For the approved project, the scope of authorities are as follows:

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

(B) Having authority to contact, negotiate and execute a memorandum of understanding concerning with the joint venture, with term period of not more than one year.

(C) Shareholders Agreement and establishment of a joint venture company must be approved by the Board of Directors before execution.

(7.5) To report on the progress of the approved projects to the Board of Directors for acknowledgement at every meeting.

## **(8) Other Matters**

(8.1) Any matters that must be proposed for approval and/or to obtain approval from the Board of Directors, Chief Executive Officer will propose to the Management Consultant for consideration before proposing to the Board of Directors.

(8.2) Matters that exceed the scope of duties and authorities of the Chief Executive Officer above are to be proposed to the Board of Directors consideration and approval before execution.

(8.3) The Chief Executive Officer may establish working groups and give authorities any employee of the Company, any position or anyone to act on behalf within the scope of duties and responsibilities which deemed appropriate on a case-by-case basis.

Such assignment of authority of the Board of Directors, sub-committees, directors, executives or an individual will not assign authority which make an authorized person shall approve transaction that may have any conflict of interest with the Company, subsidiary companies or associated company except for the approval of normal business transactions which the scopes are clearly determined.

### **• Regulation of the Executives and Employees**

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

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

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

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

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

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

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

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

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

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

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

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

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

## Information on Employees

### Number of Employees and Compensation

In 2017, the Company and its affiliated companies have the following number of employees and employees-related expenses:

Description	Year 2017		
	Company Only	Affiliated Companies	Total
Number of Employees as at End of Year (Person)	73	662	735
Employees-Related Expenses (Million Baht per year)	81	271	352

Remunerations paid to the employees in 2017 comprises monthly salaries, wages, bonuses or annual remunerations, provident fund contributions and other welfares, which may be both paid on a monthly fixed basis and vary according to the operating results and performance.

### Personnel Development Policy

The Company and the affiliated companies give priorities to the development and improvement of personnel, modern technology system for the operation corresponding to the changing conditions to sustain long term growth with quality and stability. The Company has policy on personnel development which is carried out consistently to increase knowledge, skill, and expertise as well as work effectiveness of the employees at every level and to encourage development of knowledge and skill of employees through on-the-job training with new employee having a supervisor for each line of work assigned to train the new employee. Training courses have been regularly organized internally by inviting lecturers or speakers to pass on their experience and additional knowledge to the employees. The Company also sends its employees and executives to training program and seminars with topics relating to the work of each department for additional knowledge.

In addition, the Company has established regulations concerning training and development of employees and enrolled the executives in the Master of Business Administration Program and other courses at reputable universities. In addition, the Company has established various personnel development and training programs and activities such as workshops in order to develop the executives, reinforcement of knowledge and relationship within the working teams, as well as making plans and improvement of strategies to develop the Company for higher efficiency. Moreover, since the Company has made investments overseas, especially in the coal mining business in Indonesia, the core business, and therefore English and Indonesian Bahasa language training courses have been provided including knowledge on the basic laws and regulations, the traditions and culture for the employees who must travel to work in such country to have correct understanding and follow the laws and regulations correctly, preventing issues and difficulties while working in such country.

### Training Expenses and Training Hours in 2017

Training for Employee in 2017	Average Training Hour per Person	Objective of Training
Management level	6	To develop employees' management skills together with perspective and vision of business management.
Heads of departments and employees	6	To develop personal competence and skills in working together as a teamwork

Costs of employee training and development in 2017 totaling Baht 646,717.76

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

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

## **Employee Code of Conduct**

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

(1) Perform duties with honesty, discipline, accountability and awareness of assigned duties and with aim to attain advancement and security for themselves and the Company.

(2) Jointly create unity and harmony among the groups of employees; perform duties and resolve problems together and professionally with maximum effectiveness and efficiency; ready for better changes; able to respond to changes and use work skills to achieve maximum benefit.

(3) Be serious and attentive and perform duties diligently and patiently; aim to build and develop the Company to achieve its excellence.

(4) Use the Company's assets in the most efficient manner and protect the assets from improper depreciation or loss, and not to use the Company's assets for personal benefit and others or use the assets fraudulently or illegally.

(5) Must maintain confidential information of the customers, trading partners and the Company and must not disclose confidential information related to the business of the Company or use the inside information to dishonestly gain personal benefit and/or for other parties.

(6) Do not use work position to gain any personal benefit and/or others fraudulently, including the following:

(6.1) Employees are strictly prohibited from receiving cash or any other compensation from customers, trading partners or persons having connected business with the Company.

(6.2) Employees should avoid receiving gifts from the customers, trading partners or persons having connected business with the Company due to possible conflict of interest, except for accepting gifts during special or traditional occasions of which gifts must be of small and appropriate values, not excessive or unreasonable such as souvenirs made for sales promotion or general distribution, etc. Every employee can use own judgment whether it is appropriate to accept such gift. The employee should seek advice or recommendation from the supervisor if he/she feels uncertain about accepting the gift.

(7) Cooperate and assist in the work with every coworker and be respectful of other employees in the same organization, also share knowledge and experience with coworker for the interest of the Company.

(8) Be attentive and helpful in any activities for maintaining clean and safe working environment.

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

(10) Employees must strictly and regularly comply with the Company's regulations, Articles of Association and relevant laws, as well as support and cooperate in the practice of Company's business ethics or code of conduct for actual results.

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



## Safety, Occupational Health and Environment

• The Company gives precedence to accident prevention and environmental protection by complying with relevant laws and regulations in order to ensure safety for the employees and to have good working environment, including continuing improvement on safety, occupational health and environment. Accordingly, the Company had no accident from work nor work-related illness during year 2017. Related training courses were organized in 2017 as follows:

- “Occupational Health, Safety Training” on June 16, 2017, at the Ayutthaya Coal Distribution Center, Ayutthaya Province.
- “Industrial Environment Management” on November 14, 2017, at the Aetas Bangkok Hotel.

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

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

• The Company has established guidelines on the safety, occupational health and environment as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **(3) Health Care Project**

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

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

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

### **(5) Afterwork Exercise Project**

The Company promoted an exercise program after work for the employees by providing sports equipment for the employees to reduce health risk from stress from work and maintain good health.

## **Provident Fund**

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

## INFORMATION ON DIRECTORS AND EXECUTIVES

### Mr. Somkiart Limsong

**Positions:** Chairman of the Board

**Age:** 76 years

**Nationality:** Thai

**Education:** MBA., Harvard Business School

- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 5/2003

**Date of Appointment:** October 2, 1985

**Period of Directorship:** Holding Director Position since 1985 until present for total of 32 years and 3 months.

**Shareholding in the Company as at December 31, 2017** : Minor child holding 28,562,460 shares or 5.44 percent of all shares with voting rights

: Nominee and/or related person holding 4,793,000 shares or 0.91 percent of all shares with voting rights

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – None

: Non-Listed Company - None

#### Past 5-Year Experiences:

1994-2001: Chairman, Gulf Electric Public Co., Ltd.

1968-1999: Last Position: Vice-Chairman of the Board, President, Executive Chairman and Managing Director of Siam City Cement Public Co., Ltd.



## Mr. Paul Heinz Hugentobler

**Positions:** Director

**Age:** 68 years

**Nationality:** Swiss

**Education:** Harvard Business School International Senior Management Program  
Graduate School of Economics and Business of St. Gallen  
Switzerland Lic. Oec. HSG (Master Degree)  
Swiss Federal Institute of Technology, Zurich B.Sc. in Civil Engineering

- Certificate: Thai Institute of Directors Association: None



**Date of Appointment:** April 26, 2000

**Period of Directorship:** Holding Director Position since 2000 until present for total of 17 years and 8 months.

**Shareholding in the Company as at December 31, 2017:** None

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – 1 Company

: Non-Listed Company – 1 Company

### **Past 5-Year Experiences:**

2017-Present: Chairman, Siam City Cement Public Co., Ltd.

2014-Present: Nomination and Remuneration Committee Chairman, Siam City Cement Public Co., Ltd.

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

2014-2017: Director of Governance Risk and Compliance Committee, Siam City Cement Public Co., Ltd.

## Mr. Kraisi Sirirungsi

**Positions:** Director, Authorized Director, Nomination and Remuneration Committee Chairman, and Management Advisor

**Age:** 67 years

**Nationality:** Thai

**Education:** Bachelor of Engineering (Mining Engineering) Chulalongkorn University

- Certificate: Thai Institute of Directors Association Director Accreditation Program (DAP) Class 39/2005
- The National Defence Course for the Joint State-Private Sectors Calss 4212 Thailand National Defence College Year 1999

**Date of Appointment:** October 2, 1985

**Period of Directorship:** Holding Director Position since 1985 until present for total of 32 years and 3 months.

**Shareholding in the Company as at December 31, 2017:** 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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – 1 Company  
: Non-Listed Company – 5 Companies

### Past 5-Year Experiences:

2016-Present: Management Advisor, Lanna Resources Public Co., Ltd.  
2016-Present: Chairman, Lanna Power Generation Co., Ltd.  
2016-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.



## Mr. Suroj Subhasavasdikul

**Positions:** Director and Authorized Director

**Age:** 75 years

**Nationality:** Thai

**Education:** Ph.D. in Chemical Engineering Institute Du Genie Chimique, France

- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 39/2005



**Date of Appointment:** October 2, 1985

**Period of Directorship:** Holding Director Position since 1985 until present for total of 32 years and 3 months.

**Shareholding in the Company as at December 31, 2017:** None

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – 1 Company  
: Non-Listed Company – 1 Company

### Past 5-Year Experiences:

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 Dissolved)

1997-2002: Executive Chairman and Managing Director

Kohler (Thailand) Public Co., Ltd.

1994-2001: Director, Gulf Electric Public Co., Ltd.

1991-2004: Director, Royal Porcelain Public Co., Ltd.

1969-1971: Last Position: Executive Director and Deputy Managing Director, Project and Engineering Division  
Siam City Cement Public Co., Ltd.

## Mr. Vanchai Tosomboon

**Positions:** Director and Nomination and Remuneration Committee Member

**Age:** 68 years

**Nationality:** Thai

**Education:** Master in Business Management, Asian Institute of Management  
Bachelor of Law, Thammasat University



- Certificate “Senior Management Program, Institute of Management Development (IMD), Switzerland Year 2006
- Certificate “Breakthrough Program for Senior Executives”, Institute of Management Development (IMD), Switzerland Year 2002
- Certificate “Managing Corporate Resources”, Institute of Management Development (IMD), Switzerland Year 2000
- Certificate: Thai Institute of Directors Association  
Advanced Audit Committee Program (AACP) Class 19/2015  
Corporate Governance for Capital Market Intermediaries Class 10/2015  
Director Certification Program (DCP) Class 7/2001  
Director Accreditation Program (DAP) Class 7/2004

**Date of Appointment:** April 21, 1999

**Period of Directorship:** Holding Director Position since 1999 until present for total of 18 years and 8 months.

**Shareholding in the Company as at December 31, 2017:** 560,000 shares or 0.11 percent of all shares with voting rights

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – 1 Company  
: Non-Listed Company – 4 Companies

### Past 5-Year Experiences:

2017-Present: Director, Siam City Cement (Vietnam) Limited

2016-Present: Director, Siam City Cement (Lanka) Limited (Sri Lanka)

2015-Present: Director, Chip Mong Insee Cement Corporation (Cambodia)

2014-Present: Independent Director and 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.

2004-2011: Director and Executive Vice President, Siam City Cement Public Co., Ltd.

2002-2016: Director, Conwood Co., Ltd.

2004-2005: Chairman of the Board, Karat Faucet Co., Ltd.

1999-2005: Managing Director and Chairman of Executive Board, Royal Porcelain Public Co., Ltd.

1999-2004: Managing Director, Diamond Roofing Tiles Public Co., Ltd.)

## Mr. Siva Mahasandana

**Positions:** Director

**Age:** 56 years

**Nationality:** Thai

**Education:** MBA Finance and Investment, The George Washington University, USA  
Bachelor of Mechanical Engineering, Chulalongkorn University  
Advance Management Program, Harvard Business School, USA



- Certificate: Thai Institute of Directors Association  
Director Certification Program 2006 (DCP), 2015  
Corporate Governance for Executive (CGE), 2015
- Senior Leadership Program, 2007 by Holcim Limited Switzerland
- Senior Management Program, 2005 by Holcim Limited Switzerland
- Top Executive Program: Thailand Energy Academy , Class TEA7, 2015

**Date of Appointment:** April 25, 2016

**Period of Directorship:** Holding Director Position since 2016 until present for total of 1 year and 8 months.

**Shareholding in the Company as at December 31, 2017:** None

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – 1 Company  
: Non-Listed Company – 10 Companies

### Past 5-Year Experiences:

2016-Present: Director, Siam City Cement (Lanka) Limited

2016-Present: Chairman, Siam City Cement (Bangladesh) Limited

2016-Present: Chairman, Globe Cement Co., Ltd.

2016-Present: Chairman, Insee Superblock Co., Ltd.

2016-Present: Chairman, Insee Ecocycle Co., Ltd.

2016-Present: Chairman, Siam City Power Co., Ltd.

2016-Present: Chairman, Insee Digital Co., Ltd.

2016-Present: Director and Chief Executive Officer, Siam City Cement Public Co., Ltd.

2015-Present: Director, PT Conwood Indonesia Co., Ltd.

2015-Present: President, Conwood Co., Ltd.

2015- Present: Chairman, Nakhorn Luang Concrete Co., Ltd.

2015-2016: Deputy Chief Executive Officer and Senior Vice President (Marketing and Sales),  
Siam City Cement Public Co., Ltd.

2012-2015: Senior Vice President (Saraburi Operation), Siam City Cement Public Co., Ltd.

2009-2011: Senior Vice President (Ready-Mixed Concrete and Aggregates), Siam City Cement Public Co., Ltd.

2007-2009: Vice President (Professional Customers), Siam City Cement Public Co., Ltd.

2004-2012: Chief Executive Officer, Nakhorn Luang Concrete Co., Ltd.



## Mr. Padoong Techasarintr

**Positions:** Independent Director and Audit Committee Chairman  
**Age:** 77 years  
**Nationality:** Thai  
**Education:** Bachelor Degree : Accounting and Commerce, Thammasat University

- Certificate: Thai Institute of Directors Association  
Director Certification Program (DCP) Class 55/2005  
Director Accreditation Program (DAP) Class 3/2003  
The Role of Chairman Program (RCM) Class 6/2002

**Date of Appointment:** April 27, 1993

**Period of Directorship:** Holding Director Position since 1993 until present for total of 24 years and 8 months.

**Shareholding in the Company as at December 31, 2017:** None

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – 4 Companies  
: Foundation – 1 Place

### Past 5-Year Experiences:

2000-Present: Independent Director and Audit Committee Member, Kulthorn Kirby Public Co., Ltd.  
1999-Present: Independent Director and Audit Committee Member, C.P. All Public Co., Ltd.  
1999-Present: Independent Director and Audit Committee Chairman, Textile Prestige Public Co., Ltd.  
1994-Present: Independent Director and Audit Committee Chairman, Thanulux Public Co., Ltd.  
1988-Present: Director, Than Tao Mahaprom Foundation Erawan Hotel



## Mr. Adul Tantharatana

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

**Age:** 77 years

**Nationality:** Thai

**Education:** Bachelor of Engineering (Mechanical), Chulalongkorn University

- Certificates: Thai Institute of Directors Association  
Monitoring the System of Internal Control and Risk Management (MIR) Class 14/2013  
DCP Refresher Course (RE DCP) Class 1/2008  
Audit Committee Program (ACP) Class 4/2005  
Director Accreditation Program (DAP) Class 3/2003  
Director Certification Program (DCP) Class 38/2003  
Finance for Non-Finance Director (FN) Class 7/2003

**Date of Appointment:** June 21, 1993

**Period of Directorship:** Holding Director Position since 1993 until present for total of 24 years and 6 months.

**Shareholding in the Company as at December 31, 2017:** None

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – None  
: Non-Listed Company – None

### Past 5-Year Experiences:

2002-2005: Director, Siam Gypsum Industry Co., Ltd.

1997-2004: Director, Lafarge Prestia Co., Ltd.

1989-1999: Director, Sakdi Chaiyasit Co., Ltd.

1988-1996: President, Siam Industrial Corporation Ltd.



## Mrs. Duangkamol Suchato

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

**Age:** 71 years

**Nationality:** Thai

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

- Certificate: Thai Institute of Directors Association  
Director Accreditation Program (DAP) Class 64/2007  
Director Certification Program (DCP) Class 91/2007  
Audit Committee Program (ACP) Class 17/2007



**Date of Appointment:** May 1, 2007

**Period of Directorship:** Holding Director Position since 2007 until present for total of 10 years and 8 months.

**Shareholding in the Company as at December 31, 2017:** 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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – None

: Non-Listed Company – None

### Past 5-Year Experiences:

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

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

1999-2002: Independent Director and Audit Committee Member, Kohler (Thailand) 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

## Mr. Visit Tantisunthorn

**Positions:** Director

**Age:** 58 years

**Nationality:** Thai

**Education:** MBA, University of Wisconsin-Madison

B.A. (Statistics), Commerce and Accountancy, Chulalongkorn University

- Certificate: Thai Institute of Directors Association  
Director Certification Program (DCP) Class 17/2001
- The National Defence Course for the Joint State-Private Sectors.  
Thailand National Defence College Year 2004
- Capital Market Academy Course Class 3
- King Prajadhipok's Institute Course Class 5

**Date of Appointment:** December 19, 2000

**Period of Directorship:** Holding Director Position since 2000 until present for total of 17 years

**Shareholding in the Company as at December 31, 2017:** 6,430,500 shares or 1.23 percent of all shares with voting rights

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

**Family Relationship with Executives:**

- Cousin of Mr. Tanon Tantisunthorn, Company's Director
- Cousin of Mr. Tanat Tantisunthorn, Company's Marketing Advisor to Chief Executive Officer

**Number of Director Positions in other Business:** Listed Company – 1 Company

: Non-Listed Company – 1 Company

: Association – 1 Place

**Past 5-Year Experiences:**

2015-Present: Independent Director and Audit Committee Chairman, Nok Airlines Public Co., Ltd.

2015-Present: Chairman, Thailand Management Association

2014-Present: Director, True Visions Group Co., Ltd.

2006-2009: Director, IRPC Plc.

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.



## Mr. Akasit Jirayuwanon

**Positions:** Independent Director

**Age:** 48 years

**Nationality:** Thai

**Education:** Master of Engineering (Structural Engineering),  
King Mongkut's University of Technology Thonburi  
Bachelor of Engineering (Civil Engineering),  
King Mongkut's University of Technology Thonburi



- Certificate: Thai Institute of Directors Association  
Director Accreditation Program Class 137/2017 (DAP 137/2017)  
Director Forum 2/2015 "Building Better Board Through Effective Independent Director"
- Certificates: The Stock Exchange of Thailand  
CG Forum 2/2558: Building Better Board through Effective Independent Director  
CG Forum 1/2557: Effectiveness in Boardroom: Route to Success & Best Practices  
CG Forum 2/2557: Corporate Governance in the Perspective of Investors  
CG Forum 3/2557: Challenging as Expectations for Board Engagement on Strategic Risk Management Oversight  
CG Forum 3/2556: Conflict of Interest: Fighting abusive RPT  
CG Forum 4/2556: The Update COSO's 2013 Integrated Internal Control:  
What the Board and Management Should Do

**Date of Appointment:** April 22, 2013

**Period of Directorship:** Holding Director Position since 2013 until present for total of 4 years and 8 months.

**Shareholding in the Company as at December 31, 2017:** None

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – None  
: Non-Listed Company – 1 Company

### Past 5-Year Experiences:

2013-Present: Executive Director, Agriculture and Asset Co., Ltd.  
2007-Present: Assistant Engineer, Eastern Star Real Estate Public Co., Ltd.  
2007-Present: Project Engineer, Tonson Property Co., Ltd.  
2003-Present: Project Engineer, Merit Holdings (1989) Co., Ltd. and Affiliates  
1996-Present: Civil Engineer, BBT Equity Co., Ltd.

## Mr. Tanon Tantisunthorn



**Positions:** Director

**Age:** 45 years

**Nationality:** Thai

**Education:** Master of Science (Management), New York University  
MBA Finance, American University  
Bachelor of Engineering (Environmental), Chulalongkorn University

- Certificate: Thai Institute of Directors Association  
Director Certification Program (DCP) Class 56/2005
- The 3<sup>rd</sup> Training Course on Administrative Justice for Executives, 2012

**Date of Appointment:** April 22, 2003

**Period of Directorship:** Holding Director Position since 2003 until present for total of 14 years and 8 months.

**Shareholding in the Company as at December 31, 2017:** None

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

**Family Relationship with Executives:**

- Cousin of Mr. Visit Tantisunthorn, Company's Director
- Younger Brother of Mr. Tanat Tantisunthorn, Company's Marketing Advisor to Chief Executive Officer

**Number of Director Positions in other Business:** Listed Company – None

: Non-Listed Company – None

**Past 5-Year Experiences:**

2016-Present: Executive Vice President, Gulf Energy Development Public Co., Ltd.

2007-Present: First Senior Vice President-Asset Management, Gulf JP Co., Ltd.

2006-2007: Assistant secretary to Finance Minister, Ministry of Finance

2005-2006: Business Development Manager, Gulf Electric Public Co., Ltd.

2001-2005: Member of the House of Representative, Tak Province

1997-2000: Director, Fiscal Policy Office, Ministry of Finance

## Mr. Anun Louharanoo

**Positions:** Director, Authorized Director, Risk Management Committee Chairman, Nomination and Remuneration Committee Member, and Financial Advisor

**Age:** 64 years

**Nationality:** Thai



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

B.A. (Law), Thammasat University

- Certificate: Thai Institute of Directors Association  
R-ACF Audit Committee Forum (R-ACF 1/2016)  
Role of Compensation Committee Program (RCC) Class 7/2008  
Monitoring the Internal Audit Function (MIA) Class 1/2007  
Monitoring the System of Internal Control and Risk Management (MIR) Class 1/2007  
Corporate Governance Workshop Board Performance Evaluation Year 2007  
DCP Refresh Course (RE DCP) 2/2006  
Improving the Quality of Financial Reporting (QFR) Class 2/2006  
Audit Committee Program (ACP) Class 2/2004  
Director Accreditation Program (DAP) Class 1/2003  
Director Certification Program (DCP) Class 29/2003
- Certificates: The Stock Exchange of Thailand  
CFO in the New Financial World by the Securities and Exchange Commission Year 2015  
Responsibilities of Directors and the Management in Internal Control Year 2015  
M&A and Directors' Duties Year 2015  
CG Forum 3/2015: Risk Oversight: High Priority Roles of the Board  
CG Forum 1/2015: CG in Substance, Corporate Culture and Corporate Governance  
CG Forum 4/2014: Performance Assessment of the Board of Directors and Remuneration of Directors Forum

**Date of Appointment:** October 2, 1985

**Period of Directorship:** Holding Director Position since 1985 until present for total of 32 years and 3 months.

**Shareholding in the Company as at December 31, 2017:** 1,380,587 shares or 0.26 percent of all shares with voting rights

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – 3 Companies

: Non-Listed Company – 4 Companies

### Past 5-Year Experiences:

2016-Present: Director, Lanna Power Generation Co., Ltd.

2012-Present: Independent Director and Audit Committee Chairman, TCM Corporation Public Co., Ltd.

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

2006-Present: Commissioner, PT. Lanna Mining Services (Subsidiary)

2005-Present: Independent Director, Audit Committee Member and Nomination and Remuneration Committee, Diamond Building Products Public Co., Ltd.

2003-Present: Director, Thai Agro Energy Public Co., Ltd. (Subsidiary)

1998-Present: Director, PT. Lanna Harita Indonesia (Subsidiary)

## Mr. Srihasak Arirachakaran



**Positions:** Chief Executive Officer, Director, Authorized Director, Corporate Governance Committee Chairman, Risk Management Committee Deputy Chairman, and Nomination and Remuneration Committee Member

**Age:** 58 years

**Nationality:** Thai

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

- Certificate: Thai Institute of Directors Association  
Boards that Make a Difference (BMD), 2017  
The Power of Culture: From Performance Culture to Winning Culture, 2016  
Anti-Corruption Seminar Class 1/2015 “400 Companies Fighting Systemic Corruption”  
Director Accreditation Program (DAP) Class 107/2014  
Director Certification Program (DCP) Class 198/2014  
How to Develop a Risk Management Plan (HRP) Class 6/2014
- Other Courses  
Operating Transparency Business in Asia Collective Action Coalition, CAC  
Visit the Hongsa Coal-Fired Power Plant Project, Lao Industrial Energy Institute

**Date of Appointment:** January 1, 2016

**Period of Directorship:** Holding Director Position since 2016 until present for total of 1 year and 11 months.

**Shareholding in the Company as at December 31, 2017:** 508,010 shares or 0.10 percent of all shares with voting rights

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

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – 1 Company

: Non-Listed Company – 5 Companies

### Past 5-Year Experiences:

2016-Present: Chief Executive Officer, Lanna Resources Public Co., Ltd.  
2016-Present: Corporate Governance Committee Chairman, Lanna Resources Public Co., Ltd.  
2016-Present: Risk Management Committee Deputy Chairman, Lanna Resources Public Co., Ltd.  
2016-Present: Nomination and Remuneration Committee Member, Lanna Resources Public Co., Ltd.  
2016-Present: Director and Acting Managing Director, Lanna Power Generation Co., Ltd.  
2015-Present: Director, United Bulk Shipping Pte Ltd. (Associated Company)  
2008-Present: President Director, PT. Singlurus Pratama (Subsidiary)  
2006-Present: President Director, PT. Lanna Mining Services (Subsidiary)  
2003-Present: Director, Thai Agro Energy Public Co., Ltd. (Subsidiary)  
2002-Present: President Director, PT. Lanna Harita Indonesia (Subsidiary)  
2001-2015: Business Development and Marketing Director, Lanna Resources Public Co., Ltd.



## Mr. Saharat Vatanatumrak

**Positions:** Chief Officer – Corporate, Company Secretary,  
Risk Management Committee Member,  
Corporate Governance Committee Member and Secretary, and  
Nomination and Remuneration Committee Secretary,

**Age:** 53 years

**Nationality:** Thai

**Education:** Bachelor of Engineering (Electrical Engineering),  
University of California, Los Angeles (UCLA), USA



- Certificate: Thai Institute of Directors Association  
Open House for Company Secretary, 2017  
CGR Workshop 1/2017 “Enhancing Good Corporate Governance based on CGR Scorecard”  
Ethical Leadership Program, Class 5/2016 (ELP 5/2016)  
Enhancing Good Corporate Governance based on CGR Scoreboard, 2016  
Seminar on Director Compensation Survey Report, 2016  
CG Report Assessment Criteria, 2015  
CG Report, 2015  
How to Develop a Risk Management Plan (HRP) Class 6/2014
- Stock Exchange of Thailand:  
CG Forum 1/2016 “Ethics: Conscience on Good Governance Principle”  
CRS Engagement Program, 2014
- Courses related to the duties of company secretary  
Corporate Secretary Development Program, Chulalongkorn University, 2004  
Board Reporting Program, Class 20/2016 (BRP 20/2016)  
Company Secretary Program (CSP), Class 67/2015  
Effective Minutes Taking (EMT), Class 40/2018
- Other courses  
Biomass and Waste Conversion Technologies, King Mongkut’s University of Technology North Bangkok, 2008

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – None  
: Non-Listed Company – 4 Companies

### Past 5-Year Experiences:

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

## Mr. Sudusit Ounsangchan

**Positions:** Chief Officer - Coal Business Development,  
Risk Management Committee Member,  
Corporate Governance Committee Member

**Age:** 53 years

**Nationality:** Thai

**Education:** Bachelor of Engineering (Mining Engineering), Chulalongkorn University



- Certificate: Thai Institute of Directors Association  
How to Develop a Risk Management Plan (HRP) 10/2016  
Director Accreditation Program (DAP) 128/2016  
Anti-Corruption in Practice, 2015
- Stock Exchange of Thailand:  
CG Forum 1/2016 "Ethics: Good Governance on Consciousness", 2016  
CSR Engagement, 2014
- Other Courses:  
Department of Mineral Fuels: Public Hearing Seminar on Coal Fuel Act Draft B.E.2559  
The Institute of Industrial Energy: New Power Development Plan (2015-2036) Future of Thailand's Industry, 2015  
Industrial Environmental Management, Technology Promotion Association (Thailand-Japan), 2017  
Executive Energy Program, Class 3/2017

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – 1 Company  
: Non-Listed Company – 2 Companies

### Past 5-Year Experiences:

2017-Present: Director, PT. Singlurus Pratama Co., Ltd. (Subsidiary)  
2016-Present: Director, Lanna Power Generation Co., Ltd.  
2016-Present: Director and Independent Director, ASN Broker Public Co., Ltd.  
2016-Present: Chief Officer - Coal Business Development, Lanna Resources Public Co., Ltd.  
2010-2015: Senior Manager, Core Business Development, Lanna Resources Public Co., Ltd.  
2003-2008: Manager, Core Business Development, Lanna Resources Public Co., Ltd.  
1997-2002: Manager, Planning, Lanna Resources Public Co., Ltd.  
1987-1996: Mining Engineer, Sahakol Engineering Co., Ltd.

## Mrs. Petcharat Chayanon

**Positions:** Chief Officer - Finance and Accounting,  
Risk Management Committee Member,  
Corporate Governance Committee Member

**Age:** 50 years

**Nationality:** Thai

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



- Certificate: Thai Institute of Directors Association  
How to Develop a Risk Management Plan (HRP) 10/2016  
Anti-Corruption in Practice, 2016
- Federation of Accounting Professions courses:  
Financial Reporting Standards Draft No. 15, Revenue from Contracts with Customers, 2016  
Business health check through financial statement  
M-Score Indicator...? Financial Statement and Forensic Accounting, 2016  
International Taxation, 2016  
Public Hearing Seminar on Preparation of Financial Reporting Standards Draft on Financial Instruments (FRS9, TFRS7, and TAS32), 2016  
Pack 5 Implementation in 2015  
XBRL New Dimension of Financial Information Reporting in the Digital Age, 2015  
Deferred Income Tax, 2015  
How Securities and Exchange Act and Anti-Money Laundering Act Related to Accountants
- Bank of Thailand Seminar: AEC Important Facts, 2014
- Fiscal Policy Office Forum (FPO) : Evaluating Impact of Government Policies Implementation, 2014
- Thai Listed Companies Association:  
CEO in IR Role and His Key Challenges, 2015  
Breakout session: Group therapy “What has been your Challenges in 2014 and dealing with it”, 2015
- The Wisdom Learning Center: Strategic Problem Solving, 2016
- Federation of Accounting Professions: CFO Current Issues, 2016
- Securities and Exchange Commission (SEC):  
Regulations of Listed Companies and Smart Disclosure Program, 2016  
The UK Experience on Implementing the Enhanced Auditor Reporting, 2016  
How to write an effective MS&A, 2016  
Regulations on preparation of reports under article 56 and Annual Registration Statement, 2012
- Stock Exchange of Thailand courses:  
Quarterly Economic Wrap-Up for Listed Companies Q2/2016  
IR Preparation for Roadshows, 2016  
Importance Roles of Capital Market and Framework for Development Plan, 2016  
Infrastructure Policy, 2015  
How does ESG disclosure add value to business?, 2015  
Strategic CFO in Capital Markets, 2015  
Preparation and Adoption of the Revised Standard of Financial Report on Financial Instruments, 2017
- Other courses:  
89 Taxes Inspecting Matters of Business Contract, Unique Premiere Co., Ltd., 2017  
Accountant in Digital Age, Department of Business Development, 2017

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – None

: Non-Listed Company – 2 Companies

### Past 5-Year Experiences:

2016-Present: Chief Officer - Finance and Accounting, Lanna Resources Public Co., Ltd.

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

2009-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)

2005-2015: Senior Manager - Accounting and Administration, Lanna Resources Public Co., Ltd.

## Mr. Vacharachai Nachailert

**Positions:** Chief Officer - Domestic Marketing,  
Risk Management Committee Member,  
Corporate Governance Committee Member

**Age:** 55 years

**Nationality:** Thai

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

- Certificate: Thai Institute of Directors Association  
Anti-Corruption: The Practical Guide (ACPG), 2017  
How to Develop a Risk Management Plan (HRP), 2016
- Other courses:  
Modern Supervisor Skills, 2016  
A Leader with Positive Attitude, 2015  
Boost Up Inspiration to Success, 2014

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – None  
: Non-Listed Company – None

### Past 5-Year Experiences:

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

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

1996-2007: Manager-Domestic Coal Sales, Lanna Resources Public Co., Ltd.

1992-1996: Section Head-Coal Sales, Lanna Resources Public Co., Ltd.



## Mr. Prasert Promdech

**Positions:** Chief Officer - International Marketing,  
Risk Management Committee Member,  
Corporate Governance Committee Member

**Age:** 49 years

**Nationality:** Thai

**Education:** MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University  
Bachelor of Engineering (Mining Engineering), Chulalongkorn University

- Certificate: Thai Institute of Directors Association  
How to Develop a Risk Management Plan (HRP), 2016
- Other courses:  
Coal Trading & Risk Management, Coaltrans Conferences Ltd., Singapore, 2014

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – None  
: Non-Listed Company – 2 Companies

### Past 5-Year Experiences:

2016-Present: Chief Officer - International Marketing, Lanna Resources Public Co., Ltd.  
2010-Present: Director, PT. Lanna Mining Services (Subsidiary)  
2008-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)  
2006-2015: Senior Manager - International Coal Sales, Lanna Resources Public Co., Ltd.  
2000-2004: Chief Coal Transshipment, PT. Lanna Harita Indonesia (Subsidiary)



## Mr. Yongyut Choochua

**Positions:** Deputy Chief Officer - International Marketing

**Age:** 47 years

**Nationality:** Thai

**Education:** Master of Logistics Management, Ramkhamhaeng University

Bachelor of Merchant Marine, Deck Department, Merchant Marine Training Center

- Other courses:

Coal Trading & Risk Management, Coaltrans Conferences Ltd. (Singapore), 2013

Advanced Bill of Lading, IBC Asia(S) Pte Ltd. (Hong Kong), 2010

Financial Thinking for Non-financial Managers, Sasin Graduate Institute of Business Administration, Chulalongkorn University, 2010

BIMCO Asia Shipping School, The Baltic International Maritime Council, Singapore, 2006

Transport Laws and Relating Rules, Transportation Institute, Chulalongkorn University, 2006

Marine Insurance and Carriage By Sea, Transportation Institute, Chulalongkorn University, 2004

**Family Relationship with Executives:** None

**Number of Director Positions in other Business:** Listed Company – None

: Non-Listed Company – 1 Company

**Past 5-Year Experiences:**

2017-Present: Director, PT. Lanna Mining Services (Subsidiary)

2016-2017: Senior Manager, Shipping and Administration, Lanna Resources Public Co., Ltd.

2012-2013: Deputy General Manager, Thoresen (Bangkok) Co., Ltd.

2010-2012: Operations Senior Manager, Thoresen (Bangkok) Co., Ltd.



## Shareholding in Lanna Resources Public Co., Ltd. by the Directors and Executives

Directors and/or Executives	Year 2017					Shares Increase (Decrease) in 2017		
	Number of Shares					% of Shareholding	Number of Shares	%
	Directors/ Executives	Spouse	Minor Child	Representative and/or related person	Total			
(1) Mr. Somkiart Limsong	-	-	28,562,460	4,793,000	33,355,460	6.353	-	-
(2) Mr. Paul Heinz Hugentobler	-	-	-	-	-	-	-	-
(3) Mr. Padoong Techasarintr	-	-	-	-	-	-	-	-
(4) Mr. Adul Tantharatana	-	-	-	-	-	-	-	-
(5) Mrs. Duangkamol Suchato	180,000	-	-	-	180,000	0.034	-	-
(6) Mr. Suroj Subhasavasdikul	-	-	-	-	-	-	-	-
(7) Mr. Kraisi Sirirungsi	9,697,781	-	-	-	9,697,781	1.847	-	-
(8) Mr. Akasit Jirayuwanon	-	-	-	-	-	-	-	-
(9) Mr. Siva Mahasandana	-	-	-	-	-	-	-	-
(10) Mr. Vanchai Tosomboon	560,000	-	-	-	560,000	0.106	(382,350)	(0.072)
(11) Mr. Visit Tantisunthorn	6,430,500	-	-	-	6,430,500	1.225	-	-
(12) Mr. Tanon Tantisunthorn	-	-	-	-	-	-	-	-
(13) Mr. Anun Louharanoo	1,380,587	-	-	-	1,380,587	0.263	-	-
(14) Mr. Srihasak Arirachakaran	508,010	-	-	-	508,010	0.097	-	-
(15) Mrs. Petcharat Chayanon	147,659	-	-	-	147,659	0.028	-	-
(16) Mr. Prasert Promdech	-	-	-	-	-	-	-	-
(17) Mr. Vacharachai Nachailert	155,303	-	-	-	155,303	0.030	-	-
(18) Mr. Sudusit Ounsangchan	54,901	-	-	-	54,901	0.010	-	-
(19) Mr. Saharat Vatanatumrak	186,986	-	-	-	186,986	0.036	-	-

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

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

Directors and/or Executives	Year 2017					Shares Increase (Decrease) in 2017		
	Number of Shares					% of Shareholding	Number of Shares	%
	Directors/ Executives	Spouse	Minor Child	Representative and/or related person	Total			
(1) Mr. Somkiart Limsong	5,720,492	-	-	958,600	6,679,092	0.668	-	-
(2) Mr. Paul Heinz Hugentobler	-	-	-	-	-	-	-	-
(3) Mr. Padoong Techasarintr	-	-	-	-	-	-	-	-
(4) Mr. Adul Tantharatana	-	-	-	-	-	-	-	-
(5) Mrs. Duangkamol Suchato	36,000	-	-	-	36,000	0.004	-	-
(6) Mr. Suroj Subhasavasdikul	-	-	-	-	-	-	-	-
(7) Mr. Kraisi Sirirungsi	41,200,000	4,100,000	-	-	45,300,000	4.530	-	-
(8) Mr. Akasit Jirayuwanon	-	-	-	-	-	-	-	-
(9) Mr. Siva Mahasandana	-	-	-	-	-	-	-	-
(10) Mr. Vanchai Tosomboon	-	-	-	-	-	-	-	-
(11) Mr. Visit Tantisunthorn	17,173,000	-	-	-	17,173,000	1.737	(200,000)	(0.020)
(12) Mr. Tanon Tantisunthorn	-	-	-	-	-	-	-	-
(13) Mr. Anun Louharanoo	4,771,895	-	-	-	4,771,895	0.477	-	-
(14) Mr. Srihasak Arirachakaran	45,940	-	-	-	45,940	0.005	-	-
(15) Mrs. Petcharat Chayanon	-	-	-	-	-	-	-	-
(16) Mr. Prasert Promdech	-	-	-	-	-	-	-	-
(17) Mr. Vacharachai Nachailert	-	-	-	-	-	-	-	-
(18) Mr. Sudusit Ounsangchan	-	-	-	-	-	-	-	-
(19) Mr. Saharat Vatanatumrak	-	-	-	-	-	-	-	-

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

**Positions of the Company's Executives  
in the Subsidiary, Associated and Related Companies as at December 31, 2017**

Executive Name	Lanna Resources Public Co., Ltd.	Subsidiary Companies					Associated Company	Other Related Companies
		1	2	3	4	5		
(1) Mr. Somkiart Limsong	X	-	-	-	-	-	-	-
(2) Mr. Paul Heinz Hugentobler	/	-	/	-	-	-	-	X
(3) Mr. Siva Mahasandana	/	-	-	-	-	-	-	/
(4) Mr. Vanchai Tosomboon	/	-	-	-	-	-	-	/
(5) Mr. Tanon Tantisunthorn	/	-	-	-	-	-	-	-
(6) Mr. Padoong Techarintra	/,XXX	-	-	-	-	-	-	-
(7) Mrs. Duangkamol Suchato	/,///	-	-	-	-	-	-	-
(8) Mr. Adul Tantharatana	/,///	-	-	-	-	-	-	-
(9) Mr. Akasit Jirayuwanon	/	-	-	-	-	-	-	-
(10) Mr. Kraisi Sirirungsi	/	/	X	/	/X	X	/	-
(11) Mr. Suroj Subhasavasdikul	/	-	-	-	/X	-	/	-
(12) Mr. Visit Tantisunthorn	/	-	-	-	-	-	-	-
(13) Mr. Anun Louharanoo	/	//	/	//	/,///	/	-	-
(14) Mr. Srihasak Arirachakaran	/	XX	XX	XX	/	/	/	-
(15) Mrs. Petcharat Chayanon	-	-	//	/	-	-	-	-
(16) Mr. Prasert Promdech	-	-	//	/	-	-	-	-
(17) Mr. Sudusit Ounsangchan	-	-	-	//	-	/	-	-
(18) Mr. Vacharachai Nachailert	-	-	-	-	-	-	-	-
(19) Mr. Saharat Vatanatumrak	-	/	//	/	-	/	-	-
<b>Subsidiary Company</b>	1 = PT. Lanna Harita Indonesia      2 = PT. Lanna Mining Services      3 = PT. Singlurus Pratama 4 = Thai Agro Energy Public Co., Ltd.      5 = Lanna Power Generation Co., Ltd.							
<b>Associated Company</b>	United Bulk Shipping Pte. Ltd.							
<b>Related Company</b>	Siam City Cement Public Company Limited, holding 44.99% of paid-up capital in Lanna Resources Public Company Limited.							

**Remarks :** X = Chairman of the Board or President Commissioner, /X = Vice Chairman, / = Director or Commissioner,  
XX = Executive Chairman or President Director, // = Executive Director  
XXX = Audit Committee Chairman, /// = Audit Committee Member



**Information on Directors of the Subsidiary and Associated Companies  
as at December 31, 2017**

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

**Remarks :** X = Chairman of the Board or President Commissioner, /X = Vice Chairman, / = Director or Commissioner  
 XX = Executive Chairman or President Director, // = Executive Director  
 XXX = Audit Committee Chairman, /// = Audit Committee Member

## Remuneration of Directors and Executives

### Explicit Remuneration

- In 2017, the Company had paid remunerations for the Directors in the form of monthly salary and annual remuneration as follows:

(Unit: Baht)

Director's Name	Position in Company	Year 2016			Year 2017		
		Salary	Bonus	Total	Salary	Bonus	Total
(1) Mr. Somkiart Limsong	Chairman	720,000	762,204	1,482,204	720,000	672,000	1,392,000
(2) Mr. Kraisi Sirirungsi	Director	360,000	571,644	961,644	360,000	336,000	726,000
	Nomination and Remuneration Committee Chairman	30,000	-	-	30,000	-	-
(3) Mr. Paul Heinz Hugentobler	Director	360,000	381,096	741,096	360,000	336,000	696,000
(4) Mr. Vorathep Rangchaikul	Director	114,000	381,096	495,096	-	-	-
(5) Mr. Siva Mahasandana	Director	246,000	-	246,000	360,000	336,000	696,000
(6) Mr. Suroj Subhasavasdikul	Director	360,000	381,096	741,096	360,000	336,000	696,000
(7) Mr. Vanchai Tosomboon	Director	360,000	381,096	751,096	360,000	336,000	716,000
	Nomination and Remuneration Committee Member	10,000	-	-	20,000	-	-
(8) Mr. Visit Tantisunthorn	Director	360,000	381,096	741,096	360,000	336,000	696,000
(9) Mr. Pilas Puntakosol	Director	-	381,096	381,096	-	-	-
(10) Mr. Srihasak Arirachakaran	Director	360,000	-	380,000	360,000	336,000	716,000
	Nomination and Remuneration Committee Member	20,000	-	-	20,000	-	-
(11) Mr. Tanon Tantisunthorn	Director	360,000	381,096	741,096	360,000	336,000	696,000
(12) Mr. Anun Louharanoo	Director	360,000	381,096	761,096	360,000	336,000	716,000
	Nomination and Remuneration Committee Member	20,000	-	-	20,000	-	-
(13) Mr. Padoong Techasarintr	Independent Director	360,000	381,096	921,096	360,000	336,000	876,000
	Audit Committee Chairman	180,000	-	-	180,000	-	-
(14) Mr. Adul Tanthararana	Independent Director	360,000	381,096	861,096	360,000	336,000	816,000
	Audit Committee Member	120,000	-	-	120,000	-	-
(15) Mrs. Duangkamol Suchato	Independent Director	360,000	381,096	861,096	360,000	336,000	816,000
	Audit Committee Member	120,000	-	-	120,000	-	-
(16) Mr. Akasit Jirayuanon	Independent Director	360,000	381,096	741,096	360,000	336,000	696,000

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

Executives' Remuneration	Year 2016		Year 2017	
	Number of Persons	Baht per Year	Number of Persons	Baht per Year
Monthly Salary	7	20,474,720	7	21,726,584
Annual Remuneration (Bonus)	7	4,236,401	7	7,387,977
Total Remuneration	7	24,711,121	7	29,114,561

- The Company paid remuneration to Chief Executive Officer in the form of monthly salary and annual bonus, which varied according to operating results of the Company in 2017, totaling Baht 8,079,267 (Baht 6,562,990 in year 2016).

### Other Remunerations

- Other than the above mentioned remuneration, the Company does not issue shares, warrant, convertible debenture and/or other privilege to directors and executive

## INTERNAL CONTROL AND INTERNAL AUDIT

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

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

- The Company has established corporate governance policy for every unit to carry out their work effectively and efficiently in accordance with the objectives and goals of the Company; to maintain and utilize the assets economically and appropriately; to assess and manage risks effectively and cautiously and continuously. Moreover, each unit must establish work system that is standard and has adequate internal control in order to control risks to within an appropriate level so not to have any significant impact to the Company's operation. Communication and development of staff within the unit have been established so to foster shared feeling to carry out work in accordance with appropriate practices, including compliance with the relevant laws and regulations and readily available for evaluation and review. These guidelines have been established as follows.

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

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

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

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

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

- The Board of Directors reviews the Company’s internal control system and performs assessment on the risk management at least once every year. The Board of Directors’ Meeting No. 1/2018 dated March 5, 2018, having Audit Committee Members in attendance, has reviewed all 5 compositions of the internal control system of the Company and its subsidiaries, including (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring and Evaluation. The Board of Directors concluded that in 2017, the internal control system of the Company and its subsidiaries were sufficient and appropriate, by which the Audit Committee also shares the same opinion.

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

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

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



Age: 52 years

Nationality: Thai

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

- Certificates of the Thai Institute of Directors Association Board Reporting Program (BRP), Class 20/2016
- Anti-Corruption in Practice, 2015
- How to Develop a Risk management Plan (HRP) Class 6/2014
- Tackling Corruption Through Public – Private Collaboration, 2014
- Effective Minute Taking (EMT) Class 9/2008
- Company Secretary Program (CSP), Class 22/2007
- Stock Exchange of Thailand:Preparation for Internal Audit Office to be Listed in the Stock Exchange, 2008
- Thai Institute of Internal Auditors: Emerging Identity of Internal Audit, 2014
- AC Hot Update, New CG for Sustainable Development, Federation of Accounting Professions under the Royal Patronage of His Majesty the King, 2017
- Practical Issues of the Risk Management and Internal Control System, Risk and Internal Control Club, 2017

**Shareholding in Company and Affiliates as at December 31, 2017**

- Holding 59,024 shares in Lanna Resources Plc. or 0.01 percent of all shares with voting right
- Holding 39 shares in Thai Agro Energy Plc. (subsidiary) or 0.000 percent of all shares with voting right

**Family Relationship with Executives:** None

**Past 5 – Year Experiences:**

2016-Present: Internal Audit Department Manager, Lanna Resources Public Co., Ltd.  
2009-2015: Internal Audit Office Manager, Lanna Resources Public Co., Ltd.  
2001-2008: Internal Audit Division Supervisor, Lanna Resources Public Co., Ltd.  
1992-2000: Accounting Department Manager, Lanna Resources Public Co., Ltd.

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

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

## CORPORATE GOVERNANCE

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### Corporate Governance Policy and Code of Conduct

- The Board of Directors has appointed “Corporate Governance Committee” to responsible for ensuring that the Company adheres to the principle of Good Corporate Governance and business is conducted ethically and gaining faith from all the stakeholders with transparency and fairness.

- The Board of Directors has approved of the Corporate Governance Policy in writing by notifying everyone in the organization for practices, having disclosed in the Annual Registration Statement (Form 56-1) and the Annual Report (Form 56-2) and periodically monitoring and reviewing its compliance with the said policy.

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

### Sub-Committees

- The Board of Directors appoints special committees to alleviate burden of the Board of Directors in order to closely and timely assist. Currently, there are 4 sub-committees; namely, Audit Committee (“AC”), Risk Management Committee (“RMC”), Nomination and Remuneration Committee (“NRC”), and Corporate Governance Committee (“CGC”). Details are shown under the topic “Management Structure” in the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

- The Company has policy to occasionally appoint specific sub-committee as deemed necessary for future business operation in order to consider important issues that the Board of Directors deems important and may have significant impact on the business operation.

### Nomination and Appointment of Directors and Top Executives

- The selection of individual for the appointment of Company’s Director shall be undertaken through the Nomination and Remuneration Committee by considering work experience, education, capability and qualifications as stipulated by the law. The Board of Directors shall then be propose with this matter for further proposal to the shareholders’ meeting for consideration of the appointment of Director.

- Composition and nomination, appointment, removal or termination of Company’s directorship position have been specified within the Company’s regulation which can be summarized as follows:

- (1) The Board of Directors consists of no less than 5 directors and not less than half of all the directors must residence in the Kingdom and must have qualifications as stipulated by the law.

- (2) The shareholders’ meeting shall vote for the appointment of directors according to the following rule and procedure.

- (A) For each share that shareholder holds will be counted as one vote.

- (B) Each shareholder must use all the votes to appoint one person or several persons for the director position but cannot divide the votes into different number of votes for a particular person in case of appointments of several persons for the director positions.

- (C) The person receiving the highest number of votes in descending order will be appointed as the directors for the total number of director positions available at the time. In the case of a tie (equal number of votes) for successive positions available, the chairman of the meeting shall have the casting vote.

(3) At every Annual General Meeting of Shareholder, one-third of the directors shall be retired by rotation and if the number of directors is not divisible directly into three parts, the number of directors to be retired shall be the nearest to one-third. The number of directors to be retired in the first year and second year after the Company's registration shall be done by drawing lots. For subsequent years, the directors in position the longest time shall be retired first. The director retired by rotation may be re-appointed.

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

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

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

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

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

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

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

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

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

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

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

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

(8) Not being an entrepreneur in any business similar to or material competing with the Company or its subsidiary company or not being the material partner in partnership, executive director, employee, staff, advisor who receives salary or holds more than one percent of total number of shares with voting right of the company similar to or material competing with the Company or its subsidiary company.

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

The Independent Director having qualification according to item (1) to (9) may be assigned by the Board of Directors to make decision in the business operation of the Company, holding company, subsidiary company, associated company, subsidiary of the same level, major shareholder or controlling person of the Company, based on a collective decision. In the event that the person appointed by the Company as the independent director is the person whom has or used to have business relationship or is a provider of professional service with service fee exceeding the amount under the first paragraph of (4) or (6), the Board of Directors may consider for the allowance if it is deemed that the appointment of such person has no impact on the performance of duties and independence of opinions, and the Company has disclosed the following information within the invitation to the shareholders' meeting in the agenda concerning the consideration of the appointment of independent director.

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

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

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



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

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

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

- (3) Possesses sufficient knowledge and expertise to perform duties as the Audit Committee Member. Nonetheless, at least one member of the Audit Committee must have sufficient knowledge and expertise to perform and review a reliability of the financial statements.

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

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

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

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

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

#### **The Appointment of the Auditor and Determination of Audit Fee**

- The Audit Committee has duty to select, propose to appoint the Company's auditor and determine the annual audit fee, as well as re-appointment or removal of continuing auditor based on the trustworthiness, adequacy of the resources, amount of work handled by such audit firm or the experience of the personnel assigned to perform the financial audit of the Company and the appropriateness of the proposed fee. The Company and affiliated companies has engaged the auditor affiliated with the same auditing office.



- The Annual General Meeting of Shareholders Year 2017 has appointed the auditor from EY Office Limited to be the Company's auditor for year 2017, with independence, reliable and no connected relationship and/or having interests with the Company, subsidiary companies, directors, executives, major shareholders or related persons by determining the audit fee in year 2017 at the amount of Baht 1,200,000. Additionally, the Company also uses the non-audit service or non-audit fee in year 2017 from EY Office Limited, to evaluate the anti-corruption guidelines at the amount of Baht 350,000.

#### **Supervision over the Use of Company's Inside Information**

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

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

(2) The director, executive, manager and employee who are aware of inside information of the Company are prohibited to disclose any inside information to any outside person or any person who has no relevant duties and are prohibited to trade the Company's securities during the 1-month period before the financial statements are disclosed to the public.

(3) The director, executive, manager and employee are prohibited to use the Company's inside information that have not been disclosed to the public which are significant to the change in the price of the Company's securities to seek benefit for oneself and/or for the trading of the Company's securities. Should anyone violate the above stipulation, the Company will proceed according to the relevant laws and severely punish such person based on facts and findings of the incident on a case-by-case basis.

(4) In case of director, executive, manager and employee being convicted in a criminal case according to the Securities and Exchange Law, the Company will severely punish such person according to one or several of the followings.

(A) Reduce the salary or compensation

(B) Terminate, fire or remove from the position of director, executive, manager or employee, alleging that the person has intentionally caused damage to the Company. Should the convicted person hold the directorship position in the Company, the matter will be proposed to the shareholders' meeting for its consideration of the punishment.

(C) Notify the incident to the Stock Exchange of Thailand and/or the Securities and Exchange Commission.

(D) Report the case for a legal prosecution.

(E) Carry out other matters according to the resolutions by the Board of Directors or shareholder's meeting of the Company.

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

#### **REGULATION CONCERNING CONFIDENTIALITY**

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

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

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

(B) The persons holding position of Company's directors, executives, staffs and employees must not disclose confidential information and documents or trade secrets for another 2 years after leaving such position.

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

#### (2) Level of Confidential Information

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

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

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

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

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

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

#### (4) Comments to the Outsiders

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

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

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

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

#### (1) Accuracy of the Records

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

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

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

## (2) Accounting and Financial Reports

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

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

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

## (3) Legal Compliance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **REGULATION CONCERNING INTELLECTUAL PROPERTIES AND COPYRIGHT**

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

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

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

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

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

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

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

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

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

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

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

#### **REGULATION CONCERNING THE PROCUREMENT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **REGULATION CONCERNING ENERGY MANAGEMENT**

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

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

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

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

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

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

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

#### **Right of Shareholders and Equitable Treatment of Shareholders**

- The Board of Directors recognizes the importance of the right of shareholders as owners of the Company by adhering to the criteria established by the laws and encourages the shareholders to exercise basic rights of the laws. In 2017, the Company convened the Annual General Meeting of Shareholders on April 25, 2017 between 15.00 hrs. to 16.17 hrs. at the Crystal Hall A, 3<sup>rd</sup> Floor, Plaza Athenee Bangkok, a Royal Meridien Hotel, 61 Wireless Road, Lumpini, Pathumwan, Bangkok, which was at a convenient location for access and transportation. The meeting was attended by 13 directors out of 14 directors, and was conducted according to guidelines within the AGM Checklist, prepared by the Securities and Exchange Commission (SEC) in corporation with the Thai Investors Association and Listed Companies Association. For seven consecutive years, the Company has received 100 points out of 100 points total for the assessment result on the Annual General Meeting of Shareholders Year 2011 to 2017.

- The Company assigns Thailand Securities Depository Co., Ltd., Company's Share Registrar, to forward the invitation to the shareholders' meeting including relevant documents and information on each of the meeting agendas to the shareholders in advance by 21 days prior to the meeting date which exceeds the time period specified by the law, included the notice calling for the meeting or the meeting invitation shall also be published in a newspaper at least three days prior to the meeting date, in order to provide opportunity for the shareholders to study the information in details. The same information has also been disseminated on the Company's website, both in Thai and English, 30 days prior to the meeting date, so that the shareholders may have access to the information quickly and conveniently.

- The Company does not infringe upon the right of shareholders in the studies of Company's information and shareholders' meeting attendance. For instance, the Company does not suddenly hand out additional important documents in the shareholder's meeting; does not add or revise important information on the meeting agenda without informing the shareholders in advance; does not limit the right to attend the meeting by shareholders who are late, etc.

- The Company provides opportunity for an individual shareholder or combined number of shareholders with shareholding of no less than 0.50 percent of the total number of voting rights of the Company to have the right to propose matters for inclusion as the meeting agenda for the shareholders' meeting and to propose a nomination of new director in advance. The Company conducts this matter by receiving the proposal prior to the shareholders' meeting from October 1<sup>st</sup> through December 31<sup>st</sup> of every year with the shareholder having to propose such matter in writing and sending it by mail or by facsimile to the Company Secretary or sending it through the website to for initial notification before sending document to the Company Secretary.

- **By Mail to:**

- **Company Secretary of Lanna Resources Public Co., Ltd.**  
**888/99 9<sup>th</sup> Floor, Mahathun Plaza Building, Ploenchit Road**  
**Lumpini, Pathumwan, Bangkok 10330**

- **By E-mail Address: [saharat@lannar.com](mailto:saharat@lannar.com)**

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

- In summoning of the shareholders' meeting, the Board of Directors shall comply with the criteria established in the Company's Articles of Association and the AGM Checklist of SEC by notifying the rules and practices of attendance, grant of proxies for presence and votes at the meeting, as well as forward all three proxy forms as established by laws to the shareholders in advance including the meeting invitation by providing option for the shareholder to appoint the proxy from at least two independent directors and encouraging the shareholder to use the proxy form which comments may be specified for the voting.



- The Company has provided adequate information for each meeting agenda within the shareholders' meeting invitation for decision making, including, background and rationale and opinion of the Board of Directors. The shareholders have also been provided with the opportunity to post questions in advance of the meeting date by sending the questions through Company's website or via facsimile.

- At the shareholders' meeting, the Company has engaged Inventech Systems (Thailand) Co., Ltd. to render services supervising vote counting for each meeting agenda. The procedure on voting and vote counting are announced to the shareholders before commencement of the meeting agendas. Voting ballots shall be provided for voting during important agendas and for appointment of directors, which shall be voted individually. Meeting resolutions shall be recorded clearly, including the number of "approval", "disapproval" and "abstain" for every meeting agenda that requires voting. The Company will reveal the voting result of each agenda on the next working day through the Stock Exchange of Thailand.

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

- At the shareholders' meeting, the Board of Directors and Executives, comprising of the Chairman, Chief Executive Officer, Chairman of each sub-committees, etc. shall attend the meeting to clarify and answer questions to the shareholders' meeting with the Chairman of the Meeting provides equal right and full opportunity for the shareholders to audit Company's operation by posting inquiries, making opinions, and/or offering recommendations, in which important inquiries and recommendations shall be recorded in the meeting minutes.

- The Company Secretary and the assigned working team have prepared the shareholders' meeting minutes to include all important matters and has forwarded the shareholders' meeting minutes to the Stock Exchange of Thailand and disseminated on the Company's website within 14 days after the meeting has been completed. The shareholder has the right to examine the meeting minutes, supporting documents and other important documents at all time.

- In 2017, the Company has not arranged trip of plant visit, implement to the Thai Institute of Directors Association which will carry out a project on company visit of listed companies' shareholders for the utmost benefit of shareholders and investors. Regardless, the Company may consider on arranging plant visit program in the near future, such as once every three years.

### **Roles of Stakeholders**

- The Board of Directors has established the fundamental policy on corporate governance for practices toward each group of stakeholders by recognizing the rights of stakeholders in accordance with the laws or agreements with the Company without doing anything that would violate the human rights, copyright and intellectual property and/or violate the rights of those stakeholders, including anti-corruption and prohibit bribery for business interest by notifying the above policies to everyone in the organization for compliance and also disseminating the information within the Annual Registration Statements (Form 56-1), Annual Report (Form 56-2) and Company's website.

- The Board of Directors has established measures or channels for involvement by the stakeholders by disclosing relevant information for acknowledgement by the stakeholders and providing opportunity for whistleblowing or complaints by the stakeholders via the Audit Committee without passing through the Company's executives, of which can be sent by mail or E-mail directly without having to disclose the name of the whistleblower or person who makes complaints, in order for the Audit Committee to study the information or find facts based on the information from the whistleblower and to directly present the matter to the Board of Directors for consideration of finding protection measures and appropriate compensation to the damaged person according to cause and impact on a case-by-case basis.

- The Board of Directors has established policies to look after the environment and nearby communities that may be directly affected by business operation of the Company in order to gain trust from the relevant persons in the Company's operation, as well as promote and encourage every employee to get involved in overseeing and continuously carry out safety procedures concerning lives, society, communities and environment.

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

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

#### **Information Disclosure and Transparency**

- The Company has disclosed important information including financial information and other information accurately, completely, timely, transparently, and in accordance with the criteria established by Securities and Exchange Commission and the Stock Exchange of Thailand. During the past year, the Company has not been punished or acted upon concerning incorrect disclosure of information. The Company believes in the importance of information disclosures that affect the decision of investors and stakeholders equally and periodically performs assessment on the information disclosure process.

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

- The Company has adequately and appropriately disclosed information within the Annual Registration Statements (Form 56-1) and Annual Report (Form 56-2) according to the regulations of Securities and Exchange Commission and the Stock Exchange of Thailand.

- The Board of Directors is accountable for the financial statements and financial information, which is endorsed by the Chairman of the Board and Chief Executive Officer or Managing Director, as appeared in the Annual Registration Statements (Form 56-1) and Annual Report (Form 56-2), prepared in accordance with the generally accepted accounting standards by using accounting policies that are appropriate and corresponding to the business operation, taken on the regular basis with careful consideration. Important information are also adequately disclosed within the Notes to Financial Statements, which are supervised and responsible by the independent auditor and the Audit Committee on the quality of such financial information.

- The Company has prepared the Management Discussion and Analysis (MD&A) to be disclosed together with the Financial Statements of each quarter and yearend for shareholders' and investors' acknowledgement and understanding of changes in the Company's financial and performance during each quarter and year.

- The Company has disclosed the financial information and other important information in both Thai and English on the Company's website and periodically updated the information so that they are up-to-date.

- The Company has established the Investor Relations Unit to be responsible for communications with the investors, shareholders, as well as analysts and relevant government sectors, of which can be contacted by telephone at 02-253-8080 or at Company's website, [www.lannar.com](http://www.lannar.com) or e-mail address: [lanna@lannar.com](mailto:lanna@lannar.com).

- In 2017, The Company has organized 4 meetings between the Company and analysts from over 12 securities companies and financial institutions as follows:



**First Meeting:** On March 9, 2017 presented the yearly operating results of 2016 and anticipated investment projects in 2017.

**Second Meeting:** On May 22, 2017, presented the operating performance of the first quarter of 2017 and projected operating results for the second quarter of 2017, as well as market conditions, including coal and ethanol price and also report on ongoing projects.

**Third Meeting:** On August 23, 2017, presented the operating results of the second quarter of 2017 and the first six-month period of 2017, and projected operating results for the third quarter of 2017, as well as market conditions, including coal and ethanol price and also report on ongoing projects.

**Fourth Meeting:** On November 21, 2017, presented the operating results of the third quarter of 2017 and the first nine-month period of 2017, and projected operating results for the fourth quarter of 2017, as well as market condition, including coal and ethanol price and also report on ongoing projects.

- In addition, The Company participated in the Foreign Opportunity Day – Quarter 2/2017 on Friday, August 18, 2017 at The Stock Exchange of Thailand building and participated in the SET in the City 2017 between November 16-19, 2017 at the 5<sup>th</sup> Floor of Royal Paragon Hall, Siam Paragon to provide information to the investors and general public.

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

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

- During 2017, the Board of Directors consisted of 14 directors, including 4 executive directors and 6 non-executive directors and 4 independent directors and Audit Committee members. The Company has established description of the independent director of the Company equal the minimum qualifications established by the SEC and Stock Exchange of Thailand for the matter of shareholding in the Company; namely the independent director of the Company must not hold more than 1 per cent of all the number of shares with voting right.

- The Nomination process for the Company's directorship positions must go through the Nomination and Remuneration Committee. Nevertheless, the Board of Directors has provided opportunity for the minority shareholders to propose names of qualified persons for the directorship positions according to criteria or guidelines recommended by the Stock Exchange of Thailand, having notified the shareholders via the information dissemination of the Stock Exchange of Thailand and Company's website.

- The Board of Directors consists of persons possessing knowledge, capability, experience and expertise in various professions, which are deemed beneficial to the Company's operation, and with suitable qualifications to become the directors of the listed company according to the Company's regulations and established laws.

- The Chairman is independent having no relationship whatsoever with the Management and is not a chairman or member in any other boards or sub-committees.

- The Chairman of the Board is not same person as the Chief Executive Officer or Managing Director in order to clearly separate the corporate governance policy making roles and the daily management role.

- The Company has published within the Annual Report the information on the representing directors for each group, having directors on the Board, excluding independent director, not yet proportional to the shareholding for each group. Details can be found under the topic "Major Shareholders and Shareholding Proportion" in the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

- The number of years for the directorship position for each office term is in accordance with the regulation in the Public Limited Company Act B.E. 2535 but there is no specification on the number of terms that the director can continuously be in the position.

- In order for the directors to dedicate time and effort for their duties, the Board of Directors has established the number of companies that each director may take up positions as follows:

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

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

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

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

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

- The Company has appointed a person, a permanent employee, to be responsible for the work of the Company Secretary and has clearly established scope of authorities and duties of the executives for each level of work organization by separating authorities, duties and responsibilities in each of the level in descending order.

## **(2) Roles of the Board of Directors**

- The Board of Directors has adopted Company's direction, objectives, business plan and budget, including monitoring and supervision on the approval and/or operation of the Board of Executive Directors and the Management in accordance with the established business plan and budget with efficiency and effectiveness.

- The Board of Directors has duties to clearly establish and separate roles and responsibilities between the Board of Directors, sub-committees, and the Management, as well as having routine communications of such roles and responsibilities to the Board of Directors, sub-committees, Management and employees of the Company.

- The Board of Directors has established an effective internal control system, internal audit and risk management system for the Company, as well as having regular monitoring and review of above matters.

## **(3) Transactions with Possible Conflict of Interest**

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

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

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

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

- (4) The Audit Committee has to consider and provide comments on the said transaction. Should the Audit Committee possesses no expertise in any matter, the Company must provide independent expert to advise the Audit Committee for consideration before proposing to the Board of Directors of the Company and/or the shareholders' meeting for consideration and approval.

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

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

#### **(4) Report on Interest**

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

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

(1) To comply with the Securities and Exchange Law which stipulates that the directors and executives must report to the Company on the interest or the related persons' interest in relation to management of the Company or the subsidiaries, in order for the Company to have such information to perform according to the regulations concerning with the connected transaction, which may result in a conflict of interest that may lead to the transfer of benefit of the Company and its subsidiaries.

(2) To comply with the Securities and Exchange Law which stipulates that in conducting the business of the company, the directors and an executives must perform their duty with responsibility, due care and loyalty (fiduciary duties), by making decision without interest whether directly or indirectly. Therefore, the aforementioned report on interest is beneficial to the monitoring and supervision of duties conducted by the directors and executives following the above principles.

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

(3.1) Having a direct or indirect interest in any contract which is made by the Company during an accounting year, by specifying the nature of the contract, names of the contracting party and interest of the director in the contract (if any);

(3.2) Holding shares or debentures of the Company and affiliated company, by specifying the total number of increasing or decreasing shares during the accounting year (if any).

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

(1) The directors and executives are required to file a report with the Company on the interest or the related persons' interest in relation to management of the Company or the subsidiaries by notifying the company secretary using the form established by the Company.

(1.1) First time report must be filed within 7 (seven) days after the effective date of the announcement or from the date of appointment as the director or executive for the case of appointment after this announcement has become effective.

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

(2) The Company Secretary shall forward a copy of the submitted report on interest of the directors and executives under (1) above to the chairman of the board of directors and audit committee chairman for their acknowledgement within 7 (seven) working days after the company has received such report and the company secretary shall keep record and maintain the submitted reports on interest of the directors and executives under (1) to be used by the Company for the above objectives.

(3) The Company shall disclose information on the submitted interest of the directors and executives under (1) above within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2) of the Company. However, only those items that are required by the established laws shall be disclosed.

**(5) Report on Fraud or Illegal Conduct**

• The Company has established measures and procedure for the Company's executives to promptly report to the Company's Board of Directors and the Audit Committee in the event of frauds or suspecting of a fraudulent or illegal conduct or other unusual activities which may cause significant damage to the Company's reputation and financial status, which includes:

(1) Transaction involving conflict of interest

(2) Fraudulent or unusual activities or deficiency in the internal control system

(3) Violation of the laws and regulations regarding the Securities and Exchange, regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand or other laws concerning with Company's business operation.

Accordingly, the Board of Directors shall promptly correct the deficiency or its impact, including seeking protection measures to prevent such incident from happening again.

**(6) Board of Directors' Meetings**

• Every director can express opinions independently. In the event that the number of votes are equal during voting by the Board of Directors, the Chairman, a non-executive member, has the right to cast the deciding vote.

• The Chairman and the Chief Executive Officer or the Managing Director together shall consider and choose the Board of Directors' meeting agenda and give opportunity for each of the directors to be able to propose matter for the meeting agenda.

• The Company Secretary prepares and forwards the meeting invitation 7 to 10 days in advance, so as to provide sufficient time for the Board of Directors to study and review the information for decision making and the Board of Directors may also request for additional information from the Company Secretary, having the Management and top executives attend the meeting to clarify any issues in order for the directors to have full understanding to properly consider and make decision on the matter.

• The minutes of the meetings have been recorded in writing and the approved minutes from the Board of Directors have been kept completely and in order, readily available for review by the Board of Directors and related parties. The meeting minutes cannot be revised without passing through the Board of Directors' Meeting.

• The Board of Directors' meeting is regularly scheduled at least once every two months (one meeting every other month). The meeting schedule, including date, time and venue, is proposed in advance for each year in order for the director to prepare his/her own schedule to attend the meeting. The extraordinary meeting is scheduled as necessary and appropriate with the business. Details of the board meeting attendance for the past year are shown in the Annual Registration Statements (Form 56-1) and Annual Report (Form 56-2). The meeting agenda are clearly established in advance, having regular agenda for consideration of the operating results. Each meeting normally takes approximately 1 to 3 hours, depending on the extent of the meeting agenda considered during the meeting.

• Non-executive directors shall occasionally hold meeting among themselves as deemed appropriate and necessary. The Company's Board of Directors has established the policy to hold the Non-Executive Directors' Meeting at least once a year. In 2017, Non-Executive Directors Meeting No. 1/2017 was held on December 18, 2017.

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

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

- All 4 sub-committees comprise of Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, and Corporate Governance Committee have established criteria and arranged for the self-assessment on the performance as a whole board and of individual. The aforementioned Self-Assessment Form requests that the assessor specify the strong points, weak points and matters that require improvements. Each committee has jointly considered the results of the assessment and established guidelines for improvement of each committee's performance in the following years for the best benefit to the Company.

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

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

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

- The Company had paid the remunerations to the directors and executives, having disclosed the information in the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

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

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

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

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

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

- The Board of Directors has established regulation on employee training and development, which executives shall enroll in Master of Business Administration and other courses in the leading university.

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

- The Company encourages continuous learning for executives and employees (e.g. the Company's Secretary, Auditor, Accountants, etc.). Employees shall enroll in courses or training programs that are related to their field of work in order to constantly increase the knowledge and new techniques.

## **(10) Succession Plan**

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

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

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

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

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


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

- (d) Selecting and reviewing performance and potential: to review employee performance and potential for promotion, 360-degree feedback from supervisor, coworker, subordinate and customer (if any), in order to minimize biased opinions and error in evaluation.

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

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

### **Corporate Governance Assessment of Year 2017**

The Thai Institute of Directors Association (IOD) has prepared the Corporate Governance Report of Thai Listed Companies Year 2017, of which Lanna Resources Public Co., Ltd. was placed in a "Very Good" level (  ) with the average score of 88 percent, higher than year 2016 with the average score of 86 percent.



## FUNDAMENTAL POLICY ON CORPORATE GOVERNANCE

- Lanna Resources Public Company Limited is fully aware of the importance of good corporate governance and adheres to the principles of fairness and integrity, accountability, responsibility and transparency, and promoting equitable treatment and gaining faith from all the stakeholders. The Company focuses on building values to the business and persons with associated interest in long term for sustainable growth and development of the Company in the future.

- Accordingly, the Board of Directors has established its policy or basic principles of the corporate governance for use as guidelines for the business operation. The Company shall adhere to the following basic principles:

(1) Establish the management structure of the Company so that there are clear scope of authorities, duties and responsibilities for the Board, sub-committees and the Management for confidence and effective work performance.

(2) Operate in such manner to assure that various courses of action of the Company are effectively and efficiently performed under effective internal control system with appropriate balance of authorities as well as having transparent operation which can be audited and effective information disclosure procedures.

(3) Operate in such manner to assure that the financial reports reflect actual operating results and status, including having assessment and establish appropriate level of risk protection and mitigation measures.

(4) Proceed with the matters concerning conflict of interest cautiously and reasonably, taking the interest of the Company into consideration.

(5) Oppose to any forms of corruption and instill moral principle and conscience among the executives and employees for good behaviors, honesty and discipline, and also be conscious of duties and responsibilities of own individual and to the working team, ready for better things and always be responsive to the changes.

(6) Aim to attain operational excellence by adhering to creating customers satisfaction by listening to comments, as well as performing self-assessment and review in order to continuously develop and create better things.

(7) Recognize and respect the ownership right of the shareholders, including the right stakeholders and treat them with justice and fairness, without being partial and provide opportunity for the stakeholders to express opinions and also provide channels for whistleblowing and filing complaints concerning any violation of law or deficiencies, as well as establishing measures for compensation in the case of stakeholders being damaged from such violation of the law.

(8) Conduct its business by considering its responsibility to the shareholders, stakeholders and overall community and society including conservation of environment by taking part in the creation and/or support of developments which are sustainable and beneficial to the overall society, at the level of the Company's status.

(9) Conduct its business with protection measures against anyone for using inside information of the Company dishonestly for their own benefit.

(10) Establish measures and procedures in reporting of fraudulent or suspecting a fraudulent and illegal conduct or other unusual activities which may cause significant damage to the Company's reputation and financial status, of which the incident must be reported immediately in order to correct the deficiencies or impacts without delay, including seeking protection measures to prevent such incident from happening again.

Good corporate governance is the responsibility of all executives and employees at every level of the Company to adhere and perform duties with accountability, prudence and integrity with equitable treatment of shareholders to protect the inside information of being used with dishonestly for the benefit of their own or for others, transparency and disclosure information, ethically conducted business with stakeholders and all relevant parties by not violate the human rights, political neutrality and oppose to any forms of corruption, in order for sustainable growth and development of the Company in long term.

## **BUSINESS ETHICS**

- The business ethics or code of conduct of the Company is the code of practices which the Company considers as appropriate guidelines for business ethics and practices, of which the Company believes that these practices have been traditionally followed for a long period of time and became faithful and acceptable in every circle to distinguish between what is “should” or “should not”.

- The Corporate Governance Committee therefore has established the business ethics or the code of conduct for the Company and fully wishes that all the executives and employees at every level will use as guidelines and strictly follow them for routine practice at all time.

- Every executive and employee at every level recognizes the fiduciary duties towards the stakeholders and adheres to the following practices:

### **(1) Toward Company and Shareholders**

(1.1) Perform duties with honesty and in accordance with the laws, as well as making any decision in good faith and fairness to the major and minority shareholders for the maximum benefits of the Company and shareholders overall.

(1.2) Manage the business with skills and knowledge with aim to attain strong and sustainable progress and growth of the Company with appropriate return to the shareholders.

(1.3) Protect Company’s interest and look after the Company’s assets as if a person responsible for his/her own assets; do not seek to gain personal interest fraudulently, either directly or indirectly.

(1.4) Report the Company’s status and operating results accurately and completely based on truth at all times.

(1.5) Do not reveal Company’s secret and do not use Company’s information or secret to gain personal benefits or others or seek for other benefits dishonestly from work duties.

(1.6) Get rid of problems concerning conflict of interest cautiously and reasonably and disclose the information completely.

(1.7) Respect the ownership right and treat the shareholders equally.

### **(2) Toward Customers**

(2.1) Treat the customers with honesty and fairness, as well as disclose and provide information on the products and services accurately and completely without distorting the information.

(2.2) Strictly comply with the terms and conditions provided to the customers, as well as offer services and treat the customers with kindness.

(2.3) Be attentive to the complaints from the customers and promptly and fairly take care of the matter to meet the demand of the customers.

(2.4) Maintain trade secret of the customers and do not use the information to dishonestly gain personal benefit and/or for other related parties.



(2.5) Constantly provide products and services with quality and standard, together with develop excellent products and services and new innovation to continuously add value to products and services, in order to meet requirements of the customers and/or seek means for maximum benefit for the customers.

(2.6) Do not gain too much profit when compared with the product quality and services and avoid setting trading conditions that are unfair to the customers.

### **(3) Toward Employees**

(3.1) Treat employees fairly and courteously while paying due respect to individuality and human dignity.

(3.2) Maintain work environment that is safe to employees' life and occupational health.

(3.3) Support, promote, practice, train and develop the skill and knowledge of the employees on equitable basis in order to build job security and provide opportunity for advancement according to capability of each employee.

(3.4) Encourage employees to take part in the establishment of direction, development and solution to problems of the Company as teamwork and professionally

(3.5) Provide fair remunerations, appropriate to the responsibilities, knowledge and capabilities and work performance of each employee.

(3.6) Carry out professional appointments, transfer, including rewards and disciplinary actions in good faith and based on competence, capability and suitability of such employee.

(3.7) Comply with all employee-related laws, rules and regulations.

(3.8) Avoid any unfair action to the employees and provide opportunity for employees to file grievances for unfair treatment or unjust processes in order to resolve such employees' grievances in a correct way.

### **(4) Toward Trading Partners and/or Creditors**

(4.1) Do not demand, receive or pay any improper benefits to the trading partners and/or creditors and should it become known that corrupt demand, receipt or payment of any improper benefits occurs, full information will be disclosed to the trading partners and/or creditors and jointly resolve the problem on a fair and timely basis.

(4.2) Strictly comply with the all the terms and conditions agreed with the trading partners and/or creditors. In the case that any particular condition cannot be met, the Company will promptly inform the trading partners and/or creditors in advance in order to jointly seek for acceptable solution and to prevent from further damages.

(4.3) Report accurate and timely financial information to the trading partners and/or creditors on a regular basis.

(4.4) Build good relationship and understanding in a correct and transparent means.

### **(5) Toward Competitors**

(5.1) Treat competitors within legal framework and promote fair competition.

(5.2) Will not fraudulently or inappropriately seek confidential information of the competitors such as paying bribery to the employee of the competitor.

(5.3) Will not damage competitors' reputation by abusive accusation without truth.

### **(6) Toward Community, Society and Environment**

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

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

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

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

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

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

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

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

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

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

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

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

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

(8.3) The Company does not have policy of both direct and indirect monetary and/or resources support in favor of any politicians or political parties.

(8.4) The Company encourages all employees at every level uphold the principles of democracy to exercise their rights to vote on elections according to the Constitution, which employees have the right to express their personal political view or political participation during off-hour.

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

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

#### **CODE OF CONDUCT WHEN PROBLEM OCCURS**

The established Business Ethics and Code of Conduct for the employees may not cover all the possible cases that may occur; therefore, when problem arises in practice, the employee should consult and discuss with the supervisor according to level of authority for appropriate and suitable guidelines on a case by case basis.

## RELATED PARTY TRANSACTION

(1) During the year 2017, there were no business transactions or benefit related between the Company, subsidiaries and associated companies with the directors and/or the executives.

(2) During the year 2017, the Company had significant business transactions with its related companies or juristic person by way of common shareholders and directors. These transactions, with terms and basis concluded under the normal course of business, are summarized as follows:

### (A) Coal Sale and Purchase

<p><b>1</b> <b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller : Lanna Resources Public Co., Ltd. (“Lanna”) Buyer : Siam City Cement Public Co., Ltd. (“SCCC”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>• SCCC holds 44.99 percent of paid-up capital in Lanna, having three joint representatives being directors of Lanna, namely, Mr. Paul Heinz Hugentobler, Mr. Siva Mahasandana and Mr. Vanchai Tosomboon</li> </ul> <p><b>Reason and Necessities</b></p> <ul style="list-style-type: none"> <li>• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since SCCC uses coal as its primary source of fuel; therefore, future sales and purchase transactions should continue into the future.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>• Total Coal Volume: 784,813.67 tons</li> <li>• Total Value: Baht 1,505,821,071.63</li> <li>• Balance Amount as at December 31, 2017: Baht 79,541,555.36</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>• Market price for same industrial sector and at similar coal quality</li> </ul>
<p><b>2</b> <b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller : United Bulk Shipping Pte. Ltd. (“UBS”) Buyer : Lanna Resources Public Co., Ltd. (“Lanna”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>• Lanna directly holds 49 percent of paid-up capital in UBS, having three joint representatives being directors of UBS, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul and Mr. Srihasak Arirachakaran</li> </ul> <p><b>Reason and Necessities</b></p> <ul style="list-style-type: none"> <li>• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since coal business is Lanna’s core business; therefore, the tendency for the future transactions between the parties should continue into the future.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>• Total Coal Volume: 604,633 tons</li> <li>• Total Value: USD 25,660,098.11 or approximately Baht 872,638,636.64</li> <li>• Balance Amount as at December 31, 2017 USD 45,855.25 or approximately Baht 1,498,590.84</li> <li>• Exchange Rate: USD 1 = Baht 32.6809</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>• Market price for similar coal quality</li> </ul>

<b>3</b>	<p><b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller : PT. Lanna Harita Indonesia (“LHI”) Buyer : Lanna Resources Public Co., Ltd. (“Lanna”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 55 percent of paid-up capital in LHI, represented by the following commissioners and directors: (A) Board of Commissioners, having two representatives from Lanna; namely, Mr. Kraisi Sirirungsi and Mr. Saharat Vatanatumrak (B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Atichart Mongkol and Mr. Thamrong Angsakul</li> </ul> <p><b>Reason and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since coal business is Lanna’s core business; therefore, the tendency for the future transactions between the parties should continue into the future.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>Total Coal Volume: 165,276 tons</li> <li>Total Value: USD 6,036,638.44 or approximately Baht 204,339,605.55</li> <li>Balance Amount as at December 31, 2017: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Market price for similar coal quality</li> </ul>
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<b>4</b>	<p><b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller : PT. Lanna Mining Service (“LMS”) Buyer : Lanna Resources Public Co., Ltd. (“Lanna”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly and indirectly holds 99.975 percent of paid- up capital in LMS, represented by following commissioners and directors: (A) Board of Commissioners: having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo and Mr. Panot Charoensuk (B) Board of Directors: having six representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, Mr. Yongyuth Choochua and Mr. Supamon Nirathron</li> </ul> <p><b>Reason and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since coal business is Lanna’s core business; therefore, future sales and purchase transactions should continue into the future.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>Total Coal Volume: 54,086 tons</li> <li>Total Value: USD 208,311.00 or approximately Baht 73,221,342.85</li> <li>Balance Amount as at December 31, 2017: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Market price for similar coal quality</li> </ul>
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<b>5</b>	<p><b>Type of Transaction</b> Coal Sale and Purchase</p> <p><b>Related Parties</b> Seller : PT. Singlurus Pratama (“SGP”) Buyer : Lanna Resources Public Co., Ltd. (“Lanna”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 65 percent of paid-up capital in SGP, represented by following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak and Mrs. Petcharat Chayanon</li> <li>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Sudusit Ounsangchan and Mr. Panot Charoensuk</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since coal business is Lanna’s core business; therefore, future sales and purchase transactions should continue into the future.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>Total Coal Volume: 60,852 tons</li> <li>Total Value: USD 2,831,612.64 or approximately Baht 95,606,190.85</li> <li>Interest for Advance Coal Payment: USD 146,667.74 or approximately Baht 4,797,510.48</li> <li>Advance payment as at December 31, 2017: USD 1,853,700.00 or approximately Baht 60,580,584.33</li> <li>Interest Balance as at December 31, 2017: USD 97,763.63 or approximately Baht 3,195,003.42</li> <li>Exchange Rate: USD 1 = Baht 32.6809</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Market price for similar coal quality</li> </ul>
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**(B) Coal Freight Transport Services**

<b>1</b>	<p><b>Type of Transaction</b> Coal Freight Transport Services</p> <p><b>Related Parties</b> Employer : Lanna Resources Public Co., Ltd. (“Lanna”) Contractor : United Bulk Shipping Pte. Ltd. (“UBS”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 49 percent of paid-up capital in UBS, having three representative directors, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul and Mr. Srihasak Arirachakaran</li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since Lanna has the policy to continue importing coals from overseas for sales as Lanna’s core business; therefore, the tendency for future coal freight transport transactions between the parties should continue into the future.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>Coal Transport Volume: 989,847 tons</li> <li>Total Service Value: USD 4,897,174.81 or approximately Baht 166,160,787.11</li> <li>Balance Amount as at December 31, 2017: USD 7,506.93 or approximately Baht 245,333.23</li> <li>Exchange Rate: USD 1 = Baht 32.6809</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable to general market freight rates paid to external vendors.</li> </ul>
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### (C) Coal Marketing and Distribution Services

<b>1</b>	<p><b>Type of Transaction</b> Broker for Coal with Commission Fee</p> <p><b>Related Parties</b> Broker : Lanna Resources Public Co., Ltd. (“Lanna”) Service Receiver : PT. Lanna Harita Indonesia (“LHI”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 55 percent of paid-up capital in LHI and is represented by the following commissioners and directors:</li> </ul> <p>(A) Board of Commissioners, having two representatives from Lanna; namely, Mr. Kraisi Sirirungsi and Mr. Saharat Vatanatumrak.</p> <p>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Atichart Mongkol and Mr. Thamrong Angsakul.</p> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since coal business is Lanna’s core business; therefore, the tendency for future coal sales service transactions between the parties should continue into the future.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 3,328,071.768 tons</li> <li>Total Service Value: USD 2,496,053.85 or approximately Baht 84,147,892.40</li> <li>Balance Amount as at December 31, 2017: USD 193,772.62 or approximately Baht 6,332,663.62</li> <li>Exchange Rate: USD 1 = Baht 32.6809</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable market service rates in general</li> </ul>
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<b>2</b>	<p><b>Type of Transaction</b> Marketing and Distribution Service</p> <p><b>Related Parties</b> Broker : Lanna Resources Public Co., Ltd. (“Lanna”) Service Receiver : PT. Singlurus Pratama (“SGP”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 65 percent of paid-up capital in SGP, represented by following commissioners and directors:</li> </ul> <p>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech Mr. Saharat Vatanatumrak and Mrs. Petcharat Chayanon.</p> <p>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Sudusit Ounsangchan and Mr. Panot Charoensuk.</p> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since coal business is Lanna’s core business; therefore, the tendency for future coal sales service transactions between the parties should continue into the future.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 1,955,914.071 tons</li> <li>Total Service Value: USD 2,444,892.60 or approximately Baht 81,863,737.82</li> <li>Balance Amount as at December 31, 2017: USD 624,801.88 or approximately Baht 20,419,087.76</li> <li>Exchange Rate: USD 1 = Baht 32.6809</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable market service rates in general</li> </ul>
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<b>3</b>	<p><b>Type of Transaction</b> Service Fees</p> <p><b>Related Parties</b> Fee Receiver : Lanna Resources Public Co., Ltd. (“Lanna”) Fee Payer : PT. Singlurus Pratama (“SGP”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly holds 65 percent of paid-up capital in SGP, represented by the following commissioners and directors:</li> </ul> <p>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, and Mrs. Petcharat Chayanon.</p> <p>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Sudusit Ounsangchan and Mr. Panot Charoensuk.</p> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>Purchase of right to the service fee from the other joint venture partner in SGP, which is considered under normal course of business with general commercial terms and basis.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>Coal Volume: 1,955,914.071 tons</li> <li>Total Right to Fee Value: USD 1,466,935.56 or approximately Baht 48,969,798.64</li> <li>Balance Amount as at December 31, 2017: USD 564,771.59 or approximately Baht 18,457,243.86</li> <li>Exchange Rate: USD 1 = Baht 32.6809</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable market service rates in general</li> </ul>
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#### (D) Management Service

<b>1</b>	<p><b>Type of Transaction</b> Management Service</p> <p><b>Related Parties</b> Service Provider : PT. Lanna Mining Services (“LMS”) Service Receiver : PT. Lanna Harita Indonesia (“LHI”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>Lanna directly and indirectly holds 99.975 percent of paid-up capital in LMS and is represented by the following commissioners and directors:</li> </ul> <p>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo and Mr. Panot Charoensuk</p> <p>(B) Board of Directors, having six representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, Mr. Yongyut Choochua and Mr. Supamon Nirathorn</p> <ul style="list-style-type: none"> <li>Lanna directly holds 55 percent of paid-up capital in LHI and is represented by the following commissioners and directors:</li> </ul> <p>(A) Board of Commissioners, having two representatives from Lanna; namely, Mr. Kraisi Sirirungsi and Mr. Saharat Vatanatumrak.</p> <p>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Atichart Mongkol and Mr. Thamrong Angsakul.</p> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>Total Service Value: USD 60,245.07 or approximately Baht 2,036,513.63</li> <li>Balance Amount as at December 31, 2017: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>Comparable service rates paid to external vendors</li> </ul>
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<b>2</b>	<p><b>Type of Transaction</b> Management Service</p> <p><b>Related Parties</b> Service Provider : PT. Lanna Mining Services (“LMS”) Service Receiver : PT. Singlurus Pratama (“SGP”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>• Lanna directly and indirectly holds 99.975 percent of paid-up capital in LMS and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo and Mr. Panot Charoensuk</li> <li>(B) Board of Directors, having six representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, Mr. Yongyut Choochua and Mr. Supamon Nirathron</li> </ul> </li> <li>• Lanna directly holds 65 percent of paid-up capital in SGP and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak and Mrs. Petcharat Chayanon.</li> <li>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Sudusit Ounsangchan and Mr. Panot Charoensuk .</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>• Total Service Value: USD 60,160.49 or approximately Baht 2,033,783.06</li> <li>• Balance Amount as at December 31, 2017: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>• Comparable service rates paid to external vendors</li> </ul>
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### (E) Asset Rental Service

<b>1</b>	<p><b>Type of Transaction</b> Machinery and Equipment Rental Service</p> <p><b>Related Parties</b> Lessor : PT. Lanna Mining Services (“LMS”) Lessee : PT. Singlurus Pratama (“SGP”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>• Lanna directly and indirectly holds 99.975 percent of paid-up capital in LMS and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo and Mr. Panot Charoensuk.</li> <li>(B) Board of Directors, having six representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Saharat Vatanatumrak. Mr. Yongyut Choochua and Mr. Supamon Nirathron</li> </ul> </li> <li>• Lanna directly holds 65 percent of paid-up capital in SGP and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak and Mrs. Petcharat Chayanon.</li> <li>(B) Board of Directors, having three representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Sudusit Ounsangchan and Mr. Panot Charoensuk .</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The asset rental service transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>• Total Service Value: USD 180,225.95 or approximately Baht 6,092,824.32</li> <li>• Balance Amount as at December 31, 2017: USD 14,869.04 or approximately Baht 485,933.61</li> <li>• Exchange Rate: USD 1 = Baht 32.6809</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>• Comparable service rates paid to external vendors</li> </ul>
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## (F) Office Rental Service

<b>1</b>	<p><b>Type of Transaction</b> Office Rental Service of 48 sq.m. area</p> <p><b>Related Parties</b> Lessor : PT. Singlurus Pratama (“SGP”) Lessee : PT. Lanna Mining Services (“LMS”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>• Lanna directly holds 65 percent of paid-up capital in SGP, and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak and Mrs. Petcharat Chayanon.</li> <li>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Sudusit Ounsangchan and Mr. Panot Charoensuk</li> </ul> </li> <li>• Lanna directly and indirectly holds 99.975 percent of paid-up capital in LMS and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo and Mr. Panot Charoensuk.</li> <li>(B) Board of Directors, having six representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, Mr. Yongyut Choochua and Mr. Supamon Nirathron</li> </ul> </li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The office rental service transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>• Total Service Value: USD 8,990.78 or approximately Baht 304,678.84</li> <li>• Balance Amount as at December 31, 2017: None</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>• Comparable service rates paid to external vendors</li> </ul>
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<b>2</b>	<p><b>Type of Transaction</b> Office Rental Service of 48 sq.m. area</p> <p><b>Related Parties</b> Lessor : PT. Singlurus Pratama (“SGP”) Lessee : Lanna Power Generation Co., Ltd. (“LPG”)</p> <p><b>Connected Relationship</b></p> <ul style="list-style-type: none"> <li>• Lanna directly holds 65 percent of paid-up capital in SGP, and is represented by the following commissioners and directors: <ul style="list-style-type: none"> <li>(A) Board of Commissioners, having four representatives from Lanna; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak and Mrs. Petcharat Chayanon.</li> <li>(B) Board of Directors, having four representatives from Lanna; namely, Mr. Srihasak Arirachakaran, Mr. Anun Louharanoo, Mr. Sudusit Ounsangchan and Mr. Panot Charoensuk.</li> </ul> </li> <li>• Lanna directly holds 99.99985 percent of paid-up capital in LPG , having four joint representatives being directors of LPG, namely, Mr. Kraisi Sirirungsi, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran and Mr. Saharat Vatanatumrak</li> </ul> <p><b>Reasons and Necessities</b></p> <ul style="list-style-type: none"> <li>• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The office rental service transactions between the parties should continue into the future as required in the business operation.</li> </ul>	<p><b>Transaction during year 2017</b></p> <ul style="list-style-type: none"> <li>• Total Service Value: USD 10,145.91 or approximately Baht 344,335.85</li> <li>• Balance Amount as at December 31, 2017: USD 2,536.47 or approximately Baht 82,894.12</li> <li>• Exchange Rate: USD 1 = Baht 32.6809</li> </ul> <p><b>Pricing Policy</b></p> <ul style="list-style-type: none"> <li>• Comparable service rates paid to external vendors</li> </ul>
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## Opinion of the Audit Committee on the Related Party Transactions

20 February 2018

Presented to     The Board of Directors  
                    Lanna Resources Public Co., Ltd.

The Audit Committee has examined and reviewed the related party transactions occurred during year 2017 among Lanna Resources Public Company Limited, subsidiaries, associated companies and persons with associated interest or related persons, in order to express their opinions, including disclosure of information on the operation in accordance with the regulations established by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand, which can be summarized as follows:

(1) The Company has sold imported coal to Siam City Cement Public Co., Ltd., which is both a Company's customer and a major shareholder, with agreed trading price based on comparable quality of coal offered to other customers in the same industry and in accordance with general commercial terms.

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

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

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

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

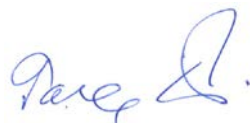
(6) The Company has received fees from the coal produced and distributed from PT. Singlurus Pratama, a subsidiary company registered in Indonesia, due to the Company's purchase of such right from another joint venture partner in 2008, which was in accordance with general commercial terms.

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

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

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

(10) PT. Singlurus Pratama, a subsidiary company registered in Indonesia, has rendered office rental service to Lanna Power Generation Co., Ltd., which is a subsidiary company registered in Thailand, for using as a representative office in Indonesia with agreed rental fees based on comparable rental rates offered to external parties and in accordance with general commercial terms.



(Mr. Padoong Techarintri)  
Audit Committee Chairman



(Mr. Adul Tantharatana)  
Audit Committee Member



(Mrs. Duangkamol Suchato)  
Audit Committee Member



**AYUTTHAYA COAL DISTRIBUTION CENTER  
NAKORNLUANG DISTRICT, AYUTTHAYA PROVINCE**



**COAL MINNING OPERATIONS OF THE SUBSIDIARY COMPANIES IN INDONESIA  
PT. LANNA HARITA INDONESIA AND PT. SINGLURUS PRATAMA  
EAST KALIMANTAN**



**ETHANOL PRODUCTION PLANT OF THE SUBSIDIARY COMPANY  
THAI AGRO ENERGY PUBLIC COMPANY LIMITED  
DAN CHANG DISTRICT, SUPHANBURI PROVINCE**





## Lanna Resources Public Company Limited

888/99 9<sup>th</sup> Floor, Mahathun Plaza Building, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10300

Tel: (+66)2 253 8080, (+66)2 253 6820 Fax: (+66)2 253 6822, (+66)2 253 5014

Website: [www.lannar.com](http://www.lannar.com) Email: [lanna@lannar.com](mailto:lanna@lannar.com)