

# **Annual Report 2019**

**Vichitbhan Palmoil Public Company Limited**



**Name**

Vichitbhan Palmoil Public Company Limited. (VPO)

**Registered Head Office**

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**Factory****1. Tha-Sae**

29 Moo 3 Petchkasem Road, Sup-anun, Tha-Sae District, Chumphon 86140

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**2. Thung-Kha**

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**Website:**

<http://www.vcbpalmoil.com/>

**Registered No**

0107557000071

**Type of Business**

Producing and distributing crude palm oil, by-products and electricity produced from the treated waste water disposed from the crude palm oil refinery

**Registered Capital**

940,000,000 common shares

**Registered Paid-up Capital**

Baht 940 million

**Par Value per Share**

Baht 1.00

**Share Registrar Thailand Securities Depository Company Limited**

Thailand Securities Depository Co., Ltd. 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand

Telephone: 0-2009-9000 Facsimile 0-2009-9991

**Auditor**

Mr. Pisit Thangtanagul Certified Public Accountant Registration (Thailand) No. 4095

of Pricewaterhousecooper ABAS LTD.

**“Investors could get more information about us by annual information form (form 56-1)”**



## Contents

Message from the Managing Director	4
Audit Committee Report	6
Responsibility of the Board of Directors on Corporate Financial Statements	7
Vision	8
Mission	8
Business	10
Financial Highlight	42
Management Discussion and Analyst	48
Board of Directors	79
Enclose	87



## Message from Managing Director

In 2019, the overall industry situation was still under new emerging challenges, either domestic or international market. In 2019, it was the year that the price of crude palm oil in the global market had dropped to the lowest level over the past several years as crude palm oil inventories were still at a high level in the early 2019, which was the consequence of the year 2018, and India had increased import taxes on palm oil to help domestic manufacturers of vegetable oil products, including pressure from the European Union announcing that it would stop using palm oil to produce biodiesel in the near future. These factors caused the product prices in the global market in 2019 to be in an ongoing and continuous recession.

The situation of the domestic palm oil industry in the first half of the year 2019 would correspond with the pressure caused by the global market conditions. However, in the second half of the year 2019, the government policies played an important role in the domestic industry, for example, the consumption of palm oil to generate electricity at Bang Pakong Power Plant, income guarantee for oil palm planters of the government sector to balance the price of palm oil. In the late 2019, the government announced the increasing proportion of the palm oil consumption in biodiesel from B7 to B10, which would be available throughout the country in the early 2020. According to all abovementioned government policies, the domestic market situations fluctuated based on different periods of issued policies. By the end of the year 2019, the prices of palm fruit and crude palm oil in Thailand began to increase more than the prices of the global market significantly. As a result, the overview of the domestic palm oil industry situations in 2019 had the fluctuation of the price and the quantity of palm production in 2019 was incredibly high.

However, in the upcoming year of 2020, crude palm oil prices in the global market should be adjusted to the higher level due to several factors, for example, the decreasing inventories of global palm oil. Malaysia has the remaining quantity of crude palm oil of approximately 2 million tons. It is expected that the supply of palm fruit in Indonesia and Malaysia will decrease. In addition, the self-reliance measures of Indonesia and Malaysia are established by creating the domestic demand, which will use palm oil to produce biodiesel and apply B30 and B20 oils to both countries, respectively, to reduce the dependence on the European market. Plus, India tends to reduce the import taxes on palm oil. These factors cause the price of crude palm oil from the late 2019 to the early 2020 to be significantly higher than the previous year and it is estimated that the global market situations will remain like this throughout the year 2020.

Regarding the current situations in Thailand, there is a clear policy that B10 will be mainly used and B7 and B20 will be used as alternative oil. These two factors will cause the demand of crude palm oil for biodiesel production to be approximately two-thirds of the total demand of crude palm oil. The remaining one-thirds will be the demand of crude palm oil for other non-energy consumptions. It can be seen that from 2020 onwards, the energy sector will play an important role in balancing and affecting the direction of prices. However, the quantity of palm fruit in 2020 is still monitored whether and how it will be affected by the drought. It is forecasted that the quantity of palm fruit in 2020 will be



approximately 17.8 million tons. According to the abovementioned reasons, its demand in 2020 is likely to increase. However, the market situations may fluctuate unexpectedly in the event of a drought as it will cause severe overlapping demand and supply due to the government policy to increase the consumption of palm oil. In contrast, if the quantity of palm fruit does not meet the expectation, it will cause the price of palm and crude palm oil to increase very high and other vegetable oils will be used to replace palm oil.

At last, the Company will try to closely monitor and supervise the situation. In the age where information is extremely important to the implementation of the Company's policies, the current business situations have changed dramatically. In 2020, government measures or policies in Thailand will have a significant impact on movements and expectations of the market. Therefore, the Company will focus on and be aware of the situations, and also apply relevant information to analyze and assess the opportunity from possible situations by emphasizing on business management to keep up with rapidly and constantly changing situations for the highest interest of the Company's shareholders.

In this regard, on behalf of the board of directors, executives and employees, I would like to thank the Company's shareholders, customers, agriculturists, business partners and the community for always supporting the Company. I would like to promise that the Company will operate the business by adhering to the principles of good corporate governance so that the Company will develop and move forward steadily and sustainably.

Mr. Krisada Chavananand

Managing Director



## Audit Committee Report

The Audit Committee contains the following independent members:

- |                              |                          |
|------------------------------|--------------------------|
| 1. Mr. Bandhoo Supakavanich  | Audit Committee Chairman |
| 2. Mr. Jiraphant Asvatanakul | Audit Committee          |
| 3. Mr. Rachada Singalavanija | Audit Committee          |

In the year 2019, the Audit Committee operated according to the scope and responsibilities stated in the regulations of the Stock Exchange of Thailand (SET) and the authority provided by the company's Board of Directors. Periodically, it had a total of 4 meetings that covered the following key points:

1. Review of Financial Statements and Financial Analysis Report the results of the quarterly and annual operations of the Company and its subsidiaries together with the management and auditors of the Company. The Audit Committee has considered that the financial statements are prepared in accordance with the financial reporting standards and reliable. And the disclosure of material information in the financial statements is enough. There is also a formal auditor meeting to discuss independently about the important information for preparing financial statements.
2. Review the results of internal audit every quarter by the internal auditor's recommendation was also considered to support the internal audit activity independently, and the Company has transparent along with ensuring appropriate and effective solutions are available.
3. Meeting with external auditors and internal auditors to obtain useful suggestions for managing the business. The executives have been informed and adjusted accordingly suggestions to make the workers more efficient.
4. To consider related transactions that may has conflicts of interest to the Company including review the disclosure of information accurately and completely in accordance with the guidelines of the Securities and Exchange Commission, the Stock Exchange of Thailand (SET) and other related to ensure that the transaction is reasonable, transparent and disclosed. Moreover, complying with good corporate governance principles and maximize benefits to the Company.
5. Review the suitability, the effectiveness of risk management and internal control systems from the internal audit report to ensure that the Company's operations are effective and achieved goals.
6. Present to the Board of Directors to propose to the Annual General Meeting of Shareholders for the year 2020 to appoint the auditors from PricewaterhouseCoopers ABAS LTD. is the Company's auditor for the year 2020 with auditing fee.

The Auditing Committee concluded that the company's management effectively performed according to corporate governance policies without violating any rules and regulations.

Mr. Bandhoo Supakavanich  
Audit Committee Chairman

20 February 2020



## Responsibility of the Board of Directors on Corporate Financial Statements

The Board of Directors was responsible for the financial statements of the company and its affiliates, including the financial information publicized in the company's annual report of the year 2019. The financial reports were prepared according to the financial reporting standards of Thailand, using appropriate and consistent accounting practices. The company exercised prudence and best practices to publicize relevant information for the best interest of shareholders and investors, underscoring the company's transparency.

The Board of Directors established a risk management system and maintained appropriate and effective internal control systems to ensure the completeness and correctness of accounting information. The systems were also developed to protect the company's assets and safeguard against corruption and inappropriate business practices.

The Board of Directors appointed an Audit Committee to evaluate the company's accounting practices, financial statement quality, internal control systems, risk management, and information sharing policies. Results and recommendations of the Audit Committee are included in the annual report.

The financial statements of the company and affiliates were evaluated by independent external auditors. The Board of Directors supported the Audit Committee with necessary information and documents to complete the auditing process according to accounting standards. The analysis results of the auditors were included in the annual report.

The Board of Directors believes that the company's internal control systems are of high quality, assuring the credibility of the financial statements of the company and its affiliates for the year ended December 31<sup>th</sup> 2019. The company adhered to financial reporting regulations and relevant laws.

Mr. Bandhoon Supakavanich

President

Mr. Krisada Chavananand

Managing Director



## **Vision**

**“We grow. We sustain. Palm Today, Prospect Tomorrow.”**

## **Mission**

- 1. To be business leader by professional management and operation.**
- 2. To make the customer satisfaction.**
- 3. To maximize efficiency and productivity.**
- 4. To control production's cost at appropriately.**
- 5. To focus on development in production technology and personal skills.**
- 6. To be friendly with environment and community.**





## Nature of Business & Palm Oil Industry



## Business

### 1. Policy and Business

#### Performance policy of Company

19 The Company produces and sells crude palm oil in Chumphon province. It has 2 manufacturing plants with the total capacity of 180 tons of fresh Palms per hour. Additionally, the Group operates alternative energy production by using waste water, and residues from the production of crude palm oil to produce biogas to be used as fuel for electricity production sold to the Provincial Electricity Authority. Currently, the Group operates two main businesses as follows:

#### 1.1 Production and distribution of crude palm oil

##### Palm oil plantation

Vichitbhan Palmoil Co., Ltd., a subsidiary of Vichitbhan Palmoil Public Co., Ltd. received permission to use the national sanctuary land by the Royal Forest Department in the form of concession in the Rabror and Salui forest areas, the deforested area in Hongcharean sub-district, Thasae district, Chumphon province for palm oil plantations within an area of 835 Rai 3 Ngan 75 square Wah with the license expired on February 11th, 2015. Presently, it's still in the process of reinstating the license. In additional, the permission had been granted to use another National Reserve Forest area by the Royal Forest Department for oil palm plantations amounting to 9,334 Rai, 75 squares Wah in Hongcharean sub-district, Thasae district, Chumphon province with the name being Vichitbhan Palm Oil Plc. with the license expired on October 17th, 2015. Presently, it's still in the process of reinstating the license. The Company uses fresh palms as raw material in the production of crude palm oil.

After expired license, Vichitbhan Palmoil Co., Ltd., and subsidiary of Vichitbhan Palmoil Public Co., Ltd. have ceased the collection of palm fruit in the area. Until on June 28, 2016, the Central Administrative Court has ordered the Company and its subsidiaries to maintain and collect the palm fruit by paying a monthly fee to the Royal Forest Department as agreed by the Company.

The company received the letter from the Royal Forest Department on November 1, 2017. The letter is claimed for royalties and forest maintenance fees (from May 24, 2010 to October 17, 2015), totaling Baht 152,878,343.58. Our legal consultants have given an opinion that pursuant to the rent agreement of the parties specified that the company must remunerate for making use on the national reserved forest area by making the annual rental fee as specified in the said agreement. According to the agreement and laws, the company shall not to be obliged to pay any royalties and forest maintenance fees as claim in the Royal Forest Department letter. Therefore, the company has refused to pay damages on November 28, 2017.

##### Palm Oil Crushing Mill

As on December 31<sup>st</sup>, 2019, the Company has 2 crude palm oil extraction plants with the total production capacity of 180 tons of fresh palms per hour. This is deemed that the Company had the largest total capacity of in Chumphon province, a major palm oil source of the country resulting in the Company having earned the trust of farmers and fresh palm trading entrepreneurs because the Company is able to handle large amount of fresh palm. The Company 's palm oil crushing mill used Automation and Monitoring System technology in the production, which has helped increase production efficiency and resulting in good quality crude palm oil produced meeting the standards that is recognized by leading companies both domestic and abroad. It also allows the Company to control crude palm oil Loss in the production resulting in the Company production rate being good.



The Company's products produced from palm oil are crude palm oil, palm Kernel, and by-products such as Palm Kernel Shell. The main income for the Company is from sales of crude palm oil and because the products quality meets international standards, the Company's distribution channels are both local and foreign.

## 1.2 Production and distribution of electricity

### The production and distribution of electricity from biogas

VG Energy Co., Ltd. is a Company producing electrical energy from biogas as per the electricity purchasing contract from very small power producers (VSPP or producers of electric power not over 10 MW.) with the Provincial Electricity Authority. The Company has 2 biogas plants in Chumphon province with the total capacity of 8.4 MW with Thung Kha power plant has the production capacity at 2.8 MW power plant and Thasae power plant at 5.6 MW. The said biofuels are from biogas generated from the wastewater treatment process and decanter cake from the extraction of palm oil then the electric energy is sold to the Provincial Electricity Authority. Besides, adding value to the waste from crude palm oil factory, it also reduces the environmental impact on the communities include reducing odor from waste water. The biogas plant also contributes to reducing greenhouse gas emissions, the cause of global warming. Additionally, the Company was registered as a Clean Development Mechanism (CDM) Project under the United Nations Framework Convention on Climate Change (UNFCCC) in October 2011 and April 2012.

Additionally, the Company is also entitled to the tax benefits from The Board of Investment of Thailand for the production and distribution of electricity from biogas for a period of 8 years from 2011 to 2019 with the corporate income tax exemption and a 5 years period from the year 2020 to 2025 for the 50% income tax deduction.

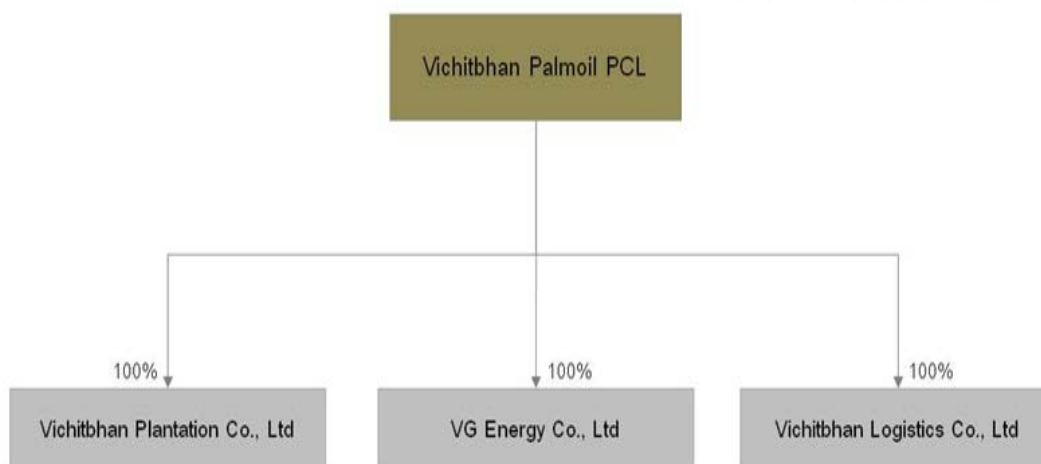
## 2. The shareholding structure of the Group

The shareholding structure of the Company and its subsidiaries is as follow:

Company	Nature of Business	Registered Capital	Shareholding
<b>Vichitbhan Palmoil Public Co., Ltd.</b>	crude palm oil and by-product producer and distributor	940 million THB	-
<b>Vichitbhan Plantation Co., Ltd. (VPP)</b>	oil palm plantations operator	42.5 million THB	100.0
<b>VG Energy Co., Ltd. (VGE)</b>	Producer and distributor of electricity generated from waste or residues of crude palm oil factory	470 million THB	100.0
<b>Vichitbhan Logistics Co., Ltd. (VBL)</b>	Transportation operator of crude palm oil, palm kernel, waste treatment and others	8 million THB	100.0

### The shareholding structure of the Company Group

As on December 31st, 2019, the shareholding structure of the Company and its subsidiaries is as follows.



### 3. Relationship with major shareholder group.

-N/A –

### 4. Business structures

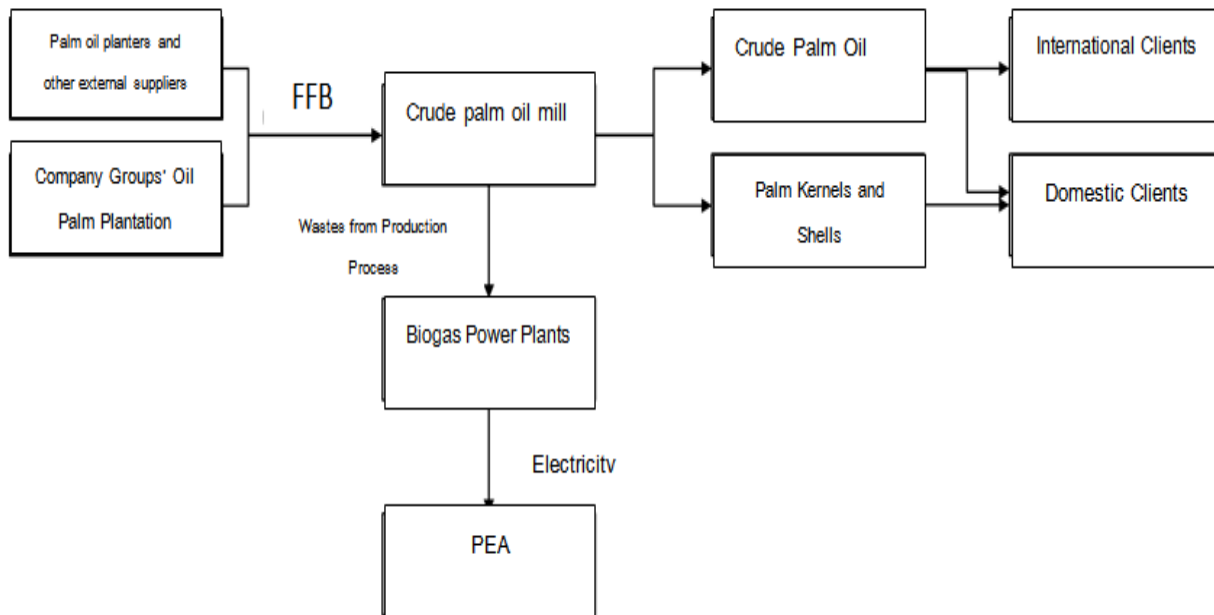
#### 4.1 Income Structure

This table showed income structure of Company group.

Lists	annual financial statement					
	31-Dec.-19		31-Dec.-18		31-Dec.-17	
	Million	%	Million	%	Million	%
Revenue from CPO and KER	1,002.10	92.90	1,202.76	95.07	1,323.73	95.34
Revenue from other.	76.60	7.10	63.33	4.93	64.78	4.66
<b>Total revenue</b>	<b>1,078.70</b>	<b>100.00</b>	<b>1,266.09</b>	<b>100.00</b>	<b>1,388.50</b>	<b>100.00</b>

Revenue from CPO and KER were approximately 92% – 93% of total revenue.

The Company classified the products manufactured and sold into 2 major categories: (1) product on manufacturing and supplying crude palm oil business including the production and distribution of crude palm oil and by-products from the production of crude palm oil and by-products such as seeds, and palm kernel shells (2) manufacturing and distribution of electricity from wastes or residues from the production of crude palm oil to produce electricity. This can be illustrated by the diagram as follows;



## 4.2 Production and distribution of crude palm oil and by-products

Currently, the Group There are 2 crude palm oil extraction plants in Tha Sae district Chumphon province and Thung Kha district Chumphon province with a total capacity of 180 FFB tons per hour.

### 4.2.1 Product Characteristics - Production and distribution of crude palm oil

**Products manufacturer and supplier of crude palm oil can be classified into 3 types;**

#### (1) Crude Palm Oil or CPO



The product is extracted from the palm squeeze. This is a reddish-brown liquid and the Company has no control at all production steps. The oil extracted from palm oil production process meets international standards. The standard features of crude palm oil and crude palm oil, the properties of the Company's production may be summarized as follows:

Properties	PORAM Standard <sup>1</sup>	Value obtained	Average value in 2019 from the Company's lab
Free Fatty Acid as PALMATIC	$\leq 5.00\%$	3.60 - 4.38 %	3.77%
Moisture & Impurity (M&I)	$\leq 0.25\%$	0.11 - 0.16 %	0.13%
Deterioration of Bleach ability Index (DOBI)	$> 2.30$	2.45 - 2.86	2.77

Crude palm oil is the raw material of various types. Generally, the use of crude palm oil can be divided into 2 main types of uses for consumption and used as a raw material in the production of renewable energy. The amount of each type can be accounted for approximately 52.23% and 47.77% of the palm oil used in the country (source: Department of Internal Trade of Thailand) in respect of the Company, the Company manufactures and distributes crude palm oil to its crude palm oil refineries both domestic and international to be used in the food industry and other industries such as the production of biscuits, Non-dairy creamer, ice cream, shampoo, and cosmetics industries, including manufacturing, industrial Oleo chemicals. These include the production of fatty acids and methyl ester, etc.

(2) Palm Kernel



Production of crude palm from fresh palm fruits the Company will get palm kernel, which the innermost core of the fruit. The kernel is white opaque and very hard, mostly used for extracting oil. Then the palm kernel oil is used as an ingredient in the production of bread, margarine, and fats used in cooking, cosmetics, health supplements, as raw material for oleo chemicals industry and the pulp is used as an ingredient in animal feed.

(3) By-product (Palm Kernel Shell, empty fruit bunches, decanter cake, and palm fiber)



After the crude palm oil, the Company would end up with Palm Kernel Shell, empty fruit bunches, decanter cake, and palm fiber:

- Palm Kernel Shell is between the palm fiber attached to the outer shell and palm kernel inside. The brown solid meat is mostly used for fuel.
- Empty Fruit Bunches (EFB) will be used as fertilizer for mushroom and can be use as fuel.

<sup>1</sup> Palm Oil Refiners Association of Malaysia - PORAM refers to the quality of crude palm oil in Malaysia.

- Decanter Cake is used for animal feed and raw material in the production of biogas.
- Palm fiber is used as fuel to produce electricity and thermal energy to be used in the production of crude palm oil. This reduces having to purchase power from outside.

#### **4.2.2 Sales and Marketing - Production and distribution of crude palm oil**

##### **Competitive Strategy**

The business of crude palm oil is an agricultural industry. Therefore, the main factors affecting the Company's performance and financial status are amounts of palm fruit that goes into the production process. The major factors affect the quantity of palm fruit are weather and rainfall as an uncontrollable external factor. At present, the production capacity of the crude palm oil extraction plant in the country is 2 time greater than the amount of palm oil produced in the whole country and it is expected that the production capacity will be higher. The competition in raw material procurement is very serious. It may also be entered into a new competitor's industry or an expansion of the existing competitor. Therefore, the Company's strategy focused on internal management to be in line with the industry situation and increase its competitiveness. Focus on the enhance production processes and to control production costs.

##### **Focus on sustainable the material.**

The main factor of the extractive crude palm oil business is amounts of fresh palm fruit. The Company purchases the material from both small palm oil growers and large palm oil growing, including external vendors. Consequently, strategy for 2019, focused on doing sustainability of materials by extending the purchasing spots covered plantation, approach more palm oil growers as well. Moreover, the Company focused on quality and efficient production which buying multi-price related to the quality of fresh palm fruit. These may change growers behavior in order to promote industries as well.

The Company still developing customer relationship officers skill to communicate with right meaning and listening to both problem and suggestion in order to improve continued efficiency.

##### **Focus on efficiency development of procedure.**

The Company is a leader in manufacturing technology that the efficient production process will affect product quality, establish credibility and have the advantage of distribution. The production process uses Automation and Monitoring System which fast checks and analyzes process of production and machines. It also helps in analysis to correct various defects on time to reduce the loss of production and the impact of production disruptions.

Although the Company has high production technology but the Company still attends to people by providing training to staff to understand the process of machinery in the production line to maximize the efficiency of the machine and help reduce accidents in work.

##### **Cost planning and cost control.**

In the high competition, proper cost control and production costs are strategies that the Company acknowledged. Due to reduced expenditure or production costs would result in more opportunities to compete for the purchase of palm fruit. The machinery will be fully utilized which result in lower production costs per unit. The Company has introduced an information system to assist in the management and repair planning, enabling effective control of repairs.

##### **Human Resource development**

The Company has been still committed to developing all organizational to have knowledge and skills in the workplace. For efficiency and effectiveness in the operation by focusing on the enhancing human relations at work, effective communication and managing work conflicts. In the year 2019, the company has organized a palm quality training course for customer relations staff. And staff at the point of purchase to review and focus on the continuation of the Quality Palm project on June 14, 2019.





And training course for supervisor in various departments foreffective communication and human relations on October 28, 2019



#### 4.2.3 Distribution and channels

The Company does not a long-term crude palm oil contract as well as no derivatives policy. Include the policy of hoarding numerous oil for speculation. This is to prevent the risk of fluctuations in the price of crude oil which may arise from many factors that the Company can not control. However, the market is highly competitive and speculative. The Company may need to manage the sales according to market conditions. In some cases, the Company may have inventory higher than normal demand for palm oil and the policy of using biodiesel in the government

##### Domestic distribution.

The Company distributes crude palm oil and palm kernel directly to refinery, biodiesel producer and kernel oil extraction plant.

##### International distribution.

The Company exports only crude palm oil products. The Company also regularly considers the proportion of domestic and abroad distribution. The keys factors used in the Company consideration, prices, the demand in the domestic and abroad market.

#### 4.2.4 Customers and Target Customer Groups

There are 2 Company's Target Customer Groups: Domestic and Abroad

##### 1. Domestic costumers

Customers in this Group are crude palm oil refinery that will bring the Company's CPO to be refined, Biodiesel manufacturer which will use CPO through chemical process to produce biodiesel which is a substitute energy fuel of diesel type palm kernel oil extraction plants that will bring the Company's palm kernel to be extracted for oil. The Company can supply many refinery, biodiesel manufacturer and extraction plants in bulk due to the stability in the production of crude palm oil and palm kernel, product quality being acceptable, and punctuality in delivery.





## 2. International costumers

Although during the year 2018 to 2019, the Company had only a small amount of exports. Since the international palm oil market price was lower than the price of crude palm oil in Thailand. However, the Company has still maintained its export potential, by maintaining the quality of products that meet international standards, entrusted from foreign customers. In the past, Thailand has been able to operators for export which the Company is considered only a few domestic manufacturers that have the ability to compete in the international market. Since the large production capacity and quality management are reasonable.

### 4.2.5 Raw material procurement - Production and distribution of Crude palm oil

The major raw material in the production, fresh palm fruit were approximately to 85% to 90% of the total costs of sales for the past 3 years and procured from the entire country with the plantation of the Company Group accounted for 6% to 18% per year.

However, for the past year, the license to use the reserved National Forest land from the Royal Forest Department in the concession area in Hongcharean sub-district, Thasae district, Chumphon province area of 19,835 Rai 3 Ngan 75 square Wah and the area of 9,334 Rai, 75 square Wah expired on February 11<sup>th</sup>, 2015 and on October 17<sup>th</sup>, 2015 respectively, on 28 June 2016 the Administrative Court permitted the Company and its subsidiaries to collect Palm fruit, making the palm from plantation of the Company reduced to only 2.06 % but in 2017 and 2018 increased 12.93 % and 18.14% respectively of the Group's total fresh palm fruit used in production with the remaining of the Company's raw palm fruit purchased from other.

#### (1) Raw palm fruit purchased from outside

The price of fresh palm fruit which purchased from third parties by transferring or paying cash, depending on the volume, market conditions, and the Company's policies. In each year The Company buys fresh palm fruit from the outside; namely:

1. From the Company purchasing points (Ramp) to facilitate small palm growers to be able to sell fresh palm fruit to the Company without having to transport to sell them at the crude palm oil extraction plant. Therefore, the Company has invested to spread out the trading points to the area's farmers to facilitate the purchase. Each nearby trading point is not the buying point for any company trade partner so it does not cause any problem on poaching palm fruit with the Company trade partners.

2. The Company trade partner purchasing points do not have their own crude palm oil extraction plant and trading of fresh palm fruit to the Company. The Company had the policy to promote the quality of palm fruit. If the purchase points of the partner send good quality fruit, the partner will accept a higher price. The partners could buy more fruit from palm growers and promote the project to buy good quality palm fruits to enter into the production process of the Company.

3. Major palm growers that are capable of transporting and have good relationship with the Company will transport the palm directly to the mill.

#### (2) Raw palm fruit from the Company

The Company's local area for cultivating and harvesting was approximate to 6,804 Rai. The Vichitbhan Plantation Co., Ltd. has cultivated and harvesting area of approximately 15,984 Rai, resulting in the Company palm plantations totaling 22,788 Rai, with the output of 65,000 to 75,000 tons per year. But in 2016 the contracts on the 2 plots of land have gradually expired, but the Administrative Court had temporary protection order that the Company and its subsidiaries can collect the palm fruits in these areas since June 2015. However, the order also decreased cultivating and harvesting area approximately to 7,109 Rai for the Company and 16,256 Rai for subsidiaries. Moreover, there was the old age of palm trees and lack of fertilization before the Administrative Court's order. As a result, the production reduced to 3,844 tons per year in 2016. For the year 2017 and the year 2018, raw palm fruit from the Company increased to 33,424 tons and

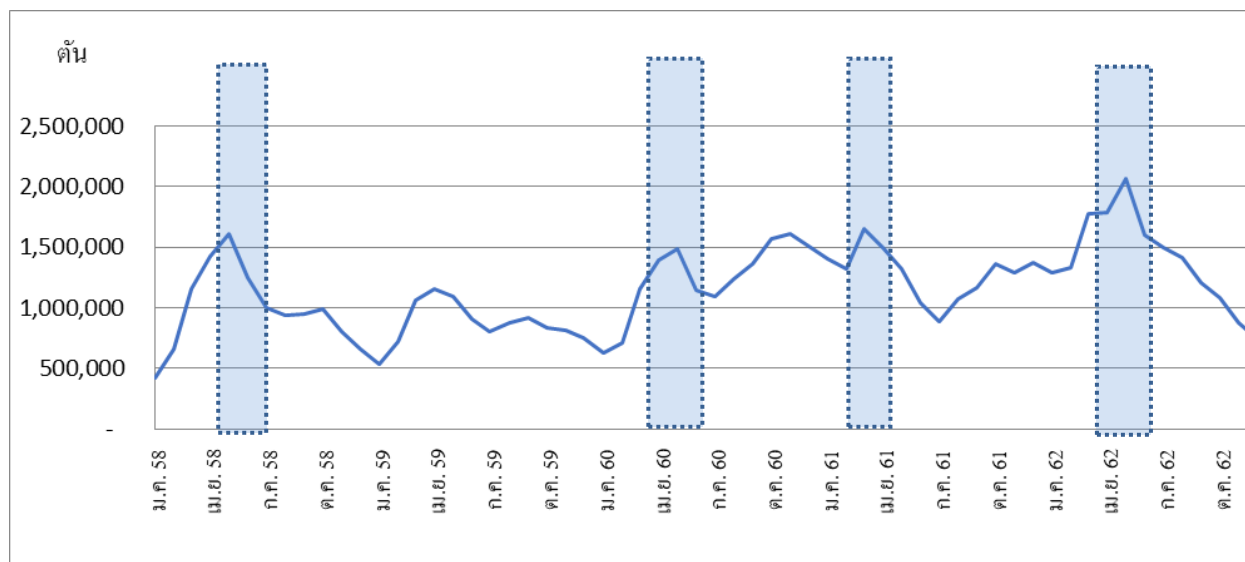
42,442 tons, respectively. Since the Company could harvest all the years. But compared to the amount of fresh palm oil fruit harvested by the Company before the expiration of the concession, the amount of fresh palm fruit is halved.

#### 4.2.6 Problems with the supply of raw materials

There are many factors in Thailand resulting the cost of cultivation of palm oil being higher than countries that are leader in the palm oil industry in the region; most palm growers have cultivation area is not very large, It is impossible to have a comprehensive management and investment in technology and development to increase productivity per acreage, palm varieties yielded low product, care and harvest were not quality and standard. The harvesting of palm fruit is also dependent on rainfall of the season each year and palm trees age.

In addition, the imbalance of fresh palm fruit to the market with the current plant capacity results in severe competition in the purchase of palm fruit. Even though in 2019, Thailand had a total output of 16.66 million tons, which is higher than in the year 2018 with an output of 15.39 million tons or increased by 8.25 percent. Chumphon province has a market volume of 2.26 million tons, which is higher than in 2018 with 2.12 million tons or increased by 4.78 percent but there is an excess of production capacity.

**Graph 1 The quantity of Palm Fruit for 2014 to 2019.**



Reference: Office of Agricultural Economics

The Company responded to the situation, in addition extending to purchasing points, had the Quality of Purchasing Palm Project to reduce the cost of production and controlling quality of goods.



#### 4.2.7 Production - Production and distribution of palm oil

The Company has a total of 2 palm oil crushing mills located in Chumphon province. Thasae crude palm oil extraction plant has the production capacity of 120 tons of fresh palms per hour and Thung Kha mill with a capacity of 60 tons of fresh palms per hour. The total production capacity is 180 tons of fresh palms per hour, as detailed below.

Detailed information on the production of the Group for the year 2017 - 2019

	Year 2019	Year 2018	Year 2017
Production capacity (tons of fresh palms per hour)	180	180	180
The palm put into manufacturing (tons)	276,596	233,980	258,432
crude palm oil produced (tons)	48,707	41,408	42,940
palm kernel produced (tons)	15,973	13,375	14,003

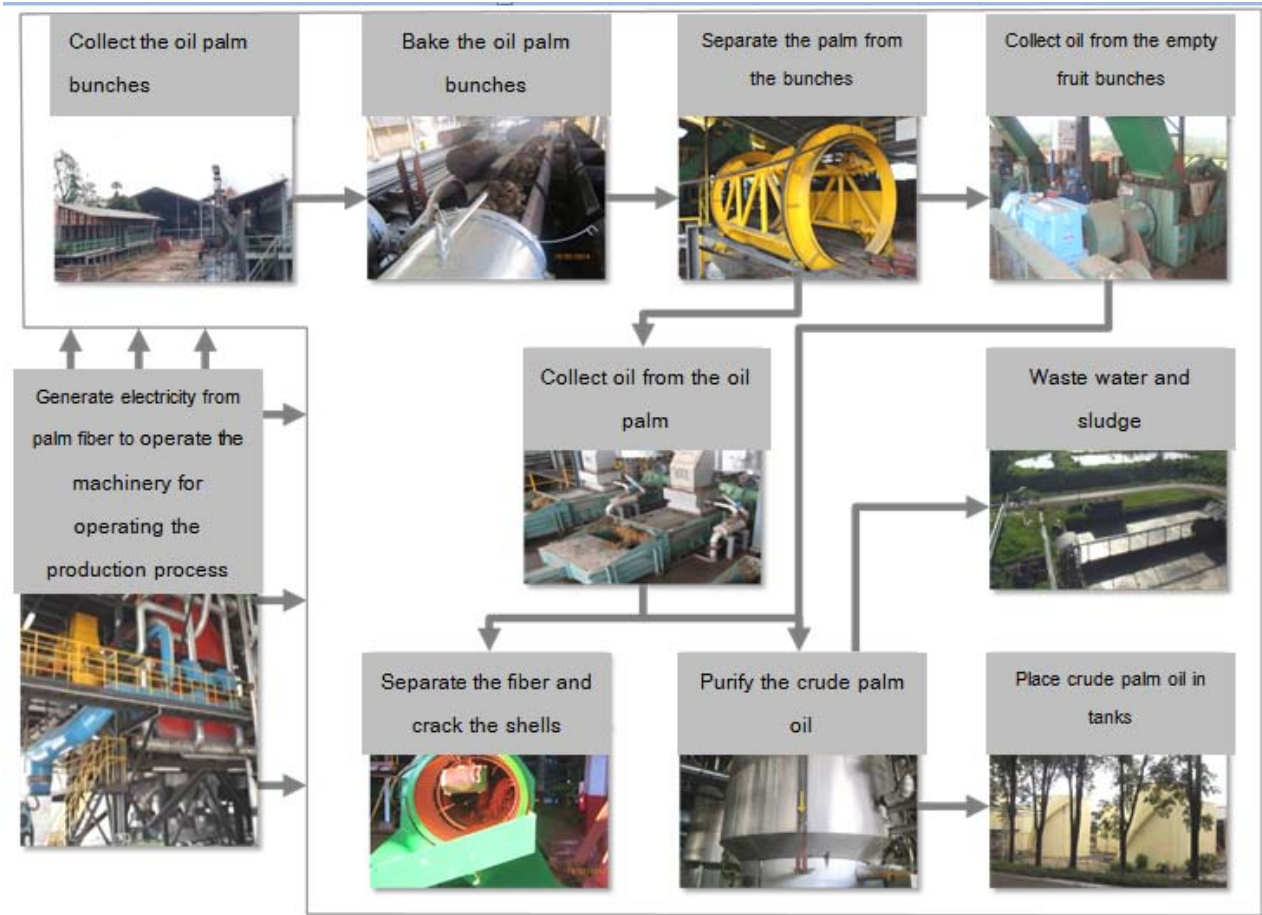
The Company implemented advanced technology with good performance, such as Automation and Monitoring System to be used in the manufacturing process to make the process more efficient and effective. It can also quickly analyze data unlike other palm oil mill that still use the old system controlled by the workers.

The monitoring and analysis of the production is difficult and time-consuming resulting in lower productivity and the potential of productivity loss because the situation cannot be remedied immediately.

Manufacturing process has been controlled and managed by the Automation and Monitoring System start from the fruit conveyer to the sterilizer to steam with steam so the fruit is soft and can easily fall out of the core. It is followed by the process of separating the palm fruit from the palm bunches oil to be forwarded to the screw press. The next process is the oil cleaning process by separating oil from water impurities such as sand, decanter cake pellets, which the Company has an oil separator machine with special technology to reduce the time of separation with oil contamination five times faster than the original duration. This results in a shorter duration, better quality of the CPO, and the Deterioration of Bleachability Index (DOBI) of CPO being better. Then, it will go through the moisture elimination to yield quality CPO and various by-products from the production. While some crude palm oil extraction plant production process is by seed compression results in deteriorated palm oil quality due to the palm oil and palm kernel oil being mixed.



Brief description of crude palm oil production



Reference: Company

The details of each station are as follows:

Figures of production process	Description
	<p><b>The fruit bunches reception</b> – is a palm fruit bunches reception process from various sources of factory and taken to the Palm reception area. When the process begins, the fruit bunches will be onto the conveyor belt sending the Palm fruit bunches to be loaded onto the truck waiting to be baked.</p>
	<p><b>Palm baking</b> – the transport system moves the loaded truck into a sterile pot, which is controlled by Automation System with sterile casserole baking by steaming palm with steam at a pressure of three atmospheres. The palm fruit bunches ripen and then taken out to be forwarded to the separation process. The Automation System will enhance efficiency and precision in controlling the temperature, pressure, and time resulting in the steaming process being complete and meets the desired formula. In addition to reducing Human Error, it is also a tool to help employees to work more efficiently.</p>
	<p><b>Separating the fruit from the bunch</b> - truck loaded with baked palm to Tipper to pour out on to the conveyor belt to the Threshing Machine to separate the fruit from the fruit bunch then the fruit is transported by conveyor to the fruit oil extractor while the empty fruit bunch is transported by conveyor to the fruit bunch oil extractor.</p>
	<p><b>Extracting oil from fruit</b> – the fruit is transported to the digester using steam and then into the Screw Press by squeezing oil from palm fruit. In this process, the fiber of palm and palm kernel will be left over. The crude palm oil will flow into the oil cleaning station. The fiber palm and palm kernel will be sent to separate fiber and seed crackers.</p>



Figures of production process	Description
	<p><b>Cleaning palm oil</b> - crude palm oil will be separated by a sieve to separate sand and impurities from crude palm oil. Then sent to the oil reservoir to be sent to through a sand separator system torque again and to the oil separator machine. The oil floating on the top will be sent to storage tanks for oil separation, purification, and drying by vacuum system. Then the oil is sent to storage tanks waiting to be distributed. The oil in the bottom is returned to the tank for a three-phase separation: oil, water, and fiber then returned to the storage tank to repeat the above steps.</p>
	<p><b>Separating palm fiber and cracking kernel</b> - the palm fiber, palm kernel from the extractor will be transported into fibers separator using air suction. Fiber is fed as fuel for the Boiler. The palm kernel is dried in silos then sent to grain crackers to separate the palm kernel and Palm Kernel Shell. The small palm kernel that is still mixed with the shell will be separated again by a separator. The specific gravity of palm kaolin will be transported to a separate tank for distribution. The palm kernel will be sent to the drying process and stored in silos to await distribution.</p>
	<p><b>Extracting oil from palm empty fruit bunch</b> – the empty bunch will be forwarded to the extraction process with the crude palm oil flowing to the tank to extract sand. It then will be sent to be cleansed.</p>
	<p><b>Power plants</b> - palm fiber from the production process will be transported to be used as a fuel to produce steam that will be converted into electrical energy for propulsion machinery on the production line.</p>

#### 4.2.8 Environmental Impact - CPO production and distribution

Group's policies and practices in the care and preservation of the environment are clear to ensure that the Company's production process yields minimal environmental impact. The focus is on the ongoing management. This starts from the Company staffs and managements having to be ethical in its operations, the Company is committed to reducing the environmental impact by continuously investing and improving the management of pollution from manufacturing investment in systems such as particulate traps and oxygen analyzer to measure the amount of excess air resulting from the combustion of the boiler in crude palm oil. The Company is also ready to invest in order to fix the environment resulting from the cultivation process and

other management systems; water and waste resulting from the manufacturing process. The Company has invested in technology that use waste water and waste from the production of crude palm oil through a fermentation process to produce biogas and used as fuel to produce electricity. The remaining water from the biogas process still possesses benefits to organic palm oil company so it is used for watering the oil palm plantations of the group the Company.

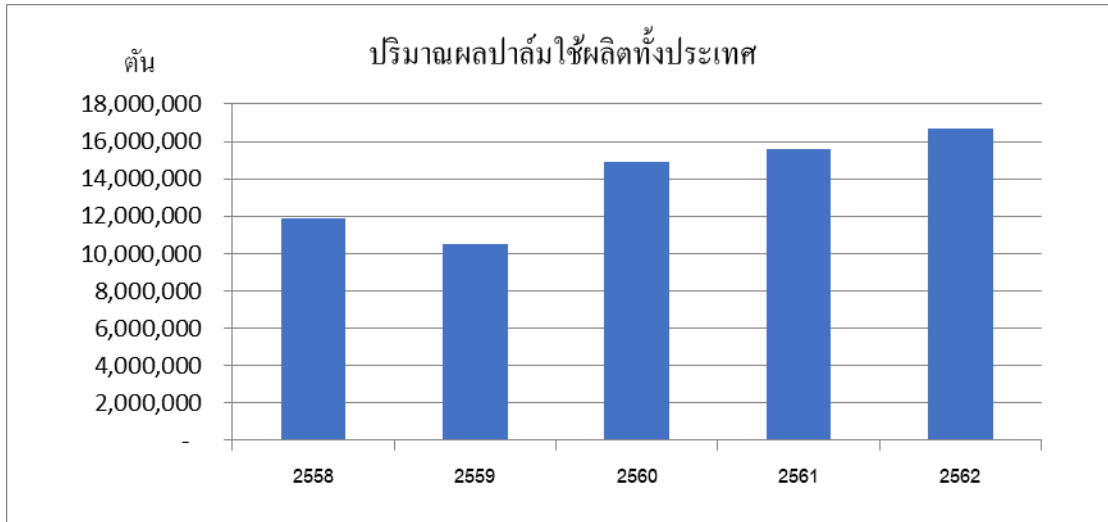
The extraction plant takes into account the usage of crude palm oil residues from the manufacturing process for the maximum benefit and reduction of pollution that may occur, such as boilers powered by turning palm fibers into fuel to produce steam then converted into electrical energy for powering machinery in the production process.

#### **4.3 Market condition of crude palm oil**

##### **4.3.1 Situation of the Industry**

Crude palm oil and palm kernel is agricultural products. The price mechanism is determined by demand and supply. The major factor affecting the supply is the weather which has a direct impact on the amount of palm oil and other vegetable oils in the market. Demand is determined by various industries, including energy, which increases according to the population. In addition, the economic growth of various countries affects the quantity of consumption as well as the tax barrier used by large importing countries such as India and China have a direct impact on the demand for consuming palm oil and vegetable oil as well.

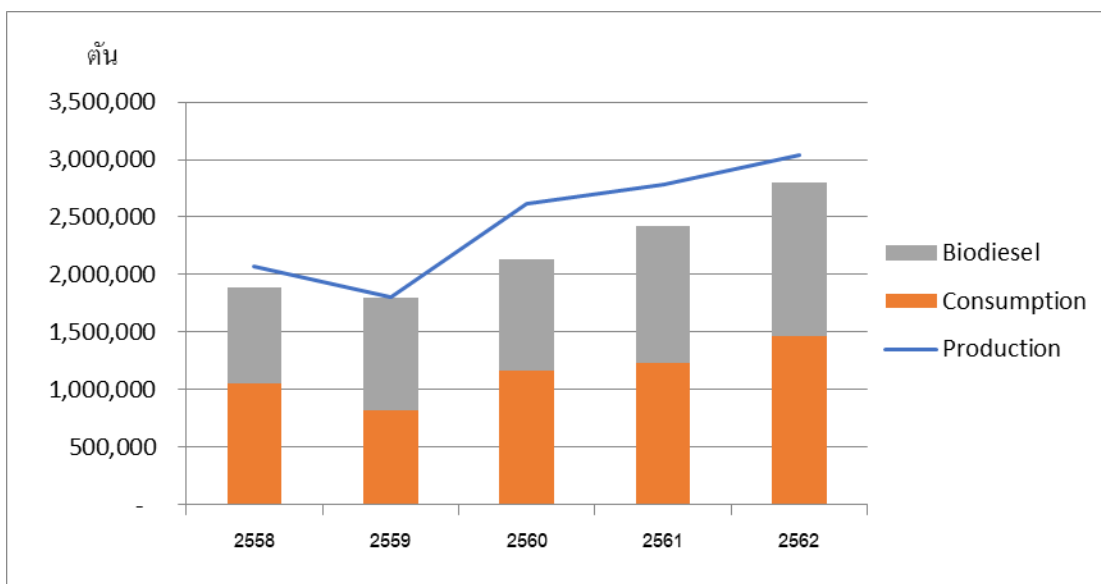
Graph 2 the amount of palm fruit bunches used in palm oil production in 2015 to 2019



Reference: Office of Agricultural Economics

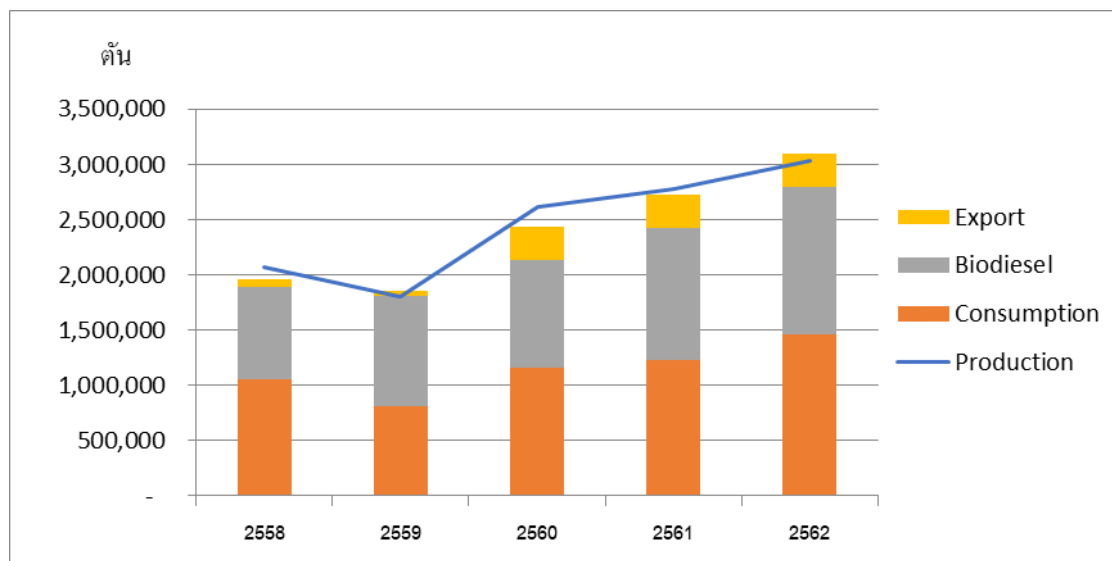
The amount of produced Crude Palm Oil in Thailand would be in the same direction as the amount of palm fruit used in produce crude palm oil. In the past, the demand for crude palm oil was used in many consumer products.

Graph 3 the volume of crude palm oil compared to crude palm oil demand in the country



Reference: Office of Agricultural Economics



**Graph 4 Total crude palm oil production in country compared to domestic demand and export.**

Reference: Office of Agricultural Economics

In the past, Thailand palm oil market was an excess of supply, its effect had to export. But the price of crude palm oil in Thailand was more expensive than the international market due to government policies attempted to absorb the excess of supply. Including the purchase of crude palm oil from the Electricity Generating Authority of Thailand and increasing of biodiesel production proportion from biodiesel B7 to B10 and B20 by adding the distribution station in order to cover more area. Moreover the share biodiesel project or B100 for the community which the price is much lower than diesel price. But from the data of domestic crude palm oil stock still higher than country's normal level which still has to monitor the government policy of how much it can absorb the excess supply that can lead to predictions of price trends in different forms whether the price of crude palm oil would increase or decrease the price in the same range of world market price and the export of crude palm oil in order to adjust the balance of the domestic demand and supply in the uncertain situation result in the stasis of trading of crude palm oil in order to wait and see the situation, which this situation makes it difficult to predict in exports, This resulting in increasing the amount of domestic stock and pressure crude palm oil price in the country. The company is the one of the crude palm oil exporter of Thailand, was affected which can be seen that in the year 2019. The company only exports during June. In during mentioned period the price of crude palm oil in Thailand is lower than the international market price. But after starting the project to purchase crude palm oil from the Electricity Authority of Thailand according to the policy resulting in the price of palm oil in Thailand to increase compared to foreign prices

#### 4.3.2 Competition

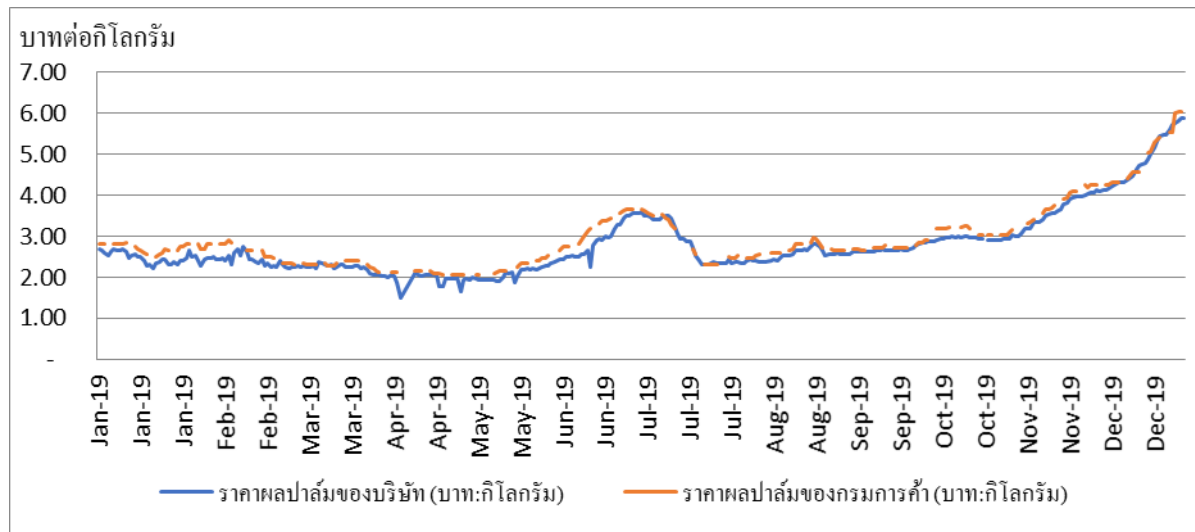
The palm oil industry is directly related to the use of fresh palm fruit. Thus, there are 2 types of competition in the industry; the competition to purchase raw materials from palm growers to be used in crude palm oil mill and the competition for the sale of crude palm oil and palm kernel to customers. The competition for the purchase of raw materials is more violent than the competition in the sale of crude palm oil and palm kernel.

##### Competition in purchasing fresh palm fruit

The competitors of the Company in purchasing palm fruits are palm oil mills located close to the CPO mill in the group. The palm fruit harvested from palm oil tree should be processed within 24 hours in order to get good quality on CPO. The Company has good capability to access the palm growers products with effective administration by using information technology to assist in the management and storage of agricultural and purchase partner, creating a good relationship with large palm growers and the trading points to continuously provide feedstock to the Company including the development of the continuous oil palm cultivation support for small palm growers in the community so that small palm growers can reduce costs and increase productivity. As a result, quality and quantity raw product being fed to the Company, will have to adjust the

price of palm fruit in accordance with the rate of extraction of crude palm oil at the production facilities to encourage small palm growers to submit quality fruit into crude palm oil production.

Graph 5 Price of palm fruit of the Group compared to the purchase price of the palm fruit

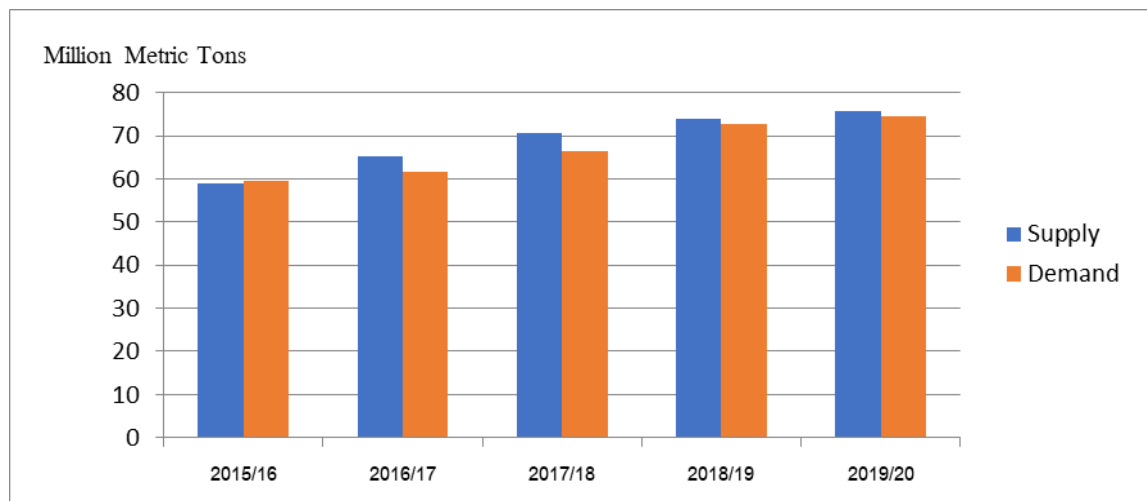


Reference: Office of Agricultural Economics

#### Demand and supply of palm oil overview

For palm oil production in the world market is likely to continue increasing in every year. The average growth rate is 6.54 but if looking at the annual palm oil yield, there is fluctuation in volume decrease in some year due to the quantity of fresh palm fruit that would launch to the market are depends mainly on the climates. Moreover, there are some other factors such as palm growers's care of fruit, the age of the palm and replacement of planting involved resulting in the supply of palm oil unstable while demand is increasing.

Graph 6 the amount of palm oil produced and the use of palm oil in the world market.



Reference: Foreign Agricultural Service, US Department of Agriculture as December 2019

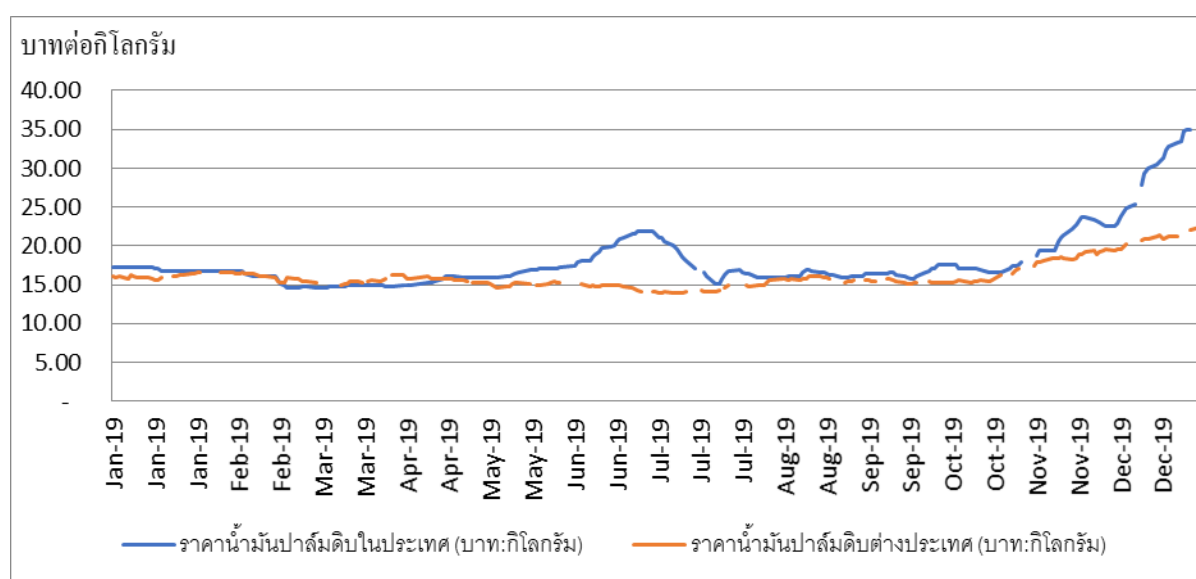
Table 1 Production of plant oil in the world vegetable oil market

Types of oil	Production and proportion in 2019	
	Productions (million tons)	Percent
Palm oil	75.69	36.55
Soy oil	56.73	27.40
Rapeseed oil	27.04	13.06
Sunflower oil	20.65	9.97
Kernel palm oil	8.79	4.25
Peanut oil	6.00	2.90
Cotton oil	5.22	2.52
Coconut oil	3.58	1.73
Olive oil	3.36	1.62
<b>Total</b>	207.06	100.00

Reference: Foreign Agricultural Service, US Department of Agriculture as December 2019

In normal condition, the price of crude palm oil both in domestic and international will be mainly determined by Malaysia's market price. However, currently in Thailand crude palm oil is still be imported product controlled causing domestic crude palm oil price had different from Malaysia's market price. Especially, form the year 2015 to the third quarter of the year 2017 with government policy intervention such as the proportion of merging palm oil into biodiesel, the purchase of CPO from the Electricity Generating Authority of Thailand including the competition of extraction plant. The tendency of the selling price of crude palm oil in Thailand and Malaysia still goes in the same direction. The fluctuation of crude palm oil price depends on many factors, for example, the unstable of economics and the fluctuation of crude oil price in the global market.

Graph 7 Averaged CPO price compared with Thailand and Malaysia in the year 2018



Reference: Office of Agricultural Economics

At the beginning of the year 2019, the domestic of crude palm oil price was slightly lower than the international price causing the country to be able to make crude palm oil export contract but Malaysia and Indonesia market has a production much higher than demand. Moreover, the global market in the European Union and in India has increased tariff on imported crude palm oil. Indonesia and Malaysia have a surplus supply causing the crude palm oil price continues to decrease until eventually lower than crude palm oil price in Thailand. In addition, the Thailand situation still lack continuity of the level of domestic remaining and the industrial sector had forecast that the stock was in high quantity, therefore the government had a subsidize policy for crude palm oil transportation. In the end, the project was terminated due to the unclear conditions. The amount of fresh palm fruit was in a decreased rage and the price of crude palm oil has increased, it was 6.00 Baht per kilogram different from international crude palm oil price and the price of fresh palm fruit increasing in the same direction with crude palm oil.

However, when the market realized Thailand's accurate information that the amount of fresh palm fruit produce in the production was not significantly declined and started to increase again. In addition, the international price of crude palm oil has continuously decreasing tendency makes crude palm oil price in Thailand decreasing as well but the effect from foreign countries price of crude palm oil was lower than in Thailand resulting in a halt in export, therefore the government has measures for the Electricity Generating Authority of Thailand (EGAT) be able to purchase crude palm oil in order to produce electricity in order to help absorb surplus supply in the market.

#### 4.3.3 Domestic market

Palm oil industry is one of the important industries in Thailand. Most of the domestic entrepreneurs will mainly produce for domestic palm oil sales because of demand consumption and energy consumption is 80% - 90% of the total production or approximately 1.7 to 2.0 million tones which the domestic demand was lower than the amount of palm oil produced.

For the domestic market in 2019, the target market of domestic palm oil is the food industry. As for the price of crude palm oil in Thailand in normal conditions, it is mainly based on the price in the Malaysia market including demand and supply in Thailand which the major factor affecting as following

- Price of substitute vegetable oil such as soybean oil
- Consumption demand and amount domestic palm oil produced
- Weather conditions which affect the production and price of the palm fruit that launch to the market
- Other policies such as biodiesel blending policy, export tariff, etc.

#### 4.3.4 International market

U.S. Department Agriculture is a government department of the United State which collects data of global palm oil producing. In 2018 the world exporting of palm oil had amount approximately 54.22 million tons per year. Indonesia is the world's largest producer and exporter of palm oil which has exporter market share around 55.88 percent followed Malaysia which has exporter market share around 33.84 due to both of these mentioned countries has a suitable climate for planting palm, the palm for planting are good varieties result in giving high production and received good support from the government. While most of the palm growers in Thailand is a minor producer and there are not much in the industry, makes the quality of palm and production



per Rai lower than the two largest producers, resulting in less remaining quantity from domestic consumption when compared to two main producers.

Table 2 Major palm oil exporting countries

Million Tons

Contries	2015/16	2016/17	2017/18	2018/19	2019/20
Indonesia	22.91	27.63	26.97	29.20	30.30
Malasia	16.67	16.31	16.47	18.00	18.35
Khulalumper	0.61	0.72	0.80	0.81	0.82
Papua New Guinea	0.55	0.58	0.65	0.66	0.52
Other	3.07	3.60	3.70	4.10	4.23
Total	<b>43.81</b>	<b>48.84</b>	<b>48.59</b>	<b>52.77</b>	<b>54.22</b>

Source: Foreign Agricultural Service, US Department of Agriculture in 2019.

Although Thailand was the third largest crude palm oil producer but compared to Indonesia and Malaysia, we still produce less than them. Thailand was also the 7th domestic consumption of the world, affected to have a few export. In the year 2019, international price of crude palm oil was lower than domestic price; as mentioned above, causing the export to halt. Because the government tried to support the price of fresh palm fruit to help palm growers while the price of CPO in the world market is still under pressure. Causing a lot of restrictions on exports.

## 5. Production and distribution of electricity

### 5.1 Product characteristics: - Production and distribution of electricity

The Company has established VG Energy Co., Ltd., a subsidiary with the Company holding 100% share, to produce and sell electricity from alternative energy to be distributed to the public sector; the Provincial Electricity Authority as per the policies to support the production of electricity from alternative energy. Currently, the Group's operating 2 power plants producing electricity from biogas with the generating capacity at 8.4 MW in Chumphon Province. The biogas is from the waste water from the extraction process of crude palm oil in the crude palm oil mill, which contains organic compounds decomposed by biological fermentation under oxygen-free conditions in order to obtain methane, biogas that is qualified to be used as fuel in power generation operations. VG Energy has a power purchase agreement with the Provincial Electricity Authority for the two power projects from biogas and has been selling power commercially in March and May 2011, respectively.

#### Production and distribution of electric energy from biogas

VG Energy Co., Ltd. is in the business of electricity from biogas production and sale in 2 projects with the total capacity of 8.4 MW. VG Energy Co., Ltd. has entered into 2 power purchase agreement with the Provincial Electricity Authority the subject matter of the power purchase agreement (PPA) between VG Energy Co., Ltd. and Provincial Electricity Authority can be summarized as follows:

Project Name	Biogas power plant project Sapanan subdistrict, Thasae district, Chumphon	Biogas power plant project Thung Kha subdistrict, Muang district, Chumphon
Contract number	VSPP-PEA 092/2551	VSPP-PEA 093/2551
Signing Date	27 November 2008	18 December 2008
Contractual volumes	4.5 MW	2.5 MW
Generating capacity	5.6 MW	2.8 MW
Pressure Level	22,000 Volts	22,000 Volts
Commercial operation date (COD)	10 May 2011	10 March 2011
Power purchase point	29 Moo. 3, Phetkasem Road, Sapanan subdistrict, Thasae district, Chumphon 86140	170 Moo. 6, Phetkasem Road, Thung Kha subdistrict, Muang district, Chumphon 86100
Duration of contract	5 years and continuously for 5 years until the agreement is terminated	

### 1) Biogas power plant projects, Sapanan sub-district, Tha Sae district, Chumphon province

Biogas power plant project, Sapanan sub-district, Tha Sae district, Chumphon province has generating capacity of 5.6 MW, is located at No. 29 Moo 3 Phetkasem Road, Sapanan sub-district, Tha Sae district, Chumphon province 86140 on the plot of land with area of roughly 43,000 M<sup>2</sup> meters of land being a plot with lease rights over land for the purpose of producing electricity from biogas for the Company. The project Commercial Operation Date (COD) was May 10<sup>th</sup>, 2011



### 2) Biogas Power Plant Project, Thung Kha sub-district, Muang district Chumphon province

Biogas Power Plant in Thung Kha sub-district, Muang district Chumphon province project has the generating capacity at 2.8 MW is located at No. 170 Moo 6 Phetkasem Road, Thung Kha sub-district, Muang district, Chumphon province 86100 with the area of approximately 47,200 M<sup>2</sup> meters of land being a plot with lease rights over land for the purpose of producing electricity from biogas for the Company. The project commercial operation date was March 10<sup>th</sup>, 2011





### Details of the biogas power plant projects

Project Name	<ul style="list-style-type: none"> <li>• Biogas power plant, Sapanan sub-district, Tha Sae district, Chumphon province project</li> <li>• Biogas Power Plant, Thung Kha sub-district, Muang district Chumpon province project</li> </ul>
Project Location	<ul style="list-style-type: none"> <li>• 29 Moo 3 Phetkasem Road, Sapanan sub-district, Tha Sae district, Chumphon province 86140 deemed by the Company to be on a high ground with no risk of flood and there has never been flooded.</li> <li>• 170 Moo 6 Phetkasem Road, Thung Kha sub-district, Muang district Chumpon province 86100 deemed by the Company to be on a high ground with no risk of flood and there has never been flooded.</li> </ul>
Generating Capacity	<ul style="list-style-type: none"> <li>• Sapanan Biogas power plant generating capacity is at 5.6 MW.</li> <li>• Thung Kha Biogas power plant generating capacity is at 2.8 MW.</li> </ul>
Project Detail	<p>Biogas power plant producing electric from waste water and residues from processing crude palm oil. The Group's Aims to take advantage of waste in the form of renewable energy by putting the waste through a treatment system to produce biogas to be used as fuel for electricity sold to the Provincial Electricity Authority. Additionally, the program can also help reduce the emission of carbon dioxide and methane into the atmosphere, a major cause of global warming. The materials and technology used in the production process:</p> <ol style="list-style-type: none"> <li>1. Waste water from palm oil (POME),</li> <li>2. Treatment type high performance A + CSTR, A + UASB and A + HCSR</li> <li>3. Biogas Engine</li> <li>4. Electrical distribution system</li> </ol>
Technology	<p>The working principle of the Production system starts with the production of raw materials; waste water and decanter cake from crude palm oil going through closed treatment in the Appropriate Completely Stirred Tank Reactor and Appropriate Upflow Anaerobic Sludge Blanker, and Appropriate High concentration Sludge Reactor, respectively. The biogas produced would be going through removal of water and hydrogen sulfide (H<sub>2</sub>S) using cleaning bio-Filter before being used as fuel to produce electricity by using Biogas. Engine to produce supplemental electricity to be sent to the transformers and Provincial Electricity Authority distribution system.</p>

For the operation and maintenance of power plants, the Company has entered into a contract with Souer Company Limited to provide Operation and Maintenance( O & M) service for this project area for the biogas engine for a period of 59,999 hours of running after project construction completion with the detailed scope of work; operation, monitoring, and controlling the capabilities to produce the amount of electricity according to the contractual terms and monitoring plan for maintenance of biogas plants to prevent the disruption of production efficiency.





The revenue and volume of the Group for power generation and distribution business can be summarized as follows.

Product Category	For the fiscal year ended					
	31 Dec 2019		31 Dec 2018		31 Dec 2017	
	Income (Million baht)	volume (KWh)	Income (Million baht)	volume (KWh)	Income (Million baht)	volume (KWh)
Electricity produced for sale	41	12,181,822	30	8,189,280	29	8,201,640
Electricity Price Increase	0		0		2	
<b>Total revenue from sales of electricity</b>	<b>41</b>	<b>12,181,822</b>	<b>30</b>	<b>8,189,280</b>	<b>28</b>	<b>8,201,640</b>
Average electricity price	3.63		3.63		3.78	
Basic electricity tariff (Baht per unit)	4.22		4.22		4.22	

## 5.2 Distribution and Market – Production and Distribution of Electricity

Business of production and distribution Electricity from biogas is less of risk in demand side. Because the demand is continually increment.

The Company is committed to be a leader in the palm oil business. It also takes into account the management of raw materials to maximize benefits and take into account the possible environmental impacts of waste and residues from the production process of crude palm oil. The Company use high technology for high efficiency in electricity production. The Company's power plant projects efficiently generate electricity, distribute constantly and stably.

The government's policy is to support the generation and distribution of electricity from renewable energy by small-scale power producers (VSPP), which will purchase all electricity generated from very small power producers that have electricity agreements with PEA. The power plant of Company is a risk of low power distribution to PEA. And future power plants will not affect the Group's sales volume.

## 5.3 Raw Material Procurement - Electricity Production and Distribution Business

Due to the power generation of the Group being from the waste from the production of crude palm oil, including waste water from the crude palm oil production to produce bio-gas and Slough from palm oil production as well. The Group has strategy for the raw material procurement from various sources to be used for the production of crude palm oil in the mill for the whole year. Additionally, the group also recognizes the use of raw materials to achieve the maximum benefit and the plant was designed to meet the crude palm oil extraction plant production capacity of the group.





## 5.4 Production - Electricity Production and distribution business

### (1) Production capacity and utilization

The generating capacities of the 2 biogas power plants are as followed.

Project name	Production capacity	Commercial operation date (COD)
Biogas power plant project Sapanan subdistrict, Thasae district, Chumphon	5.6 MW	10 May 2011
Biogas power plant project Thung Kha subdistrict, Muang district, Chumphon	2.8 MW	10 March 2011

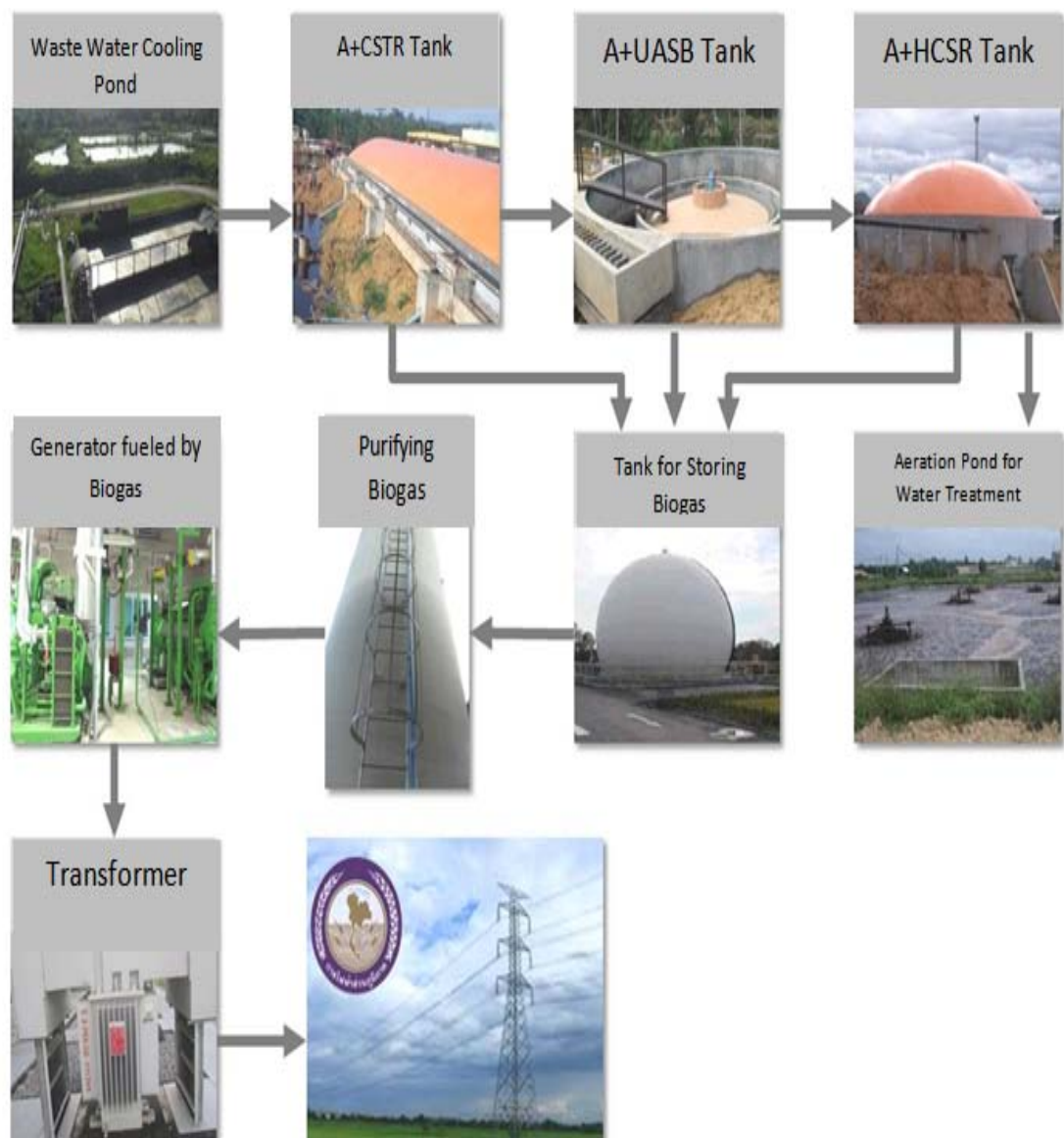
The installed capacity of the two power plants with a capacity utilization rate of the production is summarized as follows:

Items	Thasae project			Thung Kha project		
	2019	2018	2017	2019	2018	2017
Ability to produce power (kilowatt - hours per year)	49,056,000	49,056,000	49,056,000	24,528,000	24,528,000	24,528,000
The amount of electricity produced. (kilowatt - hours per year)	9,396,427	9,396,427	9,049,266	0.00	0.00	0.00
The rate of capacity utilization (%)	19.15	19.15	18.45	0.00	0.00	0.00

Note: Thung Kha Project had not production. Because the power plant closed due to have no raw materials.








**Production of electricity from the waste water from the crude palm oil extraction process**






Reference: Company

### **Details of Production Process**

Raw materials for biogas production include waste water and decanter cake extracted from the Group's CPO with the total capacity of 180. Tons of palm fruit per hour.

Figures of production process	Biogas production processes
	<p>Waste water from the crude palm oil extraction process is sent into the Cooling Pond to reduce the temperature and it is the primary waste water management, that is to separate waste water and suspended solids; sand, gravel, etc.</p>
 	<p>Anaerobic Wastewater Treatment process due to water coming in the system being highly concentrated so it needs to be treated by A + CSTR (Appropriate Completely Stirred Tank Reactor), which is responsible for trapping sediment deformation and degradation of organic matter in wastewater and sludge and slurry as organic matter into biogas. The wastewater that has gone through the A + CSTR treatment system will have a low concentration. It then passed into the treatment system, an A + UASB (Appropriate Upflow Anaerobic Sludge Blower) for treatment of wastewater with left over biodegradable and not very high concentration to end up with the high quality enough to be manipulated by the next treatment system.</p>
 	<p>The process of managing waste and sludge from the plant using The A + HCSR (Appropriate High concentration Sludge Reactor) treatment system, which completely manages water and waste resulting from the crude palm oil production mill. The system will have the sludge from A + CSTR and A + UASB mixed with - decanter cake from crude palm oil extraction mill in order to enhance the biogas degradation. The sludge left over from the treatment plant would have low COD and can be used as fertilizer for the palm garden. The wastewater from the treatment would be sent to be treated in the aeration pond. The waste water that has gone through plant treatment would be to water the factory palm garden.</p>

Figures of production process	Biogas production processes
  	<p>Biogas production will be directed to the elimination and removal of hydrogen sulfide (H<sub>2</sub>S) system using a clean biogas Bio-Filter before being used as fuel to produce electricity in the Biogas Engine with biogas being ignited mixed with the air in the cylinder. Thermal energy from the combustion is converted into mechanical energy to spin the generator to produce electricity for the transformer and connected to the Provincial Electricity Authority distribution system further</p>

### 5.5 Environmental Impact - CPO production and distribution

The Company is aware of about the impact on the environment. The environmental management is implemented to have an international standard for environmental management and to have rules and procedures in the field of the environment care that is appropriate with the law and can be examined using the Initial Environmental Examination: IEE), which is a standard that has a role in controlling the impact on the environment from the operation and must be strictly completed before the start of construction of the power plant. The environmental impact reduction measures must be implemented and the measures to monitor environmental quality along with continuously reporting the implementation to the relevant departments.

The implementation of measures to reduce environmental impact as defined in the IEE report include the physical resources, biodiversity, human Usage, and quality of life. The conditions have to be fulfilled starting with the construction period until the current operation and measures continued to be developed to more effectively reduce the environmental impact with the focus being on the Pollution Prevention policy.

## 6. Risk Factors

The risk factors listed below are risk factors that the Company deemed that it is significant and it might cause a negative impact on the financial statement, performance, and the Company's stock value and also significantly negative in the return on investment of the ordinary share of the Company. In addition of the listed risk, there may be some risk factors which still unknown at this time or it is the risk that the Company has considered there was not a significant impact on the performance of the Company, but in the future, these mentioned risks might significantly affect to the statement of financial position and the Company's performance.

### 6.1 The Risk from the business of produced and selling palm oil

#### 6.1.1 The risk of fluctuating crude palm oil prices

Crude palm oil and Kernel is an agricultural product which the price was determined by demand and supply. The important factors that affect demand and supply are climate conditions which directly affect the amount of crude palm oil and other vegetables oil in the global market. In addition, the economic growth of various countries which consumes vegetable oil and the policy on the import tax rate of the world largest vegetable oil consumer country which is India and China would directly affect to consumer demand of vegetable oil.



In addition, palm oil is currently used as alternative energy. In order to replace the use of fuel or also known as biodiesel makes the price of palm oil as a substitute product is influenced by the movement of crude oil prices in the world market. Therefore, the demand for fuel including factors from alternative fuels such as natural gas prices would inevitably affect the movement of crude palm oil prices as well.

The price of crude palm oil for sale locally and internationally will be based on the trading price at the Malaysian market. But because Thailand currently provides crude palm oil as a control product Therefore, the price of crude palm oil in the country may be different from the price in the Malaysian market at certain times. According to the fluctuations in domestic demand and supply In general, the world market prices and domestic prices will be at a similar level. Except in some cases, for example, the amount of crude palm oil produced in the country exceeds the demand. Or there is a shortage of palm oil in the country etc

Therefore, if the price of crude palm oil fluctuates according to the decline of the world market price, it will inevitably affect the revenue of the Company. It is expected that the fluctuation of mentioned crude palm oil price will not have a serious effect on the Company because in normal conditions if the price of crude palm oil decreased, the price of raw material which is fresh palm fruit will be decreased resulting in the cost of production also decreased as well.

#### 6.1.2 Risk from Seeking Raw Materials with Appropriate Prices

Factors affecting the quantity of raw materials are as follow:

(1) Changing area of land for plantation due to government policies such as fiscal support for renewable energy crop plantation.

(2) Changing weather conditions such as precipitation and droughts which affect the quantity and quality of oil palm collected from the plantations.

(3) Currently, the palm oil crushing mills has a production capacity of extraction higher than palm output greater two times, making the high competition in purchase of raw materials.

Moreover, a shortage in oil palm supply will lead to intense competition between crude palm oil businesses to acquire the limited raw materials, driving up resource prices and production costs of the Company. This may affect the performance and financial position of the Company.

However, the Company has expanded the purchase points in areas with dense palm plantations in Chumphon and nearby areas, in order to access and increase convenient for palm growers to sell palm to the Company and have plans to expand the purchase points continuously in order to be the main tool for providing increasing quality of palm oil. The Company has a good quality palm project to encourage farmers to cut good quality palm fruits for a better palm oil price. This project will help to promote the overall image stability and sustainability of palm oil industry also be able to compete with other countries. Moreover, the Company has focused on the management of raw material to keep up on the situation such as processing and analyzing information in every dimension to formulate the material strategy by bringing the information systems to support data in all aspect and has established a customer relationship for public relation, understanding, and listening to the suggestion makes the Company gained trust and a good relationship with partners and palm growers

#### 6.1.3 Risk from changing government policies

From the past, the government has a policy to intervene or announce the price of palm fruit. By advanced pricing for domestic palm oil sales. Including the policy of blending biodiesel into diesel, which will effect the demand for crude palm oil. So, if the government has any policy changes. It may affect the performance and financial status of the Company.





However, the Company has closely followed up the policy of the government in order to be able to adapt to change.

#### 6.1.4 Risk from palm plantation of the Company Concession area and leased area from government agencies

In the year 2019, the Company had 94.36% of total palm oil purchased from outer. Another is 5.64% of the total palm oil from palm oil plantation. The concession expired in October 2015 and February 2015, respectively but it was ordered temporarily by the Central Administrative Court to apply for extension of concession area.

If the Company does not receive temporary protection and / or renewal will make the Company must buy palm fruit from all outsiders for use in production. This will lead to higher production costs. And if the Company can not be compensated for missing parts may impact the performance and financial status of the Company.

Has been granted of concession, the Company is going to have cost from replant palm. This will take 3 years to start producing and 7-8 years before the palm tree grows to full yield. These risks may affect performance and financial status of the Company.

Nevertheless, the Company has established a system and network to buy palm fruit from outside, both from farmers and operators from expanding palm collecting point to cover palm plantation in Chumphon province, including to the application of information systems.

#### 6.1.5 Risks from Depending on Large Clients

The Company received 53.48%, 50.38% and 76.70% of total revenues from selling products to a local crude palm oil refinery that was the biggest customer during the years 2019, 2018 and 2017, respectively. So the Company may risk if losing these large clients may affect the Company's performance and financial position.

The Company is dedicated to control its product quality to be of international standards, establishing competitive prices and implementing effective logistics to satisfy customers' demands. This led to long-term, positive relationships with clients. The commodity nature of crude palm oil also allows it to be swiftly sold to other clients should large clients decide to terminate purchases from the Company. And in the year 2019, the company has joined the government project by being one of the bidders of crude palm oil tender To sell to the Electricity Generating Authority of Thailand

#### 6.1.6 Risks from Substitute Products

Substitute products of palm oil include soybean oil, sunflower oil, coconut oil, olive oil, corn oil, and rice bran oil. If customers shift their preferences to these substitutes, the consumption of the Company's key product will decrease.

However, each vegetable oil often has different properties thus, some industries or products required to use palm oil. In addition, palm oil can also be used in various industries such as animal feed and biodiesel.

#### 6.1.7 Risks from Sale Revenue Volatility between Accounting Years

The revenue from crude palm oil sales may experience volatility due to varying oil palm production from seasonal effects. In usual circumstances, oil palms are usually harvested during March-May, yielding high revenues for the Company during these periods. The varying profit and sales figures in each quarter of the year are natural characteristics of agricultural businesses.

### 6.1.8 Exchange Rate Risks

In the years 2019, the Company exported by 14.36% of total revenue from crude palm oil. The export price will be the reference price from the world market in US dollars. As a result, the exchange rate fluctuation between Thai Baht and US Dollar may affect the Company's performance and financial status of the Company.

However, the Company has planned the hedging foreign exchange contracts (Forward contracts) to prevent the impact on the Company's profits from the exchange rate fluctuations.

## 6.2 Risks from Electricity Generation and Distribution Business

### 6.2.1 Risks of the Electricity Selling Price not reflecting the Actual Costs of the Company

The Company engaged in a PPA contract with the PEA, under the category of VSPPs for renewable energy generation. The electricity selling price based on the contract are set to reflect changes in fuel price, interest rates, exchange rates, etc. These factors, however, may be irrelevant to the sources of the Company's costs, leading to lower profitability and impacting the Company's performance and financial position.

### 6.2.2 Risks from Material Shortages for Generating Electricity

A raw material for generating electricity is biogas from waste water released from the crude palm oil production process. Shortages in oil palm supplies used to produce crude palm oil will hinder the production process, which in turn reduces the byproducts used as raw materials for generating electricity. This may decrease the Company's revenue from electricity distribution.

The Company is dedicated to improving the stability of its raw material supply, utilizing a sustainable strategic approach to raw material management to maximize the effectiveness of its businesses in all market conditions. The biogas power plants also serve as a sustainable business supporting the crude palm oil production facilities, which require treatment of the waste water released from the production process.

## 6.3 Other factors

### 6.3.1 Interest Rate Risk

On 31 December 2019, the Company has a credit loan from financial institutions of 147.11 million Baht, with liabilities amount of 543.17 million Baht. If interest effective rates rise, it will raise interest burden, and effect to performance and position of Company as well.

### 6.3.2 Risks from Production and Transportation Problems

The Company's business performance depends on sustainable production and effective logistics, both during delivering raw materials to the facility and transporting the crude palm oil to the clients and/or port of shipment. This places the Company at risks from production stoppages or unanticipated accidents halting the production and logistics process. Inability to promptly respond to these incidents may affect the performance and financial position of the firm.

Moreover, production and transportation problems may negatively affect the electricity generation business of the Company, since the raw materials for power generation are biogas produced from the crude palm oil production's waste water. Other factors that may hinder the electricity generation business include staff performance, power plant technology, and equipment quality. Inability to maintain power plant effectiveness will hinder the performance of the Company's business.

The Company has 4 policies to prevent production stoppages. The first policy is the use of the Preventive Maintenance System (PM) to inspect and maintain machinery, reducing the risks of breakdown during operations. The second policy is to halt production during palm oil off peak seasons to hold a facility overhaul, preparing necessary machinery and equipment for supporting upcoming peak seasons of harvest. The third policy involves data collection on production stoppages and close inspection to promptly and effectively respond to the situation. Should a facility experience production stoppage, the Company has a second facility to compensate for the lost productivity. This is because the Company has 2 crude palm oil refineries located in different areas. The last policy involves having backup machinery and equipment to prevent production stoppages. The similar technological designs of the two crude palm oil refineries allow identical machinery and equipment to be applied to both facilities.

In terms of logistics, the Company continuously collaborates with numerous contractors, ensuring adequate number of trucks for each product delivery. For palm oil exports, the Company calculates a sufficient or slightly higher number of trucks needed to transport the goods. This is to ensure that the products are punctually transported regardless of spontaneous issues or incidents. The Company established Vichitbhan Logistics Ltd to transport crude palm oil for the Company, supporting sustainable growth.


Moreover, the Company utilized the Automation and Monitoring System to control production processes of crude palm oil refineries and biogas power plants with automated computer systems. The system sends signals from designated areas requiring control to the SCADA system, analyzing and presenting results on the monitor for the controller to evaluate and take necessary actions promptly. The system reduces the risk of human error. The Company also has annual facility shutdown plans to overhaul all machineries and equipment, preparing them for long-term, effective performance.

### **6.3.3 Risks from the Company's Major Shareholders Holding Greater than 50% of Total Shares**

On 31 December 2019, the Chavananand group held a total of 710,601,500 shares in the Company, equivalent to 75.59% of total shares. This grants the Chavananand group the authority to control most of the decisions made in shareholder meetings, including board member appointments and other agendas requiring majority approval. Except legal topics or rule required the authority to make decision approval from 75% of shareholders. This may create a risk for other shareholders who do not have sufficient voting rights to request for inspection and balance of power on topics proposed by the major shareholders.

To ensure transparency and establish a system of checks and balances, the Company organized a management structure consisting of the Board of Directors, the Auditing Committee, and the Executive Committee. Committee members are highly qualified, with each of the three management structure constituents holding clear scope of authority and responsibility. Transaction reports between committees, major shareholders, executives, and personnel with possibilities for conflicts of interest are required. The Company also appointed 3 independent parties to be a part of the Auditing Committee, with the responsibility to inspect, balance decision-making authority, and consider the approval of matters before presenting to shareholders. The Company also requires an internal auditing committee to manage the business' internal control system.





# Financial Highlight & Management Discussion and Analyst



## Financial Highlight

Capital Information	2019	2018	2017
Registered Capital (Common Share) (Share)	940,000,000.00	940,000,000.00	940,000,000.00
Registered Paid-up Capital (Baht millions)	940.00	940.00	940.00
Par Value per Share (Baht/Share)	1.00	1.00	1.00
Financial Status (Baht millions)			
Total assets	1,112.43	1,234.57	1,485.90
Total accounts receivable, net	64.18	46.03	16.22
Inventory	90.18	88.36	248.28
Property, plant & equipment, net	949.56	1,091.49	1,211.09
Total liabilities	543.64	617.86	776.48
Current liabilities	474.65	185.33	531.86
Non-Current liabilities	68.69	156.68	244.62
Total shareholders' equity	569.26	616.71	709.42
Operating Performance (Baht millions)			
Sales	1,078.70	1,266.09	1,388.50
Total revenues	1,086.61	1,273.32	1,391.19
Total expenses	-1,108.84	1,339.42	-1,554.91
Interest expenses	-21.71	-21.57	-28.31
Gross profit margin	122.12	75.02	-14.50
Earnings before income Tax	-43.94	-87.67	-192.03
Income tax	-3.51	-5.03	-3.85
Net profit	-47.45	-92.70	-195.89
Cash Flow (Baht millions)			
Net cash flow from operating activity	84.37	156.95	89.96
Net cash flow from investing activity	-8.98	-36.78	-20.57
Net cash flow from financing activity	-77.18	-120.79	-72.69
Net increase (decrease) in cash	-1.80	-0.63	-3.30
Beginning cash	-0.93	-0.30	3.00
Ending Cash Balance	-2.73	-0.93	1.06
Financial Ratios			
Earnings (Baht/Share)	-0.05	-0.10	- 0.21
Book Value (Baht/Share)	0.61	0.66	0.75
Net Profit margin (%)	4.37	-7.32%	-14.11%
Current ratio (Times)	0.33	0.29	0.50
Return On Assets (ROA) (%)	-4.04	-6.82%	-12.26%
Return on shareholders' equity (ROE) (%)	-8.00	-13.98%	-24.31%
Debt to Equity Ratio (Times)	0.95	1.00	1.10



## Management Discussion and Analyst

### **Performance Analysis**

#### **Revenue**

The total revenues significantly decreased from THB 1,266.09 million for the ended of 2018 to THB 1,078.70 million which decreased by 14.80%. Due to the volume sales of crude palm oil and selling price were decreased by 3.12% and 12.50% respectively. Although the volume sales of kernel were increased by 15.24% but selling price decreased by 38.36%.

#### **Cost of Sales and Gross Profit (loss)**

Cost of sales decreased from THB 1191.07 million to THB 956.58 million or 19.69% lower which greater than decreasing in revenue which made cost of sales per revenue decreased from 94.07% in 2018 to 88.68% in 2019. Therefore, in this year the Company generated gross profit margin was THB 122.12 million which increased by 62.79% while in 2018 gross profit margin was THB 75.02 million.

#### **Selling Expense and Administrative Expense**

The Company selling expense decreased from THB 31.86 million in 2018 to THB 29.23 million in 2019 or 8.27% lower. According to 3.12% reduction in CPO sale volume.

Administrative expense increased to THB 123.03 million from THB 116.48 million in 2018 or increased by 5.62%. In 2019 there were employee expenditure due to expanding the purchasing points.

#### **Net Profit**

The Company net loss in 2019 was THB 47.45 million which less loss than the last year with net loss of THB 92.70 million since a common size of cost of sale per revenue declined from last year due to average price of fresh palm fruit decreased by 18.35%.

#### **Assets**

Total assets of the Company were THB 1,112.90 million decreased from THB 1,234.57 million at the end of year 2019, or decreased by THB 121.67 million due to declined in non-current assets such as property, plant, and equipment declined by 13% million according to depreciation.

#### **Liabilities**

The Company had total liabilities of THB 543.64 million which decreased from THB 617.86 million in 2018 or dropped by 74.22 million or 12.01%. Repayment of long-term loans amount 88.15 million was the main factor.

**Equity**

The Company had THB 569.26 million of equity decreased from THB 617.71 million in 2018, according to performance of the company.

**Cash flows of the business**

In 2019, the company has the net cash flows from the operating total of 84.37 million baht. Despite of the loss before income tax of 43.94 million baht while adding back non-monetary expenses, the company has the net cash flows before changing in assets by the amount of 176.42 million baht. In addition, there were significant changes in assets as follow, an increase in trade accounts receivable of 16.81 million baht, an increase in inventory of 2.07 million baht and an increase in trade accounts payable of 2.33 million baht.

The net cash flows used in investment activities of 9.02 million baht due to investment in property, plant and equipment the amount of 10.75 million baht for the purchase of property for support palm fruit supply project.

The net cash flows were used in financing activities of 77.14 million baht which was used to repay loans from financial institutions.

As a result, the company's had balance at the end of the period decreases from the beginning of the year by the amount of 1.80 million baht.

**Financial Ratio****Liquidity Ratio****■ Current Ratio**

Currently, the liquidity of the business equals to 0.33 times, which increase from the year 2018 equal to 0.29 times. This results from an increase in current assets higher than current liabilities which increase at the 14.35% and 2.99%, respectively, from increase in account receivable and inventory by 18.15 million baht and 1.82 million baht respectively.

**■ Quick Ratio**

The company has the quick ratio increased from 0.10 times in 2018 to 0.14 in 2019. This results from a decrease in trade accounts payable by the amount of 2.29 million baht, or a decrease of 1.76%, according to the decreases in the purchased amounts and the purchased prices of palm fruits. In addition, trade accounts receivable increases by the amount of 18.15 million baht, or 39.43% based on faster sales of goods turnover and increased inventory of 1.82 million baht, or an increase of 2.06% from production.

**■ Account Receivable Turnover**

The company has the account receivable turnover ratio decreased from 40.68 times in 2018 to 19.57 times in 2019. This results from an average increasing rate of trade accounts receivable higher than a decreasing rate of the net sales, which increases 77.05% and decreases 14.80%, respectively. However, the company strictly follows the debt collection policy and be able to collect debts as scheduled.

#### ■ **Inventory Turnover**

The company has the inventory turnover ratio slower than the previous year, from 7.74 times to 12.61 times due to an average decreasing rate of inventory from the previous year higher than a decreasing rate of the cost of sales, which decreases by 50.70% and 16.69%, respectively.

#### ■ **Accounts Payable Turnover**

The company has the account payable turnover ratio slower than the previous year, from 28.90 times to 46.36 times due to the average trade accounts payable in 2019 reduces from 41.21 million baht in 2018 to 20.63 million baht, or equal to 49.93% based on payment terms. And the cost of sales in 2019 decreases from 2018 by 19.69%.

#### **Profitability Ratio**

In 2019, the profitability ratio of the company indicates an increase in profitability from 2018. Profitability increases from the gross profit of 5.93% to 11.32%, profit from operation increases from a loss of -5.22% to a loss of -2.06%, resulting in an increase in the net profit margin from a loss of -7.28% to a loss of -4.37%. This shows that the company has an increased gross profit, loss from operation and the net loss decreased due to the ratio of the cost of sales to sales decreases from 94.07% to 88.68%, resulting in improved performance in 2019 as compared to 2018.

#### ■ **Return on Equity**

The return on equity of the company was -8.00% which improved from -13.98% in 2018. This was because in 2019 the company has better performance than the previous year with a decreased loss from 92.70 million baht to 47.45 million baht despite the average Shareholders' Equity decreases by 7.69% from its performance.

#### **Efficiency Ratio**

#### ■ **Return on Assets**

Return on assets indicated that the company was able to manage assets to generate returns with higher efficiency than 2018 which were -4.04% and -6.82% respectively. However, the company still produces losses from operation.

#### **Financial Policy Ratio**

#### ■ **Debt / Equity Ratio**

The debt to equity ratio improves from 1.00 times in 2018 to 0.95 times in 2019. Due to the decrease in the liabilities with loans from financial institutions and trade account payable which decrease by 37.47% and 10.54%, respectively. This indicates that in 2019 the company has the better ratio and be able to pay interests as usual.



#### ■ Interest Coverage Ratio

The interest coverage ratio decreases from 8.54 times in the previous year to 5.03 times. This was because the company's cash flows from operation decreases by 46.25%. However, the company was able to generate income sufficient enough to pay loan interests continuously and consistently with specified conditions.

#### **Factors affecting the operation and financial statement of the Company's in the future.**

In 2019, the quantity of crude palm oil in the palm oil market amounted to 3.03 million tons, of which 2.8 million tons were used in domestic consumption. For the first three quarters of 2019, the palm oil situation in Thailand was regarded as a surplus supply (oversupply of palm oil) because there are a lot of palm product launch into the market which caused the price of crude palm oil and fresh fruit continuously decreasing. In responding to the situation, the government pushed forward 2 main measures as follows.

1. The crude palm oil purchase project for electricity generation by the Electricity Generating Authority of Thailand (EGAT). According to the processing project in 2018 complete in 2019 can absorb approximately 160,000 tons and the project in 2019 (2nd quarter and 4th quarter which will be completed in April 2020) is expected to absorb 167,950 tons of crude palm oil.

2. The B10 diesel fuel promotion project as the basic grade fuel in diesel. The announcement of using B10 start from 1 January 2020, which will be able to absorb a total of 2.0 - 2.2 million tons of crude palm oil per year.

Resulting in the situation in the 4th quarter of 2019 improved in better direction due to the demand for energy from such measures combined with the season which the palm fruit were reduced.

Regarding the trend of the palm industry, with respect to energy there is clear prospect of consumption due to the government's balancing policy of the emphasis on the use of B10 diesel fuel. This results in an upward adjustment of the crude palm oil price, but in the longer term it may affect the level of consumption that may be less price-competitive with other alternative oil types. The factor that need to be monitor is including the spread of COVID-19 virus because this effect the economy in overall.

In addition, the quantity of fresh fruit palm is likely to be less than those required in the domestic potential production, resulting in competition in the purchase. In 2019, there were 25 purchasing points, an increase of 3 purchasing points from that of the year 2018, to support the amount of palm fruits and enable its price to be consistent with the quality of fruit sold by palm farmers. This is to ensure the company would increasing the produce quality, reducing the cost of production, and farmers get a satisfied price.



# Management and Corporate Governance



**Management and Corporate Governance****1. Shareholding Structure and Management****1.1 Registered and Paid-In Capital**

The company has a registered capital of 940,000,000 Baht, with 940,000,000 shares at 1 Baht par value. The paid-in capital is 940,000,000 Baht.

**1.2 Restrictions on Transferring Shares**

The shares of the company can be transferred without any restrictions. The transfer must not lead to foreigner ownership greater than 49% of the company's total shares.

**1.3 Shareholders**

List of top 10 major shareholders in the company:

Rank	Shareholders	On 31 December 2019	
		Number of Shares (Shares)	Percentage
1.	MR. KRISADA CHAVANANAND	366,500,000	38.99
2.	MRS. SUPALUCK TIASEVANAKUL	72,000,000	7.66
3.	MS. KACHIT CHAVANANAND	56,000,000	5.96
4.	MR. VITHAYA CHAVANANAND	43,500,000	4.63
5.	MR. VATCHARA CHAVANANAND	40,000,000	4.26
6.	MR. SUMRUENG MANOONPHON	28,112,200	2.99
7.	MS.KEM-NGURN CHUTCHAIYUN	24,000,000	2.55
8.	MRS. RATTIYA OEUSOONTHORNWATTANA	24,000,000	2.55
9.	MRS. ANGSA WATTHANANUKIJ	24,000,000	2.55
10.	CHAVANANAND HOLDING COMPANY LIMITED	16,000,000	1.70

**Dividend Payment Policy**

The company has a policy of paying no less than 40% of net profit after corporate income tax and legal reserve deductions. Dividend payment also depends on corporate investment plans, liquidity, business plan, as well as binding contractual terms and conditions. The committee may alter the company's dividend payment policy under its own discretion.

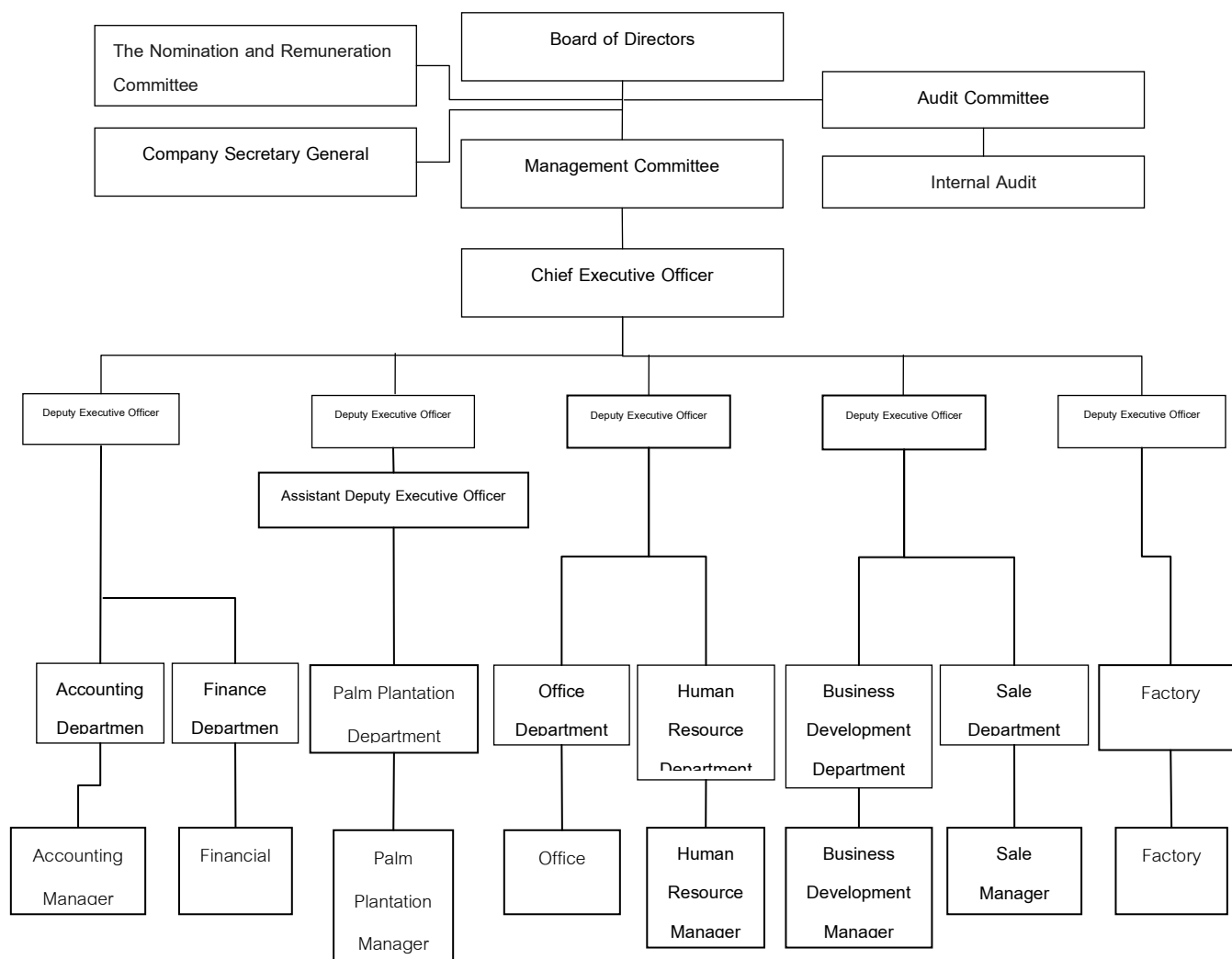
The company may pay dividends based on, but not limited, to the following factors:

- Cash level, liquidity, financial position
- Investment expenditures and planning
- Other restrictions on dividend payments

The committee's decision to issue dividend payment must be approved at the Shareholders' Meeting unless the payment is interim dividends, which the committee is authorized to issue while reporting details at the next Shareholders' Meeting.

## 2. Management Structure

On 31 December 2019





## Shareholding of the Board of Directors and Management

Name	At Dec 31,2018 (shares)	At Dec 31,2019 (shares)	+/(-) (shares)
1. Mr. Voravith Chavananand Spouse and Minor Child	3,000,000	3,000,000	-
2. Mr. Vithaya Chavananand Spouse and Minor Child	43,500,000	43,500,000	-
3. Mr. Krisada Chavananand Spouse and Minor Child	366,500,000	366,500,000	-
4. Mrs. SupaluckTiasevanakul Spouse and Minor Child	72,000,000	72,000,000	-
5. Mr. Vatchara Chavananand Single	40,000,000	40,000,000	-
6. Mr. Bandhoon Supakavanich Minor Child	-	-	-
7. Mr. Jiraphant Asvatanakul Spouse, Minor Child and Entity	100,000	100,000	-
8. Mr. Rachada Singalavanija Spouse and Minor Child	-	-	-

## 2.1 Board of Directors

As of 31 December 2019, the company's Board of Directors consists of the following 8 members:

Name	Position
1. Mr. Bandhoon Supakavanich	President Independent director and Audit Committee Chairman
2. Mr. Voravith Chavananand	Vice President
3. Mr. Vithaya Chavananand	Vice President
4. Mr. Krisada Chavananand	Director
5. Mrs. Supaluck Tiasevanakul	Director
6. Mr. Vatchara Chavananand	Director
7. Mr. Jiraphant Asvatanakul	Audit Committee and Independent director
8. Mr. Rachada Singalavanija	Audit Committee and Independent director

Mr. Vithaya Chavananand is the Deputy Secretary General of the Board of Directors.

## Committee Members with the Authority to Enter Corporate Binding Agreements

Mr. Voravith Chavananand (First Vice President), and Mr. Vithaya Chavananand (Second Vice President), Mr. Krisada Chavananand (Chief Executive Officer), Mrs. Supaluck Tiasevanakul (Director), Mr. Vatchara Chavananand (Director). Any two of these members must sign and place the company's stamp to enter the company into binding agreements.



## Board of Directors' Meeting

Details of the Board of Directors' meetings of the accounting year ended 31 December 2018 and 31 December 2019 are as follow:

Full Name	Number of Meetings Attended/Total Number of Meetings	
	2018	2019
1. Mr. Voravith Chavananand	4/5	3/5
2. Mr. Vithaya Chavananand	5/5	4/5
3. Mr. Krisada Chavananand	5/5	5/5
4. Mrs. Supaluck Tiasevanakul	5/5	5/5
5. Mr. Vatchara Chavananand	5/5	5/5
6. Mr. Bandhoon Supakavanich	5/5	5/5
7. Mr. Jiraphant Asvatanakul	5/5	5/5
8. Mr. Rachada Singalavanija	5/5	5/5

## 2.2 Audit Committee

On 31 December 2019 Audit Committee consists of 3 members as follows:

Full Name	Position
1. Mr. Bandhoon Supakavanich	Audit Committee Chairman and Independent director
2. Mr. Jiraphant Asvatanakul	Audit Committee
3. Mr. Rachada Singalavanija	Audit Committee

Mr. Jiraphant Asvatanakul is Audit Committee that has sufficient knowledge and experience to review the reliability of the financial statements.

## Audit Committee Meetings

Details of the Audit Committee meetings of the accounting year ended 31 December 2018 and 31 December 2019 are as follow:

Full name	Number of Meetings Attended/Total Number of Meetings	
	2018	2019
1. Mr. Bandhoon Supakavanich	4/4	4/4
2. Mr. Jiraphant Asvatanakul	4/4	4/4
3. Mr. Rachada Singalavanija	4/4	4/4

The Company has prepared meeting schedules for meetings of the Audit Committee, the Board of Directors, the Nomination Committee and the Risk Management Committee for next year in advance. In addition, the Company also allows Independent Directors to request for discussion on any matter in addition to the predetermined meeting schedules.



### 2.3 Nomination and Remuneration Committee

Nomination and Remuneration Committee was appointed by the Board of Directors in the Board of Directors' meeting at the end of 31 December 2019, the committee has the following 3 members:

Full Name	Position
1. Mr. Bandhoon Supakavanich	The Nomination and Remuneration Chairman
2. Mr. Jiraphant Asvatanakul	Nomination and Remuneration Committee
3. Mr. Peerapong Oeusoonthornwattana	Nomination and Remuneration Committee

### Nomination Committee Meetings

Details of the Audit Committee meetings of the accounting year ended 31 December 2018 and 31 December 2019 are as follow:

Full Name	Number of Meetings Attended/Total Number of Meetings	
	2018	2019
1. Mr. Bandhoon Supakavanich	1/1	1/1
2. Mr. Jiraphant Asvatanakul	1/1	1/1
3. Mr. Peerapong Oeusoonthornwattana	1/1	1/1

### 2.4 Risk Management Committee

Risk Management Committee was appointed by the Board of Directors in the Board of Directors' meeting. At the end of 31 December 2019, the committee has the following 4 members:

Full Name	Position
1. Mr. Krisada Chavananand	Risk Management Chairman
2. Mr. Rachada Singalavanija	Risk Management Committee
3. Mrs. Supaluck Tiasevanakul	Risk Management Committee
4. Mr. Vatchara Chavananand	Risk Management Committee

Details of the Risk Management Committee meetings of the accounting year ended 31 December 2019 was as follow:

Full Name	Number of Meetings Attended/Total Number of Meetings
1. Mr. Krisada Chavananand	3/3
2. Mr. Rachada Singalavanija	3/3
3. Mrs. Supaluck Tiasevanakul	3/3
4. Mr. Vatchara Chavananand	3/3

## 2.5 Management Committee

As of 31 December 2019, the Management Committee has the following 5 members:

Full Name	Position
1. Mr. Vithaya Chavanand	Committee President
2. Mr. Krisada Chavanand	Committee Member
3. Mr. Vatchara Chavanand	Committee Member
4. Mrs. Supaluck Tiasevanakul	Committee Member
5. Ms. Kem-Ngurn Chutchaiyun	Committee Member

## 2.6 Corporate Secretary General

The Board of Directors appointed Mr. Vithaya Chavanand to be the company's secretary since November 5, 2015, general at the Board of Directors' meeting (6/2015) held on 5 November 2015.

### Authority, Work Scope, and Responsibility of the Secretary General

- 1.) Provide recommendations for the committee and executives on regulations and legalities that the Board of Directors should be informed.
- 2.) Manage activities of the Board of Directors, organizing Board of Directors meetings and Shareholders' Meetings. Record the minutes of these meetings and collaborate with relevant parties to ensure that the meetings' resolutions are implemented in the business.
- 3.) Prepare and file the following documents:
  - 1) Committee Registration
  - 2) Invitational Letter for the Board of Directors' Meeting, Board of Directors' Meeting Report, Company Annual Report
  - 3) Invitational Letter for the Shareholders' Meeting, Shareholders' Meeting Report
- 4.) Store transaction reports presented by the committee or executives
- 5.) Carry out other practices required by the SEC

## 2.7 Management

As of 31 December 2019, the Management has the following 5 members:



Full Name	Position
1.Mr. Krisada Chavananand	Chief Executive Officer
2. Mr. Vatchara Chavananand	Deputy Executive Officer of Oil Palm Department
3. Mrs. Supaluck Tiasevanakul	Deputy Executive Officer of Accounting & Finance and Office Department
4. Ms. Kem-Ngurn Chutchaiyun	Assistant Deputy Executive Officer of Oil Palm Department

## 2.8 Committee and Management Payment Scale

### Committee Payments

#### 1) Cash Payments

A summary of the committee compensation (excluding management compensation) for the year ended 31 December 2019 is as follows:

Unit: Baht

Full name	For the Year Ended 31 December 2019		
	Amount of Payment	Amount of Payment	Amount of Payment
1. Mr. Bandhoon Supakavanich	217,500	225,000	442,000
2. Mr. Voravith Chavananand	177,500	60,000	237,500
3. Mr. Vithaya Chavananand	-	-	-
4. Mr. Krisada Chavananand	-	-	-
5. Mrs. Supaluck Tiasevanakul	-	-	-
6. Mr. Vatchara Chavananand	-	-	-
7. Mr. Jiraphant Asvatanakul	177,500	180,000	357,500
8. Mr. Rachada Singalavanija	177,500	225,000	402,500

#### 2) Non-cash Payments

None

### Executive Payments

Payments for the company's executives who are also committee members (excluding compensation for being committee members) and non-committee members in terms of bonuses and funds are summarized below:





Unit: Million.Baht

	For the Year Ended 31 December 2018	For the Year Ended 31 December 2019
Quantity (Number of People)	5	5
Payment (Millions of Baht)	6.20	6.20

## 2.9 Employees

### Manpower

The company has manpower in total amount of 424 people at December 31, 2018 and 407 people at December 31, 2019 (Excluding management) as the detail in below table.

Department	Manpower (persons)	
	31 December 2018	31 December 2019
Factory Department	363	348
Business Development	9	9
Office Department	12	12
Finance Department	2	2
Accounting Department	13	13
Oil Palm Plantation Department	25	23
<b>Total</b>	<b>424</b>	<b>407</b>

### Employee Compensation

Total employee Compensation (Excluding management) which includes salaries, cost of living allowances, overtime pay, bonuses and other allowances are as follow:

Unit: Million.baht

List	For 2018	For 2019
Employee Compensation	70.30	77.40
<b>Total</b>	<b>70.30</b>	<b>77.40</b>

Employees have not set up the labor union. The Company has policy to treat all employees fairly and legally and the Company also has a good relationship with the staffs.

## **2.10 Labor dispute**

-None-

## **2.11 Human resource Development Policy**

The Company recognizes that the human resources are the most important to the company. So, the Company has the policy to improve employee personal skill in management skill, service skill, technical skill and teamwork for increase efficiency and safety at work. Due to the policy the company frequently has arranged in house training course and register to join the outsource training.

## **2.12 Provident Fund**

The company has set up the provident fund since February 1, 2014

## **3. Corporate governance**

### **3.1 The Company governance policy**

The Company has significantly focused on good corporate governance considered as one of the most sustainable strategies of the company. The company has therefore specified its corporate governance policy, with principles and practices corresponding to the requirements of good corporate governance for the registered company listed on the Stock Exchange of Thailand in 2012.

### **3.2 The committee**

As 31 December 2019, the Company has a major committee which is Board of Directors and 4 sub-committees, including the Audit Committee, Risk Management Committee, The Nomination and Remuneration Committee and the Management Committee.

#### Authority, Work Scope, and Responsibility of the Board of Directors

1. Conduct tasks according to legal frameworks, objectives, and regulations of the company. Carry out Shareholders' Meetings with transparency. Protect the company's best interest with prudence.
2. Evaluate and provide recommendations on corporate vision, strategy, policy, objective, and direction presented by the management team.
3. Direct the operations and performance of the management team or other personnel appointed to carry out the relevant tasks, ensuring that their performances correspond to the regulations established by the Board of Directors.
4. Continuously assess the performance of the company, ensuring that it corresponds to corporate strategy and budgeting.



5. Support the establishment of a credible accounting system, financial reporting, and auditing system for the management team. Ensure appropriate and sufficient internal control systems of the company.
6. Evaluate the company's risk management procedures, policies, and implementations.
7. Consider the approval of asset acquisition or sales, investment, or other procedures, ensuring that each process corresponds to all related legalities, regulations, or announcements.
8. Consider the approval of corporate transactions, ensuring that each process corresponds to all related legalities, regulations, or announcements.
9. Prevent conflicts of interest between the company's stakeholders.
10. Evaluate matters with fairness and transparency for the best interest of shareholders and stakeholders. The Board must promptly inform the company if its members have benefits associated with certain matters of transactions at hand. Such members will not have the right to vote on the approval of such matters to avoid issues stemming from conflicts of interest.
11. Establish written policies on good corporate governance, ensuring that the company is fairly responsible to all stakeholders.
12. Seek recommendations from professionals of external organizations when necessary to make effective decisions.
13. Consider the appointment of the president for the management team and committee members of the Audit Committee and the Management Committee, delegating clear scopes of authority to the committees for the purpose of ensuring that internal control systems and management correspond to corporate policies
14. Consider the approval of the company's secretary general to ensure that the committees and the firm adhere to legal frameworks, announcements, conditions, and regulations.
15. Consider modifying the authority scope and responsibility of the Audit Committee, Management Committee, and president of the management team as appropriate.
16. Evaluate the performance of the Board of Directors. The Board of Directors conducts annual self-assessments and considers methods to sustainably improve its performance.

The appointments by the Board of Directors must not empower any entities or parties to approve agendas that personally affect the approvers or other conflicting entities (based on the announcement of the SET and SEC.) Approvals must only pertain to matters that correspond to policies mutually agreed at Shareholders' Meeting or established by the Board of Directors.

#### Board of Directors Term Limits

In every Shareholders' Meeting, one-third of the Board of Directors are expected to leave their positions. If the proportion cannot be divided as one-third, the number of members leaving the Board must be of the proportion closest



to one-third. Board members leaving their positions during the first and second years of business commencement will be decided by draws. For the years after the period, Board members holding the longest terms are expected to leave. Board members leaving their positions may be nominated to serve new terms.

#### Authority, Work Scope, and Responsibility of the Audit Committee

1. Evaluate the accuracy of the company's financial statements (quarter and annual statements), ensuring that the statements disclose sufficient corporate information before presenting to the Board of Directors.
2. Evaluate the appropriateness and effectiveness of the company's internal control and audit systems. Evaluate the independence of the internal auditors, approving the appointment, rotation, or termination of internal control managers or other parties responsible for internal control
3. Inspect the effectiveness of the company's risk assessment and management systems
4. Ensure that the company adheres to regulations of the SET and SEC or other legal bodies related to its business
5. Appoint independent auditors and establish auditing fees, communicating objectives, boundaries, plans, issues, and other relevant information to the auditors. Attend meetings with auditors at least once a year, without the presence of the management team.
6. Evaluate corporate transactions, ensuring that each process corresponds to all related legalities, regulations, or announcements of the SET. Ensure that relevant information on the transactions is accurately disclosed and that the transactions themselves are reasonable and meant for the best interest of the company.
7. Prepare a report on the performance of the Audit Committee to be included in the company's annual report. The report must be signed by the President of the Audit Committee.
8. Evaluate the performance of the Board of Directors, ensuring that their practices are effective and transparent.
9. The company must report the following observations, all of which may affect the company's performance and financial position, to the Board of Directors to implement prompt actions:
  - 1) Transactions leading to conflicts of interest
  - 2) Corruption, abnormalities, or flaws in the internal control system
  - 3) Breach of SEC and SET regulations or company policies
10. Implement other tasks assigned by the Board of Directors

The Audit Committee has the authority to request management, executives, or staffs to provide opinions and attend meetings, providing relevant information and documents to the committee.

The Board of Directors has the authority to fix or amend the qualities and scope of the Audit Committee to correspond to SET and SEC regulations and/or other related legal frameworks.



### Audit Committee Term Limits

Audit Committee members have 3-year terms and may be nominated to serve in the committee again. If Audit Committee members leave their positions for reasons other than reaching the term limit, the Board of Directors must appoint qualified individuals to complete the minimum number of members required in the committee. These newly appointed members will serve the remaining terms of the previous members who left their positions.

### Authority, Work Scope, and Responsibility of the Nomination and Remuneration Committee

#### 1. Nomination

1.1 To determination rules and policies for recruiting for the Board of Directors and the sub committees together with considering the appropriateness of the committee structure and composition to propose to the Board of Directors for approve or propose to The Annual General Meeting of Shareholders to appropriate.

1.2 To recruitment, selection and offer the person who are suitable to take the position of Directors instead of the directors who are terminated or resign.

#### 2. Remuneration

2.1 To consider the remuneration of the Board of Directors and Sub-Committees and propose to the Board of Directors for approve or propose to The Annual General Meeting of Shareholders to appropriate.

2.2 To determine the method and criteria for determining compensation for the Board of Directors, both monetary and non-monetary board to propose to the Board of Directors for approve or propose to The Annual General Meeting of Shareholders to appropriate

### Nomination and Remuneration Committee Term Limits

Nomination and Remuneration Committee members have 3-year terms and may be nominated to serve in the committee again. If the committee members leave their positions for reasons other than reaching the term limit, the Board of Directors must appoint qualified individuals to complete the minimum number of members required in the committee. These newly appointed members will serve the remaining terms of the previous members who left their positions.

### Authority, Work Scope, and Responsibility of the Risk Management Committee

1. To make suggestions and give support to Board of Directors in formulating the risk management policy and defining acceptable risk levels.
2. To define the framework of the Company's risk management in line with risk management policy for submission to Board of Directors for approval, and follow up on its implementation as well as reviewing the effectiveness of the framework.
3. To report a broad view for Board of Directors' consideration of business risks and its management method, and follow upon results to Audit Committee and Board of Directors.

4. To review risk management reports to ensure adequate and suitable risk management to acceptable levels, and ensure continued implementation of risk management.
5. To regularly coordinate with the Audit Committee by sharing knowledge, information about risks and internal control potentially affecting the Company's business.
6. To approve and provide recommendations and advice on critical issues regarding the risk management process and development.
7. To support a Company culture for adequate risk management and internal control.
8. To appoint Board of Directors' representatives and/or working teams and/or additional personnel relating to the risk managements deemed appropriate including defining the scope of duties and responsibilities thereof for the benefits of the operations in accordance to our objective.

#### Risk Management Committee Term Limits

Risk Management Committee members have 3-year terms and may be nominated to serve in the committee again. If Risk Management Committee members leave their positions for reasons other than reaching the term limit, the Board of Directors must appoint qualified individuals to complete the minimum number of members required in the committee. These newly appointed members will serve the remaining terms of the previous members who left their positions.

#### Authority, Work Scope, and Responsibility of the Management Committee

1. Manage and operate the business according the objectives, policies, directions, and plans established by the Board of Directors.
2. Establish corporate vision, strategy, policy, objective, direction, and plan to correspond to economic and competitive landscapes, presenting the information to the Board of Directors for approval.
3. Evaluate the effectiveness of the policies and management of the company, ensuring correspondence to the Board of Directors' approval
4. Establish organizational structure and authority
5. Appoint or hire consultants related to the company's business to maximize effectiveness
6. Consider the approval of general purchases, purchases of raw materials and consider the approval of investments according to authority by the Board of Directors approval.
7. Carry out other tasks appointed by the Board of Directors

The appointments by the Management Committee must not empower any entities or parties to approve agendas that personally affect the approvers or other conflicting entities (based on the announcement of the SET and SEC.) Approvals must only pertain to matters that correspond to regular business and trade policies.



#### Authority, Work Scope, and Responsibility of the Chief Executive Officer

1. Manage and operate the business according the objectives, policies, directions, and plans established by the Board of Directors and/or decisions of the Shareholders' Meeting.
2. Establish corporate vision, strategy, policy, objective, direction, and plan to correspond to economic and competitive landscapes, presenting the information to the Board of Directors for approval.
3. Establish or restructure the company's management to correspond with corporate policies and the industry's competitive dynamics.
4. Authorized to hire, appoint, rotate, establish salaries, and terminate employment of staffs under the ranking of president of the management team. The CEO may appoint a party to undertake these tasks as an authorized representative.
5. Determine standard bonuses, salary raises, compensations, and special bonuses for employees based on the approval of the Board of Directors and/or Management Committee.
6. Authorized to issue, amend, add, and improve regulations of the company's business to correspond with corporate policies.
7. Consider the approval of regular trade transactions such as purchasing products at market value and providing general trade terms under the approval of the Board of Directors.
8. Consider the approval of general purchases, purchases of raw materials and consider the approval of investments according to authority by the Board of Directors approval.
9. Carry out other tasks appointed by the Board of Directors

The appointments by the Chief Executive Officer must not empower any entities or parties to approve agendas that personally affect the approvers or other conflicting entities (based on the announcement of the SET and SEC.) Approvals must only pertain to matters that correspond to regular business and trade policies.

### **3.3 Appointing Committee Members**

#### **1) Appointing Independent Committee Members**

#### Qualifications of Independent Directors

The Board of Directors established the following regulations for appointing independent committee members based on SEC regulations:

1. The individual must not possess more than 1 percent of total shares of the company, affiliates, partners, major shareholders, or decision-makers of the firm. Shares of parties related to the individual must also be taken into account.
2. Not currently a committee member, staff, employee, advisor, decision-maker, or shareholder of the company, affiliates, or partners. Individuals who used to be stakeholders of the company must be absent from their previous positions for at least 2 years from the day requesting for approval from the SEC. These prohibitions





do not include independent committee members who used to be civil servants or advisors of government offices holding significant shares in the company.

3. The independent committee member must not be a family member or legally registered as a father, mother, spouse, sibling, child, or the spouse of the child of other committee members, executives, major shareholders, decision-makers, and individuals to be appointed as committee members.
4. The independent committee member must be free of business relationships with the company, affiliates, partners, major shareholders, or decision-makers of the firm that may hinder the individual's independent discretion. The committee member must not be shareholders of decision-makers of other entities related to the business of the company, affiliates, partners, major shareholders, or decision-makers of the company. Individuals who used to be in the aforementioned circumstance must have vacated the positions for at least 2 years before being eligible for appointment as a committee member. The committee member must not be involved in receiving or providing financial assistance (giving or taking loans, guaranteeing loans, providing collateral, etc.) to the company that leads to financial obligations with a value of 3% of net tangible assets (or obligations worth 20 million Baht and above), depending on which calculation yields the lower value. Calculations of the financial obligation must be according to regulations of the SEC on transaction value calculations. This involves incorporating financial obligations incurred one year before having business relations with the same individual.
5. The independent committee member must not be an auditor of the company, affiliates, partners, major shareholders, or decision-makers of the firm. The individual must not be shareholders, decision-makers, or partners of auditing companies consisting current auditors of the company, affiliates, partners, major shareholders, or decision-makers of the firm. Individuals who used to be in the aforementioned circumstance must have vacated the positions for at least 2 years before being eligible for appointment as a committee member.
6. The independent committee member must not provide professional services, including legal and financial advisor, to the company, affiliates, partners, major shareholders, or decision-makers of the firm that results in generating service revenue above 2 million Baht per year. The individual must also not be shareholders, decision-makers, or partners of such professional service companies. Individuals who used to be in the aforementioned circumstance must have vacated the positions for at least 2 years before being eligible for appointment as a committee member.
7. The independent committee member must not be appointed as a representative of the Board of Directors, major shareholders, or shareholders related to those major shareholders.
8. The independent committee member must not conduct business of the same form as the company and must not engage in business practices that compete with operations of the company and its affiliates. The individual must not be shareholders (or hold no more than 1% of total shares), committee members, employees, staffs, and full-time advisors of businesses that are competitors with the company and its affiliates.

9. The individual must be free from other characteristics that hinder independent judgment of the company and its operations.

#### 2) Appointing Audit Committee Members

The Board of Directors consists of at least 3 members from the Audit Committee. The Board will nominate independent committee members and make appointment decisions at the Board of Directors' meeting or Shareholders' Meeting. The Audit Committee has authority and scope of responsibility according to the regulations announced by the SET.

#### 3) Appointing Risk Management Committee Members

The Board appoints the Risk Management Committee which is composed of at least three Risk management Committee and at least one of committee member must be an independent director.

#### 4) Appointing Nomination and Remuneration Committee Members

The Board of Directors consists of at least 3 people by half of the committee will be selection from nominate of independent committee members and the chairman of the committee must be nominate of independent committee.

#### 5) Appointing Management Committee Members

The company selects Management Committee members based on personal qualifications that correspond to the corporate strategy and plans. The candidates must be competent in knowledge, skills, experience, and dedication. Candidates must possess qualifications listed in Clause 68 of the Royal Decree for Public Company Limited (1935, amended), as well as regulations of the SET and SEC. The appointments must be approved from the Board of Directors or at the Shareholders' Meeting (depending on the case.)

The Board of Directors has considered qualifications of person to be "Independent Director" of the Company so that the Independent Directors can carry out their duties with independence suitable to the nature of business of the Company and in accordance with the regulations prescribed by the SEC and the SET. In addition, the Board of Directors has determined that Independent Directors shall be appointed in the same position successively of not more than 9 years from the date of their first appointment. In case Independent Directors needed to be re-appointed into the position after 9 years, the Board of Directors shall consider the appointment thoroughly again.

### **Corporate Governance**

The Company will send knowledgeable, skillful, and experienced personnel appropriate to the business of its subsidiaries or affiliates to be appointed as directors or executives in proportion to their shareholding in the Company in subsidiaries or affiliates to set policy and control the operations of its subsidiaries or affiliates to make sure that the operation is going in the right direction and to maximize the Group's overall benefits. Additionally, the company representative is responsible for monitoring the operations of its subsidiaries or associates closely and reports the results of operations of its subsidiaries or affiliates to the Board of Directors.



### 3.4 Inside information and conflicts of interest maintenance

The Company has a policy to protect the directors and executives from illegitimately using inside information to benefit themselves as the follows:

- 1) The Company has established a requirement for the company's data protection by stating that agencies that know the information are prohibited to disclose it to the authorities or unrelated individuals.
- 2) The Company administrators have been informed that the significant and financial information of the company that affect stock prices must not be taken advantage of prior to the public disclosure. The executives are prohibited from trading the Company securities for a period of one month before the financial statements or material is made public.
- 3) When the securities of the companies were listed on the Stock Exchange of Thailand, the Company has determined that the directors and management have a duty to report the company securities holding under section 59 as required by the Securities and Exchange Commission regarding the preparation and disclosure of shareholding of directors and management including management's spouse and minor children, directly or indirectly such as held by a nominee through private funds, and so on.
- 4) The Company has determined disciplinary action for the exploitation or disclosure of inside information that may cause damage with the penalty appropriate to the case including verbal warning, written warning, probation, as well as dismissal depending on the intention of the act and the seriousness of the offense.

### 3.5 Auditors' remuneration

In last 3 years the Company pays Auditors' remuneration as the following detail: (unit: baht)

For the fiscal year	Auditors	Remuneration of the Company	Remuneration of the Subsidiary Company	Other fees	Total
31 December 2017	PricewaterhouseCoopers ABAS Ltd.	1,600,000	650,000	58,465	2,308,465
31 December 2018	PricewaterhouseCoopers ABAS Ltd	1,660,000	690,000	82,175	2,432,175
31 December 2019	PricewaterhouseCoopers ABAS Ltd	1,726,000	724,000	59,853	2,509,853

**Note** Other fees are including traveling cost and photocopy



## **Good Corporate Governance Policy**

Vichitbhan Palmoil Public Company Limited has significantly focused on good corporate governance considered as one of the most sustainable strategies of the company. The company has therefore specified its corporate governance policy, with principles and practices corresponding to the requirements of good corporate governance for the registered company listed on the Stock Exchange of Thailand in 2012. The company's corporate governance policy is divided into 5 sections as follows.

### **Section 1: Rights of shareholders**

The company has always recognized the importance of the shareholders' rights, encouraging all shareholders to appropriately exercise their own rights. Additionally, the basic rights of shareholders vary in selling or transferring shares, possessing a share in the company's profit, obtaining sufficient information, participating in general meetings to vote for the appointment or removal of the Board of Directors, appointing an authorized auditor and other influential matters affecting the company's integrity such as the allocation of dividends, the formulation and amendment of regulations and memorandums of association, the increase or decrease of investment capital and the approval of special transactions.

The company's policy is expected to be implemented in various affairs to support and facilitate the shareholders in exercising their rights effectively and appropriately.

- The company shall send a meeting invitation letter with other related documents to all shareholders at least 7 days or at a certain period of time specified by the law or notification prior to an actual shareholder meeting date. The invitation letter shall specify the date, time, place, regulations of the company related to the shareholder meeting and meeting agendas containing explanations, reasons and comments of the Board of Directors, proxy approved by the Ministry of Commerce and list of the independent Board of Directors where a shareholder shall consent to the appointment of a representative to attend a shareholder meeting on behalf of such shareholder. Additionally, the company will declare significant information about a shareholder meeting in the Stock Exchange of Thailand's website as well as the company's website prior to an actual shareholder meeting date.
- Before a shareholder meeting gets started, the company shall inform the shareholders about the voting principles and the counting of votes in the meeting. When significant information has been declared in accordance with the meeting agendas, the chairman of the meeting is required to appropriately offer a chance for all shareholders to freely express their opinions and feedback. In doing so, directors and executives are required to attend the meeting to respond to the opinions and feedback raised by the shareholders. However, the company will provide an opportunity for the shareholders to raise and submit their inquiries prior to the actual shareholder meeting date.



- In cases where there are several items on a proposed agenda, such as the appointment of the Board of Directors, the company will arrange a consensus vote for each item.
- As a shareholder meeting is finished, the company will record the meeting minutes accurately, specifying the voting procedures, inquiries and solutions and voting results including the agreement, disagreement and abstentions for certain votes. The company will also record the name list of the Board of Directors who are present or absent from the meeting. Meanwhile, the company will report on the voting results in the Stock Exchange of Thailand's website within the voting date or not later than 09:00 hrs. of the following date and shall submit the shareholder meeting report to the Stock Exchange of Thailand within 14 days following the meeting date and shall display such report in the company's website accordingly.

## **Section 2: Equal treatment of shareholders**

Vichitbhan Palmoil Public Company Limited is committed to treating all shareholders fairly and equally, whether they are executives, non-executives or foreigners. The company has set its sights on proceeding with the following implementations:

- The company will prepare a meeting invitation letter in both Thai and English versions to be delivered to all shareholders.
- The company will proceed with the shareholder meeting in accordance with the proposed agenda specified in the meeting invitation letter and shall not consider the addition of any addition to the agenda unless informed in advance, particularly any important agenda item that requires the shareholders' thorough study before making any decision.
- The company shall provide an opportunity for minor shareholders to nominate a person to be elected as a member of the Board of Directors by submitting a set of required information of the nominated person with written consent to the Chairman of the Board of Directors under the requirements specified by the company.
- The company will encourage the shareholders to use a ballot paper in every vote, where all ballot papers will be collected from a certain shareholder meeting for vote counting. For transparency and accountability, the company is determined to collect and keep ballot papers safely at all times.
- The company always gives importance to the complete disclosure of the company's information in an accurate, complete and timely manner. All shareholders will be fairly and equally exposed to the information provided in the Stock Exchange of Thailand's website as well as the company's website.
- The company has successfully developed a protection policy to hinder the Board of Directors or other executives from wrongful or illegal use of any private information belonging to the company for their own benefits or that of other shareholders.

- The company has also developed a strict policy for any member of the Board of Directors who owns a stake in any agenda in a meeting to refrain from participating in such meeting or having an authority to consider such agenda.

### **Section 3: Roles and responsibilities of interested person**

Vichitbhan Palmoil Public Company Limited has always emphasized the rights of interested people who own stakes in the business including the clients, staff members, partners, shareholders, investors, creditors and community where the company is located as well as other interested people outside the business realm such as competitors and independent auditors. The company will always treat these people fairly and equally, believing that a concrete relationship between the company and all parties involved as stakeholders will help stimulate the company to achieve sustainable growth.

#### Shareholder

1. The company is set to support and facilitate shareholders to exercise their basic rights effectively and appropriately including the selling and transferring of shares, possessing a share in the company's profit, obtaining sufficient information, participating in general meetings to vote for the appointment or removal of the Board of Directors, appointing an authorized auditor and other influential matters affecting the company's integrity such as the allocation of dividends, the formulation and amendment of regulations and memorandums of association, the increase or decrease of investment capital and the approval of special transactions.
2. The company shall encourage shareholders to exercise their rights in other affairs related to the company's general shareholder meeting such as the right to nominate a person to be appointed as the Board of Directors and the right to express a certain opinion or feedback related to a proposed agenda.
3. The company shall also refrain from any misconduct or exploitation considered as a violation or infringement of others' rights such as the failure to submit an important document to the shareholders prior to the meeting and the unexpected addition or amendment of significant information in any certain agenda without the shareholders' prior notice.

#### Staff member

1. The company is committed to offering compensation to its staff fairly and equally by referring to the staff member's performance, where the company will apply the most effective performance evaluation to be used with each and every staff member in accordance with the standards specified by the company.
2. The company has shifted its strategic focus to the enforcement of the policy concerning human resource development by launching a training program aimed to provide knowledge for both staff members and executives.



Meanwhile, the company has sent selected staff members and executives for training programs on work-related knowledge with outside agencies.

3. The company has always maintained a hygienic environment that can encourage greater working performance while fostering safety of lives and property of staff members and executives of the company as a whole.

4. The company is also committed to protecting the privacy of all staff members and executives, not disclosing personal information, such as salary or medical records of staff members or executives to any third party, unless the company is required to disclose such information in accordance with the relevant laws and regulations.

#### Client

1. The company has always been expected to build a good relationship and collaboration with its clients for the long-term benefit by relying on faith and loyalty in business.

2. The company puts its main focus on the highest degree of satisfaction and confidence for customers from all levels, offering quality products and services with non-hostile properties in accordance with the requirements, while strictly complying with the terms and conditions required for each customer's needs.

#### Partner and Creditor

1. The company has remained firm for the emphasis of fairness, equality and honesty in operating its business by complying with the laws and mutual requirements strictly.

2. The company will always maintain its ethical business practices without requesting any benefit considered as illegal and dishonest conduct with any of its business partners.

#### Competitor

1. The company has focused on a strategic policy to support and encourage free trade competition in a liberated and fair manner

2. The company will treat all business competitors lawfully, while relying on good corporate governance. In addition, the company will never attempt to discredit its business competitors by issuing any false accusation without fact or conducting any unfair practice to tarnish the competition.

#### Government Organization

1. The company is set to comply with the rules, regulations and other laws corresponding to its business operations.



2. The company has given importance to the transparency and honesty in dealing with business transactions required by any government organization. Strategically, the company always remains firm in combating bribery and corruption that may illegally facilitate or benefit the company.

#### Environment, Society and Community

1. The company has established a firm policy of operating an environmentally friendly business, with a sharp focus on natural resource conservation while promoting effective energy consumption.

2. The company has also managed to run its business with regard to the quality of lives of those in the society and community by strictly complying with all required laws, rules and regulations.

The company stakeholders are allowed to seek the company's information or file a complaint via the company committee. Such complaints are expected to be filed and sent via postal mail to the company's Office of the Secretary according to the company's address or email [vpo.cs@vcbpalmoil.com](mailto:vpo.cs@vcbpalmoil.com). In such a case, the complaint will be kept strictly confidential and the committee will proceed with the investigation of such complaint, seek further solutions and report to the committee accordingly.

#### **Section 4: Transparency and Disclosure of Information**

Vichitbhan Palmoil Public Company Limited consistently recognizes the importance of the disclosure of information with accuracy, timeliness and transparency in order to provide significant information for the shareholders and interested people equally and reliably. Furthermore, the company will keep its own website updated regularly.

The Company has successfully developed its policy for the complete disclosure of information via information technology to the public such as the company's vision and mission, type of business, list of the committees and executives, financial statements, financial reports, risk and risk management policies, direct and indirect shareholding of the Board of Directors, major shareholders and high-ranking executives, audit fees and other service fees related to the auditor and remunerations for the committees and the Board of Directors.

In addition, the company is keeping the establishment of the investor relations agency in progress aiming to provide the company's information for the shareholders, investors, securities analysts and general public.

#### **Section 5: Responsibilities of the Board of Directors**

On December 31, 2019, the company successfully developed its management structure consisting of a major committee and 4 sub-committees, including the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and the Management Committee appointed to monitor and supervise the business aiming for the highest benefit of the company and shareholders in the long run.

### **Structure of the Board of Directors**

The Board of Directors consists of highly skilled and experienced people who are required to work on the consideration of significant affairs related to the company's management. In the meantime, all committee members can feel free to offer comments and cast their votes on a certain agenda, as part of the goal to make the company's business operations and implementations achievable with the highest levels of efficiency and transparency.

On December 31, 2019, the Board of Directors consisting of 8 committee members, where 3 of them are independent committee members, is required to possess at least one-third the total member of the Board of Directors and not less than 3 committee members. Meanwhile, the independent committee members shall possess no prohibition in accordance with the notifications of the Capital Market Supervisory Board and the Stock Exchange of Thailand.

### **Roles and Responsibilities of the Board of Directors**

The Board of Directors is required to proceed with the consideration and the approval of important matters related to the business operations, including the specification of vision and mission, strategy and financial target, risk and budget management as well as the monitoring and supervision of business operations in accordance with efficiently enforced policies and requirements, the Board of Directors shall exercise their judgment and prudence in making decisions and performing their duties with the required responsibility and honesty aiming for the company's long-term benefit.

### **Self-Assessment of the Board of Directors**

The Board of Directors will provide annual self-assessment to evaluate their performance of the Board of Directors and also individual in the previous year while seeking ways to maximize performance efficiency of the Board of Directors also includes evaluating the performance of the Managing Director

The Company also requires all Directors to evaluate the performance of the Board of Directors and individual Director, with the following assessment topics:

- Structure and qualifications of the BODs;
- Roles, duties and responsibilities of the BODs;
- BODs' Meeting;
- Directors' performance when carrying out their duties;
- Relationship with management;
- Self-development of Directors and executive development;

Moreover, the Board of Directors is required to assess performance of the Managing Director of the Company, with the following assessment topics:

- Leadership;
- Determination of strategies;
- Compliance with strategies;
- Financial planning and performance;
- Relationship with the BODs;
- Relationship with external parties;
- Administration and relationship with employees;
- Succession planning;
- Knowledge of products and services;
- Personal characteristics;
- Area to be improved and developed.

#### **Remuneration of the Board of Directors and executives**

Vichitbhan Palmoil Public Company Limited has clearly specified the remuneration to be offered to the Board of Directors and other executives in accordance with the requirements of the Securities and Exchange Commission (SEC). The remuneration shall be approved by the shareholders of the annual general meeting every year. In cases where the Board of Directors is assigned to deal with additional duties or responsibilities, for instance, audit management, the Board of Directors will be offered compensation at an appropriate rate regarding the additional duties or responsibilities consisting of the approval of executive compensation related to the company's performance and the annual performance of each executive.

#### **Meeting of the Board of Directors**

The meeting of the Board of Directors always recognizes the importance of monitoring and certification of quarterly performances as well as the report from the Board of Directors and risk management plan that is expected to be submitted to executives for consideration of implementation and to proceed to put it into action aiming for the highest benefit of the company.

A secretary will be provided for each general meeting to work on the preparation of meeting agendas and the delivery of meeting-related documents to the Board of Directors at least 7 days prior to the actual meeting date, as well as for the recording of meeting minutes provided by suggestions and comments of the subcommittees including the Board of Directors, the Audit Committees Nomination and Remuneration Committee, Risk Management Committee and the Executive Management Committees. Overall, the company has successfully proceeded with the recording of meeting minutes, the delivery of meeting-related documents for the Board of Directors, individually and



appropriately, and the collection of meeting agendas that were systematically approved by the Board of Directors, and these can be inspected by relevant parties at all times.

### Board and management Training

Details of the training seminar attendance of each board in 2019 are as follows:

Director	Position	Course Name	Training Center	Date and Time
1. Mr. Vithaya Chavananand	Vice President and Company Secretary	Seminar on development of green bond in Thailand	Capital Market Research Institute	17 October 2019 9.00 - 12.00 hrs.
2. Mr. Krisada Chavananand	Managing Director	Business Agility and Intrapreneurship, CEO Club	The Stock Exchange of Thailand	27 March 2019 8.00 - 10.30 hrs.
		Global Risks. What are the implications for your business, CEO Club	The Stock Exchange of Thailand	2 July 2019 8.00 - 10.00 hrs.
3. Mrs. Supaluck Tiasevanakul	Director	CFO's Orientation Course for New IPOs	The Stock Exchange of Thailand	26 - 27 January 2019
		Conceptual Framework	Federation of Accounting Professions	15 March 2019 13.00 - 16.00 hrs.



Director	Position	Course Name	Training Center	Date and Time
1. Mr. Bandhoon Supakavanich	Independent Director / Chairman of Audit Committee / Chairman of the Nomination and Remuneration Committee / Chairman Committee	Digital Transformation - A must for all Companies	Thai Institute of Directors	6 November 2018 10.30 - 13.00 hrs.
2. Mr. Vithaya Chavananand	Vice President and Company Secretary	Pro Talk "Global Risks and Asia Economic Outlook"	The Stock Exchange of Thailand	28 November 2018 13.30 - 16.00 hrs.
3. Mr. Krisada Chavananand	Director and Managing Director	Corporate Governance for Executives (CGE) 12/2018	Thai Institute of Directors	13 - 14 September 2018 08.30 - 17.00 น.
4. Mrs. Supaluck Tiasevanakul	Director	Smart Disclosure Program	The Securities and Exchange Commission collaborate with The Stock Exchange of Thailand	26 October 2018 08.30 - 16.30 น.
5. Mr. Vatchara Chavananand	Director	Smart Disclosure Program	The Securities and Exchange Commission collaborate with The Stock Exchange of Thailand	26 October 2018 08.30 - 16.30 น.

#### 4. Corporate Social Responsibility

##### 4.1 Corporate Social Responsibility Policy, these six are below.

##### 1. Good Corporate Governance

Vichitbhan Palmoil is committed to operating its business in a lawful manner, complying with required regulations corresponding to the business operations with transparency, fairness and integrity where important information can be inspected at all times. The company has also focused on benefits and impacts on shareholders, clients, partners, employees and everyone involved in the business.

Meanwhile, the company always recognizes the importance of good corporate governance to be used as a guideline in running the business. The company has specified various policies on good corporate governance consistent with the principle of good corporate governance for listed companies enforced in 2012.

##### 2. Fair Business Operation

The company is pleased to support free trade while avoiding all undesirable actions that may cause a conflict of interest or the violation of intellectual property as well as promoting anti-corruption activity of all types. At the same time, the company will also encourage a sense of social responsibility in all processes starting from the processing of raw materials through to the distribution of finished products to clients.

### 3. Human Rights and Employee Treatment

The company has always recognized the importance of its employees and fostered a desirable organizational tradition in respect of fair and equal human rights. In addition, the company has successfully arranged the benefit of welfare, safety and sanitation in the workplace while encouraging knowledge-sharing program at all work levels aiming for greater development and professionalism among employees. Meanwhile, the company has strategically specified the rules and regulations of employee treatment corresponding to other requirements, such as labour laws, to ensure that all employees are treated fairly and appropriately.

### 4. Customer Responsibility

The company has retained its clear focus on developing quality products and services in accordance with or beyond customer expectation under the fairly agreed terms and conditions, providing accurate, credible and unexaggerated information of products and services while always promising not to disclose any confidential client information to any third party or use such information for personal benefit unfairly and unlawfully.

### 5. Environment and Safety

The company has remained firm in eliminating any environmental impact caused by its business operations. The company has also developed effective management of natural resources aiming for the highest benefit and the lowest waste returning to the environment. In the production process, the company always relies on the use of efficient and powerful machines that ensures no severe impact on the environment, while applying strict rules to control the operations, as part of the goal to generate the highest safety for lives and property involved in the business.

### 6. Community and Society Development

The company is committed to promoting the distribution of income to the agricultural sector aiming to upgrade the quality of life of palm oil growers as well as build economic integrity for all communities in the country.

## 4.2 Corruption Prevention Policy

The Company gives importance on the fight against dishonesty and corruption. The Company has announced the guidelines for the implementation of the policy against corruption to ensure that the Company has a policy is to assign responsibility.

Guidelines and requirements for proper operation to prevent corruption in all Company business activities and to make business decisions and operations that may be at risk of fraud, corrupt practice to be carefully considered. The details are as follows.

### Guidelines for the Corruption Prevention Policy Implementation

1. It is prohibited for the directors, executives and employees of the Company and subsidiaries to perform, accept, or support all forms of corruption both directly and indirectly. The prohibition covers all related subsidiaries including contractors or subcontractors. The implementation of the policy against corruption also required to be regularly



reviewed. The guidelines are reviewed in accordance with policy, compliance with laws and regulations, announcement, rules, and business change.

2. Anti-corruption standard is a part of the business and is the responsibility of the company Board of Directors, management, supervisor, and all employees at all levels, suppliers or subcontractors are involved in commenting on the implementation of anti-corruption to achieve the policy goal.

3. The Company has developed measures to combat fraud and corruption in accordance with applicable laws and moral principles by providing a risk assessment of the relevant activity vulnerable to corruption and corrupt practices. A guide has also been developed for those involved to be implemented.

4. The Company does not engage in or support bribery in any form. All activities are supervised. This includes controlling donations to charity, donations to political parties, and business gifts giving. The company also support activities for transparency and is not intended to convince the public official or private sector to inappropriately conduct any activity.

5. The Company provides an appropriate internal control to regularly prevent employees to improper conduct particularly in the aspects of sales, marketing, and purchasing.

6. The company provides knowledge on anti-corruption and corruption to the Board of Directors, the management, and staff to promote honesty and responsibility in fulfilling their responsibilities including the media expressing the Company determination.

7. The Company provides a mechanism for reporting financial transparency and accuracy.

8. The Company encourages diverse communication channels so that employees and stakeholders can notify suspicious clues by ensuring that the whistleblower is protected without being penalized, unfairly transfer, or bullied in any way. This includes appointing a person to monitor all incoming notifications of clues.

## **5. Internal controls and risk management**

### **The Board of Directors opinion regarding the internal control of the Company**

The Company recognizes the importance of a good internal control system according to the principles of good corporate governance; that is a fair, transparent, and secure system that can be checked. This will lead to the best interests of shareholders, employees, suppliers, communities, and other relevant parties.

The Company has appointed D.I.A. and Associates Co., Ltd. to audit and evaluates the Company internal control systems. D.I.A. and Associates Co., Ltd. has announced the results of monitor and evaluating internal control systems. The Company has taken to monitor and assess to continuously improve the Company's internal control system.



Additionally, the internal control in any of internal control system aspect will be reviewed by the D.I.A. and Associates Co., Ltd., which is planning the audit to cover all segments along with presenting it to the Board of Directors for approval on the audit plan to be monitored and reported to the Audit Committee on a quarterly basis. The Board of Directors is of the opinion that the Company's internal control systems are appropriate and sufficient.

The Company has established sufficient internal controls to monitor the operations of its subsidiaries to protect the assets of the Company and its subsidiaries from being illegitimately used the directors or executives as well as transactions with persons who may have conflicts of interest and related party.

### **5.1 Transaction Necessity and Appropriateness**

Transactions between the company and other entities or individuals that may have conflicts of interest include revenue from asset sales, rental fees, and service fees of office buildings. The committee implemented preliminary inspection on the transactions, with the conclusion that the specific transactions have equitable, reasonable prices and conditions established for the overall benefit of the company.

### **5.2 Policies or Procedures for Approving Transactions**

These policies and procedures were established to ensure that the transactions are transparent and aimed for the overall benefit of the company. The company strictly adheres to legal regulations of the SEC and SET pertaining to such transactions. The Board of Directors, executives, and stakeholders are prohibited from attending the meeting for approval of the transactions. In cases where specific transactions require the Board of Directors authorization, the company will require the Audit Committee to attend the meeting to evaluate and present recommendations on the appropriateness of such transactions. The following policies apply to trade agreement transactions with general conditions and specialized conditions:

#### Trade Agreement Transactions with General Conditions

The transactions will be evaluated by the Audit Committee before being presented to the Board of Directors, which will then authorize the relevant departments to approve the transactions. The transactions must have a basis of fair trade, where all parties have bargaining power independent of influences from professional positions and authorities (e.g. board members, executives.)

The company will create a summary of all transactions to report to the Audit Committee and Board of Directors in every quarter.

#### Trade Agreement Transactions with Specialized Conditions

The transactions will be evaluated by the Audit Committee before being presented to the Board of Directors and/or shareholders for further assessment for approval. The practices must correspond to regulations of the SEC and SET.

If the Audit Committee is inexperienced in evaluating a certain type of transaction, the company may request specialized personnel from external sources, such as financial analysts, experts, and independent asset valuers to assess the transaction. The analysis of the Audit Committee and specialized personnel will be used as a factor for the Board of Directors or the shareholders' decision in approving the transaction. This will provide confidence that the transactions will not provide inequitable benefits to companies or particular shareholders, but rather a transparent maximization of every shareholder's wealth. The company will disclose transaction information annually and as a remark for financial statements approved by auditors.

### **5.3 Prospects and Policies for Future Transactions**

The company expects future transactions with companies and/or parties due to the necessity and overall benefit for its business. The prospects of the company's future transactions are summarized below:

1. Regular Business Support Activities: These include office building leases and purchase of fuel oil, with prices and trade conditions according to market mechanisms. The company expects these transactions to be continuous.
2. Transactions related to Assets or Services: These include purchase and sale of assets such as sale of automobiles to Vichitbhan Construction. The company expects these transactions to occur based on necessities.

After selling shares to the public, the company strictly follows regulations of SET and SEC in dealing with all transactions



Board of Directors

## **Mr. Bandhoon Supakavanich**

**Age** 70 years old **Percentage of Shareholders** -

**Position** Chairman of the Board of Directors / Chairman of Audit Committee / Chairman of the Nomination and Remuneration and Independent Director

**Effective Date** 28 August 2013

### **Degree/Certificate**

- Master of Public Administration, Eastern Kentucky University, USA
- Bachelor of Science in Forestry, Kasetsart University
- Bachelor of Political Science in Politics and Government, Ramkhamhaeng University

### **Working Experiences**

2011 – 2012: Secretary General / The Secretariat of the Prime Minister Government House

2011: Member of the House of Representatives / Pheu Thai Party

2010 – 2011: Commissioner / National Broadcasting and Telecommunication Commission

2008 – 2009: Budget Director / Bureau of the Budget, Office of the Prime Minister

### **Working Experiences with other listed company**

None



## **Mr. Voravith Chavananand**

**Age** 64 years old **Percentage of Shareholders** 0.32%

**Position** Vice President

**Effective Date** 21 March 1987

### **Degree / Certificate**

- Bachelor of Accountancy, Bangkok University

### **Working Experiences**

2003 – Present: Managing Director / Vichitbhan Construction Co., Ltd.

1996 – Present: Board of Director / Chavananand Holding Co., Ltd.

1994 – Present: President / C.V.N Development Co., Ltd.

1992 – Present: Vice President / Vichitbhan Real estate Co., Ltd.

1987 – Present: Vice President / Vichitbhan Palm oil Public Co., Ltd.

1985 – Present: Vice President / Vichitbhan Plantation Co., Ltd.

### **Working Experiences with other listed company**

None

## **Mr. Vithaya Chavananand**

**Age** 62 years old **Percentage of Shareholders** 4.63%

**Position** Vice President and Company Secretary

**Effective Date** 21 March 1987

### **Degree/Certificate**

- Master of Business Administration, Webster University, USA
- Bachelor Degree of Political Science Finance, Chulalongkorn University

### **Working Experiences**

- 2012 – Present: Director / Vichitbhan Logistics Co., Ltd.
- 2011 –Present: Director / Setran Ferry Company Limited
- 1996 – Present: Board of Director/ Chavananand Holding Co., Ltd.
- 1994 – 2019: Managing Director / V.C.N. Development Co., Ltd.
- 1992 – Present: Board of Director / Vichitbhan Real Estate Co. Ltd.
- 1987 – Present: Vice President / Vichitbhan Palm oil Public Co., Ltd.
- 1985 – Present: Director / Vichitbhan Plantation Co., Ltd.
- 1979 – 2019: Board of Director / Vichitbhan Construction Co., Ltd.

### **Working Experiences with other listed company**

- 2018 – Present: Independent Director, Audit Committee and Nomination & Remuneration Committee / Grand Canal Land Public Company Limited
- 2007 – Present:Nomination & Remuneration Committee / Robinson Department Store PCL
- 2006 – Present: Director, Independent Director and Audit Committee / Robinson Department Store PCL
- 2010 – 2016: Risk Management Committee / Robinson Department Store PCL

**Mr. Krisada Chavananand****Age** 59 years old **Percentage of Shareholders** 38.99%**Position** Director and Managing Director**Effective Date** 3 November 1994**Degree / Certificate**

- Certificate (Class 56), Certificate of the National Defense College of Thailand
- Master of Science, the Trustees of Columbia University, USA.
- Bachelor of Science in Computer Science, Sam Houston state University, USA.

**Working Experiences**

- 2018 – Present: Chairman / the Palm Oil Industry Group FTI
- 2015 – Present: Director / Palm Oil Crushing Mill Association
- 2012 – Present: Executive Director / Vichitbhan Logistics Co., Ltd.
- 2011 – Present: Director / Chavananand Holding Co., Ltd.
- 2008 – Present: Director / National Palm Oil Policy Committee
- 2008 – Present: Executive Director / VG Energy Co., Ltd.
- 2002 – Present: Managing Director / Vichitbhan Palmoil Public Co., Ltd.
- 1991 – Present: Deputy Managing Director / Vichitbhan Plantation Co., Ltd.
- 1987 – 2002: Deputy Managing Director/ Vichitbhan Palmoil Public Co., Ltd
- 2016 – 2018: Vice Chairman / the Palm Oil Industry Group FTI
- 2012 – 2016: Chairman of the Subcommittee on Oil Palm and Palm Oil Act
- 2008 - 2015: Chairman / the Palm Oil Industry Group FTI
- 2008 - 2015: Association President / Palm Oil Crushing Mill Association
- 2003 – 2015: Association President / Collaboration of Thai clean Development Mechanism Project
- 1990 – 1993: Dean of the Faculty of Science and Technology / Assumption University
- 1988 – 1990: Lecturer, Assumption University/ Assumption University



## **Mrs. Supaluck Tiasevanakul**

(Name – Maiden Name : Miss Supaluck Chavananand)

**Age** 57 years old **Percentage of Shareholders** 7.66%

**Position** Director and Deputy Managing Director of Accounting, Finance and Office

**Effective Date** 2 October 1997

### **Degree/Certificate**

- Master of Business Administration, University of New Haven, USA

- Bachelor of Economics, Chulalongkorn University

### **Working Experiences**

2008 – Present: Board of Director / VG Energy Co., Ltd.

1998 – Present: Board of Director/ CholPattana Co., Ltd.

1988 – Present: Managing Director / Vichitbhan Farm Co., Ltd.

1987 – Present: Deputy Managing Director / VichitbhanPalmoil PCL

1985 – Present: Deputy Managing Director / Vichitbhan Plantation Co., Ltd.

### **Working Experiences with other listed company**

None



## **Mr. Vatchara Chavananand**

**Age** 55 years old **Percentage of Shareholders** 4.26%

**Position** Director

**Effective Date** 21 March 1987

**Degree/Certificate**

High School

### **Working Experiences**

2012 – Present: Board of Director / Vichitbhan Logistics Co., Ltd.

2008 – Present: Board of Director / VG Energy Co., Ltd.

1996 – Present: Board of Director / Chavananand Holding Co., Ltd.

1992 – Present: Managing Director / Vichitbhan Real Estate Co., Ltd.

1987 – Present: Deputy Managing Director / Vichitbhan Palmoil PCL

1985 – Present: Deputy Managing Director / Vichitbhan Plantation Co., Ltd.

### **Working Experiences with other listed company**

None

## **Mr.Jiraphant Asvatanakul**

**Age** 60 years old **Percentage of Shareholders** 0.00022%

**Position** Audit Committee and Independent Director **Effective Date** 9 May 2016

### **Degree/ Certificate**

- Master of Professional Accounting, University of Texas at Austin, U.S.A.
- Bachelor Degree of Economics, Thammasat University

### **Working Experiences**

- 2019 – Present: Director of Thai General Insurance Association
- 2017 – Present: Director, Thai General Insurance Fund
- 2017 – 2019: Director of Secretary / Thai Chamber of Commerce & Board of Trade of Thai
- 2016 – Present: President of Thai-Iran Business Council
- 2015 – Present: Treasurer, Thai-Chinese Business Council
- 2015 – 2017: Director / Federation of Thai Insurance Organizations
- 2013 – 2019: Director / Thai General Insurance Association
- 2012 – Present: Director / Nomination and Remuneration Committee, Thai Reinsurance PCL
- 2009 – 2019: Director / T.I.I. Co., Ltd. (Thailand -Insurance Institute)
- 2001 – 2019: Director / Road Accident Victims Protection Co., Ltd.
- 1987 – Present: Chief Executive Officer, & Managing Director Thaivivat Insurance PCL.
- 2009 – 2013, 2017 - 2019: President / Thai General Insurance Association

### **Working Experiences with other listed company**

- 1987 – Present: Chief Executive Officer, & Managing Director / Thaivivat Insurance PCL.
- 2012 – Present: Director / Nomination and Remuneration Committee, Thai Reinsurance PCL

## **Mr. Rachada Singalavanija**

**Age** 70 years old **Percentage of Shareholders** -

**Position** Audit Committee and Independent Director

**Effective Date** 10 August 2016

### **Degree/ Certificate**

- Certificate, Director Accreditation Program 67/2007, Thai Institute of Directors
- Certificate, Civil Service Executive Development Program (Class 29), Office of the Civil Service Commission
- National Defence College Diploma (Class 45)
- Diploma, Senior Executive Program (Class 16), Sasin Graduate Institute of Business Administration of Chulalongkorn University, Thailand
- Bachelor of Law, Ramkhamhaeng University, Thailand
- Bachelor of Engineering (Industrial Engineering), Chulalongkorn University, Thailand
- M.S.E. (Industrial), West Virginia University, U.S.A.

### **Working Experiences**

2009 – Retired: Deputy Permanent Secretary / Ministry of Industry

2006-2009: Director General Department of Industrial Works / Department of Industrial Works

2004-2006: Deputy Permanent Secretary / Ministry of Industry

2003-2004: Chief of Inspector General / Ministry of Industry

2001-2003: Inspector General / Ministry of Industry

1998-2001: Deputy Director-General, Department of Industrial Works / Ministry of Industry

1998: Director Industrial Pollution Management Bureau Technology / Department of Industrial

### **Working Experiences with other listed company**

None



Enclose

**VICHITBHAN PALMOIL PUBLIC COMPANY LIMITED**

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

**31 DECEMBER 2019**



## Independent Auditor's Report

To the shareholders and the Board of Directors of Vichitbhan Palmoil Public Company Limited

### My opinion

In my opinion, the consolidated financial statements of Vichitbhan Palmoil Public Company Limited (the Company) and its subsidiaries (the Group) and the separate financial statements of the Company present fairly, in all material respects, the consolidated and separate financial position of the Group and of the Company as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### What I have audited

The consolidated financial statements and the separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

### Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of my report. I am independent of the Group and the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. 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 judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.



Key audit matter	How my audit addressed the key audit matter
<p><b><i>Impairment of investment in a subsidiary</i></b></p> <p>Refer to Note 5 'Critical estimates and judgements', and Note 11 'Investment in subsidiaries' to the financial statements.</p> <p>As at 31 December 2019, the Company had investment in subsidiaries (net) of Baht 301 million, which was net from the allowance for impairment in investment of Baht 230 million. Investment in subsidiaries represented 24% of the total assets in the separate financial statements.</p> <p>A subsidiary, VG Energy Company Limited, which operates a power plant, has continuously incurred losses over the past few years. Therefore, management performed an impairment assessment of the investment in this subsidiary.</p> <p>Management assessed the recoverable amount of investment in the subsidiary based on the value in use by considering discounted cash flow projection. From the assessment, management concluded that no additional impairment was required in 2019.</p> <p>I focused on this area, impairment of investment in a subsidiary, because of the significant value of investment in the subsidiary in the separate financial statements. The assessment of the recoverable amount of investment in a subsidiary involved management's subjective judgement on the reasonableness of the key assumptions used in the cash flow projection, such as the estimated palm fruit production and the discount rate.</p>	<p>I understood and evaluated management's valuation approach for assessing the impairment of investment in a subsidiary. I considered the approach to be appropriate in accordance with the Thai Financial Reporting Standards.</p> <p>I evaluated the Group's budgeting procedures upon which the cash flow projection are based, and assessed the principles of management's discounted cash flow models.</p> <p>I assessed the appropriateness of key assumptions used in the discounted cash flow projection, and I assessed management's judgement on:</p> <ul style="list-style-type: none"> <li>the estimated palm fruit production, by comparing the estimate with the historical production trend data, the cultivated area and the production capacity,</li> <li>the discount rate, by comparing the rate with the cost of capital of the subsidiary and checking the rate is similar to others in the industry.</li> </ul> <p>I also used my firm's valuation expert to assess the reasonableness of the discount rate applied in the discounted cash flow model, including testing the accuracy of the calculation.</p> <p>Based on the above procedures, I found that the key assumptions used by management in assessing the impairment of the investment in a subsidiary to be reasonable based on available evidence and appropriate in light of the current circumstances.</p>



Key audit matter	How my audit addressed the key audit matter
<p><b><i>Impairment of property, plant and equipment</i></b></p> <p>Refer to Note 5 'Critical estimates and judgements' and Note 12 'Property Plant and Equipment' to the financial statements</p> <p>At 31 December 2019, the Group had property plant and equipment (net) of Baht 950 million, which was net from the allowance for impairment of property plant and equipment of Baht 81 million. Property plant and equipment (net) represented 85% of the total assets in the consolidated financial statements.</p> <p>Management considered there to be an indication of impairment of property, plant and equipment in the Group because the Toong-ka factory has been shut down since May 2016 and the Ta-Sae factory's operating yield has been low. Because of this management assessed the recoverable amount of property plant and equipment at the higher of value in use and fair value less cost to sell.</p> <p>Management assessed the recoverable amount based on value in use of property, plant and equipment by considering the discounted cash flow projection. From the assessment, management concluded that no additional impairment was required in 2019.</p> <p>I focused on this area, impairment of property, plant and equipment, because of the significant value of property, plant and equipment in the consolidated financial statements. The assessment of recoverable amount of property, plant and equipment involved management's subjective judgement on the reasonableness of key assumptions used in the cash flow projection, such as the estimated palm fruit production and the discount rate.</p>	<p>I understood and evaluated management's valuation approach for assessing the impairment of property, plant and equipment by using the value in use method. I considered the approach to be appropriate in accordance with the Thai Financial Reporting Standards.</p> <p>I evaluated the budgeting procedures upon which the cash flow projection are based, and assessed the principles of management's discounted cash flow models.</p> <p>I assessed the appropriateness of key assumptions used in the discounted cash flow projection. I assessed management's judgement on:</p> <ul style="list-style-type: none"> <li>the estimated palm fruit production, by comparing the estimate with the historical production trend data, the cultivated area and the production capacity,</li> <li>the discount rate, by comparing the rate with the cost of capital of the subsidiary and checking the rate is similar to others in the industry.</li> </ul> <p>I also used my firm's valuation expert to assess the reasonableness of the discount rate applied in the discounted cash flow model, including testing the accuracy of the calculation.</p> <p>Based on the above procedures, I found that the key assumptions used by management in assessing the impairment of property, plant and equipment were reasonable based on the available evidence and appropriate in light of the current circumstances.</p>

#### Other information

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

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

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

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.



### **Responsibilities of the directors for the consolidated and separate financial statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company'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 the directors either intend to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Group and the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated and separate financial statements**

My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 TSAs 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 consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 and the Company'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 consolidated and separate 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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 the audit committee 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 the audit committee 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 the audit committee, I determine those matters that were of most significance in the audit of the consolidated and separate 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.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in black ink, appearing to read "P. Thangtanagul".

**Pisit Thangtanagul**  
Certified Public Accountant (Thailand) No. 4095  
Bangkok  
20 February 2020

**As at 31 December 2019**

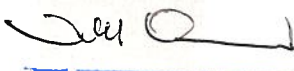
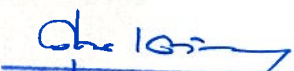
Logo of the Southern Islands Music Council, Inc. The logo is a hexagon containing a palm tree. Text inside the hexagon includes "SOUTHERN ISLANDS MUSIC COUNCIL, INC." and "CONSEJO MÚSICAL DE LAS ISLAS DEL SUR, INC." along with other details about the organization.

(นางศุภลักษณ์ เตียเสวนากุล)  
รองกรรมการผู้จัดการบริษัท

6



**Vichitbhan Palmoil Public Company Limited**  
**Statement of Financial Position (Cont'd)**  
**As at 31 December 2019**

		Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Notes		Baht	Baht	Baht	Baht
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Bank overdraft and promissory note	18	362,113,509	348,366,169	360,272,303	347,821,345
Trade and other payables	17	19,487,096	21,781,915	55,125,926	47,327,772
Current portion of liabilities under financial lease agreements	18	252,943	1,393,426	252,943	904,358
Current portion of long-term borrowing	18	90,552,000	88,152,000	64,152,000	64,152,000
Income tax payable		2,075,150	1,488,616	-	-
<b>Total current liabilities</b>		<b>474,480,698</b>	<b>461,182,126</b>	<b>479,803,172</b>	<b>460,205,475</b>
<b>Non-current liabilities</b>					
Liabilities under financial lease agreements	18	749,336	654,824	749,336	654,824
Long-term borrowings	18	56,558,619	147,110,619	2,239,106	66,391,106
Retention		845,357	827,885	845,357	827,885
Employee benefit obligations	19	9,777,277	7,431,984	5,777,556	4,226,916
Deferred tax liabilities	16	759,482	651,003	-	-
<b>Total non-current liabilities</b>		<b>68,690,071</b>	<b>156,676,315</b>	<b>9,611,355</b>	<b>72,100,731</b>
<b>Total liabilities</b>		<b>543,170,769</b>	<b>617,858,441</b>	<b>489,414,527</b>	<b>532,306,206</b>
					
<b>Equity</b>					
					
<b>Share capital</b>					
Authorised share capital	20	(นายวิทยา ฐานานนท์)	(นางศุภลักษณ์ เตียเสวนากุล)		
Ordinary shares, 940,000,000 shares at par value of Baht 1 each		รองกรรมการผู้จัดการบริษัท	รองกรรมการผู้จัดการบริษัท		
		940,000,000	940,000,000	940,000,000	940,000,000
Issued and fully paid-up share capital					
Ordinary shares, 940,000,000 shares at paid-up of Baht 1 each		940,000,000	940,000,000	940,000,000	940,000,000
Share premium	20	227,888,500	227,888,500	227,888,500	227,888,500
Discount from business combination under common control		(71,756,742)	(71,756,742)	-	-
Retained earnings (deficit)					
Appropriated					
Legal reserve	21	25,300,000	25,300,000	25,300,000	25,300,000
Unappropriated (deficit)		(552,171,146)	(504,717,293)	(431,169,290)	(408,113,889)
Equity attributable to owners of the parent		569,260,612	616,714,465	762,019,210	785,074,611
<b>Total equity</b>		<b>569,260,612</b>	<b>616,714,465</b>	<b>762,019,210</b>	<b>785,074,611</b>
<b>Total liabilities and equity</b>		<b>1,112,431,381</b>	<b>1,234,572,906</b>	<b>1,251,433,737</b>	<b>1,317,380,817</b>



บมจ.วิจิตรภัณฑ์ปาล์มออยล์

บมจ.วิจิตรภัณฑ์ปาล์มออยล์

(นายวิทยา ขวณนันท)

(นางศุภลักษณ์ เตียเสวนากุล)

รองกรรมการผู้จัดการบริษัท

รองกรรมการผู้จัดการบริษัท

The notes to the consolidated and separate financial statements are an integral part of these financial statements.

Vichitbhan Palmoil Public Company Limited

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	Consolidated financial statements		Separate financial statements	
		2019 Baht	2018 Baht	2019 Baht	2018 Baht
Revenue from sales		1,078,698,862	1,266,094,117	1,035,050,137	1,236,974,143
Cost of sales		(956,577,003)	(1,191,074,852)	(923,161,402)	(1,172,172,953)
<b>Gross profit</b>		<b>122,121,859</b>	<b>75,019,265</b>	<b>111,888,735</b>	<b>64,801,190</b>
Other operating income	22	7,906,140	7,233,130	9,663,486	10,649,710
Selling expenses		(29,226,763)	(31,863,245)	(28,433,822)	(31,312,593)
Administrative expenses		(123,034,663)	(116,484,399)	(98,837,703)	(92,470,205)
Impairment charge on investment	11	-	-	-	(70,000,000)
Finance costs	24	(21,708,998)	(21,573,487)	(17,696,251)	(16,464,021)
<b>Loss before income tax</b>		<b>(43,942,425)</b>	<b>(87,668,736)</b>	<b>(23,415,555)</b>	<b>(134,795,919)</b>
Income tax (expense) income	25	(3,511,428)	(5,034,308)	360,154	(192,392)
<b>Loss for the year</b>		<b>(47,453,853)</b>	<b>(92,703,044)</b>	<b>(23,055,401)</b>	<b>(134,988,311)</b>
<b>Other comprehensive income:</b>					
Items that will not be reclassified to profit or loss					
Remeasurements of employee benefit obligations					
		-	-	-	-
Income tax on items that will not be reclassified					
		-	-	-	-
Total items that will not be reclassified to profit or loss					
		-	-	-	-
Other comprehensive income, net of tax					
		-	-	-	-
<b>Total comprehensive expense for the year</b>		<b>(47,453,853)</b>	<b>(92,703,044)</b>	<b>(23,055,401)</b>	<b>(134,988,311)</b>
<b>Loss attributable to:</b>					
Owners of the parent		(47,453,853)	(92,703,044)	(23,055,401)	(134,988,311)
Non-controlling interests		-	-	-	-
		<b>(47,453,853)</b>	<b>(92,703,044)</b>	<b>(23,055,401)</b>	<b>(134,988,311)</b>
<b>Total comprehensive expense attributable to:</b>					
Owners of the parent		(47,453,853)	(92,703,044)	(23,055,401)	(134,988,311)
Non-controlling interests		-	-	-	-
		<b>(47,453,853)</b>	<b>(92,703,044)</b>	<b>(23,055,401)</b>	<b>(134,988,311)</b>

Loss per share - owners of the parent

Basic loss per share

26

(0.05)

(0.10)

(0.02)

(0.14)



บมจ.วิจิตรภัณฑ์ปาล์มมออยล์

*[Signature]*

(นายวิทยา ขวณนันท)  
รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มมออยล์

*[Signature]*

(นางศุภลักษณ์ เตียเสวนากุล)  
รองกรรมการผู้จัดการบริษัท

The notes to the consolidated and separate financial statements are an integral part of these financial statements.

Vichitbhan Palmoil Public Company Limited  
Statement of Changes in Equity  
For the year ended 31 December 2019

Consolidated financial statements									
Attributable to owners of the parent									
Capital contributed			Premium (discount)			Retained earnings (deficit)			
Issued and paid-up share capital	Share premium		from business combination under common control			Appropriated - legal reserve			
Baht	Baht		Baht			Baht	Unappropriated Baht	Total owners of the parent Baht	Total equity Baht
940,000,000	227,888,500		(71,756,742)			25,300,000	(412,014,249)	709,417,509	709,417,509
Opening balance at 1 January 2018									
Transactions with owners during the year									
-	-		-			-	(92,703,044)	(92,703,044)	(92,703,044)
Total comprehensive expense for the year									
940,000,000	227,888,500		(71,756,742)			25,300,000	(504,717,293)	616,714,465	616,714,465
Closing balance at 31 December 2018									
940,000,000	227,888,500		(71,756,742)			25,300,000	(504,717,293)	616,714,465	616,714,465
Transactions with owners during the year									
-	-		-			-	(47,453,853)	(47,453,853)	(47,453,853)
Total comprehensive expense for the year									
940,000,000	227,888,500		(71,756,742)			25,300,000	(552,171,146)	569,260,612	569,260,612
Closing balance at 31 December 2019									



นาย.วิจิตรภักดิ์ ปาล์มมอยล์  
(นายวิทย์ยา ชวนะนันท์)  
รองกรรมการผู้จัดการบริษัท

นาย.วิจิตรภักดิ์ ปาล์มมอยล์  
Chilorn...  
(นางศุภลักษณ์ เตยเสวนากุล)  
รองกรรมการผู้จัดการบริษัท

The notes to the consolidated and separate financial statements are an integral part of these financial statements.

Vichitbhan Palmoil Public Company Limited  
Statement of Changes in Equity  
For the year ended 31 December 2019

	Separate financial statements				
	Capital contributed		Retained earnings (deficit)		
	Issued and paid-up share capital	Share premium	Appropriated -		Total equity
	Baht	Baht	legal reserve	Unappropriated	Baht
			Baht	Baht	
Opening balance at 1 January 2018	940,000,000	227,888,500	25,300,000	(273,125,578)	920,062,922
Transactions with owners during the year					
Total comprehensive expense for the year	-	-	-	(134,988,311)	(134,988,311)
Closing balance at 31 December 2018	940,000,000	227,888,500	25,300,000	(408,113,889)	785,074,611
Opening balance at 1 January 2019	940,000,000	227,888,500	25,300,000	(408,113,889)	785,074,611
Transactions with owners during the year					
Total comprehensive expense for the year	-	-	-	(23,055,401)	(23,055,401)
Closing balance at 31 December 2019	940,000,000	227,888,500	25,300,000	(431,169,290)	762,019,210



บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นายวิทย์ ชวนะนันท์)  
รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นางศุภลักษณ์ เตยเสวนากุล)  
รองกรรมการผู้จัดการบริษัท

The notes to the consolidated and separate financial statements are an integral part of these financial statements.



Vichitbhan Palmoil Public Company Limited


Statement of Cash Flows

For the year ended 31 December 2019

	Notes	Consolidated financial statements		Separate financial statements	
		2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Cash flows from operating activities</b>					
Loss before income tax		(43,942,425)	(87,668,736)	(23,415,555)	(134,795,919)
Adjustments for:					
Depreciation	12	153,260,235	157,317,594	101,894,719	105,763,859
Amortisation of intangible assets	15	701,304	833,791	689,537	815,112
Impairment charge on investment	11	-	-	-	70,000,000
Loss from write-down of obsolete inventory		254,976	57,211	171,155	85,773
Loss on write-off of equipment		4,743	34,413	4,740	-
Gain on disposal of equipment	22	(2,289,973)	(60,318)	(923,996)	(78,162)
Gain from exchange rate		(26,045)	(29,347)	(26,045)	(29,069)
Employee benefit obligations	19	2,900,302	585,035	1,652,340	368,600
Interest expenses	24	21,708,998	21,573,487	17,696,251	16,464,021
Interest income	22	(90,029)	(57,054)	(4,355,545)	(3,713,953)
Changes in operating assets and liabilities					
Trade and other receivables		(16,806,205)	(29,482,038)	(16,251,772)	(30,084,682)
Inventories		(2,072,014)	159,860,618	(1,606,101)	163,176,720
Other non-current assets		12,012	10,011	12,012	10,011
Trade and other payables		(2,327,813)	(38,830,933)	8,185,610	(24,886,130)
Retention		17,472	271,831	17,472	271,831
Employee benefit paid	19	(555,009)	(194,460)	(101,700)	(194,460)
Cash generated from operations		110,750,529	184,221,105	83,643,122	163,173,552
Interest paid		(21,799,610)	(21,472,616)	(17,767,744)	(16,436,379)
Interest received		90,029	57,054	265,273	403,971
Withholding tax paid		(4,755,196)	(5,860,651)	(1,013,433)	(203,701)
Withholding tax received		79,773	-	-	-
Net cash generated from operating activities		84,365,525	156,944,892	65,127,218	146,937,443




บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นายวิทยา ชวนะนันท์)  
รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นางสุลลิกษณ์ เชื้อเสวนากุล)  
รองกรรมการผู้จัดการบริษัท

The notes to the consolidated and separate financial statements are an integral part of these financial statements.

Vichitbhan Palmoil Public Company Limited

Statement of Cash Flows (Cont'd)

For the year ended 31 December 2019

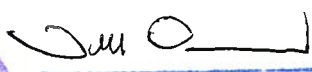
		Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
Notes		Baht	Baht	Baht	Baht
<b>Cash flows from investing activities</b>					
Short-term loans to related parties	29 c)	-	-	(50,135,000)	(57,207,500)
Loan payments received from related parties	29 c)	-	-	45,452,500	35,059,000
Purchase of property, plant and equipment		(10,747,894)	(37,231,649)	(8,658,333)	(31,633,962)
Proceeds from disposals of equipment		2,290,000	547,709	924,000	128,513
Purchase of intangible assets	15	(566,400)	(96,140)	(93,500)	(85,440)
Net cash used in investing activities		(9,024,294)	(36,780,080)	(12,510,333)	(53,739,389)
<b>Cash flows from financing activities</b>					
Proceeds from short-term borrowings		573,100,000	671,100,000	573,100,000	671,100,000
Repayments of short-term borrowings		(560,600,000)	(699,600,000)	(560,600,000)	(699,600,000)
Repayments of finance lease liabilities	27	(1,489,927)	(4,140,372)	(988,897)	(1,920,048)
Repayments of long-term borrowings	18	(88,152,000)	(88,152,000)	(64,152,000)	(64,152,000)
Net cash used in financing activities		(77,141,927)	(120,792,372)	(52,640,897)	(94,572,048)
Net decrease in cash and cash equivalents		(1,800,696)	(627,560)	(24,012)	(1,373,994)
Opening balance of cash and cash equivalents		(925,577)	(298,017)	(871,444)	502,550
Closing balance of cash and cash equivalents		(2,726,273)	(925,577)	(895,456)	(871,444)
<b>Cash and cash equivalents</b>					
Cash and cash equivalents	8	387,236	940,592	376,847	449,901
Bank overdrafts	18	(3,113,509)	(1,866,169)	(1,272,303)	(1,321,345)
		(2,726,273)	(925,577)	(895,456)	(871,444)

**Non-cash transactions**

Purchases of property, plant and equipment on credit	-	250,579	-	232,924
Purchases of vehicle under hire purchase agreement on credit	375,000	935,000	375,000	935,000



บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นายวิทยา ขวณะนันท์)  
รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นางสุกัลลภณ์ เสืออานกุล)  
รองกรรมการผู้จัดการบริษัท

The notes to the consolidated and separate financial statements are an integral part of these financial statements.

## 1 General information

Vichitbhan Palmoil Public Company Limited ("the Company") is a Public Company Limited which is incorporated and resident in Thailand. The address of the Company's registered office is as follows:

The Company's registered head office is located at 2044, Chavananand Building, Phetburi Extension Road, Bangkok, Huaykwang, Bangkok.

The Company's Thasae factory is located at 29 Moo 3, Sap Anan, Thasae, Chumporn.

The Company's ThungKha factory is located at 170 Moo 6, ThungKha, Mueang, Chumporn.

The Company's is engaged in palm plantation and palm oil extraction.

The Company is listed on the Stock Exchange of Thailand. For reporting purposes, the Company and its subsidiaries are referred to as "the Group".

These Group consolidated and separate financial statements was authorised for issue by the Board of Directors on 20 February 2020.

## 2 Financial position

As of 31 December 2019, in consolidated and company financial statements, the Group and the Company has the total current liabilities exceeding total current assets by Baht 319.73 million and Baht 216.30 million and loss for the period of Baht 47.45 million and Baht 23.06 million, respectively. These resulted in doubt on the entity's ability to continue as a going concern. The Group has long-term borrowings in a total amount of Baht 147.11 million. The Group received waiver letter from bank dated 23 December 2019 regarding a relieve a enforcement of debts covenants to maintain debts service coverage ratio. The Group has mortgaged the land together with construction and part of machines with net book value higher than long-term borrowing balance as collaterals. To ensure a proper basis of going concern, management has prepared a cash flow forecast and assured that the estimation can be achieved by the extension of ramp to cover the area and reach the farmer as much as possible, resulting more palm fruits. In addition, there is a policy to reduce costs both production and management continuously. It also has a policy to develop and improve production continuously so that every step of production is effective to the maximum effectiveness. Furthermore, the Group has enough borrowing facilities. Accordingly, the Group could continue its operations as a going concern, and to fulfil all its financial obligations now and in the future. The undertaking was provided for a minimum period of twelve months from the financial statement date and there after.

## 3 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below:

### 3.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with Thai Financial Reporting Standards ("TFRS") and the financial reporting requirements issued under the Securities and Exchange Act.

The consolidated and separate financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with TFRS requires management to use of certain critical accounting estimates and its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

An English version of the consolidated and separate financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.



บมจ.วิจิตรภัณฑ์ปาล์มออยล์

(นายวิทยา ขอนนันทน์)  
รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มออยล์

(นางจุลลิกษณ์ เดียงนาทูล)  
รองกรรมการผู้จัดการบริษัท



**3.2 New and amended financial reporting standards that are relevant and have significant impacts to the Group**

**3.2.1 The Group has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019**

**a) Thai Financial Reporting Standard no.15 (TFRS 15), Revenue from contracts with customers**

The standard provides principle and approach of revenue recognition under five-step process. The underlying principle is that the Group will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It replaces the principles of transferring the significant risks and rewards of ownership of the goods or services to the buyer in accordance with TAS 11, Construction contracts, TAS 18, Revenue and related interpretations.

The Group has adopted the new TFRS 15, Revenue from contracts with customers from 1 January 2019 (initial application date) and the standard does not have a significant impact on the Group.

**3.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020**

The Group is currently assessing the impact of certain new and amended financial reporting standards that are not mandatory for current period end 31 December 2019 reporting period and have not been early adopted by the Group.

**a) Financial instruments**

The new financial standards relate to financial instruments are:

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These new standards address the classification, measurement, derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments.

**b) TFRS 16, Leases**

Where the Group is a lessee, TFRS 16, Leases will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases.

**c) Other new/amended standards**

The new and amended financial reporting standards that will not have significant impact on the Group are:

TAS 12	Income tax
TAS 19	Employee benefits

Amendment to TAS 12, Income tax - clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement) - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.



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### 3.3 Principles of consolidation and equity accounting

#### a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group until the date that control ceases.

In the separate financial statements, investments in subsidiaries are accounted for using cost method.

The investment is initially recognised at cost which is consideration paid and directly attributable costs.

#### b) Intercompany transactions on consolidation

Intra-group transactions, balances and unrealised gains on transactions are eliminated. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealised losses are also eliminated in the same manner unless the transaction provides evidence of an impairment of the asset transferred.

### 3.4 Business combination

#### Business combination under common control

The Group accounts for business combination under common control by measuring acquired assets and liabilities of the acquiree at their carrying values presented in the highest level of the consolidation. The Group retrospectively adjusted the business combination under common control transactions as if the combination had occurred on the later of the beginning of the preceding comparative period and the date the acquiree has become under common control.

Consideration of business combination under common control are the aggregated amount of fair value of assets transferred, liabilities incurred and equity instruments issued by the acquirer at the date of which the exchange in control occurs.

The difference between consideration under business combination under common control and the acquirer's interests in the carrying value of the acquiree is presented as "surplus arising from business combination under common control" in equity and is derecognised when the investment is disposed of (transferred to retained earnings).

### 3.5 Foreign currency translation

#### a) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company's and the Group's functional and presentation currency.

#### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.



### 3.6 Cash and cash equivalents

In the consolidated and Company statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call, short-term highly liquid investments with maturities of three months or less from acquisition date and bank overdrafts.

In the statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

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### 3.7 Trade accounts receivable

Trade receivables are amounts due from customers for goods sold or service performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditionally unless they contain significant financing components, when they are recognised at its present value. The Group presented trade receivables at cost less allowance for doubtful accounts.

### 3.8 Inventories

Inventories are stated at the lower of cost or net realisable value.

Costs of goods and supplies are determined by the first-in, first-out (FIFO) method. The cost of raw materials comprises both the purchase price and costs directly attributable to the acquisition of the inventory less all attributable discounts. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and directly attributable costs in bringing the inventories to their present location and condition.

### 3.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated on the straight-line basis to write off the cost of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life or, if it is shorter, the lease term, as follows:

Building and building improvement	10 - 44 years
Machinery	5 - 27 years
Tool equipment and fixture	4 - 20 years
Office equipment	1 - 24 years
Vehicle	4 - 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

### 3.10 Investment property

Investment property of the Group included land that the Group is held without having objective for future use.

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs.

Land is not depreciated.

### 3.11 Deferred palm plantation cost

Palm plantation cost is recorded by cost method less accumulated amortisation. Amortisation is calculated when palm trees begin to bear fruits which are expected to be in the fourth year by using the straight line method throughout the fruit bearing life of palm trees, which is expected to be for 20 years from the first fruit bearing year. The maintaining cost of palm trees after the first fruit bearing year is recorded as expense in the income statement as soon as it occurred.

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### 3.12 Other intangible assets

#### Research and development

Research expenditure is recognised as an expense as incurred.

Expenses incurred on development projects are recognised when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line method basis over the period of its expected benefit, not exceeding 5 years.

#### Electricity production license

Expenses incurred on the process of renewal of electricity production are recognised when it is probable that the license will be success considering its commercial and technological feasibility, and only if the cost can be measured reliably.

Cost of electricity production license is amortised over their useful life 10 years.

#### Computer software

Acquired computer software licenses are capitalised on the basis of the costs and these costs are amortised over their estimated useful lives 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

### 3.13 Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever there is an indication of impairment. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Where the reasons for previously recognised impairments no longer exist, the impairment losses on the assets concerned other than goodwill is reversed.

### 3.14 Leases

#### Leases - where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

At the inception of finance lease, the lower of the fair value of the leased property and the present value of the minimum lease payments is capitalised. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the liabilities balance outstanding. The corresponding rental obligations is presented net of finance charges. Finance cost is charged to profit or loss over the lease period.



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### 3.15 Borrowings

Borrowings are recognised initially at the fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it will be drawn down. The fee is deferred until the drawn down occurs and included in effective interest calculation. However, if it is probable that facility will not be drawn down, that portion of the fee paid is recognised as a prepayment and amortised over the period of related facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 3.16 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

#### Current tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### Deferred income tax

Deferred income tax is recognised on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised for temporary differences arise from:

- initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss is not recognised.
- investments in subsidiaries, associates and joint arrangements where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is measured using tax rates of the period in which temporary difference is expected to be reversed, based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 3.17 Employee benefits

The Group operate various post-employment benefits schemes. The Group has both defined benefit and defined contribution plans.

#### Short-term employee benefits

Liabilities for short-term employee benefits such as wages, salaries, paid annual leave and paid sick leave, profit-sharing and bonuses, and medical care that are expected to be settled wholly within 12 months after the end of the period are recognised in respect of employees' service up to the end of the reporting period. They are measured at the amount expected to be paid.



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#### Defined contribution plan

The Group pays contributions to a separate fund on a voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

#### Defined benefit plans

Amount of retirement benefits is defined by the agreed benefits the employees will receive after the completion of employment. It usually depends on factors such as age, years of service and an employee's latest compensation at retirement.

The defined benefit obligation is calculated each three years by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government that matches the terms and currency of the expected cash outflows.

Remeasurement gains and losses are recognised directly to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

#### 3.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 3.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options (net of tax) are shown as a deduction in equity.

#### 3.20 Revenue recognition

Revenue include all revenues from ordinary business activities. All ancillary income in connection with the delivery of goods and rendering of services in the course of the Group's ordinary activities is also presented as revenue.

Revenue are recorded net of value added tax. They are recognised in accordance with the provision of goods or services, provided that collectibility of the consideration is probable.

Multiple element arrangements involving delivery or provision of multiple products or services are separated into distinct performance obligations. Total transaction price of the bundled contract is allocated to each performance obligation based on their relative standalone selling prices or estimated standalone selling prices. Each performance obligation is recognised as revenue on fulfillment of the obligation to the customer.

The Group manufactures and sells crude palmoil. Sales are recognized when control of the products has transferred, being when the products are delivered. Delivery occurs when the products have been shipped to the specific location. The Group has accepted the products in accordance with the sales contract. Revenues of the Group are recognized when a performance obligation is satisfied at point in time.

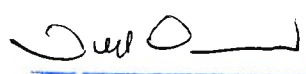
#### 3.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

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### 3.22 Segment reporting

Segment information has been prepared based on the internal report of the Group, which disaggregates its business by services or products.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive Officer that makes strategic decisions.

## 4 Financial risk management

### 4.1 Financial risk factors

The Group exposes to a variety of financial risks: market risk (currency risk, fair value risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors provides written principles for overall risk management which is carried out by a central treasury department (the Group treasury), including identification, evaluation and hedge of financial risks in close co-operation with operating units

#### 4.1.1 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect US Dollars. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

Entities in the Group use forward contracts, transacted with a local commercial bank, to hedge their exposure to foreign currency risk in connection with measurement currency.

#### 4.1.2 Interest rate risk

The Group has interest rate risk from borrowings at fixed and floating interest rates. The Group has no significant interest-bearing assets.

All interest rate derivative transactions are subject to approval by the finance director before execution. The Group uses interest rate swaps as cash flow hedges of future variable borrowings' interest payments. The Group agrees with the other parties to exchange, quarterly, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

#### 4.1.3 Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that contracts are made with customers who have an appropriate credit history, limiting customers' credit limit as well as obtaining appropriate guarantees from customers. Derivative counterparties and deposits are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

#### 4.1.4 Liquidity risk

The Group manages sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

#### 4.1.5 Oil price fluctuation risk

The Group is exposed to oil price risk from substantial fluctuations in oil prices in the world market.



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#### 4.2 Accounting for derivative financial instruments and hedging activities

The Group is party to derivative financial instruments, which comprise interest rate swap agreements. Such instruments are not recognised in the financial statements on inception.

Interest rate swap agreements protect the Group from movements in interest rates. Any differential to be paid or received on an interest rate swap agreement is recognised as a component of interest revenue or expense over the period of the agreement. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to profit or loss.

Disclosures about derivative financial instruments to which the Company is a party are provided in Note 28.

#### 4.3 Fair value

The book values of financial assets and financial liabilities with a maturity of less than one year are approximate their fair values. Loans made with related parties carried an interest at the market interest rate. Management believe that their net book values are assumed to approximate their fair value.

### 5 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Estimated impairment of asset

The Group tests whether asset, which comprise investment in subsidiaries and property, plant, and equipment, has suffered any impairment, in accordance with the accounting policy stated in Note 3.13. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or fair value less cost to sell as appropriate. These calculations require the use of estimates. Disclosures about estimated impairment of investment in subsidiaries and property, plant, and equipment are provided in Note 11 and 12 respectively.

#### Allowance for obsolete, slow-moving and defective inventories

The Group has made allowance, where necessary, for obsolete, slow-moving and defective inventories by estimating the net realisable value was calculated from the selling price in the ordinary course of business, less the cost of completion and selling expenses. Furthermore, the calculation of the net realisable estimation was based on historical experiences, management's knowledge of the industry and future market trends.

#### Retirement benefits

The present value of the retirement benefit obligations depends on a number of assumptions. Key assumptions used and impacts from possible changes in key assumptions are disclosed in Note 19.

### 6 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.



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## 7 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Managing Director that makes strategic decisions.

The Group is principally engaged in crude palm oil and kernel production. Although, the Group has power plant business but it doesn't solely generate income since it has to use waste water from crude palm oil production. On the other hand, the palm oil plant could net operate without wastewater treatment from power plant. The operations are carried out in Thailand. Segment performance is measured based on operating profit or loss on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of revenue, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

In 2019, the Company has adjusted the financial information by segments which are classified by information provided to the chief operating decision-maker. The Company classified business segment by considering the significant financial information which related to the material operating result. Additionally, the operating segment in the interim consolidated financial information is clear enough to administrate and make decision.

The Group has 3 major customers which operate in crude palm oil and kernel businesses. The revenue generated from those customers is 70.68% of total revenue in the consolidated statement of comprehensive income for the year ended 31 December 2019 (2018: 74.78%).

Revenues of the Group are recognized when a performance obligation is satisfied at point in time.

## 8 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Cash on hand	90,855	91,532	20,599	35,183
Cash at banks				
Current accounts	98,180	668,236	310,076	355,598
Saving accounts	198,201	180,824	46,172	59,120
	387,236	940,592	376,847	449,901

As at 31 December 2019, deposits held at call with banks carry interest at the rate of 0.13% - 1.00% per annum (2018: 0.13% - 1.50% per annum).



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9 Trade and other receivables

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Third parties				
- Trade accounts receivable	55,317,246	37,909,324	52,121,652	34,100,475
- Unbilled revenue	2,446,267	2,274,382	-	-
Total	57,763,513	40,183,706	52,121,652	34,100,475
<u>Less</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable, net	57,763,513	40,183,706	52,121,652	34,100,475
Amounts due from related parties (Note 29)	27,833	18,186	14,183,511	11,533,365
Prepaid expenses	2,465,516	2,840,164	2,002,250	2,193,614
Advances	117,995	117,569	104,308	106,168
Prepaid corporate income tax	2,947,568	1,603,041	1,652,334	638,901
Others	2,355,404	2,764,431	746,019	882,074
Total other receivable	7,914,316	7,343,391	18,688,422	15,354,122
<u>Less</u> Allowance for doubtful accounts	(1,495,696)	(1,495,696)	(115,827)	(115,827)
Other receivable, net	6,418,620	5,847,695	18,572,595	15,238,295
Trade and other receivables, net	64,182,133	46,031,401	70,694,247	49,338,770

Outstanding trade accounts receivable can be analysed as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Third parties				
Unbilled revenue	2,446,267	2,274,382	-	-
Trade accounts receivable				
Current	55,169,543	35,557,774	51,973,949	31,748,925
Overdue less than 3 months	147,703	2,351,550	147,703	2,351,550
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	57,763,513	40,183,706	52,121,652	34,100,475
<u>Less</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable, net	57,763,513	40,183,706	52,121,652	34,100,475



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## 10 Inventories

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Finished good	75,660,053	76,078,392	77,209,627	77,379,104
Spare parts	13,989,154	11,223,156	11,647,144	9,621,458
Supplies	1,981,940	2,257,584	1,405,155	1,655,263
<b>Total</b>	<b>91,631,147</b>	<b>89,559,132</b>	<b>90,261,926</b>	<b>88,655,825</b>
<b>Less</b> Allowance for decline values of inventories and obsolete	<b>(1,450,789)</b>	<b>(1,195,812)</b>	<b>(1,163,483)</b>	<b>(992,328)</b>
<b>Inventories</b>	<b>90,180,358</b>	<b>88,363,320</b>	<b>89,098,443</b>	<b>87,663,497</b>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to Baht 834,204,641 (2018: Baht 1,072,374,516).

## 11 Investments in subsidiaries

	Separate financial statements	
	2019 Baht	2018 Baht
Investment in subsidiaries - at cost	531,108,348	531,108,348
<b>Less</b> Allowance for impairment	<b>(230,000,000)</b>	<b>(230,000,000)</b>
<b>Closing net book amount</b>	<b>301,108,348</b>	<b>301,108,348</b>
<b>For the year ended 31 December</b>		
Opening net book amount	301,108,349	371,108,348
Impairment charge	-	(70,000,000)
<b>Closing net book amount</b>	<b>301,108,348</b>	<b>301,108,348</b>

The details of investments in subsidiaries are as follows:

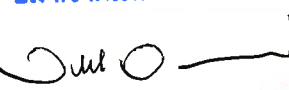
Subsidiaries	Nature of business	Country of incorporation	% Ownership interest	
			2019	2018
Vichitbhan Plantation Co., Ltd.	Oil palm plantation and distribution its production	Thailand	99.99	99.99
VG Energy Co., Ltd.	Generating and selling electric power	Thailand	99.99	99.99
Vichitbhan Logistics Co., Ltd.	Transportation business	Thailand	99.99	99.99

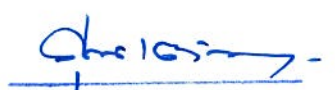
All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertaking included in the Group.

### Impairment of investment in subsidiaries

During 2018, Investment in subsidiaries impaired, totaling to Baht 70 million since a reduction in the operating performance of the business and continuous losses for many years. Recoverable amount bases on value in use by discounted cash flow projection with discount rate at 12.95% per annum recoverable amount is less than book value.



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Vichitthan Palmoil Public Company Limited  
Notes to the Consolidated and Separate Financial Statements  
For the year ended 31 December 2019

12 Property, plant and equipment

	Consolidated financial statements						
	Land Baht	Building and building improvement Baht	Machinery Baht	Factory equipment and tool Baht	Office equipment and fixtures Baht	Vehicle Baht	Equipment for sprinkle project Baht
<b>At 1 January 2018</b>							
Cost	96,588,127	572,833,771	2,028,626,729	55,670,166	63,401,063	135,152,692	33,520,149
Less Accumulated depreciation	-	(261,494,021)	(1,200,454,230)	(36,183,810)	(49,753,473)	(113,965,054)	(33,243,402)
Allowance for impairment	-	(18,934,212)	(63,113,642)	-	(384,700)	-	-
Net book value	96,588,127	292,405,538	765,058,857	19,486,356	13,262,890	21,187,638	276,747
<b>For the year ended 31 December 2018</b>							
Opening net book value	96,588,127	292,405,538	765,058,857	19,486,356	13,262,890	21,187,638	276,747
Additions	-	-	2,418,300	1,351,668	2,822,035	1,485,200	-
Transfer in (out)	-	5,752,399	8,987,731	1,709,800	301,679	-	-
Disposals, net	-	(2)	(1,916)	(396,045)	(4,988)	(9)	(84,431)
Write-off, net	-	-	(34,410)	(3)	-	-	-
Depreciation charge	-	(18,242,543)	(125,842,330)	(3,794,474)	(2,804,419)	(6,528,880)	(104,948)
Closing net book value	96,588,127	279,915,392	650,586,232	18,357,302	13,577,197	16,143,949	87,368
<b>At 31 December 2018</b>							
Cost	96,588,127	576,727,533	2,038,484,769	54,358,864	65,833,918	134,744,438	16,007,653
Less Accumulated depreciation	-	(279,112,772)	(1,324,784,895)	(36,001,562)	(51,872,021)	(118,600,489)	(15,920,285)
Allowance for impairment	-	(17,699,369)	(63,113,642)	-	(384,700)	-	-
Net book value	96,588,127	279,915,392	650,586,232	18,357,302	13,577,197	16,143,949	87,368




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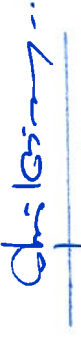
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Vichitban Palmoil Public Company Limited  
Notes to the Consolidated and Separate Financial Statements  
For the year ended 31 December 2019

	Consolidated financial statements							
	Building and building improvement Baht	Machinery Baht	Factory equipment and tool Baht	Office equipment and fixtures Baht	Vehicle Baht	Equipment for sprinkle project Baht	Construction in progress Baht	Total Baht
At 1 January 2019								
Cost	96,588,127	576,727,533	2,038,484,769	54,358,864	65,833,918	134,744,438	16,007,653	2,998,977,867
Less Accumulated depreciation	-	(279,112,772)	(1,324,784,895)	(36,001,562)	(51,872,021)	(118,600,489)	-	(1,826,292,024)
Allowance for impairment	-	(17,699,369)	(63,113,642)	-	(384,700)	-	-	(81,197,711)
Net book value	96,588,127	279,915,392	650,586,232	18,357,302	13,577,197	16,143,949	87,368	1,091,488,132
For the year ended 31 December 2019								
Opening net book value	96,588,127	279,915,392	650,586,232	18,357,302	13,577,197	16,143,949	87,368	1,091,488,132
Additions	-	-	1,004,687	1,349,210	1,378,978	2,125,219	-	5,483,407
Transfer in (out)	-	2,866,039	14,300,974	179,142	85,386	-	-	(17,431,541)
Disposals, net	-	(3)	-	(2)	-	(22)	-	(27)
Write-off, net	-	-	-	(2)	(4,741)	-	-	4,743
Depreciation charge	-	(18,484,358)	(124,167,182)	(3,786,510)	(1,978,072)	(4,812,083)	(32,030)	(153,260,235)
Closing net book value	96,588,127	264,297,070	541,724,711	16,099,140	13,058,748	13,457,063	55,338	949,564,628
At 31 December 2019								
Cost	96,588,127	579,380,190	2,053,790,430	55,757,805	66,208,128	123,213,596	16,007,653	2,995,230,360
Less Accumulated depreciation	-	(297,383,751)	(1,448,952,077)	(39,658,665)	(52,764,680)	(109,756,533)	(15,952,315)	(1,964,468,021)
Allowance for impairment	-	(17,699,369)	(63,113,642)	-	(384,700)	-	-	(81,197,711)
Net book value	96,588,127	264,297,070	541,724,711	16,099,140	13,058,748	13,457,063	55,338	949,564,628



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Vichitthan Palmoil Public Company Limited  
Notes to the Consolidated and Separate Financial Statements  
For the year ended 31 December 2019

	Separate financial statements						
	Land Baht	Building and building improvement Baht	Machinery Baht	Factory equipment and tool Baht	Office equipment and fixtures Baht	Vehicle Baht	Equipment for sprinkle project Baht
<b>At 1 January 2018</b>							
Cost	154,104,029	357,202,072	1,093,955,938	45,191,234	25,514,569	33,894,116	14,354,638
Less Accumulated depreciation	-	(105,503,457)	(677,143,964)	(23,854,615)	(17,752,186)	(26,890,843)	(14,219,470)
Allowance for impairment	-	(10,495,432)	(313,642)	-	(369,200)	-	-
Net book value	154,104,029	241,203,183	416,498,332	21,336,619	7,393,183	7,003,273	135,168
<b>For the year ended 31 December 2018</b>							
Opening net book value	154,104,029	241,203,183	416,498,332	21,336,619	7,393,183	7,003,273	135,168
Additions	-	-	1,123,500	1,046,144	2,750,045	1,100,000	-
Transfer in (out)	-	5,752,399	5,750,107	1,709,800	301,679	-	-
Disposals, net	-	(2)	(1,905)	(13,045)	(3,893)	-	(31,506)
Depreciation charge	-	(14,250,772)	(81,762,215)	(3,573,018)	(2,710,274)	(3,427,703)	(39,877)
Closing net book value	154,104,029	232,704,808	341,607,819	20,506,500	7,730,740	4,675,570	63,785
<b>At 31 December 2018</b>							
Cost	154,104,029	362,917,716	1,100,543,873	47,063,179	28,461,048	34,994,116	13,983,434
Less Accumulated depreciation	-	(119,717,476)	(758,622,412)	(26,556,679)	(20,361,108)	(30,318,546)	(13,919,649)
Allowance for impairment	-	(10,495,432)	(313,642)	-	(369,200)	-	-
Net book value	154,104,029	232,704,808	341,607,819	20,506,500	7,730,740	4,675,570	63,785
							15,690,688
							777,083,939
							1,757,758,083
							(969,495,870)
							(11,178,274)



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Vichitbhan Palmoil Public Company Limited  
Notes to the Consolidated and Separate Financial Statements  
For the year ended 31 December 2019

	Separate financial statements								
	Land Baht	Building and building improvement Baht	Machinery Baht	Factory equipment and tool Baht	Office equipment and fixtures Baht	Vehicle Baht	Equipment for sprinkle project Baht	Construction in progress Baht	Total Baht
At 1 January 2019									
Cost	154,104,029	362,917,716	1,100,543,873	47,063,179	28,461,048	34,994,116	13,983,434	15,690,688	1,757,758,083
Less Accumulated depreciation	-	(119,717,476)	(758,622,412)	(26,556,679)	(20,361,108)	(30,318,546)	(13,919,649)	-	(969,495,870)
Allowance for impairment	-	(10,495,432)	(313,642)	-	(369,200)	-	-	-	(11,178,274)
Net book value	154,104,029	232,704,808	341,607,819	20,506,500	7,730,740	4,675,570	63,785	15,690,688	777,083,939
For the year ended 31 December 2019									
Opening net book value	154,104,029	232,704,808	341,607,819	20,506,500	7,730,740	4,675,570	63,785	15,690,688	777,083,939
Additions	-	-	492,200	1,289,686	1,287,116	523,000	-	5,208,407	8,800,409
Transfer in (out)	-	2,866,039	13,743,007	179,142	85,386	-	-	(16,873,574)	-
Disposals, net	-	(3)	(1)	-	-	-	-	-	(4)
Write-off, net	-	-	-	-	(4,740)	-	-	-	(4,740)
Depreciation charge	-	(14,492,586)	(79,258,798)	(3,590,870)	(2,529,862)	(1,994,987)	(27,616)	-	(101,894,719)
Closing net book value	154,104,029	221,078,258	279,584,227	18,384,458	6,568,640	3,203,583	36,169	4,025,521	683,984,885
At 31 December 2019									
Cost	154,104,029	365,601,677	1,112,089,080	48,532,007	28,779,776	35,517,116	13,983,434	4,025,521	1,762,632,640
Less Accumulated depreciation	-	(134,027,987)	(835,191,211)	(30,147,549)	(21,841,936)	(32,313,533)	(13,947,265)	-	(1,067,469,481)
Allowance for impairment	-	(10,495,432)	(313,642)	-	(369,200)	-	-	-	(11,178,274)
Net book value	154,104,029	221,078,258	279,584,227	18,384,458	6,568,640	3,203,583	36,169	4,025,521	683,984,885



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Capital expenditure contracted for at the statement of financial position date, but not recognised in the financial statements is presented as follows:

	Currency	Consolidated financial statements		Separate financial statements	
		2019 Baht	2018 Baht	2019 Baht	2018 Baht
Property, plant and equipment	THB	1,809,673	3,343,368	1,809,673	3,343,368

Depreciation expense of Baht 153,260,235 and Baht 101,894,719 (2018: Baht 157,317,594 and Baht 105,763,859) has been charged in 'cost of goods sold', Baht 138,350,474 and Baht 89,982,395 (2018: Baht 140,600,496 and Baht 92,750,436) in 'selling expense' and Baht 14,909,761 and Baht 11,912,324 (2018: Baht 16,717,098 and Baht 13,013,423) in 'administrative expense' in consolidated and company statements of comprehensive income, respectively.

Management assesses recoverable amount calculated from value in use and considered that there was no additional impairment in 2019.

Leased assets included above, where the Group and the Company is a lease under a finance lease, comprise vehicles:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Cost - capitalised finance leases	1,623,000	8,875,000	1,623,000	5,945,000
<u>Less</u> Accumulated depreciation	(410,321)	(5,655,133)	(410,321)	(4,396,437)
Net book amount	1,212,679	3,219,867	1,212,679	1,548,563

As at 31 December 2019, the Company and subsidiaries have mortgaged the land together with construction and part of machines at the book value of Baht 631,578,475 (2018: Baht 723,256,161). In the Company financial statements, the Company has mortgaged its land together with construction and part of machines at the book value of Baht 377,687,894 (2018: Baht 412,275,743) as collaterals for bank overdraft, short-term and long-term borrowings (Notes 18).

### 13 Investment property

	Consolidated financial statements	
	2019 Baht	2018 Baht
As at 31 December		
Cost - Land	1,150,000	1,150,000
Net book amount	1,150,000	1,150,000
Fair value	2,503,380	2,503,380

The fair value of investment properties are based on the valuation of Department of Land. The fair values are within level 2 of the fair value hierarchy.



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นาง. วิจิตรภรณ์ ปาล์มมออยล์

*(Signature)*

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14 Deferred palm plantation cost

Consolidated financial statements			
	Palm Plantation Baht	Palm Seedlings cost Baht	Total Baht
<b>At 31 December 2018</b>			
Cost	200,344,298	23,401	200,367,699
<u>Less</u> Accumulated amortisation	(200,185,464)	-	(200,185,464)
<u>Less</u> Allowance for impairment	(158,834)	(23,401)	(182,235)
Net book value	-	-	-
<b>At 31 December 2019</b>			
Cost	200,344,298	23,401	200,367,699
<u>Less</u> Accumulated amortisation	(200,185,464)	-	(200,185,464)
<u>Less</u> Allowance for impairment	(158,834)	(23,401)	(182,235)
Net book value	-	-	-
Separate financial statements			
	Palm Plantation Baht	Palm Seedlings cost Baht	Total Baht
<b>At 31 December 2018</b>			
Cost	47,973,024	-	47,973,024
<u>Less</u> Accumulated amortisation	(47,909,659)	-	(47,909,659)
<u>Less</u> Allowance for impairment	(63,365)	-	(63,365)
Net book value	-	-	-
<b>At 31 December 2019</b>			
Cost	47,973,024	-	47,973,024
<u>Less</u> Accumulated amortisation	(47,909,659)	-	(47,909,659)
<u>Less</u> Allowance for impairment	(63,365)	-	(63,365)
Net book value	-	-	-

The deferred palm plantation cost was on the land where permit has been granted for beneficial utilisation or residing in the sanctuary of the Nation Rub-Ror Reserve Forest and Sa-Lui Forest by the director-general of Royal Forest Department (Note 30).



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Vichitbhan Palmoil Public Company Limited  
Notes to the Consolidated and Separate Financial Statements  
For the year ended 31 December 2019

15 Intangible assets

	Consolidated financial statements				Separate financial statements			
	Computer program in progress	Computer program in progress	Environmental impact study and project development cost	Cost of electricity Production license in progress	Cost of research and development in progress	Total	Computer program in progress	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>At 1 January 2018</b>								
Cost	12,401,705	-	2,805,500	-	8,042,000	23,249,205	9,949,627	9,949,627
Less Accumulated amortisation	(10,162,176)	-	(2,805,499)	-	-	(12,967,675)	(7,935,927)	(7,935,927)
Allowance for impairment	-	-	-	-	(8,042,000)	(8,042,000)	-	-
Closing net book value	2,239,529	-	1	-	-	2,239,530	2,013,700	2,013,700
<b>For the year ended 31 December 2018</b>								
Opening net book value	2,239,529	-	1	-	-	2,239,530	2,013,700	2,013,700
Additions	96,140	-	-	-	-	96,140	85,440	85,440
Amortisation	(833,791)	-	-	-	-	(833,791)	(815,112)	(815,112)
Closing net book value	1,501,878	-	1	-	-	1,501,879	1,284,028	1,284,028
<b>At 31 December 2018</b>								
Cost	10,241,399	-	2,805,500	-	8,042,000	21,088,899	10,035,068	10,035,068
Less Accumulated amortisation	(8,739,521)	-	(2,805,499)	-	-	(11,545,020)	(8,751,040)	(8,751,040)
Allowance for impairment	-	-	-	-	(8,042,000)	(8,042,000)	-	-
Closing net book value	1,501,878	-	1	-	-	1,501,879	1,284,028	1,284,028



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Vichitban Palmoil Public Company Limited  
Notes to the Consolidated and Separate Financial Statements  
For the year ended 31 December 2019

	Consolidated financial statements				Separate financial statements			
	Environmental							
	Computer program Baht	Computer program in progress Baht	Impact study and project development cost Baht	Cost of electricity Production license and development in progress Baht	Cost of research and development in progress Baht	Total Baht	Computer program in progress Baht	Total Baht
<b>For the year ended 31 December 2019</b>								
Opening net book value	1,501,878	-	1	-	-	1,501,879	1,284,028	1,284,028
Additions	9,600	93,500	-	463,300	-	566,400	-	93,500
Transfer in (out)	93,500	(93,500)	-	-	-	-	93,500	93,500
Amortisation	(701,304)	-	-	-	-	(701,304)	(689,537)	(689,537)
Closing net book value	903,674	-	1	463,300	-	1,366,975	687,991	687,991
<b>At 31 December 2019</b>								
Cost	10,344,499	-	2,805,500	463,300	8,042,000	21,655,299	10,128,568	10,128,568
Less Accumulated amortisation	(9,440,825)	-	(2,805,499)	-	-	(12,246,324)	(9,440,577)	(9,440,577)
Allowance for impairment	-	-	-	-	(8,042,000)	(8,042,000)	-	-
Closing net book value	903,674	-	1	463,300	-	1,366,975	687,991	687,991



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Amortisation recognised in profit and loss that are related to intangible assets are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Administrative expense	701,304	833,791	689,537	815,112

#### 16 Deferred income tax assets and liabilities

The analysis of deferred tax assets and deferred tax liabilities are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Deferred tax assets:</b>				
Deferred tax asset to be recovered within 12 months	303,726	-	-	-
Deferred tax asset to be recovered after more than 12 months	2,929,351	2,718,596	1,133,753	773,599
<b>Total</b>	<b>3,233,077</b>	<b>2,718,596</b>	<b>1,133,753</b>	<b>773,599</b>
<b>Deferred tax liabilities:</b>				
Deferred tax liability to be recovered within 12 months	-	-	-	-
Deferred tax liability to be recovered after more than 12 months	(759,482)	(651,003)	-	-
<b>Total</b>	<b>(759,482)</b>	<b>(651,003)</b>	<b>-</b>	<b>-</b>
<b>Deferred tax, net</b>	<b>2,473,595</b>	<b>2,067,593</b>	<b>1,133,753</b>	<b>773,599</b>

The gross movement in the deferred income tax account is as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
At 1 January	2,067,593	2,926,949	773,599	965,991
(Charged) credited to profit or loss (Note 25)	406,002	(859,356)	360,154	(192,392)
Charged to other comprehensive income	-	-	-	-
<b>At 31 December</b>	<b>2,473,595</b>	<b>2,067,593</b>	<b>1,133,753</b>	<b>773,599</b>



บมจ.วิจิตรภัณฑ์ปาล์มออยล์



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รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นางศุภลักษณ์ เดียเสวนากุล)  
รองกรรมการผู้จัดการบริษัท

**Vichitbhan Palmoil Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 31 December 2019**

The movement in deferred tax assets and liabilities during the year is as follows:

Consolidated financial statements				
	At 1 January 2019 Baht	(Charged) credited to profit or loss Baht	Charged to other comprehensive income Baht	At 31 December 2019 Baht
<b>Deferred tax assets</b>				
Allowance for decline values of inventory	199,553	33,719	-	233,272
Employee benefit	1,207,481	480,762	-	1,688,243
Impairment loss of assets	1,311,562	-	-	1,311,562
<b>Total</b>	<b>2,718,596</b>	<b>514,481</b>	<b>-</b>	<b>3,233,077</b>
Consolidated financial statements				
	At 1 January 2018 Baht	(Charged) credited to profit or loss Baht	Charged to other comprehensive income Baht	At 31 December 2018 Baht
<b>Deferred tax assets</b>				
Allowance for decline values of inventory	191,915	7,638	-	199,553
Employee benefit	1,364,571	(157,090)	-	1,207,481
Impairment loss of assets	1,558,530	(246,968)	-	1,311,562
Tax losses	354,457	(354,457)	-	-
<b>Total</b>	<b>3,469,473</b>	<b>(750,877)</b>	<b>-</b>	<b>2,718,596</b>
Consolidated financial statements				
	At 1 January 2019 Baht	(Charged) credited to profit or loss Baht	Charged to other comprehensive income Baht	At 31 December 2019 Baht
<b>Deferred tax liabilities</b>				
Depreciation	(651,003)	(108,479)	-	(759,482)
<b>Total</b>	<b>(651,003)</b>	<b>(108,479)</b>	<b>-</b>	<b>(759,482)</b>
Consolidated financial statements				
	At 1 January 2018 Baht	(Charged) credited to profit or loss Baht	Charged to other comprehensive income Baht	At 31 December 2018 Baht
<b>Deferred tax liabilities</b>				
Depreciation	(542,524)	(108,479)	-	(651,003)
<b>Total</b>	<b>(542,524)</b>	<b>(108,479)</b>	<b>-</b>	<b>(651,003)</b>



บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นายวิทยา ชวนะนันท์)  
 รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นางศุภลักษณ์ เดียเสวนากุล)  
 รองกรรมการผู้จัดการบริษัท



	Separate financial statements			
	At 1 January 2019 Baht	(Charged) credited to profit or loss Baht	Charged to other comprehensive income Baht	At 31 December 2019 Baht
<b>Deferred tax assets</b>				
Allowance for decline values of inventory	198,466	34,231	-	232,697
Employee benefit	575,133	325,923	-	901,056
<b>Total</b>	<b>773,599</b>	<b>360,154</b>	<b>-</b>	<b>1,133,753</b>

	Separate financial statements			
	At 1 January 2018 Baht	(Charged) credited to profit or loss Baht	Charged to other comprehensive income Baht	At 31 December 2018 Baht
<b>Deferred tax assets</b>				
Allowance for decline values of inventory	191,339	7,127	-	198,466
Employee benefit	774,652	(199,519)	-	575,133
<b>Total</b>	<b>965,991</b>	<b>(192,392)</b>	<b>-</b>	<b>773,599</b>

The financial position of deferred tax assets and liabilities is as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Deferred tax assets	3,233,077	2,718,596	1,133,753	773,599
Deferred tax liabilities	(759,482)	(651,003)	-	-
<b>Deferred tax, net</b>	<b>2,473,595</b>	<b>2,067,593</b>	<b>1,133,753</b>	<b>773,599</b>

Deferred income tax assets are recognised for tax loss and carry forwards only to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of Baht 165,462,724 (2018: Baht 157,340,337) in respect of tax losses Baht 827,313,619 (2018: Baht 786,701,686) to carry forward against future taxable income.


A summary of the tax losses carried forward and the expiry dates are set out below:

Expiry year	Consolidated financial statements Baht	Separate financial statements Baht
2020	61,366,028	60,491,388
2021	107,667,667	106,434,821
2022	101,021,153	99,994,003
2023	488,546,014	177,889,120
2024	59,061,397	21,135,222
2025	9,651,360	9,651,360


The Group have been granted investment promotion certificates. The privileges received include 8 years carry forward of tax loss.



บมจ.วิจิตรภัณฑ์ปาล์มออยล์

  
(นายวิทยา ขวณะนันท์)  
รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มออยล์

  
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รองกรรมการผู้จัดการบริษัท

## 17 Trade and other payables

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Trade account payables - third parties	3,649,884	3,397,335	3,649,884	3,397,335
Trade account payables - related parties (Note 29)	-	-	41,245,438	29,291,430
Amounts due to related parties (Note 29)	1,044,500	993,840	1,071,743	1,613,916
Payable for purchase of supplies	8,251,415	10,138,754	5,559,253	8,283,423
Payable for purchase of assets	469,186	250,579	-	232,924
Accrued expenses	5,111,436	5,903,856	3,068,670	3,907,922
Withholding tax payable	442,014	524,173	290,211	412,111
Other	518,661	573,378	240,727	188,711
<b>Trade and other payables</b>	<b>19,487,096</b>	<b>21,781,915</b>	<b>55,125,926</b>	<b>47,327,772</b>

## 18 Borrowings

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Current portion</b>				
Bank overdraft	3,113,509	1,866,169	1,272,303	1,321,345
Short-term loans from financial institutions	359,000,000	346,500,000	359,000,000	346,500,000
<b>Total bank overdraft and short-term loans from financial institutions</b>	<b>362,113,509</b>	<b>348,366,169</b>	<b>360,272,303</b>	<b>347,821,345</b>
<b>Current portion of long-term borrowings</b>				
- Finance lease liabilities	252,943	1,393,426	252,943	904,358
- Bank borrowings	90,552,000	88,152,000	64,152,000	64,152,000
<b>Total current portion of long-term borrowings</b>	<b>90,804,943</b>	<b>89,545,426</b>	<b>64,404,943</b>	<b>65,056,358</b>
<b>Non-current portion of long-term borrowings</b>				
- Finance lease liabilities	749,336	654,824	749,336	654,824
- Bank borrowings	56,558,619	147,110,619	2,239,106	66,391,106
<b>Total non-current portion of long-term borrowings</b>	<b>57,307,955</b>	<b>147,765,443</b>	<b>2,988,442</b>	<b>67,045,930</b>
<b>Total borrowings</b>	<b>510,226,407</b>	<b>585,677,038</b>	<b>427,665,688</b>	<b>479,923,633</b>

The borrowings include secured liabilities (lease and bank borrowings) in a total amount of Baht 147,110,619 (2018: Baht 235,262,619). The bank borrowings are secured over a part of the land and buildings of the Group/Company (Note 12). Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.



บมจ.วิจิตรภณปาล์มมออยล์



(นายวิทยา ชวนะนันท์)  
รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภณปาล์มมออยล์



(นางกุลฉัตร เกียเสวนากุล)  
รองกรรมการผู้จัดการบริษัท

**Vichitbhan Palmoil Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 31 December 2019**

The interest rates exposure on the borrowings of the Group and the Company (excluded finance leases liabilities) are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Borrowings:				
- Fixed rates	359,000,000	346,500,000	359,000,000	346,500,000
- Floating rates	150,224,128	237,128,788	67,663,409	131,864,451
	509,224,128	583,628,788	426,663,409	478,364,451

The effective interest rates at the statement of financial position date are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 %	2018 %	2019 %	2018 %
- Bank overdrafts	6.18 - 6.87	6.68 - 7.12	6.18 - 6.87	6.68 - 7.12
- Bank borrowings	3.25 - 4.00	3.14 - 4.25	3.25 - 4.00	3.14 - 4.25

Short-term loans carried an interest at the fixed interest rate and assumed to approximate their fair value, as the impact of discounting is not significant.

Long-term borrowings (excluded finance leases liabilities) equal their carrying amount because interest rate of long-term borrowings is floating rates and assumed to approximate market interest rate.

The movements in bank borrowings (exclude finance lease liabilities) can be analysed as follows:


	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Opening balance	235,262,619	323,414,619	130,543,106	194,695,106
Repayments	(88,152,000)	(88,152,000)	(64,152,000)	(64,152,000)
Closing balance	147,110,619	235,262,619	66,391,106	130,543,106

Maturity of bank borrowings (exclude finance lease liabilities) is as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Within 1 year	90,552,000	88,152,000	64,152,000	64,152,000
Between 1 year and 2 years	56,558,619	119,491,106	2,239,106	66,391,106
Between 2 years and 5 years	-	27,619,513	-	-
	147,110,619	235,262,619	66,391,106	130,543,106



บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นายวิทยา ชวนะนันท์)  
 รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มออยล์



(นางกุลักษณ์ เตียเสวนากุล)  
 รองกรรมการผู้จัดการบริษัท

### Borrowing facilities

The Group and the Company have the following undrawn committed borrowing facilities.

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Floating rate				
- expiring within one year	1,363,087,777	1,395,605,040	1,351,288,520	1,378,049,860
- expiring beyond one year	103,000,000	103,000,000	-	-
	1,466,087,777	1,498,605,040	1,351,288,520	1,378,049,860

The Group mortgages lands together with construction, machinery and equipment as collaterals against the above loans as well as the transfer of beneficiary on the insurance to the lenders. These are also guaranteed by the directors of the Company and subsidiaries.

Under the loan agreement, the Group has to comply with loan covenants such as maintaining the debt to equity ratio and debt service coverage ratio.

Finance lease liabilities-minimum lease payments are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Not later than 1 year	293,976	1,457,064	293,976	956,034
Later than 1 year but not later than 5 years	806,166	710,046	806,166	710,046
	1,100,142	2,167,110	1,100,142	1,666,080
<u>Less</u> Future finance charges on finance leases	(97,863)	(118,860)	(97,863)	(106,898)
Present value of finance lease liabilities	1,002,279	2,048,250	1,002,279	1,559,182

The present value of finance lease liabilities is as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Not later than 1 year	252,943	1,393,426	252,943	904,358
Later than 1 year but not later than 5 years	749,336	654,824	749,336	654,824
	1,002,279	2,048,250	1,002,279	1,559,182



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บมจ.วิจิตรภัณฑ์ปาล์มออยล์

(นางจุลลิกษณ์ เคียะเสวนากุล)  
รองกรรมการผู้จัดการบริษัท



19 Employee benefit obligations

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Statement of financial position:				
Retirement benefits	9,777,277	7,431,984	5,777,556	4,226,916
Liability in the statement of financial position	9,777,277	7,431,984	5,777,556	4,226,916
Profit or loss charge included in operating profit for:				
Retirement benefits	2,900,302	585,035	1,652,340	368,600
	2,900,302	585,035	1,652,340	368,600
Remeasurement for:				
Retirement benefits	-	-	-	-
	-	-	-	-

19.1 Retirement benefits

The plans are final salary retirement plans. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The amounts recognised in the statement of financial position are determined as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Present value of unfunded obligation	9,777,277	7,431,984	5,777,556	4,226,916
Liability in the statement of financial position	9,777,277	7,431,984	5,777,556	4,226,916

The movement in the defined benefit obligation over the year is as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
At 1 January	7,431,984	7,041,409	4,226,916	4,052,776
Current service cost	511,004	414,430	314,967	257,873
Past service cost	2,156,954	-	1,188,033	-
Interest cost	232,344	170,605	149,340	110,727
	10,332,286	7,626,444	5,879,256	4,421,376
Remeasurements:				
(Gain)/loss from change in financial assumptions	-	-	-	-
Experience (gain)/loss	-	-	-	-
	-	-	-	-
Payment from plans:				
Benefit paid	(555,009)	(194,460)	(101,700)	(194,460)
At 31 December	9,777,277	7,431,984	5,777,556	4,226,916

On 5 April 2019, an amendment bill to the Labour Protection Law was published in the Government Gazette. The amended law will become effective 30 days after its publication. The main amendment is that the compensation for employees who have retired and have more than or equal to 20 years of service has changed from 300 day's pay to 400 day's pay. The effects of the amendment were recognised as past service cost during the year.



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 กรรมการผู้จัดการบริษัท

The principal actuarial assumptions used are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 %	2018 %	2019 %	2018 %
Discount rate				
For monthly employees	1.82 - 3.09	1.82 - 3.09	2.52	2.52
For daily employees	2.22 - 3.47	2.22 - 3.47	2.68	2.68
Future salary increases				
For monthly employees	2.61	2.61	2.61	2.61
For daily employees	1.73	1.73	1.73	1.73
Turnover rate				
For monthly employees	0 - 100	0 - 100	0 - 100	0 - 100
For daily employees	0 - 43	0 - 43	0 - 43	0 - 43

Consolidated financial statements						
Impact on defined benefit obligation						
Change in assumption	Increase in assumption		Decrease in assumption			
	2019	2018	2019	2018	2019	2018
Discount rate	0.5%	0.5%	Decrease by 2.41%	Decrease by 2.74%	Increase by 2.53%	Increase by 2.84%
Salary growth rate	0.5%	0.5%	Increase by 3.46%	Increase by 3.27%	Decrease by 3.31%	Decrease by 3.16%
Turnover rate	0.5%	0.5%	Decrease by 3.86%	Decrease by 3.68%	Increase by 4.06%	Increase by 3.83%

Separate financial statements						
Impact on defined benefit obligation						
Change in assumption	Increase in assumption		Decrease in assumption			
	2019	2018	2019	2018	2019	2018
Discount rate	0.5%	0.5%	Decrease by 2.84%	Decrease by 3.22%	Increase by 3.00%	Increase by 3.40%
Salary growth rate	0.5%	0.5%	Increase by 3.93%	Increase by 3.83%	Decrease by 3.74%	Decrease by 3.65%
Turnover rate	0.5%	0.5%	Decrease by 4.36%	Decrease by 4.25%	Increase by 4.61%	Increase by 4.49%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The weighted average duration of the defined benefit obligation is 8 years for monthly employees.

The weighted average duration of the defined benefit obligation is 10 years for daily employees.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.


Through its defined benefit retirement benefit plans other long-term employee benefit, the company is exposed to a number of risks, the most significant of which are detailed below:

#### Changes in bond yields

A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings



บมจ.วิจิตรภัณฑ์ปาล์มออกซ์



(นายวิทยา ชวนะนันท์)  
รองกรรมการผู้จัดการบริษัท

บมจ.วิจิตรภัณฑ์ปาล์มออกซ์



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Expected maturity analysis of undiscounted retirement benefits:

	Consolidated financial statements				Total Baht
	Less than a year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	
<b>At 31 December 2019</b>					
Retirement benefits	3,187,775	481,839	4,762,431	4,702,833	13,134,878
<b>Total</b>	<b>3,187,775</b>	<b>481,839</b>	<b>4,762,431</b>	<b>4,702,833</b>	<b>13,134,878</b>
	Consolidated financial statements				Total Baht
	Less than a year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	
<b>At 31 December 2018</b>					
Retirement benefits	418,955	2,428,343	2,836,553	4,944,116	10,627,967
<b>Total</b>	<b>418,955</b>	<b>2,428,343</b>	<b>2,836,553</b>	<b>4,944,116</b>	<b>10,627,967</b>
	Separate financial statements				Total Baht
	Less than a year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	
<b>At 31 December 2019</b>					
Retirement benefits	1,669,145	155,979	2,485,421	4,000,203	8,310,748
<b>Total</b>	<b>1,669,145</b>	<b>155,979</b>	<b>2,485,421</b>	<b>4,000,203</b>	<b>8,310,748</b>
	Separate financial statements				Total Baht
	Less than a year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	
<b>At 31 December 2018</b>					
Retirement benefits	78,974	1,272,275	1,341,402	3,870,555	6,563,206
<b>Total</b>	<b>78,974</b>	<b>1,272,275</b>	<b>1,341,402</b>	<b>3,870,555</b>	<b>6,563,206</b>

## 20 Share capital

	Authorised		Issued and fully paid-up		
	Number of shares	Ordinary shares Baht	Number of shares	Ordinary shares Baht	Share premium Baht
<b>At 1 January 2018</b>	940,000,000	940,000,000	940,000,000	940,000,000	227,888,500
Deduction of shares	-	-	-	-	-
<b>At 31 December 2018</b>	940,000,000	940,000,000	940,000,000	940,000,000	227,888,500
Issuance of shares	-	-	-	-	-
<b>At 31 December 2019</b>	940,000,000	940,000,000	940,000,000	940,000,000	227,888,500

The total number of authorised ordinary shares is 940,000,000 shares (2018: 940,000,000 shares) with a par value of Baht 1 per share (2018: Baht 1 per share). All issued shares are fully paid.



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**Vichitbhan Palmoil Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 31 December 2019**

**21 Legal reserve**

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
At 1 January	25,300,000	25,300,000	25,300,000	25,300,000
Appropriation during the year	-	-	-	-
At 31 December	25,300,000	25,300,000	25,300,000	25,300,000

Under the Public Limited Company Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital of the Company. The reserve is non-distributable.

**22 Other income**

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Interest income	90,029	57,054	4,355,545	3,713,953
Gain from exchange rate	2,956,748	5,060,816	2,962,587	5,060,070
Insurance claim	1,921,286	437,586	773,277	224,463
Gain on disposal of equipment	2,289,973	60,318	923,996	78,162
Others	648,104	1,617,356	648,081	1,573,062
	7,906,140	7,233,130	9,663,486	10,649,710

**23 Expenses by nature**

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Depreciation of property and equipment (Note 12)	153,260,235	157,317,594	101,894,719	105,763,859
Amortisation of intangible assets (Note 15)	701,304	833,791	689,537	815,112
Transportation expense	17,509,115	25,860,599	43,639,278	46,562,939
Impairment of investment (Note 11)	-	-	-	70,000,000
Repairs and maintenance expenditure	37,227,201	42,236,142	29,807,549	36,492,828
Salary and wages and other employee benefits	116,017,567	105,443,704	94,608,778	84,668,120
Obsolete	257,536	46,671	171,155	85,773
Raw material and supplies used	770,824,778	797,953,518	749,874,317	779,771,241
Changes in finished goods increase (decrease)	(181,971)	(155,599,508)	(169,477)	(159,185,411)
Outsource wages	28,079,664	23,584,041	-	-

**24 Finance costs**

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Interest expense:				
Bank borrowings	21,640,042	21,403,852	17,639,257	16,363,229
Finance lease	68,956	169,635	56,994	100,792
	21,708,998	21,573,487	17,696,251	16,464,021



Interest expense:  
Bank borrowings  
Finance lease

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25 Income tax

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Current tax:				
Current tax on profits for the year	3,917,430	4,174,952	-	-
<b>Total current tax</b>	<b>3,917,430</b>	<b>4,174,952</b>	<b>-</b>	<b>-</b>
Deferred tax (Note 16)	(406,002)	859,356	(360,154)	192,392
<b>Total deferred tax</b>	<b>(406,002)</b>	<b>859,356</b>	<b>(360,154)</b>	<b>192,392</b>
<b>Total tax expense</b>	<b>3,511,428</b>	<b>5,034,308</b>	<b>(360,154)</b>	<b>192,392</b>

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the Company as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Loss before tax	(43,942,425)	(87,668,736)	(23,415,555)	(134,795,919)
Tax calculated at a tax rate of 20% (2018: 20%)	(8,788,485)	(17,533,747)	(4,683,111)	(26,959,184)
Tax effect of:				
Expenses not deductible for tax purpose	544,184	782,747	309,286	14,529,092
Expense that are deductible at a greater amount from actual expenses	(354,231)	(502,540)	-	(91,707)
Tax losses for which no deferred income tax asset was recognised	11,614,700	22,346,072	4,029,466	12,440,953
Deferred tax expense relating to the origination and reversal of temporary differences	(15,880)	519,784	(15,795)	273,238
Unrealised gains (losses) from intercompany transaction	511,140	(578,008)	-	-
<b>Tax charge</b>	<b>3,511,428</b>	<b>5,034,308</b>	<b>(360,154)</b>	<b>192,392</b>

The weighted average applicable tax rate was 7.99% and 1.54% (2018: 5.74% and 0.14%) for consolidated and company financial statements, respectively. The increase in tax rate results from the expiry of BOI certificate since 22 April 2019.

26 Loss per share

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

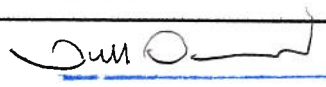
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Loss attributable to ordinary shareholders of the Company (Baht)	(47,453,853)	(92,703,044)	(23,055,401)	(134,988,311)
Weighted average number of ordinary shares outstanding (Shares)	940,000,000	940,000,000	940,000,000	940,000,000
<b>Basic loss per share (Baht per share)</b>	<b>(0.05)</b>	<b>(0.10)</b>	<b>(0.02)</b>	<b>(0.14)</b>

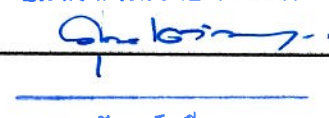
There is no potential dilutive ordinary share in issue during the year.



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## 27 Cash flow information

### Change in liabilities arising from financing activities:

	Liabilities from financing activities					
	Consolidated financial statements			Separate financial statements		
	Finance lease Baht	Short term borrowing Baht	Long term borrowing Baht	Finance lease Baht	Short term borrowing Baht	Long term borrowing Baht
Liabilities at 1 January 2018	5,083,987	375,000,000	323,414,619	2,443,438	375,000,000	194,695,106
Cash flows	(4,140,372)	(28,500,000)	(88,152,000)	(1,920,048)	(28,500,000)	(64,152,000)
Acquisition - finance leases	935,000	-	-	935,000	-	-
Amortisation of prepaid interest expense	169,635	-	-	100,792	-	-
Liabilities at 31 December 2018	2,048,250	346,500,000	235,262,619	1,559,182	346,500,000	130,543,106
Cash flows	(1,489,927)	12,500,000	(88,152,000)	(988,897)	12,500,000	(64,152,000)
Acquisitions - finance leases	375,000	-	-	375,000	-	-
Amortisation of prepaid interest expense	68,956	-	-	56,994	-	-
Liabilities at 31 December 2019	1,002,279	359,000,000	147,110,619	1,002,279	359,000,000	66,391,106

## 28 Derivative instruments

### Interest rate swap

Type	Objective	2019			
		National Baht	Fair value		Net Baht
			Assets Baht	Liabilities Baht	
Interest rate swap	Manage interest rate risk	64,080,000	-	(422,534)	(422,534)

Type	Objective	2018			
		National Baht	Fair value		Net Baht
			Assets Baht	Liabilities Baht	
Interest rate swap	Manage interest rate risk	128,400,000	-	(1,205,357)	(1,205,357)

Fair value is within in level 2 of the fair value hierarchy.

Fair value of interest rate swap agreement is measured by valuation method which is discounted cash flow using market parameters.

## 29 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

The Group is controlled by Family Chavanand which owns 76.28% of the Company's shares.

In considering each possible related-party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The significant investments in subsidiaries, are set out in Note 11.



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**Vichitbhan Palmoil Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 31 December 2019**

Other related companies are companies belonging to directors and directors' family of the Company and is therefore related parties.

Relationships with related parties that control the Company or are being controlled by the Company or have transactions with the Group were as follows:

Company's name	Relationship	Related by
Vichitbhan Plantation Co., Ltd.	Subsidiary	Direct shareholding
VG Energy Co., Ltd.	Subsidiary	Direct shareholding
Vichitbhan Logistics Co., Ltd.	Subsidiary	Direct shareholding
Vichitbhan Construction Co., Ltd.	Related company	Common directors
Chavananand Holding Co., Ltd.	Related company	Common directors and direct and indirect shareholding
Chokananchumporn Co., Ltd.	Related company	Related person

**a) Transactions with related parties**

The following significant transactions were carried out with related parties:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Sales of goods and service</b>				
Subsidiaries	-	-	763,690	626,888
	-	-	763,690	626,888
<b>Interest income</b>				
Subsidiaries	-	-	4,317,973	3,670,248
	-	-	4,317,973	3,670,248
<b>Sales of services</b>				
Subsidiaries	-	-	41,749	37,600
Related parties	27,833	36,076	27,833	36,076
	27,833	36,076	69,582	73,676
<b>Sale of assets</b>				
Subsidiary	-	-	924,744	-
	-	-	924,744	-
<b>Purchase of palm fruits</b>				
Subsidiary	-	-	66,717,242	73,379,253
<b>Rental and service for office building</b>				
Related party	3,106,963	3,106,963	1,419,926	1,419,926
<b>Transportation expense</b>				
Subsidiary	-	-	25,847,194	20,720,480
<b>Purchasing supplies</b>				
Related party	17,816,220	17,023,440	6,842,870	7,364,040

As at 31 December 2019, the Group entered into lease and service agreements relating to the rental of offices with related company. The term is 3 years started on 1 September 2017 till 31 August 2020 (Automatically effect for another 1 year if there is on change at the expiry date) with the yearly rental fee of Baht 2.95 million.

As at 31 December 2019, a subsidiary company entered into a right of superficies agreement with the Company where the Company granted the right of superficies for the land on which the biogas power projects are located for the period of 30 years without any fee charged commencing from April 2009 and July 2009 and the contractual periods can be extended for another 10 years. The subsidiary company agrees to purchase the Decanter Cake from the Company to produce electricity.



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 ทางการเงินและบัญชี



b) Outstanding balances arising from sales and purchases of goods and services

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Other receivable</b>				
Subsidiaries - Non - trade	-	-	2,541,420	3,991,193
- accrued interest income	-	-	11,614,258	7,523,986
Related parties	27,833	18,186	27,833	18,186
	27,833	18,186	14,183,511	11,533,365
<b>Trade account payables</b>				
Subsidiaries	-	-	41,245,438	29,291,430
<b>Other payables</b>				
Subsidiaries	-	-	673,513	1,279,476
Related parties	1,044,500	993,840	398,230	334,440
	1,044,500	993,840	1,071,743	1,613,916

c) Short-term loans to related parties

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Short-term loans to</b>				
Subsidiaries	-	-	103,337,000	98,654,500
	-	-	103,337,000	98,654,500

The movements of short-term loans to related parties are shown below.

	Separate financial statements Baht
<b>For the year ended 31 December 2019</b>	
<b>Subsidiaries:</b>	
Opening balance	98,654,500
Loans advanced during the year	50,135,000
Loans repayments received during the year	(45,452,500)
Closing balance	103,337,000

Loan to subsidiaries are unsecured and carry interest at rate 4.00% per annum (2018: 4.25% per annum). Such loans are in the form of promissory notes and are due at call.

Loans are current portion. The fair value is equal to the book value since the effect of the discount rate is insignificant.



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บมจ.วิจิตรภัณฑ์ปาล์มออยล์

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รองกรรมการผู้จัดการบริษัท

d) Key management compensation

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Short-term employee benefits	10,840,608	10,240,608	6,204,480	6,204,480
Retirement benefits	174,370	174,370	86,772	86,772
	11,014,978	10,414,978	6,291,252	6,291,252

30 Commitments and contingencies

30.1) Commitments on land lease agreements

The Group have commitment obligations in terms of long-term land-lease agreements, ramp-lease agreement and service agreement. The agreements have 5 - 30 years terms.

Future minimum lease payments required under these non-cancellable land - lease contracts are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Not later than 1 year	2,080,000	1,490,000	2,080,000	1,490,000
Later than 1 year but not later than 5 years	5,710,000	5,990,000	5,710,000	5,990,000
Later than 5 years	3,405,000	3,965,000	3,405,000	3,965,000
	11,195,000	11,445,000	11,195,000	11,445,000

30.2) Commitments for the beneficial utilisation or residing in the sanctuary

The Company and one of its subsidiary have been permitted for the beneficial utilisation or residing in the sanctuary of the National Rub - Ror Reserve Forest and Sa - Lui Forest, Chumphorn Province, by the director-general of Royal Forest Department with the objective to plant palm trees on temporary basis. The beneficial utilisation of the Company and its subsidiary were expired on 17 October 2015 and 11 February 2015, respectively.

On 20 March 2014, the Company and the its subsidiary submitted to Royal Forest Department, Ministry of Natural Resources and Environment, an application for palm oil plantation in the area of national forest, which was the same area previously approved by the relevant government agency, located in Chumphorn province for the beneficial utilisation of the public land.

The Company and its subsidiary have filed the petition to Nakhon Si Thammarat Administrative Court in order to expedite the case on 18 January 2016 and 26 January 2016, respectively. Nakhon Si Thammarat Administrative Court has submitted this case to Federal Administrative Court, and the Court appointed the Company and its subsidiary to examine on 10 May 2016. The required procedures for the aforesaid examination depend on relevant protocols and policy of the government.

On 17 June 2016, the Administrative Court permitted the Company and its subsidiary to collect palm fruit with paying a fee to Royal Forest Department.



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### 30.3) Capital commitments

The Group and the Company have outstanding commitment under the construction agreements and machine purchase agreements as follows:

Currencies	Consolidated financial statements				Separate financial statements			
	2019		2018		2019		2018	
	Contractual amount Million baht	Outstanding contractual amount Million baht	Contractual amount Million baht	Outstanding contractual amount Million baht	Contractual amount Million baht	Outstanding contractual amount Million baht	Contractual amount Million baht	Outstanding contractual amount Million baht
Baht	3.62	1.81	4.88	3.34	3.62	1.81	4.88	3.34

### 30.4) Bank guarantee

As at 31 December 2019 the Group and the Company had outstanding bank guarantee issued on behalf of the Company for the usage of electricity amounted Baht 3.73 million and Baht 1.13 million, respectively (2018: Baht 3.73 million and Baht 1.13 million, respectively).

As at 31 December 2019 the Group and the Company had outstanding bank guarantee issued on behalf of the Company for the contract to sell crude palmoil to Electricity Generating Authority of Thailand amounted Baht 3.48 million and Baht 3.48 million, respectively (2018: null and null, respectively).

## 31 Investment promotion privileges

The Group have been granted investment promotion certificates under the Promotion of Investment Act B.E. 2520. The privileges so received include exemption or allowance from customs duties on machinery as approved by the Board of Investment and exemption from income tax for the profit for the year generated from the promoted business activities for a period of 8 years from the first day revenues are earned from the promoted business activities with the detail as follows:

Certificate No.	Date	Promoted activity types	Commencing date of revenues generated	Expire date
1404(2)/0./2557 (Original dated 1459(2)/2548)	31 March 2014 (Original dated 30 May 2005)	Production of crude palm oil and dried palm kernel in category 1.12: Production of oil and fat from vegetables or animals	8 January 2007	7 January 2015
2115(2)/2551	27 November 2008	Production of crude palm oil and dried palm kernel in category 1.12: Production of oil and fat from vegetables or animals	24 April 2011	23 April 2019
1662(1)/2552	28 July 2009	Generating electricity from biogas	25 April 2011	24 April 2019
1474(1)/2552	24 March 2009	Generating electricity from biogas	17 June 2011	16 June 2019
1405(2)/0./2557 (Original dated 1679(2)/2549)	31 March 2014 (Original dated 12 July 2006)	Production of organic fertilizer in category 1.3: Production of organic fertilizer	11 December 2013	10 December 2021

A subsidiary has transferred the rights and investment promotion privileges certificate No. 1459(2)/2548 dated 30 May 2005 to the Company as per certificate No. 1404(2)/012557 dated 31 March 2014, and transferred the certificate No. 1679(2)/0./2549 dated 12 July 2006 to the Company as per certificate No. 1405(2)/0./2557 dated 31 March 2014.

Profits for the years ended 31 December 2019 and 2018 are classified into promoted business and non-promoted business as follows:



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A summary of sales from BOI promoted and non-promoted activities for the year is set out below:

Consolidated financial statements			
2019			
	Promoted activities Baht	Non-promoted activities Baht	Total Baht
Sales	252,900,780	789,885,700	1,042,786,480
Sales of by product	10,616,872	25,295,510	35,912,382
Total revenues	263,517,652	815,181,210	1,078,698,862
Consolidated financial statements			
2019			
	Promoted activities Baht	Non-promoted activities Baht	Total Baht
Sales	974,539,697	257,967,459	1,232,507,156
Sales of by product	28,703,920	4,883,041	33,586,961
Total revenues	1,003,243,617	262,850,500	1,266,094,117
Separate financial statements			
2019			
	Promoted activities Baht	Non-promoted activities Baht	Total Baht
Sales	252,900,780	745,473,285	998,374,065
Sales of by product	10,616,872	26,059,200	36,676,072
Total revenues	263,517,652	771,532,485	1,035,050,137
Separate financial statements			
2018			
	Promoted activities Baht	Non-promoted activities Baht	Total Baht
Sales	959,547,767	243,212,527	1,202,760,294
Sales of by product	28,703,920	5,509,929	34,213,849
Total revenues	988,251,687	248,722,456	1,236,974,143



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