



Khonburi Sugar Public Company Limited



Annual Report 2017



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# Vision



To be a leading organization in cane sugar and bio-energy businesses by integrating human resources, technology and management



# Mission

To conduct business with adherence to good corporate governance principal, ethics and responsibility to all the stakeholders. To improve the quality of products, services and processes so as to create higher value-added by innovations and new ideas. To promote the learning to result in the differentiation in the corporation's core competency, which will allow the company to grow rapidly with stability. To change and modernize the organization to be in line with the business environment of the national and global level







Mr. Takon Tawintermsup  
Chairman of Executive Committee

In term of sales promotion and marketing, currently the company has three products under KBS brand, namely refined sugar “KBS First”, natural sugar “KBS Brown” and extra sweet sugar “KBS 2X Double Sweet”. The Company has adopted various marketing strategies to promote brand awareness among customers. Our main customers are Industrial customers, Modern trade customers, Distributors and Business channel. The company uses different strategies to meet customers’ satisfaction to build sustainable brand loyalty in the future.

With respect to Corporate Social Responsibility (CSR), the Company continues to implement many projects and establish the CSR committee to improve the quality of life of our employees and communities surrounding the factory, such as “University in factory” program to provide employees ‘self-improvement, “KBS KPP Good Students” project to provide scholarships to students from many schools near the factory and also other dedicated projects.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders, executives, employees and all related parties as well as financial institutions. KBS Group will continue to conduct business with care, transparency, and adherence to corporate governance principles to ensure that KBS will enjoy sustainable growth and be prepared for competition in the industry to become the leading organization in cane, sugar and bio-energy industry in the future.





**7. Mr. Suwat Summasshipvitsavakul**  
Independent Director,  
Audit Committee



**8. Mr. Tat Wanakornkul**  
Director, Executive Director, Risk  
Management Committee



**9. Mr. Somkiat Twiltermsup**  
Director, Executive Director,  
Risk Management Committee



**10. Mr. Issara Twiltermsup**  
Director, Executive Director,  
Risk Management Committee



**11. Mr. Amnart Rumpoeypong**  
Director, The Nomination and  
Remuneration Committee







**6. Mr. Dumrong Putiput**  
Technical and Project  
Director



**7. Mr. Rakkiti Tanglamlert**  
Chief Financial Officer



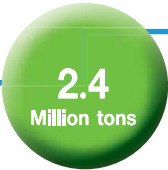
**8. Mr. Anusit Bowornimit**  
Business Development  
Director



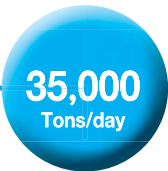
**9. Ms. Surawee Puangthong**  
Senior Finance Manager

# Business Highlights 2017

Cane crush 2.4 Million Tons



Crushing Unit 35,000 Tons / Day

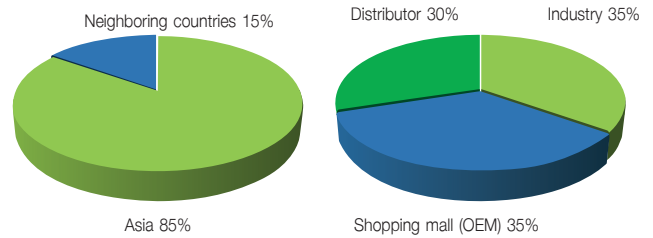


Refined Capacity 1,200 Tons / Day



## Sales by Geographic Sugar selling proportion of year 2016/2017

Sugar for export 75%    Sugar for domestic sale 25%



## KBS Brand



KBS Brown      KBS First      KBS2X Double Sweet



Power Plant



Power Purchased Agreement



## Customer

International



Domestic



# Financial Highlights



Key Financial Highlight	2015	2016	2017
<b>Financial Status (THB mm.)</b>			
Cash and Cash Equivalents	82	126	233
Total Assets	10,069	10,608	10,158
Total Liabilities	6,098	7,060	7,012
Total Shareholders' Equity	3,971	3,548	3,146
<b>Operating Results (THB mm.)</b>			
Sale and Service Income	6,542	6,925	7,820
Total Revenues	6,665	7,161	8,171
Cost of Sales and Services	6,035	6,646	7,708
Selling and Administrative Expenses	585	614	586
Loss from subsidiary's accident	-	135	-
Profit (loss) before Finance Cost and Income Tax	(10)	(234)	(146)
Finance Cost	98	189	194
Income tax (revenues) expenses	(58)	(68)	37
Profit (loss) for the years	(50)	(355)	(377)
<b>Financial Ratios</b>			
Gross Profit Margin	7.8%	4.0%	1.4%
Net Profit Margin	(0.8%)	(5.1%)	(4.6%)
Return on Asset (ROA)	(0.5%)	(3.3%)	(3.7%)
Return on Equity (ROE)	(1.3%)	(10.0%)	(12.0%)
Total Debt per Equity (D/E)	1.5	2.0	2.2
<b>Value/share (Baht/share)</b>			
Book Value per Share	6.62	5.91	5.24
Earning per Share	(0.08)	(0.59)	(0.63)

# Award and Accreditation



By the strong intention of every management and employee to become an organization operating businesses together with the corporate social responsibility, Khonburi Sugar Public Company Limited received award of pride from prestigious institutions such as Award of occupation safety and health bureau, Award of social responsibility and governance etc.

- The Best Sugar Mill 2012
- Certificate of Environmental Friendly of Sugar production 2012
- Green Industry 2012-2013
- CSR - DIW Advance Award Level 4 2013
- CSR - DIW Continuous Award 2013
- Testimonial Award of save and restore environment 2013
- EIA Monitoring Awards 2014
- Occupation Safety and Health bureau Award 2012-2016
- Safety and Health at work Promotion Award 2014-2015

With determination and its constant focus on production process and product quality, KBS receives many honors and awards e.g. Standard and Good Sanitation Practices, Thai Industrial Standards, ISO 9001:2008, GMP Good Manufacturing Practices System, FSSC 22000.

## Corporate background and major developments



- 1965** Nong Yai Industry Company Limited was established with the registered capital of Baht 1 million. The mill possessed the production capacity of 1,500 tons cane a day.
- 1967** Increased the Company's registered capital to Baht 100 million and increased production capacity to 13,690 tons cane a day.
- 1996** Relocated the production base to Khonburi District, Nakhonratchasima Province with the registered capital of Baht 300 million
- 1997** Increased the registered capital to Baht 350 million to expand the production capacity to 21,000 tons cane a day.
- 2007** The Company's name was changed to "Khonburi Sugar Company Limited"
- 2010** The Company's name was changed to "Khonburi Sugar Public Company Limited  
The production capacity was increased from 21,000 tons cane a day to 23,000 tons cane a day.
- 2011** Increasing of the registered capital to Baht 500 million and listed the Company's on the shares Stock Exchange of Thailand.
- 2012** Entered into Strategic Alliance Agreement with Mitsui Group from Japan.
- 2013** Increased the registered capital to be Baht 600 million.
- 2014** Launching "KBS Brand" to released new 3 products; KBS First (refined sugar)  
KBS Brown (natural sugar) and KBS2X Double Sweet (Sucralose blended sugar)
- 2015** Commercial Operating Date (COD) of electricity sale to the Electricity Generating Authority of Thailand (EGAT) under 22MW firm contract  
Started operation of Line C, which added 12,000 ton canes/day to result in total capacity of 35,000 ton canes/day
- 2016** In March 2016, The Company's announce to Thailand's Private Sector Collective Action Coalition Against Corruption
- 2017** On November 2017, the company received a Certificate of Membership of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC)



### 3. Khonburi Power Plant Co., Ltd.

Year of Established	Year 2008
Nature of Business	Generating and distribution of electricity using bagasses as feedstock
Company registration number	0105551074993
Registered capital	Baht 500,000,000
Paid-up capital	Baht 500,000,000
Head Office	18 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 652, (6644) 448 669 Fax. : (6644) 448-096
Branch 1	289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 338 Fax. : (6644) 448 500
Branch 2	99 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 652, (6644) 448 669 Fax. : (6644) 448-096
Factory	18 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 652, (6644) 448 669 Fax. : (6644) 448-096
Website	www.kbs.co.th
Remark	Commercial Operating Date since January 2, 2015

### 4. Khonburi Bio Energy Co., Ltd.

Year of Established	2004
Nature of Business	Manufacturing and distribution of ethanol using molasses as feedstock
Company registration number	0105547116130
Registered capital	Baht 440,000,000
Paid-up capital	Baht 115,250,000
Head Office	5 Soi Sukhumvit 57 Klongton Nue, Wattana, Bangkok 10110 Tel. : (662) 725 4888 Fax. : (662) 725 4877
Website	www.kbs.co.th
Remark	While no significant operation





# Corporate Social Responsibility (CSR)

Khonburi Sugar Public Company Limited was founded in 1965 to manufacture and distribute sugar comprehensively. The Company strives to become leading organization in sugar business and other related businesses. Over the past 50 years that we have been operating our business, we have been adhering to our goal to develop various components in holistic manner. We develop production process, products, and services continuously in every steps to add value for our trade partners and customers. We are committed to promote farmers under our care to ensure that they will have higher income and better living condition. We also continue to expand our business to create additional value for the community. In addition, our subsidiary, Khonburi Power Plant Co., Ltd. has initiated 35-megawatt biomass electricity power plant project using bagasses, which are by-products of sugar production, as main raw materials, and the project supplies 22-megawatts of electricity to Electricity Generating Authority of Thailand. This project will generate renewable energy in order to strengthen energy sustainability, which will help propelling the development of local economy later on. Our business operation does not only aim to earn maximum benefit, but we also build our culture of development in sustainable way using several components.

## Concept and Framework of Business Operations with the Corporate Social Responsibility

KBS Group Conducts its business with corporate social responsibility (CSR). The principles of corporate social responsibility and corporate governance had been dually taken into consideration a part of our business strategies, with which the satisfaction of all stakeholders, e.g. customer and consumer, farmer, community, society and environment, employee, government, business partner and competitor, and shareholder must be kept in balance.





KBS Group intends to sustain the maximum benefits and values for all stakeholders, not a single group of stakeholders. The goals to be achieved are the organization success and sustainable living in the society. The business operations by KBS Group are in line with the following principles.

1. Operate with transparency and ethics.
2. Respect to human rights, and strictly adhering to benefits of all stakeholders.
3. Act to protect health and safety of consumers, providing and improving quality of our products and services.
4. Promote all related parties to involve in creating and planning.
5. Improve and review environmental impacts to, communities and related persons by regularly complying with requirements, laws and other rules.
6. Create the business growth on the concept of sustainable and stable development.

**CSR Activities in 2017**

KBS Group carries out the corporate social responsibility on a concept that the business benefits and satisfaction of all stakeholders must be balanced. The Group has conducts the CSR-DIW (Corporate Social Responsibility, Department of Industrial Works) projects. In this regard, the CSR Committee was established, comprising representatives from every main operating department, with duties of promoting, supporting and monitoring the CSR activities to ensure that the CSR concept and practice framework would be undertaken constantly, and respond all related stakeholders thoroughly and equally according to the determined objectives. Another 8 sub-working groups were also established:

1. Corporate Governance Sub committee
2. Human Rights Sub Committee
3. Labor Force Sub Committee
4. Environment Sub Committee
5. Good Business Practice Sub Committee
6. Consumer Sub Committee
7. Community Relation and Development Sub Committee
8. Public Relation Legal and Administration Sub Committee



In 2017, the CSR Working Group has carried on and initiated a number of projects and activities as follows:

#### “College in Factory” Project

After a dialogue with a group of concerned employees, it was agreed that the “College in Factory” project would be implemented with the objectives to create a new generation of personnel and to give the employees an opportunity to further their study and receive a vocational certificate and vocational diploma. Under an MOU, this project was implemented in collaboration with Pakthongchai Technical College, Nakhon Ratchasima Province, with the goals to enable the employees participating in this project to have skills required to do their jobs effectively and reduce mistakes at work and to be proud of their organization that realized the importance of education of operational staff, which would result in employee engagement and good attitude toward



the organization and enable the Company to have the employees with higher educational attainment. There were a total of 48 employees attending this project. In this year, a total of 40 students from the first batch have graduated with a vocational diploma. Later in 2018, there will be more students graduating with the vocational certificate.

#### “KBS Scholarship” Project

In cooperation with the “Public Relations Network” Working Group, the Company has implemented the “KBS Scholarship” project to provide scholarships to students from a total of 10 schools located in the upper part of Moon River. The schools choose students who have good behaviors and pass an achievement test to receive a total of 81 scholarships, which enable these local children to have a better chance in education. The project has been implemented continuously

for 7 years already with the main objective to help children to have a brighter future. There are many other projects that Khonburi Sugar Public Company Limited has brought to communities, schools, and religious places.

#### “Community service for Jor-ra-kea-hin community”

The company volunteers service to the community for the “Be united to make beautiful canal and clean water with no Water hyacinth” project by collaboration with governmental department in Kornburi district, soldier, police officer and villager to clean the canal and also eliminate unwanted plant.

#### “Afforest over the country” campaign

The company join the campaign by co-operate with governmental department in Kornburi district, soldier, police officer and villager to afforest at kao-pre-du at Khonburi district, Nakhon Ratchasima province.







### “Sweet Sugarcane Day” Activity

The Company and the Lum Moon Bon Sugar Cane Planter Association had jointly convened annual ordinary meeting or “Sweet Sugarcane Day” exhibition in order to exchange data, knowledge, situation, and information on sugarcane and sugar, and promote and support farmers and their family members to plant sugarcane for stable and sustainable source of income.

### “Blood donation campaign”

KBS and the Thai red-cross society of Nakhon Ratchasima province create blood donation day around the factory and more than 1,561 persons has joined the campaign.

### Sugarcane Plantations for Sustainable and Secure Income of Sugarcane Farmers

The promotion of sugarcane plantations is one of main duties of KBS Group. The Group promotes and encourages the sugarcane farmers in the communities to grow the sugarcane according to the Company’s concept supportably academic principles, which helps increase the yield and reduce the plantation cost. The Company set up several projects to support the sugarcane farmers. Apart from the financial support (advance loans), micro agricultural stations were set up to allow the Company’s agricultural officers to give good service to the farmers, from the plantation preparation stage to the harvesting and transportation of sugarcane to the sugar mill. The Company sufficiently provided the related tools to boost the farmers’ efficiency; namely, sugarcane varieties, tractor, sugarcane planter, fertilizer, pesticide, sugarcane harvester, truck, etc. In addition, the Company conducted the research and development for sugarcane varieties, and encourages the invention of agricultural machines to get any new ideas for further development in the future. The Company also valued the management and distribution of ideas created by successful farmers so that others could apply such ideas and practice guideline to increase their yield. The farmers were grouped; the good management of agricultural machines and trucks could produce the efficient plantation, harvesting and transport, reduce the cost, and raise the income sustainably. The sugarcane plantation process by the Company’s advice helps improve the farmers’ living and economic status. Finally, the community economy will be strongly improved, which is a part of the social and national development

## Internal Control and Risk Management

The Board of committee responsible for internal control system including finance, corporate governance, and risk management hence the committee assigns the role to internal audit committee for truthful financial statements. Moreover, the internal audit committee has a role to examine the internal audit system for efficient and effective risk management, set the appropriate risk evaluation, and consider transactions according to the SET legislation, procedure and related business law.

In October 2010, the company established internal audit department for control the effectiveness of internal audit system and to ensure sufficient and appropriate internal control. As of December 31<sup>st</sup>, 2017, the internal department has four officers.

The Board of Directors No.1 /2018 on February 27<sup>th</sup>, 2018 by independent directors and audit committee members, the committee considered the process of internal control under 5 elements from COSO Framework as follows.

- 1) Controlling environment
- 2) Risk Evaluation
- 3) Controlling Measure
- 4) Information technology and communication
- 5) Monitoring system

As the opinion from The Board of Directors, the company had sufficient internal control and no defective in term of the controlling system according to the report. Moreover, EY Company Limited (accounting auditor) who determined 2017 financial report had an opinion about accounting and financing control but nothing materiality.

The board of director commented that the company has sufficient and appropriate internal control which can prevent conflicts of interest from executive.

Internal audit department has plan and policy in term of auditing which may happens. On November 2<sup>nd</sup>, 2017, The Audit Committee No.4/2017 approved yearly plan for 2018 by focus on Production, Raw material, Supply chain, Human resource, Information and Communication and Technology and also certify the private sector Collective Coalition against Corruption policy.

# Business operation and income structure



## Business operation overview

Khonburi Sugar Public Company Limited (KBS) and its subsidiaries under the Khonburi Sugar Group is a group of companies operating an integrated business of sugar manufacturing and distribution. The Group has planned and linked both agricultural and industrial mechanisms together with advantages in raw materials and location. At present, KBS is ranked the 13rd in the group of sugar manufacturers and distributors of Thailand with the total sugar output in 2017 of 267,958.95 tons.

KBS Group establishes the vision to be the leading organization in cane, sugar, and bio-energy businesses by integrating human resources, technology and management.

KBS Group considers that Thailand's sugarcane and sugar industry has certain competitive advantages in the world market. Thailand is the second largest sugar exporter in the world with distinguished geographic advantage compared to other competitors. Thailand is in Asia where the sugar consumption ranges the highest in the world. The consumption growth is also higher than the global average, due to the sharp economic growth in this region. Therefore, development of Thailand's sugarcane and sugar industry will have great impacts to the economy and livelihood of Asian citizens. Furthermore, Thailand has advantage in sugar manufacturing efficiency and can invest in to the power and ethanol businesses, which will increase its overall profitability.





## Sugar production and distribution business

### Raw Sugar

Raw sugar is sugar with dark brown color derived from primary production process. There are impurities left in this type of sugar, and its purity level is low. Raw sugar must be taken to purification (refinery) process to become white or refined white sugar before consumption.

### Brown Sugar and Nature Sugar

Brown sugar and natural sugar are sugar that has already been refined but has not passed through decolorization process so this type of sugar will have brownish yellow color. It is ready for consumption and is popular among people who are concerned about healthy diet.

### White Sugar

White sugar is sugar derived from raw sugar that has passed through purification (refinery) process to remove impurities until sugar is white and clean. This type of sugar is normally used as raw materials in industrial factories that manufacture food products requiring medium level of purity such as energy drink, condensed milk, and drinking yogurt, for example.

### Refined Sugar and Super Refined Sugar)

Refined sugar and super refined sugar are sugar derived from raw sugar that has passed through purification (refinery) process same as white sugar but it has higher level of purity. Refined sugar and super refined sugar come with clear and white crystals, and with this feature, it is widely used as raw materials in industries that require high level of purity such as food, pharmaceutical and soft drink industries. This type of sugar is also popular for general consumption among people.

### Sucralose Blended Sugar

The latest innovation of sugar having two times sweetness because of a blend of sucralose, which is concentrated extract from 100% natural sugarcane. This type of sugar is cost- saving, clean and safe, suitable for small or medium entrepreneurs (SMEs) who would like to save costs and increase profits, and can be used by consumers for cooking nutritious and tasty dishes and beverages of all types, whether hot or cold.

### Sugar by-product businesses

Besides manufacturing and distributing high quality sugar, the Company is able to produce the following by-products of sugar production process in order to maximize value-added by expanding into bio-energy businesses.



The Company sell electricity a part of surplus from own used in production to PEA and EGAT. Currently, the supply contract electricity to government can be summarized below:

Unit of Company	Contract Party	Type of contract	Quantity electricity per contract
KPP	Provincial Electricity Authority (PEA)	Very Small Power Producer (VSPP)	Non-Firm size 8 MW
KP P1	Electricity Generating Authority of Thailand (EGAT)	Small Power Producer (SPP)	Firm size 22 MW

1 Since 2 January 2015 group companies begin to sell electricity to EGAT firm contract 22 MW operating under Khonburi Power Plant Company Ltd. The benefit of this operation can be summarized below:

- Obtain the adder 0.30 Baht per kwh for small power producer from biomass fuels as a period 7 years from COD date.
- Obtain promotional privileges from the Board of Investment (BOI) for its electricity from biomass fuels since 19 April 2013. The benefit from BOI privileges can be summarized below:
  - (1) Exemption from corporate income tax for a period of 8 years from the date the promoted operations and a 50% reduction of corporate income tax on income derived from the promoted operations for the period of 5 years after the tax-exemption period ends.
  - (2) Exemption from tax duty from import machinery and equipment
  - (3) Allow deduction transportation, electricity and utility expenses by 2 times of such expenses for the period 10 years from commenced generating revenues and allow deduction installation investment cost or facilities construction at the rate 25% of investment cost, other than on normal deduction in depreciation expenses.
  - (4) Exemption on tax from dividend received from BOI privileges company to be included on corporate tax calculation over BOI period operation.

### **Molasses Trading**

KBS Group has initiated molasses trading business in 2014 which is operated by KBS Trading Co., Ltd (KBST) in order to increase the Group's profitability from network of producers and users of molasses. Moreover, this business will support the ethanol business in the future.



## Assets used for business operation


### 1 Property, plant and equipment of Company and subsidiaries

As of 31 December 2017, The Company and its subsidiaries have the balance net book value after deduction accumulate depreciation of property, plant and equipment as amounting to 6,513.1 Million Baht. The details are as followings below:

Item	Net Book Value after deduction accumulated depreciation	Ownership	Obligation
Consolidated			
Land and land improvement	218.3	Ownership	Collateral against credit facilities and loans <sup>1</sup>
Building and premises	993.0	Ownership	Collateral against credit facilities and loans <sup>1</sup>
Machinery	4,635.9	Ownership	Collateral against credit facilities and loans <sup>1</sup>
Equipment	45.8	Ownership	None
Furniture, fixtures and office equipment	22.5	Ownership	None
Motor Vehicles	156.8	Ownership	None
Facilities systems and water treatment systems	303.5	Ownership	None
Assets under construction	137.3	Ownership	None
<b>Total</b>	<b>6,513.1</b>		

<sup>1</sup>The company has pledge land, building and premises and machinery as collateral against credit facilities and loan received from banks.

Trade mark of Group company

Trade mark	Objection of holding	Date of registered
	This is for natural white sugar, white sugar and brown sugar	19 November 2013

### 2 Investment in subsidiaries and associated policy

The company has the investment policy especially related to our core business that it will be joint benefits or support the company operation by adding revenue channel and increase in making profit. In the management operation in associated and subsidiary companies, the company will appoint the management to join the director of such companies in the reasonable proportion in order to control the operation of subsidiary companies to make sure be the right way of operation and be the best benefit of company.

Currently, the company invests in subsidiaries in total 6 companies such as KBS Trading Co., Ltd, Khonuri Power Plant Co., Ltd, Khonburi Bio Energy Cop., Ltd, KBS Investment Co., Ltd, KBS Cane and Sugar Co., Ltd and KBS Power Co., Ltd. At the present, the company holds the share 99.99% of all subsidiaries. The company appoint our management to be director of such subsidiary companies.

### Dispute Resolution

As of 31 December 2017, the company and its subsidiaries companies has no dispute resolution in legal case as affect to company business operation and affect in negative to asset of subsidiaries companies in material matters or affect more than 5% of total shareholders' equity.

# Marketing and Competition in Sugar Industry

## Sugar industry overview

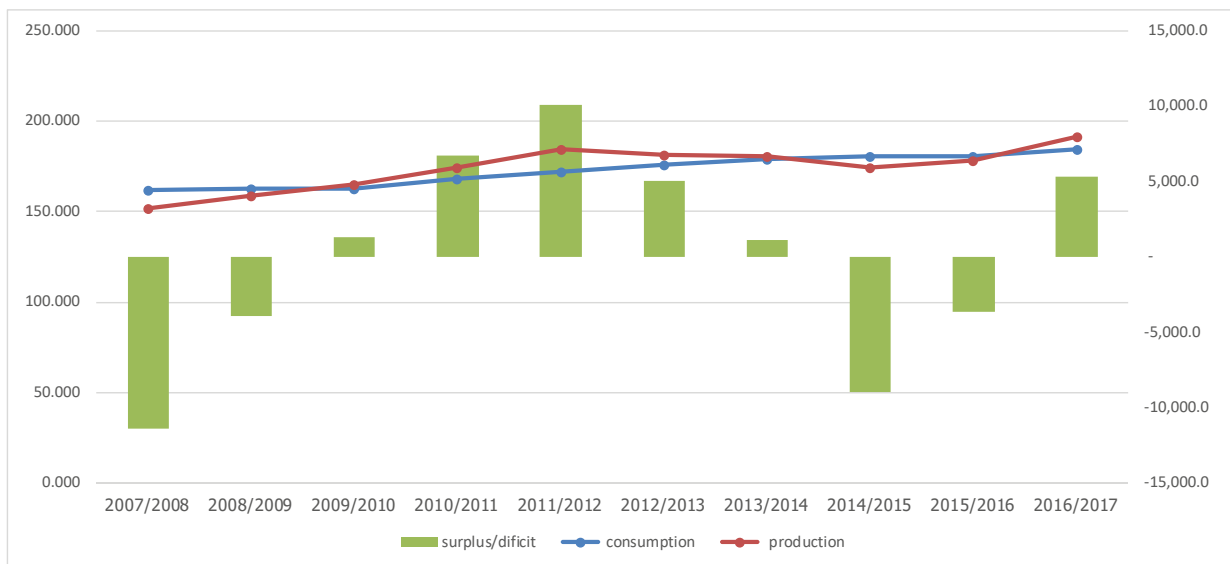
### Sugar industry overview in global market

#### (A) Balance between sugar demand and supply in global market

Details	Consumption volume, production volume, and sugar inventory in global market (million tons) <sup>1</sup>									
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Consumption	161.83	162.34	162.64	168.04	171.66	175.77	178.75	180.28	180.20	184.24
Production	151.60	158.45	165.18	174.35	184.16	181.49	180.71	174.22	178.45	191.40
Balance	60.05	56.15	57.46	64.17	74.28	79.35	80.45	71.53	67.86	73.17
Stock-to-use ratios (%)	37.11%	34.59%	35.33%	38.19%	43.27%	45.14%	45.01%	39.68%	37.66%	39.71%

Source : F.O.Licht's International Sugar and Sweetener Report (25.09.2017)

Remark 1: Metric ton raw value



Source: F.O.Licht's International Sugar and Sweetener Report (25.09.2017)

For 2017-18 the sugar production and consumption is in the rising trend compared to last year especially the sugar production which is estimate to increase 13 million tons on the year to 191 million tons (7% increasing) ,while consumption is expected a minor increase of 4 million tons on the year to 184 million tons (2% increasing). The main reason for the surplus is a significant jump from 67 million tons to 79 million tons (11% increasing) mostly from the producing countries such as EU, China, India, Thai and Pakistan. Furthermore, the growth also supports the deficit of -3.67 million ton on 2016-17 to the surplus of 5.30 million tons in this year.

## (B) Roles of countries in global sugar industry

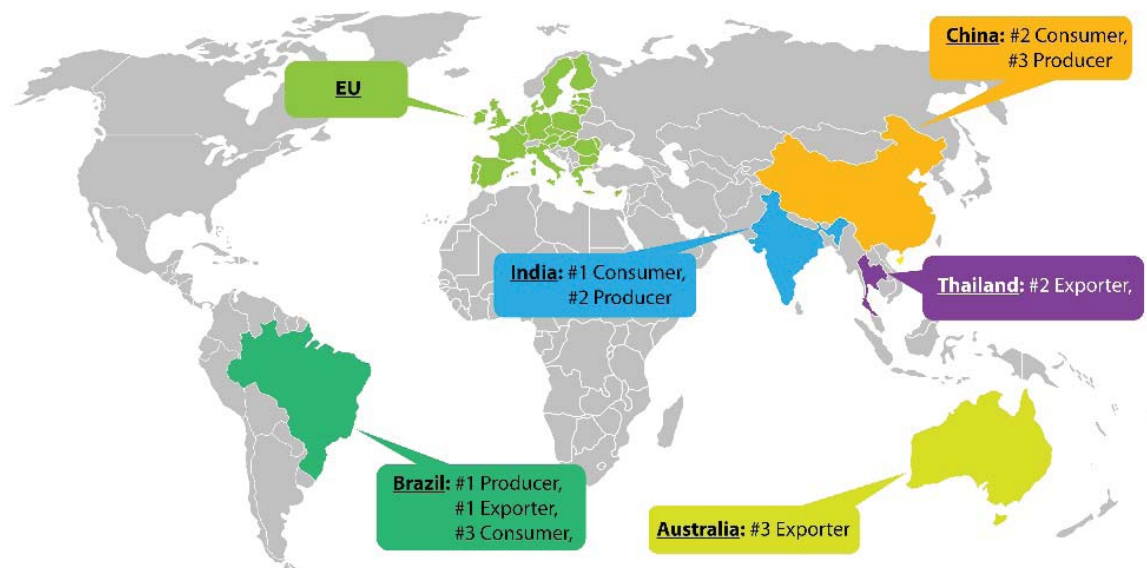


Table showing sugar production volume of major countries in the world during production year of 2012/2013 to production year of 2016/2017

Product volume of major producers (million tons)<sup>1</sup>

Country	2012/13	2013/14	2014/15	2015/16	2016/17
Brazil	39.53	34.71	40.51	40.36	39.52
India	26.58	30.62	27.37	22.00	27.20
China	14.48	11.47	9.46	10.10	11.20
Thailand	11.68	11.58	10.03	10.30	12.00
Pakistan	6.10	5.63	5.56	7.70	8.41
United States	7.67	7.84	8.15	8.03	8.10
<b>Total major producers</b>	<b>106.04</b>	<b>101.84</b>	<b>101.08</b>	<b>98.47</b>	<b>106.43</b>
Ratio of production of major producers/ Total production volume (%)	58.43%	56.36%	58.02%	55.18%	55.60%

Source : F.O.Licht's International Sugar and Sweetener Report (25.09.2017)

Remark 1 : Metric ton raw value





Table showing sugar import of major countries in the world during production year of 2012/2013 to production year of 2016/2017

Import volume of major importers (million tons)<sup>1</sup>

Country	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
China	4.05	5.35	6.20	4.00	6.00
Indonesia	3.80	3.20	4.74	5.02	5.12
United States	3.26	3.33	3.02	3.00	3.40
Bangladesh	1.93	1.92	2.00	2.13	2.35
United Arab Emirates	2.12	2.28	2.51	2.52	2.30
India	1.35	1.30	1.90	2.50	2.00
<b>Total major importers</b>	<b>16.51</b>	<b>17.38</b>	<b>20.39</b>	<b>19.17</b>	<b>21.17</b>
Ratio of import of major importers/ Total import volume (%)	25.84%	27.01%	28.33%	28.32%	31.43%

Source : F.O.Licht's International Sugar and Sweetener Report (25.09.2017)

Remark 1 : Metric ton raw value

### (C) Thailand's sugar export

Thailand is the second largest exporter of sugar after Brazil. Our target customers are in Asia, which is an area that Thailand has the advantage over other major sugar exporting countries. Since Thailand is closer to destination countries, the transportation cost from the origin to the end destination remain low. The following table shows the major destination countries for sugar export from Thailand during the production year of 2012/2013 to 2016/2017.

Sugar import volume from Thailand (million tons)<sup>1</sup>

Country	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Indonesia	1.78	1.75	1.90	0.05	2.49
Cambodia	0.65	0.55	0.49	0.03	0.72
Myanmar	0.11	0.13	0.68	0.06	0.65
Japan	0.75	0.76	0.64	0.03	0.57
China	0.26	0.71	0.89	0.02	0.33
Philippines	0.07	0.05	0.06	0.01	0.32
Vietnam	0.27	0.12	0.38	0.04	0.24

Source : Office of The Cane and The Sugar board

Remark: 1 Metric ton raw value)



## Sugar industry overview of domestic market

Sugarcane and sugar industry in Thailand is subject to the Sugarcane and Sugar Act, B.E. 2527 which requires the Cane and Sugar Board to control and ensure that sugar quantity is sufficient for domestic demand. The Cane and Sugar Board will estimate sugar quantity to be consumed within the country and determine sugar quota each year, and distribute such quota proportionately for sugar factories throughout the year based on sugar production volume of each factory. Sugar price within the country will also be controlled under the Act on Price of Goods and Service, B.E. 2542, and the Ministry of Commerce will announce domestic sugar price.

Restructure in Sugarcane industry on 15th January 2018, National Council for Peace and Order (NCPO) exempted force no. (18) of section 17 by used order of Section 44, announcement no. 1/2018, subject to adjustment the legal for supporting the restructure of sugarcane industry system as its support. In violation of a World Trade Organization (WTO), local price as domestic consumption has been canceled, the floating rate as global price has been used instead. The difference price between local average survey price as actual sales in the month and average price from London No. 5 including Thai premium as occurred in the month will fill in the fund in order to support stability of sugarcane industry system. The order had become effective on 15th January, 2018 onward. The result from the restructure, the 3 quota systems have been canceled immediately – Quota A (trading in local), Quota B (re-export) and Quota C (export by sugar plant).

At present, there are 54 sugar mills in Thailand with the capacity of sugarcane crushing approximately 90-100 million tons/year to get the sugar totaling 9-10 million tons per year. The crushing season takes 4-5 months per year, starting from the end of November to April of each year. The number of sugar mills is governed by related authorities. Any expansion or relocation of sugar mills must be first approved by the Ministry of Industry. All these sugar mills may be divided into the groups of companies as listed below :

Group	Number of factories of the group	Sugar product (ton)	Market share (percentage)
Mitrphol Sugar Group	6 factories	1,975,406.51	19.69%
Thai Rung Ruang Group	9 factories	1,576,872.71	15.72%
Thai Identity Group	3 factories	942,440.74	9.39%
Khon Khen Sugar Group	5 factories	724,549.24	7.22%
Cristalla Sugar Group	3 factories	543,305.77	5.42%
Korach Industry Group	2 factories	488,957.44	4.87%
Ban Pong Sugar Group	2 factories	440,446.75	4.39%
Wangkanai Sugar Group	4 factories	385,792.23	3.85%
Kaset Phol Sugar Group	2 factories	284,043.30	2.83%
Kanchanaburi Group	2 factories	271,525.90	2.71%
Mitr Kasetr Sugar Group	2 factories	225,398.46	2.25%
Rajburi Sugar Group	2 factories	138,343.42	1.38%
Rayong Sugar PCL	2 factories	101,665.59	1.01%
Khonburi Sugar PCL	1 factories	267,958.94	2.67%
Others	9 factories	1,666,358.62	16.61%
<b>Total</b>	<b>54 factories</b>	<b>10,033,245.61</b>	<b>100.00%</b>

Source : Report on sugar production of sugar factories nationwide for year 2016/2017 (End of Cane Crushing Period) prepared by Office of the Cane and Sugar Board



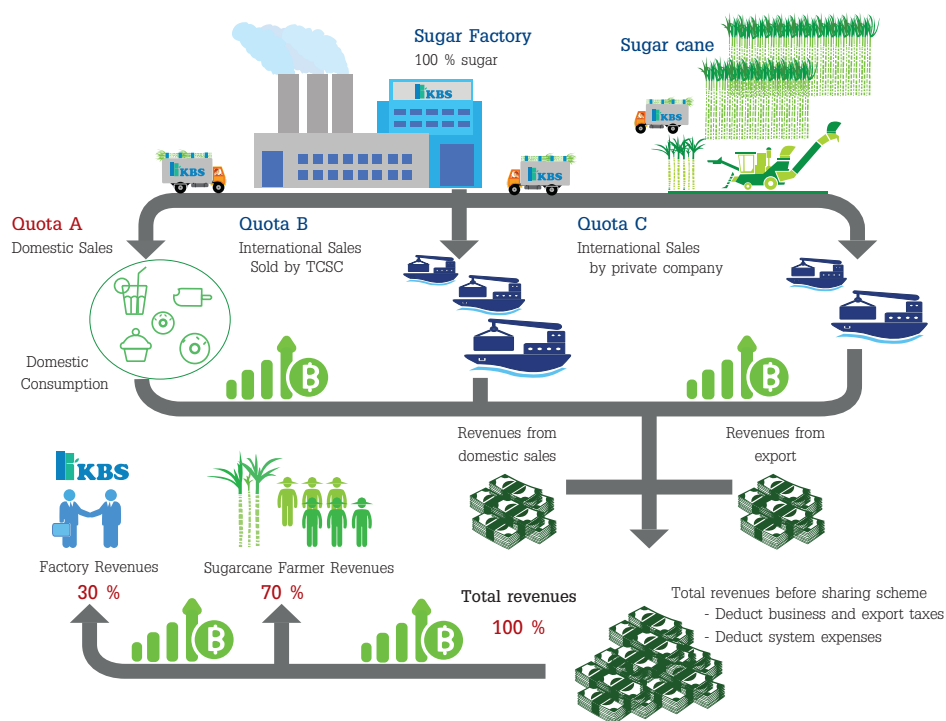
The following table illustrates the quantity of sugar in Quota A, Quota B and Quota C in the past 5 production seasons manufactured by the sugar industry and by KBS according to the Notification of the Cane and Sugar Board regarding Types of Sugar Permitted for Sugar Mills' Manufacturing in the Production Season

	(Unit : Ton)				
	Production season of 2012/13	Production season of 2013/14	Production season of 2014/15	Production season of 2015/16	Production season of 2016/17
<b>Quota A.</b>					
Nationwide	2,610,000	2,400,000	2,500,000	2,600,000	2,650,000
Khonburi Sugar PCL	66,841	57,752	52,743	76,041	70,861
<b>Quota B.</b>					
Nationwide	800,000	800,000	800,000	800,000	800,000
Khonburi Sugar PCL	19,030	22,726	19,674	18,812	19,507
<b>Quota C.</b>					
Nationwide	6,614,147	8,132,906	8,039,085	6,385,649	6,570,890
Khonburi Sugar PCL	170,841	192,229	166,805	191,344	177,591

Source : The Cane and Sugar Board's notification

When each sugar factory has been allocated with sugar quota according to Quota A., those factories must sell Quota A. sugar each week in quantity equal to allocated quota divided by 52 weeks.

#### Structure of sugarcane and sugar industries



\*\*fx and world sugar quantity may affect revenues



- Distributors

The company sells refined sugar and natural sugar to distributors, who will distribute our products to small local retailers and SME customer.

- Food Service Business Channel (Hotel/Restaurant/Catering)

The Company plans to expand market under KBS brand through new channels to meet the needs of various customers such as restaurants, hotels, or catering agents.

### **International Sales**

- Sales of Quota B. Sugar

Quota B. sugar is divided into two equal portions. The Company will deliver the first portion for Thai Sugar and Cane Co., Ltd. to sell. The second portion will be sold by the Company same as Quota C. sugar.

- Sales of Quota C. Sugar

Under the Sugarcane and Sugar Act, sugar factories will be able to export sugar through exporting agents being permitted by the Cane and Sugar Board only. At present, there are seven companies being permitted by the Cane and Sugar Board to export sugar. Our company has joined with other 16 sugar companies to establish The Thai Sugar Trading Co., Ltd. who will act as sugar exporting agent for the group of companies who have established such company. We will contact and negotiate with our foreign customers directly, which The Thai Sugar Trading Co., Ltd. will process goods shipping at the port, handle export documents, proceed customs procedures, and collect money from our customers.

The Thai Sugar Trading Co., Ltd. will enter into Packing Credit loan agreement with commercial banks for the Company in the name of The Thai Sugar Trading Co., Ltd. in order to obtain financial support.

The Thai Sugar Trading Co., Ltd. will transfer money it has received under Packing Credit loan from commercial banks to the Company, and the Company will issue promissory note to The Thai Sugar Trading Co., Ltd. as evidence of money. The Company will offer interest to The Thai Sugar Trading Co., Ltd. using the same rate being paid by The Thai Sugar Trading Co., Ltd. to the commercial banks.

Sugar sales and purchase agreement that the Company has entered into with the customers can be classified into two categories including short-term agreement and long-term agreement. For short-term agreement, we will enter into agreement by specifying quantity and selling price, and then only wait for delivery. For long-term agreement, we normally enter into this category of agreement 6-12 months in advance, whereby the Company will only specify quantity in the agreement, and will use the price as referred in NY#11 future sugar price to ensure that the Company will not be exposed to high risk.

Most of the Company's customers are large international sugar traders having good financial position such as Bunge, Cargill, and Louis Dreyfus, etc. In the past, we had never encountered bad debt issue. However, we have cautiously complied with customer credit policy, and review our customers' financial position regularly. We export sugar to over 20 countries worldwide, and our main customers are Indonesia and other countries in the Middle East.





Table showing quantity of sugarcane to be crushed nationwide, and quantity of sugarcane to be crushed in the North East during the past five production seasons

Production year	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	Average growth rate (percentage)
Quantity of sugarcane to be crushed nationwide (million tons)	100.14	103.7	106.0	94.0	92.9	-1.17%
Quantity of sugarcane to be crushed in the North East (million tons)	40.5	44.9	47.4	42.1	38.5	-8.55%

Source : Information Department, Office of Cane and Sugar Board

### The Company's sugarcane supply

The Company considers that sugarcane supply plan is one of our main strategies since quantity of sugarcane being acquired each year is a key factor having impact on our profit. If we can supply large quantity of sugarcane into our production process, we will be able to reduce cost per unit. We will also have sufficient quantity of bagasses for use as biomass fuel for the production of electricity, which will be used during production process. This will allow us to earn more profit from selling electricity to Provincial Electricity Authority and Electricity Generating Authority of Thailand. On the other hand, if the Company can only supply small quantity of sugarcane, cost per unit of sugar will increase, and quantity of bagasses will decrease. If the quantity of bagasses is insufficient for production electricity for use in our factories, we will have to buy additional fuel from other sources, which will result in low profitability

The Company does not own sugarcane plantation, and therefore needs to acquire sugarcane by promoting farmers to switch from planting other crops to sugarcane instead. We believe that good service and good relationship with farmers are the key factor in supplying raw materials. We consequently place importance on management of good relationship with farmers through provision of financial support and building relationship using agricultural researchers.

The following table shows quantity of sugarcane of the Company comparing to the whole country during production year of 2012/2013 to production year of 2016/2017

Production year	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Quantity of sugarcane throughout the country (ton sugarcane)	100,002,514	103,665,750	105,959,057	94,047,042	92,950,815
The company's quantity of sugarcane to be crushed (ton sugarcane)	2,543,137	2,509,773	2,286,749	2,647,639	2,444,846
Ratio between The company's quantity of sugarcane to be crushed and quantity of sugarcane throughout the country (percentage)	2.54%	2.42%	2.16%	2.82%	2.63%

Source : Production Management Center, Office of the Cane and Sugar Board, and the Company

### **Good relationship management with sugarcane farmers**

The Company considers that sugarcane farmers are our key trade partners, and we therefore focus on relationship management with sugarcane farmers in holistic manner aiming on long-term interest of our Company and sugarcane farmers. We work closely with farmers for several years from planning process to sugarcane cutting and delivery. As a result, we understand problems that the farmers are facing during all phases of farming beginning from soil preparation, planting, nourishing, irrigation, harvesting and transportation. All of these processes must be done in comprehensive manner.

#### **(a) Financial support (offering advance payment)**

The main method that sugar factories use in supplying sugarcane into production process and building good relationship with farmers is to offer advance payment or other necessary factors for sugarcane farmers in order to promote sugarcane farming so that sugarcane will be sold to sugar factories in the following year. This method of “advance payment” is like reserving sugarcane for crushing in the factories. After sugarcane is big enough and ready for cutting, it will be the time that sugar factories are opening for sugarcane crushing. Farmers will cut down sugarcane and deliver them to factories. The factories will then deduct advance payment from money to be paid for such sugarcane. Our Company usually plans one year ahead of production year to ensure that we will have enough sugarcane for production. We will enter into sale and purchase agreement directly with farmers in advance, and will also enter into advance payment agreement if farmers need cultivating assistance from the Company. In the past, 80% of farmers receive advance payment from the Company. This payment covers various expenses during cultivation beginning from soil preparation, sugarcane preparation, and investment in water system, fertilizer, as well as sugarcane harvesting expense.

We consider the amount of advance payment to be offered to each farmer based on history of sugarcane delivery, sugarcane quality, and debt repayment ability, in order to minimize the issue of bad debts of the Company. In addition, we also require some farmers to place their properties as security deposits. For advance payment in the amount exceeding approving authority of financial support management board, approval must be granted by managing director, executive board, or the Company’s Board of Directors, as the case may be.

Besides financial support approving system that we have to proceed step by step, we also use technology when considering the amount of advance payment such as GIS (Geographic Information System), to help minimizing issue of claiming possessory right over sugarcane plantation, calculating cultivating area and suitability of sugarcane planting of farmers, in order to plan for sugarcane supply.

The Company monitors farmers’ products continuously throughout cultivation season until farmers deliver sugarcane to deduct advance payment being provided.

In the event that advance payment has not been repaid after completion of crushing period, which is the end of sugarcane delivery during such production season, the Company will specifically monitor those farmers by analyzing reasons of unpaid balance, and continuity of sugarcane farming, in order to assess ability to deliver sugarcane as debt repayment in the following production season. This analysis will be made individually. If the Company has assessed and sees low chance of sugarcane delivery as debt repayment, the Company will submit the matter for legal department to proceed further action.

**(b) Farming services for farmers**

The Company recognizes the importance in strengthening the sustainability of raw materials since our factories have expanded production capacity, we therefore support farmers who would like to expand plantation and increase products by motivating them to plant sugarcane instead of other crops such as supporting them with ploughing and cultivating expenses, chicken manure, offering interest-free installment plan for sugarcane provision, backhoe service, well excavation, water system, installation of water tank on tractors, productivity and efficiency enhancement technology, preparation of experimental and demonstration plots with other agencies involved, transportation station service for small farmers who do not have large truck for sugarcane transportation. All of these services and assistance are provided with our goal to improve better living condition for farmers according to the Company's motto "Fulfilling Life, Bringing Happiness. Having good relationship with farmers plays a part in helping the Company to reduce the risk in terms of raw material supply.

**(c) Establishment of Promotion Office**

The Company has established promotion office the area suitable for sugarcane farming by having fulltime agricultural technical staff to help supervising farmers, solving problems for farmers, promoting farmers to plant more sugarcane, and suggesting sugarcane farming techniques in order to improve products, The Company's agricultural technical staff are well experienced. We also instruct our staff to be active in offering services. All agricultural technical staff can maintain good relationship with sugarcane farmers.

The Company has expanded our promotion office to ensure that we will be able to supervise farmers closely and thoroughly, and to offer knowledge and persuade farmers to switch to sugarcane farming aiming to increase quantity of sugarcane for crushing in our factories.

**(d) Sugarcane variety promotion**

The Company recognizes that development of sugarcane variety is necessary for enhancement of sugarcane cultivation capability in the long run. We therefore established sugarcane variety research project to develop sugarcane variety that is suitable for cultivation in the promoted area to ensure that it will be sufficient for expansion of cultivation area each year.

**(e) Agricultural machinery service**

At present, sugarcane farmers need agricultural machineries for sugarcane cultivation and harvest due to the decrease in number of agricultural labor. The Company has tasked our Agricultural Machinery Service Department to offer agricultural machineries such as sugarcane harvesters, sugarcane planters, to farmers in order to reduce sugarcane planting and harvesting costs, and to build good relationship with farmers.

**Production Process**

Sugar production begins with cane crushing for juice extraction. Most sugar mills start their cane crushing in late November or early December of each year. The cane crushing process has a very high start-up cost, which is fixed cost. Thus, when a sugar mill starts its cane crushing operation, the machine will be operated continuously 24 hours a day. Cane crushing process ends around April. The sugarcane crusher machine is put into operation for a total of 130 – 150 days.



A-molasses is added to seeding and evaporated in vacuum pan B for approximately 4 hours until it turns into massecuite. The resulting massecuite then enters the centrifuge to separate sugar crystals (raw sugar B) from B-molasses. Raw sugar B from this vacuum pan will be transported to and stored in a warehouse as bulk raw sugar awaiting distribution. A part of it will undergo the process to turn it into white or purified sugar at the end of cane crushing season (remelting season). B-molasses will be further evaporated in vacuum pan C.

B-molasses is added to seeding and evaporated in vacuum pan C for approximately 6 hours until it turns into massecuite. The resulting massecuite then undergoes centrifugation process and is mixed with boiled water or syrup in order to be evaporated into seeding, which will later be evaporated in vacuum pans A, B and C. C-molasses, which is final molasses, will be sent to the molasses tank for further distribution.

- **Brown Sugar Production Process** The process for production of brown sugar can be summarized as follows:

- Preparation of B-magma

B-magma is prepared by mixing raw sugar B with hot water without dissolving the sugar. The magma is stored to serve as footing.

- Crystallization and centrifuging

B-magma is transferred to a vacuum pan in which it is evaporated along with syrup and molasses obtained from the boiling of white or refined sugar for about 3 hours to form crystals with required properties. The resulting massecuite is left to allow crystal growth before it is transferred to the centrifuge to separate brown sugar crystals from molasses. The centrifugation process takes about 3 hours. The resulting molasses will be put through the crystallization process.

- Drying

Brown sugar from the centrifuge will be dried by a dryer to take out excessive moisture from the sugar crystals at the temperature of 60-80 degrees Celsius.

- Packaging

Brown sugar has to undergo the Company's quality control steps, including the use of magnets to attract metal impurities in the sugar, sorting of sugar crystals to meet the standard set by the Company, before it is packed in 50-kg bags and/or packages of other sizes as required by customers.

- **Production of White/ Refined Sugar**

The process for production of white/ refined sugar is similar to that of the brown sugar, but carbonation process is added to obtain target color. The steps for producing white/refined sugar are summarized below.

- Remelting

Raw sugar A from the raw sugar production process is dissolved in hot water to get remelt syrup.

- Decolorization

Carbonation is used for color removal. The remelt syrup is mixed with milk of lime in order to seize impurities in the syrup. Then, it is bleached with carbon dioxide to have the impurities combine with lime residue. Pressure filter is used to extract sediment/residual. The remaining syrup will go through Ion-Exchange Resin for decolorization.



## Environmental Management

The Company is aware of the importance of effective management to ensure that its business operations will not negatively affect the environment. Energy conservation and saving is promoted and encouraged throughout the organization. The Company also has a policy to strictly follow related rules and regulations, such as measurement and control of production process that may affect the environment to ensure that the Company's emissions meet the industrial standards. Controlling and measuring the amount of gas emission from the factory in 2017 are shown below.

	Funnel 1	Funnel 2	Funnel 3	Funnel 4	Funnel 5	Funnel 6	Standard values
Dust (mg/Nm <sup>3</sup> )	34	73	23	52	33	13	Less than 120.0
Nitrogen oxides (ppm)	91	73	81	76	54	59	Less than 200.0

Note : Notification of the Ministry of Industry Re: Determination of Emission Standard of Plant Generating, Transmitting or Selling Electricity, B.E. 2547 (A.D. 2004)

## Industrial Waste Management

The Company has very little waste from its production process because bagasse, sludge and molasses are byproducts that have many uses. For example, bagasse can be used as fuel of boiler; sludge can be used as fertilizer, and molasses is a raw material for other industries. Therefore, the Company has no problems regarding release of waste to nearby communities and environment.

## Controlling and measuring reuse water

The Company uses closed loop water treatment system where wastewater from production process is transferred to the treatment system. Then, treated water is sent to the raw water storage pond to be further used in the production process. In order to improve the quality of its wastewater treatment system to meet an established standard, the Company has installed surface aerators and measured the treated water to ensure that it meets the standard criteria. Results of the inspection of water quality of the Company's raw water storage pond in 2017 are shown in the table below.

	pH	Temp	BOD	COD	Oil & Grease	TDS	TSS	TKN
Measured values	7.26	28.30	5.00	18.00	<0.50	632.00	14.00	18.00
Standard values	5.50 - 9.00	40.00	20.00	120.00	5.00	3,000.00	50.00	100.00





### 3. Risk from foreign exchange rates

The Company has exported about 70% of its sugar sales sum. Most sugar exported is exposed to the USD currency; so the Company's sales sum has been fluctuating in line with the exchange rate. However, the Company has to set up the 70:30 revenue sharing scheme between the Company and sugarcane farmers; as a result, the Company's cost of sugar moves subject to the exchange rate, as well. Therefore, a great amount of income and costs of the Company are linked to the exchange rate (natural hedge). In addition, the Company has made the forward contract to reduce the impact caused by such fluctuations of exchange rate to the Company's operating results.

Nevertheless, such risk preventive measures may adversely affect the Company's quarterly operating results since the Company has to record its profit and loss of the income statements according to the fair value of that option, which may not perfectly match the time of receiving payments from its sugar sales.

### 4. Risk from raw material supplies-sugarcane

The Company is one of the producers and distributors of sugar and by-products, which needs the sugarcane as the raw material; so the Company's risk of operating results partly deals with the quantities of sugarcane supplied to the production process. The factors affecting the volume of sugarcane include: (1) the change of sugarcane planting areas (the number of Rai) which some farmers can decide to grow other agricultural crops generating higher returns than sugar, or the state sector may launch the promotion policy on growing other crops; and (2) Climate change conditions, such as drought and flood, caused by global warming affects changes in the yield of sugarcane so the company has policy to help our farmers by develop the irrigation system. The company creates well to prevent drought in dry period and (3) the company also helps farmers by selecting the best sugarcane species for higher yield.

If the dropping sugarcane planting areas or drought cause less amount of sugarcane across the country, the amount of sugar is produced by the Company would be reduced as well. When the cost per unit especially the fixed cost per unit is rising, the profit per unit certainly plunges and the Company's overall profit would finally slump. Moreover, in any years when the quantity of sugarcane grown is so low, the neighboring sugar mills compete for buying some sugarcane more to sustain their amount of sugarcane crushed. As a result, the Company's overall cost of raw materials is hiking while its net profit is dropped.

However, Thailand comes secondly in the list of the worlds' top sugar exporters, and being the main sugar supplier to the Asian region. In the years when the amount of sugarcane crushed was dropped in Thailand, it results to the quantity of sugar available in the Asian region, which drives the sugar selling prices in other countries higher. Consequently, such increasing prices help relieve the impact of the volume of sugar crushed, and higher costs.

Furthermore, the Company has valued the stability of sugarcane supplies; therefore, it has provided assistance system, and utilization of technologies to boost the yields and efficiency in sugarcane planting. Such assistance purposively helps the sugarcane farmers, under the Company's care, the farmers can receive good returns from the sugarcane plantation in a long term, which indirectly motivates those sugarcane farmers to grow and supply some sugarcane to the Company consistently.



The Company has valued the risk management for such advance loans are extended; so it is controlled, starting from the process of granting the credit line to the debt collection system. The Company establishes the advance loan management committee to be in charge of approving such advance loans to sugarcane farmers by considering sugarcane planting areas, anticipated quantities of sugarcane grown, records of sugarcane delivery, and debt repayment of each debtor. The Company has regularly monitored the sugarcane grown by sugarcane farmers who receive the advance loans granted by the Company. The Geographic Information System (GIS) has been used to survey and measure the sugarcane planting areas in order to get the accurate information about sugarcane planting areas of the Company, and to make its monitoring of sugarcane products more efficient.

#### **8. Risk from the impact on the environment**

The Company has always focused on the business management to ensure that there will not be any negative impact on the environment, and on the policy of keeping the Company's production process under the industrial standards. In respect with dust emitted from the sugar mills, the Company repairs and installs some dust collectors, and improves the dust filling system by having the wet scrubber installed.

However, the Company cannot assure that it would not be claimed for any environmental impact in the future. The claims against the Company for the environmental impact can adversely affect its operating results and financial status, as well.

#### **9. Fraud Risk**

The Company adheres to ethics and morals in business operations and will not tolerate any act that may lead to fraud and corruption even though such act is beneficial to the Company. Persons in charge of policy making and supervision have supported the introduction and implementation of an effective anti-corruption system to ensure that all of the Company's employees realize how important it is to prevent corruption. The anti-corruption mindset has been cultivated as the Company's culture. Meanwhile, the Company has clearly declared to the public its intention to fight against corruption by joining "Thailand's Private Sector Collective Action Coalition against Corruption" on 30 March 2016. The Company has established clear responsibilities, guidelines and requirements to fight corruption.

### **Risk from the government policy**

The cane and sugar industry in Thailand has been controlled and regulated by the Cane and Sugar Board by virtue of the Cane and Sugar Act, B.E. 2527. The Board arranges the sugar distribution in a quota system (Quota A for domestic sales, Quota B and C for exports), allocates the revenue in the sugarcane production system between sugar mills and sugarcane farmers under the 70:30 profit-sharing scheme, and controls the entry of new players into the sugar business, etc. It is apparent that the rules and regulations issued by the Cane and Sugar Board take effect to the production costs and operating results of the Company; for example, the 70:30 profit-sharing scheme originates the calculation of sugarcane price the sugar mills pay to the farmers, the regulations regarding the sugar exports, the policies on the revision of domestic sugar prices, or the policies on free trading of the sugar business, which may affect the Company's operating results.



# Shareholding Structure and Management



## Securities of the company

The company's registered capital is THB 600,000,000 comprising 600,000,000 ordinary shares, at value of THB 1.00. The paid up capital is THB 600,000,000.

## 1. Shareholding Structure

The major shareholders of the Company as of 29 December 2017 are listed below.

	Shareholders	Shares held	Proportion (%)
1	Khonburi Capital Co., Ltd. <sup>1</sup>	165,307,800	27.55
2	MITSUI & CO.,LTD.	66,666,666	11.11
3	MITSUI SUGAR CO.,LTD.	33,333,334	5.56
4	Mr. Somkiat Twiltermsup Group	21,612,500	3.60
5	Phatra Capital Public Company Limited	16,822,100	2.80
6	Mr. Kan Twiltermsup	16,228,500	2.71
7	Mr. Somchai Twiltermsup	15,228,500	2.54
8	Mr. Issara Twiltermsup	15,228,500	2.54
9	Miss Chonatee Twiltermsup	15,228,500	2.54
10	Thai NVDR Company Limited	14,976,600	2.50
11	Other	219,367,000	36.55
<b>Total</b>		<b>600,000,000</b>	<b>100.00</b>

- Remarks**
- Khonbur Capital Co., Ltd. is a holding company and its shareholders as of 30 December 2017 are as follows:
 

Mr. Issara	Twiltermsup	Group holds	39,100,000	shares equivalent to 50%
Mr. Takon	Tawinttermsup	Group holds	19,550,000	shares equivalent to 25%
Mr. Somkiat	Twiltermsup	Group holds	19,550,000	shares equivalent to 25%
			78,200,000	shares equivalent to 100%

    - Mr. Issara Twiltermsup Group is composed of Mr. Issara Twiltermsup, Mr. Somchai Twiltermsup, Miss Chonatee Twiltermsup, Mr. Teerawat Twiltermsup
    - Mr. Takon Tawinttermsup Group is composed of Mr. Takon Tawinttermsup, Mr. Rungsan Tawinttermsup, Mr. Rachot Tawinttermsup and Mr. Kosol Nantilipong
    - Mr. Somkiat Twiltermsup Group is composed of Mr. Somkiat Twiltermsup, Mr. Tanasit Twiltermsup, Ms. Jitsupa Twiltermsup, Mr. Tanachote Twiltermsup and Mrs. Tarinee Sermleelatham



The management structure of the Company as of 31 December 2017 consisted of the Board of Directors and 4 sub-committees, namely Executive Committee, the Audit Committee, the Risk Management Committee, Nomination and Remuneration Committee as described below.

### 1) The Board of Directors

As of 31 December 2017 the Board of Directors consists of 11 members are included

No.	Name of Directors		Position
1.	Mr. Suthep	Wongvorazathe	Chairman, Independent Director
2.	Mr. Takon	Tawintermsup	Director, Chairman of Executive Committee
3.	Mr. Somkiat	Twiltermsup	Director, Executive Director, Risk Management Committee
4.	Mr. Issara	Twiltermsup	Director, Executive Director, Risk Management Committee
5.	Mr. Amnart	Rumpoeypong	Director, The Nomination and Remuneration Committee
6.	Mr. Tat	Wanakornkul	Director, Executive Director, Risk Management Committee
7.	Mr. Sran	Smutkochorn	Independent Director, Chairman of Risk Management Committee, The Nomination and Remuneration Committee
8.	Dr. Thwatchai	Nakhata	Independent Director, Chairman of the Nomination and Remuneration Committee
9.	Mrs. Suvimol	Krittayakiern	Independent Director, Chairman of the Audit Committee
10.	Mr. Voravit	Rojrapitada	Independent Director, Audit Committee, Risk Management Committee
11.	Mr. Suwat	Summasshipvitsavakul	Independent Director, Audit Committee

Remark: Mr. Teerapat Thavisin was the company secretary

The authorized directors are Mr. Takon Tawintermsup, Mr. Somkiat Twiltermsup, Mr. Issara Twiltermsup and Tat Wanakornkul, any two authorized directors co-sign their names with the Company's seal affixed.

#### Scope of Duties and Responsibilities of the Board of Directors

1. To undertake and manage the Company in conformity with any and all related laws, objectives, and Articles of Association of the Company, as well as resolutions of the meetings of shareholders.
2. To comply with laws, objectives, and Articles of Association of the Company, as well as resolutions of the meetings of shareholders and the Board of Directors. In managing the Company's business, the Board of Directors shall perform duties with a full spectrum of responsibilities, care and honesty.
3. To consider and approve any significant matters related to the Company's business operations, e.g. vision, mission, policies, business strategies, goals and operating plans, financial targets, and budget.
4. To govern and care for the normal business operations of the Company; and to have the Management work efficiently and proficiently to be in line with the determined vision, mission, policies, business strategies, goals and operating plans, financial targets, and budget of the Company for inclusive benefits of the Company and its shareholders.





18. To appoint a director or person having engaging the qualifications, knowledge, competence and experience as the Board of Directors deems appropriately as the Company Secretary.
19. To appoint and/or empower one or several directors or persons to take any acts under the scope of directorship power and as the Board of Directors deems appropriately. However, such empowerment may be suspended, cancelled or altered.
20. To provide and care for the communication channels to connect with each group of shareholders and stakeholders of the Company appropriately.
21. To care for the accuracy, completion, timing and transparent disclosure of important information related to the Company via fair and creditably accessible channels.
22. To set up and amend any matters prescribed in the regulations and Articles of Association of the Company.
23. To engage other power, duties and responsibilities as required by laws and other related regulations, Articles of Associations of the Company, and the resolutions of the meetings of shareholders.
24. The Board of Directors has duties and responsibilities in setting policies and supervising systems to effectively support anti-corruption in order to ensure that the Management recognizes and pays attention to anti-corruption until it becomes a culture within the organization.

#### **Scope of Duties and Responsibilities for the Chairman of the Board of Directors**

27. The quorum of Board of Directors is prescribed in the Articles of Association that there must be directors attending the meeting not less than half of the whole directors to form a quorum. The Chairman of the Board of Directors must be the Chairman of the meeting. In case of the chairman is absent, Vice-chairman will take place as a Chairman of the Board of Directors of that particular meeting. In case of Chairman and Vice-Chairman are both absent, directors choose the chairman in the meeting by the majority of votes. The decision shall be made with majority votes. One vote per director is allowed for a director unless those director who has benefit/may benefit or affect conflict interests has no vote. In case of, there are the same number of votes, the chairperson shall exercise the casting vote.
28. The Charter of the Board of Director committee requires at least one meeting in a quarter. The meeting location might take place at the company's headquarter or other's province or the place the the chairman of the meeting see as appropriate by the chairperson or director who assigned call the meeting. More than two directors may request the meeting by asking the chairperson and the chairperson or director who assigned shall arrange the meeting within 14 days after the requesting date. The chairperson or director who assigned sent the notice to all directors 7 days prior to the meeting, unless the urgent situation related to company's benefit, the chairperson or director who assigned can inform the meeting by alternative ways and the meeting may set sooner.
40. Normally, the meeting of Shareholders, chairman of the Board of Directors must be the chairman of the Board of Directors meeting. In case of the chairman is absent, Vice-chairman will take the place as a Chairman of the Board of Directors of that particular meeting. In case of Chairman and Vice-Chairman are both absent, directors choose the chairman in the meeting by the majority of votes.
41. Generally, Resolution of the shareholder meeting decided by the majority of votes. In case of, there are the same number of votes, the chairperson shall exercise the vote.



8. To consider and approve of the rules, regulations, management policies and business operations of the Company or any other acts binding the Company.
9. To empower the Managing Director to operate the business of the Company in accordance with the scope of power, duties and responsibilities as designated and governed by the Executive Committee.
10. To appoint and/or assign the Executive Director or a person or several persons to take any acts under the scope of power given to the Executive Committee and as the Executive Committee deems appropriately. The Executive Committee may suspend, cancel or alter such power.
11. To consider and approve of the Empowered Operation Manual to enable the appointed and/or authorized persons to be aware of the scope of responsibilities and given power, and such that shall be a working manual for further working reference and to make the working procedure in order.
12. To set up a succession plan for Managing Director.
13. To have any power, duties and responsibilities as per assignments or policies given by the Board of Directors.

The scope of power, duties and responsibilities of the Executive Committee mentioned above is under applicable laws and related regulations, as well as Articles of Association of the Company. In case that the Executive Committee must carry out or enter into any transaction which may cause potential conflict of interest, and/or it must enter into any transaction with a connected transaction, the related laws and regulations or the Articles of Association of the Company require that must be considered and approved by the meeting of shareholders or that of the Board of Directors. By this regard, the Executive Committee shall provide some opinions, which is further proposal to the Board of Directors for consideration, and undertaken as required by any related laws and regulations or the Articles of Association of the Company.

### 3) The Audit Committee

As of 31 December 2017, the Audit Committee consisted of 3 following members :

No.	Name of Directors	Position
1.	Ms. Suvimol Krittayakiern	Chairman of the Audit Committee
2.	Mr. Voravit Rojrapitada	Audit Committee
3.	Mr. Suwat Summasshipvitsavakul	Audit Committee

Remarks:

1. Mrs. Suvimol Krittayakiern is an audit committee member who is equipped with knowledge in accounting and finance
2. Mr. Manawin Kongto was the Secretary to the Audit Committee.

#### Scope of Duties and Responsibilities of the Audit Committee

1. To review the financial statements of the Company to ensure that they are disclosed accurately and adequately by coordinating with the external auditor and the Management who are responsible for the preparation of quarterly and yearly financial statements. The Audit Committee may have the auditor review or audit any transactions necessarily or importantly while auditing the Company's account.
2. To provide some advice to the Board of Directors and the Management on the improvement of the Company's working process or system in order to reduce related risks to ensure that the financial statements of the Company are accurate and efficiently utilized.



### Scope of Duties and Responsibilities of the Risk Management Committee

1. To set up a general risk management policy to be proposed to the Board of Directors; such policy shall involve the procurement of raw materials, financial supports to farmers, production, marketing and finance, as well as investment risks and other risks possibly taking impact on the business reputation.
2. To set up the potential risk management direction and policy due to the procurement of raw materials, financial supports to farmers as well as the risk of inadequate supplies of sugarcane for the production process, and the risk of bad debt due to financial supports given to the farmers.
3. To set up the risk management policy in relation to the Company's production, which also includes the risks affected by the production proficiency and the discontinuity of production.
4. To set up the risk management policy in relation to the marketing and sales as well as risks affected by the fluctuation of global sugar price and the foreign exchange rates.
5. To set up the policy of utilizing financial instrument, e.g. future contract for the right in sugar sales and purchases, foreign currencies exchange forward contract, etc. in order to prevent the Company's financial risks.
6. To lay down the policies and the principles of making insurance for various assets in order to reduce the risk of possible disasters.
7. To place the business strategies to be in line with the risk management policy in order to support and encourage the cooperation from the Company's employees at all levels, and to enable to monitor, evaluate and keep the level of risks at an appropriate level.
8. To improve and revise the management and risk management systems of the Company to ensure that they are efficient and proficient. The evaluation and monitoring of such risk management process must be at all time in conformity with the determined risk management policy.
9. To set up the preparation of risk reports and advice to be submitted to the Board of Directors for further improvement.
10. To perform other duties in relation to the risk management as specifically assigned by the Board of Directors.

### 5) The Nomination and Remuneration Committee

As of 31 December 2017, the Nomination and Remuneration Committee consisted of 3 following members:

No.	Name of Directors		Position
1.	Dr. Thawatchai	Nakhata	Chairman of the Nomination and Remuneration Committee
2.	Mr. Sran	Smutkochorn	The Nomination and Remuneration Committee
3.	Mr. Amnart	Rumpoeypong	The Nomination and Remuneration Committee

Remark: Mr. Teerapat Thavisin was the Secretary to The Nomination and Remuneration Committee



3. To consider the engagement into any juristic acts, and/or to negotiate for any contracts related to any operations or undertaking in connection with the Company's day-to-day operations and/or management, which involve some money higher than the determined amount, in order to provide some opinions and propose such matter to the Board of Directors and/or the Executive Committee for further screening and finding out the solutions.
4. To set up certain trading conditions, e.g. line of credit, period of payment, entering into a contract of sale, changes of trading terms, etc. and such transactions involve some money not more than Baht 10 million.
5. To recruit, appoint, remove, transfer, dismiss, and set up the scope of authority, duties and appropriate benefits for employees of the Company, who hold position of the Department Manager or lower according to the policies settled by the Executive Committee.
6. To recruit, appoint, remove, transfer, dismiss, and set up the scope of authority, duties and appropriate benefits for top management of the Company, who hold position of the Deputy Managing Director up to position of Line Executive or equivalent in accordance with policies established by the Board of Directors and/or the Nomination and Remuneration Committee.
7. To appoint some advisors in any fields necessary for the Company's day-to-day operations and/or management.
8. To appoint and/or empower any person or persons to take acts under the scope of authority of the Managing Director as the Managing Director considers it is appropriate whereas such empowerment may be cancelled, revoked or revised by the Managing Director.
9. To have any authority, duties and responsibilities as assigned or subject to policies given by the Board of Directors and/or the Executive Committee.

### 3. Nomination of Directors and Executives

The Company has appointed The Nomination and Remuneration Committee to consider and prescribe criteria and policy on nomination of suitable candidates to assume position of directors, and propose to shareholders' meeting. Minor shareholders have been given opportunity as another channel to propose suitable candidates for directors. Criteria and procedures are prescribed in the Company's Articles of Association as follows :

The Company has given an opportunity to our shareholders to propose agendas and to nominate person to be elected from September 1, 2017 unit December 1, 2017, in advance in compliance with the criteria as announced on the Company's website at [www.kbs.co.th](http://www.kbs.co.th) under " Investor Relations" page, Shareholder information" section and item " General Meeting of Shareholders".

Criteria and procedures are prescribed in the Company's Articles of Association as follows :

1. A shareholder shall have votes in a number equals to the number of shares he holds.
2. In case that the number of persons nominated for the office of director is greater than that required in that election, the shareholders shall vote for each nominated person. In casting votes, each person was elected by the shareholders shall receive the number of votes equals to the number of shares which each shareholder holds. In case of voting for more than one director, each shareholder is not permitted to distribute his/her votes as he/she pleases .The persons who receive the highest votes which are arranged in order from higher to lower in a number equal to that of directors whom to be appointed by electing as the directors of the Company. In the event of a tie at a lower place, which would make the number of directors greater than that required or elected at that time, the chairman of the meeting shall give the casting vote.





8. Not operating a business as and in competition with the business of the Company or subsidiary, or not being a partner, or being a director having involvement in the management, employee, staff, advisor receiving regular salary or holding shares exceeding one percent of the total number of shares having voting rights of other companies which operate a business of the same nature as and in competition with the business of the Company or subsidiary.
9. Having no other characteristics which prevent the provision of independent opinion regarding the Company's business.

#### 4. Remuneration of Directors and Executive

The Company has specified the remuneration for directors at the rate used within the industry. The remuneration is also sufficient to maintain quality directors with the Company. The remuneration for the management is in accordance with the Company's operational performance and performance of the individuals.

The Nomination and Remuneration Committee will determine necessary and appropriate remuneration, both monetary and non-monetary terms for the Company's directors, members of the sub-committees and the managing director including provided remuneration for directors and members of the sub-committee shall be proposed to the Company's general shareholders' meeting which is held on an annual basis.

##### 1) Directors' Remuneration

The Company determined the directors' remuneration which is approved by the shareholder's meeting on April 26, 2017. Meeting allowance do not exceed THB 8,000,000 per year which is the same amount as 2016.

- Directors' Remuneration as of 2017 as follow:

Director	Position in Board of Directors	Meeting Allowance (THB)
Board of Director	Chairman of Executive Directors	18,000
	Directors	12,000
Audit Committee	Chairman of Executive Directors	18,000
	Directors	12,000
The Nomination and Remuneration Committee	Chairman of Executive Directors	18,000
	Directors	12,000
Risk Management Committee	Chairman of Executive Directors	18,000
	Directors	12,000
Executive Director	Chairman of Executive Directors	18,000
	Directors	12,000



## 5. Personnel

The changes of the group of Companies personnel including executives.

Date / Number of employees	31 <sup>st</sup> December 2015	31 <sup>st</sup> December 2016	31 <sup>st</sup> December 2017
Khonburi Sugar Public Company Limited	827	850	851
Khonburi Power Plant Co., Ltd.	93	94	92
Khonburi Bio Energy Co., Ltd.	-	-	-
KBS Trading Co., Ltd.	-	-	-
KBS Investment Co., Ltd.	-	-	-
KBS Cane and Sugar Co., Ltd.	-	-	-
KBS Power Co., Ltd	-	-	-
<b>Total</b>	<b>920</b>	<b>944</b>	<b>943</b>

### Personnel Development Policy

The Company has policies to develop our employee's skill to be competitive. As the result, the company can have sustainable growth. The aims for the development policy are to help employees reach their potential and develop themselves. Moreover, the company also build up team work skills, as well as, allow them to advance in their fields by using "Recruitment Development and Retention" policy.

### Recruitment

The company has job descriptions and right qualifications for each position, and also has a good measurement for recruitment so the company would have persons suitable to the jobs on the basis of capability and right qualifications with good attitude which consistent to the company's vision. The company also has fair condition, return and benefit adhere to the law.

### Development

The company has plan to help employees reach their potential by established personal development plan which manage on their basic competency. Job description conforms to our vision and mission significantly. Our employees was rated since they started their job. Policies on continuous training by their competency and human resource management have been set up. The aims are to help employees reach their potential, ensure effectiveness at work, and allow them to advance in their fields. All employees are required to receive training which is in line with the Company's direction and strategies.

Training hours for employee

Year of training	amount of training (hours)	Average : Employees : Year
2017	21,617	25.17

### Retention

Employee is a starting point to drive business towards success. Therefore, the company adheres for human resource management by promoting employee potential throughout working in term of return and benefit to meet our employees' satisfaction.



## 2. Mr. Takon Tawintermsup

<b>Position</b>	: Director / Chairman of Executive Committee
<b>Age</b>	: 64 years old
<b>Education</b>	: Matthayom 3, Matthayom Wat Thatthong school.
<b>Training</b>	: Director Certification Program (DCP) Class 32/2003 Finance for Non-Finance Director (FND) Class 5/2003
<b>Training During the year</b>	: -
<b>Number of shares held at the beginning of the year</b>	: 3,931,250 shares
<b>Number of shares held at the end of the year</b>	: 3,931,250 shares
<b>Number of Shares in Subsidiaries</b>	: Khonburi Power Plant Co., Ltd. : 1 share, KBS Trading Co., Ltd. : 1 share, Khonburi Bio Energy Co., Ltd. : 1 share, KBS Investment Co., Ltd. : 1 share, KBS Cane and Sugar Co., Ltd. : 1 share, KBS Power Co., Ltd. : 1 share
<b>Number of shares held by the spouse and minor children at the end of the year</b>	: -

### Experiences :

2013 – Present	Chairman of Executive Committee, Director	Khonburi Sugar Public Company Limited
1974 – 2013	Executive Director and Managing Director	Khonburi Sugar Public Company Limited
1979 - Present	Director, Chairman of Executive Committee	Chumporn Palm Oil Industry Public Company Limited
2017 - Present	Director	All Bloom Coconut Company Limited
2017 - Present	Director	CPI Grow Company Limited
2016 - Present	Director	CPI Trading Company Limited
2016 - Present	Director	CPI Green Company Limited
2014 - Present	Director	CPP Company Limited
2014 - Present	Director	KBS Investment Company Limited
2014 - Present	Director	KBS Cane and Sugar Company Limited
2014 - Present	Director	KBS Power Company Limited
2011 - Present	Director	CPI Agrotech Company Limited
2010 - Present	Director	Khonburi Capital Company Limited
2008 - Present	Director	KBS Trading Company Limited
2008 - Present	Director	Khonburi Power Plant Company Limited
2004 - Present	Director	Khonburi Bio Energy Company Limited
1993 - Present	Director	Chumporn Holding Company Limited
1988 - Present	Managing Director	Bomrungrat M.C. Company Limited



#### 4. Mr. Tat Wanakornkul

<b>Position</b>	:	Director, Executive Director, Risk Management Committee and Managing Director
<b>Age</b>	:	64 years old
<b>Education</b>	:	Bachelor degree of Pharmacy, Mahidol University Master of Business Administration, Faculty of Commerce and Accountancy, Thammasat University
<b>Training</b>	:	Directors Accreditation Program (DAP) Class 89/2011
<b>Training During the year</b>	:	-
<b>Number of shares held at the beginning of the year</b>	:	466,000 shares
<b>Number of shares held at the end of the year</b>	:	736,000 shares
<b>Number of Shares in Subsidiaries</b>	:	-
<b>Number of shares held by the spouse and minor children at the end of the year</b>	:	-

#### Experiences :

2013 – Present	Director, Executive Director, Risk Management Committee and Managing Director	Khonburi Sugar Public Company Limited
2014 - Present	Director	KBS Investment Company Limited
2014 - Present	Director	KBS Cane and Sugar Company Limited
2014 - Present	Director	KBS Power Company Limited
2013 – Present	Director	Khonburi Power Plant Company Limited
2013 – Present	Director	KBS Trading Company Limited
2013 – Present	Director	Khonburi Bio Energy Company Limited





## 6. Mr. Amnart Rumpoeypong

<b>Position</b>	:	Director, Nomination and Remuneration Committee
<b>Age</b>	:	42 years old
<b>Education</b>	:	Master of Business Administration, Chulalongkorn University. Bachelor of International Business, University of North Carolina at Charlotte.
<b>Training</b>	:	Director Accreditation Program (DAP) Class 82/2009
<b>Training During the year</b>	:	-
<b>Number of shares held at the beginning of the year</b>	:	250,000 shares
<b>Number of shares held at the end of the year</b>	:	250,000 shares
<b>Number of Shares in Subsidiaries</b>	:	-
<b>Number of shares held by the spouse and minor children at the end of the year</b>	:	-

### Experiences :

2006 – Present	Director, Nomination and Remuneration Committee Director	Khonburi Sugar Public Company Limited
2006 - Present	Director and Deputy Managing Director	N.Y. Rubber Company Limited
2006 - Present	Director and Deputy Managing Director	N.Y. Plantation Company Limited
2006 - Present	Deputy Managing Director	N.Y. Development Company Limited



## 8. Dr. Tawatchai Nakhata

<b>Position</b>	:	Independent Director and Chairman of Nomination and Remuneration Committee
<b>Age</b>	:	71 years old
<b>Education</b>	:	Ph.D. University of Illinois at Urbana-Champaign
<b>Training</b>	:	Audit Committee Program (ACP) Class 13/2006 Director Accreditation Program (DAP) Class 52/2006
<b>Training During the year</b>	:	-
<b>Number of shares held at the beginning of the year</b>	:	-
<b>Number of shares held at the end of the year</b>	:	-
<b>Number of Shares in Subsidiaries</b>	:	-
<b>Number of shares held by the spouse and minor children at the end of the year</b>	:	-

### Experiences :

2013 – Present	Independent director and Chairman of The Nomination and Remuneration Committee	Khonburi Sugar Public Company Limited
2010 - 2013	Chairman of Audit Committee and Independent Director	Khonburi Sugar Public Company Limited
2012- Present	Chairman	We Retail Public Company Limited
2008 - Present	Chief Executive Director	Property Perfect Public Company Limited
1992 - Present	Chairman	Property Perfect Public Company Limited
2012- Present	Director	KRH Company Limited (Japan)
2012- Present	Director	Property Perfect International Pte. Limited (Singapore)



## 10. Mr. Voravit Rojrapitada

<b>Position</b>	:	Independent Director and Audit Committee and Risk Management Committee
<b>Age</b>	:	73 years old
<b>Education</b>	:	Certificate, Assumption Commercial College Mini M.B.A., Thammasat University Advance Course in General (Non-Life) Insurance, Swiss Insurance Training Center, Switzerland Skandia Insurance Management, Philippines
<b>Training</b>	:	Director Certification Program (DCP) Class 27/2003
<b>Training During the year</b>	:	-
<b>Number of shares held at the beginning of the year</b>	:	-
<b>Number of shares held at the end of the year</b>	:	-
<b>Number of Shares in Subsidiaries</b>	:	-
<b>Number of shares held by the spouse and minor children at the end of the year</b>	:	-

### Experiences :

2013 - present	Independent Director and Audit Committee	Khonburi Sugar Public Company Limited
1981 - present	Director	Bangkok Insurance Public Co., Ltd.
1999 - 2014	Director	Chumporn Palm Oil Industry Public Co., Ltd



## 12. Mr. Kriangsak Phattarakosol

<b>Position</b>	:	Deputy Managing Director of Raw Material
<b>Age</b>	:	64 years old
<b>Education</b>	:	Bachelor Degree of Agriculture, Kasetsart University
<b>Training</b>	:	-
<b>Training During the year</b>	:	-
<b>Number of shares held at the beginning of the year</b>	:	95,000 shares
<b>Number of shares held at the end of the year</b>	:	95,000 shares
<b>Number of Shares in Subsidiaries</b>	:	-
<b>Number of shares held by the spouse and minor children at the end of the year</b>	:	-

### Experiences :

2017 - Present	Deputy Managing Director of Raw Material	Khonburi Sugar Public Company Limited
2014 - 2016	Director of Supply Chain	Mitr Kaset Sugar Factory Uthaitanee
2008 - 2013	Sugar cane manager	Sugar Factory
1997 - 2007	Plant Manager	Sugar Factory Ratchaburi
1975 - 1996	Assistant Plant Manager	Sugar Factory Suphanburi





#### 14. Mr. Dumrong Putiput

<b>Position</b>	:	Factory Director
<b>Age</b>	:	56 years old
<b>Education</b>	:	Bachelor of Engineering (Industrial Engineering) Rajamangala University of Technology Phra Nakon Certificate of Master Industrial Management (MINI MIM), King's Mongkut Institute of Technology, North Bangkok
<b>Training</b>	:	-
<b>Training During the year</b>	:	-
<b>Number of shares held at the beginning of the year</b>	:	-
<b>Number of shares held at the end of the year</b>	:	-
<b>Number of Shares in Subsidiaries</b>	:	-
<b>Number of shares held by the spouse and minor children at the end of the year</b>	:	-

#### Experiences :

2013 - Present	Factory Director	Khonburi Sugar Public Company Limited)
2010 - 2013	Project Director	Cristalla Co.,Ltd

#### 15. Mr. Rakkiti Tanglamlert

<b>Position</b>	:	Chief Financial Director
<b>Age</b>	:	49 years old
<b>Education</b>	:	Bachelor Degree in Accounting, Chulalongkorn University Master Degree in business Accounting, Kasetsart University
<b>Training</b>	:	Certified Public Accountant (CPA) Strategic CFO in Capital Market and Ethic code & Anti Corruption
<b>Training During the year</b>	:	-
<b>Number of shares held at the beginning of the year</b>	:	-
<b>Number of shares held at the end of the year</b>	:	-
<b>Number of Shares in Subsidiaries</b>	:	-
<b>Number of shares held by the spouse and minor children at the end of the year</b>	:	-

#### Experiences :

2016 - Present	Chief Financial Director	Khonburi Sugar Public Company Limited
2013 - 2015	Chief Financial Officer	Chumporn Palm Oil Industry Public Company





# Corporate Governance

The Board of Directors of the Company do believe that the good corporate governance is an essence for the Company for its added value, sustainable business growth, and competitiveness, which shall trigger the long-term growth and higher value for the shareholders. The corporation of governance reflects the efficient, transparent and verifiable management system of the Company, which certainly makes the Company's shareholders, investors, stakeholders and all other related parties have trust and confidence.

## 1) Rights of Shareholders

The Board of Directors is always concerned and valued the rights of the Company's shareholders; therefore, the corporate governance policy is placed by regarding with the basic rights of all shareholders. The related important policies are described below.

### 1.1) Disclosure of Information about the Meetings of Shareholders

The Company lays down a policy of providing the information, adequacy and timing, to all of its shareholders about the date, time, venue, agendas of each meeting of the shareholders, as well as all other related issues for any decision-making in the meetings of shareholders as required by law. The Company may inform the shareholders of the rules of attending such meeting of the shareholders, and the procedure of voting for resolution. Such information shall be disclosed in the Company's website prior to the meeting date and submission of documents so that the shareholders have adequate time to investigate any information about meeting agendas in advance before receiving that information in a hard copy form.

The Company also places a policy of not taking any acts that restrict the shareholders' opportunities in investigating the Company's information about the meeting of the shareholders.

The Company has The Investor Relation which is assigned to act as a company representative responsible for communication, provision of information services, and dissemination of news and information about the Company's activities to institutions, investors, shareholders, and analysts from [www.kbs.co.th](http://www.kbs.co.th) at the Investor Relation page.

### 1.2) Procedure of the Meeting of Shareholders

The Company sets up a policy of facilitating the shareholders' exercise of rights in attending and voting in a meeting of the shareholders. The Company shall omit to do any acts that restrict the shareholders' attendance in the meeting. For example, the attendance in the meeting to vote should not be under the complicated procedure or extravagant expenses.

The Company also encourages all shareholders to share their opinions, or to raise any questions about any of the meeting agendas to the meeting of the shareholders. The Chairman of the meeting of the shareholders should allocate sufficient time to the shareholders. Some shareholders may submit their questions relating to any of the meeting agendas prior to the meeting date as the Board of Directors deems appropriately.

The Company's policy is to encourage all directors to attend every meeting of the shareholders.

## 2) Equitable Treatment to Shareholders

The Board of Directors has concerned and valued the equitable treatment to all shareholders. No discrimination is shown to any of the shareholders due to differences in their status, except the status of shareholders. For example, the shareholders who are the executive board members or the foreign shareholders shall be treated equitably and fairly.

The Board of Directors prescribes the corporate governance policy by regarding with various factors, as well as the equitable treatment to all shareholders. The important policies related to this matter include :

### 2.1) Proposal for Additional Agendas in the Meetings of Shareholders

The Company has a policy of facilitating the minority of shareholders who require proposing the additional agendas prior to the meeting of the shareholders. However, the proposal for the additional agendas, and the consideration for such proposal by the shareholders must be subject to the Company's rules.

The majority of shareholders, who are the Company's executives, shall not propose other additional agendas, particularly some important agendas, without notifying the shareholders in advance to ensure that every shareholder has sufficient time for data investigation before making decisions on voting.

### 2.2) Nomination of the Directors of the Company

The Company has a policy about the minority of shareholders' nomination of any person to hold a position of the director. Such nomination for the position of the director, and the consideration for such proposal by the shareholders must be subject to the Company's rules.

### 2.3) Proxy of Shareholders in case of Absence from the Meeting

The Company has a policy of encouraging the shareholders to use the proxy to enable the shareholders to determine the direction of voting. At least one independent director should be proposed for the shareholders' proxy. Such proxy form shall be delivered by the Company, along with the invitation letter for the meeting of the shareholders to every shareholder.

### 2.4) Use of Ballot Tickets for Significant Agendas

The Company has a policy of using the ballot tickets for any significant agendas, e.g. connected transactions, acquisition or disposal of significant assets, etc. for the transparency and verification of voting in case of any arguments.

### 2.5) Appointment of Directors

The Company places a policy of encouraging the shareholders to exercise their right in appointing each director.

### 2.6) Guidance on Retention and Prevention of the Use of the Internal Information

The Company issues the written guidance on retention and prevention of the use of the internal information. This guidance is informed to all employees in the organization for their compliance. Every director and executive has a duty of reporting his interest or stake to the Company as required by law.

### 3) Roles of Stakeholders

The Board of Director places importance on all stakeholders such as shareholders, investors, customers, creditors, business partners communities and the society or Government Sector. Various stakeholders such as competitors and independent auditors.

#### 3.1) Shareholder and Investor

The company give importance to shareholder by adhering to the principle of fairness and it is committed to conduct its business with transparency, prudence and emphasis on sustainable long-term growth with good returns in order to create the highest satisfaction for shareholders. The Company has established procedures to prevent the use of inside information for the personal interests of directors and executives, in order to protect the interests of shareholders

#### 3.2) Customers

The Company gives importance to and cares for customers with the highest responsibility. The Company is determined to give customers the greatest satisfaction in terms of both quality and value for money through quality control of products and services.

#### 3.3) Employees

The Company's employees are valuable resources and keys to successfully achieving its setting goals. The Company has remuneration and welfare system that is fair and appropriate. The Company also provides various welfares to employees such as uniforms, nursing rooms, health insurance, provident fund and so forth. Moreover, the Company also encourages continuously in developing its employees' knowledge and skills, focuses on the quality by assisting all employees and family by raising the fund and as well to arrange housing loans for them and so forth. The Company organizes regular fire drills, activities related to safety and 5S, and should establish a safety prevention system.

#### 3.4) Creditors

The Company adheres to the contracts and being fair to creditors according to the priority of the obligations in line with the contracts entered into.

#### 3.5) Business partners

The Company's suppliers are treated appropriately, honestly, transparently, fairly and equitably.

#### 3.6) Society and Communities

The Company is realized that acceptance and supporting from society and communities enable the Company to manage its business in smooth and sustainable manner, the Company is committed to be responsible for society, communities and the nation.

#### 3.7) Competitors

The Company operates its business with integrity without any legal or ethical wrongdoings. Company does not seek its competitors' trade secrets through illegal means nor breach agreements to disclose its competitors' information whether receive from customers or other persons.



#### 4.4) Statement on Responsibilities of the Board of Directors to the Financial Statements

The Company publishes the director's responsibilities to financial statement along with the auditor report in annual report. The report contains contents which conforms to accounting principles and financial report that presents accurate, complete, and factual information in compliance with accounting standards. This report is signed by both Chairman and Chairman of Executive Committee.

#### 4.5) Disclosure of Roles and Duties of the Board of Directors and Sub-committees

The Company's management structure comprises five committees, including the Board of Directors, Audit Committee Risk Management Committee and the Executive Board Directors (details in Shareholding Structure and Management). In the year 2017, the following committee members attended each committee's meetings.

	Name of Director		Board of Directors	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Executive Board Directors
1	Mr. Suthep	Wongvorazathe	4/4	-	-	-	-
2	Mr. Takon	Tawintermsup	4/4	-	-	-	10/12
3	Mr. Somkiat	Twiltermsup	4/4	-	1/1	-	8/12
4	Mr. Tat	Wanakornkul	4/4	-	1/1	-	11/12
5	Mr. Issara	Twiltermsup	4/4	-	1/1	-	11/12
6	Mr. Amnart	Rumpoeypong	4/4	-	-	2/2	-
7	Mr. Sran	Smutkochorn	3/4	-	1/1	1/2	-
8	Dr. Thawatchai	Nakata	4/4	-	-	2/2	-
9	Ms. Suvimol	Krittayakian	4/4	4/4	-	-	-
10	Mr. Voravit	Rojrapitada	4/4	4/4	1/1	-	-
11	Mr. Suwat	Summasshipvitsavakul	3/4	3/4	-	-	-

### 5) Responsibilities of the Board

The Company recognizes the importance of seeking for the Company's directors equipped with leadership, vision, experience, knowledge and competence, independence in making decisions for the best interest of the Company and the general shareholders, and apparent segregation of roles, duties and responsibilities between the Board of Directors and the Management. The Board of Directors shall take care of the Company's working system to ensure that all company activities are done legally and ethically.





The meeting date as of 2018 has been scheduled excluding special term as follow

No.	<u>Board of Director Committee / Audit Committee</u>	<u>the Nomination and Remuneration Committee</u>
1	Tuesday ,27 <sup>th</sup> February 2018	Tuesday ,27 <sup>th</sup> February 2018
2	Tuesday ,15 <sup>th</sup> May 2018	Tuesday ,13 <sup>th</sup> November 2018
3	Tuesday ,14 <sup>th</sup> August 2018	
4	Tuesday ,13 <sup>th</sup> November 2018	

3. The Company shall have the Management propose the work performance reports to the Board of Directors regularly to enable the Board of Directors to govern, control, and take care of the Management's working continuously and timely.
4. The Chairman of the Board shall call for the board meetings, and determine the meeting agendas by discussing with the Managing Director, the Company Secretary, or the advisors of the Company. Each director retains the right in proposing any agenda to the board meeting.
5. The Board of Directors may invite any executives, employees, or advisors of the Company to attend the board meeting to provide some additional information to the meeting.
6. The Board of Directors may access to any additional necessary information to be provided by the Managing Director and the Company Secretary. Other executives are assigned by the Board shall have the right to access to it.
7. The Board of Directors places a policy that the non-executive directors may arrange an internal meeting as it deems necessarily to discuss any interesting management problems, in which no management members attend. The Managing Director should inform of the meeting outcome.

#### 5.5) Directors' self-assessment

The Board of Directors instructs to make the self-assessment form once a year by using the form developed by SET as guidelines so as to make a framework to examine the conduct of duties of the board. After the tabulation is processed, the committee shall give observations regarding the performance of the board and each committee submit to the board. The assessment shall weigh the implementation of the policy and/or good practices so as to improve the work of the board to be consistent with the policies and to increase work efficiency. The self-evaluation are as follow:

More than 80%	=	Excellent
60% to 79%	=	Good
40% to 59%	=	Average
20% to 39%	=	Fair
Less than 20%	=	Not proceed

The Board of Directors No.1/2017 on February 27<sup>th</sup>, 2018, the committee made the self-assessment in the important subjects such as the board structure and qualification, responsibilities of the board of directors, the board of directors meeting, director's duties ,relationship with operation and directors' personal development. The result of self-assessment was 94.95% which was in the excellent range.



## Internal Audit Office

The Company has recognized that the good audit shall boost the working efficiency of the Company. To ensure such efficiency, the Internal Audit Office was established with the following scope of power and duties :

1. To prepare the annual audit plan that contains the goals and the importance of audit.
2. To take care of the preparation of the audit program that must be in line with the annual audit plan.
3. To take care of and carry out the audit activities pursuant to the audit program.
4. To have meetings to give advice and to share opinions about the audit results with every audited department.
5. To take care of the preparation of the audit results report.
6. To take care of and monitor the results of improvement and remedies pursuant to the comments and advice given.
7. To take care of the maintenance or destruction of audited documents in accordance with the internal audit procedure.
8. To take care of the organization assets to avoid any possible damages. At present, the Company employs an internal audit manager and the other four internal audit officers, who have engaged some experience in the credit granted to the sugar mills, and in the internal audit.

## Anti-corruption Policy

Khonburi Sugar Public Company Limited and subsidiaries (the “Company”) are determined to conduct business ethically and adhere to the principles of good corporate governance and code of conduct as well as policies and procedures beneficial to all groups of stakeholders. The Company has set a policy to work against all forms of corruption that may occur in business operation and communication with stakeholders. The Company requires all directors, executives, and employees to strictly follow the anti-corruption policy. In 2016, the Company clearly expressed its intention to the public by becoming a member of “Thailand’s Private Sector Collective Action Coalition against Corruption”. On November 2017, the company received a Certificate of Membership of Thailand’s Private Sector Collective Action Coalition Against Corruption (CAC).

### Definition according to Anti-Corruption Policy

Corruption means bribery in any forms either by offering, promising to offer, assuring, requesting, demanding or receiving money, asset or any improper benefits to government officials, government agencies, private agencies or persons in charge, directly or indirectly, aiming to have those persons to perform or omit their performance of duties, in order to gain or maintain business interest or suggest business to the Company, or to gain or maintain any improper business interest, unless it is permissible by laws, rules, notifications, regulations, local tradition or trading norms.

### Anti-Corruption Policy

The Company’s directors, executives and employees are prohibited from engaging or accepting corruption of all forms either directly or indirectly. This also includes all businesses in all countries and related units. Due diligence shall be conducted on the compliance with anti-corruption policy regularly, and operational procedures and requirements shall also be reviewed to ensure that they remain in line with changing environment in terms of economy, politics and society, when carry out business, as well as rules , regulations and provisions of laws.



### Operational Requirements

1. This anti-corruption policy covers personnel management processes from recruitment, selection, promotion, training, performance assessment, reward and punishment for employees, by requiring all levels of supervisors to communicate and build understanding with employees in order to apply to business activities under their responsibilities, and monitor to ensure that operation is effectively carried out.
2. Any operation under anti-corruption policy shall apply procedures as specified in the Company's code of conduct handbook, policies and procedures on various groups of stakeholders, as well as all related rules and operational manuals of the Company, and other procedures to be specified by the Company in the future.
3. For clarity of operation with high risk of corruption, the directors, executives and employees of all levels shall perform the following conducts in a cautious manner:
  - 3.1 Gift, entertainment and expenses  
Giving, offering or receiving gift and entertainment shall be done openly, transparently and in accordance with the Company's code of conduct and procedures on giving and receiving gift, property or any benefits and entertainment.
  - 3.2 Charitable donation or sponsor transaction  
Giving or receiving donation or sponsor transaction shall be transparent, pursuant to the laws, and verifiable. It shall be assured that donation or sponsor transaction will not be claimed as bribe. In addition, political sponsor shall be transparent and pursuant to applicable laws.
  - 3.3 Business relations and government procurement  
Giving and receiving bribe are prohibited when carrying out business of all types, the Company's operation and interaction with government sectors shall be carried out transparently, honestly, and in accordance with applicable laws.
  - 3.4 Political assistance  
The Company remains politically neutral, and is not aligned with or against any political parties, groups or candidates whether in international or national level as specified in the Company's code of conduct.

Political assistance may be offered, provided that it shall be done legitimately and transparently, and shall be verifiable. Political assistance shall be reviewed by related unit, and approved by managing director only. Political assistance is assistance whether financially or in any other forms aiming to support political activities.

### Whistleblowing Policy

Khonburi Sugar Public Company Limited and subsidiaries (the "Company") have developed the whistleblowing policy, which contain measures to protect and ensure that all directors, employees, and other persons will be treated fairly when they disclose information on potential corruption or violation of laws or the Company's rules and regulations. This is to ensure that any wrongdoing will be dealt with effectively and properly.



#### Channels for Making a Report or Filing a Complaint

The Board of Directors gives every stakeholder an opportunity to communicate with the Board of Directors. The rights of every person giving information or filing a complaint on any issue will be protected. The information or complaint shall be sent to the Audit Committee and be further reported to the Board of Directors in accordance with established procedures. The channels for sending the information or complaint are shown below:

1. By mail :      Send to Chairman of the Audit Committee at Khonburi Sugar Public Company Limited,  
P.O. Box 419, Phra Khanong, Bangkok.
2. By email :    Send to Chairman of the Audit Committee at anticorruption.kbs@gmail.com.

Where the complainant chooses not to disclose his/her name, sufficient details or clear evidence shall be provided to make it reasonable to believe that there was actually a violation of the laws or the Company's regulations, articles of association, or business code of conduct.

Information regarding the complaint will be kept confidential. A complaint can be filed through more than one channel. The complainant does not have to disclose his/her name. However, if the complainant discloses him/herself, the Company will be able to notify him/her of the result or additional information on the complaint made.

#### Investigation Process

1. The complaint recipient will forward the complaint to the Complaint Handling Committee that will investigate the complaint and collect facts or may assign a reliable person or organization to investigate the complaint.
2. The Complaint Handling Committee and/or its delegate shall have the power to invite any employee to provide information or send any relevant documents for examination.
3. If the investigation shows that a wrongdoing was actually conducted, the Company shall proceed as follows:
  - 3.1 If the complaint is about the Company violating the laws or its regulations, articles of association or business code of conduct, the complaint along with opinions and corrective actions will be submitted to the authorized person for consideration. If the complaint concerns an important matter, such as thing that affects the Company's image or reputation or its financial position or violates the Company's business operation policies, or if it involves high-level executives, the complaint shall be forwarded to the Audit Committee or the Board of Directors for consideration.
  - 3.2 If the complaint causes damage to any person, suitable methods for mitigating the damage and fair to the victim shall be recommended.





## Related Transactions

The company has policies and procedures for related party transactions with subsidiaries who may have conflicts of interests. The audit committee shall evaluate any transaction for which prior approval from the board of directors. If the transaction exceed the management or committee power, the transaction will be issued to the board of committee case by case. Terms and prices have been offered according to industry practice and how they compare to terms offered by other vendors. In 2017, related transactions which show details, relations, type of transaction, condition and amount are in the notes to the financial statements as of 31<sup>st</sup> December, 2017, No.7.





# Report of the Audit Committee



Attn: All shareholders of Khonburi Sugar Public Company Limited

The Board of Directors of the Company has appointed the Audit Committee, which involved 3 independent directors as listed below:

- |    |             |                      |                                 |
|----|-------------|----------------------|---------------------------------|
| 1. | Ms. Suvimol | Krittayakiern        | Chairman of the Audit Committee |
| 2. | Mr. Voravit | Rojrapitada          | the Audit Committee             |
| 3. | Mr. Suwat   | Summasshipvitsavakul | the Audit Committee             |

All 3 directors have engaged good skills and experience in accounting, finance, economic, law and business. Ms. Suvimol Krittayakiern, Member of the Audit Committee, has engaged skills and experience in accounting and finance as well as other appropriate qualifications to perform her duties in reviewing creditability of financial statements as required by The Securities Exchange Commission (SEC) and The Stock Exchange of Thailand (SET)

In 2017, the Audit Committee held 4 meetings in total. One meeting was also attended by the auditor without the Company's management in order to have an independent discussion about significant issues in the preparation of financial statements, disclosure of information useful for users of those financial statements, as well as acknowledgment of auditing performance results, remarks found, and problems and hindrance in auditing.

The Audit Committee has completely performed duties assigned by the Board of Directors of the Company as specified in the Audit Committee Charter, which is in conjunction with the requirements of the SEC and the SECT, which included reviews and verification of financial statements, reviews of risk management, and reviews of internal control system. The significant points of such reviews by the Audit Committee are summarized as follows:

**Reviews and verification of financial statements** The Audit Committee has reviewed the Company's quarterly and yearly financial statements for Year 2017, which ended on December 31, 2017 to be proposed for the Board of Directors' consideration and approval. The Audit Committee has arranged the meetings to share opinions with the Internal Audit Department, the auditor and the Management of the Company to ensure that the financial statements have been presented accurately, completely and creditably under generally accepted accounting standards, the disclosure of financial statements have been adequate and timely for benefits of general investors and users of financial statements, and the disclosure of material information and the auditor's remarks and comments have been considered and implemented appropriately for the Company.

**Reviews of connected transactions** The Audit Committee has considered and reviewed the disclosure of connected transactions made between the Company and its affiliated company and subsidiaries, which possibly caused conflicts of interest as required by the notifications of the SEC and the SET. The reviewing results show that the Company's businesses have been operated under normal business conditions, fairness and rationality, and they have not caused the benefit manipulation. The Audit Committee has also reviewed the information disclosure to ensure that it has been complete and adequate by adhering to the Principle of Good Corporate Governance and notifications of the Stock Exchange of Thailand.



# Management Discussion and Analysis



## APPENDIX 1 : Summary of performance overview of the Company and its subsidiaries

Particular	For the year ended 31 Dec. 15		For the year ended 31 Dec. 16		For the year ended 31 Dec. 17	
	(Million Baht)	(%)	(Million Baht)	(%)	(Million Baht)	(%)
<b>Revenues</b>						
Sales and service income	6,542.3	98.2	6,925.1	96.7	7,820.2	95.7
Others income	98.4	1.4	163.4	2.3	339.9	4.2
Gain on exchange	24.7	0.4	10.0	0.1	-	-
Gain on derivatives	-	-	62.5	0.9	11.8	0.1
<b>Total revenues</b>	<b>6,665.4</b>	<b>100.0</b>	<b>7,161.0</b>	<b>100.0</b>	<b>8,171.9</b>	<b>100.0</b>
<b>Expenses</b>						
Cost of sales and services	6,035.0	90.5	6,645.9	92.8	7,707.7	94.3
Selling and administrative expenses	584.7	8.8	613.7	8.6	586.1	7.2
Loss on exchange	-	-	-	-	24.0	0.3
Loss from subsidiary's accident	-	-	135.1	1.9	-	-
Loss on derivatives	55.6	0.8	-	-	-	-
<b>Total expenses</b>	<b>6,675.3</b>	<b>100.1</b>	<b>7,394.7</b>	<b>103.3</b>	<b>8,317.8</b>	<b>101.8</b>
Profit (loss) before finance cost and income tax	(9.9)	(0.1)	(233.7)	(3.3)	(145.9)	(1.8)
Finance cost	(98.0)	(1.5)	(189.2)	(2.6)	(193.8)	(2.4)
Income tax	57.7	0.9	67.6	0.9	(36.9)	(0.5)
<b>Net profit (loss) for the year</b>	<b>(50.2)</b>	<b>(0.7)</b>	<b>(355.3)</b>	<b>(5.0)</b>	<b>(376.6)</b>	<b>(4.6)</b>



Particular	31 Dec. 15	31 Dec. 16	31 Dec. 17
	(Million Baht)	(Million Baht)	(Million Baht)
Non-current liabilities			
Net of current portion			
- Liabilities under financial lease agreements	15.0	56.9	33.8
- Long-term loans from financial institutions	2,551.3	2,177.7	1,663.0
Provision for long-term employee benefits	39.2	33.7	33.7
Deferred tax liabilities	-	-	-
<b>Total non-current liabilities</b>	<b>2,605.5</b>	<b>2,268.3</b>	<b>1,730.5</b>
<b>Total liabilities</b>	<b>6,098.2</b>	<b>7,060.5</b>	<b>7,011.9</b>
Shareholders' equity			
Registered			
600,000,000 ordinary shares of Baht 1	600.0	600.0	600.0
Issued and fully paid up			
600,000,000 ordinary shares of Baht 1	600.0	600.0	600.0
Share premium	2,230.2	2,230.2	2,230.2
Retain earnings			
Legal reserve	60.0	60.0	60.0
Appropriated	1,072.5	663.2	259.2
Other components of shareholders' equity	8.2	(5.5)	(3.7)
<b>Total shareholders' equity</b>	<b>3,970.9</b>	<b>3,547.9</b>	<b>3,145.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>10,069.1</b>	<b>10,608.4</b>	<b>10,157.6</b>

#### APPENDIX 3 : Summary of cash flow

Cash flow statements	For the year ended 31 Dec. 15	For the year ended 31 Dec. 16	For the year ended 31 Dec. 17
Net cash flows from (used in) operating activities	(217.8)	339.3	587.3
Net cash flows used in investing activities	(2,417.8)	(709.5)	(155.2)
Net cash flows from financing activities	2,415.7	414.7	(326.0)
Net increase (decrease) in cash and cash equivalents	(219.9)	44.5	106.1
Cash and cash equivalents at beginning of year	301.8	81.9	126.4
Cash and cash equivalents at end of year	81.9	126.4	232.5





## 1. Financial Position

### 1.1 Assets

As at December 31, 2017 the Company had assets amounting to THB 10,157.6 million, which had decreased from last year by THB 450.8 million or 4.2 percent, with details on the change of current and non-current assets as follows:

- Current assets amounting to THB 3,110.4 million, which had decreased from last year by THB 101.6 million or 3.1 percent mainly due to the following reasons
  - Cash and cash equivalents had increased by THB 106.2 million.
  - Trade and other accounts receivable had decreased by THB 285.0 million, due to debts management and on time debt collection.
  - Sugarcane plantation receivables had increased by THB 132.6 million, due to expand sugarcane plantation harvesting areas.
  - Inventories had decreased by THB 51.6 million ,due to the decreasing of sugarcane crushed last year by 202,792 tons and quicken sugar selling preparing for new sugarcane Act
  - Derivatives had increased THB 3.8 million.
  - Other current assets had decreased by THB 7.6 million.
- Non-current assets amounting to THB 7,047.2 million, which had decreased by THB 349.2 million or 4.7 percent mainly due to the following reasons:
  - One year overdue sugarcane plantation receivables had increased THB 58.3 million, due to expand sugarcane plantation harvesting areas.
  - Land, building and equipment had decreased by THB 329.3 million
  - Deferred tax assets had decreased by THB 31.1 million, due to increase of unused tax loss.๑
  - Other non-current assets had decreased by THB 39.5 million

### 1.2 Liabilities

As at December 31, 2017, the Company had total liabilities amounting to THB 7,011.9 million, which had decreased from last year by THB 48.6 million or 0.7 percent. The Company liabilities included:

- Current liabilities amounting to THB 5,281.4 million, which had increased from last year by THB 489.2 million or 10.2 percent mainly due to the following reasons:
  - Short-term loan from financial institutions had increased by THB 708.9 million for company's liquidity.
  - Short-term loan from related party had decreased by THB 311.5 million.
  - Trade and other payables had increased by THB 50.5 million.
  - Current portion of long-term loans had increased THB 39.6 million.
- Non-current liabilities amounting to THB 1,730.5 million had decreased from last year by THB 537.8 million, due to in the year 2017 the company paid up long-term load during the year.



However, the Group's earnings before financial expenses, income tax, depreciation and amortization (EBITDA) were THB 458.7 million, increased from the previous year by 56.9 percent.

### Total income

In 2017, the Company had total income amounting to Baht 8,171.9 million, which had increased by 14.1 percent, having details as follows:

	2017 (Million Baht)	2016 (Million Baht)	Change (Million Baht)	Change (Percent)
<b>Income</b>				
Income from sales and services	7,820.2	6,925.1	895.1	12.9
Other income	351.7	235.9	115.8	1.6
<b>Total income</b>	<b>8,171.9</b>	<b>7,161.0</b>	<b>1,010.9</b>	<b>14.1</b>

### Revenue from sales and services

Revenue from sales and services in 2017 was at Baht 7,820.2 million, which had increased from last year by 12.9 percent, having details as follows:

	2017 (Million Baht)	2016 (Million Baht)	Change (Million Baht)	Change (Percent)
Revenue from the sale of sugar	5,357.4	5,371.1	(13.7)	(0.2)
Revenue from the sale of molasses	518.5	556.2	(37.7)	(0.5)
Revenue from the sale and purchase of molasses	1,104.6	406.7	697.9	10.1
Revenue from the sale of electricity	483.6	320.0	163.6	2.4
Revenue from agricultural sales and services	356.1	271.1	85.0	1.2
<b>Total revenue from sales and services</b>	<b>7,820.2</b>	<b>6,925.1</b>	<b>895.1</b>	<b>12.9</b>

- Revenue from the sale of sugar was at THB 5,357.4 million, which had decreased from last year by THB 13.7 million, representing 0.2 percent due to the decreased sale volume of 38,049 tons or 12 percent, and the average sale price had increased by 19 percent.
- Revenue from the sale of molasses was at THB 1,623.1 million, which had increased from last year by 9.5 percent. The sale volume of molasses had increased by 31 percent while the average sale price per unit had increased by 12 percent.
- Revenue from the sale of electricity was THB 483.6 million, which had increased from last year by 163.6 million or 2.4 percent.
- Revenue from agricultural sales and services was at THB 356.1 million, which had increased from last year by 1.2 percent.





# Independent Auditor's Report

## To the Shareholders of Khonburi Sugar Public Company Limited

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

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

### Basis for Opinion

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

### Key Audit Matters

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

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

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

### Revenue recognition

Revenue from sale is the most significant amount in the consolidated financial statements and it is a key performance indication in the industry on which the financial statements' users focus. Therefore, there is a risk with respect to the timing of revenue recognition. For this reason, I have paid particular attention to the Group's recognition of revenue from sales of goods in order to ensure that the revenue is recorded correctly and in accordance with the relevant accounting standards.

I have examined revenue recognition of the Group by

- Assessing internal controls of the Group with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the control and selecting representative samples to test the operation of the designed controls.
- Applying a sampling method to select sales documents to assess whether the recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Group's policy.
- On a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.
- Reviewing credit notes that the Group issued after the period-end.
- Performing analytical procedures on disaggregated data in sales transactions throughout the period.

#### Allowance for sugar cane plantation receivables

As discussed in Note 10 to the financial statements, the allowance for sugar cane plantation receivables is estimated based on various assumptions. Therefore, the management is required to exercise considerable judgement in determining the assumptions to be used in estimating allowance for the sugar cane plantation receivables expected to be incurred when debtors are unable to repay principal. Therefore, there is a risk of allowance for sugar cane plantation receivables.

I assessed and tested the internal controls relevant to sugar cane plantation receivables and its allowance. I also assessed the key information, assumptions and methods used by the Company in calculating allowance for sugar cane plantation receivables applying the following procedures:

- Gaining an understanding of the basis applied in determining allowance for sugar cane plantation receivables, and reviewing the consistency of the application of that basis, and whether the rationale for the recording of allowance.
- I performed analytical procedures of assumptions that the Company applied against historical data and external sources such as industry average ratios, financial and economic information, and the findings of assessments performed in other areas relating to the assumptions.
- I considered to what extent the methods applied were consistent with types of receivables.
- I tested the calculation of allowance for sugar cane plantation receivables.

#### Deferred tax

The Group has disclosed its accounting policy and details relating to deferred tax in Note 4.15 and Note 24 to the financial statements. A deferred tax asset is recognised when it is highly probable that the Group's taxable profit will be sufficient to allow utilisation of the deferred tax assets in the future. Determining whether there will be sufficient future taxable profit to utilise temporary differences or taxable losses requires significant management judgment with respect to preparation of business plans and projections of future taxable profit based on approved business plans. Therefore, there is a risk with respect to the amount of deferred tax assets.

I assessed the estimates of future taxable profit for the purpose of deferred tax asset recognition by making enquiry of the management and checking the relevant information and key economic assumptions used in the projections against information from internal sources. Furthermore, I assessed the exercise of management judgment in estimating taxable profits. I also tested the calculation of future taxable profit based on the above information and assumptions.

### Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





## Khonburi Sugar Public Company Limited and its subsidiaries

## Statements of financial position

As at 31 December 2017

	Notes	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
		(Unit: Baht)			
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	232,570,832	126,438,301	75,504,932	100,193,847
Trade and other receivables	7, 9	679,080,196	964,086,441	360,534,571	1,041,225,966
Sugar cane plantation receivables - current portion	10	867,348,502	734,751,361	867,348,502	734,751,361
Short-term loans to related parties	7	-	-	516,000,000	482,200,000
Inventories	11	1,043,378,123	1,094,863,316	1,005,590,531	1,024,671,092
Derivative assets		3,787,468	-	3,787,468	-
Other current assets	12	284,281,348	291,908,359	260,138,831	223,647,214
<b>Total current assets</b>		<b>3,110,446,469</b>	<b>3,212,047,778</b>	<b>3,088,904,835</b>	<b>3,606,689,480</b>
<b>Non-current assets</b>					
Investments in subsidiaries	13	-	-	698,999,610	665,249,610
Other long-term investments	14	2,994,875	1,994,875	2,994,875	1,994,875
Sugar cane plantation receivables - long-term portion	10	320,988,063	262,745,746	320,988,063	262,745,746
Property, plant and equipment	15	6,513,105,036	6,842,379,983	4,914,736,506	5,224,938,483
Intangible assets	16	131,680,656	140,016,691	2,589,547	4,614,269
Advance payment for assets		6,676,448	6,967,593	-	291,145
Deferred tax assets	24.1	61,858,766	93,040,951	56,738,731	70,150,381
Other non-current assets		9,846,328	49,247,356	9,655,478	49,085,164
<b>Total non-current assets</b>		<b>7,047,150,172</b>	<b>7,396,393,195</b>	<b>6,006,702,810</b>	<b>6,279,069,673</b>
<b>Total assets</b>		<b>10,157,596,641</b>	<b>10,608,440,973</b>	<b>9,095,607,645</b>	<b>9,885,759,153</b>

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

## Khonburi Sugar Public Company Limited and its subsidiaries

## Statements of financial position (continued)

As at 31 December 2017

	Notes	(Unit: Baht)			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from banks	17	2,548,200,000	1,839,300,000	2,333,400,000	1,799,300,000
Short-term loans from related parties	7	-	311,520,300	85,000,000	396,520,300
Trade and other payables	7, 18	1,357,281,220	1,306,776,612	1,045,846,340	1,200,260,460
Current portion of:					
- Liabilities under financial lease agreements	19	28,856,446	26,794,445	28,165,797	26,208,823
- Long-term loans from banks	20	1,226,610,000	1,187,000,000	930,610,000	947,000,000
Income tax payable		2,253,873	482,848	-	-
Amounts due to the Office of the Cane and Sugar Fund		80,318,200	89,824,573	80,318,200	89,824,573
Derivative liabilities		263,174	2,161,072	-	2,161,071
Other current liabilities		37,560,944	28,345,378	27,097,660	15,235,473
<b>Total current liabilities</b>		<b>5,281,343,857</b>	<b>4,792,205,228</b>	<b>4,530,437,997</b>	<b>4,476,510,700</b>
<b>Non-current liabilities</b>					
Net of current portion:					
- Liabilities under financial lease agreements	19	33,782,216	56,907,159	33,585,798	56,020,093
- Long-term loans from banks	20	1,663,046,758	2,177,657,878	1,360,522,258	1,627,657,878
Provision for long-term employee benefits	21	33,691,460	33,719,087	29,536,718	29,415,028
<b>Total non-current liabilities</b>		<b>1,730,520,434</b>	<b>2,268,284,124</b>	<b>1,423,644,774</b>	<b>1,713,092,999</b>
<b>Total liabilities</b>		<b>7,011,864,291</b>	<b>7,060,489,352</b>	<b>5,954,082,771</b>	<b>6,189,603,699</b>
<b>Shareholders' equity</b>					
Share capital					
Registered					
600,000,000 ordinary shares of Baht 1 each		600,000,000	600,000,000	600,000,000	600,000,000
Issued and fully paid up					
600,000,000 ordinary shares of Baht 1 each		600,000,000	600,000,000	600,000,000	600,000,000
Share premium		2,230,175,000	2,230,175,000	2,230,175,000	2,230,175,000
Retained earnings					
Appropriated - statutory reserve	22	60,000,000	60,000,000	60,000,000	60,000,000
Unappropriated		259,223,792	663,190,358	251,331,436	807,709,311
Other components of shareholders' equity		(3,666,442)	(5,413,737)	18,438	(1,728,857)
<b>Total shareholders' equity</b>		<b>3,145,732,350</b>	<b>3,547,951,621</b>	<b>3,141,524,874</b>	<b>3,696,155,454</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,157,596,641</b>	<b>10,608,440,973</b>	<b>9,095,607,645</b>	<b>9,885,759,153</b>
		-	-	-	-

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

## Khonburi Sugar Public Company Limited and its subsidiaries

## Statements of comprehensive income

For the year ended 31 December 2017

		(Unit: Baht)			
		Consolidated financial statements		Separate financial statements	
Notes	2017	2016	2017	2016	
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales income	7,803,841,971	6,919,421,681	6,228,931,106	6,160,060,148	
Service income	16,372,120	5,708,523	16,686,521	6,176,698	
Other income					
Interest income	72,316,660	60,996,622	93,979,100	78,729,911	
Gain on exchange	-	10,027,950	-	7,959,162	
Gain on derivatives	11,774,385	62,530,521	12,037,559	63,314,902	
Dividend income	262,455	262,455	20,262,440	8,262,449	
Income from fine of delay construction	-	31,692,669	-	31,692,669	
Compensation from subsidiary's accident	15 165,606,648	25,000,000	-	-	
Others	101,703,599	45,380,403	139,574,996	83,470,313	
<b>Total revenues</b>	<b>8,171,877,838</b>	<b>7,161,020,824</b>	<b>6,511,471,722</b>	<b>6,439,666,252</b>	
<b>Expenses</b>					
Cost of sales	7,672,809,712	6,639,691,613	6,282,398,995	5,982,051,687	
Cost of services	34,913,095	6,212,944	35,227,496	6,681,119	
Selling expenses	286,603,534	325,515,941	259,287,189	271,393,969	
Administrative expenses	299,451,870	288,188,754	261,905,775	252,185,409	
Loss from subsidiary's accident	15 -	135,148,793	-	-	
Loss on exchange	24,012,926	-	22,391,934	-	
<b>Total expenses</b>	<b>8,317,791,137</b>	<b>7,394,758,045</b>	<b>6,861,211,389</b>	<b>6,512,312,184</b>	
<b>Loss before finance cost and income tax</b>	<b>(145,913,299)</b>	<b>(233,737,221)</b>	<b>(349,739,667)</b>	<b>(72,645,932)</b>	
Finance cost	(193,802,431)	(189,168,825)	(166,815,825)	(156,627,715)	
<b>Loss before income tax</b>	<b>(339,715,730)</b>	<b>(422,906,046)</b>	<b>(516,555,492)</b>	<b>(229,273,647)</b>	
Income tax revenues (expense)	24.2 (36,925,937)	67,648,285	(12,344,341)	47,744,071	
<b>Loss for the year</b>	<b>(376,641,667)</b>	<b>(355,257,761)</b>	<b>(528,899,833)</b>	<b>(181,529,576)</b>	
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Unrealised gain (loss) from change in derivative financial instruments - net of income tax					
	1,747,295	(13,598,621)	1,747,295	(14,309,811)	
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax					
	1,747,295	(13,598,621)	1,747,295	(14,309,811)	
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain - net of income tax					
	2,675,081	5,972,653	2,521,938	6,469,055	
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax					
	2,675,081	5,972,653	2,521,938	6,469,055	
<b>Other comprehensive income for the year</b>	<b>4,422,376</b>	<b>(7,625,968)</b>	<b>4,269,233</b>	<b>(7,840,756)</b>	
<b>Total comprehensive income for the year</b>	<b>(372,219,291)</b>	<b>(362,883,729)</b>	<b>(524,630,600)</b>	<b>(189,370,332)</b>	
<b>Loss per share</b>					
26 Basic loss per share					
Net loss for the year	(0.63)	(0.59)	(0.88)	(0.30)	

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



**Khonburi Sugar Public Company Limited and its subsidiaries**  
**Statements of changes in shareholders' equity (continued)**  
**For the year ended 31 December 2017**

	Separate financial statements										(Unit: Baht)
	Issued and fully paid up share capital	Share premium	Retained earnings		Other comprehensive income			Total other components of equity		Total shareholders' equity	
			Appropriated - statutory reserve	Unappropriated	Unrealised gains (losses) on derivative financial instruments	Unrealised gains (losses) on derivative financial instruments	Total other components of shareholders' equity	Total shareholders' equity			
									Balance as at 1 January 2016		
600,000,000	2,230,175,000	60,000,000	1,042,769,832	12,580,954	12,580,954	12,580,954	12,580,954	3,945,525,786			
-	-	-	(181,529,576)	-	-	-	-	(181,529,576)			
-	-	-	6,469,055	(14,309,811)	(14,309,811)	(14,309,811)	(14,309,811)	(7,840,756)			
-	-	-	(175,060,521)	(14,309,811)	(14,309,811)	(14,309,811)	(14,309,811)	(189,370,332)			
-	-	-	(60,000,000)	-	-	-	-	(60,000,000)			
<b>600,000,000</b>	<b>2,230,175,000</b>	<b>60,000,000</b>	<b>807,709,311</b>	<b>(1,728,857)</b>	<b>(1,728,857)</b>	<b>(1,728,857)</b>	<b>(1,728,857)</b>	<b>3,696,155,454</b>			
<b>Balance as at 1 January 2017</b>	<b>600,000,000</b>	<b>2,230,175,000</b>	<b>807,709,311</b>	<b>(1,728,857)</b>	<b>(1,728,857)</b>	<b>(1,728,857)</b>	<b>(1,728,857)</b>	<b>3,696,155,454</b>			
Loss for the year	-	-	(528,899,833)	-	-	-	-	(528,899,833)			
Other comprehensive income for the year	-	-	2,521,938	1,747,295	1,747,295	1,747,295	1,747,295	4,269,233			
Total comprehensive income for the year	-	-	(526,377,895)	(526,377,895)	(526,377,895)	(526,377,895)	(526,377,895)	(524,630,600)			
Dividends paid (Note 29)	-	-	(29,999,980)	(29,999,980)	(29,999,980)	(29,999,980)	(29,999,980)	(29,999,980)			
<b>Balance as at 31 December 2017</b>	<b>600,000,000</b>	<b>2,230,175,000</b>	<b>251,331,436</b>	<b>18,438</b>	<b>18,438</b>	<b>18,438</b>	<b>18,438</b>	<b>3,141,524,874</b>			
-	-	-	0	-	-	-	-	0			
-	-	-	0	-	-	-	-	0			

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

**Khonburi Sugar Public Company Limited and its subsidiaries****Cash flows statements**

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>				
Loss before income tax	(339,715,730)	(422,906,046)	(516,555,492)	(229,273,647)
Adjustments to reconcile loss before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	604,657,062	526,095,272	521,267,706	460,342,672
Write-off of equipment from accident	-	85,413,623	-	-
Loss (gain) on disposal of equipment	1,830,164	(4,711,085)	685,339	(4,711,085)
Write-off of asset to expense	1,600,000	-	-	-
Write-off of bad debts	98,241	1,006,748	98,241	946,610
Allowance for doubtful accounts	30,939,636	10,343,593	30,939,636	10,403,731
Reduction of inventory to net realisable value	365,269	42,760	365,269	42,760
Write-off of withholding tax	1,520,935	-	37,300	-
Long-term employee benefits expenses	5,001,625	6,560,634	4,390,914	5,862,186
Unrealised loss (gain) on change in value of derivatives	(3,501,246)	3,128,628	(3,764,421)	3,128,628
Unrealised loss (gain) on exchange rate	188,931	(273,850)	188,931	(273,850)
Dividend income	(262,455)	(262,455)	(20,262,440)	(8,262,449)
Interest income	(72,316,660)	(60,996,622)	(93,979,100)	(78,729,911)
Interest expenses	191,358,070	187,154,464	166,126,293	155,964,132
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>421,763,842</b>	<b>330,595,664</b>	<b>89,538,176</b>	<b>315,439,777</b>
<b>Operating assets (increase) decrease</b>				
Trade and other receivables	280,560,292	(474,337,399)	682,746,580	(523,870,031)
Sugar cane plantation receivables	(207,044,313)	74,401,490	(207,044,313)	74,401,490
Inventories	51,119,924	61,611,047	18,715,292	62,946,636
Other current assets	(11,130,698)	(35,444,441)	(53,554,051)	(45,023,882)
Amounts due from the Office of the Cane and Sugar Fund	-	169,774,810	-	169,774,810
Other non-current assets	10,446,429	(40,784,989)	10,475,088	(40,778,989)
<b>Operating liabilities increase (decrease)</b>				
Trade and other payables	31,416,709	200,929,585	(137,343,473)	142,239,700
Amounts due to the Office of the Cane and Sugar Fund	(9,506,373)	41,949,450	(9,506,373)	41,949,450
Other current liabilities	9,215,562	17,050,974	11,862,187	6,200,798
Cash paid for long-term employee benefits	(1,685,396)	(4,531,500)	(1,116,800)	(4,180,100)
Cash flows from operating activities	575,155,978	341,214,691	404,772,313	199,099,659
Cash receipt from income refunded	22,305,218	2,296,225	21,550,944	1,806,827
Cash paid for income tax	(10,146,764)	(4,161,077)	(4,525,809)	(1,387,400)
<b>Net cash flows from operating activities</b>	<b>587,314,432</b>	<b>339,349,839</b>	<b>421,797,448</b>	<b>199,519,086</b>

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

## Khonburi Sugar Public Company Limited and its subsidiaries

## Cash flows statements (Continued)

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Cash flows from investing activities</b>				
Increase in short-term loan to related parties	-	-	(33,800,000)	(120,700,000)
Increase in investment in subsidiary	-	-	(33,750,000)	(108,250,000)
Increase in other long-term investment	(1,000,000)	-	(1,000,000)	-
Cash paid for acquisitions of property, plant and equipment	(211,455,982)	(763,085,338)	(188,907,164)	(725,659,522)
Cash receipt from sales of equipment	3,150,280	52,251,577	3,150,280	52,251,577
Cash paid for acquisitions of intangible assets	(138,893)	(1,433,300)	(126,893)	(1,271,300)
Cash paid for advance payment for asset	(2,846,624)	(59,826,703)	(755,250)	(59,826,703)
Cash receipt from interest income	56,854,120	62,296,537	84,015,409	62,395,907
Cash receipt from dividend income	262,455	262,455	8,262,455	170,262,431
<b>Net cash flows used in investing activities</b>	<b>(155,174,644)</b>	<b>(709,534,772)</b>	<b>(162,911,163)</b>	<b>(730,797,610)</b>
<b>Cash flows from financing activities</b>				
Increase in short-term loans from banks	708,900,000	636,600,000	534,100,000	626,600,000
Increase (decrease) in short-term loans from related parties	(311,520,300)	311,520,300	(311,520,300)	316,520,300
Cash paid for liabilities under financial lease agreements	(27,210,453)	(14,708,462)	(26,624,831)	(14,149,970)
Cash receipt from long-term loans from banks	611,998,880	883,357,878	563,474,380	883,357,878
Repayment of long-term loans from banks	(1,087,000,000)	(1,152,000,000)	(847,000,000)	(992,000,000)
Cash paid for interest expenses	(191,175,404)	(190,037,504)	(166,004,469)	(158,827,207)
Dividends paid	(29,999,980)	(60,000,000)	(29,999,980)	(60,000,000)
<b>Net cash flows from (used in) financing activities</b>	<b>(326,007,257)</b>	<b>414,732,212</b>	<b>(283,575,200)</b>	<b>601,501,001</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>106,132,531</b>	<b>44,547,279</b>	<b>(24,688,915)</b>	<b>70,222,477</b>
Cash and cash equivalents at beginning of year	126,438,301	81,891,022	100,193,847	29,971,370
<b>Cash and cash equivalents at end of year (Note 8)</b>	<b>232,570,832</b>	<b>126,438,301</b>	<b>75,504,932</b>	<b>100,193,847</b>
	-	-	-	-
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Purchases of assets that have not yet been paid	140,350,296	121,445,063	38,839,454	56,031,925
Transferred of advance payment for asset to				
- Assets under construction in progress	1,046,395	92,991,814	1,046,395	92,991,814
- Land	2,091,374	-	-	-
Purchase of equipment through financial lease agreements	6,147,510	77,163,075	6,147,510	77,163,075
Accrued dividend	-	-	19,999,985	8,000,000
Capitalised interest to construction in progress	-	2,478,975	-	2,478,975
Transfer construction in progress to inventory	-	800,000	-	800,000
Transfer construction in progress to other receivable	8,806,397	-	8,806,397	-
Transfer of asset in instruction to intangible assets	400,000	-	400,000	-
Transfer equipment from receive payment				
- Other receivables	43,914,996	-	43,914,996	-
- Sugar cane plantation receivable	1,375,000	-	1,375,000	-

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





Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2017 (Percent)	2016 (Percent)
Khonburi Bio Energy Co., Ltd.	Manufacture and distribution of ethanol	Thailand	100	100
KBS Investment Co., Ltd.	Holding company	Thailand	100	100
<u>Held by subsidiaries</u>				
KBS Cane and Sugar Co., Ltd. (100% held by KBS Investment Co., Ltd.)	Manufacture and distribution of sugar	Thailand	100	100
KBS Power Co., Ltd. (100% held by KBS Investment Co., Ltd.)	Manufacture and distribution of electricity	Thailand	100	100

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

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

### 3. New financial reporting standards

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

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



#### **4.3 Trade and other receivables**

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

#### **4.4 Inventories**

Finished goods, work in process, and molasses are valued at the lower of cost under the average method and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes raw material cost, labour cost and attributable factory overheads.

Raw materials, chemicals, spare parts, factory supplies, and other supplies are valued at the lower of weighted average method and net realisable value and are charged to production costs whenever consumed.

The common production costs incurred in the production process are not allocated to bagasse from productions of sugar; therefore, revenue from sale of by products is presented as deduction from production costs in each production season.

#### **4.5 Investments**

- a) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- b) Investments in subsidiaries are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).

The weighted average method is used for computation of the cost of investments.

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

#### **4.6 Property, plant and equipment/Depreciation**

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



#### **4.9 Related party transactions**

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

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

#### **4.10 Long-term leases**

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

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

#### **4.11 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.



#### *Defined benefit plans*

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

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

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

#### **4.14 Provisions**

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

#### **4.15 Income tax**

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

##### **Current tax**

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

##### **Deferred tax**

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

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

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that





#### 4.17 Fair value measurement

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

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

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

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

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

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

#### 5. Significant accounting judgements and estimates

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

##### Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset have been transferred, taking into consideration terms and conditions of the arrangement.



### Post-employment benefits under defined benefit plans

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

### 6. Seasonality of operations

The operations of the Company are affected by the seasonality of sugar manufacture, with the production season running from November to April, and the off season for production running from May to October.

### 7. Related party transactions

The relationships between the Company and related parties are summarised below.

Name	Relationship
Khonburi Power Plant Co., Ltd.	Subsidiary
KBS Trading Co., Ltd.	Subsidiary
Khonburi Bio Energy Co., Ltd.	Subsidiary
KBS Investment Co., Ltd.	Subsidiary
KBS Cane and Sugar Co., Ltd.	Subsidiary (Held by subsidiary)
KBS Power Co., Ltd.	Subsidiary (Held by subsidiary)
Khonburi Capital Co., Ltd.	Common shareholders/Common directors
The Thai Sugar Trading Corporation Limited	Common shareholders/Common directors
World Sugar Export Co., Ltd.	Common shareholders/Common directors
Mitsui and Co., Ltd.	Common major shareholders
Mitsui & Co Europe plc.	Common major shareholders
Kasetphol Sugar Co., Ltd.	Common major shareholders
Kumphawapi Sugar Co., Ltd.	Common major shareholders

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

(Unit: Thousand Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	2017	2016	2017	2016	
<b>Transactions with subsidiaries:</b>					
<b>(Eliminated from consolidated financial statements)</b>					
Sale income	-	-	161,872	648,325	Cost plus margin
Service income	-	-	314	468	Cost plus margin
Interest income	-	-	21,879	17,866	2.37 - 7.50 per annum (2016: 4.975 - 7.50 per annum)
Dividend income	-	-	20,000	8,000	As declared
Other income	-	-	741	531	Cost plus margin
Bagasse income	-	-	268,451	247,246	Contract price
Rental income	-	-	38,816	37,882	Contract price
Management income	-	-	10,425	2,950	Contract price
Sale of fixed assets	-	-	1,776	-	Cost plus margin
Purchase of Molasses	-	-	14,561	-	Contract price
Purchase of fixed assets	-	-	-	24,474	Cost plus margin
Electricity charges	-	-	206,303	218,882	Contract price (based on EGAT price)
Steam charges	-	-	179,322	190,057	Cost plus margin
Purchase of supplies	-	-	629	-	Cost plus margin
Maintenance compensation	-	-	101,745	48,046	Cost plus margin
Bagasse compensation	-	-	85,920	38,939	Based on the difference between market purchase price and agreement price
Interest expense	-	-	935	902	1.10% per annum (2016: 1.10% per annum)
<b>Transactions with related companies:</b>					
Sale income	518,893	500,781	518,893	500,781	Contract price
Dividend income	262	262	262	262	As declared
Other income	1,965	4,315	1,965	4,315	Cost plus margin
Purchase of raw sugar	267,795	353,747	267,795	353,747	Contract price
Purchase of molasses	52,177	-	-	-	Contract price
Rental expenses	12,495	12,225	12,495	12,225	Contract price and comparable price charged to other customers
Service charges and utilities	2,333	2,170	2,333	2,170	Contract price
Export service expenses	10,454	10,535	10,454	10,535	Contract price
Interest expenses	25,912	23,452	25,912	23,452	2.15% per annum (2016: 2.15% - 2.55% per annum)

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<b><u>Trade receivables - related parties (Note 9)</u></b>				
Subsidiary companies (eliminated from consolidated financial statements)	-	-	5,039	13,100
Related companies	9,769	54,556	9,769	54,556
Total trade receivables - related parties	<u>9,769</u>	<u>54,556</u>	<u>14,808</u>	<u>67,656</u>
<b><u>Interest receivable - related party (Note 9)</u></b>				
Subsidiary company (eliminated from consolidated financial statements)	-	-	14,849	20,348
<b><u>Other receivables - related parties (Note 9)</u></b>				
Subsidiary companies (eliminated from consolidated financial statements)	-	-	76,285	440,790
<b><u>Dividend receivables - related party (Note 9)</u></b>				
Subsidiary company (eliminated from consolidated financial statements)	-	-	20,000	8,000
<b><u>Other non-current assets (Rental deposit)</u></b>				
Related company	<u>2,791</u>	<u>2,791</u>	<u>2,791</u>	<u>2,791</u>
<b><u>Trade payable - related parties (Note 18)</u></b>				
Subsidiary companies (eliminated from consolidated financial statements)	-	-	92,513	236,906
Related companies	6,262	-	-	-
Total trade payable - related parties	<u>6,262</u>	<u>-</u>	<u>92,513</u>	<u>236,906</u>
<b><u>Accrued expense - related party (Note 18)</u></b>				
Related company	<u>57</u>	<u>9,815</u>	<u>57</u>	<u>9,815</u>
<b><u>Accrued interest expenses - related party (Note 18)</u></b>				
Related companies	-	92	-	92
<b><u>Other payables - related parties (Note 18)</u></b>				
Related company*	<u>28,119</u>	<u>-</u>	<u>28,119</u>	<u>-</u>

\* The Thai Sugar Trading Corporation Limited, Kasetphol Sugar Co., Ltd. and Khumphawapi Sugar Co., Ltd.



## 8. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Cash	1,210	693	1,005	498
Bank deposits	231,361	125,745	74,500	99,696
<b>Total</b>	<b>232,571</b>	<b>126,438</b>	<b>75,505</b>	<b>100,194</b>

As at 31 December 2017, bank deposits in savings accounts carried interests between 0.05 and 0.75 percent per annum (2016: 0.05 and 0.75 percent per annum).

## 9. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	9,769	51,381	14,808	57,052
Past due				
Up to 3 months	-	3,175	-	10,604
<b>Total trade receivables - related parties</b>	<b>9,769</b>	<b>54,556</b>	<b>14,808</b>	<b>67,656</b>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	318,946	486,714	194,153	370,094
Past due				
Up to 3 months	16,927	26,573	11,070	25,888
3 - 6 months	-	3,709	-	-
<b>Total trade receivables - unrelated parties</b>	<b>335,873</b>	<b>516,996</b>	<b>205,223</b>	<b>395,982</b>
<b>Total trade receivables</b>	<b>345,642</b>	<b>571,552</b>	<b>220,031</b>	<b>463,638</b>

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<u>Other receivables</u>				
Advances	4,195	65,752	4,193	65,613
Unearned revenue	5,379	-	5,379	-
Interest receivable - related party	-	-	14,849	20,348
Other receivables - related parties	-	-	76,285	440,790
Other receivables - unrelated parties	32,363	61,477	21,806	35,739
Dividend receivable - related party	-	-	20,000	8,000
Sugar advances	-	8,361	-	8,361
Molasses advances	293,510	258,207	-	-
Total other receivables	335,447	393,797	142,512	578,851
Allowance for doubtful debts	(2,009)	(1,263)	(2,009)	(1,263)
Total other receivables - net	333,438	392,534	140,503	577,588
Total trade and other receivables - net	679,080	964,086	360,534	1,041,226

**10. Sugar cane plantation receivables**

The balances of sugar cane plantation receivables as at 31 December 2017 and 2016, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	2017	2016
	<b>Sugar cane plantation receivables aged on the basis of due dates</b>	
2017/2018 harvesting year	784,217	-
2016/2017 harvesting year	69,154	624,054
2015/2016 harvesting year	41,486	79,741
2014/2015 harvesting year	21,231	42,932
2013/2014 harvesting year	9,843	11,557
Before 2013/2014 harvesting year	42,589	47,444
Total current portion of sugar cane plantation receivables	968,520	805,728
Less: Allowance for doubtful debts	(101,171)	(70,977)
Current portion of sugar cane plantation receivables - net	867,349	734,751
Sugar cane plantation receivable - long-term portion	320,988	262,746
Sugar cane plantation receivable - net	1,188,337	997,497



Sugar cane plantation receivables represent support provided for planters in order to encourage sugar cane planting, whereby the Company supplies sugar cane, water systems, agricultural machinery and equipment. The terms of the agreements are generally between 3 and 5 years with interest charged at rates of 0% to 7% per annum. Most planters have provided land and motor vehicles as collateral.

## 11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2017	2016	2017	2016	2017	2016
Finished goods	860,883	886,411	-	-	860,883	886,411
Work in process	16,511	56,239	-	-	16,511	56,239
Raw materials	12,703	45,128	-	-	12,703	45,128
Chemicals, spare parts, factory supplies and other supplies	134,108	96,458	(767)	(402)	133,341	96,056
By products (Molasses)	19,940	11,029	-	-	19,940	11,029
<b>Total</b>	<b>1,044,145</b>	<b>1,095,265</b>	<b>(767)</b>	<b>(402)</b>	<b>1,043,378</b>	<b>1,094,863</b>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2017	2016	2017	2016	2017	2016
Finished goods	860,462	884,610	-	-	860,462	884,610
Work in process	16,511	56,239	-	-	16,511	56,239
Chemicals, spare parts, factory supplies and other supplies	109,445	73,195	(767)	(402)	108,678	72,793
By products (Molasses)	19,940	11,029	-	-	19,940	11,029
<b>Total</b>	<b>1,006,358</b>	<b>1,025,073</b>	<b>(767)</b>	<b>(402)</b>	<b>1,005,591</b>	<b>1,024,671</b>

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 0.37 million (2016: Baht 0.04 million) (the Company only: Baht 0.37 million 2016: Baht 0.04 million), to reflect the net realisable value. This was included in cost of sales.

As at 31 December 2017, the Company had no finished goods (2016: Baht 312 million) to secure short-term loans from bank through its representative as mentioned in Note 7.



On 4 September 2017, the meeting of the subsidiary company's Board of Directors (KBS Power Co., Ltd., (Held by subsidiary)) No. 1/2017 approved a resolution to increase registered share capital from Baht 5 million (500,000 ordinary shares at a par value of Baht 10 each) to Baht 140 million (14,000,000 ordinary shares at a per value of Baht 10 each) through the issuance of new ordinary shares by 13.5 million shares at a par value of Baht 10 each, to be reserved for the existing shareholders. KBS Investment Co., Ltd. (Subsidiary company) subscribed all of its shares and made payment for 25% of share subscription in September 2017. The subsidiary registered the increase in its registered share capital with the Ministry of Commerce on 7 September 2017.

On 15 December 2017, the meeting of the subsidiary company's Board of Directors (KBS Trading Co., Ltd. (Held by subsidiary)) No. 2/2017 approved interim dividend payment of 4,000,000 ordinary shares at Baht 5 each, or Baht 20 million which the dividends will be paid to shareholders in March 2018, and approved additional appropriated statutory reserve of Baht 1.25 million.

#### 14. Other long-term investments

	(Unit: Thousand Baht)			
	Consolidated financial statements/ Separate financial statements		Dividend received during the year	
	2017	2016	2017	2016
<u>Common stock</u>				
The Thai Sugar Trading Corporation Limited	1,750	1,750	262	262
Thai Cane and Sugar Corporation Limited	243	243	-	-
Thai Sugar Millers Corporation Limited	2	2	-	-
World Sugar Export Co., Ltd.	1,000	-	-	-
Total other long-term investments	<u>2,995</u>	<u>1,995</u>	<u>262</u>	<u>262</u>

On 19 December 2016, the Board of Directors' Meeting No. 12/2016 of the Company passed a resolution to invest 10,000 shares with a par value of Baht 100 each in World Sugar Export Co., Ltd. This company is engaged in commercial freight transportation, imports and exports.

The Company's shares in this company were 25% paid up or amounting to Baht 0.25 million on 19 January 2017 and 75% paid up or amounting to Baht 0.75 million on 19 May 2017.

## 15. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							Total	
	Land and land improvement	Buildings and premises	Machinery	Equipment	Furniture, fixtures and office equipment	Motor vehicles	Facilities system and water treatment system		Assets under construction
<b>Cost</b>									
As at 31 December 2015	215,296	1,509,135	6,052,797	237,690	121,290	285,752	528,777	282,259	9,232,996
Additions	7,591	10,576	31,682	14,584	8,924	107,295	12,000	710,307	902,959
Disposals/write-off	-	-	-	(1,058)	(357)	(53,706)	-	(1,618)	(56,739)
Transfers in (out)	-	12,452	393,196	2,935	383	-	(16,795)	(392,971)	(800)
Capitalised interest	-	-	-	-	-	-	-	2,479	2,479
Write-off due to accident	-	-	(89,523)	-	-	-	-	-	(89,523)
Adjustment	-	-	-	(8,000)	-	(131,000)	-	-	(139,000)
As at 31 December 2016	222,887	1,532,163	6,388,152	246,151	130,240	208,341	523,982	600,456	9,852,372
Additions	12,399	2,652	73,749	5,879	8,174	16,273	3,285	111,218	233,629
Disposals	(240)	-	(16,848)	(2,847)	(446)	(271)	-	-	(20,652)
Amount received from account receivables	-	-	-	230	-	45,060	-	-	45,290
Transfers in (out)	148	98,245	403,917	520	902	1,106	60,350	(574,395)	(9,207)
As at 31 December 2017	235,194	1,633,060	6,848,970	249,933	138,870	270,509	587,617	137,279	10,101,432
<b>Accumulated depreciation</b>									
As at 31 December 2015	16,673	519,017	1,449,467	169,118	93,370	188,675	207,300	-	2,643,620
Depreciation for the year	70	57,698	355,062	24,011	12,236	30,115	37,871	-	517,063
Depreciation on disposals/write-off	-	-	-	(921)	(358)	(6,303)	-	-	(7,582)
Write-off due to accident	-	-	(4,109)	-	-	-	-	-	(4,109)
Adjustment	-	-	-	(8,000)	-	(131,000)	-	-	(139,000)
As at 31 December 2016	16,743	576,715	1,800,420	184,208	105,248	81,487	245,171	-	3,009,992
Depreciation for the year	143	63,319	427,734	21,484	11,626	32,536	38,939	-	595,781
Depreciation on disposals	-	-	(15,128)	(1,556)	(491)	(271)	-	-	(17,446)
As at 31 December 2017	16,886	640,034	2,213,026	204,136	116,383	113,752	284,110	-	3,588,327
<b>Net book value</b>									
As at 31 December 2016	206,144	955,448	4,587,732	61,943	24,992	126,854	278,811	600,456	6,842,380
As at 31 December 2017	218,308	993,026	4,635,944	45,796	22,487	156,757	303,508	137,279	6,513,105
<b>Depreciation for the year</b>									
2016 (Baht 486 million included in manufacturing cost, and the remaining balance in administrative expenses)									517,063
2017 (Baht 580 million included in manufacturing cost, and the remaining balance in administrative expenses)									595,781

(Unit: Thousand Baht)

	Separate financial statements							Total	
	Land and land improvement	Buildings and premises	Machinery	Equipment	Furniture, fixtures and office equipment	Motor vehicles	Facilities system and water treatment system		Assets under construction
<b>Cost</b>									
As at 31 December 2015	212,727	1,403,375	4,490,621	203,069	113,302	165,555	483,933	287,571	7,360,153
Additions	7,590	9,271	25,807	14,318	8,669	107,295	12,001	612,014	796,965
Disposals/write-off	-	-	-	(1,058)	(357)	(53,706)	-	-	(55,121)
Transfers in (out)	-	11,511	304,443	2,935	383	-	12,205	(332,277)	(800)
Capitalised interest	-	-	-	-	-	-	-	2,479	2,479
As at 31 December 2016	220,317	1,424,157	4,820,871	219,264	121,997	219,144	508,139	569,787	8,103,676
Additions	1,638	2,432	73,569	5,597	6,586	16,273	335	69,837	176,267
Disposals	(240)	-	(16,848)	(2,847)	(446)	(2,816)	-	-	(23,197)
Amount received from account receivables	-	-	-	230	-	45,060	-	-	45,290
Transfers in (out)	148	98,245	401,417	520	615	1,106	60,350	(571,608)	(9,207)
As at 31 December 2017	221,863	1,524,834	5,279,009	222,764	128,752	278,767	568,824	68,016	8,292,829
<b>Accumulated depreciation</b>									
As at 31 December 2015	16,673	515,265	1,377,841	156,797	89,936	65,290	206,775	-	2,428,577
Depreciation for the year	70	53,920	304,187	19,058	10,138	33,001	37,368	-	457,742
Depreciation on disposals/write-off	-	-	-	(921)	(357)	(6,303)	-	-	(7,581)
As at 31 December 2016	16,743	569,185	1,682,028	174,934	99,717	91,988	244,143	-	2,878,738
Depreciation for the year	143	59,504	360,110	17,020	9,402	34,139	38,397	-	518,715
Depreciation on disposals	-	-	(15,128)	(1,556)	(491)	(2,186)	-	-	(19,361)
As at 31 December 2017	16,886	628,689	2,027,010	190,398	108,628	123,941	282,540	-	3,378,092
<b>Net book value</b>									
As at 31 December 2016	203,574	854,972	3,138,843	44,330	22,280	127,156	263,996	569,787	5,224,938
As at 31 December 2017	204,977	896,145	3,251,999	32,366	20,124	154,826	286,284	68,016	4,914,737
<b>Depreciation for the year</b>									
2016 (Baht 424 million included in manufacturing cost, and the remaining balance in administrative expenses)									457,742
2017 (Baht 500 million included in manufacturing cost, and the remaining balance in administrative expenses)									518,715



As at 31 December 2017, the Company and its subsidiaries have certain items of plant and equipment which were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 1,004 million (2016: Baht 803 million) (The Company only: Baht 1,003 million, 2016: Baht 803 million).

The Company and its subsidiaries have pledged most assets as collateral against credit facilities and loans received from banks (all types of liabilities) as mentioned in Note 17 and Note 20.

## 16. Intangible assets

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

	Consolidated financial statements			(Unit: Thousand Baht) Separate financial statements	
	Computer software	Right to use the transmission facilities	Total	Computer software	Total
As at 31 December 2017					
Cost	35,551	146,389	181,940	32,518	32,518
<u>Less</u> Accumulated amortisation	(32,416)	(17,844)	(50,260)	(29,929)	(29,928)
Net book value	3,135	128,545	131,680	2,589	2,590

	Consolidated financial statements			(Unit: Thousand Baht) Separate financial statements	
	Computer software	Right to use the transmission facilities	Total	Computer software	Total
As at 31 December 2016					
Cost	35,012	146,389	181,401	31,991	31,991
<u>Less</u> Accumulated amortisation	(29,392)	(11,992)	(41,384)	(27,377)	(27,377)
Net book value	5,620	134,397	140,017	4,614	4,614

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

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Net book value at beginning of year	140,017	147,615	4,614	5,943
Acquisition of computer software	139	1,433	127	1,271
Transfer in	400	-	400	-
Amortisation	(8,876)	(9,031)	(2,552)	(2,600)
Net book value at end of year	131,680	140,017	2,589	4,614

#### 17. Short-term loans from banks

	Interest rate		Consolidated		Separate	
			financial statements		financial statements	
	2017	2016	2017	2016	2017	2016
	(% per annum) (% per annum)					
Promissory notes	2.1 - 5.6	2.1 - 5.6	2,548,200	1,839,300	2,333,400	1,799,300

These loans are secured by mortgage of land and construction thereon and machinery and equipment of the Company and a subsidiary.

#### 18. Trade and other payables

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Sugar cane payables	391,024	403,156	391,024	403,156
Trade payable - related parties	6,262	-	92,513	236,906
Trade payables - unrelated parties	255,401	229,673	146,005	171,441
Revenues received in advance	418,228	413,303	244,324	221,141
Accounts payable for purchasing fixed assets	140,350	121,445	38,839	56,032
Accrued expenses - related party	57	9,815	57	9,815
Accrued expenses - unrelated parties	35,133	32,872	30,962	23,823
Accrued interest expenses - related party	-	92	-	92
Accrued interest expenses - unrelated parties	1,253	991	1,054	841
Other payables - related parties	28,119	-	28,119	-
Other payables - unrelated parties	81,454	95,430	72,949	77,013
Total trade and other payables	1,357,281	1,306,777	1,045,846	1,200,260



### **Sugar cane payables**

The Company purchased sugar cane for the 2017/2018 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 11/2017 Dated 12 December 2017. This determined the initial price of sugar cane in the 2017/2018 harvesting year at Baht 880 per ton of sugar cane at a sweetness of 10 C.C.S with the price to be increased or decreased at Baht 52.80 per ton for each 1 C.C.S variation. Up to the date on which the Company's directors approved these financial statements, the Office of the Cane and Sugar Board has yet to announce the final sugar cane prices for the 2017/2018 harvesting year.

However, the management estimated that the final sugar cane prices was higher than the initial sugar cane prices, and thus the Company recorded sugar cane costs and planter payable for the 2017/2018 harvesting year based on the estimated cost. This was equal to Baht 890 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased at Baht 53.40 per ton for each 1 C.C.S variation.

The Company purchased sugar cane for the 2016/2017 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 1/2018 dated 26 January 2018, at Baht 1,079.71 per ton of sugar cane at the sweetness of 10 C.C.S with the price to be increased or decreased at Baht 64.78 per ton for each 1 C.C.S variation.

### **19. Liabilities under finance lease agreements**

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Liabilities under finance lease agreements				
- Less than 1 year	31,703	31,417	30,984	30,774
- Over 1 year within 4 years	34,928	60,387	34,729	59,469
Total future minimum lease payments	66,631	91,804	65,713	90,243
Less: Deferred interest expenses				
- Less than 1 year	(2,847)	(4,622)	(2,818)	(4,565)
- Over 1 year within 4 years	(1,146)	(3,481)	(1,143)	(3,449)
Total deferred interest expenses	(3,993)	(8,103)	(3,961)	(8,014)
Present value of future minimum lease payments	62,638	83,701	61,752	82,229
Less: Portion due within one year	(28,856)	(26,794)	(28,166)	(26,209)
Liabilities under finance lease agreements				
- net of current portion	33,782	56,907	33,586	56,020

The Company and subsidiaries have entered into the finance lease agreements with a leasing company for the lease of vehicle for use in its operation, whereby they are committed to pay rental on a monthly basis. The term of the agreements is 4 years. Finance lease agreements cannot be cancelled.

## 20. Long-term loans from banks

Loan no.	Credit facilities (Million Baht)	Interest rate (%)	Repayment schedule	(Unit: Thousand Baht)			
				Consolidated		Separate	
				financial statements		financial statements	
				2017	2016	2017	2016
1	1,150	AMLR - 2.95	12 semi-annual installments of Baht 40 - 140 million each, with the amount increased every year, starting from June 2014	550,000	790,000	-	-
2	2,230	MLR - 3.35	12 semi-annual installments of Baht 186 million each, with the fixed amount every year, last installment Baht 184 million, starting from June 2016	1,436,535	1,808,535	1,436,535	1,808,535
3	150	4.8	15 semi-annual installments of Baht 10 million each, with the fixed amount every year, starting from December 2015	100,000	120,000	100,000	120,000
4	860	4.5	Repayment of all principals within 30 April 2017	-	408,000	-	408,000
5	282	MLR - 3.35	12 monthly installments of Baht 23.5 million each, with the fixed amount every year, starting from June 2017	191,123	238,123	191,123	238,123
6	600	4.5	Repayment of all principals within 30 April 2018	491,610	-	491,610	-
7	52	MLR - 2	4 Semi-annual installment of 13 million each, with the fixed amount every year, starting from 28 February 2018	48,525	-	-	-
8	860	4.5	Repayment of all principals within 30 April 2019	71,864	-	71,864	-
Total				2,889,657	3,364,658	2,291,132	2,574,658
Less: Current portion				(1,226,610)	(1,087,000)	(930,610)	(847,000)
Classified as payable on demand				-	(100,000)	-	(100,000)
Long-term loans from banks - net of current portion				1,663,047	2,177,658	1,360,522	1,627,658

Movements in the long-term loans from banks account during the year ended 31 December 2017 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2017	3,364,658	2,574,658
Add: Additions	611,999	563,474
Less: Repayments	(1,087,000)	(847,000)
Balance as at 31 December 2017	<u>2,889,657</u>	<u>2,291,132</u>

On 24 January 2017, the Company entered into a loan agreement with a local bank of Baht 600 million with an interest rate of 4.5% per annum. The objective is to fund the sugar cane plantation harvesting season 2017/2018. The loan is to be repaid in full within 30 April 2018.

On 13 November 2017, a subsidiary entered into a loan agreement with a local bank of Baht 52 million with an interest rate of MLR which common announcement on withdraw date less 2% per annum. The objective is to fund the maintenance machinery and electricity and steam supplies. The loan is to be repaid in full within 16 November 2019.

On 20 December 2017, the Company entered into a loan agreement with a local bank of Baht 860 million with an interest rate of 4.5 percent per annum. The objective is to fund the sugar cane plantation harvesting season 2018/2019. The loan is to be repaid in full within 30 April 2019.

These loans are secured by mortgages of project land and construction thereon, and machinery and equipment of the Company and a subsidiary.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company and a subsidiary to maintain certain long-term debt to equity ratios.

As at 31 December 2016, the Company was unable to maintain Debt Service Coverage Ratio (DSCR) as specified in one of the facilities of Credit Facility Agreement, which resulted in the loan becoming payable on demand. Therefore, the Company classified such loan as current liabilities. However, in February 2017, the Company received the waiver for such non-compliance from the lender. The classification of such liabilities to be current is in accordance with Thai Financial Reporting Standards.

As at 31 December 2017, the Company could not maintain Debt Service Coverage Ratio (DSCR) as specified in one of the facilities of Credit Facility Agreement. However, in December 2017, the Company has already received the waiver for such non-compliance from lender.

As at 31 December 2017, the long-term credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 791 million (2016: Baht 545 million) (the Company only: 788 million, 2016: Baht 462 million).

## 21. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, is as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<b>Provision for long-term employee benefits at beginning of year</b>	33,719	39,156	29,415	35,819
Included in profit or loss:				
Current service cost	3,955	5,321	3,473	4,742
Interest cost	1,046	1,240	918	1,120
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	515	660	449	581
Financial assumptions changes	(2,136)	3,401	(1,911)	3,011
Experience adjustments	(1,723)	(11,527)	(1,690)	(11,678)
Benefits paid during the year	(1,685)	(4,532)	(1,117)	(4,180)
<b>Provision for long-term employee benefits at end of year</b>	<b>33,691</b>	<b>33,719</b>	<b>29,537</b>	<b>29,415</b>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Cost of sales	3,493	4,236	3,040	3,787
Selling and administrative expenses	1,508	2,325	1,351	2,075
Total expenses recognised in profit or loss	5,001	6,561	4,391	5,862

The Company and its subsidiaries expect to pay long-term employee benefits amounting to Baht 1 million within next one year (the Company only: Baht 1 million) (2016: Baht 1 million, the Company only: Baht 1 million).

As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefit is 16 years (the Company only: 16 years) (2016: 11 years, the Company only: 11 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	1.43 - 3.93	3.1359	1.43 - 3.93	3.1359
Salary increase rate	4.0	5.0	4.0	5.0
Staff turnover rate (depending on age)	6.0 - 16.0	6.0 - 16.0	6.0 - 16.0	6.0 - 16.0

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(3)	4	(3)	3
Salary increase rate	3	(3)	3	(3)



## 23. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial Statements		Separate financial statements	
	2017	2016	2017	2016
Salaries and wages and other employee benefits	461,265	469,957	408,804	418,957
Depreciation and amortisation	604,657	526,095	521,267	460,343
Transportation expenses	191,451	204,536	164,485	169,254
Stabilisation costs, research fee and contribution to Cane and Sugar Fund	114,118	115,592	114,118	115,592
Maintenance expenses	328,347	236,889	280,535	209,706
Rental expenses from operating lease agreements	62,867	60,279	60,587	54,976
Raw materials and other supplies used	3,929,908	2,840,231	3,928,304	2,835,827
Changes in inventories of finished goods and work in process	65,256	(76,427)	63,876	(74,194)

## 24. Income tax

### 24.1 Deferred tax assets / liabilities

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

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	20,636	14,448	20,636	14,448
Allowance for diminution in value of inventories	153	80	153	80
Derivative revaluation reflected in shareholders' equity	-	432	-	432
Finance lease	-	696	-	696
Provision for long-term employee benefits	6,738	6,744	5,907	5,883
Unused tax loss	118,344	146,535	114,055	124,505
<b>Total</b>	<b>145,871</b>	<b>168,935</b>	<b>140,751</b>	<b>146,044</b>

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<b>Deferred tax liabilities</b>				
Derivative revaluation				
reflected in profit or loss	753	-	753	-
reflected in shareholders' equity	4	-	4	-
Financial lease	1,562	-	1,562	-
Accumulated depreciation - Plant and equipment	81,693	75,894	81,693	75,894
Total	84,012	75,894	84,012	75,894
<b>Deferred tax assets - net</b>	61,859	93,041	56,739	70,150

## 24.2 Income tax expenses (revenues)

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<b>Current income tax:</b>				
Current income tax charge	6,849	2,195	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	30,077	(69,843)	12,344	(47,744)
<b>Income tax expenses (revenues) reported in the statements of comprehensive income</b>	36,926	(67,648)	12,344	(47,744)



The reconciliation between accounting losses and income tax revenue is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Accounting losses before tax	(339,716)	(422,906)	(516,555)	(229,274)
Applicable tax rate	20%	20%	20%	20%
Accounting losses before tax multiplied by income tax rate	(67,943)	(84,581)	(103,311)	(45,855)
Effects of:				
Change in value of investment accounted for the equity method	9,757	-	-	-
Income exempted from promotional privileges (Note 25)	(23,853)	-	-	-
Non-deductible expenses	2,075	19,107	1,378	6,706
Additional expense deductible allowed	(12,793)	(16,219)	(12,793)	(16,207)
Unused tax losses which may not be utilised	129,683	14,045	127,070	7,612
<b>Income tax expenses (revenues) reported in the statements of comprehensive income</b>	<u>36,926</u>	<u>(67,648)</u>	<u>12,344</u>	<u>(47,744)</u>

As at 31 December 2017, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 648 million (2016: Baht 69 million) (the Company only: Baht 635 million 2016: Baht 38 million), on which deferred tax assets have not been recognised as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The Company and its subsidiaries have unused tax losses amounting to Baht 648 million (2016: Baht 69 million) (the Company only: Baht 635 million 2016: Baht 38 million) will expire by the year 2022.



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

Consolidated financial statements						
Loss for the year		Weighted average number of ordinary shares		Loss per share		
2017	2016	2017	2016	2017	2016	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
<b>Basic loss per share</b>						
Loss attributable to equity holders of the Company						
(376,642)	(355,258)	600,000	600,000	(0.63)	(0.59)	

Separated financial statements						
Loss for the year		Weighted average number of ordinary shares		Loss per share		
2017	2016	2017	2016	2017	2016	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
<b>Basic loss per share</b>						
Loss attributable to equity holders of the Company						
(528,900)	(181,530)	600,000	600,000	(0.88)	(0.30)	

## 27. Segment information

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

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

- The sugar cane segment: production, distribution of sugar cane and related services, e.g. provision of agricultural machines and vehicles (sugar cane harvesters and tractors) to planters who sell sugar cane to the Company
- The sugar and molasses trading segment: purchase and sale of sugar, molasses and by products
- The utilities segment: generation of electricity and steam whereby bagasses are used as main fuel



(Unit: Million Baht)

For the year ended 31 December 2016							
	Sugar cane segment	Sugar and molasses trading	Utilities segment	Others	Total reportable segments	Eliminations	Consolidated
Revenue from sale and service from external customers	5,517	1,088	320	-	6,925	-	6,925
Inter-segment revenue	649	2	409	-	1,060	(1,060)	-
<b>Total</b>	<b>6,166</b>	<b>1,090</b>	<b>729</b>	<b>-</b>	<b>7,985</b>	<b>(1,060)</b>	<b>6,925</b>
Interest income	79	-	-	1	80	(19)	61
Interest expenses	156	-	49	1	206	(19)	187
Depreciation and amortisation	460	-	63	-	523	3	526
Gain on disposal of equipment	5	-	-	-	5	-	5
Compensation from subsidiary's accident	-	-	25	-	25	-	25
Loss on subsidiary's accident	-	-	135	-	135	-	135
Income tax expenses (revenue)	48	(2)	22	-	68	-	68
<b>Segment profit (loss)</b>	<b>(182)</b>	<b>7</b>	<b>(172)</b>	<b>(6)</b>	<b>(353)</b>	<b>(2)</b>	<b>(355)</b>
<b>Segment total assets</b>	<b>9,886</b>	<b>297</b>	<b>2,250</b>	<b>126</b>	<b>12,559</b>	<b>(1,951)</b>	<b>10,608</b>
Additions (deductions) to non-current assets other than financial instruments and deferred tax assets	204	-	(50)	6	160	(110)	50

### Geographic information

Revenue from external customers is based on locations of customers.

(Unit: Million Baht)

	2017	2016
Revenue from external customers		
Thailand	4,156	3,656
Asia	2,946	2,449
Europe	705	775
Others	13	45
<b>Total</b>	<b>7,820</b>	<b>6,925</b>

### Major customers

For the year 2017, the Company and its subsidiaries had revenue from 3 major customer in the amount of Baht 1,973 million, Baht 521 million, and Baht 584 million, respectively (2016: Baht 864 million and Baht 731 million derived from two major customers, arising from the production and distribution of sugar cane segment).



	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Payable within:				
1 year	30	36	25	30
2 to 5 years	12	32	10	31

### 30.3 Molasses sale/purchase commitments

As at 31 December 2017, the Company and a subsidiary had commitments to molasses purchase of Baht 568 million (2016: Baht 469 million) (the Company only: Nil) and molasses sales of Baht 867 million (2016: Baht 603 million) (the Company only: Baht 495 million 2016: Baht 227 million), for which the delivery has not yet been made. The agreements mature within one year.

### 30.4 Cane sugar sales/purchase commitments

As at 31 December 2017, the Company had commitments to the sale of cane sugar amounting to Baht 445 million (2016: Baht 744 million), for which the delivery has yet to be made. The agreements mature within one year.

### 30.5 Electricity sale/purchase commitment and dispute

The subsidiary entered into the following agreements to sell electricity at specified quantities and prices as determined in the agreements.

Company's name	Date of agreement	Period (Years)	Commencement date	End of period	Contracted capacity (MW)
Provincial Electricity Authority (PEA)*	20 July 2009	5	16 July 2013	Renewable for every 5 years	8
Electricity Generating Authority of Thailand ("EGAT")	27 October 2014	25	18 December 2014	27 October 2039	22

\* On 26 September 2016, the subsidiary revised the agreement with Provincial Electricity Authority by changing the condition from Adder to Feed-in Tariff (TiF) and extending terms from 5 years to 20 years as from the agreement date. As a result, the termination of the agreement shall be 15 July 2029.





decision. The subsidiary was informed that EGAT submitted the meeting's resolution to ERC for further consideration on 10 February 2017.

However, as at the auditor's report date of the financial statements, ERC has yet to finalise the decision on this matter. The Company's management reassures that the electricity volume as specified in the contract will not be reduced, and this dispute will not have a significant impact on the subsidiary's business because the subsidiary has regularly supplied the electricity to EGAT in the quantity as stipulated in the contract. The reason of not supplying the electricity to EGAT for 180 days is that the main steam pipe and accessory equipment have been repaired. After the repairing work was completed, the subsidiary is able to sell the electricity to EGAT as stipulated in the sale and purchase electricity contract up to the present.

### **30.6 Agreements relating to the operation of electricity from biomass**

On 1 December 2014, the Company and a subsidiary revised and amended agreements relating to the operation of electricity from biomass. The terms are 3 years, as from the date of 5 December 2014 to 30 November 2017. The agreement shall be renewable for further 3 years, unless terminated by either party. The details are as follows:

- a) The electricity sale/purchase agreement - The Company agreed to acquire an electricity voltage of 3,300 volts for power supply of 2 - 25 megawatt (season based) from its subsidiary. The price is the same as the electricity price purchased from the Electricity Authority, excluding Adder.
- b) The steam sale/purchase agreement - The Company agreed to acquire the steam, with the pressure of 0.5 - 23 bars and at the maximum volume of 470 tons per hour (season based), from its subsidiary. The price is as stipulated in the agreement.
- c) The bagasse sale/purchase agreement - The Company agreed to sell at least 28% of the total sugar cane or at least 2.9 million tons of bagasse to its subsidiary. The price is as stipulated in the agreement.

In addition, the subsidiary entered into several lease agreements in respect of lease of land, building, and machinery to be used in the operation of electricity from biomass with the Company. The terms of the agreements are generally 3 - 30 years.

On 1 December 2017, the Company and a subsidiary revised and amended agreements relating to the operation of electricity from biomass. The terms are 3 years, as from the date of 1 December 2017 until 30 November 2020. The agreement shall be renewable for further 3 years, unless terminated by either party. The details are as follows:



### 30.8 Commitment in respect of uncalled investment

As at 31 December 2017 and 2016, the Company and its subsidiary are committed to pay the uncalled portions of its investments as follows:

(Unit: Million Baht)

	2017	2016
Khonburi Bio Energy Co., Ltd.	324.75	324.75
KBS Investment Co., Ltd.	101.25	-
KBS Power Co., Ltd.	101.25	-

### 31. Fair value hierarchy

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

(Unit: Thousand Baht)

Consolidated Financial Statements				
As at 31 December 2017				
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Derivatives				
Forward exchange contracts	-	23	-	<b>23</b>
Commodity swap contracts	-	3,764	-	<b>3,764</b>
<b>Financial liability measured at fair value</b>				
Derivative				
Forward exchange contracts	-	263	-	<b>263</b>

(Unit: Thousand Baht)

Separate Financial Statements				
As at 31 December 2017				
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Derivatives				
Forward exchange contracts	-	23	-	<b>23</b>
Commodity swap contracts	-	3,764	-	<b>3,764</b>

(Unit: Thousand Baht)

	Consolidated / Separate Financial Statements			
	As at 31 December 2017			
	Level 1	Level 2	Level 3	<b>Total</b>
<b>Financial liability measured at fair value</b>				
Derivative				
Forward exchange contracts	-	2,161	-	<b>2,161</b>

**32. Financial instruments****32.1 Financial risk management**

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivable, sugar cane plantation receivables, short-term loans, short-term loans from banks, short-term loans from related parties, trade and other payable, amount due to the Office of the Cane and Sugar fund, long-term loans from banks and liabilities under finance lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.

***Credit risk***

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables, sugar cane plantation receivables and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables, sugar cane plantation receivables and loans as stated in the statements of financial position.

***Interest rate risk***

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to its deposits at banks, sugar cane plantation receivables, loans, bank overdrafts, liabilities under the financial lease agreement and interest bearing borrowings. Most of the Company's and subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

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

(Unit: Million Baht)

Consolidated financial statements						
As at 31 December 2017						
Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)	
Within 1 year	1-5 years					
<b>Financial assets</b>						
Cash and cash equivalents	-	226	7	233	Note 8	
Trade and other receivables	-	-	679	679	-	
Sugar cane plantation receivables	867	-	-	1,188	Note 10	
	<u>867</u>	<u>226</u>	<u>686</u>	<u>2,100</u>		
<b>Financial liabilities</b>						
Short-term loans from banks	2,548	-	-	2,548	Note 17	
Trade and other payables	-	-	1,357	1,357	-	
Amounts due to the Office of the Cane and Sugar fund	-	-	80	80	-	
Liabilities under financial lease	29	34	-	63	Note 19	
Long-term loans from banks	511	152	2,227	2,890	Note 20	
	<u>3,088</u>	<u>186</u>	<u>2,227</u>	<u>6,938</u>		

(Unit: Million Baht)

Consolidated financial statements						
As at 31 December 2016						
Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)	
Within 1 year	1-5 years					
<b>Financial assets</b>						
Cash and cash equivalents	-	121	5	126	Note 8	
Trade and other receivables	-	-	964	964	-	
Sugar cane plantation receivables	735	-	-	997	Note 10	
	<u>735</u>	<u>121</u>	<u>969</u>	<u>2,087</u>		
<b>Financial liabilities</b>						
Short-term loans from banks	1,839	-	-	1,839	Note 17	
Short-term loan from related party	312	-	-	312	1.00% - 2.55%	
Trade and other payables	-	-	1,307	1,307	-	
Amounts due to the Office of the Cane and Sugar fund	-	-	90	90	-	
Liabilities under financial lease	27	57	-	84	Note 19	
Long-term loans from banks	528	-	2,837	3,365	Note 20	
	<u>2,706</u>	<u>57</u>	<u>2,837</u>	<u>6,997</u>		

(Unit: Million Baht)

	Separate financial statements					
	As at 31 December 2017					
	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	74	1	75	Note 8
Trade and other receivables	-	-	-	360	360	-
Sugar cane plantation receivables	867	321	-	-	1,188	Note 10
Short-term loans to related parties	516	-	-	-	516	2.37% - 7.50%
	<u>1,383</u>	<u>321</u>	<u>74</u>	<u>361</u>	<u>2,139</u>	
<b>Financial liabilities</b>						
Short-term loans from banks	2,333	-	-	-	2,333	Note 17
Short-term loan from related party	85	-	-	-	85	1.10%
Trade and other payables	-	-	-	1,046	1,046	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	80	80	-
Liabilities under financial lease agreement	28	34	-	-	62	Note 19
Long-term loans from banks	511	152	1,628	-	2,291	Note 20
	<u>2,957</u>	<u>186</u>	<u>1,628</u>	<u>1,126</u>	<u>5,897</u>	

(Unit: Million Baht)

	Separate financial statements					
	As at 31 December 2016					
	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	99	1	100	Note 8
Trade and other receivables	-	-	-	1,041	1,041	-
Sugar cane plantation receivables	735	262	-	-	997	Note 10
Short-term loans to related parties	482	-	-	-	482	4.50% - 7.50%
	<u>1,217</u>	<u>262</u>	<u>99</u>	<u>1,042</u>	<u>2,620</u>	
<b>Financial liabilities</b>						
Short-term loans from banks	1,799	-	-	-	1,799	Note 17
Short-term loan from related party	397	-	-	-	397	1.10%
Trade and other payables	-	-	-	1,200	1,200	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	90	90	-
Liabilities under financial lease agreement	26	56	-	-	82	Note 19
Long-term loans from banks	528	-	2,047	-	2,575	Note 20
	<u>2,750</u>	<u>56</u>	<u>2,047</u>	<u>1,290</u>	<u>6,143</u>	

### Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk arises mainly from selling goods and purchasing equipment that are denominated in foreign currencies. The Company and its subsidiaries seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. General, the forward contracts mature within one year.

The Company appointed a related company as its representative for the purpose of concluding forward exchange contracts, with power of attorney. The Company agrees to accept liability for any losses.

The Company and its subsidiaries had the following foreign currency financial assets and liabilities.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2017	2016	2017	2016	2017	2016
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1.3	6.1	-	-	32.6407	35.6588

The balances of forward exchange contracts are summarised below.

#### Consolidated financial statements as at 31 December 2017

Foreign currency	Purchased amount	Sold amount	Contractual exchange rate		Contractual maturity date
			Purchased amount	Sold amount	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
US dollar	0.47	0.03	33.12 - 33.28	33.41	February - April 2018

#### Separate financial statements as at 31 December 2017

Foreign currency	Sold amount	Contractual exchange rate		Contractual maturity date
		Sold		
	(Million)	(Baht per 1 foreign currency unit)		
US dollar	0.03	33.41		April 2018

#### Consolidated / Separate financial statements as at 31 December 2016

Foreign currency	Sold amount	Contractual exchange rate		Contractual maturity date
		Sold		
	(Million)	(Baht per 1 foreign currency unit)		
US dollar	22.6	35.56 - 35.98		January - November 2017





The balances of commodity swap contracts that were made in the name of the Company are summarised below.

(Unit: Thousand US dollar)

As at 31 December 2017					
Commodity type	Bought amount	Sold amount	Contract value		Contractual maturity date
			Bought amount	Sold amount	
Sugar	550 tons	120 tons	1,828	472	February - April 2018

As at 31 December 2017, the Company had no remaining commodity swap contracts.

### 32.2 Fair values of financial instruments

Since the majority of the financial instruments of the Company and its subsidiaries are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

The estimated fair value of the derivatives is as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	Fair value	Fair value	Fair value	Fair value
	Gain (loss)	Gain (loss)	Gain (loss)	Gain (loss)
<b>Derivatives</b>				
Forward exchange contracts	(240)	(2,161)	23	(2,161)
Commodities swap contracts	3,764	-	3,764	-

The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable, accounts payable and short-term loans, their carrying amounts in the statement of financial position approximate their fair value.
- For long-term loans carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.



# References



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