







บริษัท น้ำตาลครบุรี จำกัด (มหาชน)

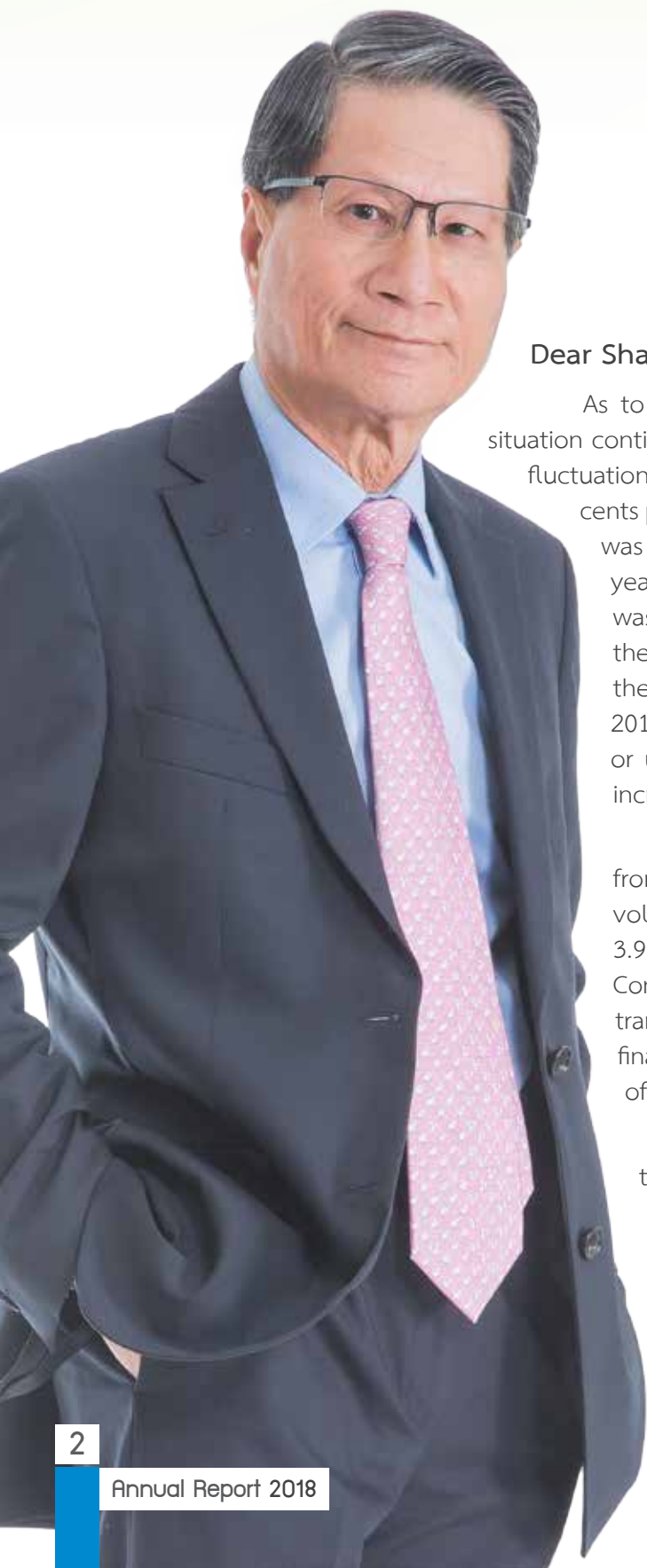
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# Message from the Chairman and the Chairman of Executive Committee



## Mr. Suthep Wongvorazathe Chairman

Dear Shareholders,

As to the overview of business in 2018, the sugar industry situation continued to decelerate. The sugar price experienced heavy fluctuations with a reduction from 14-15 cents per pound to 12-13 cents per pound at the ending of year 2018. The price reduction was caused by an increase of sugar volume in the world in year 2018 causing a supply surplus. In addition, the price was also affected as a result from the floating sugar price in the domestic market per the government's policy. However, the main factor was the sugar cane volume in crop year 2017/2018 for Thailand as it increased to 135 Million ton or up 45.21% from previous period, the highest recorded increase in the last 10 years.

For the year 2018, the KBS group had better performance from the prior year. The main positive factor was sugarcane volume production increased from 2.44 million ton to 3.99 million ton or increased by 63.5%. In addition, the Company managed their cost efficiently, especially the cane transportation cost. These were reflected in the consolidated financial position of the company and resulted in a net profit of 294 million Baht.

In term of sales promotion and marketing, currently the company has products under the KBS brand, namely refined sugar "KBS First" and natural sugar "KBS Brown". The Company has adopted various marketing strategies to promote brand awareness among customers. Our main customers segments are industrial, modern trade, distributors, and other channels. The company therefore tailors different strategies to meet customers' satisfaction to build sustainable brand loyalty in the future.



## Mr. Takon Tawintermsup

### Director

Moving forward, the company has plans to increase sugarcane crushing capacity by establishing a new sugar mill in Sikhew District, Nakhon Ratchasima Province. At present, the plans for the new sugar mill have already been approved through the Environmental Impact Assessment process or EIA. The company started construction in the first quarter of 2019 and expects to begin operation in December 2020.

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



## Board of Directors



**Mrs. Suvimol Krittayakiern**  
Independent Director,  
Chairman of the Audit Committee



**Mr. Suthep Wongvorazathe**  
Chairman,  
Independent Director



**Mr. Voravit Rojrapitada**  
Independent Director,  
Chairman of the Nomination and  
Remuneration Committee,  
Audit Committee



**Mr. Sran Smutkochorn**  
Independent Director,  
Chairman of Risk Management  
Committee,  
The Nomination and Remuneration  
Committee



**Mr. Sukda Punkla**  
Independent Director,  
Audit Committee



**Mr. Takon Tawintermsup**  
Director,  
Chairman of Executive Committee,  
Risk Management Committee



**Mr. Somkiat Twiltermsup**  
Director, Executive Director,  
Risk Management Committee,  
The Nomination and Remuneration  
Committee



**Mr. Issara Twiltermsup**  
Director,  
Executive Director,  
The Nomination and Remuneration  
Committee



**Mr. Amnart Rumpoeypong**  
Director



## Board of Executive Management



**Mr. Takon Tawintermsup**  
Acting Managing Director



**Mr. Somkiat Twiltermsup**  
Deputy Managing  
Director of Marketing



**Mr. Kriangsak Phattarakosol**  
Deputy Managing  
Director of Raw Material



**Mr. Issara Twiltermsup**  
Assistant Managing  
Director of Corporate Affairs



**Mr. Rangan Twiltermsup**  
Assistant Managing  
Director of Supply Chain



**Mr. Rathavudh Saetang**  
Assistant Managing  
Director of Marketing



**Mr. Rakkiti Tanglamlert**  
Chief Financial Officer



**Ms. Surawee Puangthong**  
Senior Finance Manager





# Business Highlights 2018

Cane crush 3.9 Million Tons



Crushing Unit 35,000 Tons / Day



Refined Capacity 1,200 Tons / Day



Sales by Geographic

Sugar selling proportion of year 2017/2018

Sugar for export 75%    Sugar for domestic sale 25%

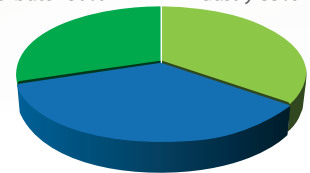
Neighboring countries 15%

Distributor 30%

Industry 35%



Asia 85%



Shopping mall (OEM) 35%

KBS Brand



KBS Brown



KBS First



KBS2X Double Sweet

Customer

International



Domestic

Industrial

Modern Trade



Power Plant

23 MW

35 MW

58 MW

Power Purchased Agreement



Non firm 8 MW

Firm 22MW

## Summary of Important Financial Information

Key Financial Highlight	2016	2017	2018
<b>Financial Status (THB mm.)</b>			
Cash and Cash Equivalents	126	233	64
Total Assets	10,608	10,158	9,915
Total Liabilities	7,060	7,012	6,471
Total Shareholders' Equity	3,548	3,146	3,444
<b>Operating Results (THB mm.)</b>			
Sale and Service Income	6,925	7,820	8,242
Total Revenues	7,161	8,172	8,568
Cost of Sales and Services	6,646	7,708	7,247
Selling and Administrative Expenses	614	586	853
Loss from subsidiary's accident	135	-	-
Profit (loss) before Finance Cost and Income Tax	(234)	(146)	468
Finance Cost	189	194	179
Income tax (revenues) expenses	(68)	37	(4)
Profit (loss) for the years	(355)	(377)	294
<b>Financial Ratios</b>			
Gross Profit Margin	4.0%	1.4%	12.1%
Net Profit Margin	(5.1%)	(4.8%)	3.6%
Return on Asset (ROA)	(3.3%)	(3.7%)	3.0%
Return on Equity (ROE)	(10.0%)	(12.0%)	8.5%
Total Debt per Equity (D/E)	2.0	2.2	1.9
<b>Value/share (Baht/share)</b>			
Book Value per Share	5.91	5.24	5.74
Earning per Share	(0.59)	(0.63)	0.49



# Business Operation

## Policy and business overview

### Vision & Mission

#### 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



## 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
2017	On November 2017, the company received a Certificate of Membership of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC)
2018	On November 2018, The company has disclosed investment information for sugar factory and power plant project. At Sikhew District The project value is approximately 4,000 million baht.



## 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.



## 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 10 in the group of sugar manufacturers and distributors of Thailand with the total sugar output in 2017/2018 of 437,326 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.

Currently, the Company distributes sugar to both local and international customers. The Company's products can be divided into 5 types, which are raw sugar, brown sugar, natural sugar, white sugar and sucralose blended sugar. In addition to manufacturing and distribution of sugar, the Company also emphasizes the best quality of products as well as excellent services to our customers and partners. Our manufacturing system has been developed to be more flexible so that the size and packaging can be adjusted as necessary.

As of 31 December 2018, the Group of Companies consists of the Company and 6 subsidiaries, 2 of which started selling and providing services while another 4 were established to accommodate the future projects as follows:







<b>KBS Trading Company Limited</b> (Former name: Agricultural Machinery Services Company Limited)	Established in 2008, the Company currently has the registered capital at 40,000,000.00 Baht. The objective is to operate sugar and sugar by-product trading business.
<b>Khonburi Power Plant Company Limited</b>	Established in 2008, the Company currently has the registered capital at 500,000,000.00 Baht. The objective is to generate electricity using bagasse as feedstock. The company has entered into the electricity sale and purchase agreement with Electricity Generating Authority of Thailand (EGAT) as 22 MW firm since 6 November 2014.
<b>Khonburi Bio Energy Company Limited</b>	Established in 2004, the Company currently has the registered capital at 440,000,000.00 Baht. The objective is to produce ethanol using molasses which is sugar by-product as feedstock. <i>Now, the Company has no significant operation.</i>
<b>KBS Investment Company Limited</b>	Established in 2014, the Company currently has the registered capital at 145,000,000.00 Baht. The objective is to operate the holding company. <i>Now, the Company has no significant operation.</i>
<b>KBS Cane and Sugar Company Limited</b>	Established in 2014, the Company currently has the registered capital at 5,000,000.00 Baht. The objective is to manufacture and distribute sugar and by-products. <i>Now, the Company has no significant operation.</i>
<b>KBS Power Company Limited</b>	Established in 2014, the Company currently has the registered capital at 140,000,000.00 Baht. The objective is to generating electricity using bagasse as feedstock <i>Now, the Company has no significant operation.</i>

## Nature of Business



### KBS's Business Overview

The Company's income structure over the past three years have details as follows:

	For the year ended 31 December 2016		For the year ended 31 December 2017		For the year ended 31 December 2018	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Domestic sales</b>						
- Refined sugar and super Refined sugar <sup>1</sup>	846.8	11.8	1,157.2	14.2	765.1	8.9
- White sugar <sup>1</sup>	798.6	11.2	423.1	5.2	247.8	2.9
- Raw sugar, brown sugar and natural sugar	461.2	6.4	95.7	1.2	289.8	3.4
<b>Total domestic sales</b>	<b>2,106.6</b>	<b>29.4</b>	<b>1,676.1</b>	<b>20.5</b>	<b>1,302.7</b>	<b>15.2</b>
<b>International sales, (Sugar)</b>						
- Refined sugar and super refined sugar	2,912.2	40.7	3,347.2	41.0	2,760.9	32.2
- Refined sugar	110.5	1.5	48.0	0.6	235.4	2.7
- VHP sugar	44.6	0.6	44.9	0.5	86.1	1.0
- Bulk raw sugar	197.2	2.8	241.2	3.0	752.0	8.8
<b>Total internation sales</b>	<b>3,264.5</b>	<b>45.6</b>	<b>3,681.3</b>	<b>45.0</b>	<b>3,834.4</b>	<b>44.8</b>
<b>Total sugar sales</b>	<b>5,371.1</b>	<b>75.0</b>	<b>5,357.4</b>	<b>65.6</b>	<b>5,137.1</b>	<b>60.0</b>
Molasses sales, (as by-product from sugar production)	556.2	7.8	518.5	6.3	681.6	8.0
Molasses trading	406.7	5.7	1,104.6	13.5	1,319.5	15.4
<b>Total</b>	<b>962.9</b>	<b>13.4</b>	<b>1,623.1</b>	<b>19.9</b>	<b>2,001.1</b>	<b>23.4</b>
<b>Electricity sales</b>	<b>320.0</b>	<b>4.5</b>	<b>483.6</b>	<b>5.9</b>	<b>608.5</b>	<b>7.1</b>
<b>Agricultural product sales and services</b>	<b>271.1</b>	<b>3.8</b>	<b>356.1</b>	<b>4.4</b>	<b>495.7</b>	<b>5.8</b>
<b>Other income</b>	<b>235.9</b>	<b>3.3</b>	<b>351.7</b>	<b>4.3</b>	<b>325.6</b>	<b>3.8</b>
<b>Total revenues</b>	<b>7,161.0</b>	<b>100.0</b>	<b>8,171.9</b>	<b>100.0</b>	<b>8,568.0</b>	<b>100.0</b>

Note : <sup>1</sup> Including sugar to industrial customer for export

# Business Goals

## 1. Goals related to Sugar Business Operation

The Company focuses on development and maintenance of potentials of business operation in the following matters:

- Maintaining leadership of sugar manufacturing. The Company strives to maintain the high quality of sugar manufacturing by improving the processing system and ensuring that our personnel have knowledge, ability and expertise in relation to sugar manufacturing, making the Company being continuously awarded for our manufacturing efficiency.
- Operating complete sugar business and increasing value of the sugar by-products. In addition to maintaining leadership in sugar manufacturing and distribution, the Company also aims to expand the business to other related businesses in order to upgrade the Company to be one of the complete sugar business operators. Our future business development plan includes production of ethanol and organic fertilizer from sugar by-product and power generation from molasses.
- Developing business along with sugar cane farmers and business partners. The Company believes that maintaining good relationship with sugarcane farmers and business partners is a key factor to sustainable business development. Therefore, the Company aims to strengthen the relationship with sugarcane farmers and business partners in many ways. For sugarcane farmers, the Company usually provides them with assistance in the form of financial support for sugarcane planting (“funding”) and consultations on increasing productivity and efficiency of sugarcane planting, so that the farmers can survive and obtain appropriate income from their efforts. In case of business partners, the Company always tries to propose mutual business development, such as being hired for manufacturing products of other brands according to the design stipulated by the customers.

## 2. Goals of Business Transparency

The Company aims at business transparency, integrity and efficiency to create satisfactory operating results and ultimate benefits to the shareholders on the basis of equality.

## 3. Goals of Risk Management

The Company aims to manage risks at acceptable level and appropriate for business operation. This includes operational risk, financial risk, marketing risk, environmental risk, and innovative and technological risk.

## 4. Goals of Personnel Development

The Company realizes the importance of employees. We believe that effective personnel are the key factors of effective organizational development. For this reason, human resources development is emphasized by arrangement of regular training to enhance their knowledge and skills related to roles and responsibilities of the employees in each division, which contributes to sustainable growth of the Company. Furthermore, IT personnel as well as automated systems are improved to ensure better efficiency of the Company’s operations.



## 5. Goals of Sustainable Development

The Company emphasizes development to ensure stability and sustainability of business. In 2010, Corporate Social Responsibility, Department of Industrial Works (CSR-DIW) has been adapted as the basis of our operations, and we were conferred CSR-DIW AWORD in 2012, CSR-DIW CONTINUOUS AWARD in 2013, and CSR-DIW ADVANCE AWARD Level 4 in 2013. These principles are implemented in development of all Company's stakeholders including shareholders, investors, customers, farmers, sellers, employees, communities, societies, government agencies, and other, to ensure sustainable management of the Company under the supportive framework and benefits to all parties in the short and long term.

## Business operation of each product line

### 1. 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 Natural 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.



## 2. 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.

### Molasses

Molasses are by-products of sugar boiling process, and they are dark brown and sticky liquid. Typically, the Company can get approximately 43-45 kilograms of molasses out of one ton of sugarcane. The Company sells these molasses to a variety of industries as they can be used as raw materials in food industry, beverage industry, or used for the production of alcohol, liquor, yeast, MSG, animal feed, vinegar, soy sauce and seasoning. More importantly, molasses are raw materials in energy industry for the production of ethanol. At present, the Company is planning to construct ethanol production plant with capacity of 200,000 liters per day.

### Bagasses

The Company uses bagasses derived from cane crushing process as fuel for steam and electricity production for distribution to our sugar factories. Electricity in excess will be sold to Provincial Electricity Authority (PEA) and Electricity Generating Authority of Thailand (EGAT). Khonburi Power Plant Co., Ltd. is a main operator of power plant unit. Currently KPP supply electricity under firm contract 22 MW to EGAT and other non-firm contract 8 MW.

To be able to supply electricity sufficient for the increased demand each year, and to continuously strengthen sustainability with regard to electricity, the Ministry of Energy by Energy Policy and Planning Office therefore establishes and amends Thailand's electricity capacity development plan, B.E. 2010-2030 (PDP 2010 3rd Revision) in accordance with national economic and social development plan.

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
KPP <sup>1</sup>	Electricity Generating Authority of Thailand (EGAT)	Small Power Producer (SPP)	Firm size 22 MW

<sup>1</sup> 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:

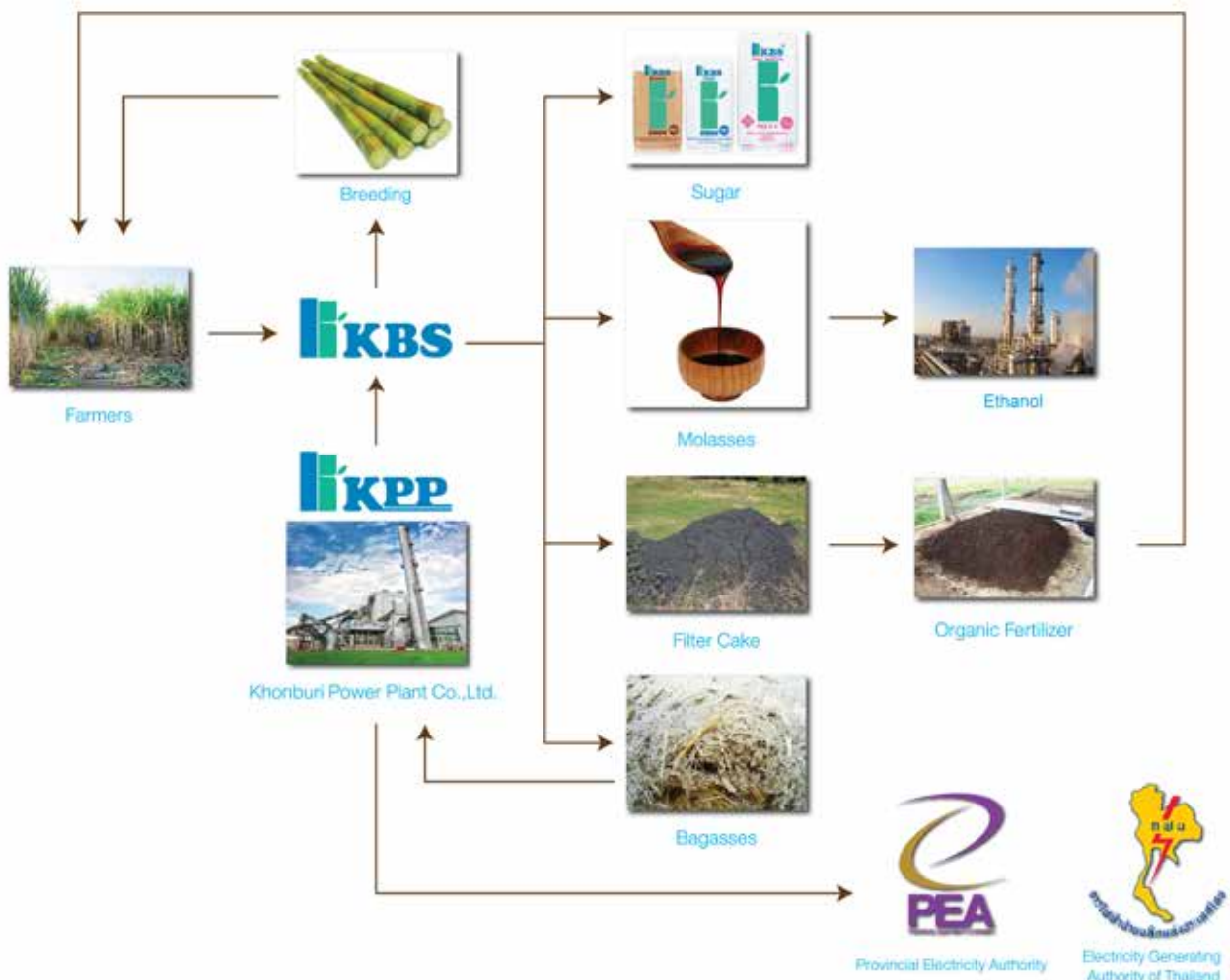
- Obtain the adder 0.30 Baht per kwh for small power producer from biomass fuels as a period 7 years from COD date.
- Obtain promotional privileges from the Board of Investment (BOI) for its electricity from biomass fuels since 19 April 2013. The benefit from BOI privileges can be summarized below:

- (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.

### 3. Molasses Trading Business

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.

#### Marketing and Competition in Sugar Industry





# Sugar industry overview

## 1) Sugar industry overview in global market

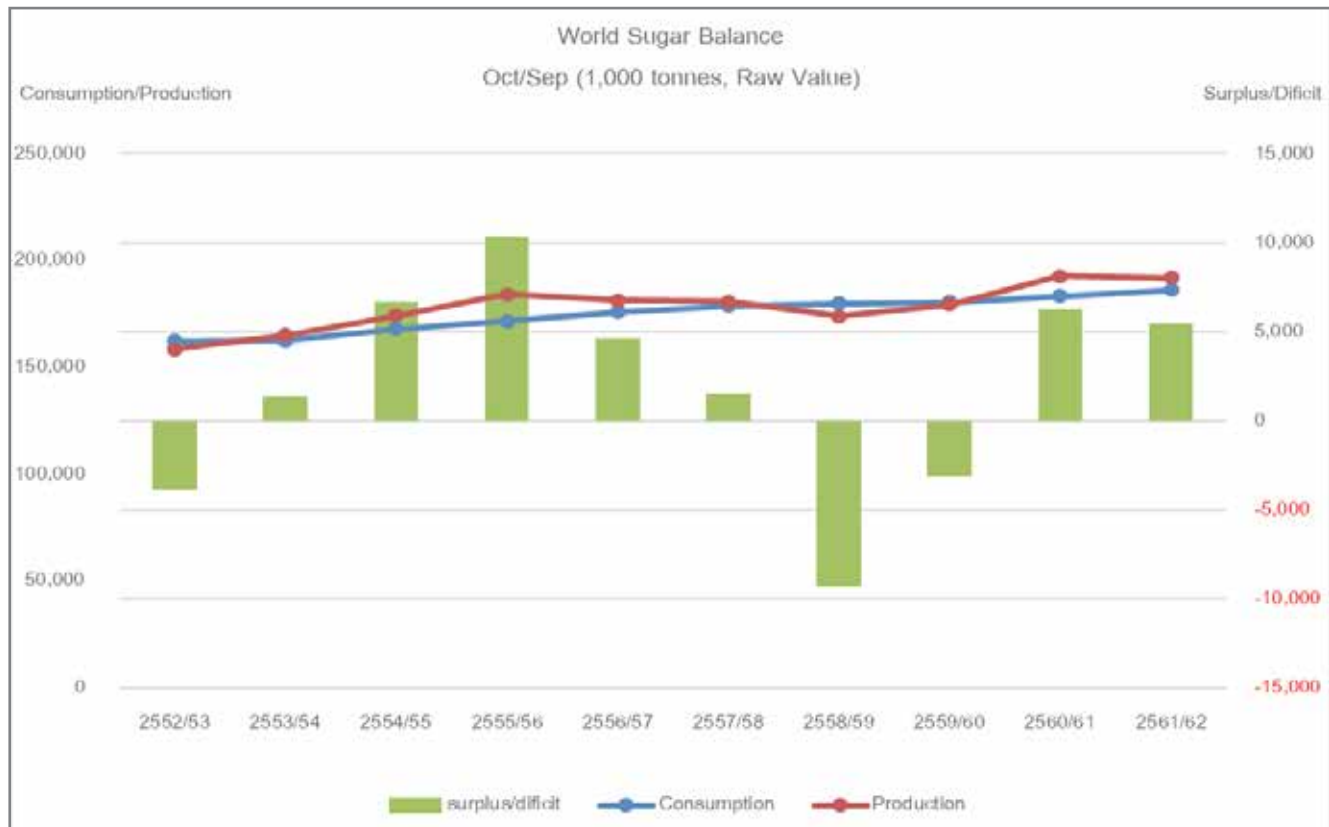
### (a) Balance between sugar demand and supply in global market

Details	Consumption volume, production volume, and sugar inventory in global market (million tons) <sup>1</sup>								
	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Consumption	162.63	168.07	171.74	176.08	178.66	180.01	180.56	183.29	186.10
Production	165.18	174.35	184.17	181.51	180.73	174.06	179.51	192.77	192.06
Balance	57.47	64.15	74.45	79.05	80.59	71.27	68.17	74.46	79.91
Stock-to-use ratios (%)	35.34%	38.17%	43.35%	44.89%	45.11%	39.59%	37.76%	40.62%	42.94%

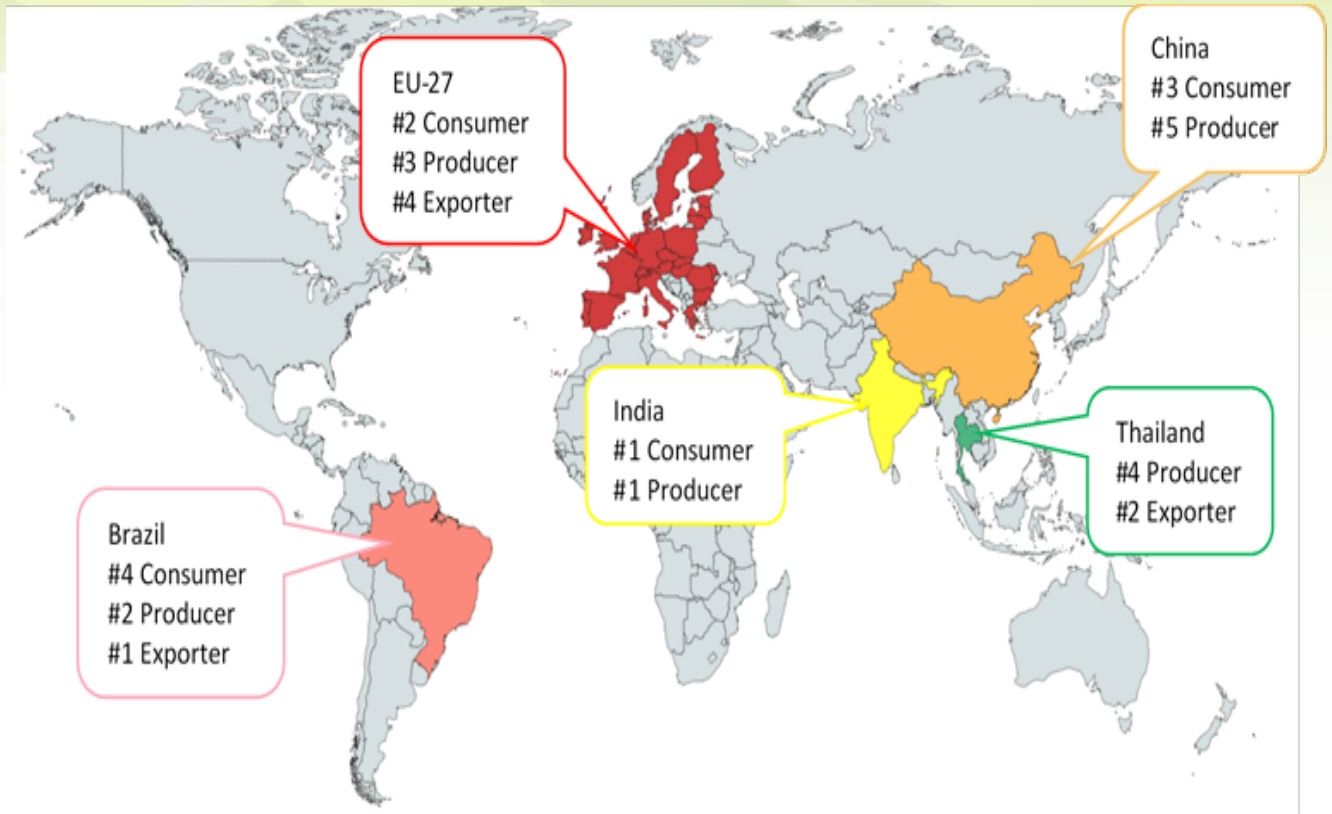
Source: F.O.Licht's International Sugar and Sweetener Report (10.10.2018)

Remark: <sup>1</sup> Metric ton raw value

### World Sugar Balance



Source: F.O.Licht's International Sugar and Sweetener Report (10.10.2018)



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

Table showing sugar production volume of major countries in the world during production year of 2013/2014 to production year of 2018/2019

Country	Product volume of major producers (million tons) <sup>1</sup>					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
India	26.41	30.71	27.29	21.84	35.00	36.53
Brazil	38.68	34.82	39.71	41.41	32.51	33.83
EU 27	16.65	18.14	15.25	17.10	21.08	19.46
Thailand	11.86	11.74	10.28	10.58	15.30	14.93
China	14.48	11.41	9.47	10.10	11.21	11.63
United States	7.67	7.85	8.15	8.14	8.40	8.30
Pakistan	6.10	5.61	5.52	7.65	8.19	8.19
<b>Total major producers</b>	<b>121.85</b>	<b>120.28</b>	<b>115.67</b>	<b>116.82</b>	<b>131.69</b>	<b>132.87</b>
<b>Ratio of production of major producers/ Total production volume (%)</b>	<b>67.13%</b>	<b>66.56%</b>	<b>66.45%</b>	<b>65.07%</b>	<b>68.32%</b>	<b>69.18%</b>

Source: F.O.Lich's International Sugar and Sweetener Report (10.10.2018)

Remark: <sup>1</sup> Metric ton raw value

Table showing sugar consumption of major countries in the world during production year of 2013/2014 to production year of 2018/2019

Country	Consumption volume of major consumers (million tons) <sup>1</sup>					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
India	26.41	27.19	27.71	26.63	27.17	27.72
EU 27	18.89	18.61	18.65	18.64	18.41	18.23
China	15.47	16.25	16.20	16.41	16.41	16.41
Brazil	12.74	12.96	12.86	12.72	12.88	12.94
United States	10.86	10.82	10.95	11.15	11.20	11.20
Indonesia	6.16	6.36	6.45	6.53	6.53	6.63
Russia	5.93	6.02	6.07	6.10	6.38	6.62
<b>Total major consumers</b>	<b>96.46</b>	<b>98.21</b>	<b>98.89</b>	<b>98.18</b>	<b>98.98</b>	<b>99.75</b>
<b>Ratio of consumption of major consumers/ Total consumption volume (%)</b>	<b>54.78%</b>	<b>54.97%</b>	<b>54.94%</b>	<b>54.38%</b>	<b>54.00%</b>	<b>53.60%</b>

Source: F.O.Licth's International Sugar and Sweetener Report (10.10.2018)

Remark: <sup>1</sup> Metric ton raw value

Table showing sugar export of major countries during the world in production year of 2013/2014 to production year of 2018/2019

Country	Export volume of major exporters (million tons) <sup>1</sup>					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Brazil	24.62	24.42	27.87	28.55	22.62	20.64
Thailand	6.55	8.21	7.82	7.18	9.53	8.40
Australia	3.47	4.33	4.34	3.99	3.53	4.02
EU 27	1.61	1.44	1.52	1.44	3.61	2.36
Guatemala	1.90	2.49	2.12	2.01	1.74	1.89
<b>Total major exporters</b>	<b>38.15</b>	<b>40.89</b>	<b>43.67</b>	<b>43.17</b>	<b>41.03</b>	<b>37.31</b>
<b>Ratio of export of major exporters/ Total export volume (%)</b>	<b>65.43%</b>	<b>69.04%</b>	<b>69.27%</b>	<b>68.02%</b>	<b>66.17%</b>	<b>64.72%</b>

Source: F.O.Licth's International Sugar and Sweetener Report (10.10.2018)

Remark: <sup>1</sup> Metric ton raw value



Table showing sugar import of major countries in the world during production year of 2013/2014 to production year of 2018/2019

Country	Import volume of major importers (million tons) <sup>1</sup>					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Indonesia	3.85	3.06	5.32	4.60	5.11	4.93
China	3.61	5.94	5.46	4.75	3.66	4.04
United States	3.61	3.18	3.06	2.96	2.96	2.58
Bangladesh	2.08	2.47	2.02	2.42	2.25	2.04
India	1.35	1.39	2.11	2.15	1.94	1.20
United Arab Emirates	2.79	2.02	2.13	2.61	1.90	1.80
<b>Total major importers</b>	<b>17.29</b>	<b>18.06</b>	<b>20.10</b>	<b>19.49</b>	<b>17.82</b>	<b>16.59</b>
<b>Ratio of import of major importers/ Total import volume (%)</b>	<b>29.73%</b>	<b>30.93%</b>	<b>32.20%</b>	<b>31.61%</b>	<b>29.64%</b>	<b>29.21%</b>

Source: F.O.Licth's International Sugar and Sweetener Report (10.10.2018)

Remark: <sup>1</sup> Metric ton raw value)

## (C) Thailand's sugar export

The following table shows the major destination countries for sugar export from Thailand.

Country	Sugar import volume from Thailand		
	2017	2018	%
Indonesia	2,486,072	4,108,405	65.26%
Cambodia	724,399	735,787	1.57%
Myanmar	645,688	923,436	43.02%
Japan	569,087	398,676	-29.94%
China	331,876	400,388	20.64%
Philippines	321,814	526,747	63.68%
Vietnam	238,630	247,494	3.71%

Source: Office of the Cane and The Sugar board



## (d) Demand and Supply of World Sugar Market

During the manufacturing season of the year 2018/2019, according to the initial estimate by F.O. Licht's Report dated 10 December 2018, excessive sugar productivity decreased to 5.45 million MT in comparison with 6.28 million MT. Most of excessive sugar productivity is from India and China, which positively affects the sugar price trend.

The world sugar productivity for the year 2018/2019 with estimated volume of 192.06 million MT which decreased from 192.77 million MT, accounting for 0.37 percent, in the previous year while sugar consumption is at 186.10 million MT which increased from 183.29 million MT, accounting for 1.53 percent, of the previous year. The factor affecting the decrease of sugar productivity is inappropriate weather condition in the south of Brazil, Australia and EU-27, as well as the higher world sugar prices, causing Brazilian manufacturers using sugarcane to produce more ethanol.

### Brazil

In the year 2018/2019, manufacturers in the south of Brazil could produce 26.43 million MT of sugar, decreasing from 36.06 million MT of sugar, accounting for 26.70 percent, in the previous year. This is the result of the lower proportion of sugarcane used for sugar manufacturing, which is 34 percent from 47 percent in the previous year while most of sugarcane is used to produce ethanol owing to higher yield. In the year 2019/2020 when the new production will start in April 2019, it is expected that the overall weather condition is not improved. The amount of rainfalls from October 2018 to January 2019, which decreased by 20 percent from the previous year. Also, using sugarcane to produce ethanol gave higher yield than sugar manufacturing. Thus, it is expected that sugar productivity will be decreasing in the coming manufacturing year.

### China

Although Chinese population increases continuously and the rate of urban living as well as the economic situation are getting improved, the use of sugar in the industry section is not significantly high due to the fact that other types of sweeteners remain highly consumed. The rate of overall sugar consumption in the year 2018/2019 is 16.41 million MT of sugar which is not much different from the previous year. Sugar productivity in the year 2018/2019 is 11.63 million MT of sugar, which increased from 11.20 million MT of sugar, accounting for 3.80 percent, in the year 2017/2018. In the year 2018/2019, the volume of sugar import is 4.04 million MT of sugar which increased by 10.38 percent in comparison to 3.66 million MT of sugar in the previous year. Moreover, the government provided support to farmers and factories by enforcing the policy on maximum sugarcane price and restricting import by imposition of taxes to encourage local production as done in the previous years.

### India

In the manufacturing year 2018/2019, it is expected that 30.79 million MT of sugar will be produced, which decreases from 32.25 million MT of sugar, accounting for 4.53 percent in the previous year as a result of the lack of rainfalls prior to the start of production. However, the domestic demand of consumption is 26 million MT of sugar per year. India has had excessive sugar of 5 million MT of sugar for 2 years (2017 and 2018), causing a decrease in domestic sugar price to be lower than the production costs. To assist the local plants and raise the domestic sugar price, the government announced export quota allotment for all plants for the distribution of 5.00 million MT of sugar and providing financial subsidies for sugar export amounting to 148.00 USD per MT in the form of transportation fee. Also, the domestic sugar price is determined at 29,000 Indian Rupee per MT and low-interest loans are offered to the plants for expansion and improvement of ethanol production.

## Thailand

In the year 2018/2019, it is expected that sugar productivity will be 13.73 million MT of sugar which decreased from 14.29 million MT of sugar, accounting for 6.73 percent, of the previous year owing to lower amount of rainfalls in certain areas as well as the export volume which decreased to 8.39 million MT of sugar by comparison to 11.29 million MT of sugar in the previous year.

It is estimated that the quantity of sugarcane will reduce as a result of decreasing world prices, lowering the initial price of sugarcane at the beginning of this year's production to 700 Baht per MT of sugarcane by comparison to 880 Baht per MT of sugarcane in the previous year.

## EU-27 Group

In the year 2018/2019, EU-27 Group has started its sugar production, and the amount of sugar productivity is 17.24 MT of sugar by comparison to 19.54 MT of sugar, accounting for 11.77 percent, in the previous year due to inappropriate weather condition.

## 2. Overview of Domestic Sugar Industry

There are 55 sugar manufacturing plants in Thailand with sugarcane capacity of 100-140 million MT per year and sugar production capacity of 10-15 million MT per year. The period of sugarcane preparation is 4-5 months a year, starting from the end of November to April of each year. Sugar manufacturing plants are under the government control. Any expansion or relocation of manufacturing base must be approved by Ministry of Industry. The companies can be divided as follows:

Group	Number of factories of the Group	Sugar product (ton)	Market share (percentage)
Mitrphol Sugar Group	6 factories	2,725,988.00	18.69%
Thai Rung Ruang Group	9 factories	2,500,638.61	17.15%
Khon Khen Sugar Group	5 factories	1,200,519.07	8.23%
Thai Identity Group	3 factories	1,185,177.22	8.13%
Korach Industry	2 factories	913,549.13	6.26%
Wangkanai Sugar Group	4 factories	786,880.20	5.40%
Group Cristalla Sugar Group	3 factories	674,088.56	4.62%
Ban Pong Sugar Group	2 factories	524,635.97	3.60%
Khonburi Sugar PCL	1 factory	437,325.84	3.00%
Kanchanaburi Group	2 factories	350,489.06	2.40%
Mitr Kasetr Sugar Group	2 factories	320,014.53	2.19%
Kaset Phol Sugar Group	2 factories	284,043.30	1.95%
Rajburi Sugar Group	2 factories	226,532.16	1.55%
Rayong Sugar PCL	2 factories	219,117.73	1.50%
<b>Others</b>	<b>10 factories</b>	<b>2,233,172.40</b>	<b>15.31%</b>
<b>Total</b>	<b>55 factories</b>	<b>14,582,171.76</b>	<b>100.00%</b>

*Source: Report on sugar production of sugar factories nationwide for year 2017/2018 (End of Cane Crushing Period)*

*prepared by Office of the Cane and Sugar Board*



Thailand's sugarcane and sugar industry is under Sugarcane and Sugar Act, B.E. 2527 (A.D. 1984), determining that the Sugarcane and Sugar Committee is authorized to control sugar prices to ensure sufficiency for domestic demand. Each year, the Sugarcane and Sugar Committee will estimate the tentative annual sugar productivity based on the production capacity of each plant. In addition, domestic sugar selling price is controlled under Goods and Service Act, B.E. 1999 (A.D. 2542), provided that Ministry of Commerce announces domestic sugar selling prices.

The Cabinet has passed the resolution to acknowledge the order of Leader of the National Council for Peace and Order No. 1/2561 dated 15 January 2018 to cancel determination of sugar selling price for domestic consumption and allow the price to follow the mechanism of the world sugar prices. The difference between the average sugar price for actual domestic consumption in one month and the average white sugar price in London Market No. 5 plus Thai sugar premium incurred in one month will be sent to the Fund for Maintenance of Stability of Sugarcane and Sugar Industry. Furthermore, the Regulations of Sugarcane and Sugar Committee Re: Collection of Income from Domestic Distribution of Sugar to Sugarcane and Sugar Fund, B.E. 2561. The subject matters are as follows:

Clause 1. These Regulations are called Regulations of Sugarcane and Sugar Committee Re: Collection of Contribution from Domestic Income from Domestic Distribution of Sugar to Sugarcane and Sugar Fund, B.E. 2561.

Clause 2. These Regulations shall come into force from the date of their publication in the Government Gazette (16 January 2018).

Clause 3. The Regulations of Sugarcane and Sugar Committee Re: Rules, Procedures and Conditions of Collection of Income from Domestic Distribution of Sugar to Sugarcane and Sugar Fund, B.E. 2551.

Clause 4. In these Regulations,

“Sugar” shall refer to white sugar, pure white sugar, raw sugar, special sugar, or other types of sugar permitted by the Committee for production and distribution.

“Domestic Sugar” shall refer to sugar distributed and transported for domestic consumption.

“Sugar Premium” shall refer to the higher or lower value of Thai sugar than the world sugar price.

Clause 5. The Office shall conduct the survey on average price of domestic sugar which is actually sold in one month on monthly basis.

The Office shall calculate the difference between the average price of domestic sugar which is actually sold obtained from the survey under paragraph one and the average white sugar price in London Market No. 5 plus Thai sugar premium incurred in one month as delivered to Thai Cane and Sugar Corporation Limited by Sugar Price Determination Committee for determination and announcement of such difference by the fifth date of each month.

Clause 6. Any plants domestically selling sugar in any month shall contribute the difference incurred under Paragraph 2 of Clause 5 to the Fund by the 15<sup>th</sup> date of the following month.

Clause 7. Any plants domestically selling white sugar and pure white sugar prior to enforcement hereof shall contribute additional difference pursuant to the Regulations of Sugarcane and Sugar Committee Re: Rules, Procedures and Conditions of Collection of Income from Domestic Distribution of Sugar to Sugarcane and Sugar Fund, B.E. 2551, to the Fund within 15 days from the date of enforcement hereof.

Clause 8. In the case that the plant fails to contribute the difference to the Fund as stated in Clause 6 or Clause 7, as the case may be, the interest shall be charged at the rate of fifteen percent per annum from the due date of each contribution and the sugar transport permit shall be withheld until such contribution is completely made.

Clause 9. President of the Board of Directors and President of the Fund Committee shall enforce these Regulations.



After that, the Cabinet has passed the resolution to acknowledge the order of Leader of the National Council for Peace and Order No. 1/2561 and assigned Ministry of Industry to amend the law on sugarcane and sugar to be in line with the restructuring plan for the whole system of sugarcane and sugar industry 2016-2021 immediately.

## Changes as a Result of Sugar Price Floating

Ministry of Industry disclosed the information about changes as a result of the Notification of National Council for Peace and Order Re: Amendment of the Laws to Accommodate Restructuring Plan for the Whole System of Sugarcane and Sugar Industry as follows:

1. Ministry of Industry has sent a notice to Ministry of Commerce requesting for cancellation of ceiling retail price. Then, Department of Internal Trade proposes this issue to Central Committee on Prices of Goods and Services for further consideration.
2. Based on the new structure, ex-works price will be subtracted by the world market price from London No. 5 plus Thai Premium. Then, the plants will contribute the difference to the Fund. However, if the ex-works price is lower than the world price, no money will be contributed to the Fund. The sugar price floating for ex-works domestic sale may cause the retail price to decrease as the difference of 5 Bat per kilogram will not be imposed but Thai Premium will be added. Therefore, whether the retail price of sugar will decrease or increase depends on the sugar price in London No. 5.
3. New structure of sugarcane and sugar industry is determined, which is cancellation of 3 parts of sugar quota, including domestic consumption (Quota A), export for sale pricing (Quota B) and export by plants (Quota C). The new structure will ensure sufficient quantity of sugar for domestic consumption while export will be discussed by related authorities to find satisfactory solutions for all parties.

Execution of the above plan will make Thailand's sugarcane and sugar industry in concordance with agreements of World Trade Organization (WTO), ASEAN Free Trade Area (AFTA) and more internationally accepted, which positively affects the Thailand's sugarcane and sugar industry, leading to improvement of the national economy in terms of employment and income generation.

*Source: Secretariat of the House of Representatives*

## 3. Marketing and Sales

Sales and Marketing Department has developed a marketing strategy in line with the company's vision by expanding market and developing products, which means expansion to small and medium enterprises (SME) and consumers. Thus, it is very important to create awareness and make KBS known, and expand our business into consumer market. This is the background of KBS branding strategy in both domestic and international markets.

**Sugar selling proportion of year 2017/2018**

Sugar for export		Sugar for domestic sale		
75%		25%		
Asia	Neighboring countries	Shopping mall (OEM)	Industry	Distributor
85%	15%	35%	35%	30%

## 3.1 Domestic sales

The company sells and distribute products through multi-channels, e.g. industrial customers, modern trade customer, distributors, and food service businesses.

- **Industrial customers**

Our company sells white sugar and refined sugar to industrial customers for use as raw materials of food products and beverages. Typically, we will enter into sugar sales and purchase agreement annually in order to determine the exact quantity and price for these customers. The company's customers include Carabao Daeng Co., Ltd., Uni-President (Thailand) Co., Ltd., Coca Cola (Thailand) Co., Ltd., Thai Advance Food (2001) Co., Ltd. (producer of Betagen yogurt), F&N United Co., Ltd. (F & N), Ajinomoto Calpis Beverage (Thailand) Co., Ltd., Ajinomoto (Thailand) Co., Ltd., and European Food PCL.

The strategy that the Company has implemented in maintaining the customer base includes giving priority to product quality control, timely delivery, and attention to customers' specifications such as packaging design to reduce cost of transportation and product storage of customers.

- **Modern trade customer**

The Company sells refined sugar and brown sugar packed in packages in sizes and brands as specified by our customers (we act as Original Equipment Manufacturer or OEM), and in the same distribution channel, we have marketed our products under the brand "KBS" including **KBS First**: refined sugar produced from high quality sugarcane under industry standards and purified by filtration and crystallization processes for clean and clear crystals of sugar, **KBS Brown**: sugar with natural scent of sugarcane, sweet and delectable taste, clean and safe, and **KBS 2X Double Sweet**: the latest innovation with two times sweetness from a blend of sucralose, which is concentrated extract from 100% natural sugarcane.

The Company normally enters into sugar sales and purchase agreement with these customers annually in order to determine the exact quantity and price for these customers same as industrial customers. These customers include Carrefour shopping center, Tesco Lotus shopping center, Big C shopping center, Max Value shopping center, and The Mall Group.

- **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.

## 3.2 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 International Sales**

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.

## Allocation of Benefit between Sugarcane Farmers and Sugar Manufacturing Plants

The benefit will be allocated between sugarcane farmers and sugar manufacturing plants in the ration of 70:30. In other words, 70 percent of the benefit will be allocated to the sugarcane farmers while 30 percent to sugar manufacturing plants.

After the end of manufacturing season, and Thai Cane and Sugar Corporation Limited finishes determining the price for Quota B, the Committee will calculate the final sugarcane price based on the net income of the system actually incurred during such manufacturing year.

**Table of Initial and Final Sugarcane Price in the Past 5 Years**

Manufacturing Year	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
<i>At 10 CCS</i>	THB/MT	THB/MT	THB/MT	THB/MT	THB/MT	THB/MT
Initial Sugarcane Price	950.00	900.00	900.00	807.88	1,049.78	880.00
Final Sugarcane Price (Region 9)	1,011.22	952.24	853.75	884.00	1,079.71	790.37

*Source: Notification of Sugarcane and Sugar Committee*

*Note: Region 9 consists of 20 sugar manufacturing plants in the Northeast, including Khonburi.*





# Raw Material Sourcing

## 1. Overall Sugarcane Growing in Thailand

In the 2017/2018 production year, the total area for sugarcane production nationwide within surveyed areas covered 47 provinces and 11,542,550 rai. The area increased from the 2016/2017 production year by 554,061 rai or 5.04 percent due because of drought.

Sugarcane is an appropriate cash crop for farmers to convert their rice fields and cultivate because every part of sugarcane can be utilized to provide constant value for the industry. In addition to sugar production, byproducts can be transformed into ethanol to provide alternative fuel, and bagasse can be used as fuel for electricity and paper fiber production. In addition, sugar factories are ready to expand and increase production capacity to accommodate increased sugar production from increased growing under zoning projects to build confidence in sugarcane growers for the certain market availability of sugarcane and stability in maintaining their livelihoods as sugarcane farmers.

Table showing quantity of sugarcane entering to sugar production process from production year of 2013/2014 to production year of 2017/2018

Production Year	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Sugarcane plantation (million rai)	10.1	10.5	11.0	10.9	11.54
Total sugarcane product (million ton)	103.7	106.0	94.1	92.9	134.93

Source: Information Department, Office of Cane and Sugar Board





## 2. Raw Material Sourcing Competition between sugar factories

In general, each sugar factory will acquire sugarcane from the area nearby its factory in order to save transportation cost. However, since sugar industry is an industry having high fixed costs, each factory therefore tries to purchase sugarcane for production as much as possible to reduce cost per unit. During the year that quantity of sugarcane is decreased due to dry season, there will be high competition with regard to sugarcane purchase among sugar factories located in the same area. This issue also leads to higher cost of sugarcane transportation.

There are four sugar companies having factories located in the lower part of North Eastern Region including Surin Sugar Company Limited, Korach Industry Company Limited, Buriram Sugar Company Limited, and Angvian Industry Company Limited.

In manufacturing season of the year 2017/2018, 55 manufacturing plants started their sugarcane preparation. 134.93 million MT of sugarcane was processed, which increased from 92.95 million MT of sugarcane, accounting for 45.21 percent, in the year 2016/2017. The yield (MT/rai) was 12.06 MT/rai, which increased from 9.42 MT/rai, accounting for 28.03 percent, in the year 2016/2017. In the year 2015/2016 and 2016/2017, Thailand's sugarcane yield was lower than the normal benchmark due to El Niño, causing low amount of rainfalls in almost of all regions of Thailand. On the other hand, in the year 2017/2018, Thailand's sugarcane yield was higher than the normal benchmark as a result of La Niña, causing greater amount of rainfalls as well as effective planting preparation which resulted in sugarcane species which fit for geographical factors of each region and appropriate maintenance. Therefore, sugarcane had effective vegetative growth and the highest yield of the past 10 years.

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	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	Average growth rate (percentage)
Quantity of sugarcane to be crushed nationwide (million tons)	103.7	106.0	94.0	92.9	134.9	45.21%
Quantity of sugarcane to be crushed in the North East (million tons)	44.9	47.4	42.1	38.5	58.6	52.21%

*Source: Information Department, Office of Cane and Sugar Board*

## 3. 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 2013/2014 to production year of 2017/2018

Production year	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Quantity of sugarcane throughout the country (ton sugarcane)	103,665,750	105,959,057	94,047,042	92,950,815	134,929,298
The company's quantity of sugarcane to be crushed (ton sugarcane)	2,509,773	2,286,749	2,647,639	2,444,846	3,989,468
Ratio between The company's quantity of sugarcane to be crushed and quantity of sugarcane throughout the country (percentage)	2.42%	2.16%	2.82%	2.63%	2.96%

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

#### 4. 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 120 – 150 days.

Sugar production process is a process next to crushing process. In the crushing season, sugar factory stocks raw sugar, in the meantime, sugar factory produces white sugar and pure white sugar.

Maintenance and repair of machinery used in sugar industry will be divided into two phases: (1) after completion of cane crushing (May to November) during which machinery used for cane crushing, juice extraction and raw sugar production will be repaired; and (2) after completion of raw sugar remelting (October to November) during which the machinery used for white/refined sugar will be repaired.

### 1. Sugar Production Process

- **Cane Crushing, Juice Extraction and Raw Sugar Production**

Cane crushing, juice extraction and raw sugarcane production process can be summarized as follows:

Sugarcane whose quality has been checked will be passed from farmer's truck to the production process. The sugarcane will be put through two sets of blades to be chopped into small pieces. The chopped pieces will then be fed into the shredder where they are finely shredded.

- **Cane crushing and juice extraction**

Sugarcane that has been shredded will be transported into the milling tandems. The Company has three milling tandems. Milling Tandem A consists of five sets of crushing rollers and has the maximum crushing capacity of 16,000 tons of sugar cane stalks per day. Milling Tandem B consists of five sets of crushing rollers and is able to crush as much as 7,000 tons of sugar cane stalks per day. Milling Tandem C uses the diffuser and has three sets of crushing rollers and daily cane crushing capacity of 12,000 tons of sugar cane stalks. Sugarcane juice from all the three milling tandems will be passed through juice filter and stored in the sugarcane juice tank from which it will be further transported to the steam boiler. The residual or bagasse left in the last set of rollers will be used as fuel for the production of steam and electricity.



- **Juice Clarification**

In a steam boiler, cane juice from the rollers is boiled up to a temperature of 55°C. Then, lime is added to keep pH value in the range of 7.3 to 7.8. After that, cane juice will be heated again to reach a temperature of 103°C. The heated cane juice will be stored in a clarifier, allowing suspended solids to settle. Then, precipitated juice, which becomes clearer in color, is boiled in evaporators, which remove most of the water leaving thick syrup (60 degrees brix). Muddy residue then enters vacuum filters to extract residual juice. Filter cake obtained from the process is sent to and stored at a designated area where it will be used as fertilizer. The residual juice is then combined with the cane juice from the rollers to further undergo the juice clarification process.

- **Crystallization and centrifugation**

The syrup that is evaporated until the target brix is reached will undergo the crystallization step. The Company employs the three-stage crystallization process in which the syrup is concentrated under vacuum pans A, B and C.

The crystallization begins with vacuum pan A where the syrup will be evaporated for three hours until it turns into a thicker liquid called massecuite (raw sugar crystals mixed with molasses). The massecuite from vacuum pan A then enters the centrifuge to separate sugar crystals (raw sugar A) from A-molasses. The raw sugar from vacuum pan A will then be remelted and further enter white or purified sugar production process whereas A-molasses from vacuum pan A is evaporated in vacuum pan B.

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.

#### - **Crystallization and centrifugation**

The fine liquor is evaporated in the vacuum pan for about 2 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 white/refined sugar crystals from molasses. The centrifugation takes about half an hour. (To obtain white or refined sugar depends on the ratio of fine liquor to molasses used in the crystallization process.)

#### - **Drying**

White/refined sugar from the centrifugation process will be dried by a dryer to take out excessive moisture at the temperature of approximately 80 degrees Celsius.

#### - **Sugar quality improvement (Conditioning silo)**

White or pure white sugar from the process have sent to conditioning silo for the sugar quality improvement process which control moistness and prevent sugar from caking.

#### - **Packaging**

White/refined 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 Super Refined Sugar**

The same steps for production of white/refined sugar apply to that of the super refined sugar, but larger quantity of syrup is used in the crystallization process to make super refined sugar.

## 2. Production of Molasses

Molasses is a byproduct of sugar refining from the crystallization and centrifugation steps.

## 3. Electricity Generation

The Company uses bagasse from cane crushing and juice extraction as fuel to generate electricity. The bagasse is used to heat the boiler to generate steam, which will then be transferred to steam turbine to rotate the generator that generates electricity. A part of the electricity generated is used to support sugar production and another part is sold to the Electricity Generating Authority of Thailand and the Provincial Electricity Authority to contribute to Thailand's power security.

- **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.

- **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.



## Risk Factors

### Risks Related to Business Operations of the Company

#### 1. Risk of the fluctuating income from sugar sales.

The production and sales of sugar are always been up to the sugarcane seasonal effect. Normally, the sugarcane harvesting period in Thailand starts at the end of November or the beginning of December. Thus, the raw sugar production goes on till the end of March or the beginning of April, while the white sugar products are on process.

Consequently, sugar mills usually start their selling sugar products from January up to the end of the year. The Company always considers various factors in its sugar sales, such as inventory, expected production and world sugar prices etc. Therefore, the Company's sugar sales for each quarter is not constant.

#### 2. Risk of volatile sugar prices in the global market

In the global market, sugar is a product with high volatility of prices if compared with other agricultural commodities. The sugar prices in the global market depend on various factors, e.g. demand and supply of sugar producing countries, consumers, exporters and importers, as well as speculation of some traders. All such factors deal with particular geographic conditions enriching or blocking the sugarcane planting in each country, policies of import, export promotion and intervention in the sugar industry by the state sector, especially by some developed countries. At present, the sugar prices are also related to the fuel prices because the sugarcane and molasses can be used to produce a type of alcohol called ethanol, which can be blended with gasohol to get the car fuel. All above factors result in the high volatility of sugar prices in the global market.

The volatility of sugar prices in the global market drives the Company to arrange its risk management under appropriately financial instruments such as the future contracts/options for sale or purchase of sugar in order to curb the fluctuation of the Company's profit resulted in the risk of sugar price volatility in the global market. Nevertheless, such risk prevention may adversely affect the Company's operating performance at certain quarters because the Company has to record its profit and loss due to such risk prevention of the income statements according to the fair value of that option at the end of each accounting period, which may not perfectly match the period of sugar delivery by the Company.

Moreover, the Company's previous operating results absolutely relied on the sugar and molasses businesses; the volatility of the global sugar prices has greatly affected the Company's operations.

But, the Company decided to invest in some related projects, e.g. biomass-based power plant; hence, the Company anticipates the future that its operating results would be less affected by the global sugar prices.



### 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.



## 5. Risk from the cost of sugarcane

The cane and sugar industry in Thailand is regulated under the 70:30 revenue sharing scheme between sugarcane farmers and sugar mills. The sugarcane prices are regularly calculated by the Cane and Sugar Board to allocate 70% of the sugar industry lump sum revenue to the sugarcane farmers. The Cane and Sugar Board calculates the revenue to be paid to those sugarcane farmers with reference to the average sugar selling prices of Thai Cane & Sugar Corporation Ltd.

If the Company fails to sell some sugar to the foreign markets (Quota C) at a price higher than the average price actually sold by Thai Cane & Sugar Corporation Ltd., the Company must pay the high price of sugarcane if compared with its sales sum; this can make its profit margin and net profit plunge.

Nevertheless, the Company sets up the risk management by closely watching the period and sales volume of Thai Cane & Sugar Corporation Ltd. to ensure that the Company sells some sugar at an appropriate rate if compared with that of Thai Cane & Sugar Corporation Ltd. To elaborate the average selling prices for exports (Quota C) of the Company in the past 3 years were higher than the actual average selling prices of Thai Cane & Sugar Corporation Ltd. each year.

## 6. Risk from the quality of raw material–Sugarcane

The quality of sugarcane or CCS of sugarcane is a core factor which affects the amount of sugar produced by the Company. The factors affecting the quality of sugarcane include the climate variability such as out of season rain during the sugarcane harvesting, which mainly reduce the sweetness in sugarcane.

Furthermore, most sugar sales are done through the future contracts, that is, the sales quantities and prices are pre-determined prior to the delivery time for 6 months to 1 year. Therefore, if the sugarcane crushed in the production process contains CCS lower than expected while the future contract is made, the Company may have inadequate sugar for its customers.

However, the Company closely monitors the risk management possibly caused by the quality of sugarcane. If the sweetness of sugarcane drops, the Company may purchase some sugar to be delivered to the customers, or may use certain appropriate financial instruments, such as future contract or options to manage such risk, etc.

## 7. Risk of bad debts arising from loans granted to sugarcane farmers (advance loans)

In the operation of sugar industry, the sugar mills usually support the sugarcane farmers to grow the sugarcane to be supplied to these mills. These supports may be in forms of loans granted by financial institutions or other nonfinancial supports, such as offering of fertilizer, sugarcane varieties, agricultural machinery, etc. those are the normal practices done by most sugar mills called “sugarcane loans”. This advance loan looks like reserving some sugarcane to be crushed in the production process when the sugarcane is ready for harvesting whereas the sugar mills start their crushing. In the years when the drought or pestilence occurs, the farmers are unable to supply the sugarcane as earlier agreed, the Company has to bear more bad debts; as a result, the Company’s net profit will go down.

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. In the year 2018, The Company continued to focus on anti-corruption seriously.

## Risk From The Government Policy

The sugar cane and sugar industry in Thailand is regulated and supervised by the Cane and Sugar Board (BE.) Under the Cane and Sugar Act BE 2527, which has changed the Sugarcane and Sugar Act BE 2527. After passing a public hearing and passing through various committees Already scrutinized But at the moment, the matter has not yet been proposed to the Cabinet for approval.

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.



Furthermore, other government policies, except the policy for the direct control of the cane and sugar industry, may take the significant effect to the Company's operating results. For example, the policy of promoting the renewable energy, such as ethanol, affects the domestic sales volume of ethanol. Or, the policies of promoting the growing of cassava and of guaranteeing prices of cassava or other agricultural crops may drive the Company to encounter some negative impact because the sugarcane planting areas may be lower, and the crop farmers decide to grow other crops generating higher returns, etc.

Because the Company recognizes the importance of government policies in shaping the cane and sugar industry, it has cooperated with 3 sugar mill associations and sugarcane farmers associations to inspire the government sector to recognize the importance of this industry, which deems the top-stream industry for the food and processed food industries. At present, sugar and its by-products are also transformed to be the fuel energy for cars (ethanol), or developed for the production of chemicals. The cane and sugar industry has also generated a great amount of foreign income because about 60-70% of total sugar volume produced is exported while almost 100% of raw materials of sugar mills come from domestic sources.

Today, the communications, explanations and understanding between the government and the cane and sugar industry via the sugar mill associations and sugarcane farmers associations are smooth; therefore, the government has better understanding of problems and needs of sugar mills, and gives more help to those sugarcane farmers; these help reduce the risk potentially posed by governmental policies on the direction of cane and sugar industry.

## Risk factors from the company's subsidiaries

Power Plant Business operated by Khonburi Power Plant Company Limited

### 1. Risk factor from lack of raw material to produce electricity

Khonburi Sugar Public Company Limited or KBS is now responsible for manage bagasses, which are value added product from sugar, for Khonburi Power Plant Company Limited or KPP. Therefore, power plants can produce electricity and steam by using bagasses as raw material may lack of bagasses, if KBS lack of cane tree for crushing in that particular season. However, KPP can produce electricity and steam by using others' subsidies produces such as woodchip or husk. Moreover, KPP also has contacts for those subsidies raw material. In additional, KPP has MOU with Kasetsart University in term of subsidies raw material.

### 2. Risk from Governmental customers

KPP has only main customers such as PEA and EGAT so revenue from those customers are quite strict and not beneficial for sellers. Moreover, our main customers have possibilities to change their board of committee, it may effects on our investment policies. From those reasons, it may cause a delay in the procurement process. Furthermore, governmental units normally use bidding so the company might lose in bidding. As the result, the company might lose income from Governmental customers.



## Assets used for business operation


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

As of 31 December 2018, The Company and its subsidiaries have the balance net book value after deduction accumulate depreciation of property, plant and equipment as amounting to 6,119.3 Million Baht. The details are as followings below:

Item	Net Book Value after deduction accumulated depreciation	Ownership	Obligation
Consolidated			
Land and land improvement	213.0	Ownership	Collateral against credit facilities and loans <sup>1</sup>
Building and premises	938.8	Ownership	Collateral against credit facilities and loans <sup>1</sup>
Machinery	4,436.7	Ownership	Collateral against credit facilities and loans <sup>1</sup>
Equipment	32.1	Ownership	None
Furniture, fixtures and office equipment	17.3	Ownership	None
Motor Vehicles	157.2	Ownership	None
Facilities systems and water treatment systems	270.4	Ownership	None
Assets under construction	53.8	Ownership	None
<b>Total</b>	<b>6,119.3</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 grown sugar	19 November 2013

## 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, Khonburi 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.

## Legal disputes

### Case with Siam Takuma Co., Ltd.

On April 21, 2017 the Company has submitted the statement of claim to the Arbitration Institute in order to claim Siam Takuma Co., Ltd. for damages from the boiler damages. The amount of dispute is Baht 843,576,630.

Later on September 21, 2017, the Company has received the Statement of Defence and Counterclaim from Siam Takuma Co., Ltd. in order to claim overdue payment of the repair of machine from the Company in the amount of Baht 64,005,200.

At the present, the case is under consideration of the Arbitrators.

### Case with the Cane and Sugar Board

On March 23, 2018, the Company has sued the Cane and Sugar Board to the Center Administrative Court in order to claim the stabilized fund of Cane and Sugar Industries. The claim amount is Baht 380,028,921.

At the present, the case is under consideration of the Administrative Court.

## General Information

### 1. Khonburi Sugar Public Company Limited

Nature of Business	Sugar Manufacturer and Exporter
Company registration number	0107553000191
Registered capital	Baht 600,000,000
Paid-up capital	Baht 600,000,000
Head Office	5 Soi Sukhumvit 57 Klongton Nue, Wattana, Bangkok 10110
Tel. :	(662) 725 4888
Fax. :	(662) 725 4877
Factory	289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250
Tel. :	(6644) 448 338
Fax. :	(6644) 448 500
Website	www.kbs.co.th

### 2. KBS Trading Co., Ltd.

Year of Established	2008 (Former company name is Agriculture Machine Service Co., Ltd.)
Nature of Business	Trading of Sugar and by-Products
Company registration number	0105551079600
Registered capital	Baht 40,000,000
Paid-up capital	Baht 40,000,000
Head Office	289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250
Tel. :	(6644) 448 338
Fax. :	(6644) 448 500
Factory	289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250
Tel. :	(6644) 448 338
Fax. :	(6644) 448 500
Website	www.kbs.co.th



### 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	<a href="http://www.kbs.co.th">www.kbs.co.th</a>
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

#### 5. KBS Investment Co., Ltd.

Year of Established	2014
Nature of Business	Holding Company
Company registration number	0105557044018
Registered capital	145,000,000 บาท
Paid-up capital	43,750,000 บาท
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



## 6. KBS Cane and Sugar Co., Ltd.

Year of Established	2014
Nature of Business	Manufacturing and distribution of sugar and by-products
Company registration number	0105557046355
Registered capital	Baht 5,000,000
Paid-up capital	Baht 5,000,000
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

## 7. KBS Power Co., Ltd.

Year of Established	2014
Nature of Business	Generating and distribution of electricity using bagasses as feedstock
Company registration number	0105557046347
Registered capital	Baht 140,000,000
Paid-up capital	Baht 38,750,000
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

# References

## The Registrar

Thailand Securities Depository Co., Ltd.

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## Auditor

Mr. Sophon Permsirivallop, C.P.A. Registration No. 3182

Ms. Rungnapa Lertsuwankul, C.P.A. Registration No. 3516

Mr. Chayapol Suppasedtanon, C.P.A. Registration No. 3972

Ms. Sumana Punpongsanon, C.P.A. Registration No. 5872

Ms. Pimjai Manitkajohnkit, C.P.A. Registration No. 4521

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# 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.

## Shareholder of the Company

Distribution of Shares by nationality as of 28 December 2018

	Number of people	Shares held	Proportion (%)
Thai Shareholder	3,817	499,132,400	83.19
Foreign Shareholder	14	100,867,600	16.81
<b>Total</b>	<b>3,831</b>	<b>600,000,000</b>	<b>100.00</b>



# Shareholding Structure

The major shareholders of the Company as of 28 December 2018 are listed below.

	Shareholders	Shares held	Proportion (%)
1	Khonburi Capital Co., Ltd. <sup>1</sup>	165,307,800	27.551
2	MITSUI & CO.,LTD.	66,666,666	11.111
3	MITSUI SUGAR CO.,LTD.	33,333,334	5.556
4	Mr. Somkiat Twiltermsup Group	23,841,400	3.974
5	Mr. Kan Twiltermsup	15,910,000	2.652
6	Thai NVDR Company Limited	15,301,300	2.550
7	Mr. Somchai Twiltermsup	15,194,500	2.532
8	Mr. Issara Twiltermsup	14,045,000	2.341
9	Miss Chonatee Twiltermsup	13,880,000	2.313
10	Grand Barai Company Limited	12,000,000	2.000
11	Other	224,520,000	37.420
	<b>Total</b>	<b>600,000,000</b>	<b>100.00</b>

**Remarks:**

<sup>1</sup> Khonburi Capital Co., Ltd. is a holding company and its shareholders as of 30 December 2018 are as follows:

1. Khonburi Capital Co., Ltd.

1.1 Mr. Issara Twiltermsup      Group holds      39,100,000 shares equivalent to 50%

1.2 Mr. Takon Tawintermsup      Group holds      19,550,000 shares equivalent to 25%

1.3 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 Tawintermsup Group is composed of Mr. Takon Tawintermsup, Mr. Rungsan Tawintermsup, Mr. Rachot Tawintermsup and Mr. Kosol Nantilipong
- Mr. Somkiat Twiltermsup Group is composed of Mr. Somkiat Twiltermsup, Ms. Jitsupa Twiltermsup and Mr. Tanachote Twiltermsup



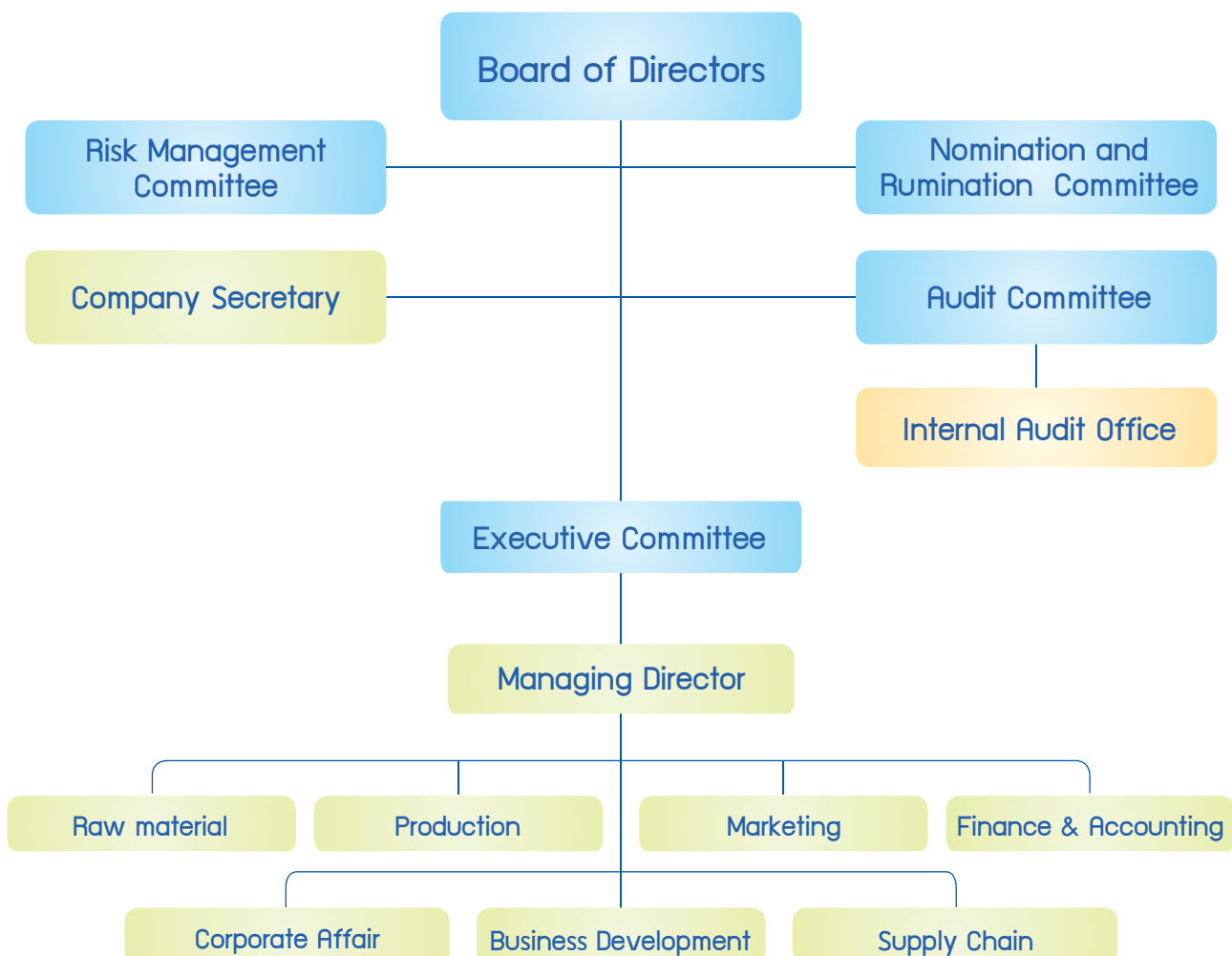
## Policy and Dividend payment

The Company places a policy of dividend payment to every shareholder for not less than 40% of net profit declared in the separated financial statements of after the deduction of all types of statutory reserves prescribed in the Articles of Association of the Company and by law; provided that there is no case of emergency or such dividend payment is not likely to significantly affect the normal business operations of the Company as the Board of Directors deems reasonably or appropriately. Moreover, such undertaking must hand out the best benefits to the shareholders of the Company. The resolutions of the Board of Directors consider such matters must be proposed for the meeting of shareholders' approval, except the Board of Directors may pay interim dividend to the shareholders from time to time, and the Board shall report to the next meeting of shareholders for information.

The subsidiaries of the Company set up a policy of dividend payment for not less than 40% of net profit stated in the financial statements of each subsidiary after the deduction of corporate income tax, statutory reserve and any other reserves whereas the cash flow, liquidities and investment plan at a particular time shall be regarded as well.

## Management Structure

The management structure of the Company as of 31 December 2018 are listed below.



The management structure of the Company as of 31 December 2018 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 2018 the Board of Directors consists of 9 members are included

No.	Name of Directors	Position
1	Mr. Suthep Wongvorazathe	Chairman, Independent Director
2	Mr. Takon Tawintermsup	Director
3	Mr. Somkiat Twiltermsup	Director
4	Mr. Issara Twiltermsup	Director
5	Mr. Amnart Rumpoeypong	Director
6	Mr. Sran Smutkochorn	Independent Director
7	Mrs. Suvimol Krittayakiern	Independent Director
8	Mr. Voravit Rojrapitada	Independent Director
9	Mr. Sukda Punkla	Independent Director

*Remarks: Mr. Teerapat Thavisin was the company secretary*

The authorized directors are Mr. Takon Tawintermsup, Mr. Somkiat Twiltermsup and Mr. Issara Twiltermsup, 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.
5. To provide the accounting system, financial reports and auditing; and to care for the internal control system and the internal audit system in order to ensure that they are all efficient and proficient.
6. To prepare the annual reports of the Company and/or the Board of Directors to be in accordance with all related laws and regulations required.



7. To care for and provide a governing mechanism to prevent the potential conflicts of interest between any stakeholders and the Company.
8. To consider, approve, consider and give opinions for consideration and approved by the meeting of shareholders in case of making any transactions significantly to the Company or any connected transactions in accordance with the procedure, conditions, legal process and related rules and regulations and/or obligations required by the Company.
9. To appoint any of the Company's directors as the chairman of the board; and to appoint some directors subject to the number of the Board of Directors deems appropriately as the vice chairman.
10. To determine and amend the authorized directors of the Company.
11. To recruit and appoint a person with knowledge, competence and experience that the Board of Directors deems appropriately, and with all other qualifications required by related laws and regulations to hold a position of directorship in case any director vacate his office due to other reasons apart from the expiration of the term of office.
12. To recruit a person with knowledge, competence, experience and all other qualifications required by related laws and regulations to hold a position of directorship, and such person shall be nominated for the meeting of shareholders' consideration.
13. To consider and set up the criteria of remuneration payment to the Company's directors and top management by regarding any all factors, e.g. work performance, title, scope of duties and responsibilities, qualifications, knowledge, competence, experience, and motivation in contributing for the Company, both in short and long terms, etc.
14. To consider appropriate amount of remuneration for directors of the Company in line with the criteria of remuneration payment set up by the Board of Directors which shall be proposed to the meeting of shareholders for consideration and approval.
15. To evaluate the work performance of the Managing Director and Top Management; to consider and set up the remuneration for the Top Management in line with the criteria of remuneration payment set up by the Board of Directors.
16. To appoint any sub-committees; to recruit and appoint the directors or persons having engaged the knowledge, competence and experience as the Board of Directors deems appropriately to hold positions in those sub-committees ; and to lay down the scope of authority, duties and responsibilities of those sub-committees.
17. To appoint the executive board who is elected from any directors or executives of the Company; to elect any of executive board members as the Managing Director; and to determine the scope of authority, duties and responsibilities of the executive board and the Managing Director.
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.



## 2. The Executive Committee

As of 31 December 2018, the Executive Committee consisted of 3 following members :

No.	Name of Directors	Position
1	Mr. Takon Tawintermsup	Chairman of Executive Committee
2	Mr. Somkiat Twiltermsup	Executive Director
3	Mr. Issara Twiltermsup	Executive Director

*Remark: Mr. Teerapat Thavisin was the Executive Committee Secretary.*

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

1. To consider and prepare the policies, business strategies, operating goals and plans, financial targets and budget of the Company by appropriately regarding various business factors to be proposed for the Board of Directors' approval.
2. To govern, inspect and monitor the Company's business operations to ensure that they are efficiently and proficiently carried out in line with the policies, business strategies, operating goals and plans, financial targets, and budget of the Company as approved by the Board of Directors.
3. To set up the organization structure and management policy of the Company as well as policies of recruitment, training, employment and termination of employment for the Company's employees. The Managing Director and/or the Director to the Human Resources Department may be authorized to sign signature in the employment contract.
4. To conduct the feasibility studies on investment in new projects, and to be empowered to consider and approve the Company for an investment or a joint venture with an individual, juristic person or any other business organization in the investment form the Executive Committee deems appropriately in order to operate the business subject to the Company's objectives, and to consider and approve the Company's expenditure for such investment, business contracts and/or any related acts to complete such matter for the amount of investment from Baht 10 million up to Baht 50 million.
5. To consider and approve financial transactions, in the amount from Baht 10 million up to Baht 50 million, to be made with any financial institutions in respect with the opening of account, taking out of loans and credit line, pledge, mortgage, guarantee and other matters as well as selling and purchase, and registration for any ownership of land in accordance with the Company's objectives in order to benefit the business operations of the Company; and to take any legal acts, make contracts and/or perform other acts related to such matters until it is completed.
6. To consider and approve of entering into a contract and financial instruments, 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.
7. To consider and provide advice or opinions to the Board of Directors about any projects, proposals or entering into transactions related to the Company's operations, which need the operating amount greater than the permitted amount and/or required by any related laws and regulations or Articles of Association of the Company that must be considered and approved by the meeting of shareholders or that of the Board of Directors.

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 2018, the Audit Committee consisted of 3 following members :

No.	Name of Directors	Position
1.	Ms. Suvimol Krittayakiern <sup>2</sup>	Chairman of the Audit Committee
2.	Mr. Voravit Rojrapitada	Audit Committee
3.	Mr. Sukda Pankla	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.
3. To review the internal control system and internal audit system of the Company to ensure that they are run appropriately and proficiently; to verify the independence of the Internal Audit Department; and to give approval of the appointment, removal and dismissal of the Head of Internal Audit Department or those of other departments which is responsible for the internal audit activities of the Company.
4. To verify that the Company conforms to laws on securities and stock exchange, regulations of the stock exchange and any other laws on the business of the Company.
5. To consider, recruit and nominate an independent person to be the Company's auditor; to propose the remuneration for such an auditor; and to have the meetings with the auditor at least once a year without the attendance of the Management.
6. To consider any connected transactions or those with potential conflicts of interest to be in conformity with laws on securities and stock exchange, and regulations of the stock exchange in order to ensure that such transactions are reasonable and enhance the best benefit for the Company; and to consider to ensure the Company's disclosure of connected transactions or those possibly causing the conflicts of interest which is accurate and adequate.
7. To disclose the reports of the Audit Committee, which signed by the Audit Committee Chairman, in the annual reports of the Company.
8. In performing duties, if the Audit Committee finds or suspects, the following transactions may have the material impact on the financial status and operation results of the Company, the Audit Committee shall report them to the Board Of Directors prior to the improvement within the timeframe of the Audit Committee who deems appropriately :
  - (a) Transactions causing conflicts of interest
  - (b) Dishonest or irregularity or important defect in the internal control system
  - (c) Violation of laws on securities and stock exchange, regulations of the stock exchange or laws on the business of the Company. If the Board of Directors or the Management of the Company fails to remedy such within the timeframe specified in paragraph one, any of the Audit Committee members may report the transaction or act stated in paragraph one to the Securities and Exchange Commission or the Stock Exchange of Thailand.
9. The Audit Committee may seek for an independent opinion from other professional advisors if it deems necessarily under the Company's expense.
10. To perform other duties specifically assigned by the Board of Directors with consent of the Audit Committee.

## 4. The Risk Management Committee

As of 31 December 2018, The Risk Management Committee consisted of 3 following members:

No.	Name of Directors	Position
1.	Mr. Sran Smutkochorn	Chairman of the Risk Management Committee
2.	Mr. Takon Twiltermsup	Risk Management Committee
3.	Mr. Somkiat Twiltermsup	Risk Management Committee

*Remark: Mr. Teerapat Thavisin was the Secretary to the Risk Management Committee.*

### 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 2018, the Nomination and Remuneration Committee consisted of 4 following members:

No.	Name of Directors	Position
1	Mr. Voravit Rojrapitada	Chairman of the Nomination and Remuneration Committee
2	Mr. Sran Smutkochorn	The Nomination and Remuneration Committee
3	Mr. Somkiat Twiltermsup	The Nomination and Remuneration Committee
4	Mr. Issara Twiltermsup	The Nomination and Remuneration Committee

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

### Scope of Duties and Responsibilities of The Nomination and Remuneration Committee

1. To consider the recruitment criteria and procedure for persons with appropriate qualifications to be nominated the directors of the Company, and the selection of persons in line with the determined nomination process to be proposed to the Board of Directors for being further appointed or proposed to the meeting of shareholders for appointment, as the case may be, as well as to allow the minority of shareholders to nominate any persons for consideration and selection by the meeting of shareholders.
2. To consider the recruitment criteria and procedure for persons with appropriate qualifications to be nominated the Managing Director and to carry out the recruitment and selection of persons in accordance with the determined nomination process to be proposed to the Board of Directors for appointment.
3. To review the succession plan for Managing Director on regular basis.
4. To set up remuneration criteria for directors, member of sub-committee.
5. To consider and propose remunerations offered to directors and member of Sub-committee be proposed to the Board of Directors with consent to be further proposed to the meeting of shareholders of the Company for approval.
6. To consider salaries and revision of salary rates, as well as other remunerations offered to the Managing Director, which shall be further proposed to the Board of Directors for approval.
7. To set up the yearly work performance guidelines for the Board of Directors, Sub-committee, Managing Director, regarding particular duties, responsibilities and risks occurred.
8. To perform other duties as specifically assigned by the Board of Directors.

## 6. Executive Management Team

As of 31 December 2018, the Management Team of the Company consisted of 8 following members:

No.	Name of Executive Management	Position
1	Mr. Takon Tawintermsup	Acting Managing Director
2	Mr. Somkiat Twiltermisup	Deputy Managing Director of Marketing
3	Mr. Kriangsak Phattarakosol	Deputy Managing Director of Raw Material
4	Mr. Issara Twiltermisup	Assistant Managing Director of Corporate Affairs
5	Mr. Rangsan Twiltermisup	Assistant Managing Director of Supply Chain
6	Mr. Rathavudh Sae-Tang	Assistant Managing Director of Marketing
7	Mr. Rakkiti Tanglamlert	Chief Financial Officer
8	Ms. Surawee Puangthong	Senior Finance Manager

### Scope of Duties and Responsibilities of the Managing Director

1. To be responsible for the Company's day-to-day operations and/or management, as well as for supervising general operations to be in line with policies, business strategy, goals and operating plans, financial targets and budgets of the Company as approved by the Board of Directors.
2. To consider, negotiate, and approve for engaging into any juristic acts and/or taking actions, which involve some money for not more than Baht 10 million, related to the Company's day-to-day operations and/or management.
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.

## 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 5, 2018 unit December 20, 2018, 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.

### Qualifications of the Independent Director

The company has the qualification of independent director in accordance with the Notification of the Securities and Exchange Commission and the Stock Exchange of Thailand.

1. Holding shares not exceeding one percent of the total number of shares having voting rights of the Company, subsidiary, major shareholder or controlling person of the Company, including the shares held by related persons ;
2. Neither being nor having been a director having involvement in the management, employee, staff, advisor receiving regular salary or controlling person of the Company, subsidiary at the same level, major shareholder or controlling person of the Company, unless such prohibited characteristic has ended not less than two years prior to appointment, except where such independent director was a public servant or an advisor of the government sector, as major shareholder or controlling person of the Company.

3. Not being a person having relationship by blood or by registration under laws in the capacity as parent, spouse, sibling and offspring, including spouse of the offspring of any executive, major shareholder, controlling person or nominated person to be an executive or controlling person of the Company or subsidiary.
4. Having no or having business relationship with the Company, subsidiary, major shareholder or controlling person of the Company in the manner which may obstruct the exercise of his/her independent discretion, and neither being nor having been a shareholder or controlling person of those who have business relationship with the Company, subsidiary, major shareholder or controlling person of the Company, unless such prohibited characteristic has ended not less than two years prior to appointment. The aforesaid business relationship includes any transaction in the ordinary course of business, rental or lease of immovable property, transaction relating to assets or services, or provision or acceptance of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which cause the Company or its contractual party to be subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or Baht twenty million or more, whichever is lower. Such indebtedness shall be calculated according to the calculation method of connected transaction value under the Notification of the Capital Market Supervisory Board, rules on Connected Transactions, mutatis mutandis. However, the consideration of such indebtedness shall include the indebtedness incurred during the course of one year prior to commencement of business relationship with any of such person.
5. Neither being nor having been an auditor of the Company, subsidiary, major shareholder or controlling person of the Company, and not being a shareholder, controlling person or partner of the audit firm which employs auditor of the Company, subsidiary, major shareholder or controlling person of the Company, unless such prohibited characteristic has ended not less than two years prior to appointment.
6. Neither being nor having been any professional service provider, including legal advisor or financial advisor receiving fee more than Baht two million per year from the Company, subsidiary, major shareholder or controlling person of the Company, and not being a shareholder, controlling person or partner of such professional service provider, unless such prohibited characteristic has ended not less than two years prior to appointment.
7. Not being a director appointed of the same nature as representative of the Company's directors, major shareholder or shareholders who are related persons of any major shareholder.
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. Does not hold shares exceeding one percent of the number of share with voting rights of other companies which operates like or compete with the business of the company or subsidiary.
10. Having no other characteristics which prevent the provision of independent opinion regarding the Company's business.



## 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 30, 2018. Meeting allowance do not exceed THB 8,000,000 per year which is the same amount as 2017.

Directors' Remuneration as of 2018 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

Details of remuneration of The Board of Directors and the Board of Committees in the meeting allowance and annual remuneration are as the following:

Name	2016			2017			2018		
	Meeting Allowance	Annual Remuneration	Total	Meeting Allowance	Annual Remuneration	Total	Meeting Allowance	Annual Remuneration	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
1 Mr. Suthep Wongvorazathe	72,000	528,000	600,000	72,000	528,000	600,000	108,000	528,000	636,000
2 Mr. Takon Tawintermsup	264,000	396,000	660,000	228,000	396,000	624,000	252,000	396,000	648,000
3 Mr. Somkiat Twiltermsup	180,000	462,000	642,000	168,000	462,000	630,000	162,000	594,000	756,000
4 Mr. Issara Twiltermsup	168,000	462,000	630,000	192,000	462,000	654,000	192,000	462,000	654,000
5 Mr. Amnart Rumpoeypong	60,000	330,000	390,000	72,000	330,000	402,000	96,000	198,000	294,000
6 Mr. Sran Smutkochorn	78,000	528,000	606,000	66,000	528,000	594,000	144,000	528,000	672,000



7	Ms. Suvimol Krittayakian	120,000	396,000	516,000	120,000	396,000	516,000	144,000	396,000	540,000
8	Mr. Voravit Rojrapitada	108,000	462,000	570,000	108,000	462,000	570,000	108,000	330,000	438,000
9	Mr. Sukda Punkla	-	-	-	-	-	-	72,000	330,000	402,000
10	Mr. Chaiyapong Poosunthornsri	-	-	-	-	-	-	114,000	462,000	576,000
11	Dr. Thawatchai Nakata	72,000	396,000	468,000	84,000	396,000	480,000	114,000	396,000	510,000
12	Mr. Tat Wanakornkul	204,000	462,000	666,000	192,000	462,000	654,000	60,000	-	60,000
13	Mr. Suwat Summasshipvitsavakul	96,000	330,000	426,000	72,000	330,000	402,000	36,000	-	36,000
<b>Total</b>		<b>1,422,000</b>	<b>4,752,000</b>	<b>6,174,000</b>	<b>1,374,000</b>	<b>4,752,000</b>	<b>6,126,000</b>	<b>1,602,000</b>	<b>4,620,000</b>	<b>6,222,000</b>

## 2. Remuneration of executives

(Unit : Baht)

Remunerations	Year of 2016	Year of 2017	Year of 2018
Member of Directors	8	10	8
Salaries, bonus etc	48,556,237	39,749,187	29,506,774

## Company Secretary

Mr. Teerapat Thavisin is the company secretary.

Scope of power and duties of the Company Secretary

1. Arranging Board of director meeting and shareholder meeting.
2. Prepare meeting reports and all other works required by law.
3. Perform any other task as required under the notifications of company committee.
4. Manage the company and the committee in conformity with any and all related rules from The Securities and Exchange Commission (SEC), The Stock Exchange of Thailand (SET) and also related laws.

## Personnel

The changes of the group of Companies personnel including executives.

Date / Number of employees	31 <sup>st</sup> December 2016	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2018
Khonburi Sugar Public Company Limited	850	851	777
Khonburi Power Plant Co., Ltd.	94	92	96
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>944</b>	<b>943</b>	<b>873</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 employees

Year of training	amount of training (hours)	Average
2018	12,328	15.41

## 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.

# Directors and Management Profile

## History of Penalties of the Company's Directors, Executives and Controlling Persons in the Past 5 Years

No directors, executives or controlling persons of the Company have committed any offences pursuant to Securities and Exchange Act, B.E. 2535 (A.D. 1992), or Derivatives Act, B.E. 2546 (A.D. 2003), in the past 5 years, with regard to the following offences:

1. Gross misconduct or negligence;
2. Disclosure or dissemination of false information or misleading statements or concealment of significant truth that should be clearly declared, which may affect the decision of shareholders, investors or related parties;
3. Unfair treatment or exploitation of the investors in stock trading or derivative contracts or involving or having involved in or supporting such acts.

### 1. Mr. Suthep Wongvorazathe

Position	: Chairman / Independent Director
Age	: 71 years old
Education	: Master degree of Business Administration, University of Wisconsin. Bachelor degree of Business Administration, Finance Major, University of Wisconsin.
Training	: Director Accreditation Program (DAP) Class 48/2005
Number of shares held at the beginning of the year	: -
Number of shares held at the end of the year	: -
Number of Shares in Subsidiaries	: -
Number of shares held by the spouse and minor children at the end of the year	: -

### Experiences :

2013 - Present	Chairman, Independent Director Khonburi Sugar Public Company Limited
2015 - present	Chairman M.K. Real Estate Development Public Company Limited
2012 - Present	Independent Director, Member of Audit Committee and Member of Nomination and Remuneration Committee, Bangchak Petroleum Public Company Limited
2013- present	Chairman, Chairman of Nominating and Compensation Committee and Chairman of Investment Committee Seamico Securities Public Company Limited
2018 - present	Director S E Digital Company Limited
2018 - present	Director C P D Holding Company Limited
2017 - present	Director The Mall Group Company Limited
2017 - present	Director H S H Siamchaophraya Holdings Company Limited
2015 - present	Director Buntudthong Pattana Company Limited
2014 - present	Chairman of Executive Committee KT Seamico Securities Company Limited
2011 - Present	Director New Corp Company Limited
2008 - Present	Director Asia Kangnam Company Limited
2003 - 2016	Chairman of the Audit Committee and Independent Director Chumporn Palm Oil Industry Public Company Limited
2003 - 2015	Director The Mall Group Company Limited



## 2. Mr. Takon Tawintermsup

Position	: Director / Chairman of Executive Committee / Risk Management Committee
Age	: 65 years old
Education	: Matthayom 3, Matthayom Wat Thatthong school.
Training	: Director Certification Program (DCP) Class 32/2003 : Finance for Non-Finance Director (FND) Class 5/2003

Number of shares held at the beginning of the year : 3,931,250 shares

Number of shares held at the end of the year : 3,931,250 shares

Number of Shares in Subsidiaries	: 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

Number of shares held by the spouse and minor children at the end of the year : -

### Experiences :

1974 – Present	Chairman of Executive Committee, 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

### 3. Mr. Somkiat Twiltermsup

Position	: Director / Executive Director / Risk Management Committee / Nomination and Remuneration Committee / Deputy Managing Director of Marketing
Age	: 57 years old
Education	: Bachelor of Arts in Accountancy, Finance and Economics University of Essex
Training	: Director Accreditation Program (DAP) Class 90/2011
Number of shares held at the beginning of the year	: 21,612,500 shares
Number of shares held at the end of the year	: 23,841,400 shares
Number of Shares in Subsidiaries	: 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
Number of shares held by the spouse and minor children at the end of the year	: 7,500,000 shares

#### Experiences :

2011- Present	Director, Executive Director, Risk Management Committee and Deputy Managing Director of Marketing, Khonburi Sugar Public Company Limited
2015 - Present	Independent Director and Audit Committee, Varopakorn 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
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
1989 - Present	Director Bangluex Agriculture Company Limited





## 4. Mr. Issara Twiltermsup

Position	: Director / Executive Director / Nomination and Remuneration Committee / Assistant Managing Director of Corporate Affairs
Age	: 40 years old
Education	: Bachelor of Science Industrial Management with an additional Major in Economics Carnegie Mellon University Bachelor of Law Thammasat University
Training	: Director Accreditation Program (DAP) Class 78/2009 Director Certification Program (DCP) Class 132/2010 ISO 9000 : 2000, ISO 14001 : 2004 Lead Auditor Training Course
Number of shares held at the beginning of the year	: 15,228,500 shares
Number of shares held at the end of the year	: 14,045,000 shares
Number of Shares in Subsidiaries	: 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
Number of shares held by the spouse and minor children at the end of the year	: -

### Experiences :

2012 - Present	Director, Executive Director, Risk Management Committee and Assistant Managing Director of Corporate Affairs Khonburi Sugar Public Company Limited
2008 - Present	Director Peerapat Technology 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
2010 - Present	Director Khonburi Capital Company Limited
2008 - Present	Director Khonburi Power Plant Company Limited
2008 - Present	Director KBS Trading Company Limited
2007 - Present	Director, Executive Director N.Y. Development Company Limited
2001 - Present	Director, Managing N.Y. Rubber Company Limited
2004 - Present	Director Khonburi Bio Energy Company Limited
2001 - Present	Director, Managing Director N.Y. Plantation Company Limited
2001 - Present	Director, Managing Director Talaysup Company Limited

## 5. Mr. Amnart Rumpoeypong

Position	: Director
Age	: 43 years old
Education	: Master of Business Administration, Chulalongkorn University. Bachelor of International Business, University of North Carolina at Charlotte.
Training	: Director Accreditation Program (DAP) Class 82/2009
Number of shares held at the beginning of the year	: 250,000 shares
Number of shares held at the end of the year	: 250,000 shares
Number of Shares in Subsidiaries	: -
Number of shares held by the spouse and minor children at the end of the year	: -

### 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



## 6. Mr. Sran Smutkochorn

Position	: Independent director / Chairman of Risk Management Committee / Nomination and Remuneration Committee
Age	: 54 years old
Education	: Master degree of Economics The University of California, Los Angeles. Bachelor degree of Economics The University of California, Northridge
Training	: Director Accreditation Program (DAP) Class 42/2005
Number of shares held at the beginning of the year	: -
Number of shares held at the end of the year	: -
Number of Shares in Subsidiaries	: -
Number of shares held by the spouse and minor children at the end of the year	: -

### Experiences :

2010 - Present	Independent Director, Chairman of Risk Management Committee, Nomination and Remuneration Committee Khonburi Sugar Public Company Limited
2013 - Present	Independent Director, Chairman of Audit Committee SF Corporation Public Company Limited
2010 - 2013	Management Committee LOXLEY Public Company Limited
2012 - Present	Advisor to the Board of Directors LME Harrods Thailand
2012 - 2013	Executive Vice President L Food Solutions Company Limited
2010 - 2013	Executive Vice President LOXLEY Trading Company Limited
2010 - 2013	Executive Vice President LOXLEY International Company Limited

## 7. Ms. Suvimol Krittayakiern

Position	: Independent Director / Chairman of Audit Committee
Age	: 67 years old
Education	: Master Degree of Accountancy Chulalongkorn University Bachelor Degree of Accountancy Chulalongkorn University
Training	: R-DF-Director Forum (R-DF) Class 1/2010 Audit Committee Program (ACP) Class 36/2011 Director Certification Program (DCP) Class 92/2007 Ethical Leadership Program (ELP) Class 10/2017 Advance Audit Committee Program (AACP) Class 27/2017

Number of shares held at the beginning of the year : -

Number of shares held at the end of the year : -

Number of Shares in Subsidiaries : -

Number of shares held by the spouse and minor children at the end of the year : -

### Experiences :

2018 - Present	Independent Director and Audit Committee Global Power Synergy Public Company Limited
2017 - Present	Independent Director and Audit Committee Team Consulting Engineering and Management Public Company Limited
2010 – Present	Chairman of Audit Committee and Independent Director Khonburi Sugar Public Company Limited
2017 - Present	Accounting Standard Committee the Federation of Accounting Professions Under the Royal Patronage of His Majesty the King
2017 - Present	Committee the Federation of Accounting Professions Under the Royal patronage of His Majesty the King
2017 - Present	Chairman of the Audit Committee Thai Investors Association
2012 - Present	Director Foundation to Support the Development of Academic Law - Faculty of Law, Chulalongkorn University
2012 - Present	Director and Treasurer Yong Som Jai Santiwattana Foundation
2010 - Present	Managing Director DIA International Audit Company Limited
2004 - Present	Professional Committee Department of Accountancy, Chulalongkorn University Alumni Association
2002 - Present	Director 75 C P E Company Limited
1990 - Present	Executive Director DIA Audit Company Limited
1988 - Present	Director Yong Som Jai Company Limited
2014 - 2017	Auditing Standards Committee the Federation of Accounting Professions Under the Royal patronage of His Majesty the King



## 8. Mr. Voravit Rojrapitada

**Position** : Independent Director / Audit Committee /  
Chairman of Nomination and Remuneration Committee

**Age** : 73 years old

**Education** : Certificate, Assumption Commercial College  
Mini M.B.A., Thammasat University  
Advanced Course in General (Non-Life) Insurance,  
Swiss Insurance Training Centre, Switzerland  
Skandia Insurance Management, Philippines

**Training** : Director Certification Program (DCP) Class 27/2003

**Number of shares held at the beginning of the year** : -

**Number of shares held at the end of the year** : -

**Number of Shares in Subsidiaries** : -

**Number of shares held by the spouse and minor children at the end of the year** : -

### 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.



## 9. Mr. Sukda Punkla

Position	: Independent Director / Audit Committee
Age	: 60 years old
Education	: Master of Engineering (Industrial Management Engineering) King Mongkut's University of Technology North Bangkok Bachelor of Industrial Engineering Rajamangala University of Technology
Training	: -
Number of shares held at the beginning of the year	: -
Number of shares held at the end of the year	: -
Number of Shares in Subsidiaries	: -
Number of shares held by the spouse and minor children at the end of the year	: -

### Experiences :

2018 - Present	Independent Director and Audit Committee Khonburi Sugar Public Company Limited
2016 - 2015	Deputy Permanent Secretary of Ministry of Industry Thailand
2015 - 2014	Inspector General of Ministry of Industry Thailand
2014 - 2013	Deputy Director General of Department of Industry Works

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## 10. Mr. Kriangsak Phattarakosol

Position	: Deputy Managing Director of Raw Material
Age	: 65 years old
Education	: Bachelor Degree of Agriculture, Kasetsart University
Training	: -
Number of shares held at the beginning of the year	: 95,000 shares
Number of shares held at the end of the year	: 265,000 shares
Number of Shares in Subsidiaries	: -
Number of shares held by the spouse and minor children at the end of the year	: -

### 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



## 11. Mr. Rangan Tawintermsup

Position	: Assistant Managing Director of Production
Age	: 35 years old
Education	: M Phil Industrial Systems, Manufacture and Management University of Cambridge, Trinity College, UK BA ( Honors ) Mathematics University of Cambridge, Trinity College, UK
Training	: -
Number of shares held at the beginning of the year	: 6,125,000 shares
Number of shares held at the end of the year	: 6,125,000 shares
Number of Shares in Subsidiaries	: -
Number of shares held by the spouse and minor children at the end of the year	: -

### Experiences :

2015 - Present	Assistant Managing Director of Supply Chain Khonburi Sugar Public Company Limited
2015 - Present	Senior Advisor Chumporn Palm Oil Industry PLC
2008 - 2014	Trading Manager Glencore Singapore Pte Ltd, Singapore
2008 - 2014	Associate Nomura International, Singapore

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## 12. Mr. Rathavudh Saetang

Position	: Assistant Managing Director of Marketing
Age	: 60 years old
Education	: Master of Business Administration for Management (EMBA) National Institute of Development Administration (NIDA) Bachelor of Science in Quantitative Economics Ramkhamhaeng University
Training	: -
Number of shares held at the beginning of the year	: -
Number of shares held at the end of the year	: -
Number of Shares in Subsidiaries	: -
Number of shares held by the spouse and minor children at the end of the year	: -

### Experiences :

2018 - Present	Assistant Managing Director of Marketing Khonburi Sugar Public Company Limited
2007 - 2016	Sales and Marketing Director Khonburi Sugar Public Company Limited

### 13. Mr. Rakkiti Tanglamlert

Position	: Chief Financial Officer
Age	: 50 years old
Education	: Bachelor Degree in Accounting, Chulalongkorn University Master Degree in business Accounting, Kasetsart University
Training	: Certified Public Accountant (CPA) Strategic CFO in Capital Market and Ethic code & Anti Corruption
Number of shares held at the beginning of the year	: -
Number of shares held at the end of the year	: -
Number of Shares in Subsidiaries	: -
Number of shares held by the spouse and minor children at the end of the year	: -

#### Experiences :

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



### 14. Ms. Surawee Puangthong

Position	: Senior Manager Finance
Age	: 54 years old
Education	: Master of Business Administration Accounting Siam University Bachelor of Accounting Dhonburi Rajabhat University Bachelor of General Management Dhonburi Rajabhat University
Training	: Director Accreditation Program (DAP) 90/2011
Number of shares held at the beginning of the year	: -
Number of shares held at the end of the year	: -
Number of Shares in Subsidiaries	: -
Number of shares held by the spouse and minor children at the end of the year	: -

#### Experiences :

2011 - Present	Senior Manager Finance Khonburi Sugar Public Company Limited
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## Company Secretary

### 15. Mr. Teerapat Thavisin

Position	:	Manager of Managing Director Office / Company Secretary
Age	:	37 years old
Education	:	Bachelor of Laws Thammasat University
Training	:	-
Number of shares held at the beginning of the year	:	-
Number of shares held at the end of the year	:	-
Number of Shares in Subsidiaries	:	-
Number of shares held by the spouse and minor children at the end of the year	:	-

#### Experiences :

2017 - Present	Manager of Managing Director Office / Company Secretary Khonburi Sugar Public Company Limited
2014 - Present	Manager of Managing Director Office Khonburi Sugar Public Company Limited
2003 - 2014	Legal Consultant Seri Manop & Doyle Company Limited

#### Roles and Responsibilities of the Company's Secretary

The Company's Secretary is supposed to perform in accordance with Standard 89/15 under Securities and Exchange Act, B.E. 2535 (A.D. 1992), and act as the center of preparation/maintenance of documents, directors register, arrangement of shareholders' meetings, invitations and minutes of shareholders' meeting, reports on interests of directors and executives as well as other assigned matters.

# 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. Disclosure and Transparency**

The Company has a policy of disclosing the important information related to the Company, which includes the financial and non-financial information accurately, completely, timely, and transparently via any channels allowing the general people to access to the Company's information smoothly, equitably and creditably.

### **4.1 Internal Control and Connected Transactions with Potential Conflicts of Interest**

The Company has a policy of preventing and wiping out the potential conflicts of interest by setting up a rule that any deal and/or transaction possibly causing the conflicts of interest shall be in accordance with the rules and procedure prescribed by the Company and other related applicable laws.

The Company shall not allow the Company's directors, executives, and/or major shareholders, whichever case may be, to operate the businesses that are similar or compete with or have the connected transactions in the manner that they engage other interests against the best interest of the Company or its subsidiaries. The Company's executives and/or major shareholders, whichever case may be, must submit the reports to the Company if any of executives or major shareholders acquires some shares in a company whose business operation is similar to that of the Company or its subsidiaries in order that the Company and the Audit Committee consider whether such shareholding is against the best interest of the Company and its subsidiaries or not.



The Company values a good internal control system. The Internal Audit Department is empowered to audit the working of every working unit to prevent defects, and to ensure the work transparency. The auditing shall be done periodically, and the auditing report shall be submitted for the Audit Committee's consideration.

#### 4.2 Disclosure of Information

The Company's has to disclose the Company's information to its shareholders via the channels provided by the SET and via the Company's website [www.kbs.co.th](http://www.kbs.co.th) at the Investor Relation page. The Company has an Investor Relations is assigned to act as a company representative to be responsible for communication, provision of information services, and dissemination of news and information about the Company's activities to institutions, shareholders, investors, analysts and general public. Who have any inquiry and would like to obtain information about the Company can contact the Investor Relations at :

Managing Director Office Department  
 Khonburi Sugar Public Company Limited  
 Tel. : (02) 725-4888 Ext. 4817  
 Fax. : (02) 725-4898  
 E-mail : [ir@kbs.co.th](mailto:ir@kbs.co.th)

#### 4.3 Disclosure of Corporate Governance Policy

The Company discloses the corporate governance policy as approved, and the implementations of such policy via several channels, e.g. annual reports and the Company's website : [www.kbs.co.th](http://www.kbs.co.th)

#### 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 2018, 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	6/6	-	-	-	-
2	Mr. Takon	Tawintermsup	6/6	-	-	-	10/12
3	Mr. Somkiat	Twiltermsup	6/6	-	2/2	1/4	4/12
4	Mr. Issara	Twiltermsup	6/6	-	1/2	-	9/12
5	Mr. Sran	Smutkochorn	5/6	-	2/2	4/4	-
6	Ms. Suvimol	Krittayakian	6/6	4/4	-	-	-
7	Mr. Voravit	Rojrapitada	5/6	4/4	-	-	-
8	Mr. Sukda	Punkla	4/6	2/4	-	-	-
9	Mr. Amnart	Rumpoeypong	5/6	-	-	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 Company places the corporate governance policy by considering various factors as well as the responsibilities of the directors. The important policies of this matter include :

### 5.1 Structure of the Board of Directors

1. All directors shall be legally qualified and shall not possess any characteristics prohibited by law.
2. The Board of Directors shall comprise the independent directors, as five Independent Directors. The Independent Director of the Company shall be legally qualified and shall not possess any characteristics prohibited by the Board of Directors. The directorship qualifications prescribed by the Board of Directors are as strict as those required by the Securities and Exchange Commission.
3. The Company determines the scope of duties and authorities of the Board of Directors and the Managing Director apparently. The Chairman of the Board and the Managing Director are two different persons in order to separate between the duties of governing the executives' work, and the duties of managing the Company's work.
4. The Company requires that all directors and top management of the Company's report to the Company, the information about any of their work in the positions of executive directors who are empowered to control any other company limited or public company limited, and partnership manager in any other ordinary partnership, or junior partner in any limited liability partnership pursuant to the rules and procedure required by the Board of Directors.

### 5.2 Sub-committees

The Company set up four sub-committees, including Audit Committee, the Executive Committee, Risk Management Committee and the Nomination and Remuneration Committee prescribed their duties and responsibilities (details in Shareholding Structure and Management).

The Audit Committee consists of directors who are independent and not an executive of 3 members, with 1 in 3 person is Mrs. Suvimol Krittayakiern having right to have sufficient knowledge and experience to verify the reliability of the financial statements.

### 5.3 Roles, Duties and Responsibilities of the Board of Directors

The Company disclosed the scope duties and responsibilities of the Board of Directors and Sub-committees (details in Shareholding Structure and Management).

### 5.4 Board of Directors meeting

1. The Charter of the Board of Director committee requires at least one meeting in a quarter to monitor irregularity and consider financial statement.
2. The Board of Director scheduled the meeting date yearly by inform all directors so all directors can attend the meeting without exception.



The meeting date as of 2019 has been scheduled excluding special term as follow

No.	Board of Director Committee / Audit Committee	the Nomination and Remuneration Committee
1	Monday 25 February 2019	Monday 25 February 2019
2	Monday 13 May 2019	Monday 11 November 2019
3	Tuesday 13 August 2019	
4	Monday 11 November 2019	

3. Company secretary sent sum up main point document to board of director in advance. Chairman of the board allocates time sufficiently, nonetheless Board of director may ask for more information from company secretary if they needed to.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.1/2018 on February 27th, 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 93.95% which was in the excellent range.



## Policy on the Use of Inside Information

The Company takes a measure to prevent the use of inside information; the Company's employees at every level must not disclose any confidential information of the Company to the third party. The use of such inside information by any of its employees must be under the duties and responsibilities specifically assigned to them only. The Guideline for

Prevention of Use of Inside Information is prepared in a written form, and approved by the Meeting of the Board of Directors, No. 3/2010 held on 13 October 2010. The Company's employees and executives have been universally informed of such guideline by circular notices for strict compliance.

The Company lays down the following policies and methods preventing its directors, executives and employees to use the material inside information of the Company for their private benefits and for the trading of the Company's securities:

1. The company sets up a preventive measure for the use of inside information; a provision is set forth in the Code of Conduct and Working Regulations of the Company prescribing that the directors, executives, and employees of the Company are forbidden to disclose or utilize such material inside information for their personal interest.
2. The directors, executives, and employees of the Company should avoid using the Inside Information in purchasing or selling the Company's shares for their personal interest or in offering any inside information to the third party for the benefit of selling and purchasing the Company's shares.
3. The directors, executives, and employees of the Company should avoid and suspend the trading of securities of the Company for a period of 1 month prior to the disclosure of its financial statements as well as other important information to the public. The suspension of trading should take at least 24-48 hours after the disclosure of such information to the public.
4. The Company informs executives about their obligation to disclose share holdings and changes of the holdings of themselves, their spouses, and their children who have not yet attained the majority according to article 59-1 and 59-2 and also article of the Securities and Exchange on 1992 which executives have to inform their obligation to disclose share holdings and changes of the holdings to Securities and Exchange Commission (SEC) within 3 days.
5. Directors and executives have to inform the board of director about their trading on the company's securities at least 1 day before the trade occur.

The Office of Company Secretary send notice to directors and executives advising those who receive important inside information that affects prices of securities shall not trade corporate securities within that one month and not disclose the important inside information before the corporate financial statements or the particular information is publicized.

In the past year, neither directors nor executives used insider trading. The Company was not violating connected transaction guidelines provided by the Securities Exchange Commission and the framework set by the Stock Exchange of Thailand. Moreover, the board of director committee and executives disclosed share holdings and changes of the holdings of themselves, their spouses, and their children who have not yet attained the majority at first representatives to join the position.



## 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 five 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.

## Duties and Responsibilities

1. The Company's Board of Directors have duties and responsibilities to establish and regulate policy in order to ensure that there is effective supporting system in place for anti-corruption, and to demonstrate that the management recognizes and places importance on anti-corruption and inculcates it until the policy becomes corporate culture.
2. The Audit committee has duties and responsibilities to conduct due diligence on financial and accounting reporting system, internal control system, internal audit system, and other processes relating to anti-corruption measures, to ensure that they are effective and in accordance with the standard.
3. The executives have duties and responsibilities to set up system, promote and support anti-corruption policy in order to communicate it to employees and all related parties, and to review suitability of systems and measures to ensure that they are in line with changing business aspects, rules, regulations and provisions of laws.
4. The manager of internal audit office has duties and responsibilities to inspect and review in order to ensure that the overall operation is performed correctly and in accordance with policies, procedures, operating authority, rules, regulations, laws, and requirements of regulatory agencies, and ensure that suitable and adequate control system is in place for corruption-related risk, and report to audit committee.

## Operational Procedures

1. Directors, executives and employees in all levels are required to comply with the Company's anti-corruption policy and code of conduct, and not to get involved in corruption issues either directly or indirectly.
2. The Company's employees shall not neglect or ignore when witnessing any corrupted behaviors relating to the Company, and are required to inform their supervisor and person in charge, and provide cooperation for examination of facts. If there is any concern or inquiry, the employees shall consult with their supervisor or person who is assigned with duties and responsibilities to monitor the compliance with the Company's code of conduct, through various channels as provided by the Company.
3. The Company will fairly treat and protect the employees who reject corruption or report any corrupted behaviors relating to the Company, by using measures to protect complainants or persons who cooperatively report corrupted behaviors as specified in the Company's whistle blower policy.
4. Person engaging in corruption is violating the Company's code of conduct, and shall be subject to disciplinary action as specified by the Company's regulations, and may be subject to legal penalties if such conduct also violates the laws.
5. The Company recognizes the importance of the dissemination of knowledge and understanding to other people who perform duties relating to the Company or may affect the Company with regard to the compliance with this anti-corruption policy.
6. The Company strives to create and preserve corporate culture that will insist and do not tolerate corruption in any transaction with government and/or private sector.



## 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.

## Information that should be reported:

1. Corruption and/or fraud
2. Abuse of power
3. Unauthorized use of the Company's money, assets, and/or facilities
4. Involvement in conflict of interest and/or use of one's position for business opportunity
5. Failure to comply with the Company's rules, regulations and/or code of conduct
6. Involvement in political activities and dangerous and/or illegal conduct
7. Omission of duties or use of one's position to seek personal gain
8. Breach of laws
9. Unauthorized disclosure of the Company's information
10. Actions that pose risk to safety and security of properties, facilities and/or employees of the Company
11. Actions not meeting professional standards
12. Concealment of the abovementioned information
13. Threat to directors, executives, or employees of the Company

## Information that should not be reported:

1. False and unreasonable information
2. Defamation
3. Information without sufficient evidence

## Reporting procedures

1. Type of corruption or wrongdoing
2. Names of persons involved
3. Date, time, and place of corruption
4. How the corruption activity is conducted
5. Witness
6. Related documents or evidence

## Eligible Whistleblower

An employee and/or a person witnessing the breach of laws, regulations, articles of association, or business code of conduct of the Company

An employee who is treated unfairly, threatened, suffers disciplinary actions, such as pay reduction, suspension from work or termination of employment, or is discriminated in relation to employment conditions because he/she has filed a complaint, disclosed any information, is to provide information in the investigation process, collects any facts for a person receiving the complaint, or files a lawsuit, becomes a witness, testifies, or cooperates with the court or government agency





## 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.

By mail: Send to Chairman of the Audit Committee at Khonburi Sugar Public Company Limited, P.O. Box 419, Phra Khanong, Bangkok.

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.

## Protection of Person Providing Information

The complainant may choose to not disclose his/her name, if he/she considers that such disclosure may cause damage to him/her. If the complainant chooses not to disclose his/her name, clear and sufficient details or 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. However, if the complainant chooses to disclose him/herself, the complaint recipient will be able to work on the complaint faster.

Information regarding the Company is considered confidential and can be disclosed as necessary only, taking safety and potential damage caused to the complainant, sources of the information, or relevant persons into consideration. A person in charge of each step shall keep the information received strictly confidential and not disclose such information to any other person. Violation of such requirement will be considered a breach of discipline.

Where the complainant considers that he/she may not be safe or there may be damage caused to him/her, he/she may ask the Company to take proper protection measures or the Company may determine protection measures without being requested by the complainant if it is deemed that the complaint tends to cause damage or unsafety.

It is considered a breach of discipline if an employee treats another person unfairly, discriminates, or causes damage to such person because that person files a complaint or providing information on corruption or failure to comply with laws or the Company's regulations, articles of association, or business code of conduct, or files a lawsuit, gives a witness statement, or cooperates with the court or governmental agency. Disciplinary action will be taken against such employee who may also be punished in accordance with law if his/her action is a breach of the law.

Proper and fair methods or processes will be used to mitigate damage caused to victim.

Proper action, including legal proceedings, will be taken against any person abusing or threatening a person who provides information to the Company.

## Auditor Fee

At the end of December 2018, the Auditor fee of the company and subsidiaries to EY office Limited was not exceeded THB 1,140,000. The Auditor fee for the first three quarters was not exceeded THB 480,000. Total Audit fee in the year was THB 1,620,000. EY office Limited has been the company's Auditor since 2013.

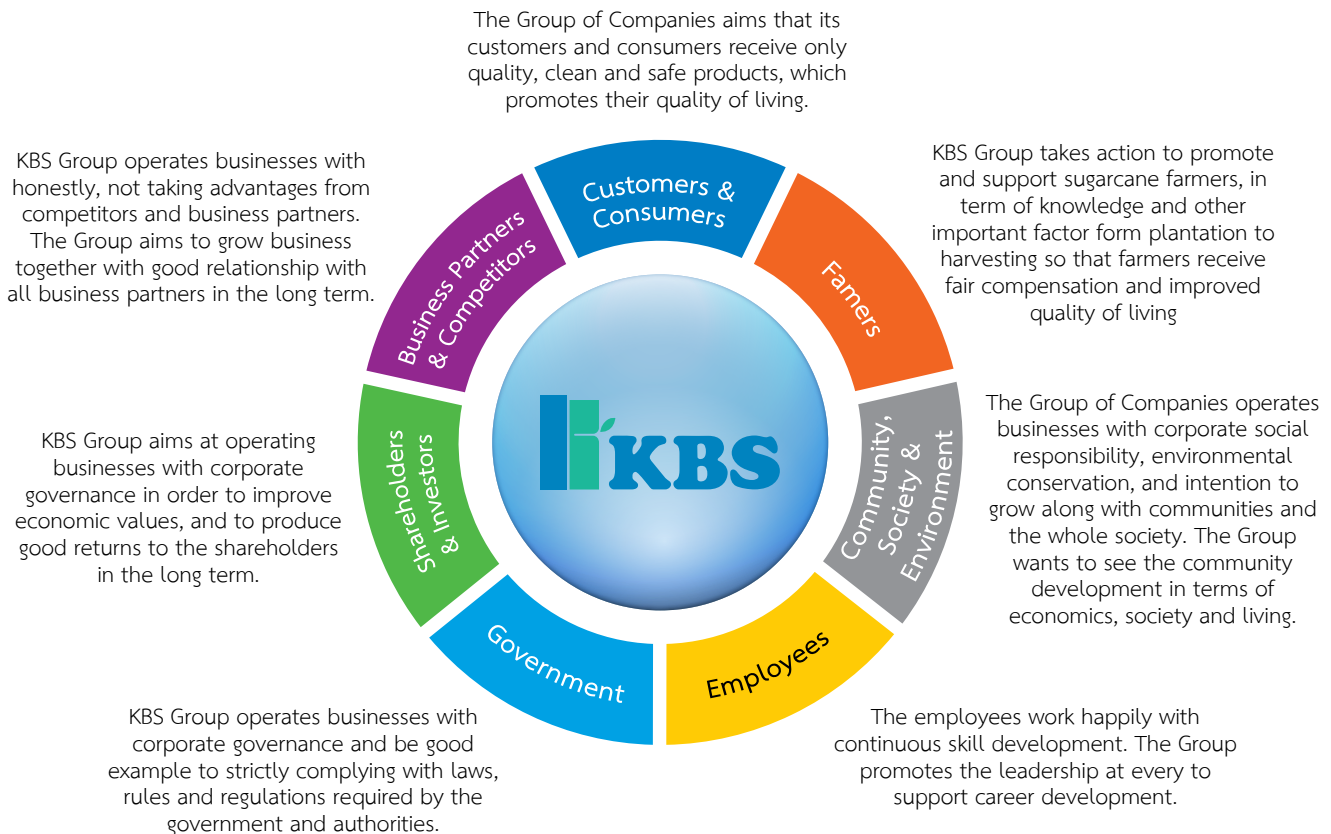


# Corporate Social Responsibility (CSR)

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 2018

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 conducted 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 2018, the CSR Working Group has carried on and initiated a number of projects and activities as follows:**







## “KBS KPP Scholarship” Project

In cooperation with the “Public Relations Network” Working Group, the Company has implemented the “KBS KPP 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 80 scholarships, which enable these local children to have a better chance in education. The project has been implemented continuously for 8 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.





## Planting the Forest of Chalmprakiat H.M. King Maha Vajiralongkorn's

The company has joined with government agencies, Khon Buri District, soldiers, police, local administrative organizations, merchants, teachers, students and people to join the project. "Planting the forest in honor H.M. King Maha Vajiralongkorn "On the occasion of the auspicious occasion of the 66th Birthday Anniversary To raise awareness and raise awareness in forest conservation and restoration Which is a natural resource at Khao Thap Lan National Park and Buddhist Park, Khao Chom Thong Temple, Khon Buri District, Nakhon Ratchasima Province







## Activity to build a weir (living dam)

The company cooperated with the community to build dams (live weirs) to restore water and food resources throughout the forest buffers. To develop sustainable water resources Along the royal line, King Bhumibol Adulyadej To help retain water Is a source of water for human and wildlife consumption As well as raising animals And in the agriculture of community people It also helps to strengthen relationships. Unity between each other as well





## Annual merit making activities

The company cooperated with the community to host the annual Kathin ceremony in 2018 at Pa Phut Park, Khao Kapud Chorakhe Hin Subdistrict, Khon Buri District, Nakhon Ratchasima Province. Objectives to provide budget for drilling artesian wells, improve the pavilion and adjust the temple landscape to be attractive. To support people who have faith to join the merit making at the temple. Which the company has co-hosted the annual Kathin ceremony.







## Bicycle project activities

The company has joined with the government sector, Khonburi District, the public officials and the Chanchayan spinning club. Join hands to make a 490 kilometer 7 day spinning project for Khonburi Hospital. The purpose of the project is to campaign for donations throughout the route. Bangkok - Nakhon Ratchasima. To contribute funds to purchase medical equipment for Khonburi Hospital for services to patients who use the service. And build relationships. Love, unity, brothers, riders. It also helps to create unity and love. Love the health of people in the community as well.





## Clean Water for Communities Project

For the community-related activities, the “Public Network” Working Group was established for the good relationship between the Company and communities. The dialogues with every community located in the area of 5 kilometers around the sugar mill were held to enable these communities to access to the clean water and better living. The Company and these communities agreed to execute the “Clean Water for Communities” project, this project will continue, and the dialogues with many communities will be done further to select some more villages for this project.







## Blood Donation Activity

The company together with the Blood Center, Thai Red Cross Society, Nakhon Ratchasima Province Create a charity to help fellow human beings by donating blood to the Thai Red Cross Society. Nakhon Ratchasima With employees in the company, monks, teachers, students and communities around the factory Blood donation Which the company has organized this activity every year, 3-4 times a year, total more than 14 times, with the participants to create a charity with more than 1,845 blood donations. Get more than 581,050 cc of blood at present.





## Activities for visiting patients with bed and elderly people

The company has conducted volunteer activities to visit patients in the community. That is a patient with a bed or a house and an elderly person who cannot come out to live normally outside as a general person By collaborating with Crocodile Rock Health Promoting Hospital Volunteer Spirit Group, Chorakhe Hin Sub-district, Khon Buri District, Nakhon Ratchasima Province Issued physical therapy and visits to encourage patients To have good encouragement in both physical and mental health by continuing for 4 years

## 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>, 2018, the internal department has 5 officers.

The Board of Directors No.1 /2019 on February 25, 2019 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 2018 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 13, 2018, The Audit Committee No.4/2018 approved yearly plan for 2019 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.



## 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. Sukda	Punkla	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 2018, 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 2018, which ended on December 31, 2018 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.



Reviews of good corporate governance The Board of Directors and top management have always valued the management in line with the good corporate governance so that they would be trusted by every shareholder and other related parties.

Reviews of internal control system The Audit Committee has reviewed the adequacy of the Company's internal control system in 2018 to ensure that it would drive the Company's operations to meet the preset targets and objective. The Company has consistently monitored the work improvements subject to comments in the auditing report, and opinions of the Audit Committee. Also, the internal control system has been improved to be in line with changing circumstances. The Audit Committee is of opinion that the internal control system of the Company has been adequate and efficient.

Reviews of the Company's internal audit affairs The Audit Committee has reviewed the internal audit reports submitted by the Internal Audit Office, and has also monitored the work performance of the Company and its subsidiaries in accordance with remarks and advice of the Internal Audit Office and the auditor. The Audit Committee gave an approval for the 2019 Audit Plan as proposed by the Internal Audit Office. This plan has been prepared by considering all potential risk factors. The Audit Committee has efficiently performed its duties in accordance with the Audit Committee Charter, and approved the work performance evaluation of the Internal Audit Office.

Reviews of compliance with law on securities and stock exchange, requirements of the Stock Exchange of Thailand and other related laws The Audit Committee has reviewed and strictly governed the compliance with law on securities and stock exchange, requirements of the SET and the SEC, and other laws relating to the Company's business operations.

Appointment of the external auditor for 2019 The Audit Committee considered the appointment of external auditor, independence of selected external auditor, and appropriate audit fee before proposing these matters to the Board of Directors. The Board of Directors agreed to seek approval at the 2019 Annual General Meeting of Shareholders for the appointment of Mr. Sophon Permsirivallop Certified Public Auditor No. 3182 and/or Ms. Rungnapa Lertsuwankul Certified Public Auditor No. 3516 and/or Mr. Chayapol Suppasethnondha, Certified Public Auditor No. 3972 and/or Ms. Sumana Punpongsanon, C.P.A. Registration No. 5872 and/or Ms. Pimjai Manitkajohnkit Certified Public Auditor No. 4521 and/or Ms. Rosaporn Decharkom Certified Public Auditor No. 5659 and/or Ms. Orawan Techawatanasirikul 4807, of EY Office Company Limited as the Company's certified public auditor.



(Ms. Suvimol Krittayakiern)  
Chairman of the Audit Committee



## 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 2018, 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, 2018, No.7.



# Management Discussion and Analysis

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

Particular	For the year ended 31 Dec. 2016		For the year ended 31 Dec. 2017		For the year ended 31 Dec. 2018	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Revenues</b>						
Sales and service income	6,925.1	96.7	7,820.2	95.7	8,242.4	96.2
Others income	235.9	3.3	351.7	4.3	325.6	3.8
<b>Total revenues</b>	<b>7,161.0</b>	<b>100.0</b>	<b>8,171.9</b>	<b>100.0</b>	<b>8,568.0</b>	<b>100.0</b>
<b>Expenses</b>						
Cost of sales and services	6,645.9	92.8	7,707.7	94.3	7,246.8	84.6
Selling and administrative expenses	613.7	8.6	586.1	7.2	852.9	10.0
Loss on exchange	-	-	24.0	0.3	-	-
Loss from subsidiary's accident	135.1	1.9	-	-	-	-
<b>Total expenses</b>	<b>7,394.7</b>	<b>103.3</b>	<b>8,317.8</b>	<b>101.8</b>	<b>8,099.7</b>	<b>94.5</b>
Profit (loss) before finance cost and income tax	(233.7)	(3.3)	(145.9)	(1.8)	468.3	5.5
Finance cost	(189.2)	(2.6)	(193.8)	(2.4)	(178.8)	(2.1)
Income tax revenue (expense)	67.6	0.9	(36.9)	(0.5)	4.4	0.1
<b>Net profit (loss) for the year</b>	<b>(355.3)</b>	<b>(5.0)</b>	<b>(376.6)</b>	<b>(4.7)</b>	<b>294.0</b>	<b>3.4</b>

## APPENDIX 2 : Summary of financial position

Particular	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018
	Million Baht	Million Baht	Million Baht
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	126.4	232.6	63.7
Trade and other receivables	964.1	679.1	463.2
Sugarcane plantation receivables	734.7	867.3	566.4
Inventories	1,094.9	1,043.3	1,535.9
Current portion of amounts due from the Office of the Cane and Sugar Fund	-	-	410.6
Derivative assets	-	3.8	17.2
Other current assets	291.9	284.3	253.8
<b>Total current assets</b>	<b>3,212.0</b>	<b>3,110.4</b>	<b>3,310.8</b>
<b>Non-current assets</b>			
Other long-term investments	2.0	3.0	3.0
Sugarcane plantation receivables - long-term	262.7	321.0	108.5
Amounts due from the Office of the Cane and Sugar Fund- net of current portion	-	-	164.4
Property, plant and equipment	6,842.4	6,513.1	6,119.3
Intangible assets	140.0	131.7	131.6
Advance payment for assets	7.0	6.7	1.0
Deferred tax assets	93.0	61.9	68.0
Other non-current assets	49.3	9.8	8.7
<b>Total non-current assets</b>	<b>7,396.4</b>	<b>7,047.2</b>	<b>6,604.5</b>
<b>Total assets</b>	<b>10,608.4</b>	<b>10,157.6</b>	<b>9,915.3</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term loans from financial institutions	1,839.3	2,548.2	2,676.3
Short-term loans from related party	311.5	-	302.6
Short-term loans from the Office of the Cane and Sugar Fund	-	-	150.8
Trade and other payables	1,306.8	1,357.3	1,226.4
Advance received from the assistance project of the Office of Cane and Sugar Fund	-	-	55.7
Current portion of long-term loans from banks	1,187.0	1,226.6	990.9
Other current liabilities	147.6	149.3	150.8
<b>Total current liabilities</b>	<b>4,792.2</b>	<b>5,281.4</b>	<b>5,553.5</b>



Particular	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018
	Million Baht	Million Baht	Million Baht
<b>Non-current liabilities</b>			
Net of current portion			
- Liabilities under financial lease agreements	56.9	33.8	31.7
- Long-term loans from financial institutions	2,177.7	1,663.0	849.6
Provision for long-term employee benefits	33.7	33.7	36.3
Total non-current liabilities	2,268.3	1,730.5	917.6
<b>Total liabilities</b>	<b>7,060.5</b>	<b>7,011.9</b>	<b>6,471.1</b>
<b>Shareholders' equity</b>			
<b>Registered</b>			
600,000,000 ordinary shares of Baht 1 each	600.0	600.0	600.0
Issued and fully paid up			
600,000,000 ordinary shares of Baht 1 each	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	663.2	259.2	553.6
Other components of shareholders' equity	(5.5)	(3.7)	0.4
<b>Total shareholders' equity</b>	<b>3,547.9</b>	<b>3,145.7</b>	<b>3,444.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>10,608.4</b>	<b>10,157.6</b>	<b>9,915.3</b>

### APPENDIX 3 : Summary of cash flow

Cash flow statements	For the year ended	For the year ended	For the year ended
	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018
Net cash flows from (used in) operating activities	339.3	587.3	635.9
Net cash flows used in investing activities	(709.5)	(155.2)	(133.7)
Net cash flows from financing activities	414.7	(326.0)	(671.1)
Net increase (decrease) in cash and cash equivalents	44.5	106.1	(168.9)
Cash and cash equivalents at beginning of year	81.9	126.4	232.6
Cash and cash equivalents at end of year	126.4	232.5	63.7

## APPENDIX 4 : Financial Ratio

Financial Ratio		For the year ended 31 Dec. 2016	For the year ended 31 Dec. 2017	For the year ended 31 Dec. 2018
<b>Liquidity Ratio</b>				
Current Ratio	Time	0.7	0.6	0.6
Quick Ratio or Acid Test Ratio	Time	0.4	0.4	0.3
Average Collection Period	day	38	38	25
Holding Period	day	62	51	65
Payable Conversion Period	day	72	64	65
Cash Cycle	day	28	25	25
<b>Profitability Ratio</b>				
Gross Profit Margin	%	3.9%	1.4%	12.1%
Operating Profit Margin	%	(3.4%)	(1.9%)	5.7%
Net Profit Margin	%	(5.1%)	(4.8%)	3.6%
Return On Equity or ROE	%	(10.0%)	(12.0%)	8.5%
<b>Efficiency Ratio</b>				
Return On Assets	%	(3.3%)	(3.7%)	3.0%
Return On Fix Assets	%	(5.2%)	(5.8%)	4.8%
Total Assets Turnover	Time	0.7	0.8	0.8
<b>Leverage Ratio</b>				
Debt to Equity ratio	Time	2.0	2.2	1.9
Interest Coverage	Time	(1.2)	(0.8)	2.6
Cash Basis	Time	0.2	0.4	0.4

# 1. Financial Position

## 1.1 Assets

As of 31 December 2018, Khonburi Sugar Public Company Limited had total assets amounting to 9,915.3 million Baht, a reduction from the previous year by 242.3 million Baht, or a drop of 2.4 percent, with the following information regarding changes in current and non-current assets:

- Current assets at 3,310.8 million Baht, an increase from the previous year by 200.4 million Baht or an increase of 6.4 percent for the following reasons:
  - Cash and cash equivalents dropped by 168.9 million Baht.
  - Trade accounts receivable and other accounts dropped by 215.9 million Baht from the Company's ability to collect payment for goods as scheduled. In addition, the domestic and foreign sugar sales volume in the last quarter of the year was reduced in the sugar selling season.
  - Accounts receivable from sugarcane farmer subsidies dropped by 300.9 million Baht due to less support for sugarcane cultivation compared to the previous year.
  - Inventory increased by 492.6 million Baht from domestic and foreign sugar sales and delivery. Inventory dropped in the last quarter of the year. In addition, the Company began sugar production in the production season of 2018/2019, causing inventory at the end of the year to increase.
  - The net amount of the Office of the Sugar and Cane Board debt to be paid within one year increased by 410.6 million Baht because the final sugarcane price in the production season of 2017/2018 was lower than the initial sugarcane price. Section 56 of the Cane and Sugar Act, B.E. 2527 (A.D. 1984), requires the Cane and Sugar Fund to pay compensation for final sugarcane prices lower than the basic sugarcane price to the Company. Therefore, the Office of the Sugar and Cane Board continues to owe the aforementioned outstanding figure to the Company.
  - Financial derivative assets increased by 13.4 million Baht from the derivative contract for preventing sugar price risks remaining at the end of the year.
  - Other current assets dropped by 30.5 million Baht from reductions in expenses paid in advance.
- Non-current assets amount to 6,604.5 million Baht, a reduction of 442.7 million Baht from the previous year or 6.3 percent from the following causes:
  - Sugarcane farmer debtors who exceeded the payment schedule by more than one year dropped by 212.5 million Baht because the Company received more payments from farmers and reduced subsidies for cultivation of sugarcane requiring a period of more than one year, causing the outstanding figure from the aforementioned item to drop.
  - The net amount of Office of the Sugar and Cane Board net debt to be paid within one year increased by 164.4 million Baht. The aforementioned item is part of compensation for sugar production and distribution returns because the final price of sugarcane was lower than the initial sugar price for the production season of 2017/2018. Section 56 of the Cane and Sugar Act B.E. 2527 (A.D. 1984) requires the Cane and Sugar Fund to pay compensation for final sugarcane prices lower than the basic sugarcane price to the Company. Therefore, the Office of the Sugar and Cane Board continues to owe the aforementioned outstanding figure to the Company.



- Land, buildings and equipment dropped by 393.8 million Baht from the Company's increased investment in improving machine efficiency and improving productivity of production processes. However, the aforementioned outstanding figure dropped from normal asset amortization.

## 1.2 Liabilities

As of 31 December 2018, the Company's group had a total liability of 6,471.1 million Baht, a reduction of 540.8 million Baht from the previous year or a reduction by 7.7 percent with the following information on changes in current liabilities and non-current liabilities:

- Non-current assets amount to 5,553.5 million Baht, an increase of 272.1 million Baht from the previous year or 5.2 percent with the following causes:
  - Short-term loans from financial institutes increased by 128.1 million Baht. The Company made the aforementioned short-term loans for use in current capital because the Company began sugar production in the new production season in December 2018. Thus, the Company needed to use more current capital to pay for the cost of raw materials by paying farmers for the cost of sugarcane.
  - Short-term loans from related businesses increased by 302.6 million Baht and consisted of packing credit from the sale of sugar overseas.
  - Short-term loans and financial support from the Office of the Cane and Sugar Board increased by 206.5 million Baht. This money is support provided by the Office of the Cane and Sugar Board in the form of short-term loans with low interest rates as financial support.
  - Trade accounts payable and other accounts dropped by 130.9 million Baht from normal payments to the Company's creditors and the Company had fewer purchases of materials and spare parts.
  - Long-term loans due to be paid in one year dropped by 235.7 million Baht from the Company's normal repayment of long-term loans during the year.
- Non-current liabilities amount to 917.6 million Baht, a drop of 812.9 million Baht from the previous year. In 2018, the Company repaid long-term loans due for payment according to loan agreements during the year.

## 1.3 Shareholder Equity

As of 31 December 2018, the Company's group had shareholder equity at 3,444.2 million Baht, an increase of 298.5 million Baht from the previous year, or an increase of 9.5 percent from increases in the Company's performance.

# 2. Performance

## Performance Overview

Khonburi Sugar Public Company Limited had a total net profit of 294.0 million Baht in 2018, an increase of 670.6 million Baht from the previous year and the Company had 1,077.0 million Baht in profits before financial expenses, income tax, depreciation and amortization (EBITDA), an increase of 134.8 percent from the previous year, for the following reasons:



Total income in 2018 was equal to 8,568.0 million Baht, an increase of 4.8 percent from 2017, for the following reasons:

Income from sugar sales dropped from the previous year by 220.3 million Baht, or a reduction of 4.1 percent, because the mean sales price dropped by 25.1 percent in line with continually declining trends in sugar prices in the global market. In addition, new laws canceling sugar selling quotas in the country enacted in mid-January 2018 caused the mean domestic sugar prices to be lower than the previous year. However, the Company's overall sugar sales increased by 28.0 percent from the Company's overall increase in sugar production when compared to the previous year.

Income from molasses sales increased from the previous year by 378.0 million Baht, an increase of 23.3 percent, because income from molasses purchases and sales increased by 214.9 million Baht, or an increase of 19.5 percent. Molasses purchase and sale volume increased by 41.4 percent while the selling price per unit dropped by 15.5 percent. In addition, income from sale of molasses produced by the Company increased by 163.1 million Baht, or an increase of 31.5 percent. However, the mean selling price dropped by 12.5 percent.

Concerning power plants in the Company's group, the Company had income from selling electricity to the Electricity Generating Authority of Thailand (EGAT) under the Firm 22-Megawatt Contract. In addition, income from selling electricity to the Provincial Electricity Authority (PEA) increased by 124.9 million Baht or an increase of 25.8 percent due to a 15.9-percent increase in the overall amount of electricity distributed by subsidiaries.

Income from sugar production and distribution in 2018 was at 164 million Baht and was compensation which the Company will receive from the Office of the Sugar and Cane Board. Due to the production season of 2017/2018, the final sugarcane price and returns from final sugar production and sale were lower than the basic price. Section 56 of the Cane and Sugar Act, B.E. 2527 (A.D. 1984), requires the Cane and Sugar Fund to compensate the Company for returns from sugar sales.

Nevertheless, although sugar and molasses selling prices are lower, the amount of sugarcane entering the production process in the production year of 2017/18 increased from the production year of 2016/17 by 1.5 million tons, or an increase of 63 percent, thereby causing the volume of sugar and molasses sales to increase. In addition, the amount of bagasse used as fuel in power plant production increased more than the previous year, enabling the Company to reduce production cost per unit. Moreover, the mean overall cost of transporting sugarcane brought into the production process in 2017/18 dropped from the previous production year by 81.8 Baht per ton of sugarcane, or a decrease of 44.9 percent.

The Company group's sale and management expenses increased by 45.5 percent from the previous year due to expenses related to upward trends in sugar and molasses sales volume.

In 2018, the Company had a profit increased of 18.2 million Baht from financial instruments, an increase of 154.2 percent from the previous year due to sugar sale price risk prevention. The Company maintained sugar sale ratios to be close to sales ratios of Thai Cane and Sugar Company Limited (TCSC).



## Total income

In 2018, the Company had total income amounting to Baht 8,568.0 million, which had increased by 4.8 percent, having details as follows:

	2018 (Million Baht)	2017 (Million Baht)	Change (Million Baht)	Change (Percent)
<b>Income</b>				
Income from sales and services	8,242.4	7,820.2	422.2	5.4
Other income	325.6	351.7	(26.1)	(7.4)
<b>Total income</b>	<b>8,568.0</b>	<b>8,171.9</b>	<b>396.1</b>	<b>4.8</b>

## Revenue from sales and services

Revenue from sales and services in 2018 was at Baht 8,242.4 million, which had increased from last year by 5.4 percent, having details as follows:

	2018 (Million Baht)	2017 (Million Baht)	Change (Million Baht)	Change (Percent)
Revenue from the sale of sugar	5,137.1	5,357.4	(220.3)	(2.8)
Revenue from the sale of molasses	681.6	518.5	163.1	2.1
Revenue from the sale and purchase of molasses	1,319.5	1,104.6	214.9	2.7
Revenue from the sale of electricity	608.5	483.6	124.9	1.6
Revenue from agricultural sales and services	495.7	356.1	139.6	1.8
<b>Total revenue from sales and services</b>	<b>8,242.4</b>	<b>7,820.2</b>	<b>422.2</b>	<b>5.4</b>

Income from sugar sales amounted to 5,137.1 million Baht, a reduction of 220.3 million Baht from the previous year or a drop of 4.1 percent because the mean domestic and foreign sugar sale prices dropped by 25.1 percent.

Income from molasses sales was at 2,001.1 million Baht, an increase of 23.3 percent from the previous year. Molasses sale volume increased from the previous year by 44.3 percent while the mean sale price per unit dropped by 14.5 percent.

Income from electricity sales was at 608.5 million Baht, an increase of 124.9 million Baht from the previous year or 25.8 percent from previous explanations.

Income from agricultural sales and services was at 495.7 million Baht, an increase of 39.2 percent from the previous year because the Company increased sugarcane crushing in the production year of 2017/18. Therefore, income related to the aforementioned sugarcane crushing from agricultural sales and services increased.

## Costs of sales and gross profit margin

Comparison of the Company's costs of sales and gross profit margin in year 2018 and 2017 is shown in the following table:

	2018 (Million Baht)	2017 (Million Baht )	Change (Million Baht)	Change (Per- cent)
Income from sales and services	8,242.4	7,820.2	422.2	5.4
Costs of sales and services	7,246.8	7,707.7	(460.9)	(6.0)
Gross profit	995.6	112.5	883.1	785.0
<b>Gross profit margin</b>	<b>12.1%</b>	<b>1.4%</b>	-	<b>10.6%</b>

Gross profit in 2018 increased from the previous year by 883.1 million Baht. This was mainly caused by sugarcane prices lower than the previous year by 289.3 Baht per ton and a lower mean overall cost of transporting sugarcane into the production process of 2017/18 than the previous year by 81.8 Baht per ton of sugarcane, a reduction by 44.94 percent. Furthermore, the cost of fuel purchases from outside was lower, while the Company's income increased from previous explanations, thereby causing the gross profit for the Company's group to increase from the previous year by 10.6 percent.

## Sales and Management Expenses

In 2018, the Company's group had an increase of 60.4 percent in sales expenses due to increased sales volumes. The aforementioned sales and management expenses include money delivered to the Cane and Sugar Fund in the country from the policy of collecting funds to deliver to the new Fund while this item was included in sales income in the previous year. The Company's management expenses increased from the previous year by 31.2 percent due to employee and other expenses.

## Financial Expenses

In 2018, the Company's group had financial expenses at 178.8 million Baht, a reduction of 15.0 million Baht from the previous year or 7.7 percent. This was mainly caused by reductions in long-term loans repaid by the Company during the year.

## Corporate Income Tax

In 2018, the Company's group had income from income taxes at 4.4 million Baht, an increase of 41.3 million Baht from the previous year from the Company's partial perception of income tax pending account clearing.



## Report of the Board of Directors' Responsibility to the Financial Reports

The Board of Directors of Khonburi Sugar Public Company Limited strongly values the duties and responsibilities in accordance with good corporate governance principles. The Board of Directors is responsible for the financial statements of the Company and its subsidiaries including financial information presented in the annual report and the annual financial statements for the period as from 1 January 2018 to 31 December 2018, which are prepared according to Generally Accepted Accounting Standards of Thailand. The Board of Directors has selected and consistently followed an appropriate accounting policy. The aforementioned financial statements are prepared using careful judgment and the best estimation. In addition, important information is adequately disclosed in the notes to the financial statements. The financial statements have been examined by an independent external auditor and the auditor has expressed an unqualified opinion. Therefore, the financial statements accurately and transparently reflect the Company's financial status and operating performance for the period as from 1 January 2018 to 31 December 2018 and can be used for the benefit of shareholders and investors.

The Board of Directors has appointed the Audit Committee, which comprises of independent directors, to review the quality of the financial reports and to evaluate the internal control system, risk management system, and various systems to support effective financial documentation to ensure that accounting records are correct, completed, exact time and able to prevent fraud or materially irregular operations. The Audit Committee's opinion is presented in the Audit Committee's report which is a part of this annual report. The Board of Directors believes that the Company's overall internal control system is able to create credibility and reliability for the financial statements of Khonburi Sugar Public Company Limited and its subsidiaries for the period ended 31 December 2018.



(Mr.Suthep Wongvorazathe)  
Chairman



(Mr.Takol Tawintermsup)  
Chairman of Executive Committee

## **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 2018, 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 2018, 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 statements of comprehensive income 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 occurrence and 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 gained an understanding 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 in general and specific cases, and reviewing the consistency of the application of that basis.
- I performed analytical procedures of assumptions that the Company applied against historical data to determine reasonableness of 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.

## **Other Information**

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

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

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



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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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



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

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

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



Orawan Techawatanasirikul

Certified Public Accountant (Thailand) No. 4807

EY Office Limited

Bangkok: 25 February 2019



**Khonburi Sugar Public Company Limited and its subsidiaries**

**Statement of financial position**

**As at 31 December 2018**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	63,738,783	232,570,832	46,383,247	75,504,932
Trade and other receivables	7, 9	463,185,576	679,080,196	486,554,812	360,534,571
Current portion of sugar cane plantation receivables	10	566,392,979	867,348,502	566,392,979	867,348,502
Short-term loans to related parties	7	-	-	576,000,000	516,000,000
Inventories	11	1,535,855,617	1,043,378,123	1,478,034,836	1,005,590,531
Current portion of amounts due from the Office of the Cane and Sugar Fund	12	410,631,240	-	410,631,240	-
Derivative assets	34	17,235,694	3,787,468	17,235,694	3,787,468
Other current assets	13	253,779,728	284,281,348	242,663,621	260,138,831
<b>Total current assets</b>		<b>3,310,819,617</b>	<b>3,110,446,469</b>	<b>3,823,896,429</b>	<b>3,088,904,835</b>
<b>Non-current assets</b>					
Investments in subsidiaries	14	-	-	687,978,665	698,999,610
Other long-term investments	15	2,994,875	2,994,875	2,994,875	2,994,875
Sugar cane plantation receivables - long-term portion	10	108,503,315	320,988,063	108,503,316	320,988,063
Amounts due from the Office of the Cane and Sugar Fund - net of current portion	12	164,354,465	-	164,354,465	-
Property, plant and equipment	16	6,119,316,801	6,513,105,036	4,563,420,478	4,914,736,506
Intangible assets	17	131,633,746	131,680,656	1,555,819	2,589,547
Advance payment for assets		1,000,000	6,676,448	1,000,000	-
Deferred tax assets	27.1	68,002,671	61,858,766	37,016,501	56,738,731
Other non-current assets		8,677,042	9,846,328	8,553,942	9,655,478
<b>Total non-current assets</b>		<b>6,604,482,915</b>	<b>7,047,150,172</b>	<b>5,575,378,061</b>	<b>6,006,702,810</b>
<b>Total assets</b>		<b>9,915,302,532</b>	<b>10,157,596,641</b>	<b>9,399,274,490</b>	<b>9,095,607,645</b>

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



**Khonburi Sugar Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

As at 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from banks	18	2,676,280,436	2,548,200,000	2,604,500,000	2,333,400,000
Short-term loans from related parties	7	302,604,380	-	561,604,380	85,000,000
Short-term loans from the Office of the Cane and Sugar Fund	19	150,773,321	-	150,773,321	-
Trade and other payables	7, 20	1,226,417,752	1,357,281,220	968,668,592	1,045,846,340
Advance received from the assistance project of the Office of Cane and Sugar Fund	21	55,732,876	-	55,732,876	-
Current portion of:					
- Liabilities under financial lease agreements	22	34,083,670	28,856,446	33,912,155	28,165,797
- Long-term loans from banks	23	990,919,570	1,226,610,000	688,395,070	930,610,000
Corporate income tax payable		169,537	2,253,873	-	-
Amounts due to the Office of the Cane and Sugar Fund		78,565,906	80,318,200	78,565,906	80,318,200
Derivative liabilities	34	9,063,731	263,174	9,063,731	-
Other current liabilities		28,913,282	37,560,944	12,926,254	27,097,660
<b>Total current liabilities</b>		<b>5,553,524,461</b>	<b>5,281,343,857</b>	<b>5,164,142,285</b>	<b>4,530,437,997</b>
<b>Non-current liabilities</b>					
Net of current portion:					
- Liabilities under financial lease agreements	22	31,700,089	33,782,216	31,700,089	33,585,798
- Long-term loans from banks	23	849,657,878	1,663,046,758	849,657,878	1,360,522,258
Provision for long-term employee benefits	24	36,261,585	33,691,460	31,628,766	29,536,718
<b>Total non-current liabilities</b>		<b>917,619,552</b>	<b>1,730,520,434</b>	<b>912,986,733</b>	<b>1,423,644,774</b>
<b>Total liabilities</b>		<b>6,471,144,013</b>	<b>7,011,864,291</b>	<b>6,077,129,018</b>	<b>5,954,082,771</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	25	60,000,000	60,000,000	60,000,000	60,000,000
Unappropriated		553,599,012	259,223,792	427,901,085	251,331,436
Other components of shareholders' equity		384,507	(3,666,442)	4,069,387	18,438
<b>Total shareholders' equity</b>		<b>3,444,158,519</b>	<b>3,145,732,350</b>	<b>3,322,145,472</b>	<b>3,141,524,874</b>
<b>Total liabilities and shareholders' equity</b>		<b>9,915,302,532</b>	<b>10,157,596,641</b>	<b>9,399,274,490</b>	<b>9,095,607,645</b>

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

Directors

**Khonburi Sugar Public Company Limited and its subsidiaries**

**Statement of comprehensive income**

**For the year ended 31 December 2018**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Profit or loss:</b>					
<b>Revenues</b>					
Revenues from sales	30	8,171,351,533	7,803,841,971	6,292,363,677	6,228,931,106
Service income	30	71,032,073	16,372,120	71,298,071	16,686,521
Other income					
Interest income		58,250,979	72,316,660	78,289,053	93,979,100
Gain on exchange		28,925,212	-	28,679,840	-
Gain on derivatives		29,976,405	11,774,385	29,713,231	12,037,559
Dividend income		349,940	262,455	60,349,930	20,262,440
Compensation from subsidiary's accident		-	165,606,648	-	-
Compensation for production and distribution of sugar	12	164,354,465	-	164,354,465	-
Others		43,777,936	101,703,599	118,215,667	139,574,996
<b>Total revenues</b>		<b>8,568,018,543</b>	<b>8,171,877,838</b>	<b>6,843,263,934</b>	<b>6,511,471,722</b>
<b>Expenses</b>					
Cost of sales		7,129,235,220	7,672,809,712	5,646,074,330	6,282,398,995
Cost of services		117,590,509	34,913,095	97,376,836	35,227,496
Selling and distribution expenses		459,826,777	286,603,534	405,072,548	259,287,189
Administrative expenses		393,042,956	299,451,870	341,428,646	261,905,775
Loss on exchange		-	24,012,926	-	22,391,934
<b>Total expenses</b>		<b>8,099,695,462</b>	<b>8,317,791,137</b>	<b>6,489,952,360</b>	<b>6,861,211,389</b>
<b>Profit (loss) before finance cost and income tax</b>		<b>468,323,081</b>	<b>(145,913,299)</b>	<b>353,311,574</b>	<b>(349,739,667)</b>
Finance cost		(178,766,499)	(193,802,431)	(158,493,452)	(166,815,825)
<b>Profit (loss) before income tax</b>		<b>289,556,582</b>	<b>(339,715,730)</b>	<b>194,818,122</b>	<b>(516,555,492)</b>
Income tax revenue (expense)	27.2	4,407,996	(36,925,937)	(18,617,289)	(12,344,341)
<b>Profit (loss) for the year</b>		<b>293,964,578</b>	<b>(376,641,667)</b>	<b>176,200,833</b>	<b>(528,899,833)</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Unrealised gain from change in value of derivative financial instruments - net of income tax		4,050,949	1,747,295	4,050,949	1,747,295
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain - net of income tax		410,642	2,675,081	368,816	2,521,938
<b>Other comprehensive income for the year</b>		<b>4,461,591</b>	<b>4,422,376</b>	<b>4,419,765</b>	<b>4,269,233</b>
<b>Total comprehensive income for the year</b>		<b>298,426,169</b>	<b>(372,219,291)</b>	<b>180,620,598</b>	<b>(524,630,600)</b>
<b>Earnings (loss) per share</b>					
Basic earnings (loss) per share	29				
Net profit (loss) for the year		0.49	(0.63)	0.29	(0.88)

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

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements									
	Retained earnings					Other components of equity				
	Issued and fully paid up share capital	Share premium	Appropriated - statutory reserve		Unappropriated	Other comprehensive income				Total shareholders' equity
			Share premium	Retained earnings		Unrealised gains (losses) on derivative financial instruments	Discount on business combination under common control	Total other components of shareholders' equity		
<b>Balance as at 1 January 2017</b>	600,000,000	2,230,175,000	60,000,000	663,190,358	663,190,358	(1,728,857)	(3,684,880)	(5,413,737)	3,547,951,621	
Loss for the year	-	-	-	(376,641,667)	-	-	-	-	(376,641,667)	
Other comprehensive income for the year	-	-	-	2,675,081	1,747,295	1,747,295	-	1,747,295	4,422,376	
Total comprehensive income for the year	-	-	-	(373,966,586)	1,747,295	1,747,295	-	1,747,295	(372,219,291)	
Dividend paid (Note 32)	-	-	-	(29,999,980)	-	-	-	-	(29,999,980)	
<b>Balance as at 31 December 2017</b>	600,000,000	2,230,175,000	60,000,000	259,223,792	259,223,792	18,438	(3,684,880)	(3,666,442)	3,145,732,350	
<b>Balance as at 1 January 2018</b>	600,000,000	2,230,175,000	60,000,000	259,223,792	259,223,792	18,438	(3,684,880)	(3,666,442)	3,145,732,350	
Profit for the year	-	-	-	293,964,578	293,964,578	-	-	-	293,964,578	
Other comprehensive income for the year	-	-	-	410,642	410,642	4,050,949	-	4,050,949	4,461,591	
Total comprehensive income for the year	-	-	-	294,375,220	294,375,220	4,050,949	-	4,050,949	298,426,169	
<b>Balance as at 31 December 2018</b>	600,000,000	2,230,175,000	60,000,000	553,599,012	553,599,012	4,069,387	(3,684,880)	384,507	3,444,158,519	

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 2018**

	Separate financial statements										(Unit: Baht)
	Issued and fully paid up share capital	Share premium	Retained earnings		Other comprehensive income					Total shareholders' equity	
			Appropriated - statutory reserve	Unappropriated	Unrealised gains (losses) on derivative financial instruments		Total other components of shareholders' equity	Total			
					60,000,000	807,709,311			(1,728,857)		
<b>Balance as at 1 January 2017</b>	600,000,000	2,230,175,000	60,000,000	807,709,311	(528,899,833)	(1,728,857)	(1,728,857)	18,438	18,438	3,696,155,454	
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	18,438	18,438	4,269,233	
Total comprehensive income for the year	-	-	-	(526,377,895)	(29,999,980)	1,747,295	1,747,295	18,438	18,438	(524,630,600)	
Dividend paid (Note 32)	-	-	-	(29,999,980)	-	-	-	-	-	(29,999,980)	
<b>Balance as at 31 December 2017</b>	600,000,000	2,230,175,000	60,000,000	251,331,436	251,331,436	18,438	18,438	18,438	18,438	3,141,524,874	
<b>Balance as at 1 January 2018</b>	600,000,000	2,230,175,000	60,000,000	251,331,436	251,331,436	18,438	18,438	18,438	18,438	3,141,524,874	
Profit for the year	-	-	-	176,200,833	176,200,833	-	-	-	-	176,200,833	
Other comprehensive income for the year	-	-	-	368,816	368,816	4,050,949	4,050,949	4,050,949	4,050,949	4,419,765	
Total comprehensive income for the year	-	-	-	176,569,649	176,569,649	4,050,949	4,050,949	4,050,949	4,050,949	180,620,598	
<b>Balance as at 31 December 2018</b>	600,000,000	2,230,175,000	60,000,000	427,901,085	427,901,085	4,069,387	4,069,387	4,069,387	4,069,387	3,322,145,472	

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



**Khonburi Sugar Public Company Limited and its subsidiaries**

**Cash flows statement**

**For the year ended 31 December 2018**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>				
Profit (loss) before tax	289,556,582	(339,715,730)	194,818,122	(516,555,492)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	608,687,298	604,657,062	524,483,386	521,267,706
Loss on disposal of equipment	715,792	1,830,164	715,792	685,339
Write-off of assets to expenses	3,787,686	1,600,000	-	-
Write-off of intangible assets to expense	28,115	-	-	-
Allowance for impairment of machineries	5,243,653	-	5,243,653	-
Allowance for impairment of investment in a subsidiary	-	-	11,020,944	-
Allowance for impairment of other non-current assets	6,676,448	-	-	-
Write-off of bad debts	125,048	98,241	125,048	98,241
Allowance for doubtful accounts	42,128,973	30,939,636	41,286,813	30,939,636
Reduction of inventory to net realisable value	1,295,357	365,269	496,428	365,269
Compensation from the Office of the Cane and Sugar Fund	(557,717,867)	-	(557,717,867)	-
Write-off of withholding tax deducted at source	-	1,520,935	-	37,300
Long-term employee benefits expenses	4,364,527	5,001,625	3,834,167	4,390,914
Unrealised loss (gain) on change in value of derivatives	416,017	(3,501,246)	679,191	(3,764,421)
Unrealised loss on exchange	693,881	188,931	710,178	188,931
Dividend income	(349,940)	(262,455)	(60,349,930)	(20,262,440)
Interest income	(58,250,979)	(72,316,660)	(78,289,053)	(93,979,100)
Interest expenses	173,206,967	191,358,070	154,847,406	166,126,293
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>520,607,558</b>	<b>421,763,842</b>	<b>241,904,278</b>	<b>89,538,176</b>
<b>Operating assets (increase) decrease</b>				
Trade and other receivables	215,231,602	280,560,292	(99,690,927)	682,746,580
Sugar cane plantation receivables	448,153,608	(207,044,313)	448,153,608	(207,044,313)
Inventories	(511,040,689)	51,119,924	(490,208,571)	18,715,292
Other current assets	35,653,885	(11,130,698)	21,110,670	(53,554,051)
Other non-current assets	1,169,286	10,446,429	1,101,536	10,475,088
<b>Operating liabilities increase (decrease)</b>				
Trade and other payables	(107,866,706)	31,416,709	(65,238,423)	(137,343,473)
Amounts due to the Office of the Cane and Sugar Fund	(1,752,294)	(9,506,373)	(1,752,294)	(9,506,373)
Other current liabilities	(8,647,662)	9,215,562	(14,171,406)	11,862,187
Advance received from the assistance project of the Office of Cane and Sugar Fund	55,732,876	-	55,732,876	-
Cash paid for long-term employee benefits	(1,281,100)	(1,685,396)	(1,281,100)	(1,116,800)
<b>Cash flows from operating activities</b>	<b>645,960,364</b>	<b>575,155,978</b>	<b>95,660,247</b>	<b>404,772,313</b>
Cash receipt from tax refunded	(1,387,401)	22,305,218	(1,387,401)	21,550,944
Cash paid for income tax	(8,700,507)	(10,146,764)	(2,248,060)	(4,525,809)
<b>Net cash flows from operating activities</b>	<b>635,872,456</b>	<b>587,314,432</b>	<b>92,024,786</b>	<b>421,797,448</b>

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

**Khonburi Sugar Public Company Limited and its subsidiaries**

**Cash flows statement (continued)**

**For the year ended 31 December 2018**

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
(Unit: Baht)				
<b>Cash flows from investing activities</b>				
Increase in short-term loans to related parties	-	-	(60,000,000)	(33,800,000)
Increase in investment in subsidiary	-	-	-	(33,750,000)
Increase in other long-term investment	-	(1,000,000)	-	(1,000,000)
Cash paid for acquisitions of property, plant and equipment	(220,728,720)	(211,455,982)	(163,874,945)	(188,907,164)
Proceeds from disposal of equipment	8,472,484	3,150,280	8,472,484	3,150,280
Cash paid for acquisitions of intangible assets	(326,050)	(138,893)	(300,050)	(126,893)
Cash paid for advance payment for assets	(1,000,000)	(2,846,624)	(1,000,000)	(755,250)
Cash receipt from interest income	79,581,463	56,854,120	113,469,369	84,015,409
Cash receipt from dividend income	349,940	262,455	20,349,925	8,262,455
<b>Net cash flows used in investing activities</b>	<b>(133,650,883)</b>	<b>(155,174,644)</b>	<b>(82,883,217)</b>	<b>(162,911,163)</b>
<b>Cash flows from financing activities</b>				
Increase in short-term loans from banks	128,080,436	708,900,000	271,100,000	534,100,000
Increase (decrease) in short-term loans from related parties	302,604,380	(311,520,300)	476,604,380	(311,520,300)
Increase in short-term loans from the Office of the Cane and Sugar Fund	150,773,321	-	150,773,321	-
Cash paid for liabilities under financial lease agreements	(30,697,304)	(27,210,453)	(29,981,753)	(26,624,831)
Cash receipt from long-term loans from banks	177,530,690	611,998,880	177,530,690	563,474,380
Repayment of long-term loans from banks	(1,226,610,000)	(1,087,000,000)	(930,610,000)	(847,000,000)
Cash paid for interest expenses	(172,735,145)	(191,175,404)	(153,679,892)	(166,004,469)
Dividend paid	-	(29,999,980)	-	(29,999,980)
<b>Net cash flows used in financing activities</b>	<b>(671,053,622)</b>	<b>(326,007,257)</b>	<b>(38,263,254)</b>	<b>(283,575,200)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(168,832,049)</b>	<b>106,132,531</b>	<b>(29,121,685)</b>	<b>(24,688,915)</b>
Cash and cash equivalents at beginning of year	232,570,832	126,438,301	75,504,932	100,193,847
<b>Cash and cash equivalents at end of year (Note 8)</b>	<b>63,738,783</b>	<b>232,570,832</b>	<b>46,383,247</b>	<b>75,504,932</b>

**Supplemental cash flows information**

Non-cash transactions

Purchased of assets that have yet been paid	116,898,007	140,350,296	25,732,616	38,839,454
Transfer of advance payment for assets to				
- Assets under construction in progress	-	1,046,395	-	1,046,395
- Land	-	2,091,374	-	-
Purchase of equipment through financial lease agreements	33,842,402	6,147,510	33,842,402	6,147,510
Accrued dividend income	-	-	59,999,990	19,999,985
Transfer construction in progress to expenses	3,670,162	-	-	-
Transfer construction in progress to other receivable	-	8,806,397	-	8,806,397
Transfer of asset under installation to intangible assets	7,528,213	400,000	-	400,000
Transfer of intangible assets to expenses	28,115	-	-	-
Getting equipment from debt collection				
- Other receivables	-	43,914,996	-	43,914,996
- Sugar cane plantation receivable	1,655,000	1,375,000	1,655,000	1,375,000
Compensation from the office of cane and sugar Fund that has not been received	574,985,705	-	574,985,705	-

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

## Khonburi Sugar Public Company Limited and its subsidiaries

### Notes to financial statements

For the year ended 31 December 2018

#### 1. General information

Khonburi Sugar Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in manufacture and distribution of sugar, which is sold both domestically and overseas. The registered office of the Company is at 5 Soi Sukhumvit 57, Sukhumvit Road, Klongtan Nua, Wattana, Bangkok. Its factory is located at 289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima.

#### 2. Basis of preparation

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

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

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

#### 2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2018 (Percent)	2017 (Percent)
<u>Held by the Company</u>				
Khonburi Power Plant Co., Ltd.	Manufacture and distribution of electricity	Thailand	100	100
KBS Trading Co., Ltd.	Trading of sugar, molasses and by products	Thailand	100	100

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2018 (Percent)	2017 (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 cases.
- 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 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.



**(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries is currently evaluating the impact of this standard to the financial statements in the year when it is adopted.



**(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

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

##### **4.1 Revenue recognition**

###### *Sales of goods*

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



Sales of electricity and steam, pursuant to Electricity and Steam Sale/Purchase agreement, are recognised when the delivery is made and accepted by customers, and calculated based on actual utilisation. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

#### *Rendering of services*

Service revenue is recognised when services have been rendered taking into account the stage of completion.

#### *Interest income*

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

#### *Dividends income*

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

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

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

### **4.3 Trade 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).

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

Land improvement	10 years
Building and premises	20 - 30 years
Machinery	4 - 50 years
Equipment	3 - 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years
Facilities system and water treatment system	20 - 30 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation and construction.

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

#### 4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



#### 4.8 Intangible assets

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

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

A summary of the intangible assets with finite useful life is as follows:

	<u>Useful lives</u>
Computer software	5 years
Right to use the transmission facilities	25 years

#### 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.

#### **4.12 Impairment of assets**

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

An impairment loss is recognised in profit or loss.

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





#### **4.13 Employee benefits**

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

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

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

###### ***Defined contribution plans***

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

###### ***Defined benefit plans***

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under 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 sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

### **4.16 Derivative financial instruments and hedging**

#### **a) Derivative financial instruments**

The Company uses derivative financial instruments such as forward exchange contracts, interest rate swaps and commodity swaps to manage its risks associated with foreign currency, interest and goods price fluctuations.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments recognised as financial assets when occur gain on remeasurement to fair value and recognised as financial liabilities when occur loss on remeasurement to fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward exchange contracts, interest rate swap and commodity swap are their quoted market price at the end of reporting period.



## b) Hedge accounting

### ***Cash flow hedges***

The Company applies hedge accounting when the risk that has been hedged can be clearly identified and the effectiveness of the hedge can be measured.

The effective portion of the gain or loss on the hedging instruments classified as cash flow hedges to hedge the exposure against variability in cash flows that is either attributable to a particular risk associated with a recognised financial asset or liability or highly probable forecast transactions are recognised directly in other comprehensive income (net of deferred tax) while the ineffective portion is recognised immediately in profit or loss. Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, or when a forecast transaction occurs. The fair value of such derivative is recognised immediately to profit or loss if the hedging instrument is not effective.

## **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.

### **Allowance for sugar cane plantation receivables**

In determining an allowance for sugar cane plantation receivables, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts.

### **Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

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

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

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



## **Intangible assets**

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

## **Deferred tax assets**

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

## **Post-employment benefits under defined benefit plans**

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

## **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.

<u>Name</u>	<u>Relationship</u>
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



Name	Relationship
Kaset Phol Sugar Co., Ltd.	Common major shareholders
The 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		
	2018	2017	2018	2017	
<b>Transactions with subsidiaries:</b>					
<b>(Eliminated from consolidated financial statements)</b>					
Sales income	-	-	100,526	162,613	Cost plus margin
Service income	-	-	266	314	Cost plus margin
Interest income	-	-	20,137	21,879	2.37% - 7.50% per annum (2017: 2.37% - 7.50% per annum)
Dividend income	-	-	60,000	20,000	As declared
Sales of bagasse	-	-	566,076	268,451	Contract price
Rental income	-	-	46,574	38,816	Contract price
Management income	-	-	6,736	10,425	Contract price
Sales of fixed assets	-	-	-	1,776	Cost plus margin
Income from loan's guarantee	-	-	26,345	-	0.75% - 2.50% per annum
Electricity charges	-	-	293,085	206,303	Contract price (based on EGAT price)
Steam charges	-	-	358,951	179,322	Cost plus margin
Purchase of supplies	-	-	3,749	629	Cost plus margin
Purchase of molasses	-	-	24,804	14,561	Cost plus margin
Purchase of fixed assets	-	-	916	-	Cost plus margin
Maintenance compensation	-	-	12,362	101,745	Cost plus margin
Bagasse compensation	-	-	-	85,920	Based on the difference between market purchase price and agreement price
Procurement charges for sugar cane	-	-	26,290	-	Contract price
Interest expense	-	-	2,264	935	1.10% - 2.45% per annum (2017: 1.10% per annum)
<b>Transactions with related parties:</b>					
Sales income	129,828	518,893	129,828	518,893	Contract price
Dividend income	350	262	350	262	As declared
Other income	100	1,965	100	1,965	Cost plus margin
Purchase of raw sugar	-	267,795	-	267,795	Contract price



(Unit: Thousand Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	2018	2017	2018	2017	
Purchase of molasses	-	52,177	-	-	Contract price
Rental expenses	12,495	12,495	12,495	12,495	Contract price and comparable price charged to other customers
Service and utilities charges	2,367	2,333	2,367	2,333	Contract price
Export service expenses	14,372	10,454	14,375	10,454	Contract price
Interest expenses	20,036	25,912	20,036	25,912	2.15% per annum

As at 31 December 2018 and 2017, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Trade receivables - related parties (Note 9)</b>				
Subsidiary companies	-	-	5,579	5,039
Related companies	4,994	9,769	4,994	9,769
Total trade receivables - related parties	4,994	9,769	10,573	14,808
<b>Interest receivable - related parties (Note 9)</b>				
Subsidiary companies	-	-	999	14,849
<b>Other receivables - related parties (Note 9)</b>				
Subsidiary companies	-	-	287,117	76,285
Related companies	8,717	-	8,717	-
Total other receivables - related parties	8,717	-	295,834	76,285
<b>Dividend receivable - related parties (Note 9)</b>				
Subsidiary companies	-	-	60,000	20,000
<b>Other non-current assets (Rental deposit)</b>				
Related company	2,791	2,791	2,791	2,791
<b>Trade payables - related parties (Note 20)</b>				
Subsidiary companies	-	-	121,218	92,513
Related companies	-	6,262	-	-
Total trade payable - related parties	-	6,262	121,218	92,513
<b>Accrued expense - related party (Note 20)</b>				
Related company	53	57	53	57
<b>Accrued interest - related parties (Note 20)</b>				
Subsidiary companies	-	-	599	-
Related company	95	-	95	-
Total accrued interest expenses	95	-	694	-
<b>Other payables - related parties (Note 20)</b>				
Related companies	-	28,119	-	28,119

## Loans to and loans from related parties

As at 31 December 2018 and 2017, the balances of loans between the Company and those related companies and the movement are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	Balance as at 31 December 2017	Increase during the year	Decrease during the year	Balance as at 31 December 2018
<b>Short-term loans from related party</b>				
Related companies*	-	2,255,694	(1,953,090)	302,604

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2017	Increase during the year	Decrease during the year	Balance as at 31 December 2018
<b>Short-term loans to related parties</b>				
Subsidiary companies	516,000	120,000	(60,000)	576,000
<b>Short-term loans from related parties</b>				
Subsidiary companies	85,000	177,000	(3,000)	259,000
Related companies*	-	2,255,694	(1,953,090)	302,604
Total	85,000	2,432,694	(1,956,090)	561,604

Short-term loans to subsidiaries carried interest at rates of 2.37% - 7.25% per annum (2017: 2.37% - 7.5% per annum), due for repayment on demand and no security to guarantees.

Short-term loans from subsidiaries carried interest at rates of 1.10% - 2.45% per annum (2017: 1.10% per annum), due for repayment on demand and no security to guarantees.

\* The Company has appointed two related companies as exporter representatives to enter into short-term loan agreements with a bank, carried interest at rate of 2.15% per annum (2017: 2.15% per annum). These loans will be due within three months and secured by inventories as described in note 11. Under the power of attorney, the Company agrees to accept liability for any losses.



### Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company and its subsidiaries had employee benefit expenses to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Short-term employee benefits	67,264	46,336	64,937	44,072
Post-employment benefits	694	858	694	729
Total	67,958	47,194	65,631	44,801

### Guarantee obligations with related parties

The Company had outstanding guarantee obligations with its related parties, as described in Note 33.8.

## 8. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Cash	1,111	1,210	1,016	1,005
Bank deposits	62,628	231,361	45,367	74,500
Total	63,739	232,571	46,383	75,505

As at 31 December 2018, bank deposits in savings accounts carried interests between 0.12 and 0.50 percent per annum (2017: 0.05 and 0.75 percent per annum).

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Trade receivables - related parties</u>				
Aged on the basis of due date				
Not yet due	4,994	9,769	10,573	14,808
Total trade receivables - related parties	4,994	9,769	10,573	14,808

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due date				
Not yet due	248,502	318,946	66,724	194,153
Past due				
Up to 3 months	33,355	16,927	22,438	11,070
3 - 6 months	15,959	-	15,959	-
Over 6 months	1,594	-	-	-
Total trade receivables - unrelated parties	299,410	335,873	105,121	205,223
Total trade receivables	304,404	345,642	115,694	220,031
<u>Other receivables</u>				
Advances	1,410	4,195	1,407	4,193
Accrued income	382	5,379	382	5,379
Interest receivable - related parties	-	-	999	14,849
Other receivables - related parties	8,717	-	295,834	76,285
Other receivables - unrelated parties	17,003	32,363	13,358	21,806
Dividend receivable - related parties	-	-	60,000	20,000
Advances payment for molasses	133,231	293,510	-	-
Total other receivables	160,743	335,447	371,980	142,512
Less: Allowance for doubtful accounts	(1,961)	(2,009)	(1,119)	(2,009)
Total other receivables - net	158,782	333,438	370,861	140,503
Total trade and other receivables - net	463,186	679,080	486,555	360,534





## 10. Sugar cane plantation receivables

The balances of sugar cane plantation receivables as at 31 December 2018 and 2017, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	2018	2017
<b>Sugar cane plantation receivables aged on the basis of due dates</b>		
2018/2019 harvesting year	494,615	-
2017/2018 harvesting year	77,119	784,217
2016/2017 harvesting year	40,280	69,154
2015/2016 harvesting year	32,084	41,486
2014/2015 harvesting year	17,183	21,231
Before 2014/2015 harvesting year	48,460	52,432
Total current portion of sugar cane plantation receivables	709,741	968,520
Less: Allowance for doubtful accounts	(143,348)	(101,171)
Current portion of sugar cane plantation receivables - net	566,393	867,349
Sugar cane plantation receivable - long-term portion	108,503	320,988
Sugar cane plantation receivable - net	674,896	1,188,337

Sugar cane plantation receivable consists of

1. Receivables for direct sugar cane planting and others related to the planting such as labor, fertilizers. This receivable is due in one year.
2. Receivables for the sugar cane plantation supplies, water system, agricultural machinery and equipment. This receivable is due in during the period of 2 - 5 years.

The Company charges interests at rates of 0% to MRR 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	
	2018	2017	2018	2017	2018	2017
	Finished goods	1,272,491	860,883	-	-	1,272,491
Inventories in process	22,859	16,511	-	-	22,859	16,511
Raw materials	32,909	12,703	-	-	32,909	12,703
Chemicals, spare parts, factory supplies and other supplies	114,463	134,108	(2,062)	(767)	112,401	133,341
By products (Molasses)	95,196	19,940	-	-	95,196	19,940
<b>Total</b>	<b>1,537,918</b>	<b>1,044,145</b>	<b>(2,062)</b>	<b>(767)</b>	<b>1,535,856</b>	<b>1,043,378</b>

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
	Finished goods	1,272,131	860,462	-	-	1,272,131
Inventories in process	22,859	16,511	-	-	22,859	16,511
Chemicals, spare parts, factory supplies and other supplies	89,112	109,445	(1,263)	(767)	87,849	108,678
By products (Molasses)	95,196	19,940	-	-	95,196	19,940
<b>Total</b>	<b>1,479,298</b>	<b>1,006,358</b>	<b>(1,263)</b>	<b>(767)</b>	<b>1,478,035</b>	<b>1,005,591</b>

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 1.3 million (2017: Baht 0.4 million) (the Company only: Baht 0.5 million 2017: Baht 0.4 million), to reflect the net realisable value. This was included in cost of sales.

As at 31 December 2018, the Company pledged inventories of approximately Baht 303 million (2017: Nil) to secure short-term loans from bank through its related representative as stipulated in Note 7 to financial statements.



## 12. Amounts due from the Office of the Cane and Sugar Fund

(Unit: Thousand Baht)

	Consolidated financial statements / Separate financial statement	
	2018	2017
<b>Amounts due from the Office of the Cane and Sugar Fund</b>		
Receivable from sugar cane price	410,631	-
Receivable from compensation for production and distribution of sugar	164,354	-
<b>Total amounts due from the Office of the Cane and Sugar Fund</b>	574,985	-
Less: Current portion of amounts due from the Office of the Cane and Sugar Fund	(410,631)	-
<b>Amounts due from the Office of the Cane and Sugar Fund - net of current portion</b>	164,354	-

Amounts due from the Office of the Cane and Sugar Fund were amounts that the Company will reimburse from the Cane and Sugar Fund, since in the 2017/2018 harvesting year the final sugar cane price and the final compensation for the production and distribution of sugar will be less than the initial sugar cane price and the initial compensation for the production and distribution of sugar. In accordance with Section 56 of the Cane and Sugar Act B.E. 2527, the Cane and Sugar Fund is to pay compensation to the Company at an amount equal to the difference, and the sugar cane planters do not have to return the excess amount of the sugar cane price received.

During the year 2018, the Company recorded its estimate of compensation for sugar cane price as a deduction against manufacturing costs and recorded its estimate of compensation for the production and distribution of sugar as other revenue in statement of comprehensive income.

The Company expects the Cane and Sugar Fund to finalize the calculation and pay compensation for the sugar cane price in the next fiscal year. The Company therefore classified compensation expected to be received in the next fiscal year of Baht 411 million as “Current portion of amounts due from the Office of the Cane and Sugar Fund”. In addition, the Company expects the Cane and Sugar Fund to finalize the calculation and pay compensation for the production and distribution of sugar within 3 years. The Company therefore recorded its estimate of the compensation to be received in the future using a discount rate equal to the average interest rate on loans of the Company, and classified the compensation as “Amount due from the Office of the Cane and Sugar Fund” under non-current assets.

The estimates of the final sugar cane price and compensation for the production and distribution of sugar are management’s best estimates, but the final calculation is to be made by the Cane and Sugar Board. As a result, the final sugar cane price and compensation for the production and distribution of sugar that will be announced at the beginning of 2019 may differ from these estimates.

### 13. Other current assets

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Input tax refundable	211,137	222,524	210,324	210,140
Withholding tax deducted at source	8,846	6,468	6,774	5,913
Prepaid expenses	17,189	39,220	11,920	33,448
Others	16,608	16,069	13,646	10,638
Total other current assets	<u>253,780</u>	<u>284,281</u>	<u>242,664</u>	<u>260,139</u>

### 14. Investments in subsidiaries

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

Company's name	Paid-up capital		Shareholding percentage		Cost		Impairment for investment		Investments - net		Dividend received during the year	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
			(%)	(%)								
<b>Subsidiaries held by the Company</b>												
Khonburi Power Plant Co., Ltd.	500,000	500,000	100	100	500,000	500,000	-	-	500,000	500,000	50,000	-
KBS Trading Co.,Ltd.	40,000	40,000	100	100	40,000	40,000	-	-	40,000	40,000	10,000	20,000
Khonburi Bio Energy Co., Ltd.	115,250	115,250	100	100	115,250	115,250	(11,021)	-	104,229	115,250	-	-
KBS Investment Co., Ltd.	43,750	43,750	100	100	43,750	43,750	-	-	43,750	43,750	-	-
<b>Subsidiaries by KBS Investment Co., Ltd. (100% Shareholding)</b>												
KBS Cane and Sugar Co., Ltd.	5,000	5,000	100	100	-	-	-	-	-	-	-	-
KBS Power Co., Ltd.	38,750	38,750	100	100	-	-	-	-	-	-	-	-
Total investments in subsidiaries					<u>699,000</u>	<u>699,000</u>	<u>(11,021)</u>	<u>-</u>	<u>687,979</u>	<u>699,000</u>	<u>60,000</u>	<u>20,000</u>



## 15. Other long-term investments

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements		Dividend received during the year	
	2018	2017	2018	2017
<i>Common stock</i>				
The Thai Sugar Trading Corporation Limited	1,750	1,750	350	262
Thai Cane and Sugar Corporation Limited	243	243	-	-
Thai Sugar Millers Corporation Limited	2	2	-	-
World Sugar Export Co., Ltd.	1,000	1,000	-	-
Total other long-term investments	<u>2,995</u>	<u>2,995</u>	<u>350</u>	<u>262</u>



## 16. 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 installation and construction
<b>Cost</b>									
As at 1 January 2017	222,887	1,532,163	6,388,152	246,151	130,240	208,341	523,982	600,456	9,852,372
Acquisitions during the year	12,399	2,652	73,749	5,879	8,174	16,273	3,285	111,218	233,629
Disposals/write-off during the year	(240)	-	(16,848)	(2,847)	(446)	(271)	-	-	(20,652)
Transfers in by settling debts	-	-	-	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
Acquisitions during the year	290	837	104,315	4,034	4,363	34,213	2,527	80,540	231,119
Disposals/write-off during the year	(5,375)	-	(5,427)	(1,550)	(305)	(4,782)	-	(3,786)	(21,225)
Transfers in by settling debts	-	-	-	150	-	1,505	-	-	1,655
Transfers in (out)	-	8,708	137,687	1,099	1,217	-	4,006	(160,240)	(7,523)
As at 31 December 2018	230,109	1,642,605	7,085,545	253,666	144,145	301,445	594,150	53,793	10,305,458
<b>Accumulated depreciation</b>									
As at 1 January 2017	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/write-off	-	-	(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
Depreciation for the year	258	63,764	433,322	18,852	10,739	34,236	39,648	-	600,819
Depreciation on disposals/write-off	-	-	(2,730)	(1,396)	(287)	(3,835)	-	-	(8,248)
As at 31 December 2018	17,144	703,798	2,643,618	221,592	126,835	144,153	323,758	-	4,180,898
<b>Allowance for impairment:</b>									
As at 31 December 2017	-	-	-	-	-	-	-	-	-
Allowance for impairment for the year	-	-	(5,243)	-	-	-	-	-	(5,243)
As at 31 December 2018	-	-	(5,243)	-	-	-	-	-	(5,243)
<b>Net book value</b>									
As at 31 December 2017	218,308	993,026	4,635,944	45,797	22,487	156,757	303,507	137,279	6,513,105
As at 31 December 2018	212,965	938,807	4,436,683	32,074	17,310	157,292	270,392	53,793	6,119,317
<b>Depreciation for the year</b>									
2017 (Baht 574 million included in manufacturing cost, and the remaining balance in administrative expenses)									595,781
2018 (Baht 579 million included in manufacturing cost, and the remaining balance in administrative expenses)									600,819



As at 31 December 2018, the Company and its subsidiaries had vehicles with the net book value of Baht 116 million (2017: Baht 102 million) (The Company only: Baht 115 million, 2017: Baht 101 million) which are acquired under finance lease agreements.

As at 31 December 2018, 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 1,151 million (2017: Baht 1,004 million) (The Company only: Baht 1,145 million, 2017: Baht 1,003 million).

The Company and its subsidiary have pledged most assets as collateral against credit facilities and loans received from banks (all types of liabilities) as mentioned in Note 18 and Note 23.

## 17. Intangible assets

The net book value of intangible assets as at 31 December 2018 and 2017 is presented below.

	Consolidated financial statements			(Unit: Thousand Baht) Separate financial statements	
	Right to use the			Computer software	Total
	Computer software	transmission facilities	Total		
As at 31 December 2018					
Cost	35,854	153,897	189,751	32,818	32,818
Less: Accumulated amortisation	(34,094)	(24,023)	(58,117)	(31,262)	(31,262)
Net book value	1,760	129,874	131,634	1,556	1,556

	Consolidated financial statements			(Unit: Thousand Baht) Separate financial statements	
	Right to use the			Computer software	Total
	Computer software	transmission facilities	Total		
As at 31 December 2017					
Cost	35,551	146,389	181,940	32,518	32,518
Less: 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



A reconciliation of the net book value of intangible assets during the year ended 31 December 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Net book value as at 1 January	131,680	140,017	2,589	4,614
Acquisition of computer software - cost	326	139	300	127
Transfer in	7,523	400	-	400
Write-off to expenses	(28)	-	-	-
Amortisation for the year	(7,867)	(8,876)	(1,333)	(2,552)
Net book value as at 31 December	131,634	131,680	1,556	2,589

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

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
			financial statements		financial statements	
	2018	2017	2018	2017	2018	2017
	(% per annum) (% per annum)					
Promissory notes	2.2 - 5.6	2.1 - 5.6	2,676,280	2,548,200	2,604,500	2,333,400

These loans are secured by mortgage of land and construction thereon and machineries and equipment of the Company and a subsidiary. These promissory notes will be due within three months.

#### 19. Short-term loans from Office of the Cane and Sugar Fund

As at 31 December 2018, the balance of short term loans from the Office of the Cane and Sugar Fund amounted to Baht 151 million (2017: Nil). The interest rate on the loan is 0.1% per annum. The Company has pledged by cheques dated on 1 December 2018 for full amount of loans. The loans will be offset with the amount to be received from the Office of Cane and Sugar Fund based on the calculation of the final price of sugar cane and the return for sugar production and distribution for the 2017/2018 harvesting season upon the announcement of the final of sugar cane price and the return for sugar production and distribution.

## 20. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Sugar cane payables	334,323	391,024	334,323	391,024
Trade payables - related parties	-	6,262	121,218	92,513
Trade payables - unrelated parties	197,433	255,401	145,873	146,005
Advance receivables for goods	401,408	418,228	199,794	244,324
Accounts payable for purchasing fixed assets	116,898	140,350	25,733	38,839
Accrued expenses - related party	53	57	53	57
Accrued expenses - unrelated parties	33,708	35,133	25,448	30,962
Accrued interest expenses - related party	95	-	694	-
Accrued interest expenses - unrelated parties	1,642	1,253	1,528	1,054
Other payables - related parties	-	28,119	-	28,119
Other payables - unrelated parties	140,858	81,454	114,005	72,949
<b>Total trade and other payables</b>	<b>1,226,418</b>	<b>1,357,281</b>	<b>968,669</b>	<b>1,045,846</b>

### Sugar cane payables

The Company recorded and purchased sugar cane for the 2018/2019 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 13/2018 Dated 4 December 2018. This determined the initial price of sugar cane in the 2018/2019 harvesting year at Baht 700 per ton of sugar cane at a sweetness of 10 C.C.S with the price to be increased or decreased at Baht 42.00 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 announced the final sugar cane prices for the 2018/2019 harvesting year.

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. 11/2018 dated 12 December 2017, the initial price of sugar cane is at Baht 880 per ton of sugar cane at the 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 the financial statements for the year 2018, the Office of the Cane and Sugar Board has yet announce the final sugar cane prices for the 2017/2018 harvesting year.





However, the management estimated that the final sugar cane price will lower than the initial sugar cane prices, and thus the Company recorded sugar cane costs for the 2017/2018 harvesting year based on the estimated by reference calculated from the Office of Cane and Sugar Board. This was equal to Baht 790.37 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased at Baht 47.42 per ton for each 1 C.C.S variation. The Company recorded this amount as amounts due from the Office of the Cane and Sugar Fund as stipulated in Note 12 to financial statements.

## 21. Advance received from the assistance project of the Office of Cane and Sugar Fund

On 22 June 2018, the Company received the amount of Baht 55.73 million from the Office of Cane and Sugar Fund to support sugar cane planter and sugar plants. The project carries no interest and will be offset with the amount to be received from the Fund in calculating the final price of sugar cane and the final yield of production and distribution of sugar for the 2017/2018 harvesting season upon an announcement of the final price of sugar cane and the final yield of production and distribution of sugar.

## 22. Liabilities under finance lease agreements

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Liabilities under finance lease agreements				
- Less than 1 year	36,411	31,703	36,237	30,984
- Over 1 year within 4 years	34,274	34,928	34,274	34,729
Total future minimum lease payments	70,685	66,631	70,511	65,713
Less: Deferred interest expenses				
- Less than 1 year	(2,327)	(2,847)	(2,325)	(2,818)
- Over 1 year within 4 years	(2,574)	(1,146)	(2,574)	(1,143)
Total deferred interest expenses	(4,901)	(3,993)	(4,899)	(3,961)
Present value of future minimum lease payments	65,784	62,638	65,612	61,752
Less: Portion due within one year	(34,084)	(28,856)	(33,912)	(28,166)
Liabilities under finance lease agreements - net of current portion	31,700	33,782	31,700	33,586

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for the lease of vehicles for using 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.

### 23. Long-term loans from banks

Loan no.	Credit facilities (Million Baht)	Interest rate (%)	Repayment schedule	(Unit: Thousand Baht)			
				Consolidated		Separate	
				financial statements		financial statements	
				2018	2017	2018	2017
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	280,000	550,000	-	-
2	2,230	AMLR - 2.95 (2017: 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	1,064,535	1,436,535	1,064,535	1,436,535
3	150	4.8	15 semi-annual installments of Baht 10 million each, with the fixed amount every year, starting from December 2015	80,000	100,000	80,000	100,000
4	282	AMLR - 2.95 (2017: MLR - 3.35)	12 semi-annual installments of Baht 23.5 million each, with the fixed amount every year, starting from June 2017	144,123	191,123	144,123	191,123
5	600	4.5	Repayment of all principals within 30 April 2018	-	491,610	-	491,610
6	52	MLR - 2	4 Semi-annual installment of 13 million each, with the fixed amount every year, starting from 28 February 2018	22,525	48,525	-	-
7	860	4.5	Repayment of all principals within 30 April 2019	249,395	71,864	249,395	71,864
Total				1,840,578	2,889,657	1,538,053	2,291,132
Less: Current portion				(990,920)	(1,226,610)	(688,395)	(930,610)
Long-term loans from banks - net of current portion				849,658	1,663,047	849,658	1,360,522

Movements in the long-term loans from banks account during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2018	2,889,657	2,291,132
Add: Additions during the year	177,531	177,531
Less: Repayment during the year	(1,226,610)	(930,610)
Balance as at 31 December 2018	1,840,578	1,538,053

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 2018 and 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 2018 and 2017, the Company has already received the waiver for such non-compliance from bank.

As at 31 December 2018, the long-term credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 611 million (2017: Baht 791 million) (the Company only: 611 million, 2017: Baht 788 million).

The Company entered into interest rate swap agreements with a bank for two loan facilities, to swap floating interest rate for fixed interest rate as described in Note 35.1 to financial statements.

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

Movement in the provision for long-term employee benefits, which represents compensation payable to employees after they retire during the year ended 31 December 2018 and 2017, is as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
<b>Provision for long-term employee benefits at beginning of year</b>	33,691	33,719	29,537	29,415
Included in profit or loss:				
Current service cost	3,577	3,955	3,143	3,473
Interest cost	788	1,046	691	918
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	-	515	-	449
Financial assumptions changes	(513)	(2,136)	(461)	(1,911)
Experience adjustments	-	(1,723)	-	(1,690)
Benefits paid during the year	(1,281)	(1,685)	(1,281)	(1,117)
<b>Provision for long-term employee benefits at end of year</b>	<u>36,262</u>	<u>33,691</u>	<u>31,629</u>	<u>29,537</u>

Line items in profit or loss under which long-term employee benefit expenses during the year ended 31 December 2018 and 2017 are recognised are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Cost of sales	2,942	3,493	2,438	3,040
Selling and administrative expenses	1,423	1,508	1,396	1,351
Total expenses recognised in profit or loss	4,365	5,001	3,834	4,391

The Company and its subsidiaries expect to pay long-term employee benefits amounting to Baht 3 million within next one year (2017: Baht 1 million) (the Company only: Baht 2 million), 2017: Baht 1 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 15 years (2017: 16 years) (the Company only: 15 years, 2017: 16 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	1.76 - 4.32	1.43 - 3.93	1.76 - 4.32	1.43 - 3.93
Salary increase rate	4.0	4.0	4.0	4.0
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 2018 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	4	(3)	3	(3)



	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(3)	3	(2)	3

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)

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(2)	3	(2)	2

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 11 million (the Company only: Baht 10 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.



## 25. Statutory reserve

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

## 26. Expenses by nature

Significant expenses classified by nature during the year ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial Statements		Separate financial statements	
	2018	2017	2018	2017
Salaries and wages and other employee benefits	548,873	505,805	472,871	453,321
Depreciation and amortisation	615,226	604,657	530,223	521,267
Transportation expenses	269,291	191,451	221,505	164,485
Stabilisation costs, research fee and contribution to Cane and Sugar Fund	516,958	685,417	516,958	685,417
Maintenance expenses	348,137	328,347	293,591	280,535
Rental expenses from operating lease agreements	70,137	62,867	65,409	60,587
Raw materials and other supplies used	5,127,946	3,929,908	4,497,342	3,928,304
Changes in inventories of finished goods and work in process	(493,212)	65,256	(493,273)	63,876



## 27. Income tax

### 27.1 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		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	28,893	20,636	28,893	20,636
Allowance for diminution in value of inventories	253	153	253	153
Allowance for impairment in subsidiary	-	-	2,204	-
Derivative revaluation reflected in shareholders' equity	1,813	-	1,813	-
Provision for long-term employee benefits	7,412	6,738	6,326	5,907
Unused tax loss	124,030	118,344	91,926	114,055
<b>Total</b>	<b>162,401</b>	<b>145,871</b>	<b>131,415</b>	<b>140,751</b>
<b>Deferred tax liabilities</b>				
Derivative revaluation reflected in profit or loss	617	753	617	753
reflected in shareholders' equity	2,830	4	2,830	4
Financial lease	4,113	1,562	4,113	1,562
Accumulated depreciation - Plant and equipment	86,838	81,693	86,838	81,693
<b>Total</b>	<b>94,398</b>	<b>84,012</b>	<b>94,398</b>	<b>84,012</b>
<b>Deferred tax assets - net</b>	<b>68,003</b>	<b>61,859</b>	<b>37,017</b>	<b>56,739</b>

## 27.2 Income tax expenses (revenues)

Income tax expenses (revenue) for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Current income tax:</b>				
Current income tax charge	2,851	6,849	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(7,259)	30,077	18,617	12,344
<b>Income tax expense (revenue) reported in the statements of comprehensive income</b>	<b>(4,408)</b>	<b>36,926</b>	<b>18,617</b>	<b>12,344</b>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Accounting profit (loss) before tax	289,557	(339,716)	194,818	(516,555)
Applicable tax rate	20%	20%	20%	20%
Accounting profit (loss) before tax multiplied by income tax rate	57,911	(67,943)	38,964	(103,311)
Effects of:				
Income exempted from promotional privileges (Note 28)	(22,869)	(23,853)	-	-
Non-deductible expenses	4,416	2,075	2,464	1,378
Additional expense deductible allowed	(22,811)	(12,793)	(22,811)	(12,793)
Unused tax losses which may not be utilised	(23,259)	129,683	-	127,070
Others	2,204	9,757	-	-
<b>Income tax expense (revenue) reported in the statements of comprehensive income</b>	<b>(4,408)</b>	<b>36,926</b>	<b>18,617</b>	<b>12,344</b>



As at 31 December 2018, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 639 million (2017: Baht 648 million) (the Company only: Baht 625 million 2017: Baht 635 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 639 million (2017: Baht 648 million) (the Company only: Baht 625 million 2017: Baht 635 million) will expire by the year 2022.

### 27.3 Income tax relating to each component of other comprehensive income

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deferred tax relating to				
Gain on revaluation from derivative	(1,013)	(437)	(1,013)	(437)
Actuarial gain	(103)	(668)	(92)	(630)

### 28. Promotional privileges

On 19 April 2013, a subsidiary company received promotional privileges from the Board of Investment for its electricity and steam from biomass fuels pursuant to the promotion certificate No.1557(1)/2556. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues (on 18 December 2014) and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the tax-exemption period ends.

Operating revenues for the year ended 31 December 2018 and 2017, divided by promoted and non-promoted operating are summarised below.

(Unit: Million Baht)

	Consolidated financial statements					
	Promoted operations		Non-promoted operations		Total	
	2018	2017	2018	2017	2018	2017
Revenues from sales and service						
Domestic sales	758	593	3,647	3,563	4,405	4,156
Export sales	-	-	3,837	3,664	3,837	3,664
<b>Total</b>	<b>758</b>	<b>593</b>	<b>7,484</b>	<b>7,227</b>	<b>8,242</b>	<b>7,820</b>

## 29. Earnings (loss) per share

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

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

	Consolidated financial statements					
	Net profit (loss) for the year		Weighted average number of ordinary shares		Earnings (loss) per share	
	2018	2017	2018	2017	2018	2017
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings (loss) per share</b>						
Net profit (loss) attributable to equity holders of the Company	293,965	(376,642)	600,000	600,000	0.49	(0.63)





Separated financial statements

	Net profit (loss) for the year		Weighted average number of ordinary shares		Earnings (loss) per share	
	2018	2017	2018	2017	2018	2017
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings (loss) per share</b>						
Net profit (loss) attributable to equity holders of the Company	176,201	(528,900)	600,000	600,000	0.29	(0.88)

### 30. 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

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

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

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

The following tables present revenue and profit and total assets information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2018 and 2017, respectively.

(Unit: Million Baht)

For the year ended 31 December 2018							
	Sugar cane segment	Sugar and molasses trading	Utilities segment	Others	Total reportable segments	Eliminations	Consolidated
Revenue from sale and service from external customers	6,263	1,371	608	-	8,242	-	8,242
Inter-segment revenue	126	25	652	-	803	(803)	-
<b>Total</b>	<b>6,389</b>	<b>1,396</b>	<b>1,260</b>	<b>-</b>	<b>9,045</b>	<b>(803)</b>	<b>8,242</b>
Interest income	78	-	-	3	81	(23)	58
Financial cost	159	2	40	1	202	(23)	179
Depreciation and amortisation	524	-	86	-	610	(1)	609
Gain on disposal of equipment	(1)	-	-	-	(1)	-	(1)
Income tax expenses (revenues)	18	3	(28)	-	(7)	3	(4)
<b>Segment profit (loss)</b>	<b>176</b>	<b>11</b>	<b>172</b>	<b>(3)</b>	<b>356</b>	<b>(62)</b>	<b>294</b>
<b>Segment total assets</b>	<b>9,399</b>	<b>335</b>	<b>2,055</b>	<b>200</b>	<b>11,989</b>	<b>(2,074)</b>	<b>9,915</b>
Additions (deductions) to non-current assets other than financial instruments and deferred tax assets	(412)	-	(42)	(7)	(461)	12	(449)

(Unit: Million Baht)

For the year ended 31 December 2017							
	Sugar cane segment	Sugar and molasses trading	Utilities segment	Others	Total reportable segments	Eliminations	Consolidated
Revenue from sale and service from external customers	6,083	1,254	483	-	7,820	-	7,820
Inter-segment revenue	163	15	386	-	564	(564)	-
<b>Total</b>	<b>6,246</b>	<b>1,269</b>	<b>869</b>	<b>-</b>	<b>8,384</b>	<b>(564)</b>	<b>7,820</b>
Interest income	94	-	-	1	95	(23)	72
Financial cost	166	2	47	1	216	(23)	193
Depreciation and amortisation	521	-	86	-	607	(3)	604
Gain on disposal of equipment	2	-	-	-	2	(1)	1
Compensation from subsidiary's accident	-	-	166	-	166	-	166
Income tax expenses	12	7	18	-	37	-	37
<b>Segment profit (loss)</b>	<b>(529)</b>	<b>25</b>	<b>176</b>	<b>(1)</b>	<b>(329)</b>	<b>(47)</b>	<b>(376)</b>
<b>Segment total assets</b>	<b>9,096</b>	<b>491</b>	<b>1,934</b>	<b>205</b>	<b>11,726</b>	<b>(1,568)</b>	<b>10,158</b>
Additions (deductions) to non-current assets other than financial instruments and deferred tax assets	(781)	194	(298)	79	(806)	382	(424)



## Geographic information

Revenue from external customers is based on locations of customers.

	(Unit: Million Baht)	
	2018	2017
Revenue from external customers		
Thailand	4,405	4,156
Asia	2,859	2,946
Europe	971	705
Others	7	13
Total	<u>8,242</u>	<u>7,820</u>

## Major customers

For the year 2018, the Company and its subsidiaries had revenue from 1 major customer in the amount of Baht 1,743 million (2017: Baht 1,973 million derived from one major customer, arising from the production and distribution of sugar cane segment).

### **31. Provident fund**

The Company and its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contribute to the fund monthly at the rates of 3 to 10 percent of basic salary. The fund, which is managed by Kasikorn Asset management Company limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to approximately Baht 10 million (2017: Baht 9 million) (the Company only: Baht 8 million 2017: Baht 8 million) were recognised as expenses.

### **32. Dividends**

Dividends	Approved by	Total dividends	Dividend per share
		(Million Baht)	(Baht)
Final dividends for 2016	Annual General Meeting of the	30	0.05
Total for 2017	shareholders on 26 April 2017	<u>30</u>	<u>0.05</u>

### 33. Commitments and contingent liabilities

#### 33.1 Capital commitments

As at 31 December 2018, the Company and its subsidiaries had capital commitments of approximately Baht 28 million (2017: Baht 609 million) (the Company only: Baht 21 million, 2017: Baht 21 million), relating to the construction of factory buildings and acquisition of machinery.

#### 33.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of buildings and equipment and service agreements.

Future minimum lease payments required under operating lease contracts and service agreements are as follows.

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Payable within:				
1 year	30	30	22	25
2 to 5 years	9	12	6	10

#### 33.3 Molasses sale/purchase commitments

As at 31 December 2018, the Company and a subsidiary had commitments to molasses purchase of Baht 272 million (2017: Baht 568 million) (the Company only: Nil 2017: Nil) and molasses sales of Baht 674 million (2017: Baht 867 million) (the Company only: Baht 167 million 2017: Baht 495 million), for which the delivery has not yet been made. The agreements mature within one year.

#### 33.4 Sugar sales/purchase commitments

As at 31 December 2018, the Company had commitments to the sale of sugar amounting to Baht 650 million (2017: Baht 445 million), for which the delivery has yet to be made. The agreements mature within one year.



### 33.5 Commitment in respect of uncalled investment

As at 31 December 2018 and 2017, the Company and its subsidiary are committed to pay the uncalled portions of its investments as follows:

(Unit: Million Baht)

	2018	2017
Khonburi Bio Energy Co., Ltd.	324.75	324.75
KBS Investment Co., Ltd.	101.25	101.25
KBS Power Co., Ltd.	101.25	101.25

### 33.6 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	20	16 July 2013	15 July 2029	8
Electricity Generating Authority of Thailand ("EGAT")	27 October 2014	25	18 December 2014	27 October 2039	22

#### **Dispute between the subsidiary and Electricity Generating Authority of Thailand**

On 23 April 2016, there was an accidental breakdown of the main steam pipe of Khonburi Power Plant Co., Ltd ("a subsidiary"). As result, the boiler and accessory equipment were partially damaged. The subsidiary completed all the repairing works, and thus the boiler has been back to normal operation since 25 October 2016. During the repairing period, the subsidiary was unable to produce and sell electricity to Electricity Generating Authority of Thailand ("EGAT") in accordance with the Firm 22 MW contract. However, the subsidiary issued the letter notifying EGAT of such accident and regularly updated the progress of the repairing work throughout the repairing period.

On 22 November 2016, EGAT issued a letter to the subsidiary notifying that there were changes in the volume of electricity as stipulated in the contract under the condition no. 14.1 stating that "In case the subsidiary fails to sell the electricity to EGAT with the volume as specified in the contract totaling 18 months during the past 24 months (assuming that the actual volume as specified in the contract is used), whereby the 24th month falls due in the current month, EGAT will reduce the electricity volume equal to the actual volume that the subsidiary was able to generate in the 18th month." The 18th month as mentioned earlier refers to August 2016, which was the period in which the subsidiary's boiler had been under the repairing work. As a result, the subsidiary was unable to sell electricity to EGAT as above mentioned. Therefore, EGAT started reducing the volume of electricity in January 2017.

However, on 29 November 2016 the subsidiary issued 2 letters to EGAT and to Energy Regulatory Commission (ERC), respectively. The former is to clarify the cause of not complying with the sale / purchase electricity contract due to the suspension of selling the electricity, and request that EGAT reconsider the changes in the electricity volume. The latter is to appeal to ERC regarding the changes in electricity volume. On 30 December 2016, ERC informed the subsidiary of the outcome of the appeal. ERC allowed the relief of enforcement of the condition 14.1, and scheduled the negotiation between both parties on 28 February 2017. In this regard, the subsidiary has to regularly update ERC on the progress. Under the ERC decision, the subsidiary shall continue selling electricity to EGAT under this contract until ERC reaches the final decision.

On 9 January 2017, the subsidiary arranged a meeting with EGAT to discuss this matter. EGAT informed that it was the operating function unit who complied with the contract and not authorised to make a decision in amending terms and conditions in the contract. Therefore, this matter has to be proposed to ERC for the finalised decision. The subsidiary was informed that EGAT submitted the meeting's resolution to ERC for further consideration on 10 February 2017.

On 25 July 2018, ERC notified the appeal results regarding with the change in electricity volume according to the sale/purchase electricity contract of the subsidiary as follows:

1. The subsidiary could not generate the electricity in the 18th month of 24th months as the sale/purchase electricity contract from the subsidiary's equipment damage. This event was the out of control of the subsidiary.
2. The change in the form of sales/purchase electricity contract in reduction of electricity volume from the previous to the existing contract with the subsidiary (condition no. 14.1) did not consider on such equipment damage as this occurrence and caused noncompliance with sales/purchase electricity contract.
3. ERC resolved that EGAT and the subsidiary counsel together and recommend the solutions of such matter to ERC within 30 days since the received date of this letter.

On 28 September 2018, ERC notified the final appeal results regarding above matters. ERC had the meeting dated 5 September 2018 for consideration and getting the final resolution as below:

1. In case the subsidiary could not supply electricity from such equipment damage, this could not cause noncompliance with condition no. 14.1 under sales/purchase electricity contract.





2. The consideration for being unable to supply electricity to EGAT as condition no. 14.1 under sales/purchase electricity contract, ERC allow us to consider the assuming actual power volume (Voltage Capacitor) less than 10% of volume of electricity under sales/purchase electricity contract since the commercial operation date through the end of sales/ purchase electricity contract.
3. ERC gives EGAT to make the adjustment sales/ purchase electricity contract to be in line with above resolutions no. 1 and 2.

From the final ERC's resolution on above, the dispute between the subsidiary and EGAT came to an end since the received date of final resolution because the accident of the subsidiary could not cause the failure to supply the electricity and the assuming actual power volume (Voltage Capacitor) under condition no. 14.1 were not less than 10% of volume of electricity under sale/purchase electricity contract since the commercial operation date until now.

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

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 within 90 days as from the contract end date. 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 temperature of 115 - 400 degree Celsius, from its subsidiary. The price is as stipulated in the agreement.
- c) The bagasse sale/purchase agreement - The Company agreed to sell at least 0.82 million tons of bagasse at moisture of 47 - 53% to its subsidiary. The price is as stipulated in the agreement.

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

### 33.8 Guarantees

- 1) As at 31 December 2018 and 2017, the Company guaranteed bank credit facilities of two subsidiaries amounting to Baht 2,112 million.
- 2) As at 31 December 2018, the Company has pledged a cheques to secure the loan as stipulated in Note 19 to the financial statements amounting to Baht 151 million (2017: Nil).
- 3) As at 31 December 2018, the Company has guaranteed of bank credit facilities of a related party with inventories amounting to Baht 303 million (2017: Nil).
- 4) As at 31 December 2018, the Company and its subsidiaries had outstanding bank guarantees of approximately Baht 3 million and Baht 39 million, respectively (2017: Baht 4 million and Baht 17 million, respectively) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business.
- 5) As at 31 December 2018 and 2017, there were outstanding bank guarantees of approximately Baht 82 million issued by banks on behalf of the subsidiary company in respect of performance under an electricity sale/purchase agreement and the submission of applications and offer to sell electricity. They were used as security with the Provincial Electricity Authority and the Electricity Generating Authority of Thailand, in compliance with the regulations of purchasing electricity from small power producers.

### 34. Fair value hierarchy

The Company and its subsidiaries used the market approach to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

#### Fair value hierarchy

All assets and liabilities for which fair value is measured 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 observable 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



As at 31 December 2018 and 2017, 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 / Separate Financial Statements			
As at 31 December 2018			
Level 1	Level 2	Level 3	Total

**Financial assets measured at fair value**

Derivatives

Forward exchange contracts	-	14,150	-	<b>14,150</b>
Commodity swap contracts	-	3,085	-	<b>3,085</b>

**Financial liability measured at fair value**

Derivative

Interest rate swap contracts	-	9,064	-	<b>9,064</b>
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(Unit: Thousand Baht)

Consolidated Financial Statements			
As at 31 December 2017			
Level 1	Level 2	Level 3	Total

**Financial assets measured at fair value**

Derivatives

Forward exchange contracts	-	23	-	<b>23</b>
Commodity swap contracts	-	3,764	-	<b>3,764</b>

**Financial liability measured at fair value**

Derivatives

Forward exchange contracts	-	263	-	<b>263</b>
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(Unit: Thousand Baht)

Separate Financial Statements			
As at 31 December 2017			
Level 1	Level 2	Level 3	Total

**Financial assets measured at fair value**

Derivatives

Forward exchange contracts	-	23	-	<b>23</b>
Commodity swap contracts	-	3,764	-	<b>3,764</b>

### Valuation techniques and inputs to level 2 valuations

The fair value of derivatives have been determined by using a discounted future cash flows model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies, interest rate yield curves and commodity price yield curves.

During the current year, there were no transfers within the fair value hierarchy.

## **35. Financial instruments**

### **35.1 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, amounts due to the Office of the Cane and Sugar Fund, short-term loans to related parties, short-term loans from banks, short-term loans from related parties, trade and other payables, 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 do 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 2018 and 2017, 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 2018						
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	-	-	55	9	64	Note 8
Trade and other receivables	-	-	-	463	463	-
Sugar cane plantation receivables	566	109	-	-	675	Note 10
Amounts due from the Office of the Cane and Sugar Fund	-	-	-	575	575	Note 12
	<u>566</u>	<u>109</u>	<u>55</u>	<u>1,047</u>	<u>1,777</u>	
<b>Financial liabilities</b>						
Short-term loans from banks	2,676	-	-	-	2,676	Note 18
Short-term loan from related party	303	-	-	-	303	Note 7
Short-term loans from Office of the Cane and Sugar Fund	151	-	-	-	151	Note 19
Trade and other payables	-	-	-	1,226	1,226	-
Advance received from the assistance project at the Office of Cane and Sugar Fund	-	-	-	56	56	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	79	79	-
Liabilities under financial lease	34	32	-	-	66	Note 22
Long-term loans from banks	270	60	1,511	-	1,841	Note 23
	<u>3,434</u>	<u>92</u>	<u>1,511</u>	<u>1,361</u>	<u>6,398</u>	

(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	321	-	-	1,188	Note 10
	<u>867</u>	<u>321</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 18
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 22
Long-term loans from banks	511	152	2,227	-	2,890	Note 23
	<u>3,088</u>	<u>186</u>	<u>2,227</u>	<u>1,437</u>	<u>6,938</u>	

(Unit: Million Baht)

Separate financial statements						
As at 31 December 2018						
	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
<u>Financial assets</u>						
Cash and cash equivalents	-	-	41	5	46	Note 8
Trade and other receivables	-	-	-	487	487	-
Sugar cane plantation receivables	566	109	-	-	675	Note 10
Amounts due from the Office of the Cane and Sugar Fund	-	-	-	575	575	Note 12
Short-term loans to related parties	576	-	-	-	576	Note 7
	<u>1,142</u>	<u>109</u>	<u>41</u>	<u>1,067</u>	<u>2,359</u>	
<u>Financial liabilities</u>						
Short-term loans from banks	2,605	-	-	-	2,605	Note 18
Short-term loan from related party	562	-	-	-	562	Note 7
Short-term loans from Office of the Cane and Sugar Fund	151	-	-	-	151	Note 19
Trade and other payables	-	-	-	969	969	-
Advance received from the assistance project at the Office of Cane and Sugar Fund	-	-	-	56	56	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	79	79	-
Liabilities under financial lease agreement	34	32	-	-	66	Note 22
Long-term loans from banks	269	60	1,209	-	1,538	Note 23
	<u>3,621</u>	<u>92</u>	<u>1,209</u>	<u>1,104</u>	<u>6,026</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				
<u>Financial assets</u>						
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	Note 7
	<u>1,383</u>	<u>321</u>	<u>74</u>	<u>361</u>	<u>2,139</u>	
<u>Financial liabilities</u>						
Short-term loans from banks	2,333	-	-	-	2,333	Note 18
Short-term loan from related party	85	-	-	-	85	Note 7
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 22
Long-term loans from banks	511	152	1,628	-	2,291	Note 23
	<u>2,957</u>	<u>186</u>	<u>1,628</u>	<u>1,126</u>	<u>5,897</u>	





As at 31 December 2018, the Company has interest rate swap agreements as below.

Consolidated and Separate financial statement as at 31 December 2018				
	Principal amount	Interest Income Rate Swap agreements	Interest Expense Rate Swap agreements	Termination date
1	Baht 1,250 million	Floating rate AMLR minus 2.95 per annum	Fixed interest rate as stipulated in swap agreement.	December 2021
2	Baht 168 million	Floating rate AMLR minus 2.95 per annum	Fixed interest rate as stipulated in swap agreement.	June 2022

As at 31 December 2017, the Company had no outstanding interest rate swap agreement.

### **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.

a) 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	
	2018	2017	2018	2017	2018	2017
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US Dollar	1.6	1.3	-	-	32.2848	32.6407

b) The Company and its subsidiaries had the following forward exchange contracts.

Consolidated / Separate financial statements as at 31 December 2018

Foreign currency	Sold amount (Million)	Contractual exchange rate		Contractual maturity date
		Sold amount (Baht per 1 foreign currency unit)		
US Dollar	24.79	32.75 - 32.92		January - November 2019

Consolidated financial statements as at 31 December 2017

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

### Sugarcane price fluctuation risk

The net income of the cane and sugar system is calculated based on the income from the domestic sugar distribution and income from exports by the average price of the sugar and the exchange rate of the actual sales made by Thailand Cane and Sugar Corporation (TCSC) as the base for calculation of export sales income less the expenses of the Cane and Sugar Industry. Currently, the ratio of exported sugar to domestically sold sugar is approximately 70:30.

A result of the system is that the selling price of export sugar and the exchange rate of the actual sales made by TCSC have substantial impact on the cane price, which is the major cost of the sugar production. To manage risk on the fluctuation of gross profit, the Company has hedged the risk by entering into commodity swap contracts for the periods not over 1 years. Gain or loss is recognised in the statement of income when the contracts are settled or expired.



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

As at 31 December 2018					
Commodity type	Contract value				Contractual maturity date
	(Unit: Thousand US Dollar)				
	Bought amount	Sold amount	Bought amount	Sold amount	
Sugar	2,181 tons	2,001 tone	21,231	21,601	February - September 2019

As at 31 December 2017					
Commodity type	Contract value				Contractual maturity date
	(Unit: Thousand US Dollar)				
	Bought amount	Sold amount	Bought amount	Sold amount	
Sugar	550 tons	120 tons	1,828	472	February - April 2018

### 33.2 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:

Derivatives	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	Fair value	Fair value	Fair value	Fair value
	Gain (loss)	Gain (loss)	Gain (loss)	Gain (loss)
Forward exchange contracts	14,150	(240)	14,150	23
Commodities swap contracts	3,085	3,764	3,085	3,764
Interest rate swap contracts	(9,064)	-	(9,064)	-

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

- a) 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.
- b) For long-term loans carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.
- c) For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies, interest rate yield curves and commodity price yield curves. The Company and its subsidiaries had considered counterparty credit risk when determining the fair value of derivatives

During the current year, there were no transfers within the fair value hierarchy.

### **36. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2018, the Group's debt-to-equity ratio was 1.88:1 (2017: 2.23:1) and the Company's was 1.83:1 (2017: 1.90:1).

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

On 25 February 2019, the meeting of the Company's Board of Directors No.1/2019 approved dividend payment of 600,000,000 ordinary shares at Baht 0.12 each, or Baht 72 million which the dividends will be paid to shareholders in May 2019.

### **36. Approval of consolidated financial statements**

These consolidated financial statements were authorised for issue by the Company's authorised directors on 25 February 2019.







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