



Khonburi Sugar Public Company Limited



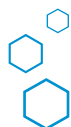
ANNUAL REPORT  
**2019**



**Khonburi Sugar Public Company Limited**

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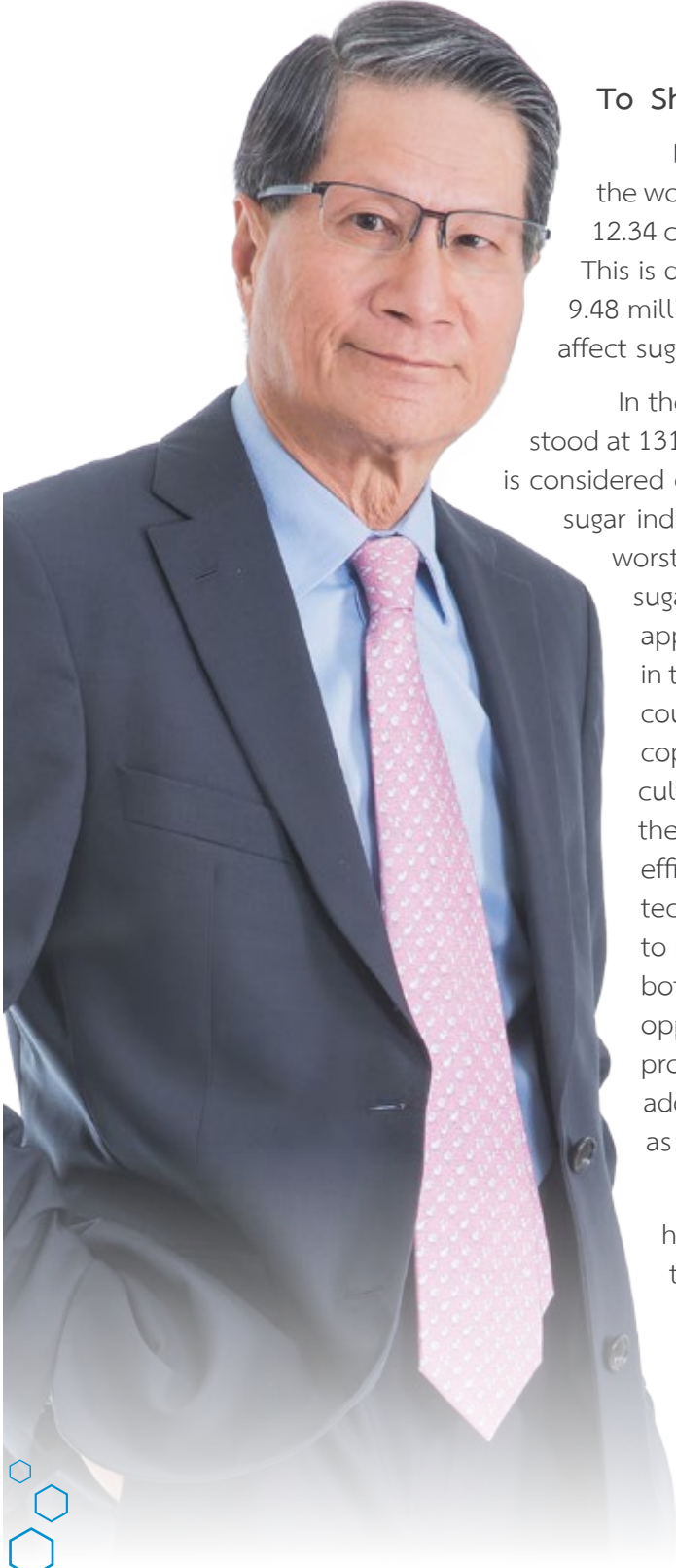




## Message from the Chairman and the Executive Chairman

### Mr. Suthep Wongvorazathe Chairman of the Board

#### To Shareholders



During the past year, overall picture of sugar industry in the world market is fluctuated. The average price of raw sugar is 12.34 cents per pound, which is in the relatively low price range. This is due to the world sugar production in 2018 is in excess of 9.48 million tons, which are excess demand and will continue to affect sugar prices in 2019.

In the year 2019, the country's sugarcane production volume stood at 131 million tons or slightly decreased by 1.3 percent, which is considered close to the previous year. However, the sugarcane and sugar industry will have to face production challenges from the worst drought in 40 years in 2020. It is expected that the sugarcane production will decrease by more than 44% to approximately 73 to 75 million tons of sugar cane, which is in the same direction as major sugar producing and exporting countries such as India. The company has prepared a plan to cope with these factors by focusing on managing sugarcane cultivation areas to maintain the quantity and quality of the product to be in good level as well as increase pressing efficiency to get sugar yield per ton of sugar cane and use technology to increase quality and variety of sugar products to meet the small producer groups and general consumers both domestic and export markets in Asia, creating sales opportunities and get price increases and introduce by-product from production process to create maximum value added from biomass power plant business that uses bagasse as fuel to drive the company's growth.

As for sales promotion and marketing, the company has a policy to focus on standardized production processes to gain products that are safe for consumers and provide variety of packaging sizes to meet the needs of customers in each group. There has been a continuous increase in the proportion of refining sugar production in order to maintain and expand the delivery channel for container products. To increase revenue for the company.

## Mr. Takon Tawintermsup

### Executive Chairman

Currently, the company has following main products under the KBS brand, namely refined sugar "KBS First" and natural sugar "KBS Brown". The company utilizes various marketing strategies to create the brand "KBS" to be recognized by the market. The company's customers are industrial customers, modern trade customers, distributors and direct business channels, with the goal of creating a sustainable brand loyalty.

New sugar plant and power plant project in Sikhio District Nakhon Ratchasima province has started construction in the first quarter of 2019 and is expected to start producing raw sugar in December 2020.

The company is committed and determined to run the business of the group in parallel with good corporate governance, social responsibility, community and environment in order to develop for sustainable growth and promote quality society through ongoing projects and activities. The company has set up a corporate social responsibility committee to support employees and the communities around the factory to have a better living condition through various projects of the company, such as scholarship program for students from various schools nearby and community around factory and various public benefit initiatives.

Lastly, as a representative of the Board of Directors, I would like to thank the shareholders, executives, staffs including those involved with the company and all relevant parties including financial institutions that have always supported the company. KBS Group is committed to conducting business in a concise, transparent manner, adhering to good governance principles for the KBS Group to grow sustainably and gain competitive edge in the industry as well as ready to become a leading organization in the sugarcane, sugar and bio-energy businesses 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



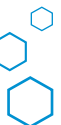
**Mr. Somkiat Twiltermsup**  
Director, Executive Director,  
Risk Management Committee,  
The Nomination and Remuneration  
Committee



**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. Kawin Punsiri**  
Deputy 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. Rangsan Twiltermsup**  
Assistant Managing  
Director of Production



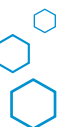
**Mr. Rathavudh Saetang**  
Assistant Managing  
Director of Marketing



**Mr. Rakkiti Tanglamlert**  
Chief Financial Officer



**Ms. Surawee Puangthong**  
Senior Finance Manager





# Business Highlights 2019

Cane crush 3.29 Million Tons



Crushing Unit 35,000 Tons / Day



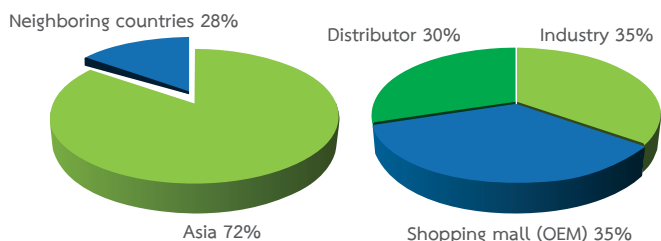
Refined Capacity 1,200 Tons / Day



## Sales by Geographic

Sugar selling proportion of year 2018/2019

Sugar for export 86%    Sugar for domestic sale 14%



## KBS Brand



KBS Brown    KBS First    KBS2X Double Sweet

## Customer

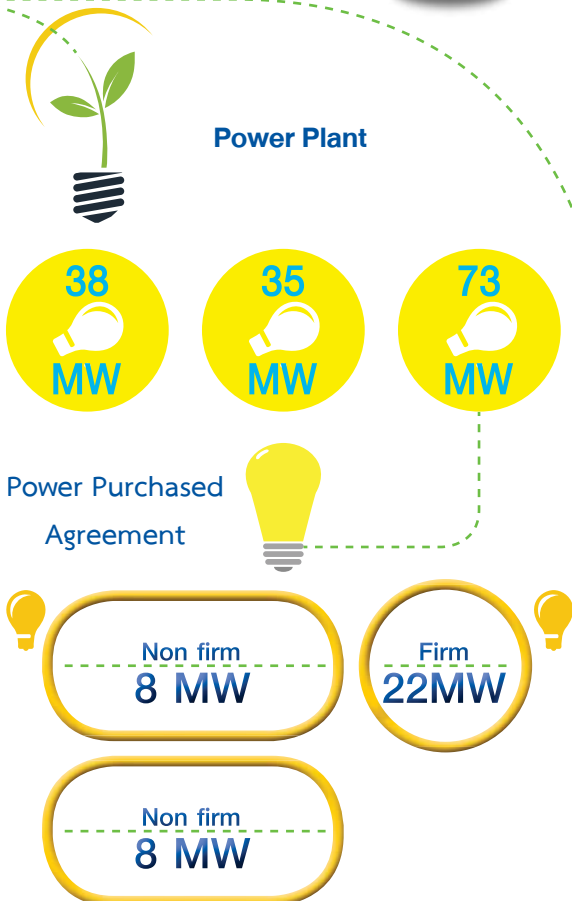
International



Domestic



## Power Plant



## Summary of Important Financial Information

Key Financial Highlight	2017	2018	2019
<b>Financial Status (THB mm.)</b>			
Cash and Cash Equivalents	233	64	48
Total Assets	10,158	9,915	9,704
Total Liabilities	7,012	6,471	6,168
Total Shareholders' Equity	3,146	3,444	3,536
<b>Operating Results (THB mm.)</b>			
Sale and Service Income	7,820	8,242	6,558
Total Revenues	8,172	8,568	6,999
Cost of Sales and Services	7,708	7,247	5,902
Selling and Administrative Expenses	586	853	733
Profit (loss) before Finance Cost and Income Tax	(146)	468	364
Finance Cost	194	179	170
Income tax (revenues) expenses	37	(4)	14
Profit (loss) for the years	(377)	294	180
<b>Financial Ratios</b>			
Gross Profit Margin	1.4%	12.1%	10.0%
Net Profit Margin	(4.8%)	3.6%	2.7%
Return on Asset (ROA)	(3.7%)	3.0%	1.9%
Return on Equity (ROE)	(12.0%)	8.5%	5.1%
Total Debt per Equity (D/E)	2.2	1.9	1.7
<b>Value/share (Baht/share)</b>			
Book Value per Share	5.24	5.74	5.89
Earning per Share	(0.63)	0.49	0.30

# Business Operation

## Policy and business overview

### Vision & Mission

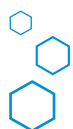
#### Vision

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



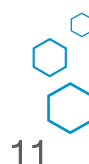
#### Mission

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	<ul style="list-style-type: none"> <li>- Commercial Operating Date (COD) of electricity sale to the Electricity Generating Authority of Thailand (EGAT) under 22MW firm contract</li> <li>- Started operation of Line C, which added 12,000 ton canes/day to result in total capacity of 35,000 ton canes/day</li> </ul>
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

With the true commitment of all executives and employees towards organization that operates under the principles of good corporate governance, Khonburi Sugar Public Company Limited received awards of pride in many aspects, such as the fine sugar factory, labor relations and welfare, social responsibility and environment friendliness, etc.

- Honorable mention outstanding sugar factory, year 2008
- First-class sugar factory award, year 2012
- Environmentally friendly production award in category of sugar production, year 2012
- Corporate social responsibility award, year 2013
- Award for continuous social responsibility, year 2013
- Award for cooperation in river conservation and restoration, year 2013
- Establishment with sustainable environmental management in the category of “Green Factory”, year 2013
- Standards for hazard analysis systems and critical control points in food production (HACCP), year 2013
- Good criteria for food production standards (GMP), year 2013
- Quality management system standards (ISO 9001), year 2013
- Food safety management system standards (FSSC 22000), year 2013
- Halal food management system standards (HALAL), year 2013
- Environmental management system standards (ISO 14001), year 2014
- Energy management system standards (ISO 50001), year 2015
- Jewish food management system standards (KOSHER), year 2015
- Laboratory competency assessment system standards (ISO/IEC 17025), year 2016
- Carbon Footprint Management System (Greenhouse Gas Management), year 2017
- Management system for labor protection and work safety (SMETA&SGP), year 2017
- Occupational health and safety management system standard (ISO 45001), year 2009
- Certificate of Environmental Governance Project, Ministry of Industry (continuous operation year 2014)
- Industrial Water Technology Transfer Project 2011 “industrial establishment (existing) that continues to operate continuously in accordance with environmental governance principles, year 2014”
- EIA Monitoring Awards 2014 Compliment level (extension)
- Award for cooperation in river conservation and restoration for the year 2014
- Meeting the criteria for environmentally friendly production in the category of sugar production 2014 “Establishment that comply with the measures in the EIA report and has outstanding environment management, year 2014”
- Outstanding Establishment on Labor Relations and Labor Welfare, year 2012, 2013, 2014, 2015, 2016
- Outstanding Safety Workplace, year 2014, 2015
- Green industry Level 3 Green System

And from the intention and importance to production process and product quality, KBS products are certified for both national and international standards and have gained the trust of customers from large international organizations.



## Business operation overview



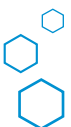
Khonburi Sugar Public Company Limited (KBS) and its subsidiaries under the Khonburi Sugar Group is a group of companies operating an integrated business of sugar manufacturing and distribution. The Group has planned and linked both agricultural and industrial mechanisms together with advantages in raw materials and location. At present, KBS is ranked the 11 in the group of sugar manufacturers and distributors of Thailand with the total sugar output in 2018/2019 of 372,650.39 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 2019, 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 and 1 Join Venture as follows:



KBS Trading Company Limited  
(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.

Khonburi Power Plant Company Limited

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.

Khonburi Bio Energy Company Limited

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.  
*Now, the Company has no significant operation.*

KBS Investment Company Limited

Established in 2014, the Company currently has the registered capital at 145,000,000.00 Baht. The objective is to operate the holding company.  
*Now, the Company has no significant operation.*

KBS Cane and Sugar Company Limited

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.  
*Now, the Company has no significant operation.*

KBS Power Company Limited

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  
*Now, the Company has no significant operation.*

CK Trading (1965) Company Limited  
(join venture)

Established in 2019, currently has a registered capital of 1,000,000 baht to operate the business of providing agents, brokers for trading, providing marketing services to promote the sale of consumer goods of all kinds.



## 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 2017		For the year ended 31 December 2018		For the year ended 31 December 2019	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Domestic sales</b>						
- Refined sugar and super Refined sugar <sup>1</sup>	1,157.3	14.1	765.1	8.9	562.6	8.0
- White sugar <sup>1</sup>	423.1	5.2	247.8	2.9	333.5	4.8
- Raw sugar, brown sugar and natural sugar	95.7	1.2	289.8	3.4	203.3	2.9
<b>Total domestic sales</b>	<b>1,676.1</b>	<b>20.5</b>	<b>1,302.7</b>	<b>15.2</b>	<b>1,099.4</b>	<b>15.7</b>
<b>International sales, (Sugar)</b>						
- Refined sugar and super refined sugar	3,347.2	41.0	2,760.9	32.2	2,579.8	36.8
- Refined sugar	48.0	0.6	235.4	2.7	353.9	5.1
- VHP sugar	44.9	0.5	86.1	1.0	0.9	0.0
- Bulk raw sugar	241.2	3.0	752.0	8.8	354.5	5.1
<b>Total internation sales</b>	<b>3,681.3</b>	<b>45.1</b>	<b>3,834.4</b>	<b>44.7</b>	<b>3,289.1</b>	<b>47.0</b>
<b>Total sugar sales</b>	<b>5,357.4</b>	<b>65.6</b>	<b>5,137.1</b>	<b>59.9</b>	<b>4,388.5</b>	<b>62.7</b>
Molasses sales, (as by-product from sugar production)	518.5	6.3	681.6	8.0	481.9	6.9
Molasses trading	1,104.6	13.5	1,319.5	15.4	621.9	8.9
<b>Total</b>	<b>1,623.1</b>	<b>19.8</b>	<b>2,001.1</b>	<b>23.4</b>	<b>1,103.8</b>	<b>15.8</b>
<b>Electricity sales</b>	<b>483.6</b>	<b>5.9</b>	<b>608.5</b>	<b>7.1</b>	<b>728.0</b>	<b>10.4</b>
<b>Agricultural product sales and services</b>	<b>356.1</b>	<b>4.4</b>	<b>495.7</b>	<b>5.8</b>	<b>338.1</b>	<b>4.8</b>
<b>Other income</b>	<b>351.7</b>	<b>4.3</b>	<b>325.6</b>	<b>3.8</b>	<b>441.0</b>	<b>6.3</b>
<b>Total revenues</b>	<b>8,171.9</b>	<b>100.0</b>	<b>8,568.0</b>	<b>100.0</b>	<b>6,999.4</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

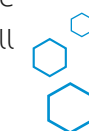
White sugar is sugar derived from raw sugar that has passed through purification (refinery) process to remove impurities until sugar is white and clean. This type of sugar is normally used as raw materials in industrial factories that manufacture food products requiring medium level of purity such as 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 introduced bagasses obtained from sugar cane pressing process. The Group uses bagasses as fuel to produce steam and electricity in order to pass on to the sugar factory and can also produce excess electricity for distribution to the Provincial Electricity Authority and the Electricity Generating Authority of Thailand operated by Khonburi Electricity Generating Company Limited (KPP). Currently, KPP sells electricity under the firm contract with capacity of 22 MW to the Electricity Generating Authority of Thailand (EGAT) and 2 non-firm contracts with capacity of 8 MW to the Provincial Electricity Authority (PEA).

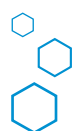
To be able to supply electricity sufficient for the increased demand each year, and to continuously strengthen sustainability with regard to electricity, the Ministry of Energy by Energy Policy and Planning Office therefore establishes and amends Thailand's electricity capacity development plan, B.E. 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.

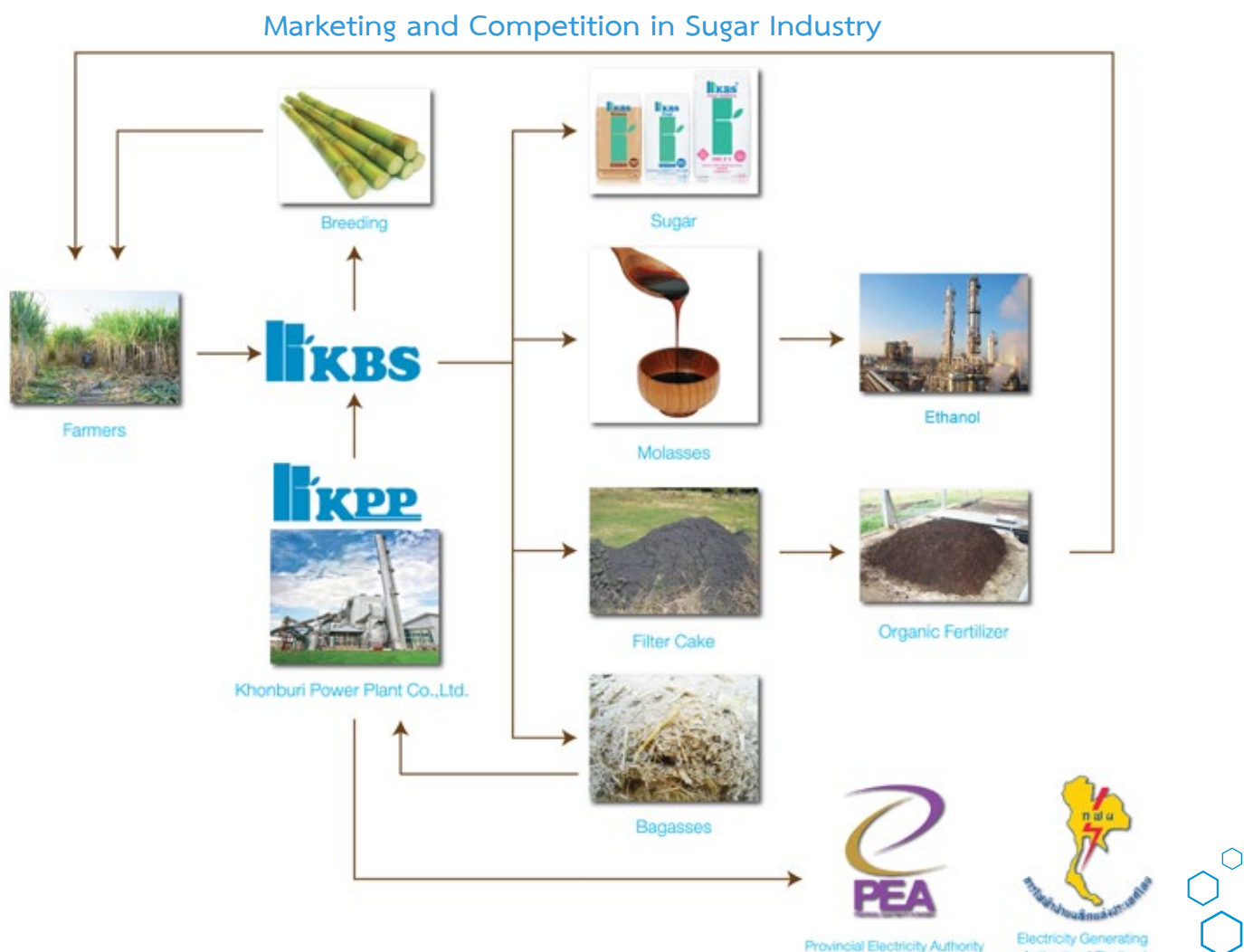


- Obtain promotional privileges from the Board of Investment (BOI) for its electricity from biomass fuels since 19 April 2013. The benefit from BOI privileges can be summarized below:

- (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.



# Sugar industry overview

## 1) Sugar industry overview in global market

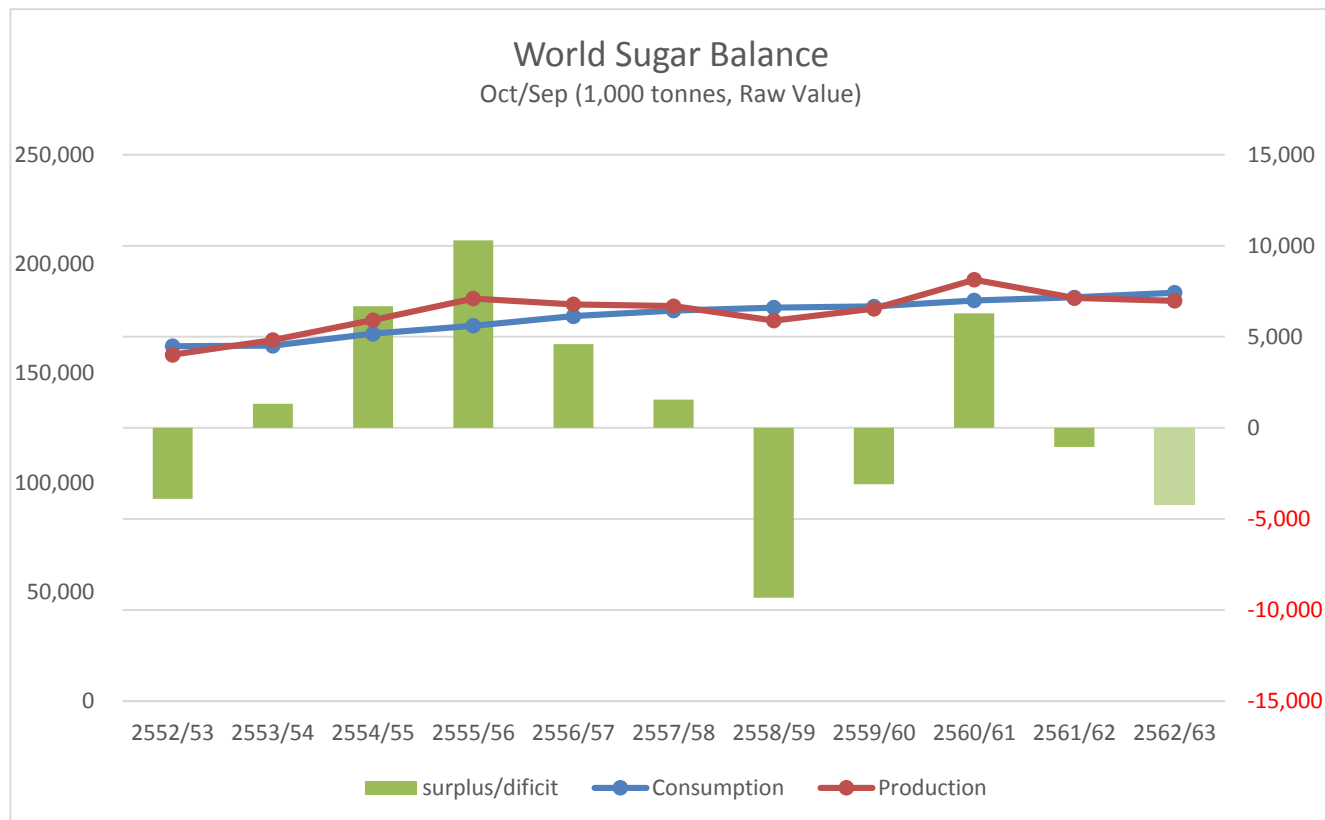
### (a) Balance between sugar demand and supply in global market

Details	Consumption volume, production volume, and sugar inventory in global market (million tons) <sup>1</sup>								
	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Consumption	168.07	171.74	176.08	178.66	180.01	180.56	183.29	184.74	186.89
Production	174.35	184.17	181.51	180.73	174.06	179.51	192.77	184.43	183.13
Balance	64.15	74.45	79.05	80.59	71.27	68.17	74.46	76.78	72.56
Stock-to-use ratios (%)	38.17%	43.35%	44.89%	45.11%	39.59%	37.76%	40.62%	41.56%	38.83%

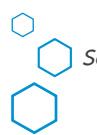
Source: F.O.Licht's International Sugar and Sweetener Report (10.10.2019)

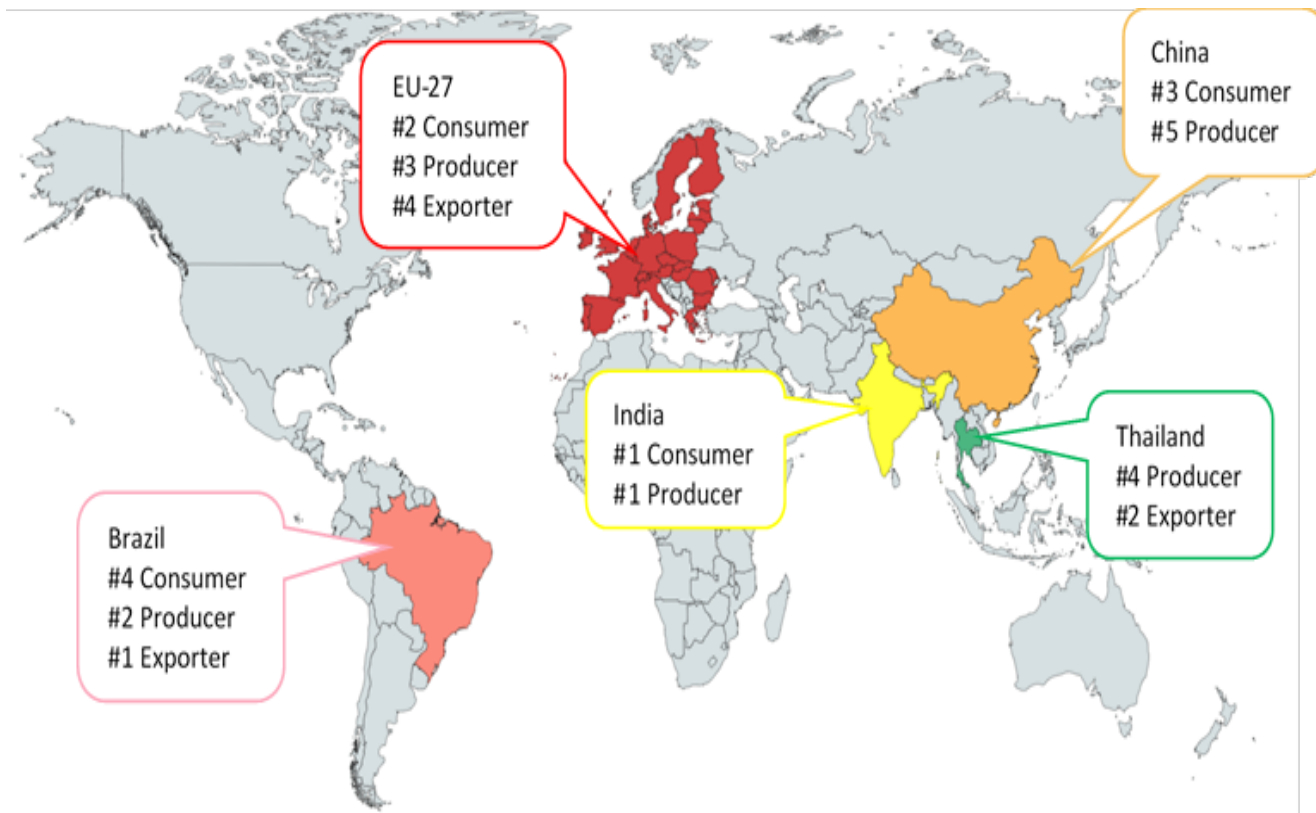
Remark: <sup>1</sup> Metric ton raw value

### World Sugar Balance



Source: F.O.Licht's International Sugar and Sweetener Report (10.10.2019)





### (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	35.82
Brazil	38.68	34.82	39.71	41.41	32.51	28.26
EU 27	16.65	18.14	15.25	17.10	21.08	17.93
Thailand	11.86	11.74	10.28	10.58	15.30	14.87
China	14.48	11.41	9.47	10.10	11.21	11.69
United States	7.67	7.85	8.15	8.14	8.40	8.12
Pakistan	6.10	5.61	5.52	7.65	8.19	5.88
<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>122.56</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>66.45%</b>

Source: F.O.Licht's International Sugar and Sweetener Report (10.10.2019)

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

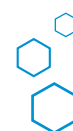


Table showing sugar consumption of major countries in the world during production year of 2013/2014 to production year of 2018/2019

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	28.26
EU 27	18.89	18.61	18.65	18.64	18.41	18.48
China	15.47	16.25	16.20	16.41	16.41	16.52
Brazil	12.74	12.96	12.86	12.72	12.88	11.36
United States	10.86	10.82	10.95	11.15	11.20	11.13
Indonesia	6.16	6.36	6.45	6.53	6.53	7.70
Russia	5.93	6.02	6.07	6.10	6.38	6.40
<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>99.85</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>54.05%</b>

Source: F.O.Licth's International Sugar and Sweetener Report (10.10.2019)

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	18.59
Thailand	6.55	8.21	7.82	7.18	9.53	10.70
EU 27	1.61	1.44	1.52	1.44	3.61	9.17
India	2.74	2.61	4.11	2.25	2.23	5.50
Guatemala	1.90	2.49	2.13	2.01	1.74	1.97
Australia	3.47	4.33	4.34	3.99	3.53	3.56
<b>Total major exporters</b>	<b>37.42</b>	<b>39.18</b>	<b>43.44</b>	<b>41.42</b>	<b>39.72</b>	<b>45.92</b>
<b>Ratio of export of major exporters/ Total export volume (%)</b>	<b>57.9%</b>	<b>60.21%</b>	<b>57.91%</b>	<b>57.49%</b>	<b>55.20%</b>	<b>66.50%</b>

Source: F.O.Licth's International Sugar and Sweetener Report (10.10.2019)

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

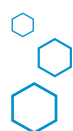


Table showing sugar import of major countries in the world during production year of 2013/2014 to production year of 2018/2019

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	5.04
China	3.61	5.94	5.46	4.75	3.66	4.50
United States	3.61	3.18	3.06	2.96	2.96	2.80
Bangladesh	2.08	2.47	2.02	2.42	2.25	2.45
India	1.35	1.39	2.11	2.15	1.94	1.00
United Arab Emirates	2.79	2.02	2.13	2.61	1.90	2.25
<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>18.04</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>26.41%</b>

Source: F.O.Licth's International Sugar and Sweetener Report (10.10.2019)

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	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Indonesia	1.75	1.90	2.49	2.55	4.11	3.29
China	0.71	0.89	0.33	0.43	0.40	0.88
South Korea	0.45	0.53	0.18	0.12	0.72	0.78
Cambodia	0.53	0.49	0.72	0.82	0.74	0.74
Malaysia	0.68	0.50	0.16	0.17	0.64	0.73
Taiwan	0.33	0.29	0.22	0.86	0.72	0.52
Sudan	0.31	0.62	0.04	0.04	0.31	0.35
Philippines	0.05	0.06	0.32	0.06	0.53	0.32
Vietnam	0.12	0.38	0.24	0.19	0.25	0.30

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 production year 2019/2020, production figure for Brazil in the south is 26.74 million tons of sugar. The production numbers did not change much from the previous year. However, the proportion of sugar production from sugar cane is 34 percent decreased 1 percent from the previous year. More sugarcanes are used to produce ethanol due to better returns.

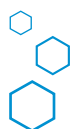
For the production year 2020/2021, which popping the trunk will be in April 2020, rainfall is similar to previous year. However, it is expected that the sugar production will be between 32 - 34 million tons of sugar as the return of sugar production is better than ethanol production since the world sugar price increased by more than 15.00 cents compared to the average of 12.00 cents from a year earlier. In addition, the exchange rate for the Brazilian Real dropped from 3.75 to 4.35 Brazilian Real / USD.

### China

For the production year 2019/2020, sugar production is expected to be at 10.20 million tons of sugar, reduced from 10.70 million tons of sugar a year earlier or reduced by about 500,000 tons of sugar, while the domestic consumption is 15.20 million tons of sugar. As a result, China still has to import about 5 million tons of sugar, as in previous years.

### India

The production year 2019/2020 is expected to be at 27.00 - 28.00 million tons of sugar, down 15 percent from the previous year with decrement in important areas such as Maharashtra and Uttar Pradesh. In which, sugar production is at 6.2 million tons sugar decreased by 42 percent and sugar production is at 11.5 million tons sugar decreased by 2.7 percent respectively. In addition, a reduction of 140 sugar factories was reported or 25 percent reduction from the previous year. It is also expected that more than 300,000 tons of sugar in Uttar Pradesh will be used to produce ethanol, which is another factor causing the sugar production in India to decrease.



## Thailand

For Thailand, due to drought conditions, popping the trunk in the production year 2019/2020 is delayed for one week and it is predicted that in the production year 2019/2020, Thailand will have less sugarcane 43 percent from the previous year, or about 75 million tons of sugar cane compared with approximately 132 million tons of sugarcane in the previous year. As a result, sugar production will be dropped to 8.20 million tons of sugar, down from 14.50 million tons of sugar in the previous year. In addition, Thailand has reduced sugar for export by more than 5 million tons.

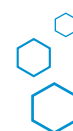
## 2. Overview of Domestic Sugar Industry


There are 56 sugar manufacturing plants in Thailand with sugarcane capacity of 130 million MT per year and sugar production capacity of 14.5 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	2,921,572.04	20.04%
Thai Rung Ruang Group	9 factories	2,415,768.26	16.57%
Khon Khen Sugar Group	5 factories	1,144,412.94	7.85%
Thai Identity Group	3 factories	1,032,848.99	7.08%
Korach Industry	2 factories	1,000,257.79	6.86%
Group Cristalla Sugar Group	3 factories	709,281.50	4.86%
Wangkanai Sugar Group	4 factories	685,201.87	4.70%
Ban Pong Sugar Group	2 factories	576,494.03	3.95%
Kanchanaburi Group	2 factories	420,091.12	2.88%
Kaset Phol Sugar Group	2 factories	394,218.88	2.70%
Khonburi Sugar PCL	1 factory	372,650.39	2.56%
Mitr Kasetr Sugar Group	2 factories	300,934.53	2.06%
Rajburi Sugar Group	2 factories	210,342.08	1.44%
Rayong Sugar PCL	2 factories	185,468.41	1.27%
<b>Others</b>	<b>11 factories</b>	<b>2,211,127.79</b>	<b>15.16%</b>
<b>Total</b>	<b>56 factories</b>	<b>14,580,670.60</b>	<b>100.00%</b>

*Source: Report on sugar production of sugar factories nationwide for year 2018/2019 (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 cane and sugar industry in Thailand is governed by the Cane and Sugar Act 1984, which requires the Cane and Sugar Board to control amount of sugar to be sufficient for domestic demand. Every year, the Cane and Sugar Board estimates domestic sugar consumption and determines quotas and distributes quotas according to amount of sugar produced for the sugar factory throughout the year according to amount of sugar that each factory produces. In addition, domestic sugar prices are controlled under the Goods and Services Act 1999 where the Ministry of Commerce announces the domestic sugar selling price.

As the order of the National Council for Peace and Order 1/2018 regarding amendments of law to support overall sugarcane and sugar industry structure improvement dated 15 January 2018 expired in September 2019, the Cabinet passed a resolution on 12 November 2019, approving "Draft announcement of the Cane and Sugar Committee regarding the preparation of revenue estimates, determination and payment of sugar cane and sugar production costs and ratio of compensation between sugarcane and planters". This changes the formula to calculate revenue sharing from sugar sales between sugarcane farmers and sugar factories by using the amount of sugar within the kingdom that was actually distributed in the last production season as "primarily sugar content" to divide proportion of sugar production of all factories as determined by the Sugar Committee and the Cane and Sugar Board has set a return for sugar cane and sugar production during the year 2019/2020 on 2 October 2019, the following resolutions were approved:

1. Agreed to determine the return on sugar cane and sugar production during the production season of 2019/2020 at the rate of 15 percent with the price of sugar sold in the Kingdom at the cost of farmers in sugarcane cultivation and exporting sugarcane to the factory plus sugar factory costs in production and storage, delivery to customers as follows:

1.1 White sugar = 17.25 Baht / kg

1.2 Refined sugar = 18.25 Baht / kg

2. Requesting cooperation with the sugar factories to conduct the sale at the price specified in item 1 from 1 October 2019 onwards.



## Changes from floating price for sugar

The Office of the Cane and Sugar Board changed as follows:

1. Cancel the calculation of sugar price from the original price of white sugar in the London market number 5 plus Thai premium sugar but will be used as supplementary information to not make the price very different from the world market price.
2. Use the average price of sugar sold in the Kingdom that the Office of the Cane and Sugar Board (OCSB) announced the beginning of the production season.
3. Cancel regulation of the sugar cane and sugar committee regarding the collection of money from the sale of sugar and cancel all 3 parts of the sugar quota system Namely domestic consumption (Quota A) exported for sale price (Quota B) and exported by factory (Quota C).

In doing so, the country's sugarcane and sugar industry system will be in line with trade agreements under the World Trade Organization (WTO), ASEAN Free Trade Area (AFTA) and accepted more internationally. This will benefit the sugarcane and sugar industry of the country by being able to create jobs and create economic incomes for the country as a whole.

*Source: Academic Office, 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 2018/2019**

Sugar for export		Sugar for domestic sale		
86%		14%		
Asia	Neighboring countries	Shopping mall (OEM)	Industry	Distributor
72%	28%	35%	35%	30%

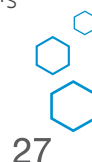
### 3.1 Domestic sales

The company sells and distribute products throughs 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 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.

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 Hyper Market, Supermarket.

- **Distributors**

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

### 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 ratio 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	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
<i>At 10 CCS</i>	THB/MT	THB/MT	THB/MT	THB/MT	THB/MT
Initial Sugarcane Price	900.00	807.88	1,049.78	880.00	700
Final Sugarcane Price (Region 9)	853.75	884.00	1,079.71	790.37	N/A

*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 2018/2019 production year, the total area for sugarcane production nationwide within surveyed areas covered 47 provinces and 12,236,074 rai. The area increased from the 2017/2018 production year by 693,524 rai or 6.01 percent due because of high amount of rainfalls..

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 2014/2015 to production year of 2018/2019

Production Yeal	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Sugarcane plantation (million rai)	10.5	11.0	10.9	11.54	12.24
Total sugarcane product (million ton)	106.0	94.1	92.9	134.93	130.97

*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 2018/2019, 56 manufacturing plants started their sugarcane preparation. 130.97 million MT of sugarcane was processed, which decreased from 134.93 million MT of sugarcane, accounting for 2.93 percent, in the year 2017/2018. The yield (MT/rai) was 10.75 MT/rai, which decreased from 12.06 MT/rai, accounting for 10.86 percent, in the year 2017/2018, Thailand's sugarcane yield was lower than the normal benchmark due to La Nina, causing low amount of rainfalls in almost of all regions of Thailand. On the other hand, in the year 2018/2019, 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	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	Average growth rate (percentage)
Quantity of sugarcane to be crushed nationwide (million tons)	106.0	94.0	92.9	134.9	130.97	(2.9%)
Quantity of sugarcane to be crushed in the North East (million tons)	47.4	42.1	38.5	58.6	60.4	(3.1%)

*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 2014/2015 to production year of 2018/2019

Production year	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Quantity of sugarcane throughout the country (ton sugarcane)	105,959,057	94,047,042	92,950,815	134,929,298	130,970,003
The company's quantity of sugarcane to be crushed (ton sugarcane)	2,286,749	2,647,639	2,444,846	3,989,468	3,298,841
Ratio between The company's quantity of sugarcane to be crushed and quantity of sugarcane throughout the country (percentage)	2.16%	2.82%	2.63%	2.96%	2.52%

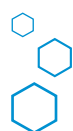
*Source: Production Management Center, Office of the Cane and Sugar Board, and the Company*

#### 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.

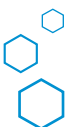
#### **(b) Farming services for farmers**

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

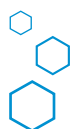
#### • Cane Crushing, Juice Extraction and Raw Sugar Production

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 sugarcane and sugar industry in Thailand has set a system for allocating benefits between sugarcane farmers and sugar factories according to the 70:30 system. The factory will have to pay sugar cane price to farmers as calculated by the Industrial Division in order to divide benefits from sugar production to farmers for 70 out of 100 parts. Industrial Division calculates sugar cane price that sugar factories have to pay to farmers by referring to average selling price of sugar that Thai Cane and Sugar Company Limited or TCSC can actually sell if the company is not able to sell sugar in foreign markets (according to Quota C) at price higher than average price that TCSC actually sells, the company will have to pay for sugar cane at a high price when compared to the company's sales resulting in lower profit margins and the company's profits.

However, the company has managed the risk closely by monitoring period and sales volume of TCSC to ensure that the company can sell sugar at a reasonable price compared to TCSC. The average selling price for foreign sales (according to Quota C) of the company in the last 3 years is higher than the average selling price that TCSC can actually sell each year.

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

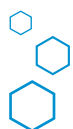
The quality of sugarcane or CCS of sugarcane is a core factor which affects the amount of sugar produced by the Company. The factors affecting the quality of sugarcane include the climate variability such as out of season rain during the sugarcane harvesting, which mainly reduce the sweetness in sugarcane.

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 subsidies

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 2019, The Company and its subsidiaries have the balance net book value after deduction accumulate depreciation of property, plant and equipment as amounting to 6,740.1 Million Baht. The details are as followings below:

Item	Net Book Value after deduction accumulated depreciation	Ownership	Obligation
Consolidated			
Land and land improvement	225.1	Ownership	Collateral against credit facilities and loans <sup>1</sup>
Building and premises	880.9	Ownership	Collateral against credit facilities and loans <sup>1</sup>
Machinery	4,172.3	Ownership	Collateral against credit facilities and loans <sup>1</sup>
Equipment	25.0	Ownership	None
Furniture, fixtures and office equipment	12.2	Ownership	None
Motor Vehicles	176.1	Ownership	None
Facilities systems and water treatment systems	235.5	Ownership	None
Assets under construction	1,013.0	Ownership	None
<b>Total</b>	<b>6,740.1</b>		

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

#### Trade mark of Group company

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



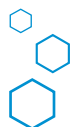
## Investment in subsidiaries and associated policy

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. And 1 associated company is CK Trading (1965) Company Limited, company currently holds a 49% stake, with the appointment of company executives as directors in such subsidiaries and associates.

## Legal disputes

As of 31 December 2019, the Company and its subsidiaries do not have any legal disputes affecting the company's business operations and significant negative impact on the subsidiary's assets or more than 5% of the shareholders' equity.



## 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 140,000,000
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

## 8. CK Trading (1965) Co., Ltd. (*join venture*)

Year of Established	September 2019
Nature of Business	Providing agents, brokers for trading providing marketing service to promote the sale of consumer goods of all kinds.
Company registration number	0105562150530
Registered capital	Baht 1,000,000
Paid-up capital	Baht 1,000,000
Head Office	1168/91 Lumpini Tower, Floor 30, Rama IV Road, Sathorn Bangkok 10120

## References

### The Registrar

Thailand Securities Depository Co., Ltd.

93 Ratchadaphisek Road, Dindaeng, Dindaeng, Bangkok 10400, Thailand Tel. : (66) 2009- 9000 Fax : (66) 2009- 9991 TSD CALL CENTER : (66) 2229- 2888

E-mail: [srg\\_tsd@set.or.th](mailto:srg_tsd@set.or.th)

Website : [www.tsd.co.th](http://www.tsd.co.th)

### Auditor

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

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

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

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

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

Ms. Rosaporn Decharkom, C.P.A. Registration No. 5659

Ms. Orawan Techawatanasirikul, C.P.A. Registration No. 4807

EY Office Limited

33rd Floor, Lake Rajada Office Complex

193/136-137 Rajadapisek Road Klongtoey, Bangkok 10110 Thailand

Tel. : (66) 2264-0777, (66) 2661-9090

Fax. : (66) 2264- 0789- 90

Website : [www.ey.com](http://www.ey.com)

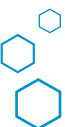
### Legal Advisor

Associate Prof. Dr. Sahaton Rattanapijit

The Faculty of Law, Thammasat University Bangkok 10200

Tel. : (66) 2613-2121

Fax. : (66) 2997-28222



# 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 a par value of THB 1.00 per share. The paid-up capital is THB 600,000,000.

## Shareholder of the Company

Distribution of shares by nationality as of 30 December 2019

	Number of people	Shares held	Proportion (%)
Thai Shareholder	3,603	499,043,200	83.17
Foreign Shareholder	15	100,856,800	16.83
<b>Total</b>	<b>3,618</b>	<b>600,000,000</b>	<b>100.00</b>



## Shareholding Structure

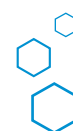
The major shareholders of the Company as of 30 December 2019 are listed below.

	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	31,520,700	5.253
5	Mr. Kan Twiltermsup	15,910,000	2.652
6	Mr. Somchai Twiltermsup	15,611,000	2.602
7	Thai NVDR Company Limited	14,595,500	2.433
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	217,130,000	36.188
	<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 2019 are as follows:

- Mr. Issara Twiltermsup Group holds 39,100,000 shares representing 50%.  
(Mr. Issara Twiltermsup Group comprises Mr. Issara Twiltermsup, Mr. Somchai Twiltermsup, Miss Chonatee Twiltermsup, Mr. Teerawat Twiltermsup.)
  - Mr. Takon Tawintermsup Group holds 19,550,000 shares representing 25%.  
(Mr. Takon Tawintermsup Group comprises Mr. Takon Tawintermsup, Mr. Rungsan Tawintermsup, Mr. Rachot Tawintermsup.)
  - Mr. Somkiat Twiltermsup Group holds 19,550,000 shares representing 25%.  
(Mr. Somkiat Twiltermsup Group comprises Mr. Somkiat Twiltermsup, Ms. Jitsupa Twiltermsup and Mr. Tanachote Twiltermsup.)
- Total 78,200,000 shares equivalent to 100%



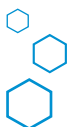
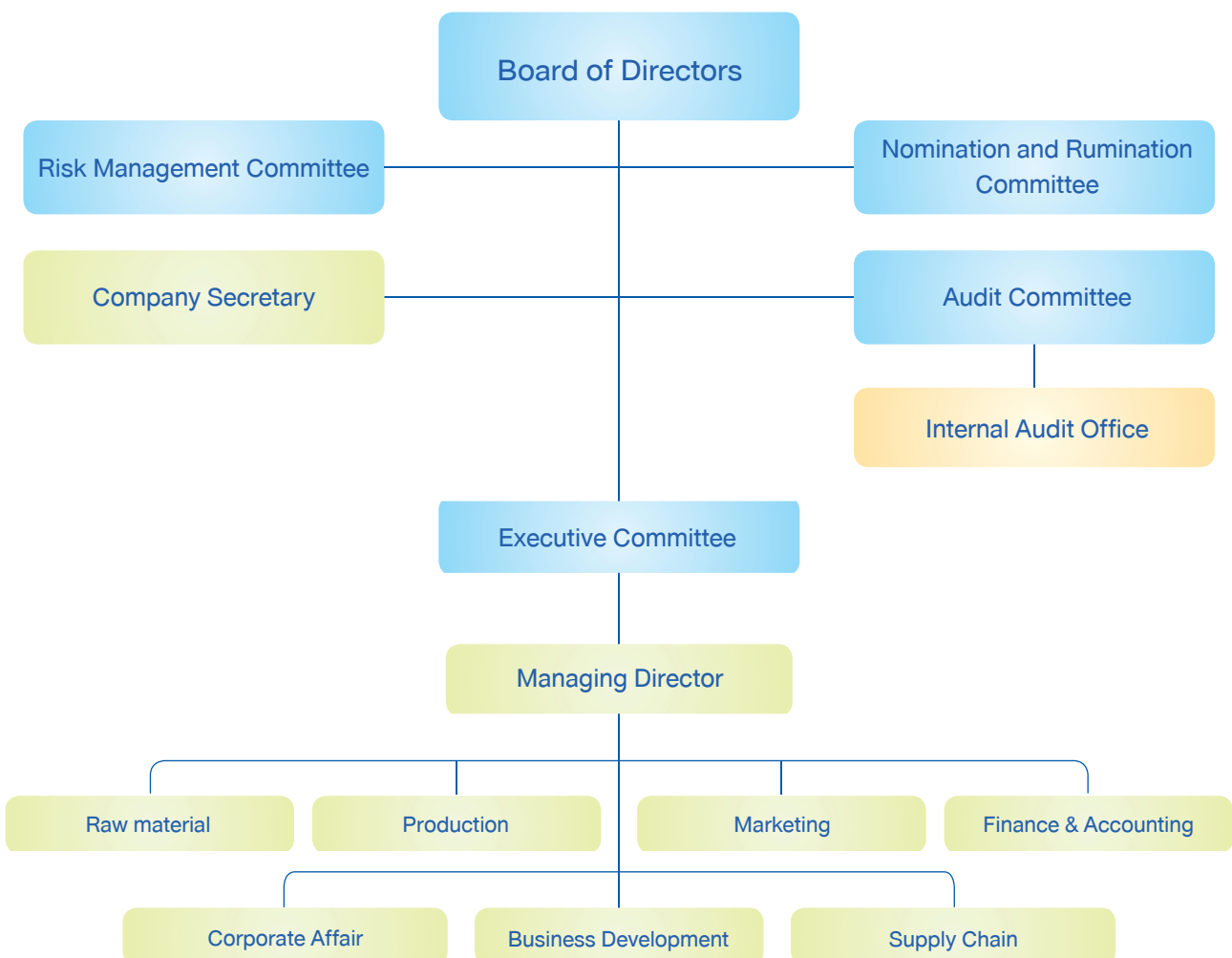
## Policy and Dividend payment

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 2019 are listed below.



## Manage Structure

The management structure of the Company as of 31 December 2019 consists of the Board of Directors and 4 sub-committees, namely the Executive Committee, the Audit Committee, the Risk Management Committee and the Nomination and Remuneration Committee; details of which are as follows:

### 1. The Board of Directors

As of 31 December 2019, the Board of Directors consists of 9 members, namely:

No.	Name of Directors	Position
1	Mr. Suthep Wongvorazathe	Chairman and 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*

### Authorized Directors

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 Act in a best interest of shareholders (Fiduciary Duty) by observing the following four main practices:
  - 1) Performing duties with responsibility and all due circumspection and caution (Duty of Care).
  - 2) Performing duties with integrity (Duty of Loyalty).
  - 3) Performing duties in compliance with laws, objectives, Company's Articles of Association, resolutions of the Board, and resolutions of shareholders' meetings (Duty of Obedience).
  - 4) Disclosing information to shareholders accurately, completely, and transparently with verification and timeliness (Duty of Disclosure).
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 Authorities of the Chairman of the Board

1. To direct, monitor, and ensure Board performance for efficiency and fulfillment of corporate objectives and key goals.
2. To ensure all directors' roles in promoting a corporate culture filled with ethics and governance.
3. To allocate enough time for the management to present matters and the Board to thoroughly discuss key issues. To encourage directors' exertion of discretion and expression of free views.
4. To promote cordial relations between the Board and the management, while supporting performances of the President & Managing Director and the management under corporate policies.
5. To ensure transparent disclosure of information and management of conflicts of interest.
6. To steer the overall performance of the Board, sub-committees, and individual directors for efficiency and effectiveness.
7. To act as the Chairman of the Board's meeting and shareholders' meeting.



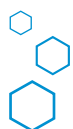




## Independent Director

The company has defined qualifications of independent director which are in accordance with the Notification of the Securities and Exchange Commission and the Stock Exchange of Thailand as follows:

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. Not holding shares exceeding one percent of the number of shares 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.

## 2. The Executive Committee


As of 31 December 2019, the Executive Committee consists of 3 members, namely:

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

*Remark: Mr. Teerapat Thavisin is the Secretary to the Executive Committee..*

### 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



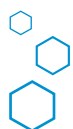
million, to be made with any financial institutions in respect with the opening of account, taking out of loans and credit line, pledge, mortgage, guarantee and other matters as well as selling and purchase, and registration for any ownership of land in accordance with the Company's objectives in order 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 2019, the Audit Committee consists of 3 members. All of which are independent directors, namely:

No.	Name of Directors	Position
1.	Ms. Suvimol Krittayakiern <sup>1</sup>	Chairman of the Audit Committee
2.	Mr. Voravit Rojrapitada	Member of the Audit Committee
3.	Mr. Sukda Pankla	Member of the Audit Committee

**Remarks:** 1. Mrs. Suvimol Krittayakiern is an audit committee member who has knowledge in accounting and finance.  
2. Mr. Manawin Kongto, Internal Audit Manager, is 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

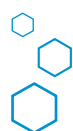
As of 31 December 2019, the Risk Management Committee consists of 3 members namely:

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

*Remark: Mr. Teerapat Thavisin is 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

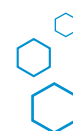
As of 31 December 2019, the Nomination and Remuneration Committee consists of 4 members, namely:

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

**Remark:** Mr. Teerapat Thavisin is 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 2019, the Management of the Company consists of 9 persons, namely:

No.	Name of Executive Management	Position
1	Mr. Takon Tawintermsup	Acting Managing Director
2	Mr. Kawin Punsiri	Deputy Managing Director
3	Mr. Somkiat Twiltermsup	Deputy Managing Director of Marketing
4	Mr. Kriangsak Phattarakosol	Deputy Managing Director of Raw Materials
5	Mr. Issara Twiltermsup	Assistant Managing Director of Corporate Affairs
6	Mr. Rangsan Twiltermsup	Assistant Managing Director of Production
7	Mr. Rathavudh Sae-Tang	Assistant Managing Director of Marketing
8	Mr. Rakkiti Tanglamlert	Chief Financial Officer
9	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.

## Selection and Nomination of Director

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 agenda items and to nominate person to be elected from September 18, 2018 until December 20, 2018, in advance in compliance with the criteria as announced on the Company's website: [www.kbs.co.th](http://www.kbs.co.th) under "Investor Relations" page, "Shareholder information" section and item "General Meeting of Shareholders".

The general meeting of shareholders elects the directors in accordance with the following rules and procedures:

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.





3. Where a vacancy occurs in the Board of Directors for reasons other than the expiration of the director's term of office, the Board of Directors shall elect a person who is qualified, and does not have prohibited characteristics as specified by the Public Limited Companies Act and the securities and exchange laws, as the substitute director at the next meeting of the Board of Directors, unless the remaining term of office of the said director is less than two months. The substitute director shall hold office only for the remaining term of office of the director whom he or she replaces. The resolution of the Board of Directors shall be by a vote of not less than three-fourths of the number of directors remaining

## 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 29, 2019. Meeting allowance do not exceed THB 8,000,000 per year which is the same amount as 2018.

Directors' Remuneration as of 2019 as follow:

Name	Position	Meeting Allowance (THB/Person/Time)
Board of Director	Chairman	30,000
	Member	20,000
Audit Committee	Chairman	30,000
	Member	20,000
Nomination and Remuneration Committee	Chairman	30,000
	Member	20,000
Risk Management Committee	Chairman	30,000
	Member	20,000
Executive Committee	Chairman	30,000
	Member	20,000

Details of remuneration of the Board of Directors and the Sub-Committees are as follows:

Name	2017			2018			2019		
	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	108,000	528,000	636,000	108,000	528,000	636,000
2 Mr. Takon Tawintermsup	228,000	396,000	624,000	252,000	396,000	648,000	468,000	528,000	996,000
3 Mr. Somkiat Twiltermsup	168,000	462,000	630,000	162,000	594,000	756,000	236,000	594,000	830,000
4 Mr. Issara Twiltermsup	192,000	462,000	654,000	192,000	462,000	654,000	236,000	462,000	698,000
5 Mr. Amnart Rumpoeypong	72,000	330,000	402,000	96,000	198,000	294,000	72,000	198,000	270,000
6 Mr. Sran Smutkochorn	66,000	528,000	594,000	144,000	528,000	726,000	204,000	528,000	732,000
7 Ms. Suvimol Krittayakian	120,000	396,000	516,000	144,000	396,000	540,000	180,000	396,000	576,000
8 Mr. Voravit Rojrapitada	108,000	462,000	570,000	108,000	330,000	438,000	162,000	528,000	690,000
9 Mr. Sukda Punkla	-	-	-	72,000	330,000	402,000	144,000	330,000	474,000
10 Mr. Chaiyapong Pooosunthornsri	-	-	-	114,000	462,000	576,000	-	-	-
11 Dr. Thawatchai Nakata	84,000	396,000	480,000	114,000	396,000	510,000	-	-	-
12 Mr. Tat Wanakornkul	192,000	462,000	654,000	60,000	-	60,000	-	-	-
13 Mr. Suwat Summasshipvitsavakul	72,000	330,000	402,000	36,000	-	36,000	-	-	-
<b>Total</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>	<b>1,810,000</b>	<b>4,092,000</b>	<b>5,902,000</b>

## 2. Remuneration of executives

(Unit : Baht)

Remunerations	Year of 2017	Year of 2018	Year of 2019
Salaries, bonus, etc.	39,749,187	29,506,774	36,144,898

## Company Secretary

The Company Secretary has a key role in supporting and overseeing the Board's activities to be efficient, effective and in consonance with law, rules, regulations, and corporate governance principles. The Board of Directors shall appoint a qualified person to perform this position based on his/her knowledge, ability and suitability; and has defined roles and responsibilities of the Company Secretary as follows:

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.

The Board of Directors resolved to appoint Mr. Teerapat Thavisin as the Company Secretary, effective from 8 August 2017.

## Personnel

The changes of the group of Companies personnel including executives.

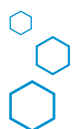
Date / Number of employees	31st December 2017	31st December 2018	31st December 2019
Khonburi Sugar Public Company Limited	851	777	755
Khonburi Power Plant Co., Ltd.	92	96	89
KBS Trading Co., Ltd.	-	-	-
KBS Investment Co., Ltd.	-	-	-
KBS Cane and Sugar Co., Ltd.	-	-	44
KBS Power Co., Ltd	-	-	-
Khonburi Bio Energy Co., Ltd.	-	-	-
<b>Total</b>	<b>943</b>	<b>873</b>	<b>888</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

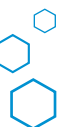
The company has plan to help employees reaching their potential by established personal development plan based on their basic competency. Job description conforms to our vision and mission significantly. Our employees were rated since they started their job. Policies on continuous training by their competency and human resource management have been set up. The aims are to help employees reaching 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
2019	16,608	20.76

## 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.

### Mr. Suthep Wongvorazathe

Position	: Chairman / Independent Director
Age	: 72 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 :

2011 - Present	Chairman, Independent Director Khonburi Sugar Public Company Limited
2015 - present	Chairman M.K. Real Estate Development Public Company Limited
2007 - 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

## Mr. Takon Tawintermsup

Position	: Director / Chairman of Executive Committee / Risk Management Committee
Age	: 66 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 :

2011 – Present	Chairman of Executive Committee, Director, Khonburi Sugar Public Company Limited
2007 - 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

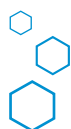


## Mr. Somkiat Twiltermsup

Position	: Director / Executive Director / Risk Management Committee / Nomination and Remuneration Committee / Deputy Managing Director of Marketing
Age	: 58 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	: 23,841,400 shares
Number of shares held at the end of the year	: 31,520,700 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



## Mr. Issara Twiltermsup

Position	: Director / Executive Director / Nomination and Remuneration Committee / Assistant Managing Director of Corporate Affairs
Age	: 41 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 Lead Auditor Training Course ISO 14001 : 2004 Lead Auditor Training Course
Number of shares held at the beginning of the year	: 14,045,000 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, CK Trading (1965) Co., Ltd. : 100 shares
Number of shares held by the spouse and minor children at the end of the year	: -

### Experiences :

2011 - Present	Director, Executive Director, Risk Management Committee and Assistant Managing Director of Corporate Affairs Khonburi Sugar Public Company Limited
2019 - Present	Director CK Trading (1965) 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





## Mr. Amnart Rumpoeypong

Position	: Director
Age	: 44 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 :

2011 – 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

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## Mr. Sran Smutkochorn

Position	: Independent director / Chairman of Risk Management Committee / Nomination and Remuneration Committee
Age	: 55 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 :

2011 - 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 - 2019	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

## Ms. Suvimol Krittayakiern

Position	: Independent Director / Chairman of Audit Committee
Age	: 68 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 :

2017 - Present	Independent Director and Audit Committee Team Consulting Engineering and Management Public Company Limited
2011 – 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



## Mr. Voravit Rojrapitada

Position	: Independent Director / Audit Committee / Chairman of Nomination and Remuneration Committee
Age	: 75 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 :

2011 - 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.

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## Mr. Sukda Punkla

Position	: Independent Director / Audit Committee
Age	: 61 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

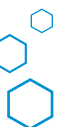


## Mr. Kriangsak Phattarakosol

Position : Deputy Managing Director of Raw Material  
Age : 66 years old  
Education : Bachelor Degree of Agriculture, Kasetsart University  
Training : -  
Number of shares held at the beginning of the year : 265,000 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



## Mr. Kawin Punsiri

Position	: Deputy Managing Director
Age	: 48 years
Education	: Master in Finance, Thammasart University Bachelor of Science, Kasetsart University
Training	: Director Certification Program (DCP) Class 149/2011, IOD
Number of shares held at the beginning of the year	: None
Number of shares held at the end of the year	: None
Number of shares held in Subsidiaries	: None
Number of shares held by spouse and	: None
Family relation among directors and executives	: None

### Experience :

2019 - Present	Deputy Managing Director	Khonburi Sugar Public Company Limited
2017 – 2018	Deputy Managing Director	Thantawan Industry Public Company Limited
2013 – 2015	Co-Chief Executive Officer	National Power Supply Public Company Limited
2017 - 2017	Board Committee and Chief Executive Officer,	Summit-Hirotani-Sugihara Company Limited
	Board Committee and Deputy Chief Executive Officer	Forasia & Summit Interior Systems (Thailand) Company Limited
	Board Committee and Deputy Chief Executive Officer,	Summit & Autoneum (Thailand) Company Limited
	Board Committee and Deputy Chief Executive Officer,	Summit NVH Company Limited
2015 – 2016	Chief Executive Officer, WMI Emporium Company Limited	
2012 – 2015	Chairman, National Power Plant 5 Company Limited	
2010 – 2015	Board Committee, E85 Company Limited	
	Board Committee, Sonic Starch Technology Company Limited	
2012 – 2014	Board Committee, SV Progressive Company Limited	
2009 – 2014	Board Committee, 304 Plaza Company Limited	
	Board Committee, 304 Housing Company Limited	
2009 – 2013	Chief Executive Officer, Biomass Supply Company	
2004 – 2008	Board Committee, Chaiyo aA Company Limited (Thailand, Laos, Cambodia and Vietnam)	



## Mr. Rangsang Tawintermsup

Position : Assistant Managing Director of Production  
Age : 36 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 :

2018 - Present Assistant Managing Director of Production Khonburi Sugar Public Company Limited  
2015 - 2018 Assistant Managing Director of Supply Chain  
Khonburi Sugar Public Company Limited  
2015 - 2018 Senior Advisor Chumporn Palm Oil Industry PLC  
2008 - 2014 Trading Manager Glencore Singapore Pte Ltd, Singapore  
2008 - 2014 Associate Nomura International, Singapore



## Mr. Rathavudh Saetang

Position : Assistant Managing Director of Marketing  
Age : 61 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



## Mr. Rakkiti Tanglamlert

Position	: Chief Financial Officer
Age	: 51 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

## Ms. Surawee Puangthong

Position	: Senior Manager Finance
Age	: 55 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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## Mr. Teerapat Thavisin

Position	: Manager of Managing Director Office / Company Secretary
Age	: 38 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.

### Good Corporate Governance Principles

The Company recognizes the importance of the good corporate governance since it believes that ethical, transparent and auditable business conduct will help the Company attain its goal and enjoy sustainable growth. The Company has therefore formulated all directors, management and employees to conform with the Good Corporate Governance Principles and has disclosed the Good Corporate Governance Principles via the Company's website: [www.kbs.co.th](http://www.kbs.co.th).

The Good Corporate Governance Principles consists of 5 principles as follows:

#### 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 polices are described below.

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

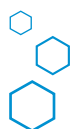
The Company lays down a policy of providing the information, adequacy and timing, to all of its shareholders about the date, time, venue, agendas of each meeting of the shareholders, as well as all other related issues for any decision-making in the meetings of shareholders as required by law. The Company 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

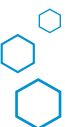
The Company has a policy of using the ballot tickets for any significant agendas, e.g. connected transactions, acquisition or disposal of significant assets, etc. for the transparency and verification of voting in case of any arguments.

### 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.





## The 2019 Annual General Meeting of Shareholders (“AGM”)

The Company recognizes the importance of giving identical rights and affording equal treatment to all shareholders. Relevant guidelines have been adopted for actual actions (before, during and after meetings) for all shareholders’ meetings. The 2019 AGM was held on Monday, April 29, 2019, at 14.00 hours at Ratanakosin Room, Narai Hotel, 222 Silom Road, Suriwongse, Bangrak, Bangkok. There were 59 shareholders attending the meeting in person and 49 shareholders attending by proxy, representing 66.1106% of the total 600,000,000 shares issued. Out of 9 members of the Board, 9 directors attended the meeting, equal to 100% of the Board. The Chairman of the Board, Chairman of the Audit Committee, Chairman of the Nomination and Remuneration Committee, Chairman of the Risk Management Committee, Chairman of the Executive Committee, Managing Director, Chief Financial Officer, Company Secretary, the external auditor and the legal advisor attended the meeting. Details of the AGM proceedings are as follows:

### **Before the Meeting**

- The Company provided individual shareholders with rights to propose in advance additional agenda items and nominate directors from September 18, 2018 to December 20, 2018. Criteria for such consideration can be viewed at the Company’s website. However, in 2018, no shareholder proposed any names or agenda items for consideration.
- Meeting notices were prepared in Thai and English. For the 2019 AGM, the meeting notice was posted on the Company’s website and was distributed to shareholders in advance before the AGM. This provided shareholders with enough time to examine the information.
- In the meeting notice, the Company enclosed essential, adequate facts and rationales, as well as directors’ comments on all items on the agenda for shareholders’ consideration. The AGM agenda comprised:
  - 1) Nomination of Directors: the Company provided basic information on candidates, including each one’s name, age, type of directorship, position held in the Company, education, director training/ seminar courses attended, experience, positions held in other or the Company’s related businesses, date of appointment as director, number of years in the position, participation in committees’ meetings as member of such committees, shareholding in the Company, and other information such as any conflict of interest incurred in the previous year.
  - 2) Director’s compensation: the Company provided information on the policy, amount, and form of compensation for each director’s position and responsibility, criteria, and the procedures for determining compensation.
  - 3) Appointment of external auditors: the Company provided information on the names of auditors and their affiliations, auditors’ independence, and the number of service years for the Company, the consideration of the suitability of the auditors’ fee, presented separately from other fees.
  - 4) Dividend Payment: the Company provided information on the dividend policy and dividend amount proposed for approval, in comparison with the amount paid in the previous year.
- There was no significant, extraordinary document distributed at the meeting, no added item, and no amendment made to material information without informing the shareholders in advance.
- The Company facilitated shareholders who could not attend the meeting themselves by enclosing in the meeting notice Proxy Form B, on which they could state their voting preference, together with details about how to appoint a proxy to shareholders’ meetings. Shareholders could download Proxy Forms A, B, and C from the Company’s website. In addition, the names and profiles of the independent directors were provided for shareholders’ voting by proxy.

### **At the Meeting**

- The Company provided at least a two-hour registration period before the meeting. Barcode and computer systems eased registration and vote counting to speed up the process and ensure information accuracy and reliability.
- The Company provided shareholders with voting rights equivalent to the number of shares held. One share yields one vote. There is only one type of share, which is ordinary share.
- Shareholders were informed by the Company about the vote-tallying procedures before the shareholders' meeting.
- The Company introduced the use of ballots for casting votes. The ballots were prepared separately for each agenda item for shareholders' voting convenience.
- The Company provided shareholders with the rights to exercise their votes on the nomination of directors by electing them one by one.
- Participants were informed of the voting result for each agenda item and presented with the voting scores.
- The Company transparently conducted the AGM by following respective agenda items as stated in the meeting notice, in strict conformance to the law and the Company's regulations.
- Shareholders were allowed to attend a meeting in progress and vote on remaining items.
- The Company allowed shareholders to freely express their views and raise their questions at the meeting. The Chairman of the Board, Chairman of all sub-committees, Managing Director, senior executives and external auditor attended the meeting to clearly answer all aspects of shareholders' questions.

### **After the Meeting**

- The resolutions of the AGM were provided on SET's website on April 29, 2019, which was the meeting date so that non-attending shareholders might be immediately informed.
- The quality of minutes of shareholders' meeting was emphasized by recording the following information:
  - list of directors attending and in absence at the meeting, including their positions,
  - voting rights and methods, including the use of ballots for casting votes,
  - shareholders' queries and recommendations, including the explanation of directors or the management, and
  - shareholders' meeting resolutions and voting- tally on every agenda item that includes voting.
- Minutes of each shareholders' meeting were distributed in Thai and English through the Company's website within 14 days starting from the meeting date, with a copy sent to SET within the stated period.

## **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 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.

### 3.7 Government

The Company cooperates and supports government policies for the benefit of the country under relevant law and criteria; actively implements projects beneficial to the public, whether as assigned by the government or company-initiated projects; and provides cooperation in anti-corruption.

### 3.8 Society, Communities and Environment

The Company realizes 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 environment. The Company monitors its operation and preventing itself from damaging the quality of life of society, communities and the environment.

#### Policy and Guidelines on Safety, Occupational Health and the Environment

In ensuring the safety and sound occupational health of its employees and stakeholders, the Company has defined a policy and guidelines requiring the planning and setting up within its offices and facilities of efficient, adequate security and warning systems. The purposes are to prevent and control risks of damage from accidents, injuries, work-related illnesses, damage or loss of properties, incorrect practices and other mistakes.



## 4. Disclosure and Transparency

The Company has a policy of disclosing important information related to the Company, whether financial and non-financial, accurately, completely, transparently and timely via any channels which are reliable and easily accessible so that so that shareholders, investors and all stakeholders in Thailand and abroad may regularly receive reliable and adequate information for their decisions.

### 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.

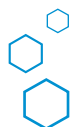
### 4.2 Disclosure of Information

The Company disseminates material information, available in both Thai and English, in line with regulators' requirements through the SET Community Portal and the Company's website [www.kbs.co.th](http://www.kbs.co.th) under the Investor Relation section. Information disclosed on the website includes Form 56-1, the Annual Report (Form 56-2), financial statements, Management Discussion & Analysis (MD&A), the Company's past performances, data on the Company's business operation, notices to shareholders' meetings, minutes of shareholders' meetings, corporate governance, information submitted to SET, etc. The Company has set up Investor Relations to represents the Company's center for disclosing financial and nonfinancial information, promoting and managing good relations with shareholders, investors, securities analysts, the public and stakeholders in Thailand and abroad. Shareholders, investors and interested parties may contact 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 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 the Executive Committee.





## 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

The Board of directors consists of qualified persons who have knowledge, ability, skill and experience that are beneficial to the Company's business operations. All directors shall be legally qualified and shall not possess any characteristics prohibited by law. The composition of the Board of Directors comprises of 9 directors, with five of them, including a woman, being independent directors, equivalent to one-third of the total as required by SEC's regulations. All independent directors are qualified as stipulated by the Company and can discharge their duties freely, efficiently and beneficially to the Company.

The Chairman of the Board is independent director according to the definition of the SET. He has no relation with management, and is not the same person as the Managing Director in order to separate duties of policy making, and supervision from management.

The Board of Directors has a policy regarding diversity in the structure of the Board of Directors, consisting of diverse gender, age, education level, knowledge, competency, professional skills, work experience, and expertise. The diversity is an important factor to balance ideas and quality of work; and to enhance efficiency in decision-making of the directors.

Furthermore, to ensure good governance in all dimensions of the Company and in conformance to the good corporate governance principles, the Board has appointed sub-committees, which are the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Executive Committee, to help fulfilling its responsibilities, screen specific key operational aspects as assigned, give opinions to the Board and decide certain matters as authorized by the Board.

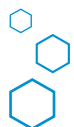
### 5.2 Roles, Duties and Responsibilities of the Board of Directors

Scope of duties and responsibilities of the Board and Sub-committees were disclosed under the Shareholding Structure and Management section.

### 5.3 Term of Director's Office

Director's term of office is in compliance with the Public Company Act and the Company's Articles of Association, which is provided that at every annual general meeting of shareholders, one third of the directors, or if their number is not multiple of three, then the number nearest to one-third must retire from the office. The director who has held office longest shall retire. However, a retiring director is eligible for re-election. However, directorships should not exceed three consecutive terms, except for those who are considered appropriate to do so. The Board will consider independence and efficiency of work performance of the director in question and present his or her work performance and the supporting reasons for the term extension to the shareholders.

For independent directors, the Company does not specify the term of office for an independent director. This is due to the fact that the Independent Directors have qualifications in accordance with the definition of independent directors as determined by the Capital Market Supervisory Board and are able to provide opinions



independently in the Board meeting. Nevertheless, if there is an independent director who has held the position for more than 9 years and the Board of Directors approves that such independent director is suitable to hold office for another term, the Board of Directors shall present reasons why the Board propose to the shareholders' meeting to consider and approve the appointment of the said independent director to hold office for another term Board of Directors meeting.

#### 5.4 Directorship in Other Companies

The Company has stipulated that directors may hold directorships in other companies, but must not let them affect their work as the company's directors. In addition, a director must not operate the same business and competing with the Company's business; or become a partner or a director in other juristic persons that have the same condition and in competition with the business of the Company, whether doing it for his/her own benefit or for the benefit of another person, unless notified to the shareholders meeting before the appointment.

It is stipulated that directors may hold directorships in no more than five listed companies. Presently no directors held directorships in more than five listed companies.

#### 5.5 Board's Meeting

1. The Company regularly arranges the Board of Directors' meeting which requires to be held at least once every three months in order to consider the financial statements, follow up on the performance as well as provide guidance and set direction of the business, policy and corporate's goals.

2. The Board of Directors sets up schedule of the Board meetings in advance each year and inform all directors so that each director can arrange time and attend meeting. The Board members has the duty to regularly attend Board's meetings with the ratio of at least 75% of the meetings for the entire year. In 2019, there were four Board meetings, while the ratio of directors' participation was 100%

In 2019, the Board of Directors' meeting for the year 2020 was set in advance (this schedule may be changed), excluding special meetings, as follows:

No.	Board of Director Committee / Audit Committee	the Nomination and Remuneration Committee
1	Monday 24th February 2020	Monday 24th February 2020
2	Monday 11th May 2020	
3	Monday 10th August 2020	
4	Monday 9th November 2020	

3. The Chairman shall call the Board of Director's meeting and considers the meeting agenda. He/she may consult with the Managing Director, the Company secretary or the advisors of the Company for meeting agenda. Each director has right to propose matters to be the agenda items of the Board's meeting.
4. The Company Secretary shall submit meeting documents to all directors in advance. Information which are necessary for consideration shall be summarized. During each meeting, the Chairman shall allocate enough time for discussion. The directors can contact the Company Secretary for additional information at any time.
5. Not less than half of all directors shall participate in each meeting to constitute a quorum. The Chairman shall preside over a meeting. In the event that the Chairman is not present in the meeting or is unable to perform his/her duties, members of the Board shall elect a member to take position of the chairman in the meeting.





6. The Board's resolution shall be passed by the majority votes of the Board's members who attend the meeting and cast their votes. One member shall have one vote. In case of a tied vote, the Chairman of the meeting can cast another vote to determine the vote result. Any member of the Board who has vested interest in any matters to be considered shall abstain from the meeting and voting on that item.
7. The Board of Directors may invite executives, employees, and advisors to attend the meeting to provide additional information regarding the meeting.
8. The Board of Directors can access and receive additional necessary information from the Managing Director or the Company Secretary or other assigned executives.
9. 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.

Participation in the Board and Sub-Committees meetings of each director in the year 2019 were summarized as follows:

	Name of Director		Board of Directors	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Executive Board Directors
1	Mr. Suthep	Wongvorazathe	4/4	-	-	-	-
2	Mr. Takon	Tawintermsup	4/4	-	3/4	-	12/12
3	Mr. Somkiat	Twiltermsup	4/4	-	4/4	1/1	4/12
4	Mr. Issara	Twiltermsup	4/4	-	-	1/1	8/12
5	Mr. Sran	Smutkochorn	4/4	-	4/4	1/1	-
6	Ms. Suvimol	Krittayakian	4/4	4/4	-	-	-
7	Mr. Voravit	Rojrapitada	4/4	4/4	-	1/1	-
8	Mr. Sukda	Punkla	4/4	4/4	-	-	-
9	Mr. Amnart	Rumpoeypong	4/4	-	-	-	-

## 5.6 The Board's Self-Assessment

The Board of Directors shall conduct self-assessment once a year to consider its performance and problems occurring in the past year. The results are key factors for the enhancement of directors' performance and related duties. The self-assessment form applies SET's evaluation approach to suit the characteristics and structure

of the Board. At the end of each year, the Company Secretary will send a self-assessment form to every director, collect the completed forms, report the results to the Board for acknowledgement, as well as analyze the evaluation results in order to seek practical guidelines and set standards for further development of the Board's efficiency. The criteria of evaluation are calculated in percentage of full score, which are over 80 percent = excellent, over 60 percent = good, over 40 percent = fair, over 20 percent = need improvement and less than 20 percent = no any procedure of such matter. In the Board of Directors Meeting No. 2/2020, held on February 24, 2020, there was the Board's self-assessment on a group basis. The evaluation topic covers 6 areas, which are 1) Board structure and qualifications, 2) roles, duties and responsibilities of the Board, 3) the

Board meeting, 4) duties of directors 5) relationship with management, and 6) directors' self-improvement and management training. Assessment results of the Board of Directors for the year 2019 showed an average score of 96.16%, rated excellent.

#### **5.7 Evaluation of Senior Executives**

The Board of Directors evaluates the performance of the Company's senior executives by considering the business operating results, performing of duties in accordance with the policy received from the Board of Directors together with the overall economic and social situation. The evaluation results will be used by the Board for considering compensation of the senior executives.

#### **5.8 New Director's Orientation**

The Company stages lectures and company visits and prepares a directors' manual for new directors to be informed of its business operation and principles, relevant laws and regulations, corporate governance policy, and other essential information that will prove useful to their efficient performance. The director's manual and other relevant rules are provided to new director by the Company Secretary, who acts as a coordinator.

#### **5.9 Development and Knowledge Enhancement of Directors and Senior Executives**

The Board valued the continuous development of its directors, sub-committees and senior executives for greater knowledge and ability to perform their work. The Board of Directors and senior executives are encouraged develop knowledge and exchange experiences in their respective work and responsibilities through public relations and coordination of the Company Secretary to accommodate the participation of all directors and senior executives in training and seminars.

#### **5.10 Supervision of Subsidiaries and Associated Companies**


The Company specifies efficient corporate governance, risk management and internal control systems in supervising the operation of its subsidiaries and associated companies through applicable rules, regulations and policies. These include clearly defined authorization procedures, operational guidelines and work processes. Under the Company's reporting system, subsidiaries and associated companies are also required to periodically report to the Audit Committee and the Board of Directors. These mechanisms ensure a harmonized operation of subsidiaries, associated companies and the Company in line with the Company's establishment objectives, which in turn will be a driving force for the achievement of the Company's long-term targets and sustainable growth.

In addition, the Company has arranged for its subsidiaries and associated companies to accurately and comprehensively disclose their material financial information in line with the criteria and procedures announced by SET. Such information includes the financial status and performance of subsidiaries and associated companies, transactions between them and connected parties, the acquisition or disposition of assets, and significant transactions.

### **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.

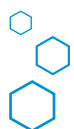
The Office of Company Secretary send notice to directors and executives advising those who receive important inside information that affects prices of securities shall not trade corporate securities within that one month and not disclose the important inside information before the corporate financial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

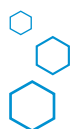
1. The Company’s Board of Directors have duties and responsibilities to establish and regulate policy in order to ensure that there is effective supporting system in place for anti-corruption, and to demonstrate that the management recognizes and places importance on anti-corruption and inculcates it until the policy becomes corporate culture.



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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:

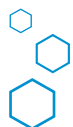
1. Corruption and/or fraud
2. Abuse of power
3. Unauthorized use of the Company’s money, assets, and/or facilities
4. Involvement in conflict of interest and/or use of one’s position for business opportunity
5. Failure to comply with the Company’s rules, regulations and/or code of conduct
6. Involvement 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

1. An employee and/or a person witnessing the breach of laws, regulations, articles of association, or business code of conduct of the Company
2. 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.

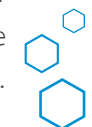
1. By mail: Send to Chairman of the Audit Committee at Khonburi Sugar Public Company Limited, P.O. Box 419, Phra Khanong, Bangkok.
2. By email: Send to Chairman of the Audit Committee at anticorruption.kbs@gmail.com.

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


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

## Investigation Process

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







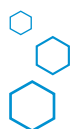
3.2 If the complaint causes damage to any person, suitable methods for mitigating the damage and fair to the victim shall be recommended.

## Protection of Person Providing Information

1. 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.
2. 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.
3. 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.
4. 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.
5. Proper and fair methods or processes will be used to mitigate damage caused to victim.
6. 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 2019, the Auditor fee of the company and subsidiaries to EY office Limited was not exceeded THB 1,200,000. The Auditor fee for the first three quarters was not exceeded THB 600,000. Total Audit fee in the year was THB 1,800,000.

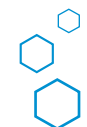



## Corporate Social Responsibility (CSR)

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:

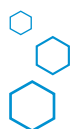
1. Operate with transparency and ethics.
2. Respect to human rights, and strictly adhering to benefits of all stakeholders.
3. Act to protect health and safety of consumers, providing and improving quality of our products and services.
4. Promote all related parties to involve in creating and planning.
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 2019

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

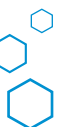
**In 2019, the CSR Working Group has carried on and initiated a number of projects and activities as follows:**





### “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 9 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.





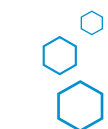
## Planting the Forest of Chalermprakiat

The company has joined with government agencies, Khon Buri District, soldiers, police, local administrative organizations, merchants, teachers, students and people to join the project. To raise awareness and raise awareness in forest conservation and restoration Which is a natural resource at Khao Chom Thong Temple, Khon Buri District, Nakhon Ratchasima Province



### 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.





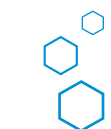
### Annual merit making activities

The company cooperated with the community to host the annual Kathin ceremony in 2019 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



## 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 17 times, with the participants to create a charity with more than 2,153 blood donations. Get more than 694,900 cc of blood at present.

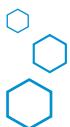






### Activities for visiting patients with bed and elderly people

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 5 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 31st, 2019, the internal department has six officers.

The Board of Directors No.2/2020 on February 24, 2020 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 2019 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 11, 2019, The Audit Committee No.4/2019 approved yearly plan for 2020 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.

## 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 2019, related transactions which show details, relations, type of transaction, condition and amount are in the notes to the financial statements as of 31st December, 2019, No.8.



## 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 2019, 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 2019, which ended on December 31, 2019 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 2019 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 2020 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.

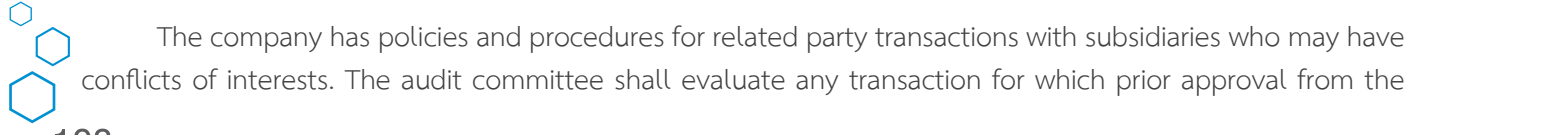
Appointment of the external auditor for 2020 The Audit Committee considered the appointment of external auditor, independence of selected external auditor, and appropriate audit fee before proposing these matters to the Board of Directors. The Board of Directors agreed to seek approval at the 2020 Annual 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 Kritayakiern)

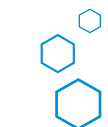
Chairman of the Audit Committee

## 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 2019, 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, 2019, No.8.



# Management Discussion and Analysis

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

Particular	For the year ended 31 Dec. 2017		For the year ended 31 Dec. 2018		For the year ended 31 Dec. 2019	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Revenues</b>						
Sales and service income	7,820.2	95.7	8,242.4	96.2	6,558.4	93.7
Others income	351.7	4.3	325.6	3.8	441.0	6.3
<b>Total revenues</b>	<b>8,171.9</b>	<b>100.0</b>	<b>8,568.0</b>	<b>100.0</b>	<b>6,999.4</b>	<b>100.0</b>
<b>Expenses</b>						
Cost of sales and services	7,707.7	94.3	7,246.8	84.6	5,902.1	84.3
Selling and administrative expenses	586.1	7.2	852.9	10.0	733.3	10.5
Loss on exchange	24.0	0.3	-	-	-	-
<b>Total expenses</b>	<b>8,317.8</b>	<b>101.8</b>	<b>8,099.7</b>	<b>94.5</b>	<b>6,635.4</b>	<b>94.8</b>
Profit (loss) before finance cost and income tax	(145.9)	(1.8)	468.3	5.5	364.0	5.2
Finance cost	(193.8)	(2.4)	(178.8)	(2.1)	(169.8)	(2.4)
Income tax revenue (expense)	(36.9)	(0.5)	4.4	0.1	(14.4)	(0.2)
<b>Net profit (loss) for the year</b>	<b>(376.6)</b>	<b>(4.7)</b>	<b>294.0</b>	<b>3.4</b>	<b>179.8</b>	<b>2.6</b>

## APPENDIX 2 : Summary of financial position

Particular	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019
	Million Baht	Million Baht	Million Baht
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	232.6	63.7	48.0
Trade and other receivables	679.1	463.2	702.3
Sugarcane plantation receivables	867.3	566.4	441.9
Inventories	1,043.3	1,535.9	1,020.6
Current portion of amounts due from the Office of the Cane and Sugar Fund	-	410.6	28.0
Derivative assets	3.8	17.2	27.0
Other current assets	284.3	253.8	247.7
<b>Total current assets</b>	<b>3,110.4</b>	<b>3,310.8</b>	<b>2,515.5</b>
<b>Non-current assets</b>			
Investment in joint venture	-	-	0.5
Other long-term investments	3.0	3.0	3.0
Sugarcane plantation receivables - long-term	321.0	108.5	69.4
Amounts due from the Office of the Cane and Sugar Fund- net of current portion	-	164.4	175.4
Property, plant and equipment	6,513.1	6,119.3	6,740.1
Intangible assets	131.7	131.6	126.1
Advance payment for assets	6.7	1.0	-
Deferred tax assets	61.9	68.0	65.8
Other non-current assets	9.8	8.7	8.0
<b>Total non-current assets</b>	<b>7,047.2</b>	<b>6,604.5</b>	<b>7,188.3</b>
<b>Total assets</b>	<b>10,157.6</b>	<b>9,915.3</b>	<b>9,703.8</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term loans from banks	2,548.2	2,676.3	2,926.6
Short-term loans from related party	-	302.6	169.0
Short-term loans from the Office of the Cane and Sugar Fund	-	150.8	-
Trade and other payables	1,357.3	1,226.4	1,297.3
Advance received from the assistance project of the Office of Cane and Sugar Fund	-	55.7	-
Current portion of long-term loans from banks	1,226.6	990.9	644.6
Other current liabilities	149.3	150.8	194.2
<b>Total current liabilities</b>	<b>5,281.4</b>	<b>5,553.5</b>	<b>5,231.7</b>



Particular	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019
	Million Baht	Million Baht	Million Baht
<b>Non-current liabilities</b>			
Net of current portion			
- Liabilities under financial lease agreements	33.8	31.7	28.5
- Long-term loans from banks	1,663.0	849.6	852.5
Provision for long-term employee benefits	33.7	36.3	54.9
Total non-current liabilities	1,730.5	917.6	935.9
<b>Total liabilities</b>	<b>7,011.9</b>	<b>6,471.1</b>	<b>6,167.6</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	259.2	553.6	656.6
Other components of shareholders' equity	(3.7)	0.4	(10.6)
<b>Total shareholders' equity</b>	<b>3,145.7</b>	<b>3,444.2</b>	<b>3,536.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>10,157.6</b>	<b>9,915.3</b>	<b>9,703.8</b>

### APPENDIX 3 : Summary of cash flow

Cash flow statements	For the year ended	For the year ended	For the year ended
	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019
Net cash flows from (used in) operating activities	587.3	635.9	1,143.0
Net cash flows used in investing activities	(155.2)	(133.7)	(919.7)
Net cash flows from financing activities	(326.0)	(671.1)	(239.0)
Net increase (decrease) in cash and cash equivalents	106.1	(168.9)	(15.7)
Cash and cash equivalents at beginning of year	126.4	232.6	63.7
Cash and cash equivalents at end of year	232.5	63.7	48.0



## APPENDIX 4 : Financial Ratio

Financial Ratio		For the year ended 31 Dec. 2017	For the year ended 31 Dec. 2018	For the year ended 31 Dec. 2019
<b>Liquidity Ratio</b>				
Current Ratio	Time	0.6	0.6	0.5
Quick Ratio or Acid Test Ratio	Time	0.4	0.3	0.3
Average Collection Period	day	38	25	32
Holding Period	day	51	65	79
Payable Conversion Period	day	64	65	78
Cash Cycle	day	25	25	33
<b>Profitability Ratio</b>				
Gross Profit Margin	%	1.4%	12.1%	10.0%
Operating Profit Margin	%	(1.8%)	5.5%	5.2%
Net Profit Margin	%	(4.6%)	3.4%	2.6%
Return On Equity or ROE	%	(12.0%)	8.5%	5.1%
<b>Efficiency Ratio</b>				
Return On Assets	%	(3.7%)	3.0%	1.9%
Return On Fix Assets	%	(5.8%)	4.8%	2.7%
Total Assets Turnover	Time	0.8	0.8	0.7
<b>Leverage Ratio</b>				
Debt to Equity ratio	Time	2.2	1.9	1.7
Interest Coverage	Time	(0.8)	2.6	2.1
Cash Basis	Time	0.4	0.4	0.5



# 1. Financial Position

## 1.1 Assets

As of 31 December 2019, Khonburi Sugar Public Company Limited Group has total assets of 9,703.8 million baht, a decrease of 211.5 million baht from the previous year, accounting for 2.1% with details of changes in current assets and non-current assets as follows:

- Current assets amounted to 2,515.5 million baht, a decrease of 795.3 million baht or 24.0% from the previous year. The reasons are as follows:
  - Cash and cash equivalents decreased by 15.7 million baht.
  - Trade and other receivables increased by 239.1 million baht due to an increase in product delivery during the last quarter of the year.
  - Accounts receivable for sugarcane planting support decreased by 124.5 million baht due to the reduction of sugarcane cultivation promotion from the previous year.
  - Inventories decreased by 515.3 million baht due to increased sales and delivery of sugar during the last quarter of the year. In addition, during the last month of the year, the company started production of sugar for the production season 2019/2020. In this production season, overall sugarcane volume is lower than the previous year, therefore resulting in decreased inventories at the end of the year.
  - Net receivables from the Cane and Sugar Fund office to be paid within one year decreased 382.6 million baht because in the production season 2017/2018 and 2018/2019, the final sugarcane price is lower than the primary sugarcane price, which according to the Cane and Sugar Act 2527, Section 56 requires the sugar cane and sugar fund to pay compensation to the company when final cane price is lower than primary cane price and in the year 2019, the company has set off against short-term loans from credit project to enhance liquidity for the sugar factory from the Office of the Cane and Sugar Fund in the amount of 410.6 million baht.
  - Derivative assets increased by 9.8 million baht from hedging contracts for sugar prices remaining at the end of the year.
  - Other current assets decreased by 6.1 million baht due to the VAT refund from the Revenue Department.
- Non-current assets in the amount of 7,188.3 million baht, an increase of 583.8 million baht from the previous year or an increase of 8.3% due to the following reasons:
  - Receivables from farmers promoted in sugarcane planting due for over one year decreased by 39.1 million baht due to the company receiving more payment from the farmers and reducing the promotion of sugarcane planting that takes more than one year. As a result, the balance of the said transaction decreased.
  - Receivables from the Office of the Cane and Sugar Fund net of portion which will be received within one year increased 11.0 million baht. The said item is a compensation or production and distribution of sugar because in the production season of 2018/2019, the final sugarcane price is lower than the primary sugarcane price, which according to the Cane and Sugar Act 2527, Section 56 requires the sugar cane and sugar fund to pay compensation for the production and distribution of said sugar to the company.

- Property, plant and equipment increased by 620.8 million baht due to the additional investment in the new sugar and power plant expansion project in Sikhiew District, Nakhon Ratchasima Province. The said project is in factory construction phase, expected to be able to pop the trunk in late 2020.

## 1.2 Liabilities

As of 31 December 2019, the Group had total liabilities of 6,167.6 million baht, a decrease of 303.5 million baht from the previous year or decrease by 4.3 percent. Details of changes in current liabilities and non-current liabilities are as follows.

- Current liabilities of 5,231.7 million baht, a decrease of 321.8 million baht from the previous year or a 6.1% decrease due to the following reasons:
  - Short-term loans from Bank increased by 250.3 million baht. The company borrowed those short-term loans for use as working capital. Since in December 2019, the company has started producing sugar in the new production season, so more working capital is needed to pay for raw materials by purchasing canes from farmers.
  - Short-term loans from related parties decreased by 133.6 million baht as payment of packing credit from selling sugar abroad.
  - Short-term loans from the Office of the Cane and Sugar Fund decreased by 150.8 million baht, which was a loan to enhance liquidity for the sugar factory. The company offset all debt with the money that the company will receive from the Office of the Cane and Sugar Fund receivables in calculating final sugarcane prices and final sugar production and distribution returns for the 2017/18 production season.
  - Contribution from the Office of the Cane and Sugar Fund decreased as the company recorded a deduction of contributions from the Office of the Cane Fund for the production season 2017/61 as other income because the Office of the Cane and Sugar Fund has submitted a notice regarding amortization of accounts receivable of the Company as expense in whole amount and the production season of 2018/62 as other income. In this regard, the Office of the Cane and Sugar Fund sent a confirmation letter to the company to consider that the project is the company's revenue.
  - Trade and other payables increased by 70.9 million baht. Most of the creditors are remaining from the new sugar factory and electricity plant expansion project in Sikhio District, Nakhon Ratchasima Province.
  - Long-term loans due within one year decreased by 346.3 million baht due to the company has paid the normal long-term loans during the year.
- Non-current liabilities in the amount of 935.9 million baht, an increase of 18.3 million baht from the previous year due to the long-term employee benefit reserve. In the year 2019, the company has changed the policy to stipulate additional compensation in case that the employer terminates employment for the employees who have worked continuously for 20 years or more, to be entitled for compensation not less than the last 400 days' wage. The said law is effective from 5 May 2019 onwards.





### 1.3 Shareholders' equity

As of 31 December 2019, the Group had shareholders' equity of 3,536.2 million baht, an increase of 92.0 million baht from the previous year or an increase of 2.9 percent due to an increase in the company's operating results.

## 2. Operating results

### Overall operating results

Khonburi Sugar Public Company Limited Group had a total net profit for the year 2019 of 179.8 million baht, a decrease of 114.2 million baht from the previous year, representing 38.9 percent and had a profit before finance expenses, income tax, depreciation and amortization (EBITDA) in the amount of 977.9 million baht, decreased from the previous year by 99.1 million baht or 9.2% due to the following main reasons.

Total revenue in the year 2019 was 6,999.3 million baht, a decrease of 1,568.6 million baht from the year 2018, representing 18.3 percent, with the following reasons:

Revenue from sales of sugar decreased from the previous year by 748.6 million baht, equivalent to 14.6 percent due to the average selling price decreased by 7.4 percent from the decline in world sugar prices in the year 2019 and the company had total sales volume of sugar decreased by 7.7% because the company's overall sugar production was decreased from the previous year in 2019.

Molasses sales decreased from last year by 897.3 million baht or 44.8% due to the molasses sales decreased from the previous year by 697.6 million baht accounting for 52.9 percent of the purchase volume. Molasses decreased by 46.0 percent and sales prices per unit decreased by 12.8 percent. In addition, sales revenue from molasses decreased by 199.7 million baht or 29.3 percent from the previous year. The median sales decreased by 26.6%.

The power plants of the Group have income from the sale of electricity to the Electricity Generating Authority of Thailand ("EGAT") under the 22 MW firm agreement and have revenue from electricity sales to the Provincial Electricity Authority ("PEA") increased from the previous year in the amount of 119.5 million baht, representing 19.6 percent because the subsidiary company has increased the amount of electricity sold in general.

Income from compensation for production and distribution of sugar in the year 2019 of 11.1 million baht is the compensation that the company will receive from the Office of the Cane and Sugar Fund because in the production season 2018/2019, final cane price and return on production and distribution of final sugar are lower than the preliminary price, which according to the Cane and Sugar Act 2527, Section 56 requires the sugar cane and sugar fund to pay compensation and distribution of sugar to the company.

Revenue from the aid and problem-solving project in the year 2019 in amount of 154.7 million baht was the revenue that the company received from the Office of the Cane and Sugar Fund under the sugarcane farmers and sugar factories aid project for production season 2017/18 amounting to 55.7 million baht and production season 2018/19 amounting to 99.0 million baht. The company recognized it as other income in the income statement for the current year.



Compensation received from breach of contract amounting to 37.4 million baht because in April 2016 the subsidiary had an accident causing damage to the boiler and equipment components. Later, in the year 2562, the Thai Arbitration Institute has resolved the dispute regarding the breach of the delivery contract, the said boiler is defective and cannot be inspected while taking delivery of the subsidiary company and the contractor company. The contractor must compensate for the breach of contract and reverse payable for the repair of machinery in the company amounting to 62.2 million baht as subsidiary terminated legal dispute with the contractor.

In the year 2019, the company had profit from financial tools decreased from the previous year by 15.9 million baht or 53.0% due to hedging the risk of sugar selling price. The company maintains sugar sales ratio to be close to sale proportion of Thai Cane and Sugar Company Limited (“TCSC”). However, the company has gain on exchange rate which increased from previous year in amount of 34.3 million baht or 118.7%.

However, although the selling price of sugar and molasses decreased, amount of sugarcane entering production process in production year 2018/19 has decreased from the production year 2017/18 for 0.7 million tons or a decrease of 17.3%, resulting in reduced sales volume of sugar and molasses and amount of bagasse used as fuel in the production of power plant decreased from the previous year, allowing the company to be able to reduce production cost per unit. Moreover, the cost of transportation of sugarcane imported into the production process in 2018/62, on average, decreased from the previous production year by 32.5 baht per ton of sugarcane or decreased by 32.3 percent.

Estimated sugar cane price in the production year 2018/62 is at 692.8 baht per ton of sugar cane at the sweetness level of 10 CCS, reduced from the production year of 2017/61 approximately 97.6 baht per ton of sugar cane or a decrease of 12.4% causing overall cost of raw materials to fall.

## Total revenue

For the year 2019, the Group had total revenue of 6,999.4 million baht, an increase of 18.3 percent from the previous year, with the following details:

	2019 (Million Baht)	2018 (Million Baht)	Change (Million Baht)	Change (Percent)
<b>Income</b>				
Income from sales and services	6,558.4	8,242.4	(1,684.0)	(20.4)
Other income	441.0	325.6	115.4	35.4
<b>Total income</b>	<b>6,999.4</b>	<b>8,568.0</b>	<b>(1,568.6)</b>	<b>(18.3)</b>

## Revenue from sales and services

Revenue from sales and services for the year 2019 is 6,558.4 million baht, an increase of 20.4% from the previous year with details as follows.

	2019 (Million Baht)	2018 (Million Baht )	Change (Million Baht)	Change (Percent)
Revenue from the sale of sugar	4,388.5	5,137.1	(748.6)	(14.6)
Revenue from the sale of molasses.	481.9	681.6	(199.7)	(29.3)
Revenue from the trade of molasses	621.9	1,319.5	(697.6)	(52.9)
Revenue from electricity	728.0	608.5	119.5	19.6
Revenue from agricultural sales and services	338.1	495.7	(157.6)	(31.8)
<b>Total revenue from sales and services</b>	<b>6,558.4</b>	<b>8,242.4</b>	<b>(1,684.0)</b>	<b>(20.4)</b>

- Revenue from sugar sales is 4,388.5 million baht, a decrease of 748.6 million baht from the previous year, equivalent to 14.6 percent due to the average selling price of sugar in the country and International sales decreased by 7.4 percent and sales volume decreased by 7.7 percent.
- Revenue from molasses sales was 1,103.8 million baht, decreased from last year by 897.3 million baht or 44.8 percent. Molasses sales volume decreased by 31.4% from the previous year while the average selling price per unit decreased by 19.6%.
- Revenue from electricity sales was 728.0 million baht, an increase of 119.5 million baht from the previous year or 19.6%.
- Income from agricultural sales and services was 338.1 million baht, a decrease of 157.6 million baht from the previous year, equivalent to 31.8 percent due to the company has reduced sugar cane pressing in the production year 2018/19. Therefore, aftermath of income related to sugar cane pressing from sales and agricultural services decreased as well.

## Cost of sales and services and gross margin

Cost of sales and services and gross margin of the Group for the year 2019 in comparison to the year 2018, are shown in the table below.

	2019 (Million Baht)	2018 (Million Baht )	Change (Million Baht)	Change (Per- cent)
Revenues from sales and services	6,558.4	8,242.4	(1,684.0)	(20.4)
Cost of sales and services	5,902.1	7,246.8	(1,344.7)	(18.6)
Gross profit	656.3	995.6	(339.3)	(34.1)
Gross profit margin	10.0%	12.1%	-	(2.1%)

- Gross profit in the year 2019 decreased from the previous year by amount of 339.3 million baht. This is due to the decrease in sugar cane price from the previous year at 97.6 baht per ton and the cost of transportation of sugarcane imported into the production process in 2018/62, on average, decreased 32.5 baht per ton from the previous year, decreased by 32.3 percent and increased cost of external fuel purchase. While the company has reduced its income as described previously, resulting in gross margin of the Group decreasing by 2.1 percent from the previous year.

## Selling and administrative expenses

In the year 2019, the Group had selling and administrative expenses decreased from the previous year in amount of 119.6 baht or 14.0 percent. The selling expenses decreased from the previous year by Baht 46.5 million or 10.1% due to the decrease of sugar and molasses sales volume and the company had administrative expenses decreased from the previous year by 73.1 million baht or 18.6% which decreased from staff expenses and other expenses.

## Financial expenses

In the year 2019, the Group had financial expenses of 169.8 million baht, a decrease of 9.0 million baht from the previous year, equivalent to 5.0 percent, mainly due to a decrease in long-term loans, which the company has repaid long-term loans during the year.

## Corporate income tax

In the year 2019, the Group had income tax expenses in the amount of 14.4 million baht, an increase of 18.8 million baht from the previous year or 426.6 percent as the company recognized some of the deferred income tax.







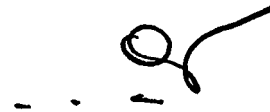
## Report of the Board of Directors' Responsibility to the Financial Reports

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 2019 to 31 December 2019, 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 2019 to 31 December 2019 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 2019.



(Mr.Suthep Wongvorazathe)  
Chairman



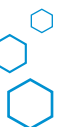
(Mr.Takol Tawintermsup)  
Chairman of Executive Committee



Khonburi Sugar Public Company Limited and its subsidiaries

## Report and consolidated financial statements

31 December 2019



## **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 2019, 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 2019, 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 11 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, I considered the adequacy and appropriateness of the accounting recording of allowance for sugar cane plantation is a key audit matter.

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: 24 February 2020





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

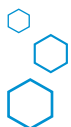
**Statement of financial position**

**As at 31 December 2019**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	9	47,952,976	63,738,783	22,903,703	46,383,247
Trade and other receivables	8,10	702,339,375	463,185,576	880,362,476	486,554,812
Current portion of sugar cane plantation receivables	11	441,858,903	566,392,979	441,858,903	566,392,979
Short-term loans to related parties	8	-	-	643,000,000	576,000,000
Inventories	12	1,020,580,163	1,535,855,617	876,454,578	1,478,034,836
Current portion of amounts due from the Office of the Cane and Sugar Fund	13	27,956,046	410,631,240	27,956,046	410,631,240
Derivative assets	37	26,969,229	17,235,694	30,853,415	17,235,694
Other current assets	14	247,798,925	253,779,728	228,033,734	242,663,621
<b>Total current assets</b>		<b>2,515,455,617</b>	<b>3,310,819,617</b>	<b>3,151,422,855</b>	<b>3,823,896,429</b>
<b>Non-current assets</b>					
Investments in subsidiaries	15	-	-	789,228,665	687,978,665
Investment in joint venture	16	461,789	-	490,000	-
Other long-term investments	17	2,994,875	2,994,875	2,994,875	2,994,875
Sugar cane plantation receivables - long-term portion	11	69,368,446	108,503,315	69,368,446	108,503,316
Amounts due from the Office of the Cane and Sugar Fund - net of current portion	13	175,432,285	164,354,465	175,432,285	164,354,465
Property, plant and equipment	18	6,740,149,091	6,119,316,801	5,067,893,912	4,563,420,478
Intangible assets	19	126,137,242	131,633,746	2,437,332	1,555,819
Advance payment for assets		-	1,000,000	-	1,000,000
Deferred tax assets	30.1	65,772,435	68,002,671	54,545,038	37,016,501
Other non-current assets		8,030,257	8,677,042	7,899,057	8,553,942
<b>Total non-current assets</b>		<b>7,188,346,420</b>	<b>6,604,482,915</b>	<b>6,170,289,610</b>	<b>5,575,378,061</b>
<b>Total assets</b>		<b>9,703,802,037</b>	<b>9,915,302,532</b>	<b>9,321,712,465</b>	<b>9,399,274,490</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 2019**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from banks	20	2,926,640,000	2,676,280,436	2,776,140,000	2,604,500,000
Short-term loans from related parties	8	169,034,450	302,604,380	354,034,450	561,604,380
Short-term loans from the Office of the Cane and Sugar Fund	21	-	150,773,321	-	150,773,321
Trade and other payables	8,22	1,297,348,077	1,226,417,752	1,153,931,196	968,668,592
Advance received from the assistance project of the Office of Cane and Sugar Fund	23	-	55,732,876	-	55,732,876
Current portion of:					
- Liabilities under financial lease agreements	24	13,012,560	34,083,670	13,012,560	33,912,155
- Long-term loans from banks	25	644,558,223	990,919,570	644,558,223	688,395,070
Corporate income tax payable		5,694,595	169,537	-	-
Amounts due to the Office of the Cane and Sugar Fund		123,262,360	78,565,906	123,262,360	78,565,906
Derivative liabilities	37	8,821,854	9,063,731	8,821,854	9,063,731
Other current liabilities		43,303,463	28,913,282	26,491,409	12,926,254
<b>Total current liabilities</b>		<b>5,231,675,582</b>	<b>5,553,524,461</b>	<b>5,100,252,052</b>	<b>5,164,142,285</b>
<b>Non-current liabilities</b>					
Net of current portion:					
- Liabilities under financial lease agreements	24	28,519,822	31,700,089	28,519,822	31,700,089
- Long-term loans from banks	25	852,464,268	849,657,878	852,464,268	849,657,878
Provision for long-term employee benefits	26	54,902,670	36,261,585	47,743,642	31,628,766
<b>Total non-current liabilities</b>		<b>935,886,760</b>	<b>917,619,552</b>	<b>928,727,732</b>	<b>912,986,733</b>
<b>Total liabilities</b>		<b>6,167,562,342</b>	<b>6,471,144,013</b>	<b>6,028,979,784</b>	<b>6,077,129,018</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	27	60,000,000	60,000,000	60,000,000	60,000,000
Unappropriated		656,661,205	553,599,012	406,361,962	427,901,085
Other components of shareholders' equity		(10,596,510)	384,507	(3,804,281)	4,069,387
<b>Total shareholders' equity</b>		<b>3,536,239,695</b>	<b>3,444,158,519</b>	<b>3,292,732,681</b>	<b>3,322,145,472</b>
<b>Total liabilities and shareholders' equity</b>		<b>9,703,802,037</b>	<b>9,915,302,532</b>	<b>9,321,712,465</b>	<b>9,399,274,490</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 2019**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales income	28,33	6,499,722,773	8,171,351,533	5,165,060,554	6,292,363,677
Services income	28,33	58,665,339	71,032,073	58,996,634	71,298,071
Other income					
Interest income		41,722,380	58,250,979	48,254,070	78,289,053
Gain on exchange		63,253,123	28,925,212	63,422,526	28,679,840
Gain on derivatives		14,075,372	29,976,405	13,936,286	29,713,231
Dividend income	15,17	349,940	349,940	168,349,911	60,349,930
Compensation for production and distribution of sugar	13	11,077,820	164,354,465	11,077,820	164,354,465
Compensation for the breach of contract	36.9	37,350,000	-	-	-
Reversal of repayment payable in subsidiary	36.9	62,195,000	-	-	-
Subsidy from assistance project by the office of the Cane and Sugar fund	23	154,698,120	-	154,698,120	-
Others		56,237,068	43,777,936	113,621,767	118,215,667
<b>Total revenues</b>		<b>6,999,346,935</b>	<b>8,568,018,543</b>	<b>5,797,417,688</b>	<b>6,843,263,934</b>
<b>Expenses</b>					
Cost of sales		5,807,750,214	7,129,235,220	4,884,997,349	5,646,074,330
Cost of services		94,310,108	117,590,509	83,316,328	97,376,836
Selling and distribution expenses		413,358,898	459,826,777	368,616,804	405,072,548
Administrative expenses		319,971,265	393,042,956	258,453,642	341,428,646
<b>Total expenses</b>		<b>6,635,390,485</b>	<b>8,099,695,462</b>	<b>5,595,384,123</b>	<b>6,489,952,360</b>
<b>Profit before share of loss from investment in joint venture, finance cost and income tax</b>		<b>363,956,450</b>	<b>468,323,081</b>	<b>202,033,565</b>	<b>353,311,574</b>
Share of loss from investment in joint venture	16	(28,211)	-	-	-
<b>Profit before finance cost and income tax</b>		<b>363,928,239</b>	<b>468,323,081</b>	<b>202,033,565</b>	<b>353,311,574</b>
Finance cost		(169,783,198)	(178,766,499)	(161,992,378)	(158,493,452)
<b>Profit before income tax</b>		<b>194,145,041</b>	<b>289,556,582</b>	<b>40,041,187</b>	<b>194,818,122</b>
Income tax revenue (expense)	30.2	(14,395,552)	4,407,996	14,531,554	(18,617,289)
<b>Profit for the year</b>		<b>179,749,489</b>	<b>293,964,578</b>	<b>54,572,741</b>	<b>176,200,833</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Unrealised gain (loss) from change in value of derivative financial instruments - net of income tax		(10,981,017)	4,050,949	(7,873,668)	4,050,949
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain (loss) - net of income tax		(4,689,696)	410,642	(4,114,264)	368,816
<b>Other comprehensive income for the year</b>		<b>(15,670,713)</b>	<b>4,461,591</b>	<b>(11,987,932)</b>	<b>4,419,765</b>
<b>Total comprehensive income for the year</b>		<b>164,078,776</b>	<b>298,426,169</b>	<b>42,584,809</b>	<b>180,620,598</b>
<b>Earnings per share</b>					
Basic earnings per share	32				
Net profit for the year		0.30	0.49	0.09	0.29

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

**Statements of changes in shareholders' equity**

**For the year ended 31 December 2019**

(Unit: Baht)

	Consolidated financial statements										
	Issued and fully paid up share capital	Retained earnings		Other components of equity						Total shareholders' equity	
		Share premium	Appropriated - statutory reserve	Unappropriated	Unrealised			Discount on business combination under common control			
					gain (loss) on derivative financial instruments	Discount on business combination under common control	Total other components of shareholders' equity	Total			
<b>Balance as at 1 January 2018</b>	600,000,000	2,230,175,000	60,000,000	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	
Other comprehensive income for the year	-	-	-	410,642	4,050,949	-	4,050,949	-	4,050,949	4,461,591	
Total comprehensive income for the year	-	-	-	294,375,220	4,050,949	-	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	4,069,387	(3,684,880)	384,507			3,444,158,519	
<b>Balance as at 1 January 2019</b>	600,000,000	2,230,175,000	60,000,000	553,599,012	4,069,387	(3,684,880)	384,507			3,444,158,519	
Profit for the year	-	-	-	179,749,489	-	-	-	-	-	179,749,489	
Other comprehensive income for the year	-	-	-	(4,689,696)	(10,981,017)	-	(10,981,017)	-	(10,981,017)	(15,670,713)	
Total comprehensive income for the year	-	-	-	175,059,793	(10,981,017)	-	(10,981,017)	-	(10,981,017)	164,078,776	
Dividend paid (Note 35)	-	-	-	(71,997,600)	-	-	-	-	-	(71,997,600)	
<b>Balance as at 31 December 2019</b>	600,000,000	2,230,175,000	60,000,000	656,661,205	(6,911,630)	(3,684,880)	(10,596,510)			3,536,239,695	
	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	

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 2019**

(Unit: Baht)

	Separate financial statements						
	Retained earnings			Other comprehensive income		Total other components of equity	
	Issued and fully paid up share capital	Share premium	Appropriated - statutory reserve	Unappropriated	Unrealised gain (loss) on derivative financial instruments	Total other components of shareholders' equity	Total shareholders' equity
600,000,000	2,230,175,000	60,000,000	251,331,436	18,438	18,438	3,141,524,874	
-	-	-	176,200,833	-	-	176,200,833	
-	-	-	368,816	4,050,949	4,050,949	4,419,765	
-	-	-	176,569,649	4,050,949	4,050,949	180,620,598	
<b>600,000,000</b>	<b>2,230,175,000</b>	<b>60,000,000</b>	<b>427,901,085</b>	<b>4,069,387</b>	<b>4,069,387</b>	<b>3,322,145,472</b>	
<b>600,000,000</b>	<b>2,230,175,000</b>	<b>60,000,000</b>	<b>427,901,085</b>	<b>4,069,387</b>	<b>4,069,387</b>	<b>3,322,145,472</b>	
-	-	-	54,572,741	-	-	54,572,741	
-	-	-	(4,114,264)	(7,873,668)	(7,873,668)	(11,987,932)	
-	-	-	50,458,477	(7,873,668)	(7,873,668)	42,584,809	
-	-	-	(71,997,600)	-	-	(71,997,600)	
<b>600,000,000</b>	<b>2,230,175,000</b>	<b>60,000,000</b>	<b>406,361,962</b>	<b>(3,804,281)</b>	<b>(3,804,281)</b>	<b>3,292,732,681</b>	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	

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 2019**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from operating activities</b>				
Profit before tax	194,145,041	289,556,582	40,041,187	194,818,122
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	613,987,653	608,687,298	525,540,324	524,483,386
Loss (gain) on disposal of equipment	436,461	715,792	(4,792,495)	715,792
Write-off of assets to expenses	-	3,787,686	-	-
Write-off of intangible assets to expense	-	28,115	-	-
Allowance for impairment of machineries (Reversal)	(5,243,653)	5,243,653	(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	-	-
Reversal of account payable for repairment in subsidiary	(62,195,000)	-	-	-
Write-off of bad debts	1,735,658	125,048	1,735,658	125,048
Allowance for doubtful accounts	32,650,420	42,128,973	33,492,580	41,286,813
Share of loss from investment in joint venture	28,211	-	-	-
Reduction of inventory to net realisable value	2,369,625	1,295,357	2,326,602	496,428
Compensation from final price of sugar cane	(38,766,885)	(557,717,867)	(38,766,885)	(557,717,867)
Long-term employee benefits expenses	15,598,265	4,364,527	13,053,079	3,834,167
Unrealised loss (gain) on change in value of derivatives	(23,701,683)	416,017	(23,701,683)	679,191
Unrealised loss on exchange	71,803	693,881	71,803	710,178
Dividend income	(349,940)	(349,940)	(168,349,911)	(60,349,930)
Subsidy from assistance project by the office of the Cane and Sugar Fund	(154,698,120)	-	(154,698,120)	-
Interest income	(41,722,380)	(58,250,979)	(48,254,070)	(78,289,053)
Interest expenses	164,843,826	173,206,967	159,209,811	154,847,406
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>699,189,302</b>	<b>520,607,558</b>	<b>331,664,227</b>	<b>241,904,278</b>
<b>Operating assets (increase) decrease</b>				
Trade and other receivables	(218,847,199)	215,231,602	(355,114,782)	(99,690,927)
Sugar cane plantation receivables	130,000,187	448,153,608	130,000,187	448,153,608
Inventories	512,539,469	(511,040,689)	598,887,296	(490,208,571)
Other current assets	(59,793,766)	35,653,885	(53,173,627)	21,110,670
Cash received from valued added tax	67,027,200	-	67,027,200	-
Cash received from assistance project by the office of the Cane and Sugar Fund	74,916,689	55,732,876	74,916,689	55,732,876
Other non-current assets	646,785	1,169,286	654,885	1,101,536
<b>Operating liabilities increase (decrease)</b>				
Trade and other payables	(111,485,593)	(107,866,706)	(88,064,287)	(65,238,423)
Amounts due to the Office of the Cane and Sugar Fund	44,696,454	(1,752,294)	44,696,454	(1,752,294)
Other current liabilities	14,451,122	(8,647,662)	13,565,155	(14,171,406)
Cash paid for long-term employee benefits	(2,819,300)	(1,281,100)	(2,081,033)	(1,281,100)
Cash flows from operating activities	1,150,521,350	645,960,364	762,978,364	95,660,247
Cash receipt from tax refunded	-	(1,387,401)	-	(1,387,401)
Cash paid for income tax	(7,551,538)	(8,700,507)	(2,739,073)	(2,248,060)
<b>Net cash flows from operating activities</b>	<b>1,142,969,812</b>	<b>635,872,456</b>	<b>760,239,291</b>	<b>92,024,786</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 2019**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from investing activities</b>				
Increase in short-term loans to related parties	-	-	(67,000,000)	(60,000,000)
Increase in investment in subsidiary	-	-	(101,250,000)	-
Increase in investment in joint venture	(490,000)	-	(490,000)	-
Cash paid for acquisitions of property, plant and equipment	(969,679,183)	(220,728,720)	(761,010,422)	(163,874,945)
Proceeds from disposal of equipment	7,541,311	8,472,484	31,739,128	8,472,484
Cash paid for acquisitions of intangible assets	(2,489,494)	(326,050)	(2,482,995)	(300,050)
Decrease (increase) in advance payment for assets	1,000,000	(1,000,000)	1,000,000	(1,000,000)
Cash receipt from interest income	43,995,213	79,581,463	49,298,449	113,469,369
Cash receipt from dividend income	349,940	349,940	150,349,925	20,349,925
<b>Net cash flows used in investing activities</b>	<b>(919,772,213)</b>	<b>(133,650,883)</b>	<b>(699,845,915)</b>	<b>(82,883,217)</b>
<b>Cash flows from financing activities</b>				
Increase in short-term loans from banks	250,359,564	128,080,436	171,640,000	271,100,000
Increase (decrease) in short-term loans from related parties	(133,569,930)	302,604,380	(207,569,930)	476,604,380
Increase in short-term loans from the Office of the Cane and Sugar Fund	259,957,297	150,773,321	259,957,297	150,773,321
Cash paid for liabilities under financial lease agreements	(34,322,892)	(30,697,304)	(34,151,377)	(29,981,753)
Cash receipt from long-term loans from banks	650,880,000	177,530,690	650,880,000	177,530,690
Repayment of long-term loans from banks	(990,919,570)	(1,226,610,000)	(688,395,070)	(930,610,000)
Cash paid for interest expenses	(169,370,275)	(172,735,145)	(164,236,240)	(153,679,892)
Dividend paid	(71,997,600)	-	(71,997,600)	-
<b>Net cash flows used in financing activities</b>	<b>(238,983,406)</b>	<b>(671,053,622)</b>	<b>(83,872,920)</b>	<b>(38,263,254)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(15,785,807)</b>	<b>(168,832,049)</b>	<b>(23,479,544)</b>	<b>(29,121,685)</b>
Cash and cash equivalents at beginning of year	63,738,783	232,570,832	46,383,247	75,504,932
<b>Cash and cash equivalents at end of year</b>	<b>47,952,976</b>	<b>63,738,783</b>	<b>22,903,703</b>	<b>46,383,247</b>
	-	-	-	-
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Purchase of assets that have yet been paid	361,765,481	116,898,007	299,816,045	25,732,616
Purchase of equipment through financial lease agreements	10,071,515	33,842,402	10,071,515	33,842,402
Accrued dividend income	-	-	77,999,976	59,999,990
Transfer construction in progress to expenses	-	3,670,162	-	-
Capitalise interest expenses to construction in progress	4,269,891	-	4,269,891	-
Transfer of asset under installation to intangible assets	-	7,523,213	-	-
Transfer of intangible assets to expenses	-	28,115	-	-
Getting equipment from debt collection				
- Sugar cane plantation receivable	680,000	1,655,000	680,000	1,655,000
Compensation from the office of cane and sugar Fund that has not been received	39,133,245	574,985,705	39,133,245	574,985,705
Offset between short-term loans and receivable of the Office of the Cane and Sugar Fund	410,730,619	-	410,730,619	-

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 2019

#### 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	
			2019 (Percent)	2018 (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	
			2019 (Percent)	2018 (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, Group have adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods 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 adoption of these financial reporting standards does not have any significant impact on the Group financial statements. However, the new standard involves changes to key principles, which are 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 (TFRS 15) 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 recognised 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.

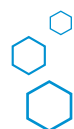
Group adopted TFRS 15 which the presentation of comparative information was not restated. Group elect to apply the following practical expedients.

- Not restate completed contracts as at 1 January 2019 for which the entity has transferred all of the goods or services identified in accordance with the previous accounting policy;

The effect of the presentation regarding with the TFRS 15 Revenue from Contracts with Customers is described in Note 4.

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

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. 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 except the following new standards which involve changes to key principles, which are summarised below.



## Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments 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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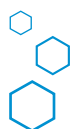
Financial Reporting Standard Interpretations:

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 Group expects the adoption of these accounting standards to result in the following adjustments.

- Classification and measurement of investments in equity instruments of non-listed companies - The Group is to measure investments in equity instruments of non-listed companies at fair value and to classify the investments as financial assets at fair value, through either profit or loss or through other comprehensive income. If the Group elects to present subsequent changes in the fair value of the investment through other comprehensive income, the election is irrevocable.
- Recognition of credit losses - The Group is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables and general approach for planter receivables.



The management of the Group is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

#### **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Group expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 January 2020 to be to increase the Group's assets by approximately Baht 104 million (the Company only: approximately Baht 104 million) and the Group's liabilities by approximately Baht 104 million (the Company only: approximately Baht 104 million).

#### **4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standard**

As described in Note 3 to the financial statements, during the current year, the Company and its subsidiaries have adopted TFRS 15 which the presentation of comparative information was not restated.

The amounts of adjustments affecting the statements of comprehensive income for the year 2019 are summarised below.



(Unit: Million Baht)

For the year ended 31 December 2019

	Consolidated financial statements			Separate financial statements		
	Previous accounting policy	Decrease	TFRS 15	Previous accounting policy	Decrease	TFRS 15
<b>Statement of comprehensive income</b>						
<b>Profit or loss:</b>						
Sales of goods	6,520	(20)	6,500	5,177	(12)	5,165
Selling and distribution expenses	433	(20)	413	381	(12)	369

The nature of these adjustments are described below:

- Considerations paid to customers in accordance with traditional business practice. Group have determined that there are some commercial terms and considerations payable to customers as a result of determining the price with customers. As a result, Group may have to make payment or provide special discounts to customers, especially modern trade customers, and these amounts should be recognised net with sales of the year. Previously, they were recognised and classified as selling expenses.

## 5. Significant accounting policies

### 5.1 Revenue recognition

#### *Sales of goods*

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and payment with traditional business practice to customers.

#### *Rendering of services*

Service revenue is recognised at a point in time upon completion of the service.

#### *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.

#### *Other income*

Other income is recognised upon completion of performance obligation and there is a certain possibility of receiving the money.



## **5.2 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.

## **5.3 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.

## **5.4 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.

## **5.5 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 and joint venture are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).
- c) Investment in joint venture is accounted for in the consolidated financial statements using the equity method.

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.



## 5.6 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.

## 5.7 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.

## 5.8 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

## **5.9 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.

## **5.10 Deferred financial fees**

Financial expenses related to borrowings that are typically incurred on or before signing facility agreements and before actual draw down of the loans are recorded as deferred financial fees. A portion of deferred financial fees proportionate to the amount of the loan facility already drawn is presented as a deduction against the related loan account and amortised using the effective interest rate method over the term of the loans.

The amortisation of deferred financial fees is included in determining income.

## **5.11 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.





## 5.12 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.

## 5.13 Impairment of assets

At the end of each reporting period, Group 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 Group 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, Group 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.



## 5.14 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*

Group and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by Group. 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*

Group have obligations in respect of the severance payments they must make to employees upon retirement under labour law. Group 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.

## 5.15 Provisions

Provisions are recognised when Group 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.

## 5.16 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.

Group 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, Group 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.

Group record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

### **5.17 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.

### **5.18 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. Group 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, Group 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 categorises 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, Group 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.



## 6. 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:

### **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.

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

The determination of allowance for diminution in the value of inventory requires management to exercise judgment in estimating losses on outstanding inventory, based on the selling price expected in the ordinary course of business, minus selling expenses and provision for obsolete, slow-moving and deteriorated inventories, and taking into account the approximate useful life of each type of inventory.

### **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 report 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.



## 7. 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.

## 8. Related party transactions

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

Name	Relationship
Khonburi Power Plant Co., Ltd.	Subsidiary
KBS Trading Co., Ltd.	Subsidiary
Khonburi Bio Energy Co., Ltd.	Subsidiary
KBS Investment Co., Ltd.	Subsidiary
KBS Cane and Sugar Co., Ltd.	Subsidiary (Held by subsidiary)
KBS Power Co., Ltd.	Subsidiary (Held by subsidiary)
Khonburi Capital Co., Ltd.	Common shareholders/Common directors
The Thai Sugar Trading Corporation Limited	Common shareholders/Common directors
World Sugar Export Co., Ltd.	Common shareholders/Common directors
Chumporn Palm Oil Industry Public Company Limited	Common shareholders/Common directors
CPI Trading Co., Ltd.	Common shareholders/Common directors
C K Trading (1965) Co., Ltd.	Joint venture
Mitsui and Co., Ltd.	Common major shareholders
Mitsui & Co Europe plc.	Common major shareholders
Kaset Phol Sugar Co., Ltd.	Common major shareholders
The Kumphawapi Sugar Co., Ltd.	Common major shareholders

During the year, Group 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		
	2019	2018	2019	2018	
<b>Transactions with subsidiaries:</b>					
<b>(Eliminated from consolidated financial statements)</b>					
Sales income	-	-	138,291	100,526	Cost plus margin
Services income	-	-	331	266	Cost plus margin
Interest income	-	-	13,361	20,137	2.45% - 2.85% per annum (2018: 2.37% - 7.25% per annum)
Dividend income	-	-	168,000	60,000	As declared
Sales of bagasse	-	-	363,152	566,076	Contract price
Rental income	-	-	47,177	46,574	Contract price
Management income	-	-	9,404	6,736	Contract price
Sales of fixed assets	-	-	5,229	-	Cost plus margin
Income from loan's guarantee	-	-	3,263	26,345	0.75% - 2.50% per annum
Electricity charges	-	-	244,711	293,085	Contract price (based on EGAT price)
Steam charges	-	-	259,583	358,951	Cost plus margin
Purchase of supplies	-	-	5,654	3,749	Cost plus margin
Purchase of molasses	-	-	16,436	24,804	Cost plus margin
Purchase of sugar	-	-	34	-	Cost plus margin
Purchase of fixed assets	-	-	-	916	Cost plus margin
Maintenance compensation	-	-	-	12,362	Cost plus margin
Procurement charges for sugar cane	-	-	6,399	26,290	Contract price
Interest expense	-	-	4,318	2,264	1.60% - 2.85% per annum (2018: 1.10% - 2.45% per annum)
<b>Transactions with related parties:</b>					
Sales income	141,405	129,828	141,405	129,828	Contract price
Dividend income	350	350	350	350	As declared
Other income	892	100	892	100	Cost plus margin
Rental expenses	12,864	12,495	12,864	12,495	Contract price and comparable price charged to other customers
Service and utilities charges	2,480	2,367	2,480	2,367	Contract price
Export service expenses	11,918	14,372	11,918	14,375	Contract price
Interest expenses	22,877	20,036	22,877	20,036	2.15% per annum



As at 31 December 2019 and 2018, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<b>Trade receivables - related parties (Note 10)</b>				
Subsidiary companies	-	-	1,821	5,579
Related companies	-	4,994	-	4,994
Total trade receivables - related parties	-	4,994	1,821	10,573
<b>Interest receivable - related parties (Note 10)</b>				
Subsidiary companies	-	-	2,228	999
<b>Other receivables - related parties (Note 10)</b>				
Subsidiary companies	-	-	415,437	287,117
Related companies	792	8,717	792	8,717
Total other receivables - related parties	792	8,717	416,229	295,834
<b>Dividend receivable - related parties (Note 10)</b>				
Subsidiary companies	-	-	78,000	60,000
<b>Other non-current asset (Rental deposit)</b>				
Related company	2,957	2,791	2,957	2,791
<b>Trade payables - related parties (Note 22)</b>				
Subsidiary companies	-	-	93,961	121,218
<b>Accrued expense - related party (Note 22)</b>				
Related company	59	53	59	53
<b>Accrued interest - related parties (Note 22)</b>				
Subsidiary companies	-	-	-	599
Related companies	66	95	66	95
Total accrued interest expenses	66	95	66	694

### Loans to and loans from related parties

As at 31 December 2019 and 2018, 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	Increase	Decrease	Balance as at
	31 December 2018	during the year	during the year	31 December 2019
<b>Short-term loans from related parties</b>				
Related companies*	302,604	1,430,001	(1,563,571)	169,034



(Unit: Thousand Baht)

	Separate financial statements			Balance as at 31 December 2019
	Balance as at 31 December 2018	Increase during the year	Decrease during the year	
<b>Short-term loans to related parties</b>				
Subsidiary companies	576,000	663,000	(596,000)	643,000
<b>Short-term loans from related parties</b>				
Subsidiary companies	259,000	472,000	(546,000)	185,000
Related companies*	302,604	1,430,001	(1,563,571)	169,034
Total	561,604	1,902,001	(2,109,571)	354,034

Short-term loans to subsidiaries carried interest at rates of 2.45 % - 2.85 % per annum (2018: 2.37% - 7.25% per annum), due for repayment on demand and no security to guarantees.

Short-term loans from subsidiaries carried interest at rates of 1.60% - 2.85% per annum (2018: 1.10% - 2.45% 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 (2018: 2.15% per annum). These loans will be due within three months and secured by inventories as described in Note 12. Under the power of attorney, the Company agrees to accept liability for any losses.

### Directors and management's benefits

Group had employee benefit expenses to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Short-term employee benefits	50,617	67,264	47,903	64,937
Post-employment benefits	2,366	694	2,297	694
Total	52,983	67,958	50,200	65,631

### Guarantee obligations with related parties

The Company had outstanding guarantee obligations with its related parties, as described in Note 36.8.



## 9. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cash	1,181	1,111	996	1,016
Bank deposits	46,772	62,628	21,908	45,367
<b>Total</b>	<b>47,953</b>	<b>63,739</b>	<b>22,904</b>	<b>46,383</b>

As at 31 December 2019, bank deposits in savings accounts carried interests between 0.13 and 0.63 percent per annum (2018: 0.12 and 0.50 percent per annum).

## 10. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<u>Trade receivables - related parties</u>				
Aged on the basis of due date				
Not yet due	-	4,994	1,821	10,573
<b>Total trade receivables - related parties</b>	<b>-</b>	<b>4,994</b>	<b>1,821</b>	<b>10,573</b>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due date				
Not yet due	481,302	248,502	325,455	66,724
Past due				
Up to 3 months	26,017	33,355	14,172	22,438
3 - 6 months	-	15,959	-	15,959
6 - 12 months	-	1,594	-	-
Over 1 year	11,264	-	11,264	-
<b>Total trade receivables - unrelated parties</b>	<b>518,583</b>	<b>299,410</b>	<b>350,891</b>	<b>105,121</b>
Less: Allowance for doubtful accounts	(5,632)	(842)	(5,632)	-
<b>Total trade receivables - unrelated parties - net</b>	<b>512,951</b>	<b>298,568</b>	<b>345,259</b>	<b>105,121</b>
<b>Total trade receivables</b>	<b>512,951</b>	<b>303,562</b>	<b>347,080</b>	<b>115,694</b>



(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<u>Other receivables</u>				
Advances	1,966	1,410	1,942	1,407
Accrued income	26,652	382	26,652	382
Interest receivable - related parties	-	-	2,228	999
Other receivables - related parties	792	8,717	416,229	295,834
Other receivables - unrelated parties	11,800	17,003	8,231	13,358
Dividend receivable - related parties	-	-	78,000	60,000
Advance payment for woodschip	33,221	-	-	-
Advances payment for molasses	114,957	133,231	-	-
Total other receivables	189,388	160,743	533,282	371,980
Less: Allowance for doubtful accounts	-	(1,119)	-	(1,119)
Total other receivables - net	189,388	158,782	533,282	370,861
Total trade and other receivables - net	702,339	463,186	880,362	486,555

## 11. Sugar cane plantation receivables

The balances of sugar cane plantation receivables as at 31 December 2019 and 2018, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	2019	2018
	<b>Sugar cane plantation receivables aged on the basis of due dates</b>	
2019/2020 harvesting year	329,353	-
2018/2019 harvesting year	105,535	494,615
2017/2018 harvesting year	56,231	77,119
2016/2017 harvesting year	34,293	40,280
2015/2016 harvesting year	27,833	32,084
Before 2015/2016 harvesting year	60,942	65,643
Total current portion of sugar cane plantation receivables	614,187	709,741
Less: Allowance for doubtful accounts	(172,328)	(143,348)
Current portion of sugar cane plantation receivables - net	441,859	566,393
Sugar cane plantation receivable - long-term portion	69,368	108,503
Sugar cane plantation receivable - net	511,227	674,896



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.

## 12. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	728,041	1,272,491	(1,758)	-	726,283	1,272,491
Inventories in process	16,080	22,859	-	-	16,080	22,859
Raw materials	116,827	32,909	-	-	116,827	32,909
Chemicals, spare parts, factory supplies and other supplies	118,815	114,463	(2,649)	(2,062)	116,166	112,401
By products (Molasses)	45,224	95,196	-	-	45,224	95,196
<b>Total</b>	<b>1,024,987</b>	<b>1,537,918</b>	<b>(4,407)</b>	<b>(2,062)</b>	<b>1,020,580</b>	<b>1,535,856</b>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	725,213	1,272,131	(1,758)	-	723,455	1,272,131
Inventories in process	16,080	22,859	-	-	16,080	22,859
Chemicals, spare parts, factory supplies and other supplies	93,528	89,112	(1,832)	(1,263)	91,696	87,849
By products (Molasses)	45,224	95,196	-	-	45,224	95,196
<b>Total</b>	<b>880,045</b>	<b>1,479,298</b>	<b>(3,590)</b>	<b>(1,263)</b>	<b>876,455</b>	<b>1,478,035</b>

During the current year, Group reduced cost of inventories by Baht 2.3 million (2018: Baht 1.3 million) (the Company only: Baht 2.3 million 2018: Baht 0.5 million), to reflect the net realisable value. This was included in cost of sales.



As at 31 December 2019, the Company pledged inventories of approximately Baht 169 million (2018: 303 million) to secure short-term loans from bank through its related representative as stipulated in Note 8 to financial statements.

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

	(Unit: Thousand Baht)	
	Consolidated financial statements / Separate financial statement	
	2019	2018
<b>Amounts due from the Office of the Cane and Sugar Fund</b>		
Receivable from sugar cane price	438,687	410,631
Receivable from compensation for production and distribution of sugar	175,432	164,354
<b>Total receivables from the Office of the Cane and Sugar Fund</b>	614,119	574,985
Offset short-term loans from the Office of Cane and Sugar Fund (see Note 21)	(410,731)	-
<b>Amounts due from the Office of the Cane and Sugar Fund</b>	203,388	574,985
Less: Current portion of amounts due from the Office of the Cane and Sugar Fund	(27,956)	(410,631)
<b>Amounts due from the Office of the Cane and Sugar Fund - net of current portion</b>	175,432	164,354

	(Unit: Thousand Baht)	
	Consolidated financial statements / Separate financial statement	
	2019	2018
<b>Amounts due from the Office of the Cane and Sugar Fund aged by harvesting year</b>		
2017/2018 harvesting year	164,254	574,985
2018/2019 harvesting year	39,134	-
<b>Total</b>	203,388	574,985

Compensation from the final price of sugar cane was the compensation that the Company expects to receive from the Office of the Cane and Sugar Fund. Since the final price of sugar cane and the final yield of production and distribution of sugar will be lower than the initial price of sugar cane for harvesting season in 2017/2018 and 2018/2019. According to 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 such difference, but the sugar cane planters do not have to return the excess amount of sugar cane price received.



The Company expects that the Cane and Sugar Fund will finalize the calculation and pay compensation for the sugar cane price in the current fiscal year. The Company therefore classified compensation expected to be received as “Current portion of amounts due from the Office of the Cane and Sugar Fund”. In addition, the Company recorded its estimate of the compensation to be received in the future 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 in 2020 may differ from these estimates.

#### 14. Other current assets

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Input tax refundable	183,610	211,137	181,102	210,324
Withholding tax deducted at source	13,674	8,846	9,513	6,774
Prepaid expenses	20,553	17,189	12,221	11,920
Others	29,962	16,608	25,198	13,646
<b>Total other current assets</b>	<b>247,799</b>	<b>253,780</b>	<b>228,034</b>	<b>242,664</b>

#### 15. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Impairment for investment		Investments - net		Dividend received during the year	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
			(%)	(%)								
<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	140,000	50,000
KBS Trading Co., Ltd.	40,000	40,000	100	100	40,000	40,000	-	-	40,000	40,000	28,000	10,000
Khonburi Bio Energy Co., Ltd.	115,250	115,250	100	100	115,250	115,250	(11,021)	(11,021)	104,229	104,229	-	-
KBS Investment Co., Ltd.	145,000	43,750	100	100	145,000	43,750	-	-	145,000	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.	140,000	38,750	100	100	-	-	-	-	-	-	-	-
<b>Total investments in subsidiaries</b>					<b>800,250</b>	<b>699,000</b>	<b>(11,021)</b>	<b>(11,021)</b>	<b>789,229</b>	<b>687,979</b>	<b>168,000</b>	<b>60,000</b>

On 23 August 2019, KBS Investment Co., Ltd. (a subsidiary) issued a letter to call for a payment of the remaining 75% of capital increase in 2017 which from Baht 10 million (1,000,000 ordinary shares at a par value of Baht 10 each) to Baht 145 million (14,500,000 ordinary shares at a par value of Baht 10 each) through the issuance of 13.5 million new ordinary shares at a par value of Baht 10 each. The Company subscribed all of the additional shares and made a payment for the remaining unpaid portion by Baht 101.25 million in September 2019.

On 23 August 2019, KBS Power Co., Ltd. (a subsidiary) issued a letter to call for a payment of the remaining 75% of share capital increase in 2017 which from Baht 5 million (500,000 ordinary shares at a par value of Baht 10 each) to Baht 140 million (14,000,000 ordinary shares at a par value of Baht 10 each) through the issuance of 13.5 million new ordinary shares at a par value of Baht 10 each. KBS Investment Co., Ltd. (a subsidiary) subscribed all of the addition shares and made a payment for the remaining unpaid portion by Baht 101.25 million in September 2019.

## 16. Investment in joint venture

Details of investment in joint venture as presented in financial statements as at 31 December 2019 and 2018 are as follows:

Company's name	Nature of business	Country of incorporation	Shareholding percentage		(Unit: Thousand Baht)			
					Consolidated financial statements		Separate financial statements	
					Carrying amounts			
					based on equity method		Carrying amounts based on cost method	
			31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<u>Held by the Company</u>								
C K Trading (1965) Company Limited	Conduct an agent business of selling consumer goods	Thailand	49.00	-	462	-	490	-
Total					462	-	490	-





On 13 August 2019, the Board of Directors' meeting approved the joint investment with a listed company ("the co-investor") by establishing a new company named C K Trading (1965) Co., Ltd. to conduct an agent business of selling consumer goods and to provide marketing and advertising services to promote products to individuals and juristic persons. The registered capital of this company is Baht 1,000,000 (10,000 ordinary shares with a par value of Baht 100 each). Both parties in this joint investment are to invest in an equal proportion of 49%.

## 17. Other long-term investments

(Unit: Thousand Baht)

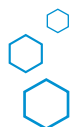
	Consolidated financial statements/ Separate financial statements		Dividend received during the year	
	2019	2018	2019	2018
<i>Common stock</i>				
The Thai Sugar Trading Corporation Limited	1,750	1,750	350	350
Thai Cane and Sugar Corporation Limited	243	243	-	-
Thai Sugar Millers Corporation Limited	2	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>350</u>



## 18. 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 2018	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
Acquisitions during the year	12,510	4,012	75,332	5,037	3,776	42,184	2,035	1,084,001	1,228,887
Disposals/write-off during the year	-	-	(18,278)	-	(273)	(18,128)	(90)	-	(36,769)
Transfers in by settling debts	-	-	-	55	-	625	-	-	680
Transfers in (out)	-	1,918	107,172	1,704	1,106	9,206	3,736	(124,842)	-
As at 31 December 2019	242,619	1,648,535	7,249,771	260,462	148,754	335,332	599,831	1,012,952	11,498,256
<b>Accumulated depreciation</b>									
As at 1 January 2018	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
Depreciation for the year	258	63,821	446,874	13,889	10,005	30,598	40,556	-	606,001
Depreciation on disposals/write-off	-	-	(13,035)	-	(271)	(15,465)	(21)	-	(28,792)
As at 31 December 2019	17,402	767,619	3,077,457	235,481	136,569	159,283	364,293	-	4,758,107
<b>Allowance for impairment:</b>									
As at 31 December 2018	-	-	(5,243)	-	-	-	-	-	-
Reverse during the year	-	-	5,243	-	-	-	-	-	(5,243)
As at 31 December 2019	-	-	-	-	-	-	-	-	5,243
<b>Net book value</b>									
As at 31 December 2018	212,965	938,807	4,436,684	32,074	17,310	157,292	270,392	53,793	6,119,317
As at 31 December 2019	225,217	880,916	4,172,314	24,981	12,185	176,046	235,538	1,012,952	6,740,149
<b>Depreciation for the year</b>									
2018 (Baht 579 million included in manufacturing cost, and the remaining balance in administrative expenses)									600,819
2019 (Baht 584 million included in manufacturing cost, and the remaining balance in administrative expenses)									606,001





As at 31 December 2019, Group capitalized borrowing costs to construction in progress of Baht 4 million (2018: Nil) (the Company only: Baht 4 million 2018: Nil).

As at 31 December 2019, Group had vehicles with the net book value of Baht 108 million (2018: Baht 116 million) (The Company only: Baht 108 million, 2018: Baht 115 million) which are acquired under finance lease agreements.

As at 31 December 2019, Group 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 1,266 million (2018: Baht 1,151 million) (The Company only: Baht 1,238 million, 2018: Baht 1,145 million).

Group have pledged most assets as collateral against credit facilities and loans received from banks (all types of liabilities) as mentioned in Note 20 and Note 25.

## 19. Intangible assets

The net book value of intangible assets as at 31 December 2019 and 2018 are presented below.

	Consolidated financial statements			(Unit: Thousand Baht) Separate financial statements	
	Computer software	Right to use the transmission facilities	Total	Computer software	Total
As at 31 December 2019					
Cost	38,343	153,897	192,240	35,301	35,301
Less: Accumulated amortisation	(35,878)	(30,225)	(66,103)	(32,864)	(32,864)
Net book value	<u>2,465</u>	<u>123,672</u>	<u>126,137</u>	<u>2,437</u>	<u>2,437</u>

	Consolidated financial statements			(Unit: Thousand Baht) Separate financial statements	
	Computer software	Right to use the transmission facilities	Total	Computer software	Total
As at 31 December 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	<u>1,760</u>	<u>129,874</u>	<u>131,634</u>	<u>1,556</u>	<u>1,556</u>

A reconciliation of the net book value of intangible assets during the year ended 31 December 2019 and 2018 are presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Net book value as at 1 January	131,634	131,680	1,556	2,589
Acquisition of computer software – cost	2,490	326	2,483	300
Transfer in	-	7,523	-	-
Write-off to expenses	-	(28)	-	-
Amortisation for the year	(7,987)	(7,867)	(1,602)	(1,333)
Net book value as at 31 December	126,137	131,634	2,437	1,556

## 20. Short-term loans from banks

	Interest rate		Consolidated		Separate	
			financial statements		financial statements	
	2019	2018	2019	2018	2019	2018
	(% per annum) (% per annum)					
Promissory notes	2.0 – 5.6	2.2 - 5.6	2,926,640	2,676,280	2,776,140	2,604,500

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

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

(Unit: Thousand Baht)

	Consolidated and Separate financial statements			
	2018	Increase during the year	Offset with	
			Amount to be received from the Fund	
				2019
<b>Short-term loans</b>	150,773.3	259,957.3	(410,730.6)	-

Short-term loans from the Office of Cane and Sugar Fund are loans that the Company borrowed from the Office of Cane and Sugar Fund for the purpose to increase liquidity for the sugar plant. The loans bear interest at rate of 0.10% per annum and guaranteed full amount by the post dated cheques.



As at 31 December 2019, the Company offset all short-term loans 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 as described in Note 13.

## 22. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
Sugar cane payables	284,046	334,323	284,046	334,323
Trade payables - related parties	-	-	93,961	121,218
Trade payables - unrelated parties	115,485	197,433	94,831	145,873
Advance receivables for goods	339,825	401,408	223,545	199,794
Accounts payable for purchasing fixed assets	361,766	116,898	299,816	25,733
Accrued expenses - related party	59	53	59	53
Accrued expenses - unrelated parties	30,397	33,708	24,145	25,448
Accrued interest expenses - related party	66	95	66	694
Accrued interest expenses - unrelated parties	1,414	1,642	1,399	1,528
Other payables - unrelated parties	164,290	140,858	132,063	114,005
Total trade and other payables	<u>1,297,348</u>	<u>1,226,418</u>	<u>1,153,931</u>	<u>968,669</u>

### Sugar cane payables

The Company 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.

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 2018/2019 harvesting year based on the estimated by reference calculated from the Office of Cane and Sugar Board. This was equal to Baht 692.76 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased at Baht 41.57 per ton for each 1 C.C.S variation. The Company recorded the difference as compensation from final price of sugar cane as stipulated in Note 13 to financial statements.



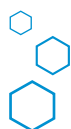
The Company purchased sugar cane for the 2017/2018 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 11/2017 dated 12 December 2017. This determined the initial price of sugar cane in the 2017/2018 harvesting year at Baht 880 per ton of sugar cane at a sweetness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

However, the management estimated that the final sugar cane price will be lower than the initial sugar cane price, and thus the Company recorded sugar cane costs for the 2017/2018 harvesting year based on the estimation by reference calculated from the Office of Cane and Sugar Board. This was equal to Baht 790.37 per ton of sugar cane at the sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 47.42 per ton for each 1 C.C.S variation. The Company recorded the difference as compensation from the final price of sugar cane as stipulated in Note 13 to financial statements.

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

During the current year, the Company wrote off the balance of advance received for the 2017/2018 harvesting season of Baht 55.7 million as other income, because the office of Cane and Sugar Fund sent a letter notifying the Company of the write-off of the Company's debt.

The office of Cane and Sugar Fund approved the payment of a subsidy of Baht 98.9 million to the Company from the assistance project to support sugar cane planters and sugar plants for harvesting season 2018/2019. The Company recognised this transaction as other income in the income statement. In addition, the office of Cane and Sugar Fund sent a letter confirming that the amount was considered as the Company's revenue.



## 24. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Liabilities under finance lease agreements				
- Less than 1 year	14,597	36,411	14,597	36,237
- Over 1 year within 4 years	30,367	34,274	30,367	34,274
Total future minimum lease payments	44,964	70,685	44,964	70,511
Less: Deferred interest expenses				
- Less than 1 year	(1,584)	(2,327)	(1,584)	(2,325)
- Over 1 year within 4 years	(1,847)	(2,574)	(1,847)	(2,574)
Total deferred interest expenses	(3,431)	(4,901)	(3,431)	(4,899)
Present value of future minimum lease payments	41,533	65,784	41,533	65,612
Less: Portion due within one year	(13,013)	(34,084)	(13,013)	(33,912)
Liabilities under finance lease agreements				
- net of current portion	28,520	31,700	28,520	31,700

Group 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.

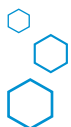




## 25. Long-term loans from banks

(Unit: Thousand Baht)

Loan no.	Credit facilities (Million Baht)	Interest rate (%)	Repayment schedule	Consolidated financial statements		Separate financial statements	
				31 December 2019	31 December 2018	31 December 2019	31 December 2018
1	1,150	AMLR - 2.95	12 semi-annual installments starting from Baht 40 million and raising annually up to Baht 140 million for each installment, commencing from June 2014	-	280,000	-	-
2	2,230	AMLR - 2.95	12 semi-annual installments of Baht 186 million each, with the same amount every year, last installment Baht 184 million, commencing from June 2016	692,535	1,064,535	692,535	1,064,535
3	150	4.80	15 semi-annual installments of Baht 10 million each, with the same amount every year, commencing from December 2015	60,000	80,000	60,000	80,000
4	282	AMLR - 2.95	12 semi-annual installments of Baht 23.5 million each, with the same amount every year, commencing from June 2017	97,123	144,123	97,123	144,123
5	52	MLR - 2.00	4 semi-annual installments of 13 million each, commencing from 28 February 2018	-	22,525	-	-
6	860	4.50	Repayment of all principals within 30 April 2019	-	249,395	-	249,395
7	1,000	4.50	Repayment of all principals within 30 April 2020	205,800	-	205,800	-
8	2,286	(year 1 - 2) 3.50 (year 3 - 10) THBFIX + 1.75	16 semi-annual installments starting from Baht 30 million and raising annually up to Baht 199 million for each installment. The first installment starts in June 2021 and repayment the whole amount within 30 December 2028.	445,080	-	445,080	-
9	714	(year 1 - 2) 3.50 (year 3 - 10) THBFIX + 1.75	16 semi-annual installments starting from Baht 10 million and raising annually up to Baht 61 million for each installment. The first installment starts in June 2021 and repayment the whole amount within 30 December 2028.	-	-	-	-
Total				1,500,538	1,840,578	1,500,538	1,538,053
Less: Deferred financial fee				(3,516)	-	(3,516)	-
Long-term loans - net				1,497,022	1,840,578	1,497,022	1,538,053
Less: Current portion				(644,558)	(990,920)	(644,558)	(688,395)
Long-term loans from banks - net of current portion				852,464	849,658	852,464	849,658



Movements in the long-term loans from banks account during the year ended 31 December 2019 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2019	1,840,578	1,538,053
Add: Additions during the year	650,880	650,880
Less: Repayment during the year	(990,920)	(688,395)
Financial fee	(3,614)	(3,614)
Amortisation financial fee	98	98
Balance as at 31 December 2019	1,497,022	1,497,022

On 1 February 2019, the Company entered into loan agreement with a local bank of Baht 1,000 million. The objective is to fund the sugar cane plantation harvesting season 2019/2020. The loan is a Baht loan and to be repaid in full amount within 30 April 2020.

On 13 August 2019, the Company entered into loan agreement with a local bank of Baht 2,286 million. The objective is to construct the sugar factory and purchase machinery at Sikhio district in Nakhon Ratchasima province. The loan is to be repaid within 30 December 2028.

On 13 August 2019, KBS Power Co., Ltd (a subsidiary) entered into loan agreement with a local bank of Baht 714 million with an objective to construct the power plant and purchase machinery at Sikhio district in Nakhon Ratchasima province. The loan is to be repaid within 30 December 2028. As at 31 December 2019, the subsidiary has not yet withdrawn this loan.

These loans are secured by mortgages of land and construction thereon, and machinery and equipment of the Company and two subsidiaries.

Under the above loan agreements, Group must contain covenants as specified in the agreements that, among other things, require the Company and subsidiaries to maintain certain debt to equity ratio, and debt service coverage ratio at the rate prescribed in the agreements.

As at 31 December 2019 and 2018, the Company could not maintain Debt Service Coverage Ratio (DSCR) as specified in one of the facilities of Credit Facility Agreement. However, the Company had already received the waiver letter for such non-compliance financial ratio from a bank in December 2019 and 2018.



As at 31 December 2019, the long-term credit facilities of Group which have not yet been drawn down amounted to Baht 3,349 million (2018: Baht 611 million) (the Company only: Baht 2,635 million, 2018: Baht 611 million).

The Company entered into interest rate swap agreements with a bank for loan credit facilities No.2 and No.4, to swap floating interest rate for fixed interest rate as described in Note 38.1.

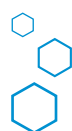
## 26. Provision for long-term employee benefits

Movement in the provision for long-term employee benefits, which represents compensation payable to employees after they retire during the year ended 31 December 2019 and 2018, are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
<b>Provision for long-term employee benefits</b>				
<b>at beginning of year</b>	36,262	33,691	31,629	29,537
Included in profit or loss:				
Current service cost	4,379	3,577	3,773	3,143
Interest cost	1,194	788	1,028	691
Transfer employees during the year	-	-	(467)	-
Past service cost from changing of labor law	10,026	-	8,719	-
Included in other comprehensive income:				
Actuarial (gain) loss arising from:				
Financial assumptions changes	5,862	(513)	5,143	(461)
Benefits paid during the year	(2,820)	(1,281)	(2,081)	(1,281)
<b>Provision for long-term employee benefits at end of year</b>	<u>54,903</u>	<u>36,262</u>	<u>47,744</u>	<u>31,629</u>

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and Group have additional past service cost from the change of labor law in comprehensive income statement and long-term employee benefit liabilities of Baht 10 million (The Company only: Baht 9 million) as a result.

Group expect to pay long-term employee benefits amounting to Baht 3 million within next one year (2018: Baht 3 million) (the Company only: Baht 3 million, 2018: Baht 2 million).



As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 15 years (2018: 15 years) (the Company only: 15 years, 2018: 15 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	1.32 - 2.43	1.76 - 4.32	1.32 - 2.43	1.76 - 4.32
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 2019 are summarised below:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(4)	5	(4)	4
Salary increase rate	6	(5)	5	(4)

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(4)	5	(4)	4

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 financial statements		Separate 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 financial statements		Separate financial statements	
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(3)	3	(2)	3



## 27. 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.

## 28. Revenue from contracts with customers

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Type of goods or service:</b>				
Sales of sugars and molasses	5,492	7,138	4,887	5,868
Sales of oil, fertilizer, insecticide and others	279	425	278	425
Services of agriculture	59	71	59	71
Sales of electricity	728	608	-	-
Total revenue from contracts with customers	<u>6,558</u>	<u>8,242</u>	<u>5,224</u>	<u>6,364</u>
<b>Timing of revenue recognition:</b>				
Revenue recognised at a point in time	5,771	7,563	5,165	6,293
Revenue recognised over time	787	679	59	71
Total revenue from contracts with customers	<u>6,558</u>	<u>8,242</u>	<u>5,224</u>	<u>6,364</u>

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in Note 33 relating to the segment information:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
External customers	6,558	8,242	5,085	6,259
Inter-segment	672	803	139	105
	<u>7,230</u>	<u>9,045</u>	<u>5,224</u>	<u>6,364</u>
Adjustments and eliminations	<u>(672)</u>	<u>(803)</u>	-	-
Total revenue from contracts with customers	<u>6,558</u>	<u>8,242</u>	<u>5,224</u>	<u>6,364</u>



## 29. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial Statements		Separate financial statements	
	2019	2018	2019	2018
Salaries and wages and other employee benefits	486,077	548,873	429,134	472,871
Depreciation and amortisation	613,988	608,687	525,540	524,483
Transportation expenses	212,316	269,291	171,354	221,505
Stabilisation costs, research fee and contribution to Cane and Sugar Fund	308,081	516,958	308,081	516,958
Maintenance expenses	269,351	348,137	236,076	293,591
Rental expenses from operating lease agreements	44,609	70,137	42,122	65,409
Raw materials and other supplies used	2,867,438	5,127,946	2,567,401	4,497,342
Changes in inventories of finished goods and work in process	(601,201)	(493,212)	(603,670)	(493,273)

## 30. Income tax

### 30.1 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	financial statements	financial statements
	2019	2018	2019	2018
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	35,592	28,893	35,592	28,893
Allowance for diminution in value of inventories	935	253	718	253
Allowance for impairment in subsidiary	-	-	2,204	2,204
Derivative revaluation reflected in shareholders' equity	2,541	1,813	1,764	1,813
Provision for long-term employee benefits	10,981	7,412	9,549	6,326
Unused tax loss	121,690	124,030	110,685	91,926
<b>Total</b>	<b>171,739</b>	<b>162,401</b>	<b>160,512</b>	<b>131,415</b>



(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<b>Deferred tax liabilities</b>				
Derivative revaluation				
reflected in profit or loss	5,357	617	5,357	617
reflected in shareholders' equity	813	2,830	813	2,830
Financial lease	7,503	4,113	7,503	4,113
Accumulated depreciation - Plant and equipment	92,294	86,838	92,294	86,838
<b>Total</b>	<b>105,967</b>	<b>94,398</b>	<b>105,967</b>	<b>94,398</b>
<b>Deferred tax assets - net</b>	<b>65,772</b>	<b>68,003</b>	<b>54,545</b>	<b>37,017</b>

### 30.2 Income tax expense (revenue)

Income tax expense (revenue) for the years ended 31 December 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<b>Current income tax:</b>				
Current income tax charge	8,248	2,851	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	6,148	(7,259)	(14,532)	18,617
<b>Income tax expense (revenue) reported in the statements of comprehensive income</b>	<b>14,396</b>	<b>(4,408)</b>	<b>(14,532)</b>	<b>18,617</b>



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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
Accounting profit before tax	194,145	289,557	40,041	194,818
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied				
by income tax rate	38,829	57,911	8,008	38,964
Effects of:				
Income exempted from promotional				
privileges (Note 31)	(33,486)	(22,869)	-	-
Non-deductible expenses	(623)	4,416	(1,127)	2,464
Additional expense deductible				
allowed	(40,229)	(22,811)	(40,181)	(22,811)
Unused tax losses which may				
not be utilised	49,905	(23,259)	18,768	-
Others	-	2,204	-	-
<b>Income tax expense (revenue)</b>				
<b>    reported in the statements of</b>				
<b>    comprehensive income</b>	<b>14,396</b>	<b>(4,408)</b>	<b>(14,532)</b>	<b>18,617</b>

As at 31 December 2019, Group have deductible temporary differences and unused tax losses totaling Baht 718 million (2018: Baht 639 million) (the Company only: Baht 706 million 2018: Baht 625 million), on which deferred tax assets have not been recognised as Group believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses will expire by the year 2024.

### 30.3 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 2019 and 2018 are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
Deferred tax relating to				
(Gain) loss on revaluation from				
derivative	2,745	(1,013)	1,968	(1,013)
Actuarial (gain) loss	1,172	(103)	1,029	(92)





### 31. Promotional privileges

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 2019 and 2018, divided by promoted and non-promoted operating are summarised below.

(Unit: Million Baht)

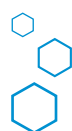
	Consolidated financial statements					
	Promoted operations		Non-promoted operations		Total	
	2019	2018	2019	2018	2019	2018
Revenues from sales and service						
Domestic sales	537	758	2,733	3,647	3,270	4,405
Export sales	-	-	3,288	3,837	3,288	3,837
Total	537	758	6,021	7,484	6,558	8,242

### 32. Earnings per share

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

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

	Consolidated financial statements					
	Net profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2019	2018	2019	2018	2019	2018
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Net profit attributable to equity holders of the Company	179,750	293,965	600,000	600,000	0.30	0.49



	Separate financial statements					
	Net profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2019	2018	2019	2018	2019	2018
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Net profit attributable to equity holders of the Company	54,573	176,201	600,000	600,000	0.09	0.29

### 33. 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, Group 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 2019 and 2018, respectively.

(Unit: Million Baht)

For the year ended 31 December 2019

	Sugar cane segment	Sugar and molasses trading	Utilities segment	Others	Total reportable segments	Eliminations	Consolidated
Revenue from sale and service from external customers	5,088	742	728	-	6,558	-	6,558
Inter-segment revenue	145	17	510	-	672	(672)	-
<b>Total</b>	<b>5,233</b>	<b>759</b>	<b>1,238</b>	<b>-</b>	<b>7,230</b>	<b>(672)</b>	<b>6,558</b>
Interest income	48	1	8	3	60	(18)	42
Financial cost	163	-	25	-	188	(18)	170
Depreciation and amortisation	526	-	89	-	615	(1)	614
Gain on disposal of equipment	5	-	-	-	5	(5)	-
Income tax expense (revenue)	(16)	8	22	-	14	-	14
<b>Segment profit</b>	<b>52</b>	<b>33</b>	<b>261</b>	<b>2</b>	<b>348</b>	<b>(168)</b>	<b>180</b>
<b>Segment total assets</b>	<b>9,339</b>	<b>229</b>	<b>2,259</b>	<b>259</b>	<b>12,086</b>	<b>(2,379)</b>	<b>9,707</b>
Additions to non-current assets other than financial instruments and deferred tax assets	580	-	112	101	793	(207)	586

(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 expense (revenue)	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>
Deductions to non-current assets other than financial instruments and deferred tax assets	(412)	-	(42)	(7)	(461)	12	(449)



## Geographic information

Revenue from external customers is based on locations of customers.

	(Unit: Million Baht)	
	2019	2018
Revenue from external customers		
Thailand	3,274	4,405
Asia	2,552	2,859
Europe	722	971
Others	10	7
Total	<u>6,558</u>	<u>8,242</u>

## Major customers

For the year 2019, Group had revenue from 3 major customer in the amount of Baht 2,005 million (2018: Baht 1,743 million derived from one major customer, arising from the production and distribution of sugar cane segment).

### **34. Provident fund**

Group and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and Group contribute to the fund monthly at 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 2019 amounting to approximately Baht 10 million (2018: Baht 10 million) (the Company only: Baht 9 million 2018: Baht 8 million) were recognised as expenses.

### **35. Dividends**

Dividends	Approved by	Total dividends	Dividend per share
		(Million Baht)	(Baht)
Final dividends for 2018	Annual General Meeting of the shareholders on 29 April 2018	72	0.12
Total for 2019		<u>72</u>	<u>0.12</u>

### **36. Commitments and contingent liabilities**

#### **36.1 Capital commitments**

As at 31 December 2019, Group had capital commitments of approximately Baht 1,994 million (2018: Baht 28 million) (the Company only: Baht 1,689 million, 2018: Baht 21 million), relating to the construction of factory buildings and acquisition of machinery.



### 36.2 Operating lease commitments

Group 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	
	2019	2018	2019	2018
Payable within:				
1 year	31	30	26	22
2 to 5 years	27	9	27	6

### 36.3 Molasses sale/purchase commitments

As at 31 December 2019, the Company and a subsidiary had commitments to molasses purchase of Baht 204 million (2018: Baht 272 million) (the Company only: Nil 2018: Nil) and molasses sales of Baht 677 million (2018: Baht 674 million) (the Company only: Baht 440 million 2018: Baht 167 million), for which the delivery has not yet been made. The agreements mature within one year.

### 36.4 Sugar sales/purchase commitments

As at 31 December 2019, the Company had commitments to the sale of sugar amounting to Baht 370 million (2018: Baht 650 million), for which the delivery has yet to be made. The agreements mature within one year.

### 36.5 Commitment in respect of uncalled investment

As at 31 December 2019 and 2018, the Group are committed to pay the uncalled portions of its investments as follows:

	(Unit: Million Baht)	
	2019	2018
Khonburi Bio Energy Co., Ltd.	324.75	324.75
KBS Investment Co., Ltd.	-	101.25
KBS Power Co., Ltd.	-	101.25



### 36.6 Electricity sale/purchase commitment and dispute

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

<u>Company's name</u>	<u>Date of agreement</u>	<u>Period (Years)</u>	<u>Commencement date</u>	<u>End of period</u>	<u>Contracted capacity (MW)</u>
Provincial Electricity Authority Provincial Electricity Authority (PEA)	20 July 2009	20	16 July 2013	15 July 2029	8
Electricity Generating Authority of Thailand ("EGAT")	6 November 2014	25	2 January 2015	1 January 2040	22
Provincial Electricity Authority Provincial (PEA)*	3 December 2007	1 year and renew every 1 year automatically	21 December 2007	-	8

\*On 4 February 2019, the Company entered in a memorandum of amendment to the electricity agreement with the Provincial Electricity Authority where by the right to sell electricity is to be transferred to the subsidiary. The subsidiary has to comply with the rules, regulations and procedures as stipulated in the existing electricity agreement or additional requirement in the future.

### 36.7 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.



### 36.8 Guarantees

- 1) As at 31 December 2019 and 2018, the Company guaranteed bank credit facilities of two subsidiaries amounting to Baht 2,112 million.
- 2) As at 31 December 2019, the Company has pledged cheques to secure the loan as stipulated in Note 21 to the financial statements amounting to Baht 410 million (2018: Baht 151 million).
- 3) As at 31 December 2019, the Company has guaranteed of bank credit facilities of a related party with inventories amounting to Baht 169 million (2018: Baht 303 million).
- 4) As at 31 December 2019, Group had outstanding bank guarantees of approximately Baht 3 million and Baht 4 million, respectively (2018: Baht 3 million and Baht 39 million, respectively) issued by banks on behalf of Group in respect of certain performance bonds as required in the normal course of business.
- 5) As at 31 December 2019 and 2018, 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.

### 36.9 Dispute

1. In 2016, the steam main of Khonburi Power Plant Company Limited (subsidiary) had caused a damage to the boiler and its components.

Subsequently in 2017, the Arbitration Institute had accepted to sit in the dispute regarding a breach of delivery contract for the higher-pressure boiler as defects could not be detected when the subsidiary (“the claimant”) received the boiler from the contractor (“the opponent”).

On 28 June 2019, the Arbitration Institute rendered the award as follows:

1. The opponent is to pay the compensation for the breach of contract amounting to Baht 37.5 million on which an interest rate is charged at 7.5% from the date the dispute is filed until the compensation is paid fully by the opponent.

The opponent paid the compensation in September 2019. Therefore, the subsidiary recognised this transaction as other income in the income statement.



2. The subsidiary is not to be responsible for the repair expenses of the steam main of Baht 64.0 million (vat included), which was recorded as account payable for repairment of Baht 62.2 million (vat excluded) in the financial statements since 2016.

On 16 September 2019, the opponent and the subsidiary signed the MOU to cancel the mentioned repair expenses. The subsidiary therefore recorded the reversal of the account payable for repairment machinery as other income in the income statement.

### **37. Fair value hierarchy**

Group 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 2019 and 2018, Group had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

Consolidated Financial Statements				
As at 31 December 2019				
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Derivatives				
Forward exchange contracts	-	182	-	182
Commodity swap contracts	-	26,787	-	26,787

**Financial liability measured at fair value**

Derivatives				
Interest rate swap contracts	-	8,822	-	8,822

(Unit: Thousand Baht)

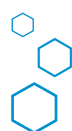
Separate Financial Statements				
As at 31 December 2019				
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Derivatives				
Forward exchange contracts	-	4,066	-	4,066
Commodity swap contracts	-	26,787	-	26,787

**Financial liability measured at fair value**

Derivatives				
Interest rate swap contracts	-	8,822	-	8,822

(Unit: Thousand Baht)

Consolidated / Separate Financial Statements				
As at 31 December 2018				
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Derivatives				
Forward exchange contracts	-	14,150	-	14,150
Commodity swap contracts	-	3,085	-	3,085
<b>Financial liability measured at fair value</b>				
Derivatives				
Interest rate swap contracts	-	9,064	-	9,064



### 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.

## **38. Financial instruments**

### **38.1 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***

Group are exposed to credit risk primarily with respect to trade and other receivables, sugar cane plantation receivables and loans. Group managed 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***

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

As at 31 December 2019 and 2018, 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 2019

	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	-	-	44	4	48	Note 9
Trade and other receivables	-	-	-	702	702	-
Sugar cane plantation receivables	442	69	-	-	511	Note 11
Amounts due from the Office of the Cane and Sugar Fund	-	-	-	203	203	Note 13
	<u>442</u>	<u>69</u>	<u>44</u>	<u>909</u>	<u>1,464</u>	
<b>Financial liabilities</b>						
Short-term loans from banks	2,927	-	-	-	2,927	Note 20
Short-term loan from related party	169	-	-	-	169	Note 8
Trade and other payables	-	-	-	1,297	1,297	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	123	123	-
Liabilities under financial lease	13	29	-	-	42	Note 24
Long-term loans from banks	226	485	790	-	1,501	Note 25
	<u>3,335</u>	<u>514</u>	<u>790</u>	<u>1,420</u>	<u>6,059</u>	

(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 9
Trade and other receivables	-	-	-	463	463	-
Sugar cane plantation receivables	566	109	-	-	675	Note 11
Amounts due from the Office of the Cane and Sugar Fund	-	-	-	575	575	Note 13
	<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 20
Short-term loan from related party	303	-	-	-	303	Note 8
Short-term loans from Office of the Cane and Sugar Fund	151	-	-	-	151	Note 21
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 24
Long-term loans from banks	270	60	1,511	-	1,841	Note 25
	<u>3,434</u>	<u>92</u>	<u>1,511</u>	<u>1,361</u>	<u>6,398</u>	

(Unit: Million Baht)

Separate financial statements						
As at 31 December 2019						
	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	-	-	19	4	23	Note 9
Trade and other receivables	-	-	-	880	880	-
Sugar cane plantation receivables	442	69	-	-	511	Note 11
Amounts due from the Office of the Cane and Sugar Fund	-	-	-	203	203	Note 13
Short-term loans to related parties	643	-	-	-	643	Note 8
	<u>1,085</u>	<u>69</u>	<u>19</u>	<u>1,087</u>	<u>2,260</u>	
<b>Financial liabilities</b>						
Short-term loans from banks	2,776	-	-	-	2,776	Note 20
Short-term loan from related party	354	-	-	-	354	Note 8
Trade and other payables	-	-	-	1,154	1,154	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	123	123	-
Liabilities under financial lease agreement	13	29	-	-	42	Note 24
Long-term loans from banks	226	485	790	-	1,501	Note 25
	<u>3,369</u>	<u>514</u>	<u>790</u>	<u>1,277</u>	<u>5,950</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				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	41	5	46	Note 9
Trade and other receivables	-	-	-	487	487	-
Sugar cane plantation receivables	566	109	-	-	675	Note 11
Amounts due from the Office of the Cane and Sugar Fund	-	-	-	575	575	Note 13
Short-term loans to related parties	576	-	-	-	576	Note 8
	<u>1,142</u>	<u>109</u>	<u>41</u>	<u>1,067</u>	<u>2,359</u>	
<b>Financial liabilities</b>						
Short-term loans from banks	2,605	-	-	-	2,605	Note 20
Short-term loan from related party	562	-	-	-	562	Note 8
Short-term loans from Office of the Cane and Sugar Fund	151	-	-	-	151	Note 21
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 24
Long-term loans from banks	269	60	1,209	-	1,538	Note 25
	<u>3,621</u>	<u>92</u>	<u>1,209</u>	<u>1,104</u>	<u>6,026</u>	



As at 31 December 2019 and 2018, the Company has interest rate swap agreements as below.

Consolidated and Separate financial statement as at 31 December 2019 and 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

### **Foreign currency risk**

Group's exposure to foreign currency risk arises mainly from selling goods and purchasing equipment that are denominated in foreign currencies. Group 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) Group had the following foreign currency financial assets and liabilities.

Consolidated financial statements						
Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2019	2018	2019	2018	2019	2018
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
					29.9767	-
US Dollar	7.1	1.6	1.1	-	30.3313	32.2848

Separate financial statements						
Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2019	2018	2019	2018	2019	2018
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
					29.9767	
US Dollar	7.1	1.6	-	-	29.9767	32.2848

b) Group had the following forward exchange contracts.

Consolidated financial statements as at 31 December 2019					
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	6.2	17.5	30.04 - 30.74	30.03 - 30.73	March - December 2020

Separate financial statements as at 31 December 2019					
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	-	17.5	-	30.03 - 30.73	March - November 2020

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

### Sugar and 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 2019					
Contract value					
(Unit: Thousand US Dollar)					
Commodity type	Bought	Sold	Bought	Sold	Contractual maturity date
	amount	amount	amount	amount	
Sugar	47,782 tons	31,157 tons	14,759	10,173	February – September 2020

As at 31 December 2018					
Contract value					
(Unit: Thousand US Dollar)					
Commodity type	Bought	Sold	Bought	Sold	Contractual maturity date
	amount	amount	amount	amount	
Sugar	19,067 tons	17,494 tons	5,443	5,329	February - September 2019

### 38.2 Fair values of financial instruments

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

The estimated fair value of the derivatives is as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements	financial statements	Separate	financial statements
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	Fair value	Fair value	Fair value	Fair value
	Gain (loss)	Gain (loss)	Gain (loss)	Gain (loss)
<b>Derivatives</b>				
Forward exchange contracts	182	14,150	4,067	14,150
Commodities swap contracts	26,787	3,085	26,787	3,085
Interest rate swap contracts	(8,822)	(9,064)	(8,822)	(9,064)



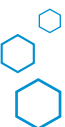
The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable and short-term loans to, accounts payable and short-term loans from, 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. Group 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.

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

- 1) On 7 January 2020, the Extraordinary General Meeting of C K Trading (1965) Company Limited (a joint venture) passed a resolution to increase the registered share capital by issuing 90,000 ordinary shares with a par value of Baht 100 per share from the original registered capital of Baht 1 million to a newly registered capital of Baht 10 million. The Company invested at the same proportion of 49 percent, equivalent to the value of Baht 4.41 million. The Company already paid this investment during January - February 2020.
- 2) On 20 January 2020, the Board of Directors' Meeting of the Company No. 1/2020 resolved to grant approval for the Company and Khonburi Power Plant Co., Ltd. to coordinate with Krungthai Asset Management Public Company Limited, acting as the fund manager to submit an application to the Office of the Securities and Exchange Commission (the "SEC Office") and proceed on any actions for the establishment of the Khonburi Sugar Power Plant Infrastructure Fund ("KBSPIF" or the "Fund"), whereby the Fund will invest in the right to revenue from sale of electricity of the subsidiary. Group will enter into the Undertaking Transaction and the Security Transaction which shall be subject to the terms and conditions of the Revenue transfer agreement. Now, the establishment is currently pending for the approval of the application for establishment of the Fund from the SEC Office.





- 3) On 24 February 2020, the meeting of the Company's Board of Directors passed a resolution to propose the annual general meeting of the Company's shareholders to adopt a resolution to pay a dividend from operating results for the year 2019 of Baht 0.06 per share, totaling Baht 36 million. The dividend will be paid and recorded after it is approved by the annual general meeting of the Company's shareholders.

#### **40. 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 2019, the Group's debt-to-equity ratio was 1.74:1 (2018: 1.88:1) and the Company's was 1.83:1 (2018: 1.83:1).

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

These consolidated financial statements were authorised for issue by the Company's authorised directors on 24 February 2020.





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