

13. Financial Statements and Operating Results

13.1 Financial Statements

(A) Report of Independent Auditor and Opinions

Report of independent auditor certified by EY Office Limited of the Company and its subsidiaries for the years ended 31 December 2016, 2015 and 2014 was expressed an unqualified opinion on the financial position of Siam City Cement Public Company Limited and its subsidiaries and of Siam City Cement Public Company Limited and the results of operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

(B) Financial Statements

- Consolidated Statements of Financial Position
- Consolidated Income Statements and Consolidated Statements of Comprehensive Income
- Consolidated Statements of Cash Flows
- Consolidated Financial Ratios

(B) Consolidated Statements of Financial Position

(Unit : Million Baht)

	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	3,530	6%	2,329	6%	2,757	8%
Trade and other receivables	4,595	8%	3,967	11%	3,925	11%
Inventories	3,065	5%	2,323	6%	2,040	6%
Other current assets	1,305	2%	293	1%	331	1%
TOTAL CURRENT ASSETS	12,495	21%	8,912	24%	9,053	25%
NON-CURRENT ASSETS						
Restricted bank deposits	1	-	-	-	-	-
Investment in joint venture	1,476	2%	433	1%	-	-
Investment in associated companies	1,911	3%	1,995	5%	1,958	6%
Other investment	-	-	155	-	155	1%
Property, plant and equipment	27,009	44%	21,421	57%	20,801	59%
Assets not used in operations	445	1%	348	1%	381	1%
Goodwill	5,783	9%	-	-	-	-
Intangible assets	11,628	19%	3,297	9%	2,251	6%
Deferred tax assets	741	1%	686	2%	612	2%
Other non-current assets	255	-	261	1%	306	1%
TOTAL NON-CURRENT ASSETS	49,249	79%	28,596	76%	26,464	75%
TOTAL ASSETS	61,744	100%	37,508	100%	35,517	100%

(B) Consolidated Statements of Financial Position (continued)

(Unit : Million Baht)

	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Short-term loans from related financial institution	10,599	17%	230	1%	140	-
Bank overdrafts and short-term loans from other financial institutions	5,861	9%	650	2%	151	-
Trade and other payables	3,720	6%	2,781	7%	2,674	8%
Current portion of long-term loans from related financial institution	238	1%	319	1%	335	1%
Current portion of long-term loans from other financial institutions	263	1%	79	-	32	-
Current portion of debentures	3,999	6%	-	-	-	-
Income tax payable	801	1%	531	2%	499	2%
Deferred revenue	802	1%	1,043	3%	758	2%
Accrued electricity	278	1%	270	1%	298	1%
Other accrued expenses	1,314	2%	722	2%	688	2%
Other current liabilities	596	1%	434	1%	356	1%
TOTAL CURRENT LIABILITIES	28,471	46%	7,059	20%	5,931	17%
NON-CURRENT LIABILITIES						
Long-term loans from related financial institution - net of current portion	270	1%	689	2%	1,008	3%
Long-term loans from other financial institution - net of current portion	155	-	359	1%	444	1%
Debentures - net of current portion	5,988	10%	5,993	16%	5,990	17%
Provision for long-term employee benefits	2,012	3%	1,249	3%	1,162	3%
Provision for site restoration and decommissioning costs	70	-	67	-	79	-
Deferred tax liabilities	2,634	4%	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	11,129	18%	8,357	22%	8,683	24%
TOTAL LIABILITIES	39,600	64%	15,416	42%	14,614	41%

(B) Consolidated Statements of Financial Position (continued)

(Unit : Million Baht)

	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
SHAREHOLDERS' EQUITY						
Share capital						
Registered						
280,000,000 ordinary shares of Baht 10 each	2,800		2,800		2,800	
Issued and fully paid up						
230,000,000 ordinary shares of Baht 10 each	2,300	4%	2,300	6%	2,300	6%
Share premium	10,106	16%	10,106	27%	10,106	28%
Retained earnings						
Appropriated - statutory reserve	300	1%	300	1%	300	1%
Unappropriated	9,409	15%	9,352	25%	8,223	24%
Other components of shareholders' equity	28	-	34	-	(32)	-
Equity attributable to owners of the Company	22,143	36%	22,092	59%	20,897	59%
Non-controlling interests of the subsidiaries	1	-	-	-	6	-
TOTAL SHAREHOLDERS' EQUITY	22,144	36%	22,092	59%	20,903	59%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	61,744	100%	37,508	100%	35,517	100%

(B) Consolidated Income Statements and Consolidated Statements of Comprehensive Income

(Unit : Million Baht)

	2016		2015		2014 (Restated)	
	Amount	%	Amount	%	Amount	%
Revenues						
Net sales and service income	34,192	98%	31,120	99%	31,862	100%
Dividend income	8	-	21	-	16	-
Gain on disposal of investment	435	1%	-	-	-	-
Gain on exchange	59	-	-	-	41	-
Other income	202	1%	200	1%	91	-
Total Revenues	34,896	100%	31,341	100%	32,010	100%
Expenses						
Cost of sales and services	21,318	61%	18,751	60%	17,592	55%
Selling and distribution expenses	6,078	17%	5,295	17%	6,693	21%
Administrative expenses	1,960	6%	1,285	4%	1,259	4%
Loss on exchange	-	-	17	-	-	-
Total expenses	29,356	84%	25,348	81%	25,544	80%
Profit before share of profit from investments in joint venture and associated companies, finance cost and income tax expenses	5,540	16%	5,993	19%	6,466	20%
Share of profit from investments in joint venture and associated companies	83	-	140	-	227	1%
Profit before finance cost and income tax expenses	5,623	16%	6,133	19%	6,693	21%
Finance cost	(730)	(2%)	(453)	(1%)	(373)	(1%)
Profit before income tax expenses	4,893	14%	5,680	18%	6,320	20%
Income tax expenses	(979)	(3%)	(1,101)	(4%)	(1,229)	(4%)
Profit for the year	3,914	11%	4,579	14%	5,091	16%
Profit attributable to:						
Equity holders of the Company	3,914	11%	4,579	15%	5,091	16%
Non-controlling interests of the subsidiaries	-	-	-	-	-	-
	3,914	11%	4,579	15%	5,091	16%
Basic earnings per share						
Profit attributable to equity holders of the Company	17.02		19.91		22.13	
Weighted average number of ordinary shares (shares)	230,000		230,000		230,000	

(B) Consolidated Income Statements and Consolidated Statements of Comprehensive Income (continued) (Unit : Million Baht)

	2016	2015	2014 (Restated)
Profit for the year	3,914	4,579	5,091
Other comprehensive income:			
Exchange differences on translation of financial statements in foreign currency	20	(15)	5
Share of other comprehensive income of associated company - exchange differences on translation of financial statements in foreign currency	(25)	81	21
Actuarial loss - net of tax	(408)	-	(8)
Other comprehensive income for the year	(413)	66	18
Total comprehensive income for the year	3,501	4,645	5,109
Total comprehensive income attributable to:			
Equity holders of the Company	3,501	4,645	5,109
Non-controlling interests of the subsidiaries	-	-	-
	3,501	4,645	5,109

(B) Consolidated Statements of Cash Flows

(Unit : Million Baht)

	2016		2015		2014 (Restated)	
	Amount	%	Amount	%	Amount	%
Cash flows from operating activities						
Profit before tax	4,893	100%	5,681	100%	6,321	100%
Adjustments to reconcile profit before tax to						
net cash provided by (paid from) operating activities:						
Share of profit from investment in joint venture and associated companies	(83)	(2%)	(141)	(2%)	(228)	(4%)
Dividend income	(8)	-	(21)	-	(16)	-
Depreciation and amortization	1,929	39%	1,448	25%	1,253	20%
Increase (decrease) in allowance for doubtful accounts						
and reduction of inventory to net realisable value	6	-	-	-	28	-
Gain from a bargain purchase	(58)	(1%)	-	-	-	-
Gain on disposal of other investment	(435)	(9%)	-	-	-	-
Increase (decrease) in allowance for impairment loss						
on property, plant and equipment and assets not used in operation	35	1%	1	-	(16)	-
Loss (gain) on disposals/write-off of property, plant and						
equipment, assets not used in operation and intangible assets	132	3%	131	2%	162	3%
Provision for long-term employee benefits and						
other provisions	159	3%	106	2%	102	2%
Unrealised loss (gain) on exchange	(90)	(2%)	70	1%	6	-
Interest income	(44)	(1%)	(54)	(1%)	(78)	(2%)
Interest expenses	550	11%	404	7%	337	5%
Profit from operating activities before changes in						
operating assets and liabilities	6,986	142%	7,625	134%	7,871	124%
Operating assets (increase) decrease :						
Trade and other receivables	(22)	-	(33)	-	27	-
Inventories	253	5%	(290)	(5%)	(108)	(2%)
Other current assets	(149)	(3%)	37	1%	(50)	(1%)
Other non-current assets	37	1%	64	1%	72	1%
Operating liabilities increase (decrease) :						
Trade and other payables	(120)	(2%)	98	2%	140	2%
Accrued expenses and other current liabilities	(168)	(3%)	381	7%	(306)	(5%)
Cash paid for long-term employee benefits	(64)	(1%)	(23)	-	(8)	(1%)
Cash paid for site restoration	(2)	-	(4)	-	(3)	-
Cash from operating activities	6,751	139%	7,855	140%	7,635	118%
Cash received from interest income	47	1%	56	1%	78	2%
Cash paid for interest expenses	(519)	(11%)	(405)	(7%)	(335)	(5%)
Cash paid for income tax	(1,106)	(23%)	(1,143)	(20%)	(1,369)	(22%)
Net cash from operating activities	5,173	106%	6,363	114%	6,009	93%

(B) Consolidated Statements of Cash Flows (continued)

(Unit : Million Baht)

	2016		2015		2014 (Restated)	
	Amount	%	Amount	%	Amount	%
Cash flows from investing activities						
Decrease in restricted bank deposits	181	4%	-	-	-	-
Proceeds from disposal of property, plant and equipment and assets not used in operation	6	-	43	1%	39	1%
Proceeds from disposals of intangible assets	-	-	-	-	3	-
Net cash paid for acquisitions of subsidiaries	(14,682)	(300%)	-	-	-	-
Increase in investment in joint venture	(1,085)	(22%)	(433)	(8%)	-	-
Increase in investment in associated company	-	-	-	-	(94)	(1%)
Proceed from disposal of other investment	590	12%	-	-	-	-
Acquisitions of property, plant and equipment	(3,244)	(66%)	(2,148)	(38%)	(3,320)	(53%)
Increase in intangible assets	(368)	(8%)	(1,216)	(21%)	(233)	(4%)
Decrease (increase) in other non-current assets	25	1%	(18)	-	(1)	-
Dividend received	192	4%	205	4%	197	3%
Net cash used in investing activities	(18,385)	(375%)	(3,567)	(62%)	(3,409)	(54%)
Cash flows from financing activities						
Increase in short-term loans from related financial institution	10,369	212%	90	2%	95	2%
Increase in bank overdrafts and short-term loans from other financial institutions	5,054	103%	499	9%	151	2%
Increase in long-term loans from related financial institution	-	-	-	-	46	1%
Increase in long-term loans from other financial institution	-	-	-	-	395	6%
Repayment of long-term loans from related financial institution	(500)	(10%)	(335)	(6%)	(220)	(3%)
Repayment of long-term loans from other financial institution	(729)	(15%)	(37)	(1%)	-	-
Repayment of other long-term loans	(336)	(7%)	-	-	-	-
Net cash received from issuance of debentures	3,990	82%	-	-	-	-
Payment of long-term liabilities for concession	-	-	-	-	(48)	(1%)
Dividend paid	(3,450)	(71%)	(3,450)	(61%)	(3,450)	(55%)
Net cash from (used in) financing activities	14,398	294%	(3,233)	(57%)	(3,031)	(48%)
Increase in translation adjustments	8	-	4	-	16	-
Net increase (decrease) in cash and cash equivalents	1,194	24%	(433)	(8%)	(415)	(7%)
Cash and cash equivalents at beginning of year	2,329	47%	2,757	49%	3,173	50%
Effect of change in foreign exchange rate on cash at banks	7	-	5	-	(1)	-
Cash and cash equivalents at end of year	3,530	72%	2,329	41%	2,757	44%

Supplemental disclosures of cash flows information :

Non-cash related transactions :

Increase (decrease) in payables from acquisitions

of property, plant and equipment and intangible assets 183 (88) 96

Increase in property, plant and equipment decommissioning costs

5 - 7

Transferred property, plant and equipment

to intangible assets 130 - 1

(C) Financial Ratio of Siam City Cement Public Company Limited and its subsidiaries

		2016	2015	2014 (Restated)
Unit				
Liquidity ratios				
Current ratio	Times	0.44	1.26	1.53
Quick ratio	Times	0.29	0.89	1.13
Cash flows from operating activities to current liabilities ratio	Times	0.29	0.98	1.03
Accounts receivable turnover	Times	8.12	8.06	8.32
Days receivable outstanding	Days	44	45	43
Inventory turnover	Times	7.91	8.60	8.78
Days inventory outstanding	Days	45	42	41
Accounts payable turnover	Times	6.75	7.02	6.98
Days payable outstanding	Days	53	51	52
Profitability ratios				
Gross profit margin	%	38	40	45
Operating profit margin	%	15	19	20
Cash flows from operating activities on net income margin	%	132	139	118
Net income margin	%	11	15	16
Return on shareholders' equity	%	18	21	25
Efficiency ratios				
Return on assets	%	11	17	19
Return on fixed assets	%	30	36	40
Total assets turnover	Times	0.70	0.86	0.93
Financial policy ratios				
Debt - to - equity ratio	Times	1.79	0.70	0.70
Interest coverage ratio	Times	10.22	15.18	19.86
Cash flows from operating activities to capital expenditure ratio	Times	(0.52)	0.91	0.91

14. Management Discussion and Analysis

The following management discussion and analysis is intended to provide the reader with sufficient business insight to understand the financial position of the Company and should be read in conjunction with our financial statements and the accompanying notes.

Siam City Cement Public Company Limited is a cement and building materials business focused on helping people and businesses to achieve smart construction solutions.

Thailand's economy is expected to grow 3.0 percent in 2016 compared to 2.8 percent in 2015 largely driven by public spending and tourism amidst a stagnated global demand. However, the real economy was affected by sluggish private investment and subdued household incomes on top of high debt burden due to the contraction of exports and weaker agricultural sector.

The domestic cement industry performance has been impacted by oversupply in the market and the slowdown of domestic demand. The domestic cement consumption shrank 1.7 percent in 2016; however, export sales lifted total clinker production by 6.4 percent with steady demand from our new overseas subsidiaries and export clientele.

The outlook for 2017 is positive thanks to an accelerated program of investment to push infrastructure projects initiated by the Government in during 2016. Key projects on track to start include inter-city motorway network, mass rapid transit system, double track railway and airport expansion which will drive consumption of cement, ready-mixed concrete and aggregates.

Business group overview

The Cement business witnessed a contraction in domestic sales volume of around 1 percent compared to the previous year due mainly to soft demand in the bagged cement business. Public spending and some large infrastructure projects from the Government however enabled the bulk cement business to achieve domestic sales volume growth of 6 percent. Despite changes in both supply and demand environment, the Company maintained its market share of 27.5 percent in 2016.

New international businesses, Siam City Cement (Lanka) Limited and Siam City Cement (Bangladesh) Limited which were acquired during the year, contributed significant revenue to the group. The newly acquired companies currently enjoyed high cement consumption growth rates of around 12 to 14 percent per year as a result of the expansion in both private and public sectors. Synergies generated by the 3 new businesses, both domestic and international, enhanced the group's overall performance with a net sales contribution of 4,184 million baht for 5-8 months of operation consolidated in to SCCC Group.

The Ready-mixed concrete business posted a record sales volume with a growth rate of 11 percent compared to the previous year. This significant improvement in sales volume in a highly

competitive environment was the result of a successful market-oriented sales and marketing strategy. The Company has also focused on the shift away from bag to bulk cement, and will continue to transform our business to seek future growth.

The Aggregates business achieved a fine sales volume growth rate of 15 percent compared to the previous year due to solid demand from infrastructure projects. The key driver of aggregate business is the crush stone operation with INSEE Suphanburi plant contributing an excellent performance in both sales volume and profitability.

The Mortar business expanded sales volume by 7 percent over the previous year despite a challenging market price situation by shifting its focus to project channels and bulk solutions in big cities. Innovative products have been continually introduced to the market to fulfill customer demand and improve profitability.

The Fiber cement business achieved sales volume growth of 2 percent compared to the previous year with including a progressive contribution from Conwood Indonesia. Conwood Indonesia successfully delivered its new innovative Conwood Home Project to the customers. The successful rollout of several home solutions has been planned and being executed to enable the business to be profitable in the incoming year.

The Light-weight concrete business reported sales volume growth of 6 percent compared to the prior year amidst high competition in the market. This was due to a collaborative sales strategy with cement, mortar and ready-mixed concrete products. High value products are being developed to strengthen further sales growth.

INSEE Ecocycle's business has been transformed by the strategic acquisition of Valence Corporation Limited's assets, a specialist industrial cleaning services provider with domestic and overseas operations. The Company has now emerged as Thailand's first environmental services solutions provider delivering one-stop convenience to high-value oil and gas, chemical and power plant customers, with a unique mix of specialist industrial cleaning and waste management. Meanwhile, the profitability of the waste management business has been enhanced by focusing in the high disposal fee industrial waste products.

The Digital business has primarily supported the existing operations and expansion of group companies through digitalization and secure IT operation to rapidly connect the financial and governance system of SCCC Group to the newly acquired overseas subsidiaries. Several business functions are benefiting from INSEE SMART Release 2 project which is currently being implemented to introduce more digitization.

Key opportunities and investments

Many businesses acquired in 2016 offered not only cement production capacity expansion but also additional synergy within Group companies. We have secured new and significant footholds in economies growing at 5-6 percent, much faster rate than Thailand and locking in future export

volumes for clinker which also allows existing kilns to continue operating at optimal capacity utilization and efficiency. The acquisitions provide additional cement production capacity of 3.2 million tons representing a 22 percent increase in the existing total cement production capacity of 14.5 million tons. The full year benefits of these initiatives will continue to flow through into our 2017 performance.

Moreover, emerging markets such as Sri Lanka and Bangladesh offer an opportunity for other businesses (Ready-mixed concrete, Aggregates, Waste management services, Fiber cement, etc.) to introduce their products and services into these fast-growing markets. The Company will remain vigilant for future opportunities through expansion and rationalization of our existing businesses as well as introducing new products and services.

Outlook

Domestic demand for cement in 2017 is expected to be driven by the public investment projects coupled with a gradual recovery of investment by private sector. The intense competition in the domestic market is expected to remain however, despite an improved demand outlook. While the Company benefitted from low energy costs in 2016, the price increases of coal and oil are a key risk factor which could impact profitability so particular attention has been paid to cost reduction initiatives which have been implemented to contain our expenses.

Following a year of significant investment and transition, the Company is well placed to benefit from an improved domestic environment as well as the contribution of new cement subsidiaries in the region which we expect will help generate additional revenue and improved earnings for the SCCC Group.

Financial performance

Net sales grew 9.9 percent to 34,192 million baht for the full-year to 31 December 2016 compared to 31,120 million baht in 2015. A key factor lifting the net sales was the contribution of recent acquisitions which totaled 4,184 million baht. However, difficult market conditions in Thailand continued throughout the year with oversupply and slowing residential demand placing pressure on selling prices. Such a price decline was somewhat mitigated by favorable coal prices, lower electricity tariff rates and internal cost saving initiatives. Consolidated net profit fell 14.5 percent year on year to 3,914 million baht from 4,579 million baht in 2015, as the earnings were also impacted by one-time costs associated with acquisitions of 304 million baht and higher financial expenses of 276 million baht which was offset by a gain of 435 million baht from sale of stake in Holcim Cement (Bangladesh) Limited.

Analysis of Financial Performance

Revenues

Domestic cement businesses remained as the core revenue contributor accounting for 41 percent of total sales in 2016. Siam City Cement (Lanka) Limited, Siam City Cement (Bangladesh) Limited and Globe Cement Company Limited, three new businesses acquired in 2016 (only 5 to 8-months operation) began contributing sales to the group which accounted for 12 percent of total sales in 2016. These regional acquisitions have enabled the Company to diversify its revenue sources into high-growth emerging markets.

Revenue Structure

(Unit : Million Baht)

As of December 31				
	2016	2015	+/-	+/- (%)
Revenues				
Net sales	34,192	31,120	3,072	10%
Gain on disposal of investment	435	-	435	100%
Gain on exchange	59	-	59	100%
Dividend income	8	21	(13)	(62%)
Other income	202	200	2	1%
Total Revenues	34,896	31,341	3,555	11%

Total net sales expanded by 10 percent reflecting the sales contribution from new business acquisitions in Thailand, Bangladesh and Sri Lanka. Strong growth in sales volumes and higher selling prices from new acquired companies added 4,184 Million Baht or 12 percent of net sales. However, net sale on like for like basis was decreased by 3.6 percent year on year due to weak domestic demand with intense competition from oversupply which resulted in significant decline of selling prices across most of the building materials.

Gain on disposal of investment of 435 Million Baht was achieved by sale of the 9,192 shares or 10.4 percent shareholding in Holcim Cement (Bangladesh) Ltd.

Expenses

Total expenses rose 16 percent compared to the previous year mainly due to the consolidation of newly acquired subsidiaries and increase in sales and production volumes of clinker and cement, ready-mixed concrete and aggregates.

(Unit : Million Baht)

As of December 31				
	2016	2015	+/-	+/- (%)
Expenses				
Cost of sales and service	21,318	18,751	2,567	14%
Selling and distribution expenses	6,078	5,295	783	15%
Administrative expenses	1,960	1,285	675	53%
Loss on exchange	-	17	(17)	(100%)
Total expenses	29,356	25,348	4,008	16%

Cost of sales and services increased primarily with the consolidation of the production cost from our new overseas subsidiaries which helped to increase our revenue by over 4 billion Baht, increased production volume thereby cost of Ready mix concrete and Aggregates while service costs of the new digital IT company added as Cost of services. However, the production cost per ton of domestic cement has been improved by 7 percent compared to the previous year. thanks to our Good to Great (G2G) initiative, waste heat recovery project, favorable electricity tariff and milder fuel costs. However, this was not enough to prevent a decline in the domestic gross profit margin, from 40 percent in 2015 to 38 percent in 2016 due to the considerable impact of declining sales prices.

Selling and distribution expenses were higher than 2015 primarily due to the addition of expenses (representing approx. 49 percent of the increase) from our newly acquired overseas subsidiaries while the rest of the increase was attributable to higher transportation costs due to additional routes of export clinker and a new warehouse at Khonkaen Province.

Administrative expenses were higher than 2015 mainly due to the addition of expenses (represents approx. 39 percent of the increase) from our newly acquired overseas subsidiaries and one-time acquisition costs of 304 Million Baht. The remaining increase was from new hiring, salary increase, higher Digital IT cost and general inflation.

Overall performances

	2016	2015
Gross profit margin	38%	40%
EBITDA	22%	25%
Net profit margin	11%	15%

Overall profitability ratios dropped by 2 to 4 percent primarily driven by the considerable decline in domestic selling prices due to the intense market competition exacerbated by weak demand and oversupply. The Cost saving programs initiated during the year to prevent erosion of profitability and new businesses acquired to diversify the revenue base and enhance profit generation could only partially mitigate the negative impact to our margins. Once the positive effects of the newly acquired businesses are accounted in full and the expected synergies are integrated gradually in to the consolidated position, the revenue and profits are likely to increase in the future.

Analysis of Financial Position

Net Working Capital

	Unit	2016	2015
Accounts receivable turnover	Times	8.12	8.06
Days receivable outstanding	Days	44	45
Inventory turnover	Times	7.91	8.60
Days inventory outstanding	Days	45	42
Accounts payable turnover	Times	6.75	7.02
Days payable outstanding	Days	53	51

The Company has been able to maintain its working capital through better management of terms on accounts payable and accounts receivable. However, the number of days inventory outstanding was longer by 3 days as a result of the newly acquired subsidiaries typically carrying higher imported raw material stock for their grinding operations.

Investments

Financial investments

As part of the corporate strategy to grow revenues and drive profitability of the group, the Company made significant financial investments in 2016 to participate in the high growth emerging markets, generating synergy and diversifying income sources.

The Company completed the acquisition of Globe Cement Co., Ltd. (formerly Cemex Thailand Co., Ltd.) and Siam City Cement (Bangladesh) Limited (formerly Cemex Cement (Bangladesh) Limited) on 3 May 2016 and 26 May 2016, respectively, with a total consideration of 2,176 Million Baht.

INSEE Ecocycle, a subsidiary, completed an acquisition of Valence Corporation Limited's assets with a total consideration of 260 Million Baht on 1 June 2016.

The Company also completed an acquisition of 98.9524 percent shareholding of Siam City Cement (Lanka) Limited (formerly Holcim (Lanka) Limited) with a total consideration of 13,030 Million Baht on 10 August 2016.

Investments in CAPEX

(Unit : Million Baht)

	As of December 31			
	2016	2015	+/-	+/- (%)
Property, plant and equipment	27,009	21,421	5,588	26%
Intangible assets	11,628	3,297	8,331	253%
Other non-current assets	255	261	(6)	(2%)

CAPEX (capital expenditure in Property, plant and equipment) was increased by a net amount of 5,588 Million Baht. Key projects to purchase new plant and equipment for the domestic businesses amounted to 3,432 Million Baht, offset by depreciation charges and impairment totaling 1,805 Million Baht while the net book value of total assets of the newly acquired businesses amounted to 4,208 Million Baht. The rest of the balance relates to disposals and write off during the year. Notable increases from Key projects in domestic operation in 2016 are listed below;

- Assets acquisition of Valence 260 Million Baht;
- Cement millupgrade 834 Million Baht;
- Waste Heat Recovery power plant for Kiln no. 3 403 Million Baht;
- INSEE Superblock crushing plant line 2 of 143 Million Baht;
- Bag making machine modernization of 114 Million Baht;
- Packing plant modernization of 82 Million Baht;
- Ready-mixed plant expansion of 81 Million Baht

Capital expenditure relating to maintaining productive capacity totaled 1,753 Million Baht.

Intangible assets were increased by 8,331 Million Baht due mainly to the fair value of intangible items of newly acquired subsidiaries. The key intangible assets consist of Mining concession, Brands, Customer relationship and Computer software.

Funding

Outstanding debentures consisted of 4 sets of unsubordinated and unsecured debentures which were issued on 14 June 2013 totaling 6,000 Million Baht and on 29 April 2016 totaling 4,000 Million Baht.

Issued date	Amount Million Baht	Due date
14 June 2013	6,000	2017, 2020
29 April 2016	4,000	2024, 2026

Loans from financial institutions increased by 15,171 Million Baht mainly comprising of a bridge loan facility of 13,083 Million Baht arranged to fund the acquisition of Siam City Cement (Lanka) Limited.

Shareholder's equity

After the payment of final dividend of 7 Baht per share from the profit of 2015 and 8 Baht per share from the profit of first half period of 2016, the shareholder equity was 22,144 Million Baht as of 31 December 2016, marginally changed from the previous year.

In spite of the decline in net profit, the Company proposed to maintain the dividend payout at 15 Baht per share from the profit for the year 2016. Therefore, Dividend payout ratio for 2016 is 88 percent which is much higher than the Company's dividend policy of 60 percent. The dividend amount of 15 Baht per share is distributed as follows, 8 Baht per share of interim dividend which was already paid on 19 August 2016 and 7 Baht per share as final dividend to be paid after the approval of shareholders at the Annual General Meeting to be held in March 2017.

As at 31 December 2016, the capital structure of the company consisted of total liabilities at 39,599 Million Baht and shareholders' equity of 22,144 Million Baht. This represents total liabilities to equity ratio of 1.79 times (2015: 0.70 times) which was increased due to the recent acquisitions

Analysis of Cash Flow Statement

The Company reported cash and cash equivalent balance of 3,530 Million Baht as of 31 December 2016. Net cash generated from operating activities was lower by 1,189 Million Baht compared to the previous year mainly as a result of decrease in profit on high price competition, one time acquisition costs, finance higher expenses and relative change in working capital due to lower accrual and trade payables. However, the business acquisitions and capital expenditures for future growth were reflected in net cash outflow from investing activities amounting to 18,385 Million Baht. The net cash flows from financing activities of 14,398 Million Baht included the bridge loan facility to fund the acquisitions and newly issued debentures during 2016.