

13. Financial Statements

13.1 Summary of the auditor's report for the past 3 years

The consolidated financial statements ended December 2016 and 2017 were audited by Mr. Prasit Yuengsrikul a certified public accountant (Thailand) No. 4174 and the consolidated financial statements ended December 2018 were audited by Mr. Sa-Nga Chokenitisawat a certified public accountant (Thailand) No. 11251 from PricewaterhouseCoopers ABAS Ltd. In the auditor's opinion, the financial position, financial performance, and cash flows for the year then ended are present fairly, in all material respects, in accordance with the accounting standards.

13.2 Table of the Financial Statements Summary

The table of the financial position, comprehensive income, and cash flows for the last 3 years as at December 31, 2016, 2017, and 2018 on the consolidated financial statements including 9 subsidiaries as follows;

Statements of Financial Position

(Unit : Million Baht)

	As at December 31					
	2016 (Consolidated)		2017 (Consolidated)		2018 (Consolidated)	
	Amount	Percent	Amount	Percent	Amount	Percent
Assets						
Current Assets						
Cash and Deposits with financial institutions	85.35	1.18	229.07	2.48	179.13	1.74
Trade receivables – net	214.99	2.97	255.56	2.77	360.41	3.51
Accrued revenue – Office of Cane and Sugar Fund	-	-	-	-	301.51	2.93
Farmer receivables – net	990.07	13.70	868.43	9.40	598.55	5.82
Inventories	581.63	8.05	1,060.77	11.49	1,337.51	13.02
Current portion of long-term borrowings to farmers	175.77	2.43	224.92	2.44	134.93	1.31
Other current assets	48.24	0.67	16.75	0.18	58.48	0.57
Total current assets	2,096.05	29.00	2,655.50	28.76	2,970.52	28.91
Non-current assets						
Other long-term investments – net	1.99	0.03	2.14	0.02	2.05	0.02
Investment in an associate	-	-	1,227.13	13.29	1,208.11	11.76
Long-term borrowings to farmers – net	203.03	2.81	308.24	3.34	272.94	2.66
Farmer non-current receivables	-	-	-	-	27.11	0.26
Other receivable – Office of the Cane and Sugar Fund	-	-	-	-	148.08	1.44
Real estate investment	-	-	-	-	3.97	0.04
Property, plant and equipment – net	4,684.63	64.83	4,810.70	52.1	5,432.15	52.86
Intangible assets – net	27.75	0.38	26.23	0.28	31.09	0.30
Deferred tax assets – net	195.81	2.71	194.43	2.11	162.60	1.58
Other non-current assets	17.60	0.24	8.37	0.09	17.60	0.17
Total non-current assets	5,130.81	71.00	6,577.24	71.24	7,305.71	71.09
Total assets	7,226.86	100.00	9,232.74	100.00	10,276.23	100.00

(Unit : Million Baht)

	As at December 31					
	2016 (Consolidated)		2017 (Consolidated)		2018 (Consolidated)	
	Amount	Percent	Amount	Percent	Amount	Percent
Liabilities and equity						
Current liabilities						
Bank overdrafts	-	-	-	-	0.34	0.00
Trade and other payables	602.36	8.33	716.12	7.76	817.89	7.96
Short-term borrowings from financial institutions	1,710.25	23.67	1,136.30	12.31	2,617.91	25.48
Current portion of long-term borrowings from financial institutions	508.67	7.04	450.39	4.88	384.14	3.74
Current portion of long-term borrowings from an associate	-	-	172.59	1.87	202.51	1.97
Current portion of hire-purchase liabilities	10.11	0.14	10.87	0.12	10.89	0.11
Debentures	850.00	11.76	-	-	-	-
Long-term borrowings from financial institutions	422.16	5.84	-	-	-	-
Current portion of employee benefit obligations	9.34	0.13	7.72	0.08	7.50	0.07
Income tax payable	4.24	0.06	30.89	0.33	6.46	0.06
Other current assets	15.75	0.22	24.53	0.27	14.42	0.14
Total current liabilities	4,132.88	57.19	2,549.41	27.61	4,062.06	39.53
Non-current liabilities						
Long-term borrowings from financial institutions	961.04	13.30	805.27	8.72	487.79	4.75
Long-term borrowings from an associate – net	-	-	3,356.80	36.36	3,177.32	30.92
Hire-purchase liabilities – net	15.63	0.21	14.43	0.16	10.50	0.10
Debentures	-	-	-	-	-	-
Deferred tax liabilities – net	0.44	0.01	-	-	-	-
Retirement benefit obligations – net	23.24	0.32	34.29	0.37	38.04	0.37
Other non-current liabilities	0.86	0.01	-	-	-	-
Total non-current liabilities	1,001.21	13.85	4,210.79	45.61	3,713.65	36.14
Total liabilities	5,134.09	71.04	6,760.20	73.22	7,775.72	75.67
Equity						
Share capital						
Authorized share capital	676.75	9.36	812.10	8.80	812.10	7.90
Issued and paid-up share capital	676.75	9.36	812.10	8.80	812.10	7.90
Premium on ordinary shares	954.67	13.21	954.67	10.34	954.67	9.29
Retained earnings	-	-	-	-	-	-
Appropriated – Legal reserve	39.68	0.55	51.76	0.56	56.60	0.55
Unappropriated	420.83	5.83	652.55	7.07	675.70	6.58
Other components of equity	0.01	0.00	0.13	0.00	0.06	0.00
Non-controlling interests	0.83	0.01	1.33	0.01	1.38	0.01
Total equity	2,092.77	28.96	2,472.52	26.78	2,500.51	24.33
Total liabilities and equity	7,226.86	100.00	9,232.74	100.00	10,276.23	100

Statements of Comprehensive Income

(Unit : Million Baht)

	2016 (Consolidated)		2017 (Consolidated)		2018 (Consolidated)	
	(Audited)		(Audited)		(Audited)	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue						
Revenue from sales and services	4,579.21	97.73	5,740.44	97.37	5,555.97	95.06
Other revenue	106.32	2.27	155.31	2.63	288.84	4.94
Total revenue	4,685.54	100.00	5,895.75	100.00	5,844.81	100
Expenses						
Cost of sales and service	3,818.64	81.49	4,428.22	75.11	4,508.87	77.14
Selling expenses	170.63	3.64	193.67	3.28	321.61	5.50
Administrative expenses	376.96	8.05	411.05	6.97	388.31	6.64
Total expenses	4,366.23	93.18	5,032.94	85.37	5,218.79	89.29
Finance costs	176.70	3.77	283.78	4.81	385.99	6.60
Share of profit from an associate	-	-	32.42	0.55	71.85	1.23
Profit before income tax expense	142.61	3.04	611.45	9.64	311.88	5.34
Income tax expense	29.29	0.63	86.03	1.46	40.21	0.69
Net profit for the year	113.32	2.42	525.41	8.91	271.67	4.65
Profit from measurement in value of available-for-sale investments – net of tax	0.42	0.01	0.11	0.00	-0.07	-0.00
Actuarial gain	1.74	0.04	-8.73	0.15	-	-
Total comprehensive income for the year	115.48	2.46	516.80	8.77	271.60	4.65
Profit attributable to:						
Owners of the parent	113.08	2.41	524.73	8.90	271.62	4.65
Non-controlling interests	0.24	0.01	0.69	0.01	0.05	0.00
Earnings per share (Baht)**	0.17		0.65		0.33	

Remarks ** Earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue at the end of the year.

Statement of Cash Flows

(Unit : Million Baht)

	2016 (Audited)	2017 (Audited)	2018 (Audited)
	Amount	Amount	Amount
Cash flows from operating activities			
Profit before income tax expense	142.61	611.45	311.88
Adjustments to reconcile profit for the year to net cash provided by operations:			
- Depreciation and amortization	217.81	259.10	289.56
- Interest income	-47.22	-100.75	-82.89
- Dividend income	-0.15	-0.15	-0.20
- Allowance for doubtful accounts	14.04	5.38	-5.95
- Allowance for declining in value of inventories	4.35	-0.34	12.27
- Losses on impairment of property, plant and equipment	33.88	-	-
- (Gains) losses on disposals of property, plant and equipment	2.99	0.78	-1.58
- Losses on write-off of property, plant and equipment	0.59	25.89	11.16
- Losses on disposals of investments	0.35	0	-
- Finance costs	176.70	283.78	385.99
- Share of profit from an associate	-	-32.42	-71.85
- Employee benefit expenses of employment termination or retirement	4.09	3.79	5.13
Cash flows before changes in operating assets and liabilities	550.04	1,056.51	853.53
Changes in operating assets and liabilities			
- Trade and other receivables	-8.73	-37.15	-103.55
- Accrued revenue – Office of Cane and Sugar Fund	-	-	-301.51
- Farmer receivables	-287.31	112.84	274.51
- Inventories	129.23	-478.8	-289.01
- Other current assets	0.46	31.49	-25.42
- Farmer non-current receivables	-	-	-27.11
- Other receivable – Office of the Cane and Sugar Fund	155.85	-	-148.08
- Other non-current assets	-11.3	9.23	-9.23
- Trade and other payables	87.51	67.96	92.21
- Other current liabilities	-11.16	8.78	-10.12
- Employee benefit obligations	-2.4	-5.28	-1.60
- Other non-current liabilities	0.85	-0.85	-
Cash generated from (used in) operating activities	603.04	764.73	304.63
- Income tax paid	-31.49	-56.30	-49.10
- Finance costs	-174.12	-238.12	-376.29
Net cash generated from (used in) operating activities	397.43	470.31	-120.76

	2016 (Audited)	2017 (Audited)	2018 (Audited)
	Amount	Amount	Amount
Cash flows from investing activities			
Interest received	47.22	100.75	82.89
Dividend received	0.15	0.15	91.08
Purchase of investment in an associate	-	-1,194.71	-
Cash flows from investing activities (continued)			
Proceeds from long-term borrowings to farmers	96.15	128.03	226.45
Payments on long-term borrowings to farmers	-268.34	-282.40	-101.16
Proceeds from disposals of property, plant and equipment	1.90	2.92	2.70
Purchases of Real estate investment			-3.97
Purchases of property, plant and equipment	-655.04	-399.25	-907.20
Capitalized borrowing costs to property, plant and equipment	-20.23	-3.44	-11.71
Net cash (used in) generated from investing activities	-798.19	-1,647.95	-620.92
Cash flows from financing activities			
Increased (decreased) from short-term borrowings from financial institutions	235.07	-573.95	1,481.95
Proceeds from long-term borrowings from financial institutions	502.24	289	-
Proceeds from long-term borrowings from an associate	-	3,539.75	-
Proceeds from issuance of debentures	-	-	-
Repayments on long-term borrowings from financial institutions	-304.86	-925.22	-383.72
Repayments on long-term borrowings from an associate	-	-10.36	-149.55
Repayments on debentures	-	-850	-
Repayments on hire-purchase liabilities	-11.39	-10.97	-13.16
Proceeds from issuance of ordinary shares from non-controlling interests	-	-	-
Repayments on stock payable	-	-	-
Borrowings of directors increased (decreased)	-	-	-
Dividend paid	-148.88	-136.89	-243.78
Net cash generated from (used in) financing activities	272.18	1,321.36	691.74
Net increase (decrease) in cash and cash equivalents	-128.58	143.72	-49.94
Cash and cash equivalents at opening balance	213.92	85.35	229.07
Cash and cash equivalents at closing balance	85.34	229.07	179.13

Financial Ratio

	2016	2017	2018
<u>Liquidity ratio</u>			
Current ratio (times)	0.51	1.04	0.73
Quick ratio (times)	0.37	0.63	0.40
Current cash flow ratio (times)	0.19	0.14	0.09
Accounts receivable turnover (times)	19.59	22.36	16.99
Average collection period (day)	18.38	16.10	21.19
Inventories receivable turnover (times)	5.89	5.39	3.76
Average selling period (day)	61.13	66.76	95.74
Accounts payable turnover (times)	6.85	6.72	5.88
Payment period (days)	52.54	53.59	61.24
Cash Cycle (day)	26.97	29.27	55.69
<u>Profitability ratio</u>			
Gross profit (%)	16.61	22.86	18.85
Operating profit (%)	11.73	20.11	17.77
Other profit (%)	2.27	2.63	4.94
Operating cash flow turnover (%)	73.99	40.74	-12.23
Net profit (%)	2.42	8.91	4.65
Return on equity (%)	5.37	23.02	10.93
<u>Efficiency ratio</u>			
Return on total asset (%)	1.62	6.38	2.79
Return on fixed asset (%)	7.35	16.46	10.96
Total asset turnover (time)	0.67	0.72	0.60
<u>Financial policy ratio</u>			
Debt to equity (time)	2.45	2.73	3.11
Interest coverage (time)	2.73	4.02	2.03
Payout ratio (%)	130.71	70.05	45.45

14. Management Discussion and Analysis

14.1 Overview of the Operating Result

According to the year of 2018, the changes of operating result were as follows;

The areas of sugarcane plantation and the number of contract farming has steadily increased year over year regarding to the policy of the company to support the sugarcane farmers who plant in the surrounding areas of sugar manufacturing factory in order to generate the increase of crop yield per Rai as well as the good quality of sugarcanes and also develop the management system for steady harvest crop yield and profit of farmers in which the company can increasingly produce the sugar products constantly.

The total revenue of the company in 2016, 2017 and 2018 were equivalent to 4,685.53 Million Baht, 5,895.76 Million Baht and 5,844.81 Million Baht respectively. Since, the major revenue of the company group is mainly from sugar sales approximately 72 - 80% of the total revenue from sugar sales which is distributed to the global market. Hence, the company Group was affected by the fluctuation of the global sugar price that increased in early of 2017 around 20 Cents/Pound; but, in 2018, it has rapidly decreased to 12-13 Cents/Pound. Although, in 2018, the company might have a significant increase in sugar sales, the decreased selling price also decreased the revenue from sugar sales. However, the company earned more revenue from the sale of electricity and fertilizer, as compensation to the decreased revenue from sugar sales. Therefore, the total revenue of the previous year did not decrease in large amount.

The net profits of the company Group in 2016, 2017 and 2018 were equivalent to 113.32 million Baht, 525.41 million Baht, and 271.67 million Baht respectively. In 2017, the net profits were increased due to the increased production and sales of sugar, molasses, and other by-products, and the global sugar price was raised. In 2018, the net profits was decreased because the floating of the domestic sugar's price in accordance with the same direction of the sugar price in global market. As a result of, the company's average selling price of sugar was decreased that compared with the same period on the previous year.

The total assets of year ended on December 31st of 2016, 2017 and 2018 were equivalent to 7,226.85 million Baht, 9,232.74 million Baht and 10,276.23 million Baht respectively. The increase of total assets were mostly from the account receivable delivered sugar for exporting at the end of 2018, and the investment on lands, buildings and equipment to support the expansion of the refined sugar factory and the factory of packaging from bagasse. Therefore, in 2018, there was the accrued revenue recognition from the Office of Cane and Sugar Fund; which is the compensation that the company shall receive from the Office of Cane and Sugar Fund. Since, in the production year 2017/2018, the finalized sugarcane prices and the finalized profits from the production and distribution of sugar were lower than the initial stage in

accordance with the Cane and Sugar Act B.E. 2527 Section 56 – stated that the Cane and Sugar Fund shall compensate for the sugarcane prices and the compensation from the production and distribution of sugar to the company as equivalent to such difference amount.

The total debts of upon December 31st of 2016, 2017 and 2018 were equivalent to 5,134.08 million Thai Baht, 6,760.20 million Thai Baht and 7,775.72 million Thai Baht in that order. The increase of total liabilities was mostly derived from the increase of short-term loans from financial institutions according to the increasing number of sugarcane farmers as well as the investment in sugar manufacturing factory and power plant therefore the Company had to raise the short-term loans in order to pay the sugarcane advance payment loan which was increased accordingly.

In regards of the total shareholders upom December 31st of 2016, 2017 and 2018 were equivalent to 2,092.77 million Thai Baht, 2,472.54 million Thai Baht and 2,500.51 million Thai Baht in that order. As of which, the total shareholders' equity increased continuously due to the satisfaction of good performance and capital increase, especially the stock dividend payment in 2017.

According to the year of 2018, the new financial reporting standards have been effective. However, the new financial reporting standards as mentioned have no any effects on financial statement of the Company significantly.

14.2 The Analysis of Operating Results

A. Revenue

	Audited Financial Statement of Year Ended					
	31 Dec 2016		31 Dec 2017		31 Dec 2018	
	Million Baht	(%)	Million Baht	(%)	Million Baht	(%)
1. Revenue from Goods Sold and Services Rendered						
1.1 Revenue from Sugar and Molasses Sales						
1.1.1 Sugar						
Domestic Sales						
Brown Sugar	1,162.02	24.80	1,144.94	19.42	658.77	11.27
Total Revenue from Domestic Sales	1,162.02	24.80	1,144.94	19.42	658.77	11.27
Export Sales						
Brown Sugar	53.29	1.14	6.67	0.11	-	-
Raw Sugar	2,230.29	47.60	3,114.99	52.83	3,207.49	54.88
Total Revenue from Export Sales	2,283.58	48.74	3,121.66	52.95	3,207.49	54.88
Total Revenue from Sugar Sales	3,445.60	73.54	4,266.60	72.37	3,866.26	66.15
1.1.2 Molasses						
Domestic Sales						
	283.60	6.05	437.44	7.42	499.28	8.54
Total Revenue from Molasses Sales	283.60	6.05	437.44	7.42	499.28	8.54
Total Revenue from Sugar and Molasses Sales	3,729.19	79.59	4,704.04	79.79	4,365.54	74.69

	Audited Financial Statement of Year Ended					
	31 Dec 2016		31 Dec 2017		31 Dec 2018	
	Million Baht	(%)	Million Baht	(%)	Million Baht	(%)
1.2.1 Revenue from Electricity Sales	383.81	8.19	492.14	8.35	556.57	9.52
1.2.2 Revenue from Fertilizer Sales	328.83	7.02	335.51	5.69	370.70	6.34
1.2.3 Revenue from Other Goods Sold and Services Rendered	137.38	2.93	208.75	3.54	263.16	4.50
Total Revenue from Other Related Businesses	850.02	18.14	1,036.40	17.58	1,190.43	20.37
Total Revenue from Goods Sold and Services Rendered	4,579.21	97.73	5,740.44	97.37	5,555.97	95.06
2. Other Revenues	95.22	2.03	151.72	2.57	253.05	4.33
3. Profit/Loss from Exchange Rate	11.09	0.24	3.59	0.06	35.79	0.61
Net Total Revenues	4,685.52	100.00	5,895.76	100.00	5,844.81	100.00

The Revenue from Sugar Sales and Service

According to the fiscal year ended from December 31st, 2016 to December 31st, 2018, the Company earned revenue from sales and services in amount of 4,579.21 million Thai Baht, 5,740.44 million Thai Baht and 5,555.97 million Thai Baht in that order. In 2017, the revenue from sales and services were increased 1,161.23 million Thai Baht calculated as 25.36%. Meanwhile in 2018, the revenue from sugar sales and service were decreased 184.47 million Thai Baht or equivalent to 3.21% due to fluctuation of the sugar price in the global market which has increased in early 2017, but rapidly decreased in 2018. Although, in 2018, the company might had a significant increase in sugar sales, the decreased selling price also decreased the revenue from sugar sales. However, the company earned more revenue from the sale of electricity and fertilizer, as compensation to the decreased revenue from sugar sales. Therefore, the total revenue of the previous year did not decrease in large amount.

1.1 The Revenue from Sugar and Molasses Sales

The revenue from sugar and molasses sales is the main income of the Company which is equivalent to 80%-85% of total revenue.

The Average Price and Quantity of Sugar and Molasses Distributed by the Company

	Audited Financial Statement of Year Ended		
	31 Dec 2016	31 Dec 2017	31 Dec 2018
Average price per ton	Baht per Ton	Baht per Ton	Baht per Ton
Brown Sugar for Domestic Sales	19,084	19,143	17,146
Brown Sugar for Export	14,737	19,057	-
Raw Sugar for Export	13,951	16,727	10,597
Molasses	3,898	4,464	3,750
Sale Quantity	Kilotons	Kilotons	Kilotons
Brown Sugar for Domestic Sales	60.82	59.81	38.42
Brown Sugar for Export	3.62	0.35	-
Raw Sugar for Export	171.10	186.23	302.68
Molasses	72.75	98.00	133.12

1.1.1 The Revenue from Sugar Sales

According to the year ended on December 31st, 2017, the Company earned revenue from sugar sales in amount of 4,266.60 million Thai Baht, raised by 821.00 million Thai Baht or equivalent to 23.84% compared to the same period in 2017. Nonetheless, in 2018, the revenue from sugar sales is in amount of 3,866.26 million Thai Baht - decreased from 2017 equal to 400.34 million Thai Baht or equivalent to 9.38%. Although, the Company has the sugar sales volume in 2018 higher than 2017, the fluctuations of the sugar price in global market had increased in the early 2017 and rapidly decreased in 2018, caused the revenue from sugar sales to decrease accordingly.

1.1.2 The Revenue from Molasses Sales

According to the year ended on December 31st, 2017, the Company earned revenue from molasses sales in amount of 437.44 million Thai Baht, raised by 153.84 million Thai Baht or equivalent to 54.25%, compared to the same period in 2016 – due to the increase of molasses sales revenue in accordance with the increase of sugar production and the selling price per unit which was raised by 566 Thai Baht per ton.

According to the year ended on December 31st, 2018, the Company earned from molasses sales in amount of 499.28 million Thai Baht, raised by 61.84 million Thai Baht or equivalent to 14.14%, compared to the year ended on December 31st 2017 – due to the increase of molasses sales revenue in accordance with the increase of sugar production despite of the decreased of selling price per unit by 766 Thai Baht per ton.

1.2 The Revenue from Other Related Business

1.2.1 The Revenue from Electricity Sales

According to the year 2016-2018, the Company continuously increased the revenue from electricity sales, due to the efficiency of the machine operation, and it led to the higher productivity in every year. In 2016-2018, the amount of electricity sales was 94 Million Kilowatts, 109 Million Kilowatts and 122 Million Kilowatts in that order.

1.2.2 The Revenue from Fertilizer Sales

The revenue from fertilizer sales of the Company is one of the business strategies by supporting sugarcane farmers to plant sugarcanes and selling them to the Company in order to minimize risk from insufficiency of raw materials.

In 2016, 2017 and 2018, the Company earned the revenue from fertilizer sales in amount of 328.83 Million Thai Baht, 335.51 Million Thai Baht and 370.71 Million Thai Baht in that order. It has increased continuously by the farmer promotion plan for increasing the productivity of sugarcane according to the needs of the company.

1.2.3 The Revenue from Other Sales and Services

The revenue from other sales and services mainly consists of by-product sales from sugarcane planting such as bagasse and agricultural equipment needed such as diesel fuel for agricultural machines, pesticides including cutting sugarcane service fee and so on.

1.3 Other Revenues

The other revenues of the Company for year ended on December 31st, 2016, 2017 and 2018 were in amount of 95.22 Million Thai Baht, 151.72 Million Thai Baht and 253.05 Million Thai Baht in that order. The other revenues are; the profits on disposal of assets, bad debt recovery, received interests. In 2017, other revenues were raised by 56.50 Million Thai Bath due to the received interests from sugarcane advance loans payment for the farmers in amount of 53 Million Thai Baht.

In 2018, the other revenues were increased 101.33 Million Thai Baht because the company acknowledged the revenue from the production and distribution of sugar in 2018 in amount of 148 Million Thai Baht. As of which, it is the compensation that the company shall receive from the Cane and Sugar Fund. Since, in the production year 2017/2018, the finalized sugarcane prices and the finalized profits from the production and distribution of sugar were lower than the initial stage in accordance with the Cane and Sugar Act B.E. 2527 Section 56 – stated that the Cane and Sugar Fund shall compensate for the sugarcane prices and the profits from the production and distribution of sugar to the Company as equivalent to such difference amount, and the famers do not need to repay the overpaid cane price.

B. Cost of Goods Sold and Services Rendered

1. The Business of Sugar and Molasses Manufacture and Distribution

	Audited Financial Statement of Year Ended					
	31 Dec 2016		31 Dec 2017		31 Dec 2018	
	Million Baht	(%)	Million Baht	(%)	Million Baht	(%)
Raw Material (Sugarcanes)	2,271.82	72.43	2,684.30	73.98	2,421.77	63.80
Packaging Cost	36.67	1.16	44.41	1.22	44.62	1.18
Direct Labor Cost	130.56	4.16	142.51	3.93	169.91	4.48
Manufacturing Overhead	349.99	11.15	409.96	11.30	932.96	24.58
Cash Remittance to Office of Cane and Sugar Fund	347.99	11.10	347.02	9.57	226.84	5.98
Total sugar and molasses production cost	3,137.03	100.00	3,628.20	100.00	3,796.10	100

The cost of materials for the fiscal year of 2016, 2017 and 2018, were equivalent to 72.43%, 73.98% and 63.80% in that order. In 2018, the cost of materials significantly decreased due to the decrease of sugarcane price as per the sugar price in global market.

2. Other Related Businesses

The cost of sales from other related businesses is mainly included the cost of electricity generation and distribution, the cost of fertilizer production and distribution as well as other costs of sale.

The main cost of electricity generation and distribution is namely bagasse and the depreciation of buildings and machines in electricity generation process.

The cost of fertilizer production and distribution is divided into 2 parts which are the commerce of chemical fertilizers and organic-chemical fertilizers, and organic fertilizers produced by the company itself. The cost of fertilizer production is included the filter cake, the depreciation of buildings and machines as well as the plant nutrient chemicals for combination of quality organic fertilizers.

Other costs of sales mainly consist of the cost of agricultural materials such as pesticides, sugarcane variety which are traded to support the farmers, including diesel fuel for agricultural machines as well.

	Audited Financial Statement of Year Ended					
	31 Dec 2016		31 Dec 2017		31 Dec 2018	
	Million Baht	(%)	Million Baht	(%)	Million Baht	(%)
Cost of Electricity Sales						
Raw material	132.73	52.34	162.83	47.34	226.25	40.15
Direct Labor Cost	22.34	8.82	27.30	7.94	36.83	6.54
Manufacturing Overhead	98.48	38.84	153.81	44.72	300.40	53.31
Total Cost of Electricity Sales	253.55	100.00	343.94	100.00	563.48	100
Cost of Fertilizer Sales						
Raw material	214.45	73.18	224.07	85.82	257.09	85.48
Direct Labor Cost	11.45	3.91	10.92	4.18	10.41	3.46
Manufacturing Overhead	31.45	10.83	26.09	10.00	33.26	11.06
Trading Goods	35.39	12.08	-	-	0.00	0.00
Other Costs	-	-	-	-	-	-
Total Cost of Fertilizer Sales	293.04	100.00	261.08	100.00	300.76	100
Other Costs						
Trading goods	129.51	95.91	186.32	95.54	390.92	98.84
Other Costs	5.51	4.09	8.68	4.46	4.57	1.16
Total Others Costs	135.02	100.00	195.00	100.00	395.49	100

C. Gross Profit

In 2017, the gross profits was equivalent to 760.57 Million Thai Baht, or 16.61% of gross profit margin due to the increase of sugar price in the global market that affected the cost of cane which is the main materials to increase accordingly..

In 2017, the gross profits was equivalent to 1,312.22 Million Thai Baht or 22.85% of gross profit margin. The gross profits increased because of the increase of sugar price in the global during the first half of 2018.

In 2018, the gross profits was equivalent to 1,047.10 Million Thai Baht or 18.84% of gross profit margin. The gross profits decreased due to the decrease of sugar price in the global market in 2018.

Gross Profit Margin Classified by the Revenue of Each Business

(Unit: Percentage)

	Audited Financial Statement of Year Ended		
	31 Dec 2016	31 Dec 2017	31 Dec 2018
Sugar and Molasses Manufacture and Distribution	15.82	22.87	7.59
Electricity Production and Distribution	33.94	30.11	42.09
Fertilizer Production and Distribution	10.88	22.18	12.79
Other Sales and Services	3.37	6.58	13.68

1. The Business of Sugar and Molasses Manufacture and Distribution

Gross profit margin on the business of sugar and molasses manufacture and distribution was derived from 3 main factors, namely: 1) global sugar market price, 2) the average sale price differences of Quota B and C and 3) the amount of sugar per ton.

The cost of sugar production can be classified into 2 parts which are the cost of raw materials and the cost of milling process. The cost of raw materials has been changed according to 70:30 Profit Sharing System which describes that if the sugar price is increased, the sugarcane cost will be increased as well. On the other hand, if the sugar price is decreased, the sugarcane cost will be decreased as well. Nonetheless, the cost of milling process has not been changed regarding to the changes of global sugar market price therefore if the global sugar market price is raised, the gross profit margin will be increased. In contrary, if the global sugar market price is dropped, the gross profit margin will be decreased as well.

According to the 70:30 Profit Sharing System, the average sugar price of Quota B is the variable to determine the price of raw materials to calculate the revenue of export sugar sale in Thailand and deduct by the expense of milling processes respectively in order to allocate the profit to sugarcane farmers by 70% and sugar manufacturing factory by 30%. In addition, 70% of allocation to farmers will be determined as floor price of the raw material which generates the standard raw material price per unit for

whole industry. However, approximately 85% of export sugar is Quota C and 15% of export sugar is Quota B therefore any sugar distributor who can sell Quota C, at higher price than the average price of Quota B, will have higher gross profit margin. Nevertheless, the sale price difference of Quota B and C will not be steady depending on the world situations and the decisions of distributors on sugar sales.

Regarding the sugar production volume per ton is not certain every year depending on the quality of raw materials, however, the other costs of milling processes has not been changed according to the quality of raw materials. Therefore, if the Company can increase the crop yield per ton, the revenue and gross profit margin will be increased as well.

Gross profit margin of sugar business in 2017 and 2018 were equivalent to 22.85% and 7.59% in that order - decreased by 15.26%. It was derived from the export sugar sale volumes of the Company was equivalent to 70-80% of the total sugar sales volumes. Meanwhile, the sugar price in global market in 2018 significantly decreased compared with the previous year which caused the decrease of average sugar selling price of the Company, and it also affected the decrease of gross profit accordingly.

2. Other Related Business

Gross profit ratio for the business of fertilizer production and distribution has been changed uncertainly since the business operation is included production, distribution and chemical fertilizer trading. The production of fertilizer for sales is determined the price by using cost plus method, meanwhile, the fertilizer trading for sales is purchased as the whole sale and sell to farmers gradually by pricing as to the fertilizer market price in that time. Therefore, the Company may sell the products below cost which generate the unsteady gross profit margin of the fertilizer business. Nevertheless, the business of fertilizer production and distribution is operated for the main purpose of supporting the sugarcane farmers who signed the contract farming in order to increase the crop yield as well as the quality which affects to the better quality and higher crop yield of sugar and molasses business including the by-products business, for example, the efficient increase of electricity production.

D. Selling Expenses

	Audited Financial Statement of Year Ended					
	31 Dec 2016		31 Dec 2017		31 Dec 2018	
	Million Baht	(%)	Million Baht	(%)	Million Baht	(%)
Logistics Transportation	77.12	45.19	104.61	54.01	258.33	80.29
Cargo Storage	16.23	9.51	9.67	4.99	37.87	11.77
Other Expenses	15.95	9.34	17.22	8.89	25.53	7.94
Total	170.63	100.00	193.67	100.00	321.73	100.00

Most of the expense in sales are; logistics fee and exporting expenses. The factors that influenced logistics expense are transportation rate per trip, and sugar sale volume in each year. Whereas, in 2018, the export expenses was raised due to the increase of sugar export volumes; the amount of exported sugar is 0.3 million tons – increased 0.1 million tons from the previous year. In addition, there is also the cost of transporting sugar from the factory to the warehouse store in advance included in the export expenses for preparation of sales and delivery in 2019.

E. Administrative Expenses

	Audited Financial Statement of Year Ended					
	31 Dec. 2016		31 Dec. 2017		31 Dec. 2018	
	Million Baht	(%)	Million Baht	(%)	Million Baht	(%)
Employee Compensation	162.81	43.19	184.22	44.82	181.62	46.95
Professional and Consultancy Fee	27.23	7.22	34.01	8.27	32.55	8.41
Transportation	15.29	4.06	22.79	5.54	18.62	4.81
Maintenance	6.40	1.70	5.21	1.27	7.52	1.95
Supplies Expense	12.25	3.25	8.55	2.08	8.79	2.27
Asset Depreciation	23.96	6.35	26.33	6.41	23.92	6.18
R&D	2.39	0.67	2.10	0.51	2.92	0.75
Charity Expense	6.31	1.67	6.74	1.64	8.29	2.14
Allowance for Doubtful Accounts	14.02	3.72	8.93	2.17	-4.57	-1.18
Allowance for Impairment Losses	42.66	11.32	17.38	4.23	11.17	2.89
Pension Fund	4.08	1.08	4.19	1.02	5.13	1.33
Sugarcane and Sugar Supportive Fund	2.41	0.64	0.00	0.00	-	-
Amortization	2.91	0.77	2.17	0.53	3.30	0.85
Electricity	2.51	0.07	2.23	0.54	2.64	0.68
Others	51.73	13.72	86.19	20.97	84.94	21.96
Total	376.96	100.00	411.05	100.00	386.85	100

Administrative expenses mainly consisted of salary, wages, and expenses in respect of the employee and fees or consult fees.

In 2017, the administrative expenses were raised from 2016 by 34.09 Million Thai Baht or 9.04% due to the following factors;

- 1) Salary, wages and employee expenses were increased to 21.41 Million Thai Baht or 44.82% due to the annual salary increment of 2017, and increased bonus payment.
- 2) Cancellation of using the damaged or lost assets – caused the loss from assets cancellation by 17.37 Million Thai Baht.

In 2018, the administrative expenses were decreased from 2017 by 24.20 Million Thai Baht or 5.89%. Since, in 2018, the debts from account receivable in the past that had been set for allowance for doubtful accounts have been paid. Then, after the account receivable is settled, the recorded allowance for doubtful accounts transactions shall be reversed accordingly. As of which, the allowance for doubtful accounts recognized as the expenses in this year resulted in negative balance. Hence, the administrative expenses for the year 2018 were decreased.

Financial Cost

According to the financial statements year ended on December 31st of 2016, 2017 and 2018, the financial cost was equivalent to 176.70 Million Baht, 283.78 Million Baht and 385.99 Million Baht respectively. The increase of financial cost was derived from that the Company took on short-time loans increasingly in order to increase sugar production volume and also provide greater amount of advance credits to sugarcane farmers in accordance with the increase of planting areas.

F. Earnings Before Income Tax

According to the financial statements year ended on 31 December 2016, 2017 and 2018, the earnings before income tax is 142.61 Million Thai Baht, 611.45 Million Thai Baht and 311.88 Million Thai Baht in that order. The increase or decrease of earnings before income tax in each year was derived from the increase or decrease of gross profits in each year.

G. Corporate Income Tax

In 2016, the Company group has corporate income tax in amount of 29.28 Million Thai Baht decreased by comparing to the same period in the previous year; due to the decreased business profits of the sugar business which required less tax payment, whereas the profits of electricity business which received tax privilege similar to the previous year. Therefore, the overall of corporate income tax has decreased.

In 2017, the Company Group has the corporate income tax in amount of 86.03 Million Thai Baht; it increased when compared to the same period of the previous year, due to the increase of sugar business profits which has to pay more tax. Meanwhile, the electricity business profits that does not received tax privilege also increased.

In 2018, the Company Group has the corporate income tax in amount of 40.21 Million Thai Baht; which is decreased when compared to the same period of the previous year, due to the decrease of business profits because of less tax for sugar business to be paid.

H. Net Profit

According to the financial statements year ended on December 31st, 2016 until 2018, the Company group has the net profits in amount of 113.32 Million Thai Baht, 525.41 Million Thai Baht and 217.67 Million Thai Baht in that order. In 2017, the increase of the net profits was mainly because of the increase production and sale volume of sugar, molasses and other by-products, and the increase sugar price in the global market. Meanwhile, in 2018, the sugar price in the global market has decreased which affected the net profits to be decreased accordingly.

14.3 Financial Position Analysis

A. Assets

The operation of sugar business is quite different from other businesses since it complies with the planting and harvesting season of sugarcanes which start planting in October and harvesting in the period of November to April in the following year. The sugar manufacturing factory purchases sugarcanes and produces sugar only in the harvesting season which generates the extra list of assets excluded in other business which is sugarcane farmer account receivables or the advance credit payment for farmers in order to support sugarcane farming in many ways such as fertilizers, agricultural equipment and machines. In the harvesting season, sugarcane farmers will deliver the sugarcanes to the factory; however, the sugarcane farmers will receive the total income after deducted by the amount of advance credits. Nevertheless, the advance credits will be paid to sugarcane farmers since the beginning of the planting season.

The total assets of the Company Group on December 31st of 2016, 2017, and 2018 were equivalent to 7,226.86 Million Thai Baht, 9,232.74 Million Thai Baht and 10,276.23 Million Thai Baht in that order.

The total assets of the Company as of December 31st, 2018 compared with the previous year, were increased by 1,043.49 Million Baht or increased 11.30% in average. The significant changes are; the accrued revenue from the Office of Cane and Sugar Fund in amount of 301.51 Million Thai Baht. It is the compensation that the company will receive from the Cane and Sugar Fund. According to the production year 2017/2018, the finalized sugarcane prices and the finalized profits from the production and distribution of sugar were lower than the initial stage in accordance with the Cane and Sugar Act B.E. 2527 Section 56 – stated that the Cane and Sugar Fund shall compensate for the sugarcane prices and the profits from the production and distribution of sugar to the Company as equivalent to such difference amount, and the increase of fixed assets by the investment on lands and machinery – for supporting the expansion of the Refined Sugar Factory and Bagasse Packaging factory.

1. Current Assets

The current assets of the Company upon December 31st of 2016, 2017 and 2018 were equivalent to 2,096.05 Million Thai Baht, 2,655.50 Million Thai Baht and 2,970.52 Million Thai Baht in that order. The current assets are consisted of sugarcane farmer account receivables and inventory. In 2018, the company received accrued revenue from the Office of Cane and Sugar Fund in amount of 301.51 Million Thai Baht. As of which, it is the compensation that the company shall receive from the Cane and Sugar Fund. Since, in the production year 2017/2018, the finalized sugarcane prices and the finalized profits from the production and distribution of sugar were lower than the initial stage in accordance with the Cane and Sugar Act B.E. 2527 Section 56 – stated that the Cane and Sugar Fund shall compensate for the sugarcane prices and the profits from the production and distribution of sugar to the Company as equivalent to such difference amount.

Account Receivables

The account receivables of the Company were mainly from the business of sugar manufacture and distribution as well as the related business, for example, the electricity sales, the customers of the Company were generally the major international distributors and state enterprises which have the excellent financial position, however, the Company always audits the changes of their financial position in order to prevent the problems from bad debts.

Average collection period of the Company for year ended from 2016 to 2018 was 5-6 days in compliance with credit terms for the customers and determined the payment period of 3-7 days for domestic customers, 3-15 days for international customers, and 30 days for the business of electricity production and distribution. If the average collection period is short, the value of account receivable in the end of period will depend on revenue from sales before the end of period. Therefore, the account receivables upon December 31st, 2018 were equivalent to 360.41 Million Thai Baht which was higher than 2016 and 2017 because the sugar was sold upon the very end of period.

Sugarcane Farmer Receivables (Net Total)

In term of the business of sugar manufacture and distribution, the Company will provide the advance credits to sugarcane farmers in order to support sugarcane farming. Upon December 31st of 2016, 2017 and 2018, the sugarcane farmer receivables-net were equivalent to 990.06 Million Thai Baht, 868.43 Million Thai Baht and 598.55 Million Thai Baht in that order. The sugarcane farmer receivables-net for year ended on December 31st, 2016 were 2017 and 2018 due to the delay of the factory starting of sugar production for 2016/2017 crop year compared to the previous year. During the production period, the

sugarcane farmers will deliver the sugarcanes and sell to the Company, meanwhile; they also paid for the advance credits which generated the decrease of sugarcane farmer receivables. Furthermore, the increase of planting areas and the advance credits withdrawal of farmers had raised the number of receivables.

Sugarcane Farmer Receivables of the Company Classified by the Aged Overdue Receivables

	Audited Financial Statement of Year Ended					
	31 Dec. 2016		31 Dec. 2017		31 Dec. 2018	
	Million Baht	(%)	Million Baht	(%)	Million Baht	(%)
Production Season of 2019/2020					87.09	12.77
Production Season of 2018/2019	-	-	132.17	13.81	467.77	68.60
Production Season of 2017/2018	330.48	30.88	650.33	67.95	12.35	1.81
Production Season of 2016/2017	585.51	54.73	54.46	5.69	12.90	1.89
Production Season of 2015/2016	39.87	3.73	21.06	2.20	15.70	2.30
Production Season of 2014/2015	24.29	2.28	16.87	1.76	11.82	1.73
Production Season before 2014/2015	3.33	0.32	2.74	0.29	74.29	10.89
Total Sugarcane Farmer Receivables	1,069.92	100.00	957.08	100.00	681.92	100.00
Allowance for Doubtful Accounts	(79.86)	(7.46)	(88.65)	(9.26)	(84.02)	(12.32)
Net Total Sugarcane Farmer Receivables	990.06	92.54	868.43	90.74	597.90	87.68

The Company has the strict policies for advance credit to farmers and also consider many factors experienced by the debt collection of the Company in the past, for example, the ability to repay, the planting areas, crop yield per Rai including the field survey by the employees of the Company to make sure the receivables can deliver the sugarcanes as the debt repayment. Furthermore, the Company will establish the allowance for doubtful accounts after considering that any of farmers cannot repay loans. For instance, the outstanding debts for 2 previous crop years or the future income of receivables that the Company projected shown that farmers cannot afford or generate the profits enough to repay loans within 5 years or the farmers quitted planting or any other relevant matters shown the inability to repay, etc. Therefore, the Company established the allowance for doubtful accounts in 2013 by 20.33 Million Baht which included all receivables. For the year of 2017, the Company established more allowance for doubtful accounts by 10.30 Million Baht derived from the old receivables due to the inaccuracy of the receivables' collateral value.

Inventory

	Audited Financial Statement of Year Ended					
	31 Dec. 2016		31 Dec. 2017		31 Dec. 2018	
	Million Baht	(%)	Million Baht	(%)	Million Baht	(%)
Finished Goods	471.55	80.23	901.77	84.55	1,216.83	89.77
By-products	-	0.00	-	0.00	-	0.00
Trading Goods	38.47	6.55	84.05	7.88	36.82	2.72
Inventory - Warehouse	22.55	3.84	32.67	3.06	36.76	2.71
Goods in Progress	8.83	1.50	8.20	0.77	14.11	1.04
Factory Supplies	46.31	7.88	39.85	3.74	50.44	3.72
Products in transit	-	-	-	-	0.58	0.04
Total Inventory	587.73	100.00	1,066.54	100.00	1,355.54	100.00
Allowance for Diminution in Value	(6.11)	(1.04)	(5.76)	(0.54)	(18.04)	(1.33)
Net Total Inventory	581.63	98.96	1,060.78	99.46	1,337.50	98.67

The finished goods primarily consist of sugar and some of by-products which are molasses, bagasse and filter cake, however, the Company sells and stores these finished goods as the fuel materials to generate the electricity and organic fertilizers respectively. The trading goods consist of fuel for the agricultural machines, chemical fertilizers, pesticides in order to sell to farmers in term of advance credits

Upon the end of 2017, the finished goods of the company were equivalent to 901.77 Million Thai Baht, raised by 430.22 Million Thai Baht or 91.23% compared to 2016, due to the sugarcane receiving season was opened faster than 2016, and the expansion of production capacity continued since 2016 leading to the increased sugar production according to the amount of sugarcane crushing.

Upon the end of 2018, the finished goods of the company were equivalent to 1,216.83 Million Thai Baht, raised by 315.06 Million Thai Baht or 31.94% compared to 2017, due to the amount of sugarcane crushing was higher than 2017. Hence, the sugar yield was higher as well, but because of the decrease of sugar price in the global market – it has delayed the sale and delivery.

2. Non-Current Assets

Non-current assets of the Company upon on December 31st of 2016, 2017 and 2018 were equivalent to 5,130.81 Million Thai Baht or 91.30%, 6,577.24 Million Thai Baht or 73.14% and 7,305.71 Million Thai Baht or 74.35% in that order. The non-currents assets of the company are mostly lands, building and equipment calculated as 91.30%, 73.14% and 74.35% in that order.

Land, Building and Equipment

According to year ended of 2017, lands, buildings and equipment were increased derived from the new molasses storage tank according to the expansion of sugar production capacity. The purchase of lands was for the construction of new sugar manufacturing factory: Buriram Capital Company Limited (BSC). Additionally, the purchase of machines was for the construction of 3 power plants.

Upon December 31st, 2018, land, building and equipment were increased due to the investment in land and machinery to prepare for the expansion of the refined sugar factory and container from bagasse factory.

B. Source of Funding**Capital Structure**

In 2016, 2017 and 2018, shareholders' equity was equivalent to 2,092.77 Million Thai Baht, 2,472.52 Million Thai Baht and 2,500.51 Million Thai Baht in that order. The debt to equity ratio of the Company increased by 2.73 times at the end of 2017, and 3.11 times at the end of 2018 due to the business group's increased liabilities from short-term loans preparation for increasing sugar production and the use of promote loans that increase in the growing area accordingly.

Nonetheless, the financial institution which is the debtor of the Company does not credit the long-term debts arised from establishing the Buriram Sugar Group's Infrastructure Consolidated Fund as part of the interested debts. The further information is in Clause 3. – Risk Factors, Other Risk Factors, 1.1 Risks from Having High Ratio of Debts per Shareholder, in the Annual Report and this Form 56-1.

C. Debts

The total debts upon December 31st of 2016, 2017 and 2018 were equivalent to 5,134.09 Million Baht 6,760.20 Million Thai Baht and 7,775.72 Million Thai Baht in that order. As of which, the debts are mainly derived from trade account payables and other payables, short-term loans and long-term loans from financial institutions.

Upon December 31st of 2016, 2017 and 2018 the trade account payables and other payables of the Company were equivalent to 602.35 Million Thai Baht, 716.12 Million Thai Baht and 817.89 Million Thai Baht in that orde – it is mainly from the sugarcane raw material payables. However, the changes of the sugar raw material payables are subject to the increasing or decreasing of quantity of sugarcane purchased by the Company before the end of period in line with the quantity of sugarcanes harvested and delivered to the Company.

Upon December 31st of 2016, 2017 and 2018 the short-term loans from financial institutions were equivalent to 1,710.25 Million Thai Baht, 1,136.30 Million Thai Baht and 2,617.91 Million Thai Baht in that order. In 2018, the short-term loans from financial institutions were increased derived from the sugarcane farmers joining the agricultural supportive project had increased; therefore, the Company had to provide the supportive fund for sugarcane farming by taking on loans for this matter including the production of finished goods for sales.

Upon December 31st of 2016, 2017 and 2018 the long-term loans from financial institutions were equivalent to 1,891.67 Million Thai Baht, 1,247.07 Million Thai Baht and 864.46 Million Thai Baht respectively. The details of loans as of December 31st, 2018 are as follows:

Loan No.	Loan Limit (Million Baht)	Interest Rate	Outstanding Loan Balance (Million Baht)
1	460.00	MLR-1.25	244.00
2	300.00	MLR-2.375	125.00
3	365.00	MLR-2.50	182.30
4	300.00	MLR-1.00	169.00
5	400.00	3.80%	133.33
6	30.00	MLR	8.38
7	5.20	MLR-1.00	3.31

D. Shareholders' equity

Shareholders' equity upon December 31st of 2016, 2017 and 2018 were equivalent to 2,092.77 Million Baht, 2,472.54 Million Thai Baht and 2,500.51 Million Thai Baht in that order. The figures have increased because of the operating performance of the Company and stock dividend payouts.

E. Liquidity

(Unit : Million Baht)

Details	Audited Financial Statement of Year Ended		
	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018
Cash flow before changes in asset and operational liability	550.04	1,056.51	853.53
Net cash flow from (used in) operating activities	397.43	470.31	(120.76)
Net cash flow on investing activities	(798.19)	(1,647.95)	(620.92)
Net cash flow from (used in) financing activities	272.18	1,321.36	691.74
Net increase (decrease) in cash flow	(128.58)	143.72	(49.94)

Net Cash Flow from Operating Activities

Cash flow before changes in asset and operational liability and net cash flow from operating activities for the year ended December 31st, 2017 were higher than the previous year due to an increase in the Company's profit from the sugar production and distribution according to the increasing output, and the raised global sugar price.

Cash flow before changes in asset and operational liability and net cash flow from operating activities for the year ended December 31st, 2018 was lower than the previous year due to the decrease of the Company's profits from the sugar production and distribution because of the increasing output, and the dropped of global sugar price.

Net Cash Flow Spent on Investment Activities

In 2016, the Company invested approximately 800 Million Thai Baht for constructing the 3rd biomass power plant with the installed capacity continued from the year 2015.

In 2017, the Company invested approximately 1,600 Million Thai Baht for the establishment of the Buriram Sugar Group Power Plant Infrastructure Fund as an associate company, and also invested in assets for the production of sugar and electricity businesses.

In 2018, the Company invested approximately 900 Million Thai Baht on lands and machinery to prepare for the expansion of the refined sugar factory and container from bagasse factory.

Net Cash Flow from Financial Activities

Upon the year ended on December 31st, 2016, the short-term loans from financial institutions increased for 272.18 Million Thai Baht, and long-term loans from financial institutions was invested on the expansion of sugar production and credits for expanding sugarcane plantations.

Upon the year ended on December 31st, 2017, the Company had net cash flow from financial activities of 1,321.36 Million Thai Baht due to the long-term loans from the associate company; which is Buriram Sugar Group Power Plant Infrastructure Fund and partial repayment for long-term loans to financial institutions.

Upon the year ended on December 31st, 2018, the Company had net cash flow from financial activities of 691.74 Million Thai Baht, due to the increase of short-term loans. Since, there were a lot more farmers participated in the promotion program. Therefore, the Company had to provide more financial support on sugarcane plantation. Also, the Company had taken loans for such activities including the production of finished products.

Liquidity Ratio

	Unit	Audited Financial Statement of Year Ended		
		31 Dec. 2016	31 Dec. 2017	31 Dec. 2018
Liquidity Ratio	(times)	0.51	1.04	0.73
Quick Liquidity Ratio	(times)	0.31	0.63	0.35
Average Collection Period	(day)	6	5	6
Average Selling Period	(day)	72	67	62
Collection Period	(day)	71	54	61.24
Cash Cycle	(day)	-7	-18	55.10

On December 31st, 2016, the Company's liquidity ratio was low because the collection period for debentures was due. However, in 2017, the Company's liquidity ratio had been improved due to the complete repayment for the debentures; and, in 2018, the liquidity ratio dropped due to the increase of short-term loans from financial institutions.

Profitability Ratio

For the year ended on December 31st, 2016, the gross profits margin and net profits of the Company were decreased due to the cost per sugar unit had raised from the drought. Then, in 2017, the gross profits margin and net profits of the Company were increased as a result of the raised sugar price in accordance with the sugar price in global market. In 2018, gross profits margin and net profits of the Company were decreased as a result of dropped sugar price in the global market.

Efficiency Ratio

Upon the year ended on December 31st of 2016, 2017 and 2018, the asset turnover of the company was equivalent to 0.67 times, 0.62 times and 0.54 times in that order. The fall of asset turnover was the result of the Company's investment on continuously expansion of the business - both increasing the capacity on sugar production, construction of biomass power plants, expansion of refined sugar factory and the packaging made-of bagasse factory. It caused higher asset value; although, there was only a slight increase of the Company's profits due to the decrease of sugar price in global market.

Ratio Analysis

The debt to equity ratio in 2016, 2017 and 2018, was equalvelent 2.45 times, 2.73 times and 3.11 times in that order. Even though, the debt to equity ratio had increased every year, it was caused by short-term debt which does not caused significant risks to the company.

Contingent Liability and Commitment

For year ended on 31 December 2018, the Company had outstanding letters of guarantee issued by financial institutions as contingent liability and commitment for the purchase of electricity from Provincial Electricity Authority (PEA) at 6.20 Million Baht.

Main Factors and Influences Affect to the Future Operations

World Sugar Prices

Since 60 percent of the Company's total revenue are from sugar export; therefore, world sugar price can affect the number of sales. Demand and supply of the market influence the price. Even though sugar price does affect the Company's profit, the company still uses 70:30 profit sharing system to calculate the price of sugarcanes used mainly for sugar production. For sugar industry in Thailand, whether the world sugar prices are either low or high, the price of sugarcanes vary in line with them.

Cost of Sugarcanes

Sugar industry in Thailand has set the appropriation of profit sharing system at 70:30 for sugarcane farmers and sugar manufacturers. Office of the Cane and Sugar Board calculates the prices of sugarcanes that the manufacturers need to pay for the farmers. The allocation of this pay is 70 out of 100.

Office of the Cane and Sugar Board calculates sugarcane prices in which sugar manufacturers will need to pay for farmers based on the average actual sales price that Thai Cane & Sugar Co., Ltd. (TCSC) has set from quota B. This means material cost varies in line with the price set by TCSC. If the Company sells sugar abroad at lower price than TCSC's actual selling price, the Company needs to pay higher price for sugarcanes compare to net sales of the Company. This may reduce the Company's profit. However, if the Company can sell more than the TCSC's average sales price, there will be more gains and profit margin.

Risk management for the above includes monitoring closely the fluctuation of the price and the selling price of TCSC in order to determine sales plan and ensure that the price set for quota C is reasonable and not less than the average sales price of TCSC.

Procurement of Raw Materials

Factors affecting sugarcanes volume include:

- A. Changes in sugarcane plantation areas where farmers replace sugarcanes with other plants that can yield higher profits. The government policy may encourage farmers to plant those alternative sources of energy such as palms, rubbers, and so on.
- B. Climate, rainfall, irrigation system, soil condition, types of sugarcanes, sugarcane diseases, and other factors affecting the volume of sugarcane. Changes in those factors can reduce the volume of sugarcane.

- C. Competition between other sugar manufacturers and Buriram Sugar Factory Company Limited (“BSF”) can be seen when higher buying prices are offered to the farmers by other companies.
- As a result, BSF has less volume of sugarcane in stock.

Since sugarcanes are the main material for sugar production, lower volume of sugarcanes can have an impact on the productivity of the Company. This can result in the Company’s higher cost unit, lower earning per unit, and lower net profit respectively.

Government Control

Office of the Cane and Sugar Board is responsible for and overseeing Sugar industry in Thailand under the Cane and Sugar Act, B.E. 2527. This is the law that govern sugarcanes and sugar manufactory including sugarcane plantation management, sugar production in the factory, export, sugar sales allocation according to quotas (quota A: domestic sales, quota B and C sales abroad), domestic retail price, and profit sharing system between sugarcane farmers and mills at the rate of 70:30. The ministers of Ministry of Industry, Ministry of Agriculture and Cooperatives, and Ministry of Commerce are responsible for regulating the act according to changes in domestic sugar sales price, changes in rules and regulations or any policy of the act which may significantly affect the company’s operating profit and sugar manufacturers.

According to the changes of management system of sugarcane and sugar industry on January 15th, 2018, in accordance with the Order of Head of the National Council for Peace and Order No. 1/2561, in regards of the law amendment to support the restructuring of the whole sugarcane and sugar industry. Further analysis can be found in Clause 2 Business Features and Clause 3 - Risk Factors, in the Annual Report and the Annual Transactions Statement 2018.

Rate of Exchange

Export revenues of the Company are recognized as the USD currency in which 80 percent are from sugar and molasses sales. The Company is exposed to have risk in case the rate of exchange is fluctuated and this can affect the business operations and revenue of the Company.

Future Projects

The Company has planned to invest in constructing a new sugar manufactory to maximize highest benefits for sugarcane production. The accomplishment is believed to increase profits of the Company.

Other Relevant Information

- None -