

**(Unofficial Translation)**

**Annual Information Disclosure Form 56-1**

**As of October 31, 2016**

**KHON KAEN SUGAR INDUSTRY  
PUBLIC COMPANY LIMITED**

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**Information Certification****Attachment**

- Attachment 1: Details of Company's Directors, Executives, Authorized Person and Company Secretary
- Attachment 2: Details of Subsidiaries' Directors
- Attachment 3: Details of Internal Audit
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## **1. Overview of Business Operation and Policy**

### **1.1) Business Objectives**

Khon Kaen Sugar Industry Public Company Limited has the policy to operate its business ethically and responsibly towards , society, and the environment. It place emphasis on conducting transparent operations, respecting human rights standards, and safeguarding the interests of all stakeholders through the following vision, mission, and quality policy:

#### **Vision**

We are natural energy innovation for all.

#### **Mission**

1. Create income for farmers through efficient processes and high quality agricultural yields.
2. Continuous improvement on technology and R&D to efficiently increase agricultural yields.
3. Create an environment that mutually benefits our partners of success.
4. Develop down-stream businesses to maximize the usage of raw materials, byproducts, and other resources.

#### **Quality Policy**

To produce high quality sugar, achieve efficient operation, make on-time delivery, ensure customer's satisfaction and consumer's safety.

Long term goal of the company is to be one of the leaders in sugar, by-product, and value added productions which can be shown in company's sugar policy: "production of quality sugar with high efficiency, prompt delivery, winning customers' trust, consumption safety". This policy has encouraged company's 5 sugar factories to be widely accepted as one of the highest efficiency and highest quality sugar production groups in Thailand. In addition, with the goal of being one of leading companies in by-product and value added production and with the vision on the potential growth in related – sugar businesses, such as ethanol business, power business, and organic fertilizer business, the company has made continuous investments in these sectors which to date has been successful and highly satisfactory.

The company's short term goal is to be one of the leaders in the industry who excels in cost management and productivity. The goal can be achieved by applying modern technology to the corporate production and management systems. Furthermore, the company is aware that its primary risk is the amount of cane it is able to procure for crushing. The sugar factories and other integrated businesses cannot sustain without adequate cane crushed. The company, hence, aims to reduce the farmers' cane cultivation cost as well as to improve their productivity yields and efficiency. Its objective is to help the farmers sustain their living and receive higher return on their investment as well as to remain productive farmers to our businesses.

## 1.2) Important Changes and Developments During the Past 3 Years

In 2012, after performing feasibility study and other required assessments, the company decided to make further investment to expand its electricity power plant and sugar factory in Nampong district of Khon Kaen province. Electricity power plant production capacity will be 65 MW, up from 30 MW and sugar crushing capacity will increased by 8,000 tons of cane sugar/ day, totaling to 35,000 tons of sugarcane/ day. The expansion project was completed in 2014.

In 2016, the board of directors has approved to invest in Loei project at Wangsapung district, Loei province which consists of expansion of sugar mill from 18,000 to 34,000 tons of sugarcane/day and expansion of power plant from 40 to 75 MW plus boiler with 220 tons steam.

Moreover in 2016, the board of directors No.7/2015-2016 on September 30, 2016 has approved Initial Public Offering plan for the KSL Green Innovation Public Company Limited or previously named Khon Kaen Alcohol Co., Ltd. by offering newly share to public not more than 30% of total paid-up capital.

## 1.3) Company Overview

Khon Kaen Sugar Industry Public Company and its subsidiaries, under KSL, are Thailand 3<sup>rd</sup> largest sugar producer group. The company has 5 sugar factories in the group, located in three different regions, as follows:

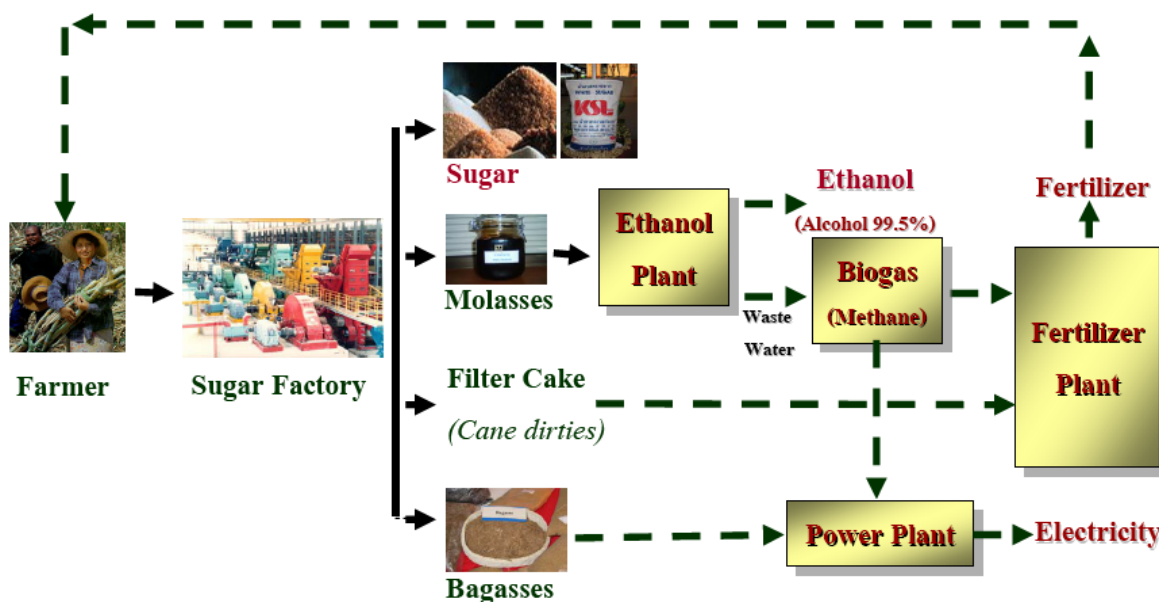
1. Northeastern Region: Khon Kaen Sugar Industry Public Company Limited; Nampong branch in Khon Kaen province and Wangsapung branch in Loei province.
2. Western Region: New Krung Thai Sugar Factory Co., Ltd and Tamaka Sugar Industry Co., Ltd in Kanchanaburi province
3. Eastern Region: New Kwang Soon Lee Sugar Factory Co., Ltd in Chonburi province

The core products which the company produces are sugar which can be categorized to be 4 types: (a) raw sugar (b) high pol sugar (c) white sugar and (d) refined sugar. The company also has other products related to sugar production process, such as molasses, bagasses and filter cake. According to these kinds of products, the company has a plan to invest in value added projects, as followings: (shown on Figure 1.1)

- (1) Ethanol plant: Ethanol is mixed with gasoline, and the mixture is used as fuel for vehicles. Raw materials used in the Group's ethanol production include molasses and sugarcane juice
- (2) The biogas plant uses waste water from ethanol production process as a raw material. Biogas produced through fermentation is used as a supplementary fuel for the corporate power plant.

- (3) The organic fertilizer plant uses waste from the sugar production process (filter cake) and waste water from biogas and ethanol production as raw materials.
- (4) The power plant uses waste from the sugar production process (bagasses) and biogas from the biogas plant as fuel sources for producing electricity and steam sold to plants in the Group and Grid.

**Figure 1.1 : The Relationship between KSL's Existing Sugar Production and KSL's Value Added Project**



As of October 31, 2016, Khon Kaen Sugar Industry Public Company Limited and its subsidiaries have the investment in subsidiaries and affiliates in total 14 companies as followings:

Business Unit/Company Name	Paid - Up Capital (THB Million)	Proportion Of Investment	Nature of Business
<b>Sugar Business</b>			
Tamaka Sugar Industry Co., Ltd.	600.00	90.21%	Produce and distribute sugar
New Krung Thai Sugar Factory Co., Ltd.	1000.00	95.78%	Produce and distribute sugar
New Kwang Soon Lee Sugar Factory Co., Ltd	500.00	98.61%	Produce and distribute sugar
Savannakhet Sugar Corporation	684.76	98.49%	Sugar cane Plantation and Sugar

			Factory in Laos
Koh Kong Plantation Co., Ltd*	936.98	80.00%	Sugar cane Plantation in Cambodia
Koh Kong Sugar Industry Co., Ltd	1,167.66	80.00%	Sugar Factory in Cambodia
<b>Supporting Business</b>			
Thai Sugar Terminal Public Company Limited**	145.20	23.82%	Terminal, Warehouses, Real estate, produce and distribute wheat flour and palm oil
KSL Export Trading Co.,Ltd.	20.00	79.55%	Sugar and Related products Exporting Activities
KSL Agro and Trading Co., Ltd.	300.00	100.00%	Trading domestic sugar and operating agricultural businesses
Wynn In Trading Co., Ltd	487.497	100.00%	International trading and consulting
<b>Energy and Chemical Business</b>			
KSL Green Innovation PCL***	610.00	100.00%	Producing and distributing ethanol or agri-fuel and organic fertilizer
Khon Kaen Sugar Power Plant Co., Ltd	800.00	100.00%	Power Plant (SPP)
KSL Material Supply Co., Ltd.	840.00	100.00%	Material Sourcing for sugarcane plantation
<b>Other Business</b>			
KSL Real Estate Co., Ltd	840.00	91.02%	Real Estate Development and Training Center
WSP Logistics Co., Ltd	0.25	100%	Provide transportation service

**Note:**

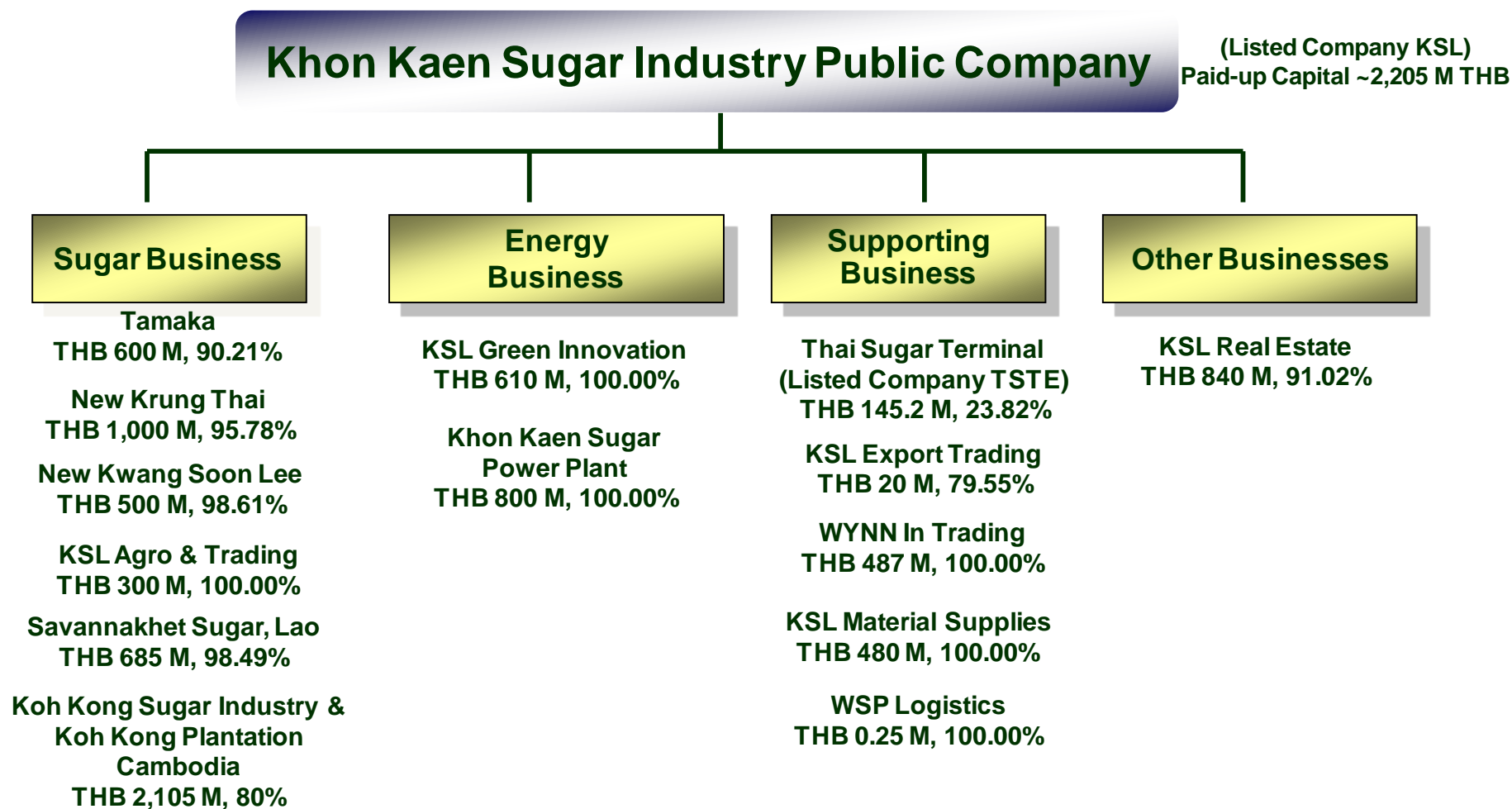
Proportion of investment shown above includes both direct and indirect shareholdings

\* indirect holding by Wynn in Trading Co., Ltd.

\*\* Associated company

\*\*\*Previously named Khon Kaen Alcohol Co., Ltd

Business structure of KSL Group on October 31, 2016 shown on the following chart:





The details of Khon Kaen Sugar Industry Public Company Limited, subsidiaries and affiliates are as follows:

**Sugar Business**

**Khon Kaen Sugar Industry Public Company Limited**

The nature of business is to produce and distribute sugar and other by-products. The first branch is located in Nampong district, Khon Kaen province. In 2014, improvements were made to increase its maximum crushing capacity to 35,000 ton cane per day. The second branch is located in Wangsapung district, Loei province with the maximum crushing capacity of 18,000 ton cane per day. Both branches have the capability to produce raw sugar, high pol sugar, white sugar and refined sugar.

**Tamaka Sugar Industry Co.,Ltd**

The nature of business is to produce and distribute sugar and other by-products. The factory is located in Tamaka district, Kanchanaburi province with the maximum crushing capacity of 22,000 ton cane per day and capable to produce raw sugar, white sugar and refined sugar.

**New Krung Thai Sugar Factory Co.,Ltd**

The company produces and distributes sugar and other by-products. The factory, which was originally located in Tamaka district, Kanchanaburi province, was relocated to Bo Ploy district, Kanchanaburi province. The production capacity was expanded to the maximum crushing capacity of 36,000 tons of cane per day. Construction has already completed, the factory is capable of producing raw sugar, white sugar, and refined sugar.

**New Kwang Soon Lee Sugar Factory Co.,Ltd**

The enterprise produces and distributes sugar and other by-products. The factory located in Panusnikom district, Chonburi province, has the maximum crushing capacity of 4,000 tons of cane per day. The cane crushing capacity decreased due to the fact that some of the machines had been moved to Laos and Cambodia. The factory is capable of producing raw sugar, high pol sugar, white sugar, and refined sugar.

**Savannakhet Sugar Corporation**

The company received sugarcane plantation concession that covers approximately 10,000 hectares (62,500 rai) from the Lao government. Sugarcane cultivation is undertaken by the company itself. The

sugar factory in Savannakhet has the maximum crushing capacity of 3,000 tons of cane per day. Its output includes raw sugar and other byproducts.

*Koh Kong Plantation and Koh Kong Sugar Industry*

The company received sugarcane plantation concession that covers approximately 19,100 hectares (119,375 rai) from the Cambodian government. Sugarcane cultivation is undertaken by the company itself. The sugar factory in Koh Kong has the maximum crushing capacity of 6,000 tons of cane per day. Its output includes raw sugar and other byproducts.

**Energy and Chemical Business**

*KSL Green Innovation Public Company Limited*

Established in early 2004, the company runs the business of producing alcohol (Ethanol) from molasses, sugarcane and others with the licenses to produce 350,000 liters per day (150,000 at Nampong, Khon Kaen and 200,000 at Boploy, Kanchanaburi) granted by Ministry of Industry for the purpose of producing alcohol for blending with gasoline, so-called “gasohol”, using as fuel in vehicles. In addition, the company produces fertilizers as a downstream project to the alcohol plant, which uses waste water from alcohol plant and filter cake, waste products from sugar processing.

*Khon Kaen Sugar Power Plant Co., Ltd.*

Established late in 2003, the company operates renewable power plants that can produce electricity and steam by using bagasses as raw material. The power produced at the plants can supply the factories within the group and any additional power generated are then sold to EGAT and PEA (Grid). Currently, the company operates 3 power plants all locating nearby its sugar factories. The first branch is closed to Khon Kaen Sugar Factory in Nampong district of Khon Kaen province. The second branch is closed to New Krung Thai Factory in Kanchanaburi province (part of the Boploy Renewable Energy Project). The third branch is located next to Khon Kaen Sugar Factory in Wangsapung district of Loei province (The Loei Project). Currently, the total capacity of all three branches can produce up to 195 MW of electricity.

*KSL Material Supply Co., Ltd*

KSL Material Supply Co., Ltd. now operate business relating to sourcing and selling raw materials and materials related to agriculture such as organic fertilizers and related services.

**Supporting Business**

*KSL Export Trading Co., Ltd*

Established in 1992, the company performs as a licensed exporting company, according to Cane and Sugar Act 1984, which provides services of exporting activities to the sugar companies in KSL Group and also other sugar factories.

*Thai Sugar Terminal Public Company Limited (TSTE)*

The company is a listed company in the Stock Exchange of Thailand. Its businesses involve warehouse leasing, loading and discharging sea freight, port operations, and freight forwarding. The terminal and warehouse are located in Prapadang, Samutprakarn, on the Chopraya River. Customers are primarily sugar companies in the KSL Group, other sugar factories owned by strategic partners, and general customers. In addition, Thai Sugar Terminal Public Company Limited (TSTE) is the mother company of 5 subsidiaries, which mainly deal with real estate trading and leasing, wheat flour production, plastic sack manufacturing, and palm oil refinery plant operations. (For details, refer to listed company profiles section: Thai Sugar Terminal Public Company Limited (TSTE) and TS Flour Mill Public Company Limited (TMILL)).

*KSL Agro and Trading Co., Ltd.*

Established in 2006, the company trade sugar and related products for domestic customers. It also grow sugar cane on the company's land.

*Wynn In Trading Co., Ltd*

The nature of business is international trading and international investment consulting. Khon Kaen Sugar Industry Public Company holds 100.00% share of Wynn In Trading Co., Ltd.

**Other Businesses**

*KSL Real Estate Co.,Ltd*

The company is involved in the business of property rental and resort ownership in Kanchanaburi, near the River Kwai, under the name of "River Kwai Park and Resort" This company provides the accommodation and facilities for holiday vacation and training center for employees of the KSL group and other general customers. Additionally, the company has acquired a commercial rental property, The Liberty Square Building that is located in the heart of Silom Road that is one of the busiest business area of Bangkok with approximately 19,151 sqm of rental space consisting of 22 floors and 6 levels of underground parking.

WSP Logistics Co., Ltd.

The nature of business is transporting sugar and other products.

Regarding the policy to regulate and monitor the operation of subsidiaries and affiliates, Khon Kaen Sugar Industry has categorized its subsidiaries and affiliates which have the similar nature of business to be a group together under the same team of management. Four sugar companies are under the same board of executive directors. For supporting business, energy and chemical business and other business, Khon Kaen Sugar Industry will assign its own representatives to join as a position of company directors for policy making or as a position of top management for operation directing, which will make consistency in policies from parent company, subsidiaries and affiliates.

## **2. Description of Each Business Operation**

### **2.1) Revenue Structure**

Company	% of Shareholding in 2016	2014		2015		2016	
		Revenue (Million THB)	%	Revenue (Million THB)	%	Revenue (Million THB)	%
<b>1. Khon Kaen Sugar Industry Public Company</b>	Mother Company	8,668.09	31%	8,335.09	31%	9,864.34	37%
<b>2. Tamaka Sugar Industry Co., Ltd</b>	90.21%	3,196.84	11%	2,946.99	11%	2,498.79	9%
<b>3. New Krung Thai Sugar Factory Co., Ltd</b>	95.78%	4,540.44	16%	4,645.78	17%	3,285.37	12%
<b>4. New Kwang Soon Lee Sugar Factory</b>	98.61%	744.15	3%	550.1254679	2%	534.0458602	2%
<b>5. Thai Sugar Terminal Public Company</b>	23.82%	1,538.84	6%	0.00	0%	0.00	0%
<b>6. KSL Export Trading Co., Ltd</b>	79.55%	13.15	0%	20.5991328	0%	15.48967457	0%
<b>7. KSL Green Innovation PCL</b>	100.00%	2,472.01	9%	2,600.92	10%	2,143.92	8%
<b>8. Khon Kaen Sugar Power Plant Co., Ltd</b>	100.00%	2,493.81	9%	2,994.70	11%	2,524.71	10%
<b>9. KSL Material Supplies Co., Ltd*</b>	100.00%	20.56	0%	11.61435613	0%	29.185405	0%
<b>10. KSL Real Estate Co.,Ltd</b>	91.02%	150.34	1%	154.9648645	1%	174.9911018	1%
<b>11. KSL Agro and Trading Co., Ltd.</b>	100.00%	3,605.85	13%	4,172.69	16%	4169.198022	16%
<b>12. Koh Kong Plantation Co., Ltd**</b>	80.00%	128.73	0%	116.7002359	0%	152.8091787	1%
<b>13. Koh Kong Sugar Co., Ltd</b>	80.00%	89.36	0%	136.9219072	1%	672.95243	3%
<b>14. Savannakhet Sugar Corporation</b>	98.49%	211.21	1%	219.5473385	1%	240.9437847	1%
<b>15. Wynn In Trading Co., Ltd</b>	100.00%	-	-	0	0%	0	0%
<b>Total</b>		27,873.38	100%	26,906.64	100%	26,306.75	100%
<b>Minus Interrelated items</b>		-8,688.53		-9,431.32		-9,395.58	
<b>Total Revenues</b>		19,184.84		17,475.33		16,911.17	

\* In 2015 and 2016 the Company recorded the revenue from Thai Sugar Terminal PCL and its group as associate but in 2014, the Company recorded the revenue as subsidiary.

\*\*Formerly name Khon Kaen Alcohol Co., Ltd

\*\*\* Indirect shareholding through Wynn In Trading Co., Ltd.

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(Explanation of change in revenue and earnings stated in Part 3 Financial Position and Operating Performance)

## **2.2) Description of each products**

### **Sugar: Production and Characteristics**

The company is a group of sugar manufacturers whose quality management system is certified by SQF 2000, ISO 9001: 2000, and Hazardous Analysis and Critical Control Point (HACCP) accreditations. Sugar produced by the KSL group can be divided into four categories according to their types and levels of purity as follows:

**Raw sugar** – Raw sugar has a color index higher than 1,500 ICUMSA. It is dark brown, and has a high dirt index and a low purity index. Transfer is done in bulk without the use of sacks. This type of sugar cannot be consumed until it is refined or purified, turning into white sugar or refined sugar.

**High pol sugar** - High pol sugar has a color index between 1,000 - 1,500 ICUMSA. It can be consumed without any further process needed. Generally, the sugar is put in sacks before being transported. It is priced lower than white sugar and refined sugar.

**White sugar** - White sugar has a color index between 46 – 200 ICUMSA with a degree of polarization not lower than 99.50. It is widely consumed among households and used as a raw material in food industries where moderate purity is required.

**Refined sugar** – Refined sugar has a color index that does not exceed 45 ICUMSA. It is especially high in purity. The sugar is used in certain industries where highly pure sugar is needed, such as pharmaceutical industry, carbonated beverage industry, and energy drink industry.

After sugar manufacturing there is a residue called “molasses” that its sugar content is so low that any further sugar extracting is uneconomical. Molasses is a valuable by-product obtained from sugar production. It contains 20% water, 30% sucrose, 32% invert sugar, 12% non-sugar organic substance, and 6% ash. From one ton of sugarcane, the corporate sugar factories have capacity to manufacture between 45-50 kilograms of molasses. An amount of molasses produced in a year depends on a quantity of sugarcane crushed in the year. Molasses can be widely used in such biochemistry industries as alcohol and distilling industry, yeast industry, monosodium glutamate industry, animal food industry (where molasses is mixed with cassavas and bagasse), vinegar industry, and soy sauce and seasoning sauce brewing industry.

Other residues from sugar manufacturing process that are also useful include bagasse and filter cake. Bagasse is the fibrous material remaining after the last extraction of juice from sugarcane. Now the company uses burned bagasse as a source of energy for electricity and steam generation used in sugar manufacturing process. Part of the electricity generated is sold to the Grid. Filter cake is a residue from vacuum filtration. It can be used as a raw material for general-purpose fertilizer. In the past, the company gives away filter cake to sugarcane farmers to promote sugarcane plantation in nearby areas.

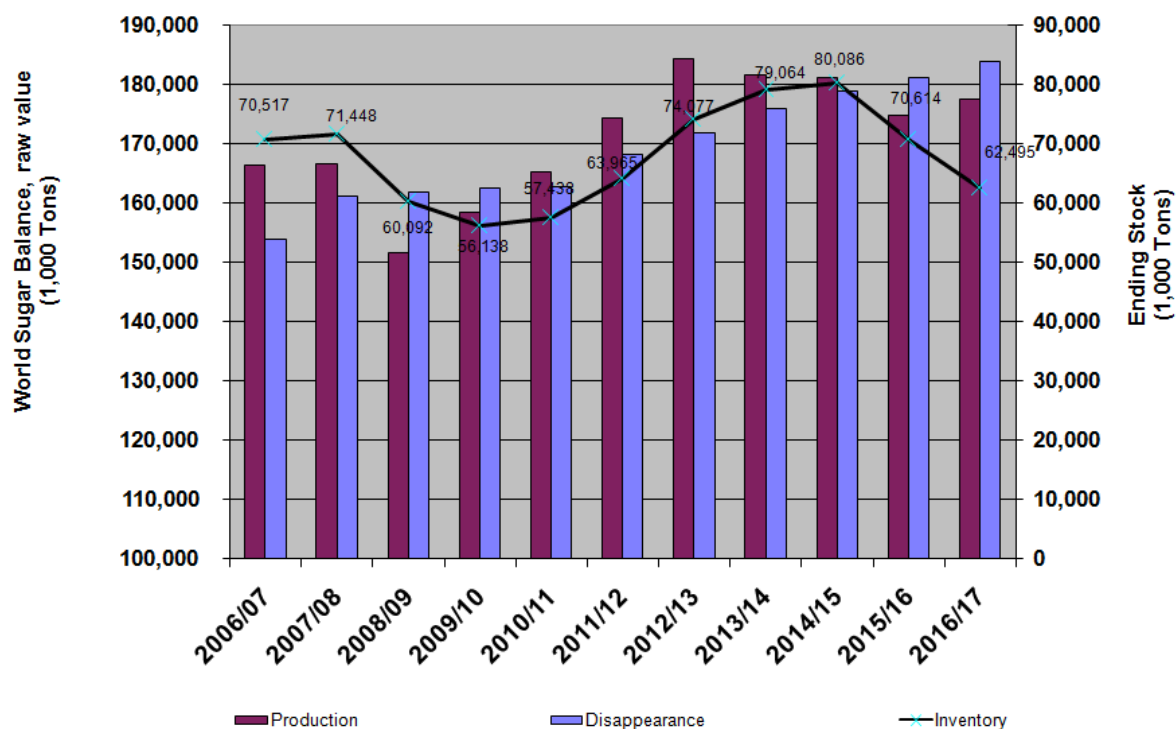
After the company's subsidiary has continuously operated alcohol and chemical production, wastewater from the factory can be mixed with filter cake and bio-decomposed to produce organic fertilizer that is suitable for sugarcane plantation. This completes the corporate value-added product ranges.

## Sugar: Market and Competition

### International Market and Industry Overview

The world sugar market: In 2014/15 approximately 182.3 million tons of raw sugar was produced worldwide, representing a increase of 1 million tons or 0.5% from the 2013/2014. The world's total consumption demand rose to 179.1 million tons, a 3 million tons increase or about 2% growth compared to that of 2013/14. However, the ending stock increases from 77.2 million tons in 2013/14 to 79.3 million tons in 2014/15. The stock represented 44% of the total demand, or an equivalent of 5 months sugar consumption.

Chart 2.1: World Sugar Balance (1000 Tons, centrifugal sugar, raw value, OCT/SEP)



Note: 2016/17 is forecasted number

Source: F.O.Lichit, updated 4-11-2016

According to F.O. Licht's forecast on November 14, 2016, the 2016/17 output will increase by 1.6%, from 174.6 million tons to 177.4 million tons. Consumption will increase by 1.46% from 181 million tons to 183.7 million tons. Consequently, the world sugar supply will be short, with ending stock for the year 2016/17 decreasing from 70.6 million tons to 62.5 million tons. In Asia, it is forecasted that in 2016/17 demand for sugar within the region will overtake supply, causing a shortage of 26 million tons. However, this figure is subject to changed in demand, supply, and many other external factors.

Moreover the uncontrollable changes in climates such as flooding, drought, or severe cold in countries where sugar is produced can have a significant impact on the availability of sugar in the market and consequently affect on the price of sugar sold.

For a trend in sugar price can also depends on output quantities from major producer countries, such as Brazil expect to have same volume of sugar compare to previous year and as long as sugar price parity is attractive, Brazilian sugar mills will produce more sugar/rthanol ratio than the previous year. However apart from sugar price, the other factor is oil price which may be the key to make them reconsider to produce more ethanol instead (currently, they produce 45% sugar 55% ethanol). For Thailand, due to a drought at the beginning of last year affected 2017/16 output, the production is expected to be close to the output in 2016. China and India expect to have less production and sugar deficit in 2017. Especially China has to import approximately 4 – 5 million tons every year. Consequently the sugar price keep rally since the end of 2016. The effect of global stock to consumption ratio at 34% which is considerably low level and global 2017/18 production might not compensate this deficit within a year.

Other global economic factors affect world sugar price such as president election in US, Fed rate hike, slow economic growth in China, the economic problems in Brazil that cause the devaluation of its currency compared to USD, shifting investing strategies from investment funds, changes in oil prices, and falling commodity prices.

Chart 2.2: World Sugar Price (NYBOT#11) During Last 10 Years



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Furthermore, export channels of Thai sugar manufacturers are divided into:

1. Thai sugar manufacturers sell their sugar through major traders such as Cargill, Tate & Lyle, Kerry, etc. The traders then sell the sugar to other overseas buyers. Risk of failure to collect payments and complications in export management are minimized. Thai sugar manufacturers' only responsibility is to transport their sugar to ports of exports, such as FOB ports of Bangkok and Lamchabang.
2. Thai sugar manufacturers export their products to neighboring countries, such as Laos and Cambodia, through borders. A small amount of sugar is sold to vendors at borders.
3. Thai sugar manufacturers sell to manufacturers who use sugar in production of their exports. When domestic sugar prices are higher than those in international markets, the export manufacturers who use sugar as a production material lose their competitiveness in the world market. To promote investment in the food industry and competitiveness, the government allows those who manufacture exports to buy sugar at the world' market prices conditionally.

#### Domestic Marketing and Industry Overview

Domestic sugarcane and sugar industries are governed by Thai Sugarcane and Sugar Industry Act B.E. 2527. Office of the Cane and Sugar Board is in charge of ensuring adequacy of sugar for the domestic demand. Every year the board estimates the domestic sugar consumption amount and determines quotas for sugar factories according to their capacity. Domestic sugar prices are controlled by Goods and Services Act B.E. 2542. Current domestic sugar price are mandated that:

- (1) Prices of regular white sugar purchased at sugar factories do not exceed Baht 1,900 per 100-kilogram sack.
- (2) Prices of refined white sugar purchased at sugar factories do not exceed Baht 2,000 per 100-kilogram sack.
- (3) Wholesale prices of regular white sugar at all domestic wholesale businesses do not exceed Baht 1,965 per 100-kilogram sack, and those of refined white sugar do not exceed Baht 2,065 per 100-kilogram sack.
- (4) Retail prices of regular white sugar at retail businesses in Bangkok, Nonthaburi, Pathumthani, Samutprakarn, and Samutsakorn do not exceed Baht 21.50 per kilogram; and those of refined white sugar do not exceed Baht 22.50 per kilogram. (included VAT)

The price control does not apply to sugar cubes in boxes or packets that do not weigh over 10 grams.

#### Competition Situation and Competitors

In 2016, there are 52 operating sugar factories (exclude non-operating and new license sugar factories which is not yet constructed) in Thailand with sugarcane crushing capacity of 94 million tons/year and sugar manufacturing capacity of 9.8 million tons/year (depending on yearly sugarcane

amounts in the crushing process and sugarcane quality). The crushing process lasts about 4 - 6 months each year due to small amounts of sugarcanes entering the process. It begins in November and ends in April or May. The numbers of sugar factories are under government control. Licenses from Office of the Cane and Sugar Board and Department of Industrial Works, Ministry of Industry, are required for sugar factories in increasing capacity, moving factories, or operating new sugar factories.

In 2016, all 52 sugar factories are opened for operation. Most of these factories are part of the five major groups of sugar manufacturers and only a handful of small manufacturers operate independently. The KSL Group is the 3<sup>rd</sup> largest sugar producer in Thailand, with 8 % market share. It has 5 factories (In 2012, KSL operates 4 factories since the new one just finish construction) located in three regions: Northeast (2 factories), Western (2 factories), and Eastern (1 factory). Table 2.3 shows sales of different types of sugar in the past 3 years as well as ratios of sales in export markets to domestic markets.

Table 2.3: Sales of Different Types of Sugar and Ratio of Domestic Sugar to Total Sugar Sales in the Past 3 Years

Sale Volume & Price	Volume Unit	2016 Avg. Price THB / unit	Value M THB	Volume Unit	2015 Avg. Price THB / unit	Value M THB	Volume Unit	2014 Avg. Price THB / unit	Value M THB
Sugar	875,841	14,939	13,084	923,267	14,008	12,933	836,701	15,721	13,154
Domestic	219,304	19,532	4,284	209,571	19,592	4,106	177,057	19,887	3,521
Export	656,537	13,405	8,801	713,697	12,368	8,827	659,644	14,603	9,633
% Domestic Sale/Total Sale	25%			23%			21%		

## Sugar: Product and Service Provision

### Raw Material Provision Policy

Providing raw materials for manufacturing is a vital process for sugar producers. As the total capacity of the Thai sugar industry exceeds domestic sugarcane produce, all the sugar factories need to ensure that the maximum amount of cane is provided for their production in order to reduce their fixed cost per unit. The main solution employed by most sugar manufacturers is providing financial support to farmers, which is known as the “Geaw” system. Agreements of the sugar producers’ advance purchase of sugarcanes from the supported farmers are made, allowing the farmers to apply for loans from the sugar manufacturers. The loans are used for sugarcane cultivation. Harvested sugarcanes, then, are delivered to the factories and the sugarcane costs are deducted from the loans.

The company’s strategy is giving long-term benefits as incentives to the sugarcane farmers providing their crops to the corporate factories. This promotes both the growth of the farmers’ incomes and the company. The main policy “Prosperity of farmers is prosperity of the factory”, especially employed in the northeast, emphasizes creating and promoting a sustainable way to make a living for sugarcane farmers, as well as eliminating middlemen known as “Quota Heads”. This effort allows the company to learn about problems experienced by the farmers and provide them suitable assistance. Also, the company provides the farmers equipment, knowledge and production support, such as

providing loans for purchasing trucks; giving them filter cakes for making fertilizers free of charge; and providing experts in sugarcane cultivation, and prevention and elimination of crop pests. The support enhances good relationships between the farmers and the company, as well as systematic growth.

#### Production policy

The company focuses on maximizing the volume of white sugar and refined white sugar manufactured, as the two products have the highest selling prices with the highest profit. It also focuses on the improvement of production efficiency. Production efficiency that is higher than the average of the industry will help reduce unit cost. As a result, the company will be more competitive.

#### Marketing policy

Due to the fact that sugar prices in domestic consumer markets are controlled by the Government, the company emphasizes direct sale to industries with product quality and on-time delivery promises. Most of the customers are businesses in beverage and confectionary industries.

The company, moreover, emphasizes the sale of its sugar products to food product re-exporters, as it allows the sale of C quota sugar which yields better profit than regular exports while requires lower transport cost.

#### Environmental effects

The sugar manufacturing process causes wastewater and dust from ash in the steamer's burning process. The company is well aware of such effects and has employed appropriate measures to prevent environmental problems, in compliance with standards issued by Ministry of Industry.

#### **Sugar: Works Not Submitted**

- None -

## Ethanol : Product Characteristics

KSL Green Innovation PCL or previously named Khon Kaen Alcohol Co., Ltd., a subsidiary of Khon Kaen Sugar Industry Public Company Limited, produces and sells ethanol to oil companies. The ethanol is combined with gasoline at 10, 20 and 85 % to produce the final product commonly called gasohol.

## Ethanol : Marketing and Competition

### Domestic Marketing and Industry Overview

Since the first quarter of 2013, ethanol consumption in Thailand significantly increased due to Thai government cancelled Gasoline 91 and mandate usage of Gasohol 91 (Mixing 10% ethanol). As shown in Table 2.4. The promotion of the usage of gasohol as an alternative energy source allowed continuous growth for the ethanol market. Currently, average 4 million liters of ethanol per day is mixed in gasoline. The amounts of ethanol used to mix with gasoline for gasohol production is shown in Table 2.5.

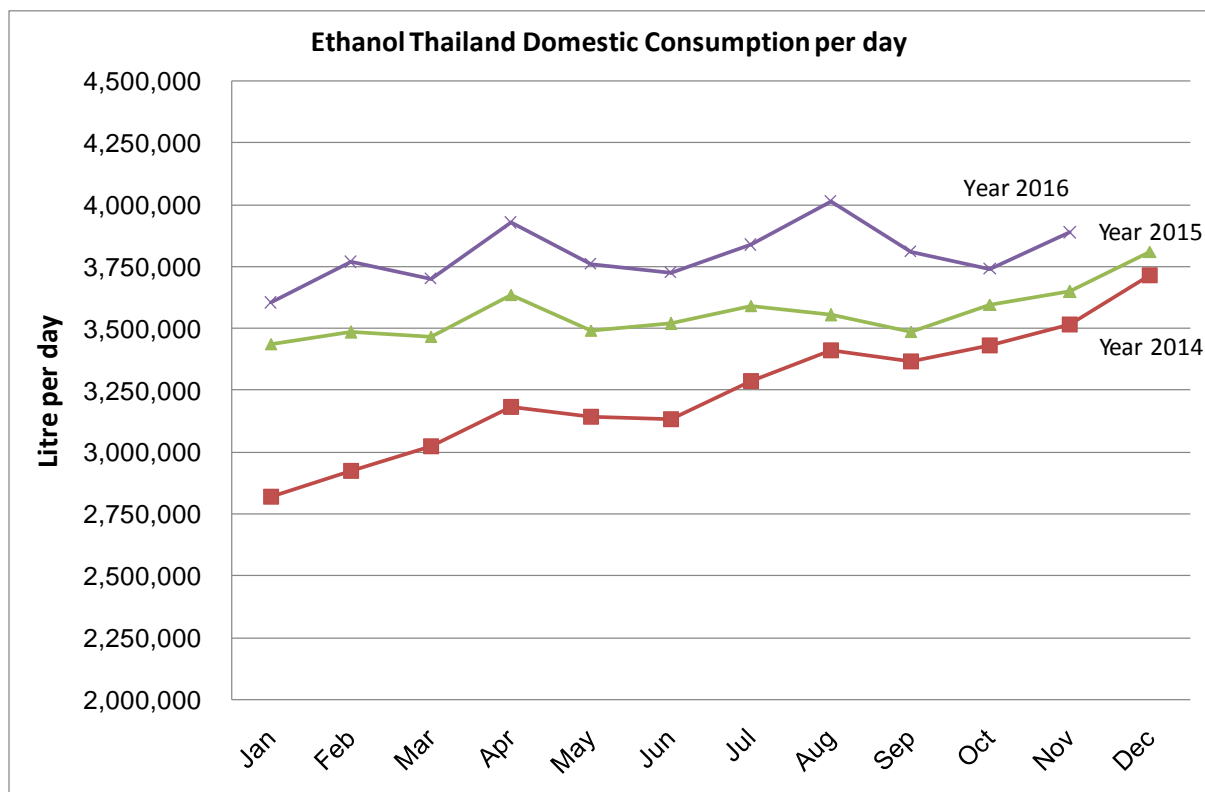
Table 2.4: Selling Price Structure of Gasohol

#### **PRICE STRUCTURE OF PETROLEUM IN BANGKOK, January 9, 2017**

<b>THB / Litre</b>	<b>EX</b>	<b>TAX</b>	<b>OIL</b>	<b>CONSV.</b>	<b>WHOLE</b>	<b>MARKET</b>	<b>VAT</b>	<b>RETAIL</b>
	<b>REFIN</b>		<b>FUND(1)</b>	<b>FUND</b>	<b>SALE+VAT</b>	<b>MARGIN</b>		<b>PRICE</b>
<b>ULG 95 R</b>	<b>16.80</b>	<b>6.50</b>	<b>6.31</b>	<b>0.25</b>	<b>32.64</b>	<b>2.26</b>	<b>0.16</b>	<b>35.06</b>
<b>GASOHOL 95 E10</b>	<b>17.57</b>	<b>5.85</b>	<b>0.35</b>	<b>0.25</b>	<b>26.33</b>	<b>1.52</b>	<b>0.11</b>	<b>27.95</b>
<b>GASOHOL 95 E20</b>	<b>18.30</b>	<b>5.20</b>	<b>3.00</b>	<b>0.25</b>	<b>22.76</b>	<b>2.51</b>	<b>0.18</b>	<b>25.44</b>
<b>GASOHOL 91 E10</b>	<b>17.32</b>	<b>5.85</b>	<b>0.35</b>	<b>0.25</b>	<b>26.06</b>	<b>1.51</b>	<b>0.11</b>	<b>27.68</b>
<b>GASOHOL E85</b>	<b>21.50</b>	<b>0.98</b>	<b>9.35</b>	<b>0.25</b>	<b>14.42</b>	<b>5.49</b>	<b>0.38</b>	<b>20.29</b>

Source: Energy Policy and Planning Office, Ministry of Energy

Chart 2.5: Quantity of Ethanol Used to Mix with Gasoline as Gasohol



Source: Department of Energy Business, Ministry of Energy

#### International Marketing and Industry Overview

Brazil is the world's major ethanol producer and exporter. Primarily, ethanol is produced from sugarcane. It can be used as fuel for car by mixing with gasoline at the ratio of 20 – 25 % or purely 100 % with specially designed cars. The Brazilian government has a policy to promote the use and manufacture of cars that run with ethanol 100 %. There is a control over the production and demand for ethanol through changing the amount of ethanol content in gasoline.

#### Competition situation and competitors

In 2016, ethanol price decreased compare to previous year due to the competitiveness of cassava-based ethanol producer increased from lower price of cassava which increased a lot of supply for awhile in 2016 however ethanol demand continue to increase every year, therefore demand-supply of ethanol is quite tight and also ethanol stock is not enough. As a result, for 2017, the Company expects average selling price will be improve while sales volume may slightly improve.

Table 2.6: Sales Volume and Average Selling Price of Ethanol in the Past 3 Years

	2016	2015	2014
Sale Volume (Liters)	85,443,140	97,116,975	91,606,665
Avg. selling price (Baht/Liter)	23.56	25.71	25.92

### **Ethanol: Product and Service Provision**

#### Raw material provision policy

The company's ethanol plants purchase the raw material, molasses, from sugar factories of KSL (the holding company) at the market price. A one-year agreement is made in advance. If the KSL factories do not have enough molasses, the raw material is purchased from nearby sugar factories. For more flexible raw material management the company invested in facilities that allow the production of ethanol from cassava flour and other cassava-related products. This is to ensure that there is sufficient raw material and that production cost is manageable. If the world's sugar prices drop, sugarcane juice from the KSL group's sugar factories can be used as raw material in ethanol production.

#### Production policy

The company minimizes its costs by ensuring economy of scale, flexibility in using cheap raw materials and cost reduction. Expenses are minimized, such as using wastewater in producing organic fertilizer. Corporate resources are shared, such as personnel of sugar factory, or the Group purchasing energy from its own power plant. Leasing molasses storage tanks reduces the cost of investing them. Purchasing molasses at the factories helps save transport costs.

Being able to produce the raw material, molasses, within the group allows the consistency of the quality of the material and more production effectiveness. Contaminants are reduced. Molasses storage tanks are appropriately temperature controlled, allowing highly effective production.

#### Marketing policy

Ethanol is an industrial product. It is used as a material in producing gasohol. Consistency in quality, standard, and availability are very important. The company ensures that its production meets those requirements by exercising quality assurance. Part of the ethanol produced is stored in tanks for sale during the period when the operation is ceased for annual machinery repair and maintenance.

Environmental effects

The production of ethanol generates wastewater. The company uses the wastewater from ethanol production process to mix with filter cake from the group's sugar factories to make organic fertilizer. The fertilizer is then sold to farmers. Hence, the company is able to minimize its negative impact on the environment.

**Ethanol: Works Not Submitted**

- None -

**Electricity and Steam Product Characteristic**

The project has been undertaken by Khon Kaen Sugar Power Plant Co., Ltd who sells electricity and steam to factories within the group as well as selling any excess electricity produced to Electricity Generating Authority of Thailand (EGAT) and Provincial Electricity Authority (PEA). Currently, the group operates 3 power plants. The first power plant is located near to Khon Kaen Sugar Factory in Nampong district of Khon Kaen province. It can produce up to 65 MW, 20 MW of which is sold to EGAT. The second power plant is located near to New Krunghthai Sugar Factory in BoPloy, Kanchanaburi. It can produce up to 90 MW, 30 MW of which is sold to EGAT. The third power plant is located near to Khon Kaen Sugar Factory in Wangsapung, Loei province. It has the capacity to produce 40 MW.

**Electricity and Steam Market and Competition**

The electricity and steam generated is first sold to the KSL Group's plants so that it can be used to produce sugar and ethanol. The excess electricity produced is then sold to Electricity Generating Authority of Thailand (EGAT) and Provincial Electricity Authority (PEA) through long-term contract and therefore has limited number of competitor and reliable customer. A 100% of electricity and steam produce is sold domestically.

Table 2.7 Sales Volume and Average Selling Price of Electricity in the Past 3 Years

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Sale Volume (MW-hour)	275,456	300,292	324,099
Avg. selling price (THB/MW-hour)	2,935	3,368	3,520

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## **Electricity and Steam: Product and Service Provision**

### Raw material provision policy

Raw material procurement is crucial in operating the electricity generating business. The corporate power plant is mainly fueled by bagasse. Each year, the Group crushed sugarcane fluctuates. A limited amount of crushed sugarcane may affect the fuel amount available for the power plant's electricity generating. Thus, Khon Kaen Sugar Power Plant has prepared purchasing biomass fuel sources, such as bagasse from nearby plants.

### Production policy

#### (1) Cost Management

The Khon Kaen Sugar Power Plant committed to minimize its production cost. Costs of electricity generating and steam energy production include fuel and depreciation. Fuel efficiency is, hence, crucial. The company also ensures economy of scale to reduce its unit cost.

#### (2) Improving and Developing Production Effectiveness

The quality of fuel is effectively controlled, as the company uses its own bagasse. Fuel efficiency is ensured by controlling moisture in bagasse using such methods as bagasse dryer system and setting up roofs to protect the material from the rain.

### Marketing policy

The long-term agreement between the company and EGAT allows the electricity produced to be priced based on natural gas prices and exchange rates. The sale unit price increases at the time when EGAT's demand for electricity is high. Electricity sold to the companies in the KSL Group is priced at the same rate as that sold to EGAT.

### Environmental effects

Extensive Environmental Impact Assessment (EIA) has been carried out. The facilities in Khon Kaen has been registered with CDM Executive Board as a CDM project (under the Kyoto Protocol). The company has the right to sell its carbon credits if and when the UNFCCC officially count and certify the amount of carbon it help reduced.



**Electricity & Steam: Works Not Submitted**

- None -

### **3. RISK FACTORS**

Significant risk factors in the operation of the sugar business of the company, which may have affect on the return on investment by the shareholders, can be summarized as follows.

#### **3.1) Risk factors in Raw Material Sourcing – Sugarcane**

Khon Kaen Sugar Industry Public Company Limited produces sugar which use sugarcane as raw material. The company has also invested in other related projects, which use by products and wastes generated from the sugar manufacturing process, to create added value. Therefore, the quantity of sugarcane available for crushing is the most important factor affecting the operations of the company.

There are two main reasons that cause fluctuations in the quantity of sugarcane, viz. (1) changes in the acreage under sugarcane plantation which may depend on the price agreed for the cane and whether it is worthwhile for the farmers to grow sugarcane compared to other agricultural crops as well as the promotional policies of the Government and (2) changes in the yield of sugarcane (ton(s) of cane per rai) which may occur due to climate change conditions, such as drought and flood, caused by global warming.

When the quantity of sugarcane crushed reduces, the effect on the company is that the quantity of sugar produced goes down, the unit cost, especially the fixed cost per unit, goes up, the profit per unit reduces and the company's overall profit is reduced. In addition, in those years when the sugarcane crushed is low, there is increased competition among sugar factories to purchase the sugar cane locating in the neighborhood area. Therefore, in order to protect their crushing quantities, sugar factories have to vie by paying more than the price, established by revenue sharing system. This increases the overall raw material cost for the company.

Thailand is one of the world's leading sugar exporters and is the leading sugar supplier to the Asian region. Decreased amounts of cane crushed in Thailand result in lower sugar quantities available for exportation. Export prices, consequently, increase. Such increase relieves the impact of decreased quantities of cane crushed and burden of increased costs. The company, furthermore, values stability of sugarcane supplies. To ensure the sustained supplies, the company offers assistance to sugarcane farmers, such as loans for planting sugarcane crop, support in procuring inputs for farming, providing irrigation systems, introducing technology to increase yields and efficiency in cultivation, and reducing the influence of middle men in sugarcane sales and purchase deals. All the assistance is provided for the farmers in an attempt to help them improve their lives.

#### **3.2) Risk from Sugar Price Fluctuation in the World Market**

While considering sugar trade in the world markets, it can be said that sugar has high price fluctuations when compared with other agricultural products. The world sugar prices depend on several factors, such as demand and supply of countries that are producers, consumers, exporters and importers. Traders' speculations are in relation to climatic conditions facilitating cultivation in each of

the respective countries. Government policies on promoting, interfering, exporting and importing sugar, particularly in developed countries also determine pricing in the industry. At present, sugar prices are also interrelated to oil prices. Both sugarcane and molasses can be used to produce a type of alcohol called ethanol. Ethanol can be blended with gasoline to produce fuel. All the above factors cause high fluctuations in the world sugar prices.

Generally, sugar companies in Thailand are bound to meet the domestic demand first. The balance sugar can be exported. Every year, the Office of the Cane and Sugar Board estimates the quantity of domestic demand for sugar, called Quota A, and allocates this Quota to all the sugar factories based on their respective sugar production. The ratio of domestic sales to exports of all sugar factories is therefore quite similar, usually in the range of 20:80 to 30:70 depending on the sugarcane available for crushing all over the country. The sales of the sugar industry fluctuate according to world sugar prices in the 70 – 80% range. However, regarding on the cost of production, the cane price is the major cost, calculated by the formula based on the revenue sharing system 70:30. This means that when the sugar price has decreased 100 THB, the farmer should get the 70% impact in term of lower sugar cane price and the sugar factory should get 30% impact.

During the past 3-4 years, the world sugar price was very volatile. It can be seen from the average future price around 15 cents/lb surged to be around 32 cents/lb and it used to be trade at 25, 20, and 15 cent/lb. Sugar price has fallen to its lowest at 10-11 cent/lb in the second half of 2015. From the beginning of 2016 sugar price rebounded to 21 – 23 cent/lb. With severe price fluctuations, if the company were not able to establish a selling price that was higher than the price level for setting cane prices, the corporate operating results would have been severely affected. To prevent the risk posed by sugar price volatility in the world market, the company entered into a sugar futures contract with a financial institution. The risk hedging procedure would allow the company to minimize the dependency of its profitability on the risk posed by sugar price volatility. However, this could affect profit and loss account recording, and there was a risk that the amount hedged through the sugar futures contract could exceed the actual volume of sugar exported. This oversold condition could result in a loss.

Previously, the fluctuations in the world sugar price had a strong influence in the company's operations and profitability as it focused its businesses mainly on sugar and molasses. Since the company invested in other related industries such as ethanol, organic-fertilizer, and power plant, the risks it faced from sugar price fluctuations is drastically reduced and allow the company to operate in businesses that are more profitable and less dependent on world market price.

### **3.3) Risk from Government Policy**

The sugarcane and sugar industry in Thailand is under the supervision and control of the Office of the Cane and Sugar Board under the Cane and Sugar Act 1984. The Board regulates the amount of sugar produced by a quota system (Quota A for domestic sales, Quota B and C for sugar exports), controls the domestic price, regulates on the ratio of distribution of revenue from the sugar business between the farmers and sugar factories, with the revenues sharing in the ratio of 70:30, controls on the entry of new players in the sugar business etc. It is evident that the rules and regulations enacted by the

Cane and Sugar Board have an impact on the production costs and the operations of the company. For example, the revenues sharing system 70:30 ratio determines the sugar cane price which the sugar factories must pay to the farmers. In case, changes in the domestic sugar prices or changes in regulation of entire sugar industry, it will have a definite impact on the operations of the company.

Other overall Government policies also have an impact on the company's business. For example, the decision to promote the renewable energy, such as ethanol, has secured the domestic sale volume. The policy to promote the planting of oil palm trees or price guarantees for cassava have negative impact on the company since the area under sugar cane plantation will reduce and farmers will switch to growing alternative crops with better returns.

The Company realizes the importance of government policies in shaping directions of cane and sugar industry. Hence, it has collaborated with three sugar factories associations and associations of sugarcane farmers to enhance the government understanding of cane and sugar industry and its significance. The industry is a precursor of the food and processed food industries. Ethanol derived from sugar production can be used as fuel energy. Ethanol is a pure alcohol that can also be used as a starting point for production of other chemicals. Exporting sugar brings in foreign income and almost does not require import costs and expenses. This differentiates the sugar industry from other industries.

Sugarcane is Thailand's important economic crop in which every part of it can be utilized. Communication, explanation and understanding between the government and the sugar industry can reduce the risk potentially posed by government policies affecting directions of sugarcane and sugar industries.

During May 2016, Brazilian government has filed to with the World Trade Organization (WTO) by accusing Thai government on subsidy policy for sugar which adversely affects sugar industry in Brazil. Thai government currently negotiates with Brazilian government to compromise this issue by presenting sugar industry reformation plan.

The Company realized that the regulatory risk might affect industry outlook therefore company incorporate with Thai sugar association and also farmer association to explain to regulator and government to solve this problem together for national benefit.

### **3.4) Risk of Bad Debts Arising from Credit Given to Farmers (Advanced Credit)**

In the operation of a sugar factory, the factories provide loans or other kinds of financial support to sugarcane farmers as working capital to plant sugarcane crop, or what is called "advanced credit", thereby reserving the sugarcane for crushing. After the sugarcane crop is ready for harvesting and the sugar factories are ready to start crushing the cane, the farmers harvest the cane and send it to the sugar factories and receive payment for the value of the cane supplied after the loans and other financial support given is deducted. The risks that are generated from such credit can come from reduced volume of sugarcane in any year due to drought conditions, losses from crop disease and pestilence, farmers refusing to send the cane to the sugar factories etc. Such liabilities, arising from

sugarcane credit, can adversely affect the company's operations requiring higher amounts of provisioning for bad debts.

However, by track record, level of bad debt is low because the company not only concerns the above risk factors but also improves in the sugarcane credit system. The company has bought a satellite monitoring system (Global Positioning System – GPS) to survey the sugarcane plantation areas, which helps in reducing the problems of ownership of sugarcane fields. The system is also used to plan for sourcing more sugarcane. The company also encourages farmers to deposit assets as collateral for the loans advanced. All this has resulted in the company having a low bad debt situation at present and the major debts are adequately covered with the pledged assets.

### **3.5) Exchange Rate Risk**

The volatility of exchange rate poses a significant risk to the company's operation. The company exports about 70-80% of its total sugar sales. The company also imports tools and machinery, and conduct operations in neighboring country. The company tries to reduce its exchange rate risks by making currency forward contracts. The company has natural hedging mechanism under the 70:30 revenue sharing scheme that links the sugar price (revenue) and cane price (cost) together, thus making both prices move in the same direction and exposing both to the same exchange rate fluctuation. Moreover, the company closely monitors exchange rate fluctuation to be able to react to changes in a timely manner.

### **3.6) Risk of having major shareholders controlling the votes of at the Shareholders' meeting**

The Chinthammit and his company hold more than 60% of total paid up share capital of the company. Therefore, the Chinthammit Group and his company can control all the proceedings of the shareholders meetings whether it is the appointment of Directors or whether it is to seek approvals on other matters that require majority votes, except for special agendas which, by law or by the articles of association of the company, require 75% vote in shareholders' meetings. Therefore, it is difficult for other shareholders to collect enough votes to investigate or counterbalance the issues raised by the majority shareholders.

However, for the company's transparency and power balancing, the company has appointed 4 independent committee members for checking the operations of the company. Thus, power balancing for operation in the company is reasonable. In addition, the company also has also set up an independent internal control team which reports directly to the audit committee.

### **3.7) Risk from the World's Economic and Financial Situations**

The EU financial crises and oil price collapse caused a lot of problems for oil producers and negatively affected economies worldwide. Natural disasters and terrorist attacks also add more pressure to the world's economy. There is no guarantee that these issues and similar circumstances in the future

will not affect our businesses, the world's sugar prices and/or ethanol price. The lack of liquidity among financial institutions may also affect the Group's sources of loans and financing costs.

KSL has implemented its financial policies well. Its D/E has been at an appropriate level. The company has maintained good relationships with all the banks that are long-term corporate business partners. All the corporate businesses will be handled carefully in order to minimize the future probable effect of the world's financial and economic conditions on the company.

### **3.8) Risk from Laos & Cambodia Projects**

The projects in both countries are part of the first offshore sugar business in which the company is granted the concession area for cane plantation from the government and permitted to construct sugar factories. But land condition in concession area has low quality, lack of technology for large plantation, lack of infrastructure and human resources therefore the projects take longer time for develop than the first plan. Consequently the productions still not reach break-even point and in 2016 both projects had loss. However the company has witnessed and solved various problems throughout the years. The company hired consultants to develop not only planting technology but also management system to control budget. Moreover the company provides loan to local farmers and suppliers to expand more plantation. After continuously developing infrastructures and land condition in the past, the projects show improvement and potential for good return on investment in the future.

Additionally, there are risks associated with doing projects abroad which extend beyond agricultural risks relating to cane growing and sugar production and include risks from political turmoil and instability, local community dispute, and different law and regulations that often changes and are somewhat ambiguous. The company is aware of these risks and is trying to manage it efficiently and appropriately.

#### **4. Operating Assets**

##### **4.1) Core Operating Assets of the company and its subsidiaries**

As of 31 October 2016, the company and its subsidiaries have core operating assets, as followings:

Items	Area (estimated number)	Ownership	Net Book Value (THB Million)	Encumbrance
1. Land & Land Development (Rai) Land for factory location.				
- Khon Kaen Sugar Industry	1,362.32	Owner	926.86	
- Tamaka Sugar Industry	239.19	Owner	611.34	
- New Krung Thai Sugar Factory	1,547.34	Owner	539.02	
- New Kwang Soon Lee Sugar	219.86	Owner	80.18	
- KSL Green Innovation PCL	276.88	Owner	83.54	
- Khon Kaen Sugar Power Plant Co., Ltd.	420.15	Owner	141.30	
- KSL Material Supply Co., Ltd.	673.45	Owner	219.51	
Cane Plantation Area	10,297.65	Owner	407.68	
Office Lands		Owner		
Other Lands	98,981.35	Owner	1,513.33	Some in Loan Collateral
Total	114,018.20	Owner	4,303.25	
2. Factory Building and Construction		Owner	4,984.69	Some in Loan Collateral
3. Machinery and Equipment		Owner	14,271.44	Some in Loan Collateral
4. Motor Vehicle and Labors saving device		Owner	746.32	
5. Furniture and Office Equipment		Owner	55.70	
6. Assets in Construction		Owner	1,668.08	
Total			26,029.48	

## 4.2) Intangible Assets

### Trademarks

Key trademarks of Khon Kaen Sugar Industry Public Company and subsidiaries are registered at The Department of Intellectual Property, as followings:



### BOI Certificates

On 31 October 2016, Three domestic subsidiary companies received 5 investment promotion certificates from the Board of Investment of Thailand (BOI) under the Investment Promotion Act B.E. 2520. The benefits includes the exception of income tax for profit for the year derived from operation of promoted businesses for the period of 8 years commencing from the first date of income received from the promoted business. The details are as follows:-

<u>Certificate No.</u>	<u>Sections Privilege</u>	<u>Date</u>	<u>Promoted activity types</u>	<u>Commenced date</u>	<u>Expire date</u>
				<u>of revenues generated</u>	
1062(2)/2552	25, 26, 28, 31, 34, 35(3), 36(1), and 36(2)	January 30, 2009	- Production of pure alcohol or fuel from agricultural products, including scraps, garbage or waste	Income not yet derived	
			- Production of biological fertilizers or organic fertilizers	Income not yet derived	
1063(2)/2552	25, 26, 28, 31, 34, 35(3), 36(1), and 36(2)	January 30, 2009	- Production of pure alcohol or fuel from agricultural products, including scraps, garbage or waste	December 6, 2011	December 31, 2019
			- Production of biological fertilizers or organic fertilizers	December 30, 2011	December 31, 2019
			- Production of biological	February 29, 2012	December 31, 2019
2364(1)/2554	25, 26, 28, 31, 34, 35(1), 35(2), and 35(3)	September 20, 2011	- Production of biological	February 28, 2013	February 28, 2021
1432(2)/2552	25, 26, 28, 31(1), 31(2), 31(3), 31(4), 34, 35(1), 35(2) and 35(3)	June 24, 2009	- Production of electricity, power steams and water for manufacture	November 30, 2010	November 29, 2018
1349(2)/2556	25 26 28 31(1) 31(2) 31(3) 31(4) 34 35(1) 35(2) and 35(3)	Mach 15, 2013	- Production of electricity, power steams and water for manufacture	January 21, 2014	January 20, 2022



Furthermore, in accordance with the Promotion Certificate No.2364(1)/2554, 1432(2)/2552, and 1349(2)2556, the subsidiary receives the privilege in 50% income tax reduction of the regular rate for the period of 5 years commencing from the expiration date of income tax exemption.

Three foreign subsidiaries are granted by foreign investment certificate and tax privilege from Lao People's Democratic Republic (the 1<sup>st</sup> Certificate) and from Kingdom of Cambodia (the 2<sup>nd</sup>-4<sup>th</sup> Certificates) which the details are as follows:

- 1) Foreign Investment Certificate No. 017-06/ Khor Lor Tor includes tax privilege for exemption from income tax for 5 years from the date of first receiving revenue from sales of sugar, thereafter, the subsidiary shall pay income tax at the rate of 20%. The revenue is first derived on July 21, 2010 and will expire on July 20, 2015.
- 2) Foreign Investment Certificate No. 4420/06 Ghor. Wor. Ghor. dated December 15, 2006 and No. 4342/07 Ghor. Wor. Ghor. dated November 20, 2007 issued by the Council for the Development of Cambodia, the subsidiary is granted by tax privilege for exemption from import the duties for machinery for manufacturing and construction materials.
- 3) Foreign Investment Certificate No. 1641/09 Ghor. Wor. Ghor. and No. 1642/09 Ghor. Wor. Ghor. dated July 28, 2009 issued by the Council for the Development of Cambodia, the subsidiary is granted tax privilege for exemption from income tax for the period of 8 years, including priority period commencing from the period when subsidiary is operated (year 2006).
- 4) Tax Exemption Certificate for agriculture-industrial (sugar cane) No. 2299 dated April 12, 2013 issued by the Ministry of Economy and Finance, Cambodia, grants the privilege to charge value-added tax at 0% for sales of sugar cane to manufacture sugar for export. This certificate is valid for the period of 1 year from August 1, 2015 to July 31, 2016.

#### **4.3) Investment and Management Policy for subsidiaries and affiliates**

As of October 31, 2016, the company invests in both direct and indirect 19 subsidiaries and 1 affiliate, as followings:

##### **Subsidiaries (The company holds the shares directly)**

- 1) Tamaka Sugar Industry Co.,Ltd
- 2) New Krung Thai Sugar Factory Co.,Ltd
- 3) New Kwang Soon Lee Sugar Factory co.,Ltd
- 4) KSL Real Estate Co.,Ltd

- 5) KSL Export Trading Co.,Ltd
- 6) Khon Kaen Sugar Power Plant Co.,Ltd
- 7) KSL Green Innovation PCL (or previously named Khon Kaen Alcohol Co.,Ltd)
- 8) KSL Material Supplies Co., Ltd.
- 9) KSL Agro and Trading Co., Ltd.
- 10) Savannakhet Sugar Co.,Ltd
- 11) Koh Kong Sugar Industry Co.,Ltd
- 12) Wynn In Trading Co.,Ltd
- 13) WSP Logistics Co., Ltd.

**Subsidiaries (The company holds the shares indirectly through Wynn In Trading Co., Ltd.**

- 14) Koh Kong Plantation Co., Ltd.

**Affiliate**

- 1) Thai Sugar Terminal PCL

For the subsidiaries that the company holds its shares directly, the company has controlling power through holding more than 50 % of shares.

The company has the policy to invest in the business related to sugar business, sweetener business or other business that gives the benefit and reasonable return to core business. The criteria for the investment will be based on competitive advantage, reasonable return, the amount of money to invest. In addition, considering the proportionate of investment will be depended on many factors, such as, how significant the expertise of business is. If the business needs special experiences significantly and the company has no or less experience, the company will let other strategic partners holding the share in higher proportion. However; if the company has the investment in high proportion, the company will assign its own representatives to participate in a position of company directors or a position of top management. In addition all of company investment must be approved by the board of director and there should not be the conflict of interest with the parent company in the future.

The company also have Non-financial KPIs such as Market share, Customer satisfaction

KSL has been certified ISO9001:2000, therefore the company have to survey Customer satisfaction both domestic and international survey which cover areas of Quality, Services and others to assess and

improve satisfaction. The company have target to get score at least 94 out of 100. The result in the lasr 3 years as follow;

Satisfaction Survey	2014	2015	2016
Domestic	95.10	94.60	96.51
International	96.67	95.60	95.21

For Market share in Sugar production ,in Thailand

	2014	2015	2016
Production	882,404 Ton	903,046 Ton	774,046 Ton
% Market Share	8%	8%	8%

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## **5 Legal Dispute**

As of 31 October 2016, the Company had no dispute which might have a potential negative impact in excess of 5% of the shareholders' equity per its consolidated financial statements.

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## **6. General Information and Other Information**

### **6.1) General Information**

Company Name : Khon Kaen Sugar Industry Public Company Limited

Type of business : Manufacturer of Sugar & Sugar-related products

Registered & Head Office : 503 KSL TOWER 9<sup>th</sup> Floor, Sriyudhya Road, Rajathevi,  
Bangkok, 10400 Thailand.

Company Registration Number : 0107547000214

Registration Phone number

Tel. : +662-642-6230

Fax : +662-642-6228

Website : <http://www.kslsugar.com>

## 6.2) Risk Hedging Procedure Against Sugar Price Volatility in the World Market

Thailand has the capability to produce sugar more than domestic consumptions, some of remaining sugar were exported. Ratios of domestic consumption to exportation vary each year by year - approximately from 20:80 to 40:60--depending on yearly amounts of sugar cane crushed. Then, Thailand becomes the second largest sugar exporter after Brazil. Revenue of sugar producers in Thailand is partially based on the world market sugar prices and fixed domestic sugar prices, regulated by government.

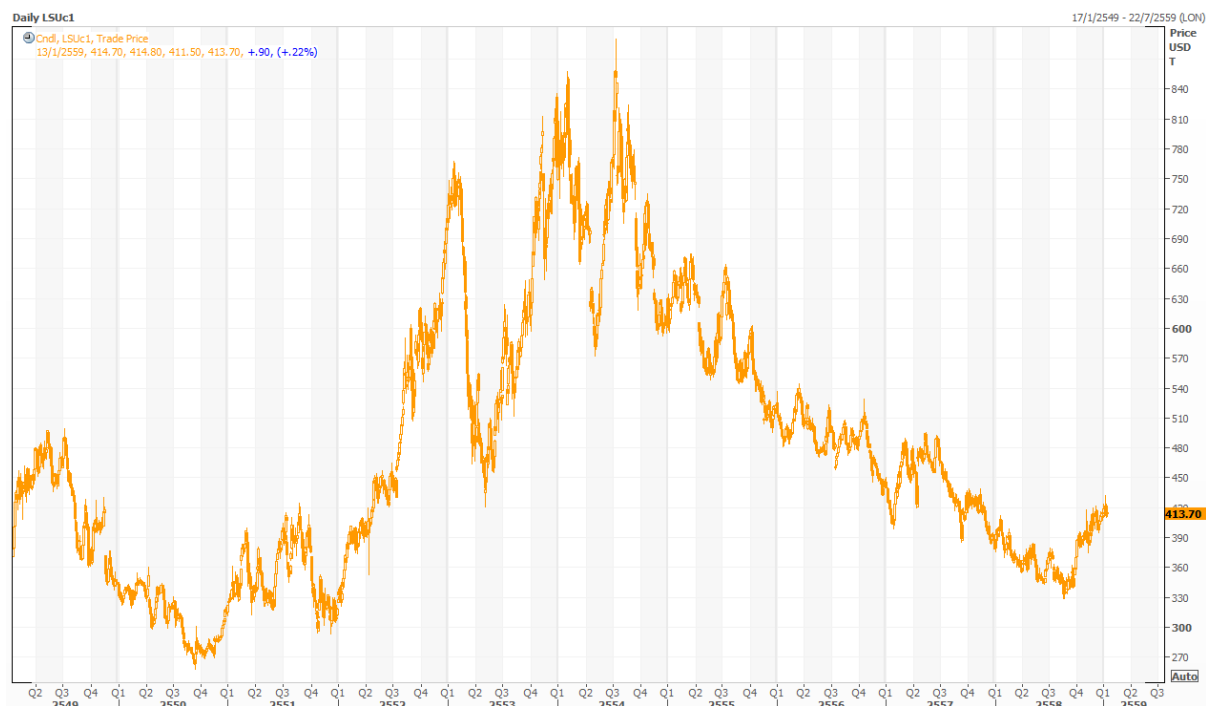
In terms of world sugar price, the policies supporting and protecting benefits of farmers, and food security policies regulate importing countries to issue measures for regulating and restricting sugar importation. These policies, issued by international government sectors, affect sugar demand in the world market. Factors related to climate uncertainty such as flooding, droughts, or severe cold in countries where sugar is produced and consumed, limited number of exporting countries, and any other events affecting the world market sugar supply also affect the world sugar prices. Furthermore, in the past 2 – 3 years, significant increase in investment by foreign funds has heightened fluctuation of sugar prices in the world market; prices are much higher or lower than fundamental factors. Sugar prices are especially volatile in years when consumption demand is close to or greater than the amount of sugar produced. Chart 6.1: World Sugar Prices in the Past 10 Years demonstrates volatility of sugar prices.

*Chart 6.1: World Sugar Prices in the Past 10 Years*

New York (NYBOT#11 – Raw Sugar)



London (LD#5 – Refined Sugar)



Due to the fact that revenue of sugar producers in Thailand is partially based on the world sugar prices, which fluctuate significantly, the company's operating results will be affected when sugar prices in the world market drop drastically. To prevent the risk posed by sugar price volatility in the world market, the risk hedging procedure has been established with the use of risk management mechanisms and tools in the forms of futures contracts. Prices are based on those at futures markets in New York (NYBOT#11 – Raw Sugar) and London (LD#5 – Refined Sugar). Details are as follows:

#### Case 1: Normal business transactions in trading export sugar (without risk hedging)

A buyer and seller agree on a sugar price based on the market price. Once reaching an agreement, the changed world market price does not affect the agreed price and accounting recorded value. The seller records the price as agreed with the buyer, for instance:

##### In case of sugar price increase in futures market

Day 1: Sugar futures price is at 600 USD / ton :

The buyer and seller agree on a transaction of sugar at the market price of 600 USD + premium 100 USD

Day 2: Sugar futures price increases to 800 USD / ton :

The seller delivers the sugar. The buyer pays 600 USD + 100 USD premium = 700 USD  
Accounting Record: The company income generated from sugar sale is 700 USD.

Note: Premiums of sugar are based on types of sugar, delivery sites, delivery time, delivery terms, etc.

*In case of sugar price decrease in futures market*

Day 1: Sugar futures price is at 600 USD / ton :

The buyer and seller agree on a transaction of sugar at the market price of 600 USD + premium 100 USD.

Day 2: Sugar futures price decreases to 400 USD / ton :

The seller delivers the sugar. The buyer pays 600 USD + 100 USD premium = 700 USD.

Accounting Record: The company's income generated from sugar sale is 700 USD.

It can be seen that prices that buyers receive depend on the time that buyers and sellers agree to make transactions. This becomes problematic when the world sugar prices are high. Sellers are interested in selling, while buyers are not willing to buy due to high prices. When the world sugar prices are low, buyers are willing to buy. Sellers, however, consider the prices too low and are not so willing to sell. Sellers and buyers are unable to agree on prices. This method would only work if sugar prices in the world market were not volatile. High volatility of sugar price causes the sellers and/or buyers losing the opportunities to trade at their own satisfied prices.

**Case 2: Adopting risk hedging procedure for sugar price in form of sugar future contracts**

During a period when the world sugar prices are highly volatile, to prevent losing opportunities to sell at satisfied prices, sugar producers adopt risk hedging procedure in form of "sugar futures contracts" which their price are based on world sugar price. With this futures contracts, contracts are not settled by sugar delivery, but by cash settlement which paying the difference between the sugar price fixed on the day the contracts are made and the sugar price on the day the contracts are settled (unwinded). The risk hedging procedure may be carried out directly at sugar futures market through a broker or alternatively, through a financial institution as a counterparty. Examples are as follows:

*In case of sugar price decrease in futures market*

Day 1: Sugar futures price is at 600 USD / ton :

The seller is satisfied with the price at this level, but no interest from any buyer. Buyers expect the price to decrease. The seller entered into a contract with a financial institution fixing the sugar futures price at 600 USD.

Day 2: Sugar futures price decreases to 400 USD / ton :



A buyer is interested in buying. The seller sells sugar at the agreed market price of 400 USD + 100 USD premium = 500 USD. At the same time, the seller closes or unwinds the futures contract by buying back the contract at the market price of 400 USD/ton (sold at 600 USD while bought back at 400 USD), resulting in 200 USD gain.

From this example, the seller's actual income from the sugar sale is 500 USD + 200 USD gain from entering into the sugar futures contract = 700 USD. The amount equals the guaranteed price of 600 USD + 100 USD premium = 700 USD.

Accounting Record: The company generates income from sugar sale at 500 USD (which is lower than the guaranteed price of 700 USD). The 200 USD gain from entering into the sugar futures contract is recorded as other income.

*In case of sugar price increase in futures market*

Day 1: Sugar futures price is at 600 USD/ton :

The seller is satisfied with the price at this level, but receives no interest from any buyer. Buyers expect the price to decrease. The seller enters into a contract with a financial institution fixing the sugar futures price at 600 USD.

Day 2: Sugar futures price increases to 800 USD/ton :

A buyer needs sugar for use, resulting in buying at a high price. The seller sells sugar at the agreed market price of 800 USD + 100 USD premium = 900 USD. At the same time, the seller closes or unwinds the futures contract by buying back the contract at the market price of 800 USD/ton, resulting in 200 USD loss (sold at 600 USD while bought back at 800 USD).

In this example, the seller's actual income from the sugar sale is 900 USD + -200 USD loss from entering into the sugar futures contract = 700 USD. The amount equals the guaranteed price of 600 USD + 100 USD premium = 700 USD.

Accounting Record: The company generates income from sugar sale at 900 USD (which is higher than the guaranteed price of 700 USD). The -200 USD from entering into the sugar futures contract is recorded as a loss.

In all the cases, the company has the net income of 700 USD (excluding a commission paid to the financial institution). Methods of producing accounting records are, however, different. For the regular transaction, (no risk management involved), the company records 700 USD as income from sale. The concerns with this type of transaction is that at the time there may not be any buyer willing to buy, or the seller may not be willing to sell. Adopting a risk hedging tool of sugar futures contracts, if the market is in a downturn, the company will record income from the sugar sale at 500 USD, and 200 USD gain from entering into the sugar futures contract will be recorded as other income. However, during an

upturn in the market, the company will record 900 USD as income from sale and -200 USD loss from entering into the sugar futures contract.

In conclusion, entering into sugar futures contracts enable (1) buyers and sellers to trade at prices considered satisfactory by both parties without the need to wait for prices to reach the levels that buyers and sellers can agree on; and (2) the net revenue will be equal to fixed prices. If the market is experiencing a down turn, actual income from sugar sales will be low, but will be offset by gain from entering into sugar futures contracts. During an upturn, however, actual income from sugar sale will be high, while there is loss from entering into sugar futures contracts.

### **Important Concerns**

1. The times of recording actual sales may be different from those of recording gain/loss from entering into sugar futures contracts. Accounting policies of some companies, for example, record income from actual sales when sugar is delivered to customers. Gain/loss from entering into sugar futures contracts is recorded upon contract closure or unwinded. It is possible that companies will realize gain/loss from entering into sugar futures contracts before recording sales, resulting in a discrepancy between the two records produced at different periods. This outcome will be experienced significantly by companies that report their operating results in quarterly basis.

2. Adopting a risk hedging procedure for sugar price volatility in form of sugar futures contracts can insure the company against the sugar price risk on existing sugar volume and also sugar volume estimated to be produced in the future. Amounts hedged under sugar future contracts vary according to sugar production estimated to be produced in the future. However, amounts of sugar produced depend on quantities of cane crushed largely affected by climate, vast cultivation areas, and a lot of farmers. As a result, inaccuracy of estimation of sugar cane crops may be rather high.

When estimation of sugar cane crops are too high, sugar futures contracts have been made according to the estimates and later the actual outputs do not match up with the estimates, the contracts become oversold. If the sugar future price is in an upturn, there will be actual loss from sugar futures contracts made. This is due to the fact that there is no actual sale at a high price to offset. In contrast, when the sugar market price is experiencing a downturn, there will be actual gain from sugar futures contracts.

## **7. Shareholder Structure**

### **7.1) Securities**

As of October 31, 2016, the Company's registered capital is THB 2,205,121,824.- ,paid up capital THB 2,205,116,309.50 of which there is 4,410,243,648 shares, paid up share 4,410,232,619 shares at par value of THB 0.50.

### **7.2) Debentures**

Non-subordinated and non-collateral

Name	Tenor	Expiry Date	Total Value (million THB)
KSL172A	3 yrs	27-FEB-2017	1,000
KSL174A	3 yrs	30-APR-2017	1,000
KSL175A	3 yrs	16-MAY-2017	1,000
KSL185A	3 yrs	7-MAY-2018	2,000
KSL189A	3 yrs	25-SEP-2018	1,000
KSL198A	5 yrs	5-AUG-2019	1,000
KSL199A	5 yrs	18-SEP-2019	1,000
KSL203A	5 yrs	13-MAR-2020	2,000
Total			10,000

### 7.3) Shareholders

On October 31, 2016, the top 10 major shareholders of the Company in the past 3 years are as follows: (In 2014, calculation excluded treasury stock)

31-Oct-14				31-Oct-15				31-Oct-16			
Rank	Name	No. of Shares	% of total	Rank	Name	No. of Shares	% of total	Rank	Name	No. of Shares	% of total
1	KSL Sugar Holding Company Limited	553,958,700	33.16	1	KSL Sugar Holding Company Limited	1,330,924,480	33.20	1	KSL Sugar Holding Company Limited	1,452,000,000	32.92
2	Thai NVDR CO.,LTD	46,999,502	2.81	2	Mr.Chanachai Chutimavoraphand	104,868,636	2.62	2	Thai NVDR CO.,LTD	132,616,252	3.01
3	Mr.Chanachai Chutimavoraphand	43,695,265	2.62	3	Thai NVDR CO.,LTD	100,341,922	2.50	3	Mr.Chanachai Chutimavoraphand	113,355,499	2.57
4	CREDIT SUISSE AG SINGAPORE BRANCH	38,409,400	2.30	4	CREDIT SUISSE AG SINGAPORE BRANCH	91,150,560	2.27	4	Mr.Kamondanai Chinthammit	99,692,448	2.26
5	Ms.Duangdao Chinthammit	37,720,089	2.26	5	Ms.Duangkae Chinthammit	90,621,494	2.26	5	Ms.Duangkae Chinthammit	99,683,643	2.26
6	Ms.Duangkae Chinthammit	37,698,956	2.26	6	Ms.Duangdao Chinthammit	90,545,413	2.26	6	Ms.Duangdao Chinthammit	99,599,954	2.26
7	Mr.Somchai Chinthammit	37,261,070	2.23	7	Mr.Somchai Chinthammit	89,954,008	2.24	7	CREDIT SUISSE AG, SINGAPORE BRANCH	99,027,436	2.25
8	Mr.Kamondanai Chinthammit	36,449,139	2.18	8	Mr.Kamondanai Chinthammit	87,477,933	2.18	8	Mr.Somchai Chinthammit	96,225,726	2.18
9	Mr.Piripon Chinthammit	35,093,570	2.10	9	Mr.Piripon Chinthammit	84,224,568	2.10	9	Mr.Chamroon Chinthammit	94,133,231	2.13
10	Chinnakij Company Limited	32,901,000	1.97	10	Mr.Chamroon Chinthammit	79,672,274	1.99	10	Mr.Piripon Chinthammit	92,647,024	2.10
	Total for Top ten major shareholders	900,186,691	53.89		Total for Top ten major shareholders	2,149,781,288	53.62		Total for Top ten major shareholders	2,378,981,213	53.94
11	Others	770,360,193	46.11	11	Others	1,859,531,119	46.38	11	Others	2,031,251,406	50.66
	Total paid-up registered capital	1,670,546,884	100.00		Total paid-up registered capital	4,009,312,407	100.00		Total paid-up registered capital	4,410,232,619	100.00

Note: Major shareholders of the Chinthammit family hold 32.97 shares. However, proportion of shareholding does not indicate that members in the Chinthammit family are voting in the same way.

Chinnakij Co., Ltd. is owned by the Chinthammit family. The family members hold most of the shares. None of the shareholders holds shares more than 30 % of the authorized share capital.

The registered capital and paid up capital of KSL Sugar Holding Company Limited consists of 100 million shares at par value of THB 10.00 per share or THB 1,000 million.

On October 31, 2016, the top 10 major shareholders in KSL Sugar Holding Company Limited's shareholder record are as follows:

31-Oct-14				31-Oct-15				31-Oct-16			
Rank	Name	No. of Share	%	Rank	Name	No. of Share	%	Rank	Name	No. of Share	%
1	Ms.Nareerat Chinthammit	12,105,268	12.11	1	Ms.Nareerat Chinthammit	12,105,268	12.11	1	Ms.Nareerat Chinthammit	12,105,268	12.11
2	Ms.Duangdao Chinthammit	7,847,944	7.85	2	Ms.Duangdao Chinthammit	7,847,944	7.85	2	Ms.Duangdao Chinthammit	7,847,944	7.85
3	Ms.Duangkae Chinthammit	7,764,650	7.76	3	Ms.Duangkae Chinthammit	7,764,650	7.76	3	Ms.Duangkae Chinthammit	7,764,650	7.76
4	Mr.Chanachai Chutimavoraphand	6,971,788	6.97	4	Mr.Chanachai Chutimavoraphand	6,971,788	6.97	4	Mr.Chanachai Chutimavoraphand	6,971,788	6.97
5	Mr.Chamroon Chinthammit	5,370,580	5.37	5	Mr.Chamroon Chinthammit	5,370,580	5.37	5	Mr.Chamroon Chinthammit	5,370,580	5.37
6	Mr.Somchai Chinthammit	5,169,890	5.17	6	Mr.Somchai Chinthammit	5,169,890	5.17	6	Mr.Somchai Chinthammit	5,169,890	5.17
7	Mr.Sarun Chinthammit	4,246,828	4.25	7	Mr.Sarun Chinthammit	4,246,828	4.25	7	Mr.Sarun Chinthammit	4,246,828	4.25
8	Mr.Kamondanai Chinthammit	2,906,000	2.91	8	Mr.Kamondanai Chinthammit	2,906,000	2.91	8	Mr.Kamondanai Chinthammit	2,906,000	2.91
9	Mr.Piripon Chinthammit	2,906,000	2.91	9	Mr.Piripon Chinthammit	2,906,000	2.91	9	Mr.Piripon Chinthammit	2,906,000	2.91
10	Ms.Yaovanuth Dejvitak	2,900,000	2.90	10	Ms.Yaovanuth Dejvitak	2,900,000	2.90	10	Ms.Yaovanuth Dejvitak	2,900,000	2.90
	Ms.Yaovaluck Chutmavoraphand	2,900,000	2.90		Ms.Yaovaluck Chutmavoraphand	2,900,000	2.90		Ms.Yaovaluck Chutmavoraphand	2,900,000	2.90
	Total for Top 10 Major Shareholders	61,088,948	61.09		Total for Top 10 Major Shareholders	61,088,948	61.09		Total for Top 10 Major Shareholders	61,088,948	61.09
11	Others	38,911,052	38.91	11	Others	38,911,052	38.91	11	Others	38,911,052	38.91
	Total Registered Paid Up Capital	100,000,000	100.00		Total Registered Paid Up Capital	100,000,000	100.00		Total Registered Paid Up Capital	100,000,000	100.00

Note: The 10<sup>th</sup> major shareholders are Ms. Yaovanuth Dejvitak and Ms. Yaovaluck Chutimavoraphand who both hold equal number of shares.

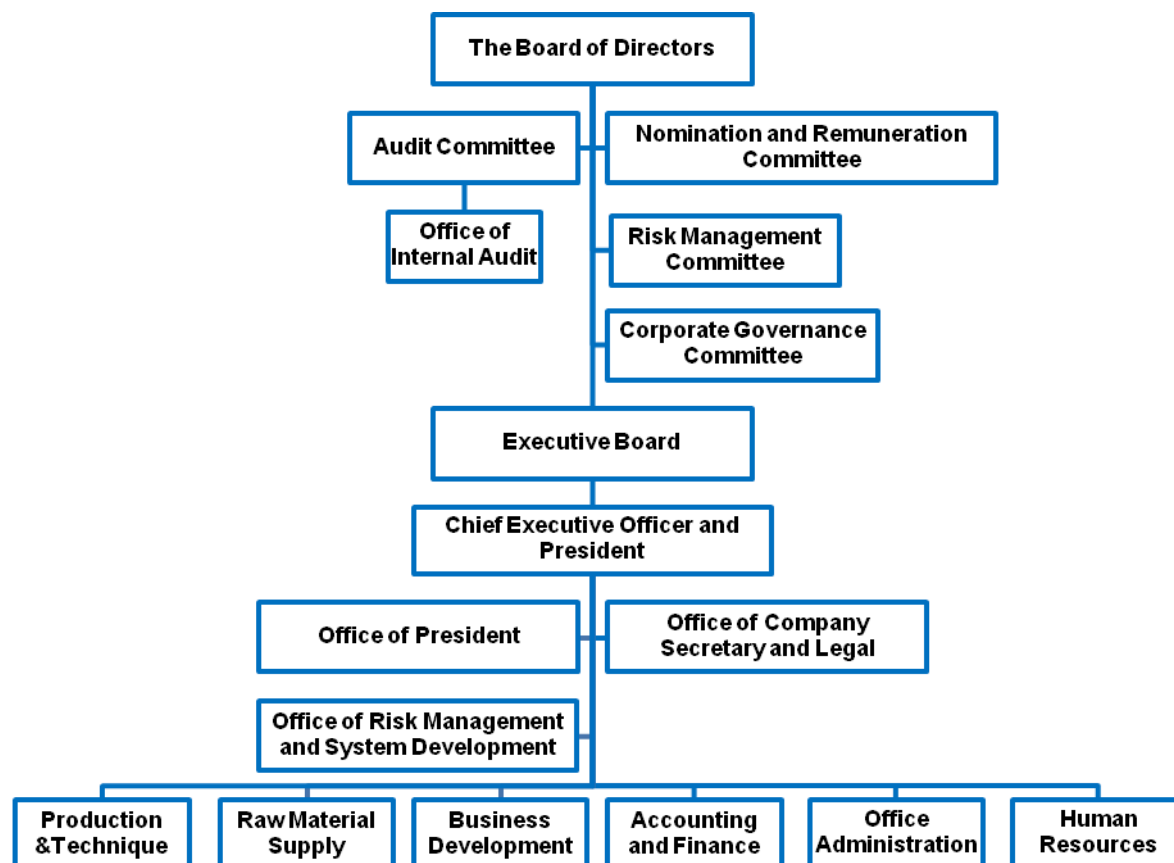
**7.4) Dividend Payment Policy**

The company pays dividends at a rate of not less than 50 % of its net income after tax and legal reserves of separate financial statement if there is no necessity for the use of the money, and if the dividend payment does not have an adverse effect on corporate operations significantly. Factors that are considered include corporate operation results, financial position, liquidity, and business expansion plans. The dividend payment requires approval from corporate shareholders and/or the Board of Directors. Dividend payment of the subsidiaries and associates to Khon Kaen Sugar Industry Public Company Limited depends on their cash flow, liquidity, suitability, and necessity for the use of the money. No minimum rate is specified.

**7.5) Dividend Payment Record**

			2013	2014	2015
1	CASH	(THB per share)	0.35	0.0811111111	0.0555555556
2	DIVIDEND STOCK	(THB per share)	-	0.10	0.05

## **8. Management Structure**



## 8.1 Board of Directors

As of October 31, 2016, the Company's Board of Directors consists of:

1. Mr. Manu Leoparote	Chairman and Independent Director
2. Mr. Chamroon Chinthammit	Director
3. Mr. Prapas Chutimavoraphand	Director
4. Mr. Pornsin Thaemsirichai	Director
5. Mr. Sukhum Tokaranyaset	Director
6. Mr. Thawatchai Rojanachotikul	Director
7. Mrs. Intira Sukhanindr	Director
8. Ms. Duangdao Chinthammit	Director
9. Mr. Somchai Chinthammit	Director
10. Ms. Duangkae Chinthammit	Director
11. Mr. Chalush Chinthammit	Director
12. Mr. Chatri Chinthammit	Director
13. Mr. Somchat Chinthammit	Director
14. Mr. Tachpong Pakornsiriwongse	Director
15. Mr. Pramoon Vichiensin	Independent Director
16. Pol. Gen. Boonpen Bumpenboon	Independent Director
17. Mr. Sitti Leelakasamelurk	Independent Director
18. Mr. Karun Kittisataporn	Independent Director
19. Mr. Worapatr Todhanakasem	Independent Director
20. Ms. Nongluck Phinainitisart	Independent Director
21. Mr. Trakarn Chunharojrit	Director

Duties and responsibilities of Chairman:

1. Be the president of the board of directors.
2. Strengthen Corporate Governance standard of the board of directors
3. Be the president of the shareholder meeting and comply with the regulation and specified agenda
4. Manage correspondence to be effective between directors and shareholders
5. Comply with the law relating to chairman's duty

## 8.2 The Executives

As of 31 October 2016, the corporate top executives include:

1. Mr. Chamroon Chinthammit	CEO and President
2. Mr. Pornsin Thaemsirichai	Senior Vice President – Production & Technique



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3. Mr. Sukhum Tokaranyaset	Senior Vice President – Accounting & Finance
4. Mr. Thawatchai Rojanachotikul	Senior Vice President - Administration
5. Ms. Intira Sukhanindr	Senior Vice President – Business Development
6. Ms. Duangdao Chinthammit	Vice President – Human Resource
7. Mr. Chalush Chinthammit	Vice President – Office of President
8. Mr. Chanachai Chutimavoraphand	Vice President – Accounting & Finance
9. Mr. Theera Sanguandeekul	Vice President – Office of President
10. Mr. Dhajjai Subhapholsiri	Company Secretary/ Vice President – Office of Company Secretary and Legal
11. Mr. Dhanapat Nachiangmai	Vice President – Office of Administration

Scope of Duties and Responsibilities of CEO and President:

1. Decide on important matters related to the Company. Determine the corporate missions, objectives, guidelines, and policies. Supervise the overall work. Be responsible for the Board of Directors.
2. Have the power to employ, appoint, and transfer personnel as necessary and appropriate to be the management or staff members for corporate operations. Define appropriate functions, responsibilities, and remunerations of employees. Have the power to dismiss, lay off, and discharge employees as appropriate.
3. Have the power to determine business terms and conditions, such as credit limits, payment terms, trade agreements, and trade term changes.
4. Have the power to act and appear as a corporate representative to outsiders regarding affairs related and advantages to the Company.
5. Approve the appointment of advisors needed in the corporate operations.
6. Deal with affairs concerning the Company's general operations.

The functions and responsibilities of President and CEO shall comply with legislation and the Company's regulations. The approval of President and CEO does not apply to approval of transactions that would allow President and CEO and related persons to have interest or cause conflict of interests affecting the Company and its subsidiaries.

***A summary of approved financial amounts of transactions according to the Company's authorization manual***

No.	Approved Financial Amounts for Important Transactions	BOD	EXC	PSD
1	Approval of Annual Budget	More than THB 500 Million	Not over THB 500 Million	Not over THB 100 Million
2	Approval of Changing/Increasing of Annual Budget or Investment Budget	More than THB 100 Million	More than THB 100 Million	Not over THB 100 Million

Note : (1) The power to approve the financial amounts mentioned is governed by legislation and regulations of the company, the Stock Exchange of Thailand and Securities, and Exchange Commission.

(2) BOD : Board of Director, EXC : Executive Board, PSD : President and CEO

### 8.3 Company Secretary

The Board of Directors had appointed the Company Secretary whose duties includes giving advice to the directors as to the compliance with laws and regulations regarding their responsibilities, arranging board of director meeting, shareholder meeting, and meeting reports and all other works required by the law.

Additionally, the Company supported the Company Secretary to gain more knowledge and training in law and company secretary duties. Qualifications and experiences of the Company Secretary disclose in the Company's annual report as the attachment 1.

### 8.4 Directors' and Executives' remuneration

#### 8.4.1 Directors' Remuneration

The board of directors determines clear policies and guidelines for payment of directors' remunerations. For transparency, the remunerations are proposed to the shareholders' meeting annually for approval. They are adequate and motivational so that the company is able to keep highly qualified directors. Directors serving in committees receive appropriate remunerations based on their duties and responsibilities for those committees. Remunerations are divided into 3 parts:

- 1) Regular remunerations are paid monthly to directors.
- 2) Meeting remunerations are paid for directors who attend a board meeting.
- 3) Annual extra remunerations are paid for directors in accordance with the corporate annual operating results.

The Company determined the directors' remuneration which is approved by the shareholder meeting on February 26, 2016 as follows:

	Not Exceeding the amount of THB per year	
1. Remuneration for Chairman of Board of Directors	540,000	THB
2. Remuneration for Chairman of Audit Committee	540,000	THB
3. Remuneration for 19 directors THB 25,000 / person / month + bonus	8,550,000	THB
4. Meeting allowances for members in audit committee, nomination and remuneration committee, risk management committee, corporate governance committee who attend the meeting Chairman of the subcommittee who attend the meeting THB 7,200 Each director of the subcommittee who attend the meeting THB 6,000		
5. Meeting allowances for executive president		

\* Noted: the directors' remunerations do not include the remunerations from subsidiary companies.

#### **8.4.2 Managing Director's Remuneration**

Currently, the company is considering criteria for determining the managing director's remuneration corresponding with operating results, corporate size, and amounts offered by businesses operating in the same industry. The remuneration is a motive for the managing director's developing the company's continuous and sustainable growth.

#### **8.4.3 Remunerations for the Management**

Remunerations for the Management are in line with the Company's procedures and policies, and in relation to corporate operation results and each individual's performance. Amounts of the remunerations are motivational and enable the company to achieve loyalty among the competent Management.

Remuneration in Cash

## 1. Remuneration for directors, paid last year

No.	Name of Directors	Position in Board of Directors	Year 2016				Year 2015			
			Remuneration		Meeting Allowance	Total (THB)	Remuneration		Meeting Allowance	Total (THB)
			Yearly	Bonus			Yearly	Bonus		
1	Mr. Manu Leopairote	Chairman	360,000	124,500	-	484,500	360,000	120,000	-	480,000
2	Mr. Chamroon Chinthammit	Executive Director	300,000	103,750	11,800	414,550	300,000	100,000	6,000	406,000
3	Mr. Prapas Chutimavoraphand	Executive Director	300,000	103,750	11,000	414,750	300,000	100,000	6,000	406,000
4	Mr. Pornsin Thaemsirichai	Executive Director	300,000	103,750	11,000	414,750	300,000	100,000	5,000	405,000
5	Mr. Somchai Chinthammit	Executive Director	300,000	103,750	11,000	414,750	300,000	100,000	5,500	405,500
6	Ms. Duangkae Chinthammit	Executive Director	300,000	103,750	11,000	414,750	300,000	100,000	6,000	406,000
7	Ms. Duangdao Chinthammit	Executive Director / Nomination & Remuneration Committee	300,000	103,750	23,000	426,750	300,000	100,000	16,000	416,000
8	Mr. Tachpong Pakornsiriwongse	Executive Director	300,000	103,750	10,000	413,750	300,000	100,000	5,500	405,500
9	Mr. Trakarn Chunharojrit	Executive Director	300,000	103,750	10,500	414,250.00	300,000	100,000	5,500	405,500
10	Mr. Chatri Chinthammit	Director	300,000	103,750	-	403,750.00	300,000	100,000	-	400,000

No.	Name of Directors	Position in Board of Directors	Year 2016				Year 2015			
			Remuneration		Meeting Allowance	Total (THB)	Remuneration		Meeting Allowance	Total (THB)
			Yearly	Bonus			Yearly	Bonus		
11	Mr. Chalush Chinthammit	Executive Director / Risk Management Committee	300,000	103,750	35,000	438,750	300,000	100,000	21,500	421,500
12	Mr. Sukhum Tokaranyaset	Executive Director	300,000	103,750	11,000	414,750	300,000	100,000	6,000	406,000
13	Mr. Thawatchai Rojanachotikul	Executive Director	300,000	103,750	11,000	414,750	300,000	100,000	6,000	406,000
14	Mr. Somchart Chinthammit	Director/ Nomination & Remuneration Committee	300,000	103,750	12,000	415,750	300,000	100,000	11,000	411,000
15	Mr. Pramoon Vichiensin	Independent Director / Chairman of Nomination & Remuneration Committee	300,000	103,750	14,400	418,150	300,000	100,000	13,200	413,200
16	Pol. Gen. Boonpen Bumpenboon	Independent Director /Chairman of Risk Management Committee /CG Committee	300,000	103,750	46,800	450,550	300,000	100,000	38,400	438,400
17	Mr. Sitti Leelakasamelurk	Independent Director / Chairman of Audit Committee / Risk Management Committee	360,000	124,500	52,800	537,300	360,000	120,000	48,400	528,400

No.	Name of Directors	Position in Board of Directors	Year 2016				Year 2015			
			Remuneration		Meeting Allowance	Total (THB)	Remuneration		Meeting Allowance	Total (THB)
			Yearly	Bonus			Yearly	Bonus		
18	Mr. Karun Kittisataporn	Independent Director / Audit Committee/ Nomination & Remuneration Committee / CG Committee	300,000	103,750	36,000	439,750	300,000	100,000	45,000	445,000
19	Mr. Warapatr Todhanakasem	Independent Director / Audit Committee/Risk Management Committee/ Chairman of CG Committee	300,000	103,750	57,600	461,350	300,000	100,000	60,600	460,600
20	Ms. Nongluck Phinainitisart	Independent Director / Audit Committee / CG Committee	300,000	103,750	30,000	433,750	300,000	100,000	29,000	429,000
21	Mrs. Intira Sukhanindr	Executive Director	300,000	103,750	11,000	414,750	300,000	100,000	6,000	406,000
	Total		6,420,000	2,220,250	416,900	9,057,150	6,420,000	2,140,000	343,600	8,903,600

\* Noted: the directors' remunerations do not include the remunerations from subsidiary companies.

## 2. Remuneration for executives last year:

Remunerations for 11 executives (listed as corporate top executives on 8.2) include salaries, bonuses and allowances amounted to THB 48.50 million.

### Other Remunerations

-None-

## 8.5 Personnel

As of October 31, 2016, the Company's personnel information is as follows:

	Consolidated		Separated	
	2016	2015	2016	2015
Average Number of Employees (Persons)				
During Production Season	6,722	6,862	2,316	2,264
During Normal Period	5,213	5,166	1,912	1,725
Expenses related to employees (Million THB)	1,462.41	1,608.86	557.94	558.35

As of 31 October 2016, the Company had no significant labor disputes that may have a potential negative impact on its operations.

### **Directorships and Executive Development**

The company has provided training and human resources development programs for all of its personal through internal and external training. It allows the board to participate in its operations and ventures. Corporate directors and executives have participated in training courses organized by accredited institutions, such as Chairman Program, Director Accreditation Program (DAP), and Director Certification Program (DCP) provided by Thai Institute of Directors (IOD), also basic courses for the audit committee, courses offered by the Stock Exchange of Thailand, and cutting-edge management courses offered by other professional institutions. In 2016, some directors and executives have participated in training courses, for example, Ms. Duangdao Chinthammit (Director and Vice President) - Advanced Compensation Management Program, Mr. Chalush Chinthammit (Director and Vice President) Ultra Wealth Plus, Mr. Chanachai Chutimavoraphand (Vice President) - Executive Energy Program

New directors are required to complete training and orientation providing important knowledge and skills that are crucial for their directorships. Once there are business expansions or new ventures, the company invites corporate directors to visit the sites and monitor the progress regularly.

### **Succession Plans**

The Board of Directors realizes that the Company growing depends on personnel who are educated, talent, and moral person. Therefore, the Board of Directors pass the policy to the executive regarding develop and manage personnel effectively.



The Company selects personnel who are in the executive position appropriately to ensure that the executive team has ability and fit for the position and smoothly manage the duty. To ensure readiness for the circumstance, the Company has prepared its human resources to be able to take on different responsibilities assigned in order to appropriately cover for their colleagues or fulfill their new positions. Executives are given opportunities to learn about the work outside their fields. This is to enable them to fill in assignments for their colleagues who are unable to take on the responsibilities. The board of directors has assigned the nomination and remuneration committee to research and coordinate with accredited consulting firms and professional institutions during development and revision of succession plans.

The Company specifies the succession plan as follows:

1. Specify the important position or major position
2. Specify the latency or capability of the major position
3. Finding a successor in succession plan
4. Set a policy for individual personnel development

#### Personnel Development Policy

The company has always valued its human resources. Policies on continuous training and human resource management have been established. The aims are to help employees reach their potential, ensure effectiveness at work, and allow them to grow in their fields. All employees are required to receive training that is in line with the company's direction and strategies. Training is well planned and always financially supported by the company which are held in the company and outside by other institutions. Also, the Company encourages the communication to transfer and share knowledge between employees in the organization (Knowledge Management).

In addition, the company has focused on developing better quality of life of employees. Also, the company has focused more on developing employees' knowledge and understanding about health and environmental safety in the workplace.

## **9. Corporate Governance**

### **9.1) Policy of Corporate Governance**

The Board of Directors deems it suitable to revise the Corporate Governance Policy, at its Meeting No. 3/2015 on 26<sup>th</sup> June 2015. The Company set the policy of Corporate Governance in 7 Chapters as follows: 1. Rights of shareholders, 2. Equitable treatment of shareholders, 3. Role of stakeholders, 4. Disclosure and transparency, 5. Role and Responsibilities of the Board of Directors (which include organization structure, qualification and structure of the Board of Directors and other committees such as the Board of Executive Directors, Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, and Corporate Governance Committee; this policy covers the board meetings, board self-assessment, and remuneration for directors and executives as well), 6. Anti-Corruption, and 7. Reporting Information on Misconduct and Fraudulent Activities.

#### **9.1.1 Rights of Shareholders**

1. The Company proposes a complete notice of a meeting both in Thai and English on the company's website 30 days prior to the meeting day. A notice of a meeting and supporting documents shall deliver to shareholders 7 days prior to the meeting day in case of general agenda and 14 days prior to the meeting day in case of special agenda.

2. The Company's website where corporate shareholders and those interested may download corporate financial information, corporate profiles, and meeting information is [www.kslsugar.com](http://www.kslsugar.com). Inquiries and requests for further information may be e-mailed to [ir@kslgroup.com](mailto:ir@kslgroup.com) and [secretary@kslgroup.com](mailto:secretary@kslgroup.com)

3. The Company facilitates and encourages its shareholders to exercise their rights and votes. There are two closing times of the transfer book. The Shareholders Register is first closed for shareholders' right to attend a shareholders' meeting, allowing the shareholders to consider and approve the annual dividend payment. The Register is closed again for shareholders' right to receive dividends, allowing the shareholders to choose whether they will hold the stocks for the dividends or not. Shareholders meetings are organized at convenient venues which is easily accessible by public transportation. The Company has chosen to hold annual general meetings at hotel in the middle of Bangkok, near the Company's head office. Shareholders can submit the registration form prior to the meeting day. For more convenient way, the Company uses barcode for registration. Stamps for proxy are prepared for shareholders. The meetings are notified in newspapers.

4. The Company held the Annual General Meeting 2015, No. 1/2016 on February 26, 2016. Corporate shareholders were given opportunities to directly inquire the corporate directors and committees. The Company does not deprive its shareholders of access to corporate information. All important information is included in distributed notices without any last-minute addition of agendas or changes in important matters. Shareholders who arrive late are always allowed to attend meetings. The meeting was recorded by video recorder.

5. In the annual shareholders meeting notice, the Company informed its shareholders about rules and procedure of attending the shareholders' meeting. It nominated corporate

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independent directors: Mr. Sitti Leelakasamelurk and Mr. Karun Kittisataporn as the shareholders' proxies. Shareholders were provided with proxy forms (Form A, B, and C).

6. Agenda of the 2015 Annual Shareholders' Meeting (1/2016) notice covered statement of financial position, profit and loss statement, reduction of unpaid registered capital, dividend payment, increase of capital to accommodate the share dividend, allocation of ordinary shares to accommodate the share dividend, election of replacement directors whose terms have ended, consideration of remuneration for directors, and approval of auditor for the year 2016.

7. In the AGM 2015, No. 1/ 2016 the Chairman informed corporate shareholders about procedures relevant to the meeting including voting procedure. The shareholders were given opportunities to express their opinions and ask questions. There were inquiries about the Company's financial statements and operating results. In director appointment, the shareholders voted on each nominated director. Voting cards were used.

8. In minutes of the AGM 2015, No. 1/ 2016, names of all the directors physically present/absent were shown. Summaries of clarifications, questions, answers, opinions, the voting procedure, and the vote count procedure were provided. Regarding disagreement, the meeting resolution was presented along with the total of votes in favor/ against and no vote. The minutes were posted on the corporate website within 14 days after the AGM.

9. The Company reported the financial statement certified by auditor to the SET within 60 days after the year end.

#### 9.1.2 Equitable Treatments of Shareholders

1. A shareholder has a voting right in one share/ one vote. The Company has only ordinary shares.

2. The Company prescribes the using inside information in CG Policy and disseminate to employees, executives, and directors aware of limitation, prohibit to use inside information as well as not trading any transaction in one month before disclosing financial statement or operating result of the Company.

3. The Company allows its shareholders to propose matters to be included in a meeting's agenda, prior to the meeting, with requirements and procedures. For instance, the proposal may be submitted by one single shareholder or several shareholders holding at least 5% of total shares. A meeting agenda is presented in detail. Criteria for approving or rejecting proposed matters as part of meetings' agendas are stated clearly. There are channels and periods of time for accepting shareholders' proposals. After proposals are accepted, the Board of Directors' meeting will consider and select the proposals. Shareholders will be informed about the Board's meeting resolutions and reasons in detail regarding the proposals through the Company's website and corporate shareholders did not propose any additional matters to be included in the shareholders' meeting agendas. Moreover, the Company encourages its shareholders to electronically submit the Board their inquiries related to shareholders' meeting agendas via its website prior to shareholders' meeting dates.

4. The Company has facilitated nomination of candidates for corporate directors by shareholders. Guidelines for the procedure and criteria have been provided. For instance, registered mail can be used for shareholders' submission of their nominations to the Company's

Secretarial Division. Periods of time for accepting shareholders' director nominations are defined. Forms for nominees' profiles are provided. The procedure for nominees' declaration of their consent is explained. Detailed information regarding the nomination is posted on the Company's website. After nominations are accepted, the board of directors' meeting will consider the nominations. However, up to the present there has been no nomination from corporate shareholders.

5. Regarding the use and protection of inside information, the Company has established measures to prevent the use of inside information by directors, management, and employees for abusive self-dealing.

6. The Company requires that a director shall not operate or have any position in any ordinary partnership, or be a general partner in limited partnership, or be a director in any other limited company or public company limited that operates businesses of the same nature and that is the Company's direct and indirect competition, unless the information about their position(s) is disclosed to the shareholders' meeting before the appointment. Directors shall inform the Company immediately about their direct and indirect conflicts of interest arising in any corporate contracts done between fiscal years, or due to change in their acquisition of shares or debentures of the Company or its subsidiaries between fiscal years. The Company encourages its directors, Management and those related to the Board to disclose information about their interests as part of the Board's meeting agendas. Directors who have interests in any issues being considered are not allowed to vote on those particular issues.

7. In the past year, no directors nor executives using insider trading. The Company is not violating connected transaction.

#### 9.1.3 Role of Stakeholders

Besides protecting the benefits and rights of its shareholders, the Company realizes the significance of other stakeholders contributing to its financial stability and sustainability. These stakeholders include, customers, employees, suppliers, creditors, and the surrounding community. The Company has always ensured integrity and fair treatment for each stakeholder through its established business ethics, such as:

Rights of Shareholders: The Company abides by the Corporate Governance Policy and guidelines regarding shareholders and equal treatment to shareholders and prescribes consistent Business Ethics.

Rights of Employees: The Company prescribes the Corporate Governance Policy and guidelines regarding employees in the Chapter on Roles of Stakeholders and provides the conforming Business Ethics. Apart from respecting the employees' legal rights according to the Labour Protection Act and the related laws, the Company commits to the importance of employees at all levels without discrimination on race, religion and gender. All employees are equal and are treated equally. They are entitled to welfare without discrimination. The promotion is done by a committee which consists of executives from different units to ensure transparency and fairness.

Besides, the Company encourages the acquisition of knowledge through internal and external trainings so as to cope the future growth. The Company establishes a provident fund for employees and abides by the announced Thai labor Standard 8001-2553 which the Company is certified at the highest level from the Department of Welfare and Labour Protection, Ministry of Labour.

Rights of Customers: The Company has the Corporate Governance Policy and guidelines regarding customers in the Chapter on Roles of Stakeholders saying that the Company applies international quality control system, e.g., ISO 9001:2008, FSSC 22000, GMP, HACCP, HALAL, KOSHER, etc. so as to create the utmost satisfaction to the customers in terms of quality and product standard, timely delivery and international standard service and strict confidentiality keeping and provides consistent business ethics to ensure responsibility and long-term relationship with the customers.

The Company regularly communicates with the customers through various channels and visits the customers to know the need of the customers as well as to give useful information to the customers. The Company invites the customers to visit and audit the work system of the Company and the factories so that the customers can consider potential and readiness of the Company as a seller in accordance with the customers' standard. The Company provides the customers' satisfaction yearly survey as a part of ISO 9001 and takes into account the Customers' observation to improve its service and production, e.g. delivery, quality, after sale service, etc. Besides, the Company provides customers with channels for complaints and recommendations as deemed appropriate by the customers. By average, the Company receives approximately 40-50 complaints and recommendations per year regarding the operation of 5 sugar factories.

The Company extends full cooperation with the customers when they need certification from the Company that the latter complies with the principles of corporate governance and other significant standards. By the same token, the Company informs the customers of its corporate governance policy and anti-corruption policy as well as its implementation of the policies to ensure that the business dealing with the Company shall not conflict with any standard adopted by the customer. The Company commissions an external firm to evaluate the operation and to certify its compliance with the Thai labour standard.

Rights of Suppliers: The Suppliers hereby include, apart from contracting parties in sales and service of work, joint investors in some specific business. The Company acknowledges the legal rights and contractual rights pursuant to the joint investment by adhering to principles of honesty, equality and right to return of investment.

The Company has the Corporate Governance Policy and guidelines regarding customers in the Chapter on Roles of Stakeholders saying that it supports fair and free competition, equality in doing business and mutual benefits, transparent and fair procurement. The Company prescribes the qualifications of the customers who are entitled to offer bidding as well as announces openly and equally to the rightful bidders of the complete information and conditions regarding the procurement. The Company keeps confidential the bidding prices from the suppliers and does

not disclose to other bidders. The Company shall not demand any benefit from the suppliers in exchange of executing contracts with the Company as well as prescribes in the Business Ethics of such practices. As for the service of work in the Company's sites, the Company provides safe working conditions for the contractors and emphasizes that the contractors must strictly abide by the Company's rules of safety. Upon completion of the work, the Company has a process of transparent and fair acceptance of work and shall pay the contractors in due time.

The Company through the procurement department communicates with the suppliers through various channels of important matters and provides channels for the suppliers to send their complaints or information. In 2016, the Company held a meeting with major supplies to inform them of the implementation of the corporate governance policy and anti-corruption policy on 12 September 2016 in two sessions. 94 suppliers (75.20% of the 125 invited) attended the meeting. Besides, between late August and the beginning of September 2016, the Company sends letters to large and small suppliers by informing them of the policies together with copies of relevant policies. 91 from 125 suppliers (72.0%) acknowledge the information in writing. The procurement policy also announces the policy in front of its office for viewing by visitors. In 2017, the central procurement unit shall request all factories to extend anti-corruption policy to local suppliers so that acknowledgement of the information shall be as much as possible.

Rights of Creditors: The Company has the Corporate Governance Policy and guidelines regarding creditors in the Chapter on Roles of Stakeholders saying that shall abide by the agreement made with the creditors regarding the timely payment, appropriate use of financial service, providing and keeping collateral and other conditions such as correct financial reports for the use of credit analysis, debt-equity ratio. The Company has gained trust from the creditors through ethical operation and facilitates information for the understanding of the Company's business through the Annual Report and the Annual Statement (Form 56-1) and the financial status through financial reports which are made and audited in accordance with the generally accepted standard. The Company prescribes these practices in the Business Ethics consistently.

Rights of Community and Environment: The Company has the corporate governance policy and guidelines relating to community treatment under the role of stakeholders. The Company shall support and participate in charitable and community development activities to create good relationships and improve quality of life for communities surrounding our business operations. The Company collaborates with the government sector and agencies, helps developing public infrastructure, provides financial supports, and promotes social activities that bring understanding and sustainable development to the community. Projects supported and developed by KSL in 2016 are as follows:

1. KSL Group has been selected by Thaipat Institute as one of 100 outstanding listed companies in terms of ESG (Environmental, Social and Governance) which is on the basis of business-sustainability development.
2. Donation of goods and other necessities to help Phayao flood victims as part of a program dubbed "Good Heart for Northern Flood Victims".
3. A project dubbed "Great-hearted Giving Life" which is a group training about health care and elderly care under "CSR-DW continuous 2016 Program".

4. Activity to release 5,000 plant-eating fishes into public water sources at Nam Phong district, Khon Kaen province. The activity was aimed at increasing the fish population and propagating to the community.
5. Community leader and KSL staff jointed together to plant trees and restore forests area of 2.5 kilometres from village in order to reduce air pollution and improve air quality.
6. Establishment of the learning center of sufficiency economy to Ban Nong Mai Kaen village, Tha Maka district, Kanchanaburi province under 70 years KSL, 70 Sufficiency Economy Programs which aims to promote the principles of sufficiency economy through various community - based activities.
7. Public relation activities for the year 2016 around factory area in order to meet local people and receive their comments and complaints. Furthermore, KSL Group has also disseminated knowledge regarding cane policy, factory environmental policy and the principles of sufficiency economy which could reduce their expenses such as making soap and shampoo for household use, growing homegrown vegetables and so on.
8. The project called “CSRKSL” to pay a visit and provide the medical checkup to the people in the communities around the area by the physicians from the Nam Phong hospital and the officers from each district hospital and give the advice about health care, medical supplies usage and the disease control. Moreover, the company also invited the physical therapist to educate about the exercise.
9. The learning center of Sufficiency economy to Thairath Vittaya school. KSL CSR staff collaborated to improve the structure of mushroom cultivation farm and gave the suggestion about the correct method to grow mushroom so the teachers and students can produce and sell the product to increase their income.
10. The company has organized the project to train the employees to improve the quality of life according to the sufficiency economy philosophy.

Human Rights: The Company has the policy not to involve in human right violation by providing in the corporate governance policy saying that the Company promotes and respects human rights as well as operates its business in line with the principles and intent of the United Nations Declaration on Human rights and other international agreements that Thailand is a party and shall not participate in any act that is against the human right principles.

In respect of environment, Company has the Corporate Governance Policy and guidelines regarding environment in the Chapter on Roles of Stakeholders saying that the Company uses natural resources and energy as necessary and supports the reuse and recycling of raw materials and waste in production process. Bagasses left after cane crushing shall be made fuel for boilers in production process of sugar and electricity; Carbon dioxide derived from burning process shall be used in the carbonation process of syrup;; water from ethanol production process shall be used in fermenting biogas which is further used in factories. Each factory shall emphasize on the protection of environment by not releasing waste or pollutants to the community. The factory uses modern dust collector to prevent emission. The water treatment system is developed to ensure that the used water shall be clean enough for reuse or for discharge to natural source. As for any project that may have adverse effect to either community or environment, the Company shall conduct a study and ask for opinions of the would-be impacted group and shall prepare for the reduction of impact. The Company prescribes criteria for studying environmental and social factors and reduction of impact along with the feasibility of the new project. The Company strictly complies with the laws on environment.

The Board of Directors set a policy and guidelines as to no infringement of intellectual property by providing clearly in the corporate governance policy and the Business Ethics.

Local administration / government agencies: The Company abides by the laws which regulate the business and other relevant laws as enforced by local administration and central government agencies and cooperates with government units to develop the locality. The group of companies coordinates with the local government agencies to ensure that the companies correctly comply with the laws and regulations, e.g., coordination with municipality, provincial industry office, natural resources and environment office, underground water office, water resource office, irrigation office, regional revenue office, welfare and labour protection office, social security office, skill labour development office, etc.

The group of companies regards as highly important the cooperation with local administration / government units that ask for support to help develop community around the operating areas of the companies, e.g. municipality, Tambon administration, hospital, district public health, school, police, etc.

The Company at Nampong Branch had continually provided CSR activities with local administration. The following are examples of the activities.

1. giving money and composted fertilizer to Nampong Municipality, Amphur Nampong, Khon Kaen to support vegetable growers around Thund Theaw Swamp on 16 November 2016
2. attending meeting with Nampong Municipality, Amphur Nampong, Khon Kaen on the agenda of preventing environmental pollutions in the area of Nampong sub-district on 16 November 2016
3. giving money to support “Bun Bung Fire” tradition to District Administration Phung Thui, Amphur Nampong, Khon Kaen on 14 May 2016
4. setting up a booth on (technology transfer) Field Day and agriculture service for the startups for the new planting season 2016 at Amphur Khao Suan Kwang, Khon Kaen with provincial agriculture office and District agriculture office in Khon Kaen on 14 June 2016

Tamaka Co., Ltd. held activities with other units in the locality, such as

1. with network alliance including Electricity Generating Authority at Sri Nakarin Dam, department of National Park, wildlife and plants, Thammasat University Rotaract Club, Thai PBS, 9<sup>th</sup> regiment and others, an activity under the project “709 check dams 7009 small trees for reforestation” at Tambon Nasuan, Amphur Srisawat, Kanchanaburi.
2. with network alliance CSR including Electricity Generating Authority Kanchanaburi, Thai PBS, Region 7 Water Resource Office, Secretariate office of the House of Legislative and others, an activity under the project “709 check dams 7009 small trees for reforestation” at Tambon Maekrabung, Amphur Srisawat, Kanchanaburi.
3. with network alliance CSR including schools, municipality, Electricity Generating Authority and others, organizing the check dam project of 2016 and repair old check dams and build new check dams at Tambon Nasuan, Amphur Srisawat, Kanchanaburi.

Khon Kaen Sugar industry PLC at Nampong Branch has some activities with local entities, e.g., volunteer to be a member in Electricity Development Fund with duties to consider the projects submitted by the communities, built toilets for Kud Nam Sai Kindergarten, supported villagers with agricultural materials such as fertilizer, molasses as well as gave sporting equipments and scholarship to students in local schools.

The company always realizes the importance of all groups of stakeholders as mentioned. It also values all suggestions, opinions, and comments that enable development, improvement and



correction of the corporate operations. All stakeholders can contact the Company's management, the head of internal audit committee, the head of human resource department, or the chairman of audit committee to report improper incidents, complain, request for clarifications or correction, or make any suggestions via email. In the previous year, there was no wrongdoing reported to the company. Details information regarding procedure to report wrongdoing is provided in the Company's Corporate Governance Manual, under the heading Reporting misconduct, fraud, and non-compliance to Code of Business Ethics.

#### 9.1.4 Disclosure of Information and Transparency

The company ensures that corporate information is provided correctly, accurately, on time, and transparently through channels that are trustworthy and equally easy to access for the public. The followings are corporate practices:

1. Annual Statement (Form 56-1) is disclosed within 3 months after accounting period end and Annual Report (Form 56-2) is disclosed within 4 months after accounting period end through the SET channels and corporate website, [www.kslsugar.com](http://www.kslsugar.com). There are also updates related to the company and the industry posted on the website to facilitate decision-making of those involved.
2. In the previous year, the company's disclosure of information and transparency were approved by the Securities and Exchange Commission and the Stock Exchange of Thailand, as its practice was in accordance with disclosure requirements. Effectiveness of the corporate information disclosure procedure was evaluated by outsiders.
3. The company disclosed additional information including duties of the Board of Directors and committees, the director and executive remuneration policy, summarized corporate governance policy, environmental and social policies, the company's compliance with established policies, summarized business ethics, and directors' training background were disclosed.
4. A statement of the Board of Directors' responsibilities for the company's financial statements is provided along with the auditor's report in the corporate annual report. The contents include the certification that the company's financial statements are fairly presented in accordance with generally accepted accounting principles and regulations, and that the financial statements are accurate, complete, and true according to accounting standards. The statement is signed by the Chairman and managing director.
5. Contents of the Company's website consist of organizational information, shareholding structure, the Board structure, vision/missions, businesses and products, corporate governance policies and compliance results, business ethics, information for investors, environmental and social policies, annual reports, financial statements, news and updates in both Thai and English.
6. The company specifies that directors and executives need to prepare a report of interests of directors, executives and related persons which involved with the Company once they are being directors or executives and report when information changes and every year end. The Office of Company Secretary and Legal will send the report to the Chairman and the Chairman of the Audit Committee.

7. The company is well aware of the importance of disclosing information to investors with accuracy, transparency, and accessibility. A team set up to coordinate communications between the company, investors, and shareholders can be reached by email at [ir@ksigroup.com](mailto:ir@ksigroup.com) or the following contacts:

- |    |                                |   |
|----|--------------------------------|---|
| 1. | Mr. Meechai Piyavisadpat       | Telephone: 02-642-6230<br>Email: <a href="mailto:meechai@ksigroup.com">meechai@ksigroup.com</a>     |
| 2. | Mr. Chanachai Chutimavoraphand | Telephone: 02-642-6230<br>Email: <a href="mailto:chanachai@ksigroup.com">chanachai@ksigroup.com</a> |
| 3. | Mr. Chalush Chinthammit        | Telephone: 02-642-6230<br>Email: <a href="mailto:chalush@ksigroup.com">chalush@ksigroup.com</a>     |

To promote better understanding of the company's businesses and facilitates the distribution of the information to interested investors, the company has produced an annual investor relations plan; held quarterly analyst meetings at corporate conference room. Additionally, in 2016, the Company participated in the "Opportunity Day" program organized by SET that provides an opportunity for listed companies to present their business, operating results, and give updates on their current and future projects to investors, analysts, and the press.

For foreign investors, the company collaborated with securities companies and financial analysts to prepare for various road shows presenting its operating results and project progress. In the previous year, the company attended conferences presenting corporate operating results and progress in Singapore in conjunction with the Stock Exchange of Thailand. Visits to the company have been arranged for domestic and foreign investors. Appointments can be made in advance with the company's investor relations team.

#### 9.1.5 Responsibilities of the Board of Directors

1. The structure of the Board consisted of 21 directors. 7 out of 21 are independent directors of which one, who is not the Managing Director, is the Chairman of the Board. The company's Board of Directors possesses skills and expertise in various fields, such as accounting, finance, law, governance, production technology, personnel, purchasing, marketing, real estate, internal audit, and information technology. Detailed profiles, qualifications, experiences, and ownership of directors are included in Form 56-1.

## Category of Directors

No .	Name-Family Name		Category of Director			
			Shareholder Representatives	Non- Executive Director	Independent Director	Executive Director
1	Mr. Manu	Leopairote		/	/	
2	Mr. Chamroon	Chinthammit	/			/
3	Mr. Prapas	Chutimavoraphand	/			/
4	Mr. Pornsin	Thaemsirichai	/			/
5	Mr. Somchai	Chinthammit	/			/
6	Mrs. Intira	Sukhanindr	/			/
7	Mr. Trakarn	Chunharojrit	/			/
8	Ms. Duangkae	Chinthammit	/			/
9	Ms. Duangdao	Chinthammit	/			/
10	Mr. Tachpong	Pakornsiriwongse	/			/
11	Mr. Chatri	Chinthammit	/	/		
12	Mr. Chalush	Chinthammit	/			/
13	Mr. Sukhum	Tokaranyaset	/			/
14	Mr. Thawatchai	Rojanachotikul	/			/
15	Mr. Somchart	Chinthammit	/	/		
16	Mr. Pramoon	Vichiensin		/	/	
17	Pol.Gen. Boonpen	Bumpenboon		/	/	
18	Mr. Sitti	Leelakasamelurk		/	/	
19	Mr. Karun	Kittisataporn		/	/	
20	Mr. Warapatr	Todhanakasem		/	/	
21	Ms. Nongluck	Phinainitisart		/	/	
	Total		14	9	7	12

2. It is required that during the annual general meeting, one third (1/3) or close to one third of corporate directors resign. Each director's term is three years. In case that the Board serves until the end of its term and the new Board has not yet been appointed, the former Board still continues to work until the new Board has been appointed. The company has not determined the total terms the Board can consecutively serve. The Nomination and Remuneration Committee is considering this matter in relation to feasibility of selecting personnel with experience specific to the company's business to serve in the Board.

3. The Board of Directors has established the following committees: the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee, and the Corporate Governance Committee, as well as defined their functions and responsibilities. For transparency and independence in the work , the majority of the committee members are independent directors, and chairs of the committees are independent directors. To maintain true independence of the corporate committees, the Chair of the Board is not the chair or a member of those committees. The committees serve 3 years. In case that a committee serves until the end of its term and a new committee has not yet been appointed , the former committee still continues to work until a new committee has been appointed . At the end of their term , if a director is not re- elected, their position in their current committee shall end automatically . If there is a new director in a committee , that director shall remain in the position as long as the committee's term

4. The board requires that a director must not operate or have any position in any ordinary partnership, or be a general partner in limited partnership, or be a director in any other limited company or public company limited that operates businesses of the same nature and that is the company's direct and indirect competition, unless the information about their positions is disclosed in the annual general meeting before the appointment. The requirement is applied to corporate executives as well.

5. The company's vision, missions, strategies, goals, business plans, budgets, internal control, internal audit, and risk management have been governed with effectiveness and efficiency. The current corporate vision has been reshaped from being a sugar manufacturer to a producer of alternative energy which is environmentally friendly. The new vision is based on the idea that sugar is an energy source for human beings. Ethanol fuels automobiles. Fertilizer nourishes plants. Electricity energizes appliances. Corporate investments are in line with such vision.

6. The board has established corporate governance policy as follows: "The company is committed to corporate governance to build trust among shareholders, employees, and customers, as well as to create sustainable competitive advantage. It emphasizes internal control, internal audit, and risk management, as well as ensures that managements implement policies effectively in compliance with legislation and business ethics ." The policy has been

communicated throughout the Company . The company ensures that its personnel understand and comply with the corporate governance . The work and corporate policies are always evaluated and reviewed annually.

7. The board has set a written ethics and codes of business conduct for the company's directors and employees, which cover key matters, such as honesty, integrity, conflicts of interest, and compliance with laws. Compliance to the codes is monitored, and penalties are defined. Each year the Corporate Governance Committee evaluates, reviews, and revises the codes of conduct.

8. Prevention of Conflicts of Interest, The Board of Directors thoroughly considers and deals with transactions with (potential) conflicts of interest. The Audit Committee considers related-party transactions according to the SET legislation and procedure. Stakeholders in the related transactions are not allowed to decide on those particular transactions, which are fully and accurately disclosed in annual reports and from 56-1.

9. Efficient Administrations and Internal Control, the company's internal control unit has been formed to ensure effective operations, accurate and reliable information, compliance with legislation, efficient and effective use of corporate resources, and protection and corporate assets. The corporate internal audit provides analyses, audits, evaluations, advice, and recommendations to support corporate activities. The audit committee independently reviews and audits adequacy and efficiency of the company's internal control and internal audit once a year. The opinions on the corporate internal control system are included in the annual report.

10. Risk Management. The Risk Management Committee engages in establishing the total risk management. Adequacy and efficiency of the company's risk management system will be reviewed at least once a year. The early warning system will be in place for irregularity scanning.

11. The Company sets the Board of Directors meeting dates and notifies the directors of those date in advance. The Board of Directors shall hold at least 6 meetings per year. For the flow of the company's operations, there are monthly executive meetings where the board entitles the meeting to make decisions. In every board meetings, the board of directors is informed about matters that have been approved by the Company's executive meeting to ensure that the board is able to supervise, control, and monitor the work of managements on a regular basis.

In 2016, the Board held 7 meetings, and 1 non-executive directors meeting (without management). The non-executive directors independently express their opinion regarding management.

In board meetings, the chairman, managing director, and company secretary consider agendas. This is to ensure that the agendas cover important matters. Each director may propose agendas independently.

Office of Company Secretary and Legal sent meeting documents to each director in advance at least 7 days before the meeting date with supporting documents.

In a board of directors meeting, the chairman of the board allocates adequate meeting time for managements' presentations and comprehensive directors' discussions. The chairman encourages careful consideration in the meeting. Directors pay attention to each issue presented in the meeting, including issues concerning governance of the company. Top executives from different departments attend the board meeting to present details on the issues that they are responsible for in order to facilitate the Board's decision-making. The Board also has a chance to know more about the top executives, as well as has access to important additional information through the top executives. Directors may request more information about issues in the meeting from the company's secretary.

Minutes of the board of directors' meetings include such important matters as dates, times, names of directors who are present and absent, summaries of proposals, summaries of discussions and remarks, resolutions, opinions from directors who disagree, names of people preparing minutes, and names of those approving minutes. The minutes are bound and easy to retrieve. They cannot be changed. Numbers of the board meetings and attendance are disclosed. The board sets a meeting every 3 months in a year, and the executive committee has monthly meetings concerning the company's operating results. Information from the executive committee meetings is presented to the corporate board of directors.

Each year the board evaluated its works according to the applicable SET evaluation criteria. Also, there were evaluations of directors in groups and individually including the sub committee. The board considered the evaluation results and put forward recommendations for improvement.

#### **9.1.6 Anti-Corruption Process**

The Company has a policy prohibiting directors, executives, and staff from committing any kind of corruption. There shall be assessed a risk from corruption and a review on compliance with the Policy regularly. Also, there shall be reviewed the guidelines on compliance and the regulations of each part so that they be in line with the changes of the laws, regulations, acceptable standards, and business of the Company.

Guidelines for Practices: The Company shall make this Policy on Anti-Corruption known to its staff for proper compliance widely and thoroughly, by preparing the Ethics on Anti-Corruption and Manual for various departments in the part relating to Policy on Anti-Corruption, for use in training, implementation, or learning by the staff, and for propagation via various suitable channels. Besides, the Company shall provide protection for the staff who reports an incident or a lead about a corruption under the criteria prescribed including regulations and work regulations concerned. A corruption is regarded as a wrongdoing and/or a dishonest act, as the case may be, and the person committing corruption is regarded as having violated the discipline

and shall be subjected to punishment according to the work regulations of the Company and may also be subjected to criminal prosecution in criminal and civil courts.

On 26 September 2014 the Chairman of the Board of Directors had signed a letter of intent and acknowledged the commitment terms set by the Private Sector Collective Action Coalition Against Corruption group that seeks to deter all types of corruption activities within the private sector. The Company provided the Manual of Anti - Corruption which is used in July 2016 including improving all documents, and work processes to the alignment of the said commitment terms and its self-assessment guideline. The Company submitted its improvements to the Private Sector Collective Action Coalition Against Corruption Council (CAC) for further consideration and endorsement.

For the purpose of preparing required documentation and references to gain membership to the Private Sector Collective Action Coalition as prescribed by the Private Sector Collective Action Coalition Against Corruption Council (CAC), the Company has hired a specialist consultant for this task and estimated that membership application was submitted in Q4 of 2016.

#### **9.1.7 Giving Information of Wrongdoing and Dishonest Acts**

According to Corporate Governance Policy, The Company has a channel for reporting lead or information on any commission of wrongdoing and dishonest act, or whistle-blower hotline, so that the stakeholders may provide information which is beneficial to the examination, elimination, and prevention of wrongdoing or dishonest act, or lodging of complaints, and so that such be rectified accordingly.

##### Channels for Giving Information

**1.** When a staff finds, or there is reason to believe in good faith, that there has been committed a wrongdoing or a dishonest act concerning the Company or its subsidiary companies, he/she shall inform his/her superior from the level of Manager forthwith, either verbally or in writing. If such report is ignored, he/she shall notify the higher superior according to the Form of Giving Information of Wrongdoing or Dishonest Act . However, the staff should not self-conduct further inquiry or questioning any suspicious acts.

**2.** If a staff is in a difficult situation or he/she is not comfortable to notify the said superior, or he/she suspects that his/her superior or any executive of the Company is connected with a wrongdoing, he/she may choose to file a report through the following channels:

2.1 Manager, Internal Audit Office, Tel. 02-642-6092, Ext. 122, or email: [IA@kslgroup.com](mailto:IA@kslgroup.com).

2.2 Manager, Human Resources Management, Tel. 02-642-6092, Ext. 969, or email: [Ampaporn@kslgroup.com](mailto:Ampaporn@kslgroup.com).

2.3 Send email to [IA@kslgroup.com](mailto:IA@kslgroup.com) on the intranet of the Company.

2.4 The Chairman of the Audit Committee or the Board of Directors of the Company, at the following address:

Khon Kaen Sugar Industry PCL  
503 KSL Tower, 22<sup>nd</sup> Floor, Sri Ayudhya Road,  
Thanon Phayathai Sub-District, Rajathevi District,  
Bangkok Metropolis 10400,  
or email: [IA@kslgroup.com](mailto:IA@kslgroup.com).

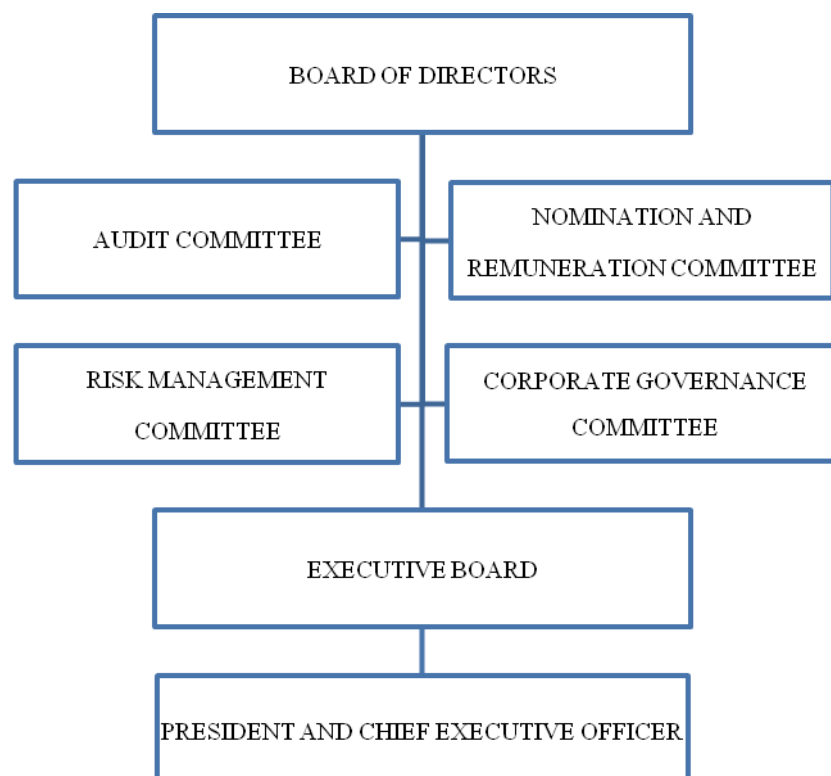
3. When the persons or above departments have been notified of a commission of wrongdoing or dishonest act, they must report such to the Internal Audit Office at once.
4. The Internal Audit Office shall have the duty to prepare a register of complaints and shall prepare a report summarizing the receipt of information of wrongdoing to the Audit Committee at its next meeting.
5. The Internal Audit Office shall consider initially that at which department the commission of wrongdoing occurred, and shall then send the complaint to the said department for investigation, and shall also monitor the proceeding of said department from time to time.
6. The fact-finding, the investigation, the disciplinary action, and the legal action shall be in accordance with the regulations governing such.
7. Upon completion of the complaint, the work unit concerned shall report the result to the Internal Audit Office for forwarding the matter to the Audit Committee at its next meeting.

#### **Protection of Informant**

1. The Company shall not terminate employment, suspend, inflict disciplinary action, or threaten to take any action against any staff who provided information of wrongdoing. Whoever violates this clause shall be subjected to disciplinary action.
2. The Company shall protect the informant including the person rendering cooperation or assistance in the investigation in good faith from any threat and harassment.
3. The Company shall provide protection additionally and specially according to suitability, by taking into consideration the degree of severity and the importance of complaint. In the event the informant is threatened or harassed, he/she shall report such to the Managing Director for ordering the Human Resources Department to provide protecting measures for the informant suitable to the circumstances.
4. In the event a staff has reported a complaint or has provided information of wrongdoing in good faith, even though the Company finds no wrongdoing as lodged, the Company shall not inflict any punishment on the said informant. Nevertheless, if the result of investigation finds that the complaint is baseless and it was done with ill intention or an intent to yield damage to other person, or it was a giving of false statement, the Company shall consider inflicting disciplinary action to the staff who gave the information according to the work regulations, and shall also consider taking legal action against the said person.



## 9.2 Organization Structure



### 9.3.1 Board of Directors

As of October 31, 2016, the Company's Board of Directors comprises of:

1. Mr. Manu	Leopairote	Chairman and Independent Director
2. Mr. Chamroon	Chinhammit	Director
3. Mr. Prapas	Chutimavoraphand	Director
4. Mr. Pornsin	Thaemsirichai	Director
5. Mr. Sukhum	Tokaranyaset	Director
6. Mr. Thawatchai	Rojanachotikul	Director
7. Mrs. Intira	Sukhanindr	Director
8. Ms. Duangdao	Chinhammit	Director
9. Mr. Somchai	Chinhammit	Director
10. Ms. Duangkae	Chinhammit	Director
11. Mr. Chalush	Chinhammit	Director
12. Mr. Chatri	Chinhammit	Director
13. Mr. Somchat	Chinhammit	Director
14. Mr. Tachpong	Pakornsiriwongs	Director
15. Mr. Pramoon	Vichiensin	Independent Director
16. Pol. Gen. Boonpen	Bumpenboon	Independent Director
17. Mr. Sitti	Leelakasamelurk	Independent Director
18. Mr. Karun	Kittisataporn	Independent Director
19. Mr. Worapatr	Todhanakasem	Independent Director

20.Ms. Nongluck	Phinainitisart	Independent Director
21.Mr. Trakarn	Chunharojrit	Director

The company has 21 directors, of which 9 are non-executive directors and 7 are independent directors, and one of them is a female. The Board of Directors is in charge of managing and governing the company's operations according to law, rules and regulations of the Stock Exchange of Thailand, the Securities and Exchange Commission, Capital Market Supervisory Board, and the company's objectives and requirements. The Board performs their duties with integrity and diligence.

The Board of Directors is appointed by the shareholders' meeting. The Board has established the Corporate Secretary Office to recommend and assist the Board to conduct their duties in compliance with relevant rules, regulations and corporate governance. The office also coordinates and ensures that corporate shareholders receive appropriate treatment.

#### Scope of Duties and Responsibilities

The Board of Directors holds accountability to the shareholders in respect of the Company's business operation and supervision of management so as to be consistent with the policy, guidelines and goals to maximize shareholders' benefit within framework of good ethics and interest of all stakeholders.

1. Supervise the Company's administration for the best interests of the shareholders and perform duties with care, loyalty, obedience to law, avoidance of conflict of interest as well as to abide by laws, objectives, Articles of Association and resolutions of shareholders' meeting and to disclose information to shareholders in an accurate, complete and transparent manner.
2. Review and approve vision, policies, directions, strategies, and management plan including corporate governance policy and other policies relating to the Company's operations for accounting period year end.
3. Supervise the Management to comply with the determined policies, strategies, and directions with effectiveness and efficiency and regularly evaluate the Management's performance.
4. Consider and approve budgets in accordance with the Manual of Operational Power and for significant matters such as big project investment, related transactions, acquisition or disposal of assets, any other transactions prescribed by law, etc.
5. Provide accounting system, financial reporting and reliable accounting audit including evaluation process of internal control and internal audit, risk management, financial reporting and evaluation follow-up.
6. Supervise and take action to avoid conflict of interest among directors, shareholders, stakeholders and the Company.
7. Appoint sub-committees as necessary to help monitor the administration and the governance in various aspects, e.g., Executive Committee, Audit Committee, Nomination and Remuneration Committee and Corporate Governance Committee as well as to appoint Company Secretary.
8. Execute a Report of responsibility of the Board of Directors in financial reports by showing along with the report of the Auditor in Annual Report with the coverage on other significant matters according to the SET Code of Best Practice for Directors of Listed Companies.
9. Execute and submit report of shareholding of the Company's securities by the director, the director's spouse, the director's minor children to the Office of

Securities and Exchange in accordance with the format and within the stipulated time.

In 2016, the Board held 7 meetings, and 1 non-executive directors meeting (without management). The non-executive directors independently express their opinion regarding management.

### **9.2.2 The Board of Executive Directors**

As of October 31, 2016, the Company's Board of Executive Directors consists of:

1)	Mr. Chamroon	Chinthammit	Chairman
2)	Mr. Prapas	Chutimavoraphand	Executive Director
3)	Mr. Pornsin	Thaemsirichai	Executive Director
4)	Mr. Sukhum	Tokaranyaset	Executive Director
5)	Mr. Thawatchai	Rojanachotikul	Executive Director
6)	Ms. Duangdao	Chinthammit	Executive Director
7)	Mr. Somchai	Chinthammit	Executive Director
8)	Ms. Duangkae	Chinthammit	Executive Director
9)	Mr. Chalush	Chinthammit	Executive Director
10)	Mr. Trakarn	Chunharojrit	Executive Director
11)	Mrs. Intira	Sukhanindr	Executive Director
12)	Mr. Tachpong	Pakornsiriwongse	Executive Director

The Chairman of the Board of Executive Directors appoints the secretary of the Company's Board of Executive Directors.

#### Scope of Duties and Responsibilities

1. Determine policies, directions, strategies, and significant management structures for the Company's operations for approval by the Board of Directors.
2. Determine business plans, budgets, and the Company's administrative power for approval by the Board of Directors
3. Establish organizational structures and manpower policy
4. Examine and monitor policies and management plans to ensure their effectiveness and suitability for the corporate operations.
5. Consider and approve the Company's operations in accordance with the Manual of Operational Power.
6. Perform other tasks as assigned by the Board of Directors.

Any power mentioned above given to the Board of Directors shall be under the law and the Company's regulations. Any activities that benefit/may benefit or affect interests of any executive director or individual, or that may lead to conflicts of interest (according to the SEC Notification), are required to be presented by the Board of Executive Directors to the Board of Directors for consideration. The particular executive director and the interested individual shall not be allowed to vote in the meeting concerning the matter.

In 2016, the committee held twelve meetings, and reports on their work were regularly presented to the Board of Directors.

### 9.2.3 Audit Committee

As of October 31, 2016, the Audit Committee comprises of:

- |                 |                 |          |
|-----------------|-----------------|----------|
| 1) Mr. Sitti    | Leelakasamelurk | Chairman |
| 2) Mr. Karun    | Kittisataporn   | Director |
| 3) Mr. Worapatr | Todhanakasem    | Director |
| 4) Ms. Nongluck | Phinainitisart  | Director |

The Chairman of the Audit Committee shall appoint the secretary of the audit committee.

#### Scope of Duties and Responsibilities:

1. To review and ensure that the disclosure of information in financial statements are accurate and adequate
2. To review the Company's internal control system and internal audit system ensuring their appropriateness and effectiveness
3. To review and ensure that the Company's operations are in compliance with securities and stock exchange laws, the SET regulations, or other laws applicable to corporate businesses
4. To consider, select and nominate the external auditor; and propose the external auditor's remuneration
5. To review the Company's disclosure in case of related party transactions or transactions that may lead to any conflict of interest and ensure that the disclosed information is correct and complete
6. To perform any duties as assigned by the Board of Directors and agreed upon by the Audit Committee, such as reviewing financial management and risk management policies, reviewing Management's compliance with business ethics, and reviewing with Management important reports to be presented to the public as prescribed by the law, i.e. Management's reports and analyses, etc.
7. To prepare reports of the Audit Committee for disclosing in the Company's annual report in which shall be signed by the Chairman of the Audit Committee and consist of at least the following information :
  - 7.1 Opinions on accuracy, completeness and reliability of the Company's Financial Statements
  - 7.2 Opinions on adequacy of the Company's internal control system
  - 7.3 Comments the Company's on compliance with laws on securities and the Stock Exchange of Thailand, the Set requirements, or laws applicable to the Company's businesses
  - 7.4 Comments on suitability of the auditor
  - 7.5 Comments on transactions that may lead to conflicts of interest

- 7.6 Numbers of the Audit Committee meetings and attendances of each of the Audit Committee members
  - 7.7 Comments or overview observation which the Audit Committee has obtained from performing in compliance with the Charter
  - 7.8 Any reports considered appropriate for notifying corporate shareholders and general investors under the scope, duties and responsibilities as assigned by the Board of Directors
8. To report routine activities in order that the Board of Directors shall acknowledge the Audit Committee's activities as follows:
- 8.1 The Audit Committee's minutes of meetings clearly specifying the Committee's comments on different matters
  - 8.2 The report on the Committee's opinions on corporate financial statements, internal audit and internal audit procedure
  - 8.3 Any report considered appropriate for acknowledgement of the Board of Directors
9. In performing its duties, should the Audit Committee find any doubtful transactions or conducts as shown below which may cause a significant impact to the Company's financial status and operating results, it should report to the Board of Directors for improvement and correction within time frames it deems appropriate:
- 9.1 Conflict of interest transactions
  - 9.2 Any suspicion or presumption of corruption, abnormality, or fault which are significant in the internal audit system
  - 9.3 Any suspicion that there might be non-compliance with securities and stock exchange laws, the SET regulations, or laws applicable to the Company's businesses.
- Should the Audit Committee report to the Board of Directors matters that significantly affect the Company's financial status and operating results, and discussion between the Committee and the Board of Directors on improvement and correction occurs, after the agreed due date, the Audit Committee finds that the matters have not been acted upon without any good reasons, one of the Committee's members may further report the finding to the Securities and Exchange Commission and the Stock Exchange of Thailand.
10. In case that the auditor finds any doubtful acts committed by a director, manager or any person responsible for the Company's operations that might be non compliant with the law and reports to the Audit Committee the fact about such conducts for acknowledgement and prompt inspection, the Audit Committee shall then notify the outcome of preliminary inspection to the SEC, SET and the auditor within 30 days after being notified by the auditor report. Reporting of doubtful acts and the procedure to gain the facts on such acts shall be in line with the Capital Market Commission's regulations.
11. To have authority to invite directors, Management, department heads or employees to discuss or answer the Audit Committee's inquiries
12. To review the scope of authority and responsibilities, and appraise the Audit Committee's performance on a yearly basis

The Audit Committee is delegated a three-year term and required to hold at least four meetings in a year.

The Audit Committee: Qualifications of the Audit Committee are in line with relevant SET requirements. All Audit Committee members are independent directors. Mr. Sitti Leelakasamelurk, Chairman of the Audit Committee, possesses sound knowledge, understanding, professional experience in accounting and finance. In 2016, the committee held five meetings, and reports on their work were regularly presented to the Board of Directors. Number of Meeting Attended by Directors disclose in 9.7

#### **9.2.4 Nomination and Remuneration Committee**

As of October 31, 2016, the Nomination and Remuneration Committee consists of:

- |                 |                |          |
|-----------------|----------------|----------|
| 1) Mr. Pramoon  | Vichiensin     | Chairman |
| 2) Mr. Karun    | Kittisathaporn | Director |
| 3) Mr. Somchat  | Chinhammit     | Director |
| 4) Ms. Duangdao | Chinhammit     | Director |

The Chairman of the Nomination and Remuneration committee shall appoint the secretary of the Nomination and Remuneration committee.

##### Scope of Duties and Responsibilities:

#### 1. Nomination

- 1.1 Define qualifications of the directors to be consistent with the structure, size and compositions of various committees established by the Board of Directors so as to ensure transparency and expectation of the Board of Directors by considering the knowledge, experience, expertise, freedom and time to contribute to directorship;
- 1.2 select and nominate persons qualified to be directors for the Board of Directors' consideration to nominate to the Shareholders' meeting for appointment provided that the selection method, verification of qualifications as regulated by laws and related authorities including consent to be appointed are to be prescribed;
- 1.3 select and nominate persons qualified to be members in Executive Committee and other sub-Committees to replace the members whose office terms have ended to the Board of Directors for consideration.

## 2. Remuneration

- 2.1 consider or review pattern, criteria and procedures to consider remuneration so as to suit the duties and responsibilities of the Board of Directors and other sub-Committees and submit for approval from the Board of Directors and the Shareholders' meeting respectively provided that the Chairman of the Board and the sub-Committees shall receive remuneration approximately 20 per cent higher than members;
- 2.2 review data relating to remuneration of other companies in the same and similar industry yearly;
- 2.3 disclose names of directors, attendance and remuneration in all types in the Company's Annual Report as well as the brief Charter and remuneration criteria.

The Nomination and Remuneration Committee is delegated a three-year term and required to be held at least two meetings in a year.

The Nomination and Remuneration Committee: The Company required that the Remuneration Committee and Nomination Committee be combined. The Chairperson and the majority of the committee members shall be independent directors. Directors serve in this committee have expertise in several fields, such as governance, law, and human resource management. In 2016, the Nomination and Remuneration Committee held two meetings, and reports on their work were regularly presented to the Board of Directors..

### 9.2.5 Risk Management Committee

As of October 31, 2016, the Risk Management Committee comprises of:

- |                                 |          |
|---------------------------------|----------|
| 1) Pol. Gen. Boonpen Bumpenboon | Chairman |
| 2) Mr. Sitti Leelakasamelurk    | Director |
| 3) Mr. Worapatr Todhanakasem    | Director |
| 4) Mr. Chalush Chinthammit      | Director |

As its position, the head of Risk Management Office is a secretary of the Risk Management Committee.

#### Scope of Duties and Responsibilities:

1. Develop policies to be considered by the Board of Directors regarding the overall corporate risk management that covers the Company's major risks, such as market risk, liquidity risk, management risk, investment risk, and reputation risk.
2. Design strategies in line with risk management policies to monitor and evaluate the corporate risk amount, as well as maintain the appropriate risk level.
3. Review the adequacy of risk management policies and system, as well as effectiveness of the system and policies practiced.

4. Provide recommendations in line with policies and strategies determined by the Board of Directors and present those recommendations to the Board.

The Risk Management Committee is delegated a three-year term and required to be held at least two meetings in a year.

The Risk Management Committee: The Board requires most of the Risk Management Committee members and the Chairperson to be independent directors. Directors serve in this committee have expertise in several fields, such as accounting and finance, management, investment, and corporate businesses. In 2016, the Risk Management Committee held four meetings, and reports on their work were regularly presented to the Board of Directors.

#### **9.2.6 Corporate Governance Committee**

As of October 31, 2016, the Corporate Governance Committee comprises of:

- |    |                   |                |          |
|----|-------------------|----------------|----------|
| 1. | Mr. Worapatr      | Todhanakasem   | Chairman |
| 2. | Pol. Gen. Boonpen | Bumpenboon     | Director |
| 3. | Mr. Karun         | Kittisataporn  | Director |
| 4. | Ms. Nongluck      | Phinainitisart | Director |

##### Scope of Duties and Responsibilities:

1. Consider and propose corporate governance policy, business ethics and other policies relating to the corporate governance to the Board of Directors;
2. Consider and propose practices of the Company, Board of Directors, executives, personnel and other relevant parties which are consistent with the corporate governance policy, business ethics and other policies relating to the corporate governance to the Board of Directors;
3. Monitor and supervise as well as create understanding to the Board of Directors and management for the sake of performance pursuant to the governance policy, business ethics and governance practices;
4. Review the corporate governance policy and practices at least once a year by comparison with international standard or other appropriate standards;
5. Appoint a Secretary to the Corporate Governance Committee, sub-committees or working groups with suitable duties and responsibilities;
6. Perform other duties as assigned by the Board of Directors.

The Corporate Governance Committee is delegated a three-year term and required to hold at least three meetings in a year.

The Corporate Governance Committee: All Corporate Governance members are independent directors. The Chairman has expertise in governance, management, and



investment. In 2015, the Corporate Governance Committee held three meetings, and reports on their work were regularly presented to the Board of Directors..

### 9.3 Selection of Directors and Management

9.3.1 The nomination and remuneration committee has determined that an independent director: (1) must possess an amount of shares that does not exceed 0.5% of the total of voting shares; (2) must not involve in corporate management and must not be an employee or advisor including an audit advisor, a legal advisor, or any other type of advisor receiving salary, or a person with controlling power over the company, its subsidiaries and associates, or a person who may have conflicts of interest or may hold a stake in that manner not less than 2 years; (3) must not have any business relationship, interest or stake both direct and indirectly; (4) must not be a close relative or have other type of relationship with management and major shareholders that might result in lack of independence. Such requirements, which are stricter than other general requirements, have been approved by the company's board.

9.3.2 In the last fiscal year, the independent directors did not have any business relationship or provide any professional services to the Company.

#### 9.3.3 Nomination of Directors and Top Management Executives

The Nomination and Remuneration Committee has determined policies, regulations, and procedures for nomination of directors in order to select and nominate qualified personnel to the Board of Director and shareholder for consideration in annual general shareholders' meeting. However, the criteria for consideration must be not less than the qualifications specified in Section 68 of the SEC ACT B.E. 2535 (including the revised version) and related announcements of the SEC. The election of directors is organized in line with the following Company's regulations:

1. The corporate Board of Directors consists of at least ~~four~~ five directors, which not less than half of the number of directors must reside in the Kingdom. The directors must be qualified individuals who do not possess characteristics as prohibited by the laws.
2. The election of directors by the shareholder meeting is in line with the majority of votes, and the following regulations and procedure:
  - (a) One vote per share is allowed for a shareholder.
  - (b) Shareholders vote for each individual nominated as a director. The number of vote(s) received by each nominee does not exceed the number of share(s) held by the particular voter, as specified in (a). The shareholder cannot allot any of their share(s) to any other individual. Directors are those individuals receiving the highest votes. Should the individuals receive the same number of votes where only one place for a director remaining, the chairperson shall be granted the final vote.

3. In an annual general meeting, one third of the directors are required to resign. If the total number of directors does not allow such division, the number of directors to resign should be at the closest to one third of the total.

#### **9.4 Governance for subsidiaries and associates performance**

- 9.4.1 In order to comply with governance and protect the Company's investment, the Board appoints directors of the parent company to be directors in subsidiaries and associated companies in proportion to the shareholding.
- 9.4.2 The directors who represent the Company shall participate in decision of policy such as investment in projects, etc.

#### **9.5 Supervision of Use of Inside Information**

The company prohibits its directors and the Management from using inside information concerning important matters including trading of securities, information before publication for personal gains and/or that of others. Preventive measures against the use of inside information are as follows:

1. The company informs executives about their obligation to disclose security holdings and changes of the holdings of themselves, their spouses, and their children who have not yet attained the majority according to the Securities and Exchange Act B.E. 2535, article 59 and statutory penalty, article 275.
2. Circular notices are sent 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.
3. Should there be any changes in security holdings of the company's directors and executives, the changes must be reported to the board of directors in security holdings matter on the agenda.
4. Important inside information and confidential documents saved as hard copies or soft files are protected and access is limited to top executives only when necessary. If any inside information needs to be disclosed to corporate employees, the employees will be informed properly about the limitation of the use of that information. An employee who discloses corporate confidential information will be penalized.
5. To monitor irregularity in corporate operating results, random examination is done to security trade, the company's information system and outside information sources.

According to Corporate Governance policy, the Company prohibits its directors, the executives, and employees from using inside information concerning important matters including trading of securities before publication for others or personal gains. Directors, executives, and employees have freedom to invest in corporate security; provided that the trading of company security within one month before the corporate financial statements is to be publicized shall be prohibited in order to avoid conflict of interest.

#### **9.6 Auditor fee**

In 2016, the Auditor fee of the Company and subsidiaries shall be the amount of THB 8,130,000.- and other fees(non-audit fee) shall be the amount of 240,000 baht

## 9.7 Good Corporate Governance Practices

No.	Name-Surname	Position	Board of Directors		Executive Board		Audit Committee		Nomination & Remuneration Committee		Risk Management Committee		Corporate Governance Committee	
			Attend	Total	Attend	Total	Attend	Total	Attend	Total	Attend	Total	Attend	Total
1	Mr. Manu Leoparote	Chairman	7	7										
2	Mr. Chamroon Chinthammit	Executive Director	7	7	11	12								
3	Mr. Prapas Chutimavorphand	Executive Director	6	7	12	12								
4	Mr. Pomsin Thaemsirichai	Executive Director	7	7	12	12								
5	Mr. Somchai Chinthammit	Executive Director	7	7	12	12								
6	Mr. Trakarn Chunharajit	Executive Director	7	7	11	12								
7	Ms. Duangkae Chinthammit	Executive Director	7	7	12	12								
8	Ms. Duangdao Chinthammit	Executive Director / Nomination & Remuneration Committee	7	7	12	12			2	2				
9	Mr. Tachpong Pakornsirivongse	Executive Director	7	7	11	12								
10	Mr. Chatri Chinthammit	Director	7	7										
11	Mr. Chalush Chinthammit	Executive Director / Risk Management Committee	6	7	12	12					4	4		
12	Mr. Sukhum Tokaranyaset	Executive Director	6	7	12	12								
13	Mr. Thawatchai Rojanachotikul	Executive Director	7	7	12	12								
14	Mr. Somchart Chinthammit	Independent Director / Nomination & Remuneration Committee	6	7					2	2				
15	Mr. Pramoon Vchiesin	Independent Director / Chairman of Nomination & Remuneration Committee	6	7					2	2				
16	Pol. Gen. Boonpen Bumpenboon	Independent Director / Chairman of Risk Management Committee / CG Committee	6	7							4	4	3	3
17	Mr. Sitti Leelakasamelurk	Independent Director / Chairman of Audit Committee / Risk Management Committee	7	7			5	5			4	4		
18	Mr. Karun Kittisataporn	Independent Director / Audit Committee/ Nomination & Remuneration Committee / CG Committee	7	7			4	5	2	2			1	3
19	Mr. Warapatr Todhanakasem	Independent Director / Audit Committee/Risk Management Committee/ Chairman of CG Committee	6	7			5	5			2	4	3	3
20	Ms. Nongluck Phinainitsart	Independent Director / Audit Committee / CG Committee	7	7			4	5					2	3
21	Mrs. Intira Sukhanindr	Executive Director	7	7	12	12								

## **10. Corporate Social Responsibilities**

Khon Kaen Sugar Industry Public Company Limited is strongly committed to operating its businesses responsibly. The company's corporate social responsibility (CSR) programs are created to continuously support the local communities and the environment that surrounds them. The company believes in respecting human rights and the protecting the interests of its stakeholders including the society and the country at large, through ethical practice and transparent operations.

The company is determined to advance its sugar and related businesses ethically and responsibly. Its commitment towards stakeholders, communities, society, and environments are detailed as follow:

### **1. Corporate Governance**

The company aims to become part of a leading organization in Thailand. To this effect, it looks to promote sustainable growth, to build good reputation and credibility amongst its investors and other stakeholders, to adopt ethical business practices and to strictly follow good corporate governance guidelines.

### **2. Respect for Human Rights**

The company supports the principle of human rights. To this effect, it will conduct activities that support human rights and the right to freedom. The company believes in the principle of equality and will not tolerate discrimination of race, age, and gender. It is also against the use of child labor and any form of corruption. At present, the Company is in the process of applying for no child labor and no force labor workplace certification.

### **3. Fair Employee Treatment**

The company will give fair compensation to its employees at the level that is appropriate to the industrial environment of Thailand and any changes in the organizational structure will be done responsibly and in accordance with the law of Thailand. The company created an Employee Benefit Committee so that its employees can participate in the management of the benefits that they will received. The objectives are to provide further benefits to employees so that they can work happily and more efficiently. The company also created a provident fund that would help employees save and invest money towards their retirement. The company received its TLS 8001-2546 certificate, the highest recognition for businesses that operate with social responsibility from Department of Labor Protection and Welfare of Thailand and has been maintaining the same standard for 8 consecutive year. Additionally, the company created Health and Safety Committee to oversee the health and safety policy and practice at all its factories. The committee is responsible for regularly testing safety alarms, placing fire extinguishers at appropriate locations, organizing fire drills and related training.

**4. Care for the Environment**

The company has in place an environmental policy that strictly follows the government law and regulation as well as other environmental standards such that it may be able to reduce and/or eliminate waste systematically. It also has put in place measures to ensure the efficiency of its waste management and collect data to compare and improve its waste reduction performance. For example, at its sugar mills, the company use the wet scrubber technology to catch dust from heating the steamer; at ethanol plant, the waste water from production is used to mixed with filter cake (by product of making sugar) to make bio-fertilizer that is environmentally friendly and good for local cane farmers. Prior to the start of any new project that may negatively affect the environment and local communities, the company will first conduct an environmental impact assessment (EIA) first so that it may analyze the positive and negative results from the project and set policies to prevent and reduce its environmental impact.

**5. Adopt Good Business Ethics**

The company intends to conduct its operations ethically, in compliance with the law and societal practice, and remain politically neutral.

**6. Customer and Supplier Care**

The company place great importance in producing high quality sugar that is safe for human consumption. It also aims to continuously provide good service to its customers and suppliers and hope that in return, the company will receive the same high quality and service from them and therefore able to build a longstanding relationships.

**7. Community participation and development**

The company considers the needs of the community and the importance of people as vehicle of building strong and ethical communities. It supports activities that help educate people, build strong culture and society, and improve quality of everyone's life. The company encourages its employees to participate and volunteer in all activities that will positively serve society.

Additionally, the company's management strongly supports his majesty King Rama 9<sup>th</sup> "Sufficiency Economy" philosophy. The company established AgriNature Center on its KSL Riverkwai estate located in Kanchanaburi province. This center becomes a member to the AgriNature Foundation that is founded to help people put his majesty's philosophy into practice. The company systematically promotes this philosophy to its employees and to interested individuals from the communities surrounding its factories through hands-on training at the AgriNature Center so that they may adopt his majesty's sufficiency economy philosophy and used it in their daily life.

The company believes that its continuous efforts in its various different CSR programs can help improve the quality of life of its stakeholders and help the company and the society at large to build a sustainable future together.

## **11. Internal Control and Risk Management**

### **Internal Control**

The company has focused on internal control covering its finance compliance to relevant laws and regulations with appropriate risk management measures in order to protect the company. The Company has focused on the anti- corruption measures with internal control system designed to work with all parties involved to prevent risks which may arise. The company has entrusted the Audit Committee, which consists of independent director, is assigned to review and assess the internal control system thoroughly whereas the internal audit department acts and operates independently from the executives and management who reports directly to the Audit Committee.

The Company's assessment of internal controls is under the structure of the internal control standards of Committee of Sponsoring Organizations of the Treadway Commission (COSO) is as follows.

#### **1. Control Organization**

The company is focusing on business and operational transparency. The goal of the company is to review and illustrate actual performance in comparison to targets within the organization. The organizational control consists of clear structure and management to ensure clear responsibilities to achieve the objectives under the supervision of the Commission; moreover, the company also imposes ethics policy on corporate governance, the anti-corruption and conflicts of interest in relate to the operation of the company. Focusing and demonstrating adherence to the values of integrity and appropriate ethics as the new key focus for the company established by the management and leaderships of the company.

The Board of Directors is acting independently from management and operational teams who oversees the development and implementation of internal controls. The company is committed to developing and retaining talents which is considered as valuable asset of the company, in order to establish organizations to enforce control and monitor. In the field of anti-corruption, the Company has initiated and provided a detailed assessment if potential risks associated with fraud within the Company; in conclusion, the company is dedicated to fight against corruption overall.

#### **2. Risk Assessment**

The Company's objectives on risk assessment are clearly identified and evaluated with relation to achieve the objectives of the organization. The Audit Committee has engaged with the Risk Management Committee of the company in the evaluation of risk factors, both internal and external to affect the business operation of the Company. The Risk Management Committee is to identify and analyze the risks of all aspects. Including the risk of fraud and corrupt that may affect the achievement of the objectives set for an entire organization and the level of risk that the impact and potential of each business process. To determine the risk management plan.

### **3. Operational Control**

The company has established a significant business operations in its core business; furthermore establish a more systematic and effective operation to achieve the objectives and operation targets. Operation control measures the organization stays in the same benchmark which we have set by developing activities, selecting tools and explore new technologies to assist the achievement of overall corporate objectives. The company emphasis control through strict governed rules and policies, this has set clear stage for employees and operations clearly understand and perform under the vision of the company. With understanding authorities and responsibilities by clearly written policies, parties which involved with the operation control may execute within the range of their authorities to incorporating anti-corruption with the applicable policies. Moreover, to establish clearly instruction and level of approval flow such as separating the accounting records with the actual inventory allocations as well as monitoring the compliance with laws and regulations are strictly enforced throughout every stage of the operational control.

### **4. Information and Communication**

The Company has provided advanced and detailed information systems, including the provision of adequate information from internal and external of the company to provide accurate, timely, and efficiency. The company encourages local control can be carried out on the timely basis. Operational objectives and the preparation of reports can be executed with every department to offer immediate decisions. Reports can be prepared with analytical purposes by the operation and management team. Actual data, transactions, communication and financial information are recorded to ensure transparency and traceability. The Audit Committee has carefully established a structure with the auditors from the internal audit team with those associated with the preparation of its financial statements on a quarterly basis providing measures of accuracy and transparency; in additional to the standard confirmation of the company's accounting policies are in accordance with generally accepted accounting principles.

Other than information systems, the company also provides an appropriate channel of communication to clearly illustrate responsibilities as well as various employee issues within the organizations. The company is proud to establishing a secure channel for potential violations or complaints regarding corruption. Overall communication within or outside of the organization are consist of important aspect for the company's view on the overall internal control.

### **5. Monitoring System**

The company has always monitor and track the performance to meets the goals and targets of the operation to provide the Board of Directors, Executive Committee and administrators oversee the implementation relate to the development of the company and continuously implement additional programs and projects in accordance with annual business plan. Immediate adjustments can be executed if issues arise with various circumstances or economic changes. Establish a practice of comparing actual results against projections continuously due to actual operating environment and results may be different from the forecast and projections. The monitoring system could make each departments and managers a clear management tool and determine ways to improve operational efficiency. Clarity of the responsibilities and monitoring system present immediate and analysis to discover the causes



and envision direction of the potential solutions. In the same time, all of the activities, details are being recorded to ensure integrity, transparency and lower the risk of potential anti-corruption actions.

The monitoring and tracking system also provide the management to clearly carry out the control to provide proper evaluation of organizational responsibilities. In the aspect of the internal control, the monitoring system assist the company to have a clear view of the responsibilities, performance accordance to the Internal Audit Department to audit and report independently to the Audit Committee in the year 2016 by the Audit Committee.

## **Risk Management**

The responsibilities of the Risk Management Committee of the Company are to define, analyze, evaluate and construct adequate structure. The leading risk factors concerning are the internal factors and external factors. The risk management team provides the management clear plan of setting up control points within the organization, eventually establish appropriate and acceptable risk control top the organization.

During the year 2016, the risk management committee has envisioned implementation and development as follow:

1. To emphasis more clear operation structure of the plant manager of the overall organization (seven locations including headquarter) with clear written job description (Job Description) and steps to perform tasks (Work Instruction). The plant managers understand practices of the various responsibilities and operations with the basis for each segment operations and procedures performed continuously with effectiveness.

2. Charter Review Committee; establish the duties and responsibilities of the Office of Risk Management, Risk Management Guide and operation guide of the Office of Risk Management for the year 2016/2017.

3. Prepare adequate material for appropriate training process. Establish control, compliance and audit compliance (Compliance and Compliance Audit) Risk management organization with re-checking systems of the management to ensure continuous operation effectiveness (Business Continuity Management System: BCMS) and in alignment with against fraud and corruption, along guidance using policy governance. Revised Annual 2016 is the basis for the preparation of the content.

4. Training managers and employees in seven enterprise locations including headquarter according to the content mentioned above, which the attendants will be evaluated to ensure understanding of the content which they are trained.

5. Prepare necessary practice accordance to the laws and regulations based on COSO - ERM is the process of governance. Control environment, risk control activities, information and

communication, which including monitoring and evaluation of the overall process in the seven enterprise locations including headquarter. The company will be responsible for controlling compliance (Compliance), the company used as the basis for monitoring compliance with such terms.

6. The process of evaluating the risks of fraud and corrupt. As a tool to monitor and control the risk of fraud (FRA Tool: Fraud Risk Assessment Tool), which also set guidelines on the supervision and control of the organization. The purpose is to monitor the potential risks of fraud and corrupt and protect the company from such risk. The company has the responsibilities to prevent such incident occurrences. To designated personals to be responsible for the coordinating, monitoring and evaluating of the overall activities within the operation of the company. Furthermore, the internal auditors of the company are monitoring and reviewing the information provided by the process whose responsibility is to provide risk action plan and the policies of anti- corruption.

7. Establishment of the campaign and training session with strategic partners and the company's customers to combat corruption. Such establishment was carried out on September 12, 2016 at KSL Tower, 17th floor. The Company is emphasis on operational transparency and fairness. The campaign illustrates partners and customers to understand and the importance of fight against corruption as a whole team in the future.

8. Define the risk definition and risk base lines for each risk factor for the year 2016/2017, which have been reviewed and approved by the Board Risk Management Committee.

9. Plan to support the analysis and evaluation of new risk factors for the year 2016/2017 and provide guidelines and measures in response to the potential risk. To serve as guidelines for the preparation of a joint report risk status at 4/2017.

10. The initial meeting for the Office of Risk Management to carry out the operation and necessary actions.

11. Support the preparation of the annual report risk status in 2016 according to the work of seven enterprises including headquarter.

12. The risk status report for the year 2016 was reported to the Group's Board of Directors. The data shows that the existing risk categories reduced risks categories and increased risk categories. The detailed information is presented for the management to take necessary corrective action plans.

According to the results of the operation, the committee concludes that the internal control systems of the Group remained at an acceptable status of the overall organization. However, improvement should be carried out to achieve Risk Management Committee's overall standard requirements and objectives.

## **12. Related party transactions**

Related party transactions for the year ended 31 October 2016 and 2015 disclosed in this section comprise of transactions between the enterprises and subsidiaries, associated, and individuals that may have the conflict of interest as follows:

### **Related Party Relationship as at October 31, 2016**

#### **Subsidiaries**

<b>Company name</b>	<b>Relationship</b>
Tamaka Sugar Industry Co., Ltd. Manufacture and distribution of sugar and molasses	Tamaka Sugar Industry Co., Ltd. is controlled by the company which owns 90.21% of the subsidiary's shares. Individuals that relate to directors of the company own 9.79% of the subsidiary's shares. Therefore, related transactions between the company and subsidiary are not required to disclose because the ownership proportion is less than 10%.
New Krung Thai Sugar Factory Co., Ltd. Manufacture and distribution of sugar and molasses	New Krung Thai Sugar Factory Co., Ltd. is controlled by the company which owns 95.78% of the subsidiary's shares. Individuals that relate to directors of the company own 4.22 % of the subsidiary's shares. Therefore, related transactions between the company and subsidiary are not required to disclose because the ownership proportion is less than 10%.
New Kwang Soon Lee Sugar Factory Co., Ltd. Manufacture and distribution of sugar and molasses	New Kwang Soon Lee Sugar Factory Co., Ltd. is controlled by the company which owns 98.61% of the subsidiary's shares. Individuals that relate to directors of the company own 1.39 % of the subsidiary's shares. Therefore, related transactions between the company and subsidiary are not required to disclose because the ownership proportion is less than 10%.
K.S.L. Real Estate Co., Ltd. Housing and land for agriculture estate including holiday resort for training, seminar center and Office building for rent	K.S.L. Real Estate Co., Ltd. is a subsidiary of and controlled by the company, Tamaka Sugar Industry Co., Ltd. which owns 40.77% and 50.25% of the subsidiary's shares, respectively. Individuals that relate to directors of the company own 8.98 % of the subsidiary's shares. Therefore, related transactions between the company and subsidiary are not required to disclose because the ownership proportion is less than 10%.

Company name	Relationship
K.S.L. Export Trading Co., Ltd. Export sugar as exporting agent	K.S.L. Export Trading Co., Ltd. is a subsidiary of and controlled by the company, Tamaka Sugar Industry Co., Ltd., New Krung Thai Sugar Factory Co., Ltd. and New Kwang Soon Lee Sugar Factory Co., Ltd. which own 33.87%, 20.85%, 15.36% and 9.47% of the subsidiary's shares, respectively. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Thawatchai Rojanachotikul, Mr. Sukhum Tokaranyaset and Mr. Chalush Chinthammit.
Savannakhet Sugar Corporation Agricultural Operation, Manufacture and distribution of sugar and molasses	Savannakhet Sugar Corporation is controlled by the company which owns 98.49% of the subsidiary's shares. None of major shareholders and directors of the company own the subsidiary's shares. Therefore, related transactions between the company and subsidiary are not required to disclose.
Koh Kong Sugar Industry Co., Ltd. Manufacture and distribution of sugar and molasses which are during investment process	Koh Kong Sugar Industry Co., Ltd. is controlled by the company which owns 80.00% of the subsidiary's shares. None of major shareholders and directors of the company own the shares. Therefore, related transactions between the company and subsidiary are not required to disclose.
Koh Kong Plantation Co., Ltd. Agricultural Operation	The Company holds shares indirectly which owns 80.00% of the subsidiary's shares. None of major shareholders and directors of the company own the shares. Therefore, related transactions between the company and subsidiary are not required to disclose.

### Associates

Company name	Relationship
Champion Fermentation Co., Ltd. which manufacture and distribute of glutamic acid and glutamate (Present the company has Holding company.)	Champion Fermentation Co., Ltd. is an associate of and controlled by the company which owns 32.50% of the associate's shares. Major shareholders and directors of the company own 18.00% of the subsidiary's shares. Other major shareholders are a group of Taiwanese businessman. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Sukhum Tokaranyaset and Mr. Thawatchai Rojanachotikul.
Thai Sugar Terminal Public Company Limited Locating, silo warehouse and property rental	Thai Sugar Terminal Public Company Limited is an associate of and controlled by the company which owns 23.82% of the associate's shares. Major shareholders and directors of the company own 17.42% of the subsidiary's shares. The company also has common directors namely Mr. Somchai Chinthammit and Mr. Chalush Chinthammit.

**Related Companies**

<b>Company name</b>	<b>Relationship</b>
K.S.L. IT Center Co., Ltd. Provide computerized and database services to parent company and related parties	K.S.L. IT Center Co., Ltd. is controlled by Raja Ceramics Co., Ltd., and Thai Fermentation Industry Co., Ltd., whose stakes individually equal to 50% of K.S.L. IT Center Co., Ltd.'s shares. The company also has common directors namely Mr. Chatri Chinthammit.
Raja Ceramics Co., Ltd. Manufacture and distribution of ceramic products	Raja Ceramics Co., Ltd. is controlled by the same shareholder group of the company who owns 49.10% of Raja Ceramics Co., Ltd.'s shares. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Sukhum Tokaranyaset, Mr. Thawatchai Rojanachotikul, Mr. Trakarn Chunharojrit and Mr. Chalush Chinthammit.
Thai Fermentation Industry Co., Ltd. Manufacture and distribution of seasoning powder	Thai Fermentation Industry Co., Ltd. is controlled by the same shareholder group of the company who owns 42.76% of Thai Fermentation Industry Co., Ltd.'s shares. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Sukhum Tokaranyaset, Mr. Thawatchai Rojanachotikul, and Mr. Somchai Chinthammit.
On Nuj Construction Co., Ltd. Hotel and real estate agent	On Nuj Construction Co., Ltd. is controlled by the same shareholder group of the company who owns 70.38% of On Nuj Construction Co., Ltd.'s shares. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Chalush Chinthammit, Ms. Duangkae Chinthammit and Ms. Duangdao Chinthammit.
K.K. Wood Industry Co., Ltd. Manufacture and distribution of processing products	K.K. Wood Industry Co., Ltd. is controlled by the same shareholder group of the company who owns 88.75% of K.K. Wood Industry Co., Ltd.'s shares. There is no common director.
Amarco Co., Ltd. Distribution of pesticide products	Amarco Co., Ltd. is controlled by the same shareholder group of the company who owns 100% of Amarco Co., Ltd.'s shares. There is no common director.

**12.1 The following transactions were carried out with related parties:****12.1.1 Sales and purchases of goods and services including balance transaction (for the year ended 31 October 2016 and 2015)**

Customers	Sellers/ Service providers	Type of Transaction / Conditions	Amount (Thousand Baht)		Necessity and reasonableness
			31 Oct 16	31 Oct 15	
Thai Fermentation Industry Co., Ltd.	Khon Kaen Sugar Industry Public Company Limited	- Sales of molasses - Gain on sale of investments - Other accounts receivable	588 10,700 3	26,412 - 9	The Company and its subsidiaries sold molasses to Thai Fermentation Industry as raw material. The transactions arose in ordinary course of business which carried out at market price on normal terms. Tamaka Sugar Industry provided a service of modify machine to Thai Fermentation Industry which carried out at cost plus administrative expense.
	Tamaka Sugar Industry Co., Ltd.	- Sales of molasses - Other accounts receivable	15 -	- 2,589	
K.K. Wood Industry Co., Ltd.	Khon Kaen Sugar Industry Public Company Limited	- Sales of supply and parts - Trade accounts receivable Sale of sugar - Other accounts receivable Sale of supply and parts	439 11  -	456 14  4	The Company sold other product consisted of supplies and spare parts to K.K. Wood Industry Co., Ltd. to put into production process which carried out at cost plus administrative expense.
Khon Kaen Sugar Industry Public Company Limited	Thai Fermentation Industry Co., Ltd.	- Sale of chemical and water - Other accounts payable	963 140	475 74	The Company's group purchased chemical product as caustic soda and hydrochloric acid from Thai Fermentation Industry Co., Ltd. to clean their machineries. The product price of Thai Fermentation Industry Co., Ltd. was less than the others from price comparison because they were by product from production process.
Tamaka Sugar Industry Co., Ltd.		- Sale of chemical and water	12	18	
New Krung Thai Sugar Factory Co., Ltd.		- Sale of chemical and water	13	18	
New Kwang Soon Lee Sugar Factory Co., Ltd.		- Sale of chemical and water	48	28	

Customers	Sellers/ Service providers	Type of Transaction / Conditions	Amount (Thousand Baht)		Necessity and reasonableness
			31 Oct 16	31 Oct 15	
Khon Kaen Sugar Industry Public Company Limited	K.K. Wood Industry Co., Ltd.	- Purchase of property	54,185	-	K.K. Wood Industry Co., Ltd., which operates sift sugar grade size special to Mondelez International (Thailand) Co., Ltd. Since 2003, had the plans to out of business and the Company wishes to purchase machineries to be used in production of the Company.
Khon Kaen Sugar Industry Public Company Limited	K.S.L. Export Trading Co., Ltd.	- Service fees of goods exporting	7,743	5,803	Sugar exporting has to be made by only company that authorized by Cane and Sugar Board in the Royal Gazette according to the sugarcane and sugar act. The Company's group and Prachaup Industry Co., Ltd. therefore established K.S.L. Export Trading Co., Ltd. to only be export agent and documental support. K.S.L. Export Trading Co., Ltd. will charge service fees at cost plus administrative expenses according to volume of goods.
Tamaka Sugar Industry Co., Ltd.		- Service fees of goods exporting	1,606	2,723	
New Krung Thai Sugar Factory Co., Ltd.		- Service fees of goods exporting	2,320	6,334	
New Kwang Soon Lee Sugar Factory Co., Ltd.		- Service fees of goods exporting	803	771	
Savannakhet Sugar Corporation		- Service fees of goods exporting	304	370	
Khon Kaen Sugar Industry Public Company Limited	Thai Sugar Terminal Public Company Limited and its subsidiary company	- Service fees for goods custody and transfer	40,798	17,738	The Company needs to use wharf and transfer services for group of sugar factory. Thai Sugar Terminal Public Company Limited priced service fees of goods custody and goods exporting were charge according to volume of goods and custody time, which are general rates in the market.
Tamaka Sugar Industry Co., Ltd.		- Other income	2,164	1,391	
		- Other accounts receivable	1,264	694	
		- Other accounts payable	2,377	359	
		- Service fees for goods custody and transfer	12,663	18,072	
	- Other income	1,325	2,391		
	- Other accounts receivable	21	-		
	- Other accounts payable	105	-		

Customers	Sellers/ Service providers	Type of Transaction / Conditions	Amount (Thousand Baht)		Necessity and reasonableness
			31 Oct 16	31 Oct 15	
New Krung Thai Sugar Factory Co., Ltd.	Thai Sugar Terminal Public Company Limited and its subsidiary company	- Service fees for goods custody and transfer	8,599	13,982	The Company needs to use wharf and transfer services for group of sugar factory. Thai Sugar Terminal Public Company Limited priced service fees of goods custody and goods exporting were charge according to volume of goods and custody time, which are general rates in the market.
		- Other income	140	1,031	
		- Other accounts receivable	9	3	
		- Other accounts payable	1,059	110	
		- Accured Expenses	-	228	
New Kwang Soon Lee Sugar Factory Co., Ltd.		- Service fees for goods custody and transfer	-	820	
		- Other income	-	200	
Khon Kaen Sugar Industry Public Company Limited	K.S.L. IT Center Co., Ltd.	- Service fees of computerized activities	6,471	5,854	K.S.L. IT Center Co., Ltd. was established for serve computer service center within the group companies. The said company priced service fees calculated by investment cost and operating expense to allocate according to actual data usages of each company.
		- Prepaid expenses	665	367	
Tamaka Sugar Industry Co., Ltd.		- Service fees of computerized activities	2,710	1,876	
		- Prepaid expenses	36	204	
New Krung Thai Sugar Factory Co., Ltd.		- Service fees of computerized activities	3,001	2,851	
		- Prepaid expenses	120	245	
New Kwang Soon Lee Sugar Factory Co., Ltd.		- Service fees of computerized activities	1,690	1,438	
		- Prepaid expenses	45	90	
K.S.L. Real Estate Co., Ltd.		- Service fees of computerized activities	140	19	
K.S.L. Export Trading Co., Ltd.		- Service fees of computerized activities	164	164	
Savannakhet Sugar Corporation		- Service fees of computerized activities	558	410	
Koh Kong Sugar Industry Co., Ltd.		- Service fees of computerized activities	519	497	
Koh Kong Plantation Co., Ltd.		- Service fees of computerized activities	143	137	



12.1.2 Rental fee (for the year ended 31 October 2016 and 2015)

Lessor	Lessee	Significant transaction	Amount (Thousand Baht)		Necessity and reasonableness of Connected Transaction
			31 Oct 16	31 Oct 15	
Khon Kaen Sugar Industry Public Company Limited	On Nuj Construction Co., Ltd.	Office rental area of 202.84 square meters and car park at the rate of Baht 300 per square meter per month and are allowed to be renewed annually (01/11/16 - 31/10/18)	730	730	The Company has rent out office space to its companies group due to locate office centrally and conveniently. Rental fees were carried out at market prices on normal trade and agreement commencement date. Office rental and asset rental condition were set mainly concern about benefit to the company.
	Chengteh Chinaware (Thailand) Co., Ltd.	Office rental area of 495.54 square meters and car park at the rate of Baht 300 and 242 per square meter per month respectively and are allowed to be renewed annually (01/01/16 - 31/12/16)	1,784	1,784	
	K.S.L. IT Center Co., Ltd.	Office rental area of 432.62 square meters and car park at the rate of Baht 300 per square meter per month and are allowed to be renewed annually (01/08/16 - 31/07/17)	1,557	1,557	
	Amarco Co., Ltd.	Land rental area of 536 square meters at the rate of Baht 1,996 per square meter per month for the period of 20 years (01/02/04 - 31/01/24) with rental rate will be raised 10% every 3 years and has canceled the rental on October 31, 2016.	21	24	

Unit : Thousand Baht

Lessor	Lessee	Significant transaction	Amount (Thousand Baht)		Necessity and reasonableness of Connected Transaction
			31 Oct 16	31 Oct 15	
	K.K. Wood Industry Co., Ltd.	Land rental area of 1,728 square was at the rate of Baht 99,200 per annum and are allowed to be renewed every 3 years (15/01/14 - 14/01/17) with rental rate will be raised 10% every 3 years and has canceled the rental on October 31, 2016.	79	99	The Company has rent out office space to its companies group due to locate office centrally and conveniently. Rental fees were carried out at market prices on normal trade and agreement commencement date. Office rental and asset rental condition were set mainly concern about benefit to the company.
	K.S.L. Export Trading Co., Ltd.	Office rental area of 33.48 square meters at the rate of Baht 300 per square meters per month and is allowed to be renewed annually (01/10/15 - 30/09/16)	121	10	
Tamaka Sugar Industry Co., Ltd.	K.S.L. Export Trading Co., Ltd.	Office rental area of 30.00 square meters with furniture at the rate of Baht 300 per square meters per month and is allowed to be renewed annually (01/09/14 - 31/08/15)	-	99	The Company has rent out office space to its companies group due to locate office centrally and conveniently. Rental fees were carried out at market prices on normal trade and agreement commencement date. Office rental and asset rental condition were set mainly concern about benefit to the company.
Champion Fermentation Co., Ltd.	Tamaka Sugar Industry Co., Ltd.	Land rental area of 270 rai at the rate of Baht 740 per rai and is allowed to be renewed every 3 years (04/08/16 - 03/08/19)	200	200	Land leasing is for a plot of experimental sugar cane plantation and sugar cane research. Rental fees were charged at market prices.

12.1.3 Borrowings from/ Loans to related parties (for the year ended 31 October 2016 and 2015)

Unit : Thousand Baht

For the year ended 31 October 2016							
Borrower	Lender	As at 1 Nov 2015	Loan addition during the period	Repayme nt during the period	As at 31 Oct 2016	Interest paid	Necessity and reasonableness of Connected Transaction
Khon Kaen Sugar Industry Public Company Limited	KSL Tower Juristic Person office	6,100	900	(100)	6,900	127	Khon Kaen Sugar Industry Public Company Limited has got financial support from KSL Tower Juristic Person office via short-term loans which is callable promissory notes, the loans are used for working capital, interest rates at 2.05-2.55% per annum and the interest is payable at the end of each month.

Unit : Thousand Baht

For the year ended 31 October 2015							
Borrower	Lender	As at 1 Nov 2014	Loan addition during the period	Repayme nt during the period	As at 31 Oct 2015	Interest paid	Necessity and reasonableness of Connected Transaction
Khon Kaen Sugar Industry Public Company Limited	KSL Tower Juristic Person office	3,200	7,900	(5,000)	6,100	166	Khon Kaen Sugar Industry Public Company Limited has got financial support from KSL Tower Juristic Person office via short-term loans which is callable promissory notes, the loans are used for working capital, interest rates at 2.05-2.55% per annum and the interest is payable at the end of each month.

Unit : Thousand Baht

For the year ended 31 October 2016							
Borrower	Lender	As at 1 Nov 2015	Loan addition during the period	Repayme nt during the period	As at 31 Oct 2016	Interest paid	Necessity and reasonableness of Connected Transaction
Prachaup Industry Co., Ltd.	K.S.L. Export Trading Co., Ltd.	-	659,471	(659,471)	-	3,518	The loan was provided as financial supporting through K.S.L. Export Trading Co., Ltd. which was registered according to the laws and regulations of sugar exporting. The credit line from financial institution was defined and borrowed by K.S.L. Export Trading Co., Ltd. Then, K.S.L. Export Trading Co., Ltd. lent to sugar factories. Therefore, K.S.L. Export Trading Co., Ltd. represents an intermediary for credit line carried out. Prachaup Industry Co.,Ltd. pledged sugar exporting and promissory note as collaterals against credit facilities from K.S.L. Export Trading Co., Ltd. and no fee is charged for the inter-credit facility guarantee.

Unit : Thousand Baht

For the year ended 31 October 2015							
Borrower	Lender	As at 1 Nov 2014	Loan addition during the period	Repayme nt during the period	As at 31 Oct 2015	Interest paid	Necessity and reasonableness of Connected Transaction
Prachaup Industry Co., Ltd.	K.S.L. Export Trading Co., Ltd.	-	956,645	(956,645)	-	8,343	The loan was provided as financial supporting through K.S.L. Export Trading Co., Ltd. which was registered according to the laws and regulations of sugar exporting. The credit line from financial institution was defined and borrowed by K.S.L. Export Trading Co., Ltd. Then, K.S.L. Export Trading Co., Ltd. lent to sugar factories. Therefore, K.S.L. Export Trading Co., Ltd. represents an intermediary for credit line carried out. Prachaup Industry Co.,Ltd. pledged sugar exporting and promissory note as collaterals against credit facilities from K.S.L. Export Trading Co., Ltd. and no fee is charged for the inter-credit facility guarantee.

Unofficial Translation

**Policy on Future Related party transactions**

The Audit Committee passed the resolution of related party transactions as the followings:-

The Audit Committee has reviewed the related party transactions described in the table above and given the view that it was in accordance with normal business practice and carried out at market price.

**Policy on future related party transactions****1. Normal Business Transactions**

Normal business transactions include transfer and transport services and warehouse rental from Thai Sugar Terminal Public Company Limited and sales and purchases of sugar between the company and the subsidiaries. These connected transactions will firstly be brought to the company's consideration in respect of the company's interests and be ensured that they will be carried out at market price.

**2. Rental Service Transactions**

Rental service transactions will be carried out at market price and the same rate given to third parties.

**3. Sales and Purchases of Assets and Investments**

Sales and purchases of assets and investments are an increase of capital in order to maintain the same shareholding proportion as previously held. It is also an investment for the current business expansion and the future business growth. The policy of sales and purchases of assets and investments will firstly be brought to the company's consideration in respect of the company's interests and the justification for entering into the transaction, the necessity and appropriateness of such transactions.

**4. Borrowings from/ Loan to persons having potential conflict of interest**

Borrowings from/ Loan to persons having potential conflict of interest will firstly be brought to the company's consideration in respect of the justification for entering into the transaction, the necessity and appropriateness of such transactions.

**5. Other Related Transactions**

Other related transactions are transactions other than 1-4 stated above.

Related party transactions between the company and the subsidiaries and the persons having potential conflict of interest, having a stake in or possibly having a conflict of interest in the future shall be subject to the opinion of the Audit Committee for their consideration in respect of the justification for entering into the transaction, the necessity and appropriateness of such transactions. In case the Audit Committee considers it lack expertise required for the consideration of possible transactions, it is empowered to recruit experts as needed. Experts, for example, could be an auditor or an independent appraisal officer, which is independent from both the company and persons having potential conflict of interest. The opinion of these recruited experts will be used in the decision-making of the Audit Committee and/or the Board of Directors of the company and/or shareholders as the case may be.

The Board of Directors of the company ensures compliance with the laws on securities and exchange, regulations, notifications, orders or any requirements of the Stock Exchange of Thailand, including compliance with regulations on the disclosure of information on connected transactions and the acquisition or disposal of important assets of the company or its subsidiaries, and compliance with the accounting standards established by the Institute of Certified Accountants and Auditors of Thailand.

**Capital structure of individuals having potential conflict of interest over 10%**

Capital structure of individuals having potential conflict of interest over 10% is as the followings:-

1. Thai Sugar Terminal Public Company Limited (TSTE)

The individuals having potential conflict of interest own 17.42% of the TSTE's shares. The company owns 23.82% of the TSTE's shares and has no policy to increase its capital proportion. Moreover, the shareholders and directors have no intention to transfer their benefits to one of these two companies. In addition, Thai Sugar Terminal Public Company Limited has many directors from other sugar companies; thus, power balancing in TSTE is reasonable for both companies. To conclude, the related transactions between the company and TSTE are in line with the characteristics of normal trading in the market which will maximize highest value to both companies.

2. Champion Fermentation Co., Ltd.

The individuals having potential conflict of interest own 18.00% of Champion Fermentation Co., Ltd.'s shares. Other major shareholders are a group of Taiwanese businessman. Champion Fermentation Co., Ltd., formerly, has no business transactions except land leasing. However, Champion Fermentation Co., Ltd. has invested in cassava starch industry which does not relate to sugar industry in the end of 2004. The purpose of investment is for dividend received in the future and In the year 2016, the Company sold its all investment in Champion Fermentation Co., Ltd. to Thai Fermentation Industry Co., Ltd.

In conclusion, the shareholding structure of the company and the subsidiaries, which is owned by the individuals having potential conflict of interest over 10% in some companies, is the result from the past. Currently, the company has an intention changing its structure in order to minimize those conflicts. In addition, the company has the policy to directly invest in subsidiaries and associates in the future. Also, there will be the limitations in shareholding proportion for the individuals having potential conflict of interest except it will be done to maximize the company's value. Furthermore, the persons having potential conflict of interest will not make any investments in business that may constitute the conflicts of interest to the company or in competitive business to the company.

### **13. Financial Information**

The corporate accounting period begins on November 1 and ends on October 31 of every year.

#### **13.1) Report of Independent Auditor**

##### **1) Auditor**

Year 2014	Miss Wimolporn Boonyusthian, Certified Public Accountant, Registration No. 4067, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
Year 2015	Miss Wimolporn Boonyusthian, Certified Public Accountant, Registration No. 4067, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
Year 2016	Mr. Niti Jungnitnirundr, Certified Public Accountant, Registration No. 3809, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

##### **2) Summary of the audit reports over the past three years**

Year 2014	The Auditor reviewed corporate financial statements and issued unconditional opinions.
Year 2015	The Auditor reviewed corporate financial statements and issued unconditional opinions.
Year 2016	The Auditor reviewed corporate financial statements and issued unconditional opinions.

Note : for the year ended October 31, 2016, Khon Kaen Sugar Industry Public Company Limited and its subsidiaries have changed their accounting policies for investment property and assets not used in operation for land from cost method to fair value method and have adopted Thai Financial Reporting Standards No. 10 "Consolidated Financial Statements" and Thai Financial Reporting Standards No. 13 "Fair Value Measurement" for the first time. The corresponding figures thus have been retrospectively restated to be in accordance with those new accounting policies.

#### **13.2) Percentage of Shareholding in the Subsidiaries and Consolidated Financial Statements Preparation Criteria**

The financial statements for 2014, 2015 and 2016 include a total of 14 subsidiaries

**Table 13.1: Percentage of Direct and Indirect Corporate Shareholding**

	<u>% of Shareholding</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Tamaka Sugar Industry Company Limited	90.21	90.21	90.21
New Krung Thai Sugar Factory Company Limited	95.78	95.78	95.78
New Kwang Soon Lee Sugar Factory Company Limited	98.61	98.61	98.61
KSL Real Estate Company Limited*	91.02	91.02	91.02
KSL Export Trading Company Limited**	79.55	79.55	79.55
KSL Material Supplies Company Limited	100.00	100.00	100.00
Khon Kaen Sugar Power Plant Company Limited	100.00	100.00	100.00
KSL Green Innovation Public Company Limited***	100.00	100.00	100.00
KSL Agro and Trading Company Limited	100.00	100.00	100.00
WSP Logistic Company Limited****			
Savannakhet Sugar Corporation	98.49	98.49	98.49
Koh Kong Plantation Company Limited*****	80.00	80.00	80.00
Koh Kong Sugar Industry Company Limited	80.00	80.00	80.00
Wynn In Trading Company Limited	100.00	100.00	100.00

**NOTE:**

\* The Company hold shares indirectly through Tamaka Sugar Industry Company Limited

\*\* The Company holds shares indirectly through New Krung Thai Sugar Factory Company Limited, Tamaka Sugar Industry Company Limited and New Kwang Soon Lee Sugar Factory Company Limited.

\*\*\* KSL Green Innovation Public Company Limited, formerly name Khon Kaen Alcohol Company Limited.

\*\*\* WSP Logistic Company Limited, established in year 2016, currently still does not operate, the company objective is to provide logistics services.

\*\*\*\* The Company holds shares indirectly through Wynn In Trading Company Limited.

The Company previously consolidated Thai Sugar Terminal Public Company Limited and its subsidiaries ("TSTE Group") because the Company and TSTE Group had mutual certain key management personnel. However, the Company's management have reassessed the principle of control in accordance with Thai Financial Reporting Standards No. 10 "Consolidated Financial Statements", and believe that having mutual key management personnel has not caused the Company to have control but only have significant influence over TSTE Group since the date of the Company has become involved with TSTE Group. Consequently, TSTE Group is classified as associate which is no longer consolidated in preparation of the Company's consolidated financial statements.

**13.3) Profit and Loss Statement**

In 2016, the company generated the revenues from operations of THB 16,911 million, in total, decreasing from that in the previous year by 3%. The revenue from sales amounted to THB 16,744 million and the revenue from services amounted to THB 167 million. Regarding the increase in world sugar price in 2016, the export sugar price increased by 7-15% but the company had sales



volume, dropped by 8% from lower sugar cane volume. In addition, the revenue from ethanol sales and electrical sales decreased. As a result, revenue from operations, in total, decreased from that in the previous year by 3%.

The company recorded the total cost of THB 13,279 million, decreased by 4% from previous year. The gross profit decreased by 2% from THB 3,692 million to THB 3,632 million.

Other incomes in 2016 amounted to THB 1,422 million, compared to THB 523 million in 2015. The increases came from, as followings:

	<u>2015</u>	<u>2016</u>
(1) Gain from asset sales	21 million	1 million
(2) Gain on fair value adjustments of investment property	1,138 million	20 million
(3) Gain (Loss) from exchange rate	37 million	-139 million
(4) Gain (Loss) from derivatives	27 million	171 million
(5) Revenue from Compensation for sugar production	- million	197 million
(6) Other incomes	275 million	273 million
(7) Asset Impairment	-76 million	- million
Total	1,422 million	523 million

As a result, the company had the profit before the selling and administrative expenses THB 5,055 million, increased by 20%, compared to previous year.

Regarding the selling and administrative expenses

- (1) The company incurred selling expenses totaled THB 542 million, decreasing by 12% due to decrease in export volume.
- (2) Administrative expenses totaled THB 758 million, increasing by 15% which caused by allowance for farmer bad debt THB 55 million and impairment of obsolete supplies of THB 28 million.
- (3) Fee paid to Sugar Fund, THB 1,150 million, dropped from previous year at THB 1,157 million.

Subsequently, the company had the profit before financial cost and tax expenses totaled THB 2,464 million, increasing by 50 %.

In 2016, the company incurred financial cost of THB 710 million, a decrease by 13%. The corporate income tax burden amounts to THB 371 million. After deduction of THB 14 million, minority interests, the company's net profit increased by 66% from the previous year, from THB 862 million to THB 1,426 million in 2016.

**Table 13.2 : Consolidated Profit and Loss in the past 3 years**

Income Statement Highlight (Million THB)	2016	2015 Restate	% Change	2014 Restate
Sales and Services	16,911	17,475	-3%	19,185
Cost of Sales and Services	(13,279)	(13,783)	-4%	(14,358)
Gross Profit from Sales and Services	3,632	3,692	-2%	4,827
Other Incomes	1,422	523	172%	447
Gross Profit before SG&A	5,055	4,216	20%	5,274
Selling Expenses	(542)	(618)	-12%	(623)
Administration Expenses	(758)	(659)	15%	(727)
Management Remuneration	(141)	(140)	1%	(193)
Proceeds to Fund	(1,150)	(1,157)	-1%	(992)
Total Cost	(2,591)	(2,575)	1%	(2,534)
Profit before financial cost and tax	2,464	1,641	50%	2,740
Financial cost	(710)	(817)	-13%	(834)
Share of Profit of Associated Company	57	55		(11)
Corporate Income Tax	(371)	(39)	848%	(109)
Non-Controlling interest	(14)	22		(159)
Net Profit	1,426	862	66%	1,626
EPS	0.32	0.21	50%	0.48
Gross Margin from Sales and Services	21.5%	21.1%		25.2%
Net Profit Margin	8.4%	4.9%		8.5%

Note : The income statement of 2015 and 2016 recorded TSTE Group as associates. The income statement of 2014 recorded TSTE Group as subsidiaries. Regarding EPS, for comparison purpose, the share volumes in 2014 were calculated by using par at 0.5 THB per share.

With reference to the company's revenue structure, the total revenues from operations were THB 16,911 million. The company had revenues from sales of sugar and molasses amounted to THB 13,564 million, accounting for 82% of the total revenue. Revenues from sales of ethanol and gasoline totaled THB 2,023 million, representing 12% of the total revenue. Electricity sales, which the corporate power generation facilities had distributed to Grid (EGAT & PEA), amounted to THB 808 million, accounting for 5% of the total revenue. Revenues from sales of fertilizer totaled THB 5 million. Revenues from service amounted to THB 167 million, and other revenues amounted to THB 13 million. The rest of the revenues were generated from trading amounted to THB 331 million.

**Table 13.3 : Consolidated Revenue Structure in the past 3 years**

Revenue Structure (Million THB)	2016	2015 Restate	% Change	2014 Restate
Sales and Services				
Sugar Sales	13,084 79%	12,933 76%	1%	13,154
Molasse Sales	326 2%	330 2%	-1%	190
Other Income from sugar & molasses	154 1%	113 1%	36%	136
Electric Sales	808 5%	1,011 6%	-20%	1,141
Ethanol and Benzene Sales	2,023 12%	2,510 15%	-19%	2,391
Fertilizer Sales	5 0%	17 0%	-70%	28
Wheat Flour, Palm oil and Sacks	0 0%	0 0%		1,161
Services	167 1%	156 1%	7%	466
Others	13 0%	18 0%	-27%	16
Total	16,580 100%	17,090 100%	-3%	18,683
Trading Activities				
Sales of fuels	186 56%	298 77%	-38%	377
Sales of fertilizer	118 36%	64 17%	84%	73
Sales of Supplies	26 8%	23 6%	13%	53
Total	331 100%	386 100%	-14%	502

Note : The revenue structure of 2015 and 2016 recorded TSTE Group as associates. The revenue structure of 2014 recorded TSTE Group as subsidiaries.

### 13.4) Statement of Financial Position of the Company and its Subsidiaries

**Table 13.4 : A Summary of the Consolidated Statement of Financial Position in the past 3 years**

Statement of Financial Position Highlight (Million THB)	2016	2015 Restate	% Change	2014 Restate
Cash & Short Term Investments	85	175	-51%	168
Trade and Other receivables	1,407	2,119	-34%	1,969
Short-Term Loans	1,273	1,097	16%	1,234
Inventories	2,552	3,394	-25%	3,992
Other Current Assets	85	92	-7%	94
Investment in an associate	387	357	8%	295
Other long-term investments	371	374	-1%	369
long-term loans	358	480	-25%	445
Deferred cane plantation costs	407	518	-21%	543
Investment property	4,496	3,355	34%	3,141
Property, plant and equipment	26,029	24,758	5%	25,183
Other non-current assets	925	800	16%	697
<b>Total Assets</b>	<b>38,375</b>	<b>37,517</b>	<b>2%</b>	<b>38,131</b>
Current liabilities	10,591	8,028	32%	13,649
Non-Current liabilities	11,134	15,047	-26%	10,683
<b>Total Liabilities</b>	<b>21,724</b>	<b>23,075</b>	<b>-6%</b>	<b>24,332</b>
<b>Total Shareholders' Equity</b>	<b>16,650</b>	<b>14,442</b>	<b>15%</b>	<b>13,799</b>
D/E Ratio	1.30	1.60		1.76
IBD/E Ratio	1.13	1.47		1.55

In 2016, the company and its subsidiaries had the total assets of THB 38,375 million, 2% increased from the total assets of previous year of THB 37,517 million. Total liabilities decreased by 6% from THB 23,075 million in 2015 to THB 21,724 million in 2016 which affected total debt to equity ratio decreased from 1.60 in 2015 to 1.30 in 2016 and interest-bearing debt to equity ratio also decreased from 1.47 in 2015 to 1.13 in 2016. The accounts that changed significantly are as follow;

(1) Trade and other receivables decreased by 34% from 2015, since the company received the revenue compensation for sugar production and the revenue compensation for the payment of the provisional sugarcane price more than final sugarcane price. As a result, the sugarcane and sugar fund had the obligation to pay the amount back to the company in total THB 652 million. In 2016, the company had received these full amount of payment.

(2) 15% increase in Short term loans due to that the company bought back post date check from the farmer, higher than those of previous year

(3) Inventories decreased by 25% from the reduction of goods storage in warehouses ( sugar, ethanol, organic fertilizer), compared to the amount of year 2015.

(4) 34% increase in Investment property from the appraisal in higher value of the asset.

(5) Property, plant and equipments increased by 5%, from higher appraisal value of land and the investment in the expansion project of sugar mill and powerplant in Wangsapung, Loey.

(6) Other non-current assets increased by 16%, from higher appraisal value of land in assets not yet used in operation.

(7) Current liabilities increased by 32% while non-current liabilities decreased by 26% due to the portion of long-term debt which will be due within 1 year in 2016 with the amount of THB 5,011 million, higher than the current portion in 2015 of THB 2,512 million.

(8) The total liabilities decreased by 6% from THB 23,075 million to THB 21,724 million due to debt repayment. As a result, the debt to equity ratio reduced from 1.60 to 1.30 in 2016 and interest bearing debt ratio reduced from 1.47 to 1.13 in 2016.

### 13.5) Cash Flow Statement

**Table 13.5 : Cash Flow Statements of the Company in the past 3 years**

Cash Flow Highlight (Million THB)	2016	2015 Restate	% Change	2014 Restate
Net Profit + Depre + Non Cash	2,428	2,785	-13%	3,875
Change in Working Capital	1,585	(1,319)		(2,278)
<i>from Operating Activities</i>	4,012	1,466	174%	1,598
Invest in PP&E	(1,282)	(573)	124%	(2,638)
<i>from Investing Activities</i>	(1,320)	(552)	139%	(3,195)
<i>from Financing Activities</i>	(2,797)	(782)	258%	1,708
Change in Cash Flow	(86)	0		57
Ending Cash	82	168		256
Depreciation	1,118	1,139	-2%	1,131

*Note : The cash flow statement of 2015 and 2016 recorded TSTE Group as associates. The statement of 2014 recorded TSTE Group as subsidiaries.*

In 2016, the company and its subsidiaries received cash flows from their operations before change in working capital totaled THB 2,428 million, a 13% decreased from year 2015 due to the decrease from the ethanol and power plant operations, while in 2016, the company had better control in working capital, less receivables and less inventories. As a result in 2016, the company and its subsidiaries have THB 4,012 million of cash flow from operating activities or increased by 174%.

Regarding the cash flows from investing activities, the company and its subsidiaries had cash paid in (net) totaled THB 1,320 million, of which THB 1,282 million was mainly invested in properties, plants and equipment (net) mainly from the expansion project of sugar mill and powerplant in Wangsapung, Loey.

Regarding financing activities in 2016, the company and its subsidiaries paid the net cash of THB 2,797 million, mainly from debt repayment.

**13.6) Financial Ratios****Table 13.6 : Financial Ratios**

Financial Ratios (Million THB)	2016	2015 Restate	2014 Restate
<b>Short term liquidity ratios</b>			
Current Ratio	0.51	0.86	0.55
Acid Test Ratio	0.26	0.42	0.25
Collection period	20	20	N/A
Days of inventory	69	89	N/A
<b>Capital Structure and Solvency ratio</b>			
D/E Ratio	1.30	1.60	1.76
IBD/E Ratio	1.13	1.47	1.55
LTD to equity	0.67	1.04	0.77
<b>Return on Investment ratios</b>			
ROA	4%	2%	4%
ROE	9%	6%	12%
<b>Operating performance ratios</b>			
Gross Profit Ratio	21%	21%	25%
Operating Profits to sales	15%	9%	14%
Pretax profit to sales	11%	5%	10%
Net income to Sales	8%	5%	8%
<b>Market Measures</b>			
Book Value per Share	3.67	3.49	3.91
Earning Per Share	0.32	0.21	0.48

According to the 2016 financial ratios, liquidity ratios that is part of Current ratio and Acid test ratio had reduced due to that the portion of long-term debt which will be due within 1 year in 2016, total amount of THB 5,011 million, caused higher current liabilities. However, the company had the plan to finance some portion of the debt by issue new debenture.

Regarding solvency ratios, it can be seen that the D/E ratio, IBD/E ratio and LTD to equity had decreased as a result of debt repayment, working capital control and higher appraisal value of assets.

In terms of profitability ratios, the gross profit margin was closed to those of previous year, while Operating Profit to sales, Pretax profit to sales, and Net Income to Sales improved, mainly from gain on fair value adjustments of investment property.

## **14. Management Discussion and Analysis**

Regarding the report of our financial performance of year 2016 (November 2015 – October 2016), the Company recorded a net profit of THB 1,426 million, compared to the net profit of THB 862 million last year, representing an increase of 66%. The details were, as followings;

### **Sugar Business in Thailand recovered by the increase of world sugar price.**

In 2016, the world sugar price increased, after the price dropped to the lowest at 10.13 cents/lbs during second half of 2015 (as shown in Chart 1: World Sugar Price, cents/lbs). As a result, the average sugar selling price in 2016 increased, raw sugar export price increased by 13.7% from 10,463 THB per ton to 11,893 THB per ton, refined and white sugar export price increased by 7.6% from 13,793 THB per ton to 14,837 THB per ton. Domestic sugar price was unchanged. In overall, sugar selling price increased by 5.9%. According to production cost, due to that raw material cost related to world sugar price, following the regulated system under 70:30 revenue sharing, higher world sugar price resulted in higher raw material cost. however, in 2016, with the improvement of the Company production efficiency (COW), the average production cost had a small increase by 4%-5%.

In 2016, the sugar sale volume dropped, due to (1) the drought, the sugar cane crushed decreased by 13% from 8.7 million tons to 7.6 million tons in 2016. (2) less inventory carryover than those of previous year. The sugar sale volume dropped by 8.1% from 895,786 tons in 2015 to 823,437 tons in 2016.

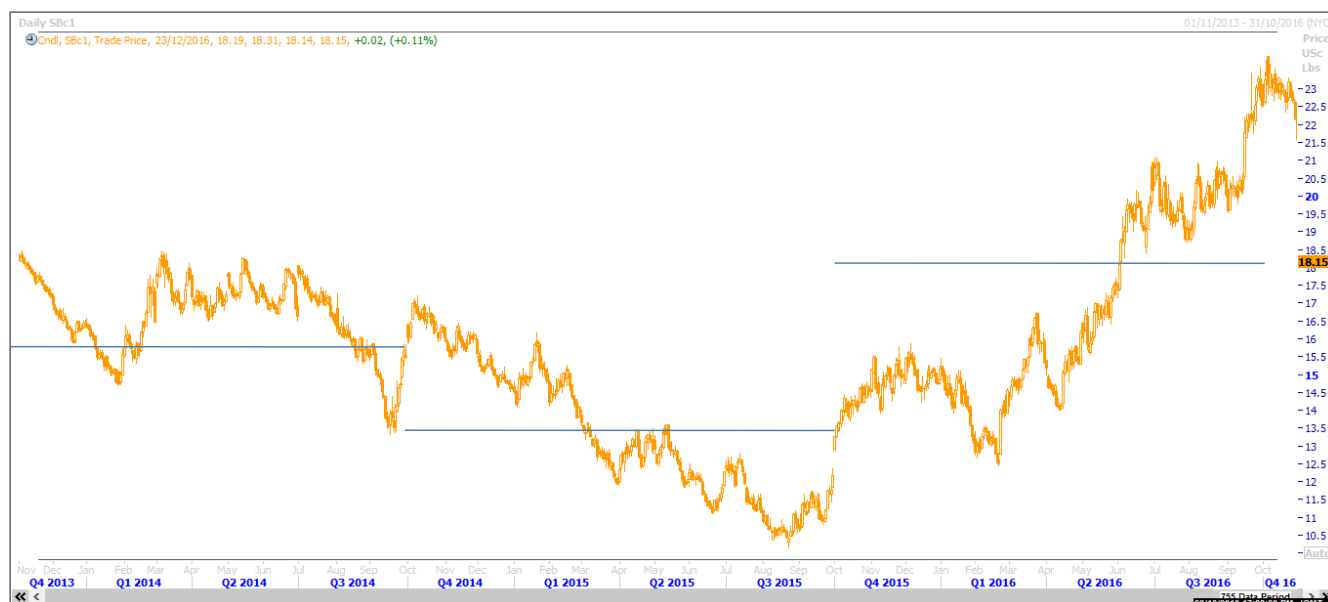


Chart 1 shown the world sugar price, cents/lbs, during the period from 1 Nov to 31 Oct, for 3 years

### **Sugar Business in Oversea, Less Loss compared to previous year by world sugar price recovery**

The Company recorded the improvement in overseas sugar business performance by world sugar price recovery. Different from sugar business in Thailand, the raw material costs of overseas sugar business were mostly from actual sugar cane plantation costs. These costs were not related to world sugar price (the raw material cost of sugar business in Thailand related to world sugar price, under 70:30 revenue sharing system). In 2016, the Company recorded higher sugar sale volume

from 27,481 tons in 2015 to 52,404 tons in 2016. The sugar selling price increased by 23% - 26%. However, due to the drought, the sugar cane volume from our own cane plantation reduced, less than our expectation. As a result, the sugar business in oversea still got loss but less loss than previous year.

*Note : Based on Separate statements of profit and loss of Khon Kaen Sugar Industry, the Company made an assessment of impairment loss to investment in sugar business in oversea and recorded impairment loss of THB 744.53 million.*

**Ethanol business performance decreased due to lower selling price and lower sale volume**

In 2016, the Company ethanol sale volume dropped from 97.12 million litre in 2015 to 85.44 million litre in 2016, due to the drought in Kanchanaburi Area. This caused, there were not enough water to run the production for 3 months. In addition, the selling price in 2016 decreased to 23.56 THB per litre from 25.71 THB per litre in 2015 which came from the price drop in cassava, another competitive crop, used for producing ethanol. The ethanol producers based on cassava, were able to compete the price with the ethanol producers based on molasses. This ended up to lower selling ethanol price.

**Power business dropped from lower selling price and lower sale volume**

In 2016, due to one of turbine machine breakdown and the drought impact to Kanchanaburi Area, together with lower sugar cane crushed, the Company's power business had a decrease in performance. The electric sale volume to grid dropped by 8.3% from 300,292 MW-hr in 2015 to 275,456 MW-hr in 2016. The electric selling price dropped by 12.8% from 3,368 THB per MW-hr to 2,935 THB per MW-hr in 2016.

**The value increase of investment property due to higher land price appraisal.**

In 2016, due to higher government's land appraisal price and with the purpose to reflect current existing asset value, the Company had appraised the new value of the land used in operation, land not used in operation and the investment property. Regarding the investment property, the Company changed the policy recording the value of investment property in financial statement, from the valuation using cost method to the valuation using fair value method. These fair value of investment property were determined by an independent appraiser. As a result, the Company recorded the gain on fair value adjustments of investment property (after tax) of THB 910.62 million and recorded loss on impairment of assets (after tax) of THB 60.60 million. Totaling, the Company recorded net gain (after tax) at THB 850.02 million THB

In overall 2016 performance, the Company recorded a net profit of THB 1,426 million, compared to the net profit last year at THB 862 million, representing an increase of 66%. The Company's total assets were recorded at THB 38,275 million, with total liabilities of THB 21,724 million and total shareholders' equity of THB 16,650 million. Debt to Equity Ratio (D/E) and Interest Bearing Debt to Equity Ratio represented at 1.30 and 1.13, respectively. The Company recorded net cash received from operating activities of THB 4,012 million, net cash used in investing activities of THB 1,319 million, and net cash used in financial activities (pay back) of THB 2,797 million.

## Information Certification

We have reviewed the information contained in the Annual Information Disclosure Form and, with carefulness in our capacity of the company's Executive Directors or as top executives in charge of accounting, hereby certify that the information is correct, complete and true and does not cause any misunderstanding or concealment. We further certify that

(1) The financial statements and financial information that are integral parts of the Form provide correct and complete information in material aspect pertaining to the financial position, operating results and cash flow of the company and its subsidiaries.

(2) We are responsible for having the company put in place a reliable disclosure system to ensure the company has correctly and completely disclosed material information of the company and its subsidiaries and has complied with the disclosure regulations.

(3) We are responsible for having the company put in place a good internal control system and ensuring its compliance with this system. We have duly reported to our external auditor and Audit Committee the internal control assessment as of October 31, 2016 which also involved the significant errors and changes in our internal control system as well as any misconduct that may affect the financial transactions of the company and its subsidiaries.

As evidence of our making of certification of information accuracy, we have authorized Mr. Chalush Chinthammit to initial all the pages of this document. Any information without Mr. Chalush Chinthammit's signature will be treated as non-certified information.

Name - Surname		Position	Signature
1. Mr.Chamroon	Chinthammit	Chief Executive Officer	.....
2. Mr.Prapas	Chutimavoraphand	Executive Director	.....
3. Mr.Pornsin	Thaemsirichai	Executive Director	.....
4. Mr.Sukhum	Tokaranyaset	Executive Director	.....
5. Mr.Thawatchai	Rojanachotikul	Executive Director	.....
6. Mrs.Intira	Sukanindr	Executive Director	.....
7. Ms.Duangdao	Chinthammit	Executive Director	.....
8. Mr.Somchai	Chinthammit	Executive Director	.....
9. Ms.Duangkae	Chinthammit	Executive Director	.....
10. Mr.Chalush	Chinthammit	Executive Director	.....

Unofficial Translation



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Name - Surname		Position	Signature
11. Mr.Tarkarn	Chunharojrit	Executive Director	.....
12. Mr.Tachpong	Pakornsiriwongse	Executive Director	.....

Name - Surname		Position	Signature
Authorized Person			
Mr.Chalush	Chinhammit	Executive Director	.....

We have reviewed the information contained in the Annual Information Disclosure Form, and with carefulness in our capacity of the company's Directors, have no grounds for believing that the information is incorrect, incomplete and false or causes any misunderstanding or represents any concealment.

As evidence of our making of certification of information accuracy, we have authorized Mr. Chalush Chinthammit to initial all the pages of this document. Any information without Mr. Chalush Chinthammit's signature will be treated as non-certified information.

Name - Surname		Position	Signature
1. Mr.Manoo	Leopairot	Chairman	.....
2. Mr.Somchat	Chinthammit	Director	.....
3. Mr.Chattri	Chinthammit	Director	.....
4. Mr.Pramoon	Vichiensin	Independent Director	.....
5. Pol.Lt.Gen Boonpen	Bunpenboon	Independent Director	.....
6. Mr.Sitti	Leelakasemlurk	Independent Director	.....
7. Mr. Karun	Kittisataporn	Independent Director	.....
8. Mr. Warapatr	Todhanakasem	Independent Director	.....
9. Ms. Nongluck	Phinainitisart	Independent Director	.....

Name - Surname		Position	Signature
Authorized Person			
Mr.Chalush	Chinthammit	Executive Director	.....

### Details of Company's Directors, Executives, Authorized Person and Company Secretary

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
1. Mr. Manu Leopaiprote - Chairman of the Board of Directors (Since 15 October 2004)	73	- B.Sc. in Economics (Honours), Thammasat University - M.Sc.(Economics) University of Kentucky, USA -Honorary Degree of Doctor of Business Administration, Thammasat University, Thailand - Diploma Industrial Development, Nagoya , Japan - Diploma, National Defence College Class 34 - Diploma, Chairman 2000 (3/2001) - Director Certification Program (DCP) (30/2003) -IOD Chairman Forum 2014	-None-	-None-	2004 – Present	- Chairman	- Khon Kaen Sugar Industry PLC. and Affiliate of KSL Sugar Factories *
					2004 – Present	- Permanent Secretary	- Ministry of Industry
					1999 - 2004 2002 – 2006 Present Present Present	- Chairman	- SME Bank -TMC Industrial PLC. - ARIP PLC. - Polyplex (Thailand) PLC. - Jubilee Enterprise PLC.
					Present	- Audit committee	-Thai Beverage PLC. (Singapore Stock Market)

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
2. Mr. Chamroon Chinthammit  - President and CEO - Director Since 26 February 2004 (Authorized signatory)	66	- BBA in Faculty of Commerce and Accountancy Honours) Chulalongkorn University - Director Accreditation Program (DAP) (17/2004) by IOD - Chairman 2000 Program (10/2004) by IOD - Honorary Degree of Doctor of Arts(สาขาการจัดการภูมิสังคม) Srinakharinwirot University ,Thailand	94,133,231 shares  2.1344%	- Brother-in-law of Mr. Prapas Chutimavoraphand - Brother-in-law of Mr. Pornsin Thaemsirichai - Brother of Mrs. Intira Sukhanindr - Brother of Mr. Somchai Chinthammit - Brother of Miss Duangkhae Chinthammit - Brother of Miss Duangdao Chinthammit - Uncle of Mr. Chalush Chinthammit - Uncle of Mr. Chatri Chinthammit	2004– Present	- President and CEO	- Khon Kaen Sugar Industry PLC. and Affiliate of KSL Sugar Factories *
					1996 – Present	- Director	
					1989 – Present	- President	- Champion Fermentation Co., Ltd.
					1996 – Present	- President	- KSL Real Estate Co., Ltd.
					2000 – Present	- President	- Thai Fermentation Industry Co., Ltd.
					1997 - Present	- President	- Chengteh Chinaware (Thailand) Co.,Ltd.
					2001 - Present	- President	- TFI Green Biotech Co., Ltd.
					2002 - Present	- President	- KSL Export Trading Co., Ltd.
					2003 – Present	- President	- Khon Kaen Sugar Power Plant Co., Ltd.
					2003 – June 2016	- President	- KSL Material Supply Co., Ltd.
					2006 - Present	- President	- Koh Kong Sugar Industry Co., Ltd.
					2006 - Present	- President	- Savannakhet Sugar Corporation
					2006 – Present	- President	- KSL. Agro and Trading Co., Ltd.
					2009 – Present	- President	- Rajasolar Material Co., Ltd.
					1997 – Present	- Director	- Onnuch Construction Co., Ltd.
					1996 – Present	- Director	- Thai Sugar Millers Corp. Ltd.
					2004 – Present	- Director	- Chantaburi Starch Co., Ltd.
					2004 – Present	- Director	- Khon Kaen Alcohol Co., Ltd. (rename KSL Green Innovation PLC. Since October 14, 2016 )
					2006 – 2009	- Director	- The Cane and Sugar Board Ministry of Industry

M.L. Charuvadhana Chinthammit			52,775,901 Shares 1.1967 %	Spouse			
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Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
3. Mr. Prapas Chutimavoraphand  - Director and Executive Director Since 26 February 2004	78	- Vocational Certificate, Chonradsadornumrung School - Director Accreditation Program (DAP) (17/2004) by IOD	24,962,188 shares 0.5660 %	Brother in law of President & CEO	1976 – Present	- Director and Senior Vice President	- Khon Kaen Sugar Industry PLC. and Affiliate of KSL Sugar Factories *
						- Director	-Khon Kaen Sugar Power Plant Co.,Ltd.
					1996 –Present	- Managing Director	-Onnuch Construction Co.,Ltd
					2003 - Present	- CEO & Managing Director	- Thai Sugar Terminal PLC. and Affiliate companies
					1969 -Present	- CEO	- TS Flour Mill PLC.
Mrs. Sumitra Chutimavoraphand			21,574,000 Shares 0.4892%	Spouse			

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
4. Mr. Pornsin Thaemsirichai  - Director and Executive Director Since 26 February 2004 (Authorized signatory)  - Senior Vice President – Production & Technique	72	- B.Eng. in Civil Chulalongkorn University - MS in Engineering North Dakota State University, USA. - MBA.,The University of Southern Queensland, Australia - Director Accreditation Program (DAP) (18/2004) by IOD - Director Certification Program (DCP) (50/2004)	29,390,196 Shares  0.6664 %	Brother in law of President & CEO	1976 - present	- Director and Senior Vice President	- Khon Kaen Sugar Industry PLC.
					1983 - Present	- Director and Senior Vice President	-Affiliate of KSL Sugar Factories *
					2010 – Present	- Chairman	- Koh Kong Plantation Co., Ltd.
					2003 – Present	- Managing Director	- Khon Kaen Sugar Power Plant Co., Ltd.
					2003 – June 2016 2007 – Present 2006 – Present 2013 - Present  2004 – 2016	- Director - Director - Director - Director  - Director	- KSL Material Supplies Co., Ltd. - Savannakhet Sugar Corporation - Koh Kong Sugar Industry Co., Ltd. - Sahamit Machinery PLC. - Khon Kaen Alcohol Co., Ltd. (rename KSL Green Innovation PLC. Since October 14, 2016 )
Mrs. Montanut Thaemsirichai			30,688,231 Shares  0.6958%	Spouse			

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
5. Mr. Somchai Chinthammit  - Director and Executive Director Since 26 February 2004  - Assistant Vice President	64	- Diploma, Computer College, Germany - Certificate Mini MBA., Thammasat University - Director Accreditation Program (DAP) (17/2004) by IOD	96,225,726 Shares  2.1819 %	Brother of President & CEO	1980 - Present	- Director and Assistant Vice President	- Khon Kaen Sugar Industry PLC.
					1980 - Present	- Director and Assistant Vice President	-Affiliate of KSL Sugar Factories *
Miss Natamont Chinthammit			17,583,759 shares  0.3987 %	Minor Children	2004 – Present	- Director	- Champion Fermentation Co., Ltd.
					2003 – Present	- Director	- Khon Kaen Sugar Power Plant Co., Ltd.
					1981 – Present	- Director	- Thai Fermentation Industry Co., Ltd.
					2008 - Present	- Director	- Thai Sugar Terminal PLC and subsidiaries



Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
6. Ms. Duangkae Chinthammit  - Director and Executive Director Since 26 February 2004  - Assistant Vice President	60	- Diploma from Katinka School, United Kingdom - Certificate Modern Managers Program (MMP), Chulalongkorn University - Director Accreditation Program (DAP (17/2004) by IOD	99,683,643 shares  2.2603 %	Sister of President & CEO	1980 - Present	- Director and Assistant Vice President	- Khon Kaen Sugar Industry PLC.
					2004 – Present	- Director and Assistant Vice President	-Affiliate of KSL Sugar Factories *
					2005 - Present	- Director	- Sub Sri Thai Warehouse PLC.

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
7. Ms.Duangdao Chinthammit  - Director and Executive Director Since 26 February 2004 (Authorized signatory)  - Vice President – Human Resources  - Director of Nomination and Remuneration Committee	58	-Bachelor of Business Administration, Faculty of Economics and Business Administration. Kasetsart University - Bachelor of Science, Computer Information System, Western Michigan University, USA. - MS in Agricultural Economics, University of Saskatchewan, Canada - BS in Computer Information System, Western Michigan University, USA. - BBA in Business Administration, Kasetsart University - Director Accreditation Program (DAP) (17/2004) by IOD - Director Accreditation Program (DAP) (71/2006) by IOD	99,599,954 shares  2.2584 %	Sister of President & CEO	1995- 2004	- Director and Assistant Managing Director	- Khon Kaen Sugar Industry PLC.
					2004 - Present	- Director and Vice President	Affiliate of KSL Sugar Factories *
					1999 - Present 1996 - Present 2006 - June 2016 2006 - Present	- Director - Director - Director - Director	- KSL Real Estate Co.,Ltd. - Onnuch Construction Co.,Ltd. - KSL Material Supplies Co.,Ltd. - KSL Agro and trading Co., Ltd.
					2005 - Present	- Director	- Sub Sri Thai Warehouse PLC.

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
8. Mr. Tachpong Pakornsiriwongse  - Director and Executive Director Since 26 February 2004	66	- Certificate in Financial Management, Chulalongkorn University  - Director Accreditation Program (DAP) (21/2004) by IOD	158,162 shares  0.0036 %	-None-	1976 - Present 2004 – Present	- Director - Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories *
					2009 – Present 2009 – May 2010 2007 – Present	- Director - Director - General Manager	- Koh Kong Plantation Co., Ltd - KSL Sugar Holding Co.,Ltd. - Koh Kong Sugar Industry Co., Ltd.

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
9. Mr. Trakarn Chunharojrit  - Director and Executive Director - Assistant Vice President Since 26 February 2004  -Assistance Vice President (Retired 31 October 2016)	76	- Certificate in Accounting - Director Accreditation Program (DAP) (17/2004) by IOD	13,621,766 shares  0.3089%	-None-	1976 - Present 1970 – Present 1973 – Present 2006 – Present 1997 – Present	- Director - Director - Director - Director - Director	- Khon Kaen Sugar Industry PLC. - New Krung Thai Sugar Factory Co.,Ltd. - Tamaka Sugar Industry Co.,Ltd. - KSL Agro and Trading Co., Ltd. - Chengteh Chinaware (Thailand) Co.,Ltd.
					1959 - Present 2003 – June 2016  2003 - Present 2003 - June 2016 1989 - Present Present	- Director - Director  - Director - Director - Director - Director	- New Kwang Soon Lee Sugar Factory Co., Ltd. - Khon Kaen Alcohol Co.,Ltd.(rename KSL Green Innovation PLC. Since October 14, 2016 ) - Khon Kaen Sugar Power Plant Co.,Ltd. - KSL Material Supplies Co.,Ltd. - KSL Real Estate Co.,Ltd. - KSL Sugar Holding Co.,Ltd.
Mrs. Rattana Chunharojrit			4,990,392 shares 0.1132%	Spouse			

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
10. Mr. Chatri Chinthammit  - Director (Non – Executive Director) Since 26 February 2004	43	- BBA in Economics, University of The Thai Chamber of Commerce - Master of Science, Computer Science, Bellevue University, USA. - Director Accreditation Program (DAP) (21/2004) by IOD - Successful FORMULATION & Execution Program (SFE) (9/2010) by IOD - TLCA Executive Development Program (EDP) (1/2008) by TLCA	57,467,546 shares  0.3031 %	Nephew of President & CEO	2003 - Present 2004 – Present	- Director - Director	- Khon Kaen Sugar Industry PLC. -Affiliate of KSL Sugar Factories *
					2000 – Present	- Deputy Managing Director (DMD) – Software Department	- KSL IT Center Co.,Ltd.

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
11. Mr.Chalush Chinthammit  - Director and Executive Director Since 26 February 2004 (Authorized signatory)  - Vice President- Business Development  - Risk Management Committee	48	- BBA in Finance and Banking, Assumption University - MBA in Finance and Banking, Mercer University, USA. - Director Accreditation Program (DAP) (21/2004) by IOD - Capital Market Academy Program 10	0.9814	Nephew of President & CEO	2004 – November 2013	- Director and Assistant Vice President	- Khon Kaen Sugar Industry PLC.
					1994- Present	- Director and Assistant Vice President	-Affiliate of KSL Sugar Factories *
					2003 - Present	- Director	- Khon Kaen Alcohol Co.,Ltd. (rename KSL Green Innovation PLC. Since October 14, 2016 )
					1997 – Present	- Director	- KSL Real Estate Co.,Ltd.
					2003 – Present	- Director	- Khon Kaen Sugar Power Plant Co.,Ltd.
					2003 - June 2016	- Director	- KSL Material Supplies Co.,Ltd.
					2006 - Present	- Director	- KSL. Agro and Trading Co., Ltd.
					2006 - Present	- Director	- Savannakhet Sugar Corporation
					2002 - Present	- Director	- KSL Export Trading Co.,Ltd.
					2003 - Present	- Director	- The Cane and Sugar Act B.E.2527 Committee
					2001- Present	- Director	- Thai Sugar Miller Co.,Ltd.
					1996 - Present	- Director	- Onnuch Construction Co.,Ltd.
					Jul 2007 - Present	- Director	- Thai Sugar Terminal PLC. And subsidiaries
					Present	-Director	- TS Flour Mill PLC.
					2016- present	-Director	- WSP Logistics Co., Ltd.
					2007 - Present	-Deputy Secretary-General	- Thai Sugar and Bio-Energy Producers Association

1.Mr. Chayapat Chinthammit			0.2514	Minor Children			
2.Mr. Chatchapee Chinthammit			0.2514	Minor Children			
3.Miss. Chollapim Chinthammit			0.0085	Minor Children			

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
12. Mr. Sukhum Tokaranyaset - Director and Executive Director Since 26 February 2004 (Authorized signatory)  - Senior Vice President – Accounting & Finance	69	- Vocational Certificate , Kitti Commerce College - Director Accreditation Program (DAP) (18/2004) by IOD	484,600 shares  0.0110 %	-None-	2004 - Present	- Director and Senior Vice President	- Khon Kaen Sugar Industry PLC.
					1972 - Present	- Director and Senior Vice President	-Affiliate of KSL Sugar Factories *
					2002 – Present 2000 - Present 1998 – Present	- Vice Chairman - Vice Chairman - Director	- KSL Export Trading Co.,Ltd. - Rajaporcelain Co.,Ltd. - Chengteh Chinaware (Thailand) Co.,Ltd.
					2006 – Present 2002 – Present 1989 - Present 1989 - Present 2006 - Present 2010 – Present 2000 – Present 2004 – Present 2008 – Present 2002 - Present	- Director - Director - Director - Director - Executive Director - Executive Director - Managing Director - Managing Director - Director - Executive Director	- Raja Product Co., Ltd. - Raja Solar Material Co., Ltd. - KSL Real Estate Co.,Ltd. - Champion Fermentation Co.,Ltd. - Koh Kong Sugar Industry Co., Ltd. - KSL. Agro and Trading Co., Ltd. - TFI Green Biotech Co.,Ltd. - Chantaburi Starch Co., Ltd - Chantaburi Starch and Power Co., Ltd - Thai Fermentation Industry Co.,Ltd.



Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
13. Mr. Thawatchai Rojanachotikul - Director and Executive Director Since 26 February 2004 (Authorized signatory)  - Senior Vice President – Administration	63	- BBA in Business Administration, Auckland Technical institute, New Zealand - Director Accreditation Program (DAP) (17/2004) by IOD	55,937,112 หุ้น 1.2683 %	-None-	2004 - Present	- Director and Senior Vice President	- Khon Kaen Sugar Industry PLC.
					1974 - Present	- Director and Senior Vice President	Affiliate of KSL Sugar Factories*
Mrs. Korakot Rojanachotikul				spouse	2006 - Present 2006 - Present 1998 - Present 1989 – Present 1989 – Present 2002 - Present 1998 - Present	- Director - Director - Director - Director - Director - Director - Director	- Savannakhet Sugar Corporation - KSL. Agro and Trading Co., Ltd. - KSL Export Trading Co.,Ltd. - Champion Fermentation Co.,Ltd. - KSL Real Estate Co.,Ltd. - TFI Green Biotech Co.,Ltd. - Chengteh Chinaware (Thailand) Co.,Ltd.
					2000 – Present		- Thai Fermentation Industry Co.,Ltd.
			4,315,270 หุ้น 0.0978 %				

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
14.Mr. Somchat Chinthammit - Non - Executive Director Since 26 February 2004  - Risk Management Committee	59	- B.Eng in Mechanical, King Mongkut's University of Technology Thonburi - MIM in Marketing, Thammasat University - MBA./Marketing, Chulalongkorn University - Director of Accreditation Program (DAP) (17/2004) by IOD - Directors Certification Program (DCP) (55/2005) by IOD - Audit Committee Program (ACP) (8/2005) by IOD	22,907,921 shares  0.5194%	-None-	2004 - Present 2007 – 31 October 2012	- Director - Chairman of Risk Management Committee	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories*
					2005 - Present	- Independent Director	- UOB Kay Hian Securities (Thailand) PLC.

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
15. Mr. Pramoon Vichiensin  - Independent Director Since 26 February 2004  -Chairman of Nomination and Remuneration Committee	86	- LL.B., Thammasat University - Certificate in Executive Development from NIDA - Director of Accreditation Program (DAP) (11/2004) by IOD - Certificate in Audit Committee Program (ACP) (10/2005) by IOD - Improving The Quality of Financial Reporting (GFR) (4/2006) by IOD	-None-	-None-	2004 - 23 Sep 2010 24 Sep 2010- OCT 2012 1 Nov 2012 - Present	- Chairman of Audit Committee - Audit Committee -Chairman of Nomination and Remuneration Committee	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories*
					1998 - Present 2002 -2003 1987 - 1998	- Qualify person in Law - Advisor on President - Subcommittee	- Bangkok Metropolitan Administration - The Constitutional Court - Office of The National Counter Corruption Commission

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience 5 years up		
					Period	Position	Company/Type of Business
16.Pol.Gen.Boonpen Bumpenboon  - Independent Director Since 26 February 2004  - Chairman of Risk Management Committee - Corporate Governance Committee	72	- LL.B., Sukhothai Thammathirat University - BBA in Public Administration, Royal Police Cadet Academy - Diploma, National Defence College (37) - MPA./ Public Administration, NIDA - Director Accreditation Program (DAP) (11/2004) by IOD	-None-	-None-	2004 – Oct 2012	- Audit Committee	- Khon Kaen Sugar Industry PLC.
					2006 – Oct 2012	- Chairman of Nomination and Remuneration	
					Nov 2012 - Present	- Chairman of Risk Management Committee	
					1 July 2013 - Present	-Corporate Governance Committee	
					2006 - Present	- Council of State	- Office of the Council of State

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
17. Mr. Sitti Leelakasamelurk  - Independent Director Since 26 February 2004  - Chairman of Audit Committee - Risk Management Committee	63	- BA in Accounting, Chulalongkorn University - Director Accreditation Program (DAP) (11/2004) by IOD -Audit Committee Forum 2014 (IOD)	-None-	-None-	2004 – Present 2004 – Sep 2010 2007 – Present 24 Sep 10 – Present	- Independent Director - Audit Committee - Risk Management Committee - Chairman of Audit Committee	- Khon Kaen Sugar Industry PLC.
					1991 – Nov 2014  1994 – Present 2009 – Present  Nov 2014 - Present	- Executive Vice President Support Line1 - Vice Chairman - Member of the Nomination Committee and Member of the Remuneration Committee - Deputy Chief Executive Officer	- Noble Development PLC.
					1995 – Present 2005 – Present 2012 - Present 2013 – Present	- Director - Director - Director - Director	- Continental City Co.,Ltd. - BAN SUK SABAI Co., Ltd. - NK Energy Co., Ltd. -S&P Property Management Co.,Ltd.

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
18. Mrs. Intira Sukhanindr  - Director and Executive Director Since 25 June 2010 (Authorized signatory)  - Vice President – Business Development	70	- Certificate of Secretary, Melbourne, Australia  - Director Accreditation Program (DAP) (50/2006) by IOD	25,471,699 shares  0.5776 %	Elder Sister of President & CEO	2004 – 2010	- Vice President Business Development	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories*
					25 Jun 2010 –Present	-Director / Vice President – Business Development	
					2003 – Present 2004 – Present 2005 - Present 2010 – Present Present	- Director - Director - Director - Director - Director	- Champion Fermentation Co.,Ltd. - Thai Fermentation Industry Co.,Ltd. - Sub Sri Thai Warehouse PLC. - KSL. Agro and Trading Co.,Ltd. - Khon Kaen Sugar Power Plant Co.,Ltd.
					2010 - Present	- General Manager	- KSL Export Trading Co.,Ltd.

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
19. Mr. Karun Kittisataporn  - Independent Director Since 26 February 2010  - Audit Committee - Nomination and Remuneration Committee - Corporate Governance Committee	69	- Bachelor of Commerce & Administration Victoria University of Wellington, N.Z. (under Colombo Plan Scholarship) - M.A. (International Trade) , Syracuse Univ. USA. (under USAID Scholarship) - Commercial Policy Course, GATT, Geneva - National Defense College, Class 388 - Director Certificate Programme, Institute of Directors (DEP) 2006 - Role of the Compensation Committee Program (RCC) 2008 - Financial Statements for Directors Program (FSD) 2009 - Audit Committee Program (ACP) 2013 -Financial Institutions Governance Program (FGP) 2011 -Monitoring the Internal Audit Function (MIA) 2013 -Anti-Corruption for Executive Program (ACEP) 2014	-None-	-None-	2003 – Present	- Director	- Khon Kaen Sugar Industry PLC.
					27 Feb 2010 – Present	- Independent Director	
					1 Nov 2012 - Present	- Nomination and Remuneration Committee	
					1 Nov 2012 - Present	- Audit Committee	- Bank of Ayuthaya PLC.
					26 June 2013 - Present	- Corporate Governance Committee	
					2008 – Present	- Independent Director / - Chairman of Nomination and Remuneration Committee	
					2009 – Present	- Independent Director	- Central Pattana PLC.
					2009 - Mar 2015	- Nomination and Remuneration Committee	
					April 2015 – Present	- Chairman of Nomination and Remuneration Committee	
					2011 – Present	- Audit Committee	- Sahamit Machinery PLC.
					2008 - Present	-Audit Committee	
					2008 – Present	- Executive Chairman	- The Support Art and Crafts International Centre of Thailand
					2006 – Present	- Member	
					2007 – 2 Sep 2014	-Commissioner	- Council of State - The Insurance Commission

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
20. Mr. Warapatr Todhanakasem  - Independent Director Since 26 February 2010  - Risk Management Committee - Audit Committee - Chairman of Corporate Governance Committee	67	- LL.B. Thammasat University - B.Econ. (1 <sup>st</sup> Class Honor) Thammasat University - M.B.A. in Finance Kellogg School of Management, Northwestern University, Evanston, Illinois, USA. - M.S. in Economics University of Illinois, Urbana-Champaign, USA. - Ph.D. in Business Economics University of Illinois, Urbana-Champaign, USA - Directors Certification Program DCP 0/2000 by IOD - The Executive Director Course EDC 1/2012 by IOD	-None	-None-	Feb 2010 – Present	- Independent Director	- Khon Kaen Sugar Industry PLC.
					2009 - Present	- Chairman and Independent Director	- Prinsiri PLC.
					Aug 2012 - Present	- Director	- Amata VN PLC.
					Feb 2012 - Present	- Director	- True Corporation Public Co., Ltd
					Jun 2012 – Present	- President	- Institute of Research and Development for Public Enterprises of Thailand (IRDP)



Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
21. Ms. Nongluck Phinainitisart  - Independent Director Since 26 February 2010  - Audit Committee - Corporate Governance Committee	57	- Bachelor Degree in Electrical Engineering, Chulalongkorn University - Master Degree in Electrical Engineering, University of Missouri, U.S.A. - Doctorate Degree in Electrical Engineering, Chulalongkorn University - Director Accreditation Program (DAP) Class 4/2003 by IOD - Director Certification Program (DCP) Class 71/2006 by IOD -Executive Program, Harvard University, USA -Stanford Executive Program 2013	-None	-None-	Feb 2010 – Present	- Independent Director	- Khon Kaen Sugar Industry PLC. - Khon Kaen Alcohol Co.,Ltd. (rename KSL Green Innovation PLC. Since October 14, 2016 )
					Dec.2012- July 2014	- Independent Director /CHM of the risk management committee	- Government Savings Bank
					Feb. 2012- July 2014 Jan 2012 – July 2014	- Independent Director - Chairman Board	- Thailand Post Co., Ltd.
					2011 – March 2014 2007 - March 2014	- Chief Commercial Officer - Executive Director	- Thaicom PLC.

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience during past 5 years		
					Period	Position	Company/Type of Business
22. Mr. Chanachai Chutimavoraphand  - Vice President – Accounting & Finance	44	- Bachelor Degree Electrical Engineering Chulalongkorn University. - Bachelor of Law, Chulalongkorn University. - Master Degree of Business Administration, Tennessee University, U.S.A. - Master Degree of Arts, Business Law. Chulalongkorn University. - CFA Charterholder, Association for Investment Management and Research (AIMR) - Certificate of Director Accreditation Program (DAP 37/2005)	113,355,499 shares  2.5703 %	Son of Mr.Prapas Chutimavoraphand Senior Vice President - Administration SVP	2003 – Nov. 2012	- AVP Accounting & Finance	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories*
					Nov 2012- Present	- VP Accounting & Finance	
					2006 - Present	- Director	- Koh Kong Sugar Industry Co., Ltd.
					2006 - Present	- Director	- Savannakhet Sugar Corporation
					2003 - June 2016	- Director	- KSL Material Supplies Co., Ltd.
					1996 -Present	- Director	- Onnuch Construction Co.Ltd.
					17Mar 2014 - Present	- Director	-KSL Real Estate Co.,Ltd.
					2004 - Present	- Director	- Khon Kaen Alcohol Co.,Ltd. (rename KSL Green Innovation PLC. Since October 14, 2016 )
					2006 - Present	- Director	- KSL. Agro and Trading Co.,Ltd.
					2016- Present	- Director	- WSP Logistics Co., Ltd.
					2000 - Present	- Executive Director	- Thai Sugar Terminal PCL
					2006 - Present	-Director	- T S Warehouse Co., Ltd.
					2000 - Present	- Director	-T S G Asset Co., Ltd.
					2000 - Present	- Director	-T S Oil Industry Co., Ltd.
					2000 - Present	- Director	-T S Transport and Logistics Co., Ltd
					2000 – Present	- Director	- T S Flour Mill PCL

Name/Position	Age	Education Background	% of share holding	Relation among family within company	Work experience 5 years up		
					Period	Position	Company/Type of Business
23. Mr. Theera Sanguandeeikul  Vice President and Regional Director – Western Plant	66	Bachelor BSc. Chemical Technology, Faculty of Science ,Chulalongkorn University 1974 Master MSc. Chemical Engineering ,University of Wisconsin ,Madison, USA, 1975 Executive MBA , Kasetsart University , 1996	1,650,000 shares  0.0374 %	None	1 Nov 2012 – Present	Vice President and Regional Director – Western Plant	Khon Kaen Sugar Industry PLC
					2003 – June 2016 2007 – Present 2006 – Present	Director Director Director	-KSL Material Supplies Co.,LTD. -Koh Kong Sugar Industry Co., LTD (Cambodia) -Savannakhet Sugar Corporation (Lao PDR) -Khon Kaen Alcohol Co.,LTD (rename KSL Green Innovation PLC. Since October 14, 2016 )
					2003 – Present 1992 – Present 2010 – Present	Director Director Director	- Royal Place Realty Co.,Ltd. - Chareonlarp Development Co.,Ltd. - Royal Residence Development Co.,Ltd.

Name/Position/Date of Appointment	Age	Education Background	% of share holding	Relation among family within company	Work experience 5 years up		
					Period	Position	Company/Type of Business
24. Mr. Dhajjai Subhapholsiri  - Vice President , Office of Company Secretary and Legal  - Company Secretary	60	Bachelor In Law ,Chulalongkorn University  -Institute of Legal Education, Thai Bar Association  - Master Degree Harvard University  <u>Training Records</u>  - UFS 12/2007 by IOD - Fundamental Practice for Corporate Secretary (FPCS) 29/2014 - Corporate Governance for Executives (CGE) 2014 - Company Secretary Program (CSP 59/2014)	None	None	1 March 2014 - Present	- Vice President , Office of Company Secretary and Legal	- Khon Kaen Sugar Industry PLC.
					28 March 2014 - Present	- Company Secretary	
					2001-2014	SVP, Legal Department	- Bangkok Bank PLC.

Remark: \*Affiliate KSL Sugar Factories:

(1) Tamaka Sugar Industry Co., Ltd. (2) New Krung Thai Sugar Factory Co., Ltd. (3) New Kwang Soon Lee Sugar Factory Co., Ltd.

## Name of Directors in Subsidiaries and Associates of Khon Kaen Sugar Industry PCL. on Oct 31,2016

Name		Position																
			Khon Kaen Sugar Industry PCL.	Subsidiaries and Associates														
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Mr. Manu	Leopairote	Chairman	X	X	X													
2. Mr. Chamroon	Chinthammit	Director / Chief Executive Officer and President	//	//	//		X	X	X		X	X	X	X		X		
3. Mr. Prapas	Chutimavoraphand	Director / Executive Director	//	//	//	//		/			/							
4. Mr. Pornsin	Thaemsirichai	Director / Executive Director	//	//	//			/	/					/	X			
5. Mr. Sukhum	Tokaranyaset	Director / Executive Director	//	//	//		/				/	/	/			/		
6. Mr. Thawatchai	Rojanachotikul	Director / Executive Director	//	//	//		/				/	/	/	/				
7. Mrs. Intira	Sukhanindr	Director / Executive Director	//	//	//			/				/	/					
8. Ms.Duangdao	Chinthammit	Director / Executive Director / Nomination and Remuneration Committee	//	//	//						/		/					
9. Mr.Somchai	Chinthammit	Director / Executive Director	//	//	//	/		/				/						
10. Ms. Duangkae	Chinthammit	Director / Executive Director	//	//	//													
11. Mr. Somchart	Chinthammit	Director / Nomination and Remuneration Committee	/	/	/													
12. Mr. Tachpong	Pakornsiriwongse	Director / Executive Director	//	//	//										/			
13. Mr. Chalush	Chinthammit	Director / Executive Director / Risk Management Committee	//	//	//	/	/	/	/		/		/	/	/		/	
14. Mr. Chatri	Chinthammit	Director	/	/	/													
15. Mr. Trakarn	Chunharojrit	Director / Executive Director	//	//	//			/			/		/					
16. Mr.Pramoon	Vichiensin	Independent Director / Chairman of Nomination and Remuneration Committee																
17.Pol.Gen.Boonpen	Bumpenboon	Independent Director / Chairman of Risk Management Committee / CG Committee																
18. Mr. Sitti	Leelakasemlurk	Independent Director / Chairman of Audit Committee / Risk Management Committee																
19. Mr. Karun	Kittisataporn	Independent Director / Audit Committee / Nomination and Remuneration Committee / CG Committee																
20. Mr. Warapatr	Todhanakasem	Independent Director / Chairman of CG Committee / Risk Management Committee / Audit Committee																
21.Ms. Nongluck	Phinainitisart	Independent Director / Audit Committee / CG Committee							/									
22. Mr. Chanachai	Chutimavoraphand	Vice President				//			/				/	/		/	/	
23. Mr. Theera	Sanguandeekul	Vice President							/					/		/		
24. Mr. Wiraj	Chunfong	Assistant Vice President												/				
25. Mr. Narong	Jitnomrat	Assistant Vice President												/				

Name		Position														
		Khon Kaen Sugar Industry PCL.	Subsidiaries and Associates													
			1	2	3	4	5	6	7	8	9	10	11	12	13	14
26. Mr. Piripon	Chinthammit	Assistant Vice President								/		/	/	/		/
27. Mr. Thirapong	Nacasaksevee	Assistant Vice President / Managing Director										/				

## \*\*NOTE :

- |    | Symbols | Position           |
|----|---------|--------------------|
| 1) | X       | Chairman           |
|    | /       | Director           |
|    | //      | Executive Director |
- 2) Name of Subsidiaries and Associates
1. Tamaka Sugar Industry Co., Ltd.
  2. New Krung Thai Sugar Factory Co., Ltd.
  3. New Kwang Soon Lee Sugar Factory Co., Ltd
  4. Thai Sugar Terminal Pcl.
  5. KSL Export Trading Co., Ltd.
  6. Khon Kaen Sugar Power Plant Co., Ltd.
  7. Khon Kaen Alcohol Co., Ltd. (Changed to KSL Green Innovation PCL on 14 October 2016)
  8. KSL Material Supplies Co., Ltd.
  9. KSL Real Estate Co., Ltd.
  10. Champion Fermentation Co., Ltd.
  11. KSL Agro and Trading Co., Ltd.
  12. Savannakhet Sugar Corporation
  13. Koh Kong Plantation Co., Ltd.
  14. Koh Kong Sugar Industry Co., Ltd.
  15. WSP Logistics Company Limited

**Details of Internal Audit Supervisor****MR. CHARTCHAI POOWONG**

EDUCATION : BACHELOR BUSINESS ADMINISTRATION ACCOUNTING KASEM BUNDIRT UNIVERSITY

WORK EXPERIENCE : 2547 – CURRENT INTERNAL AUDIT MANAGER KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY EXPERIENCE IN INTERNAL AUDIT FOR KRUNG THAI PROPERTY DEVELOPMENT CO.,LTD 2546 – 2547 AND PHATRA INSURANCE PUBLIC COMPANY 2536 – 2546

TRAINING : PROFESSIONAL INTERNAL AUDITOR OF THAILAND (CPIAT 21)  
TOOLS AND TECHNIQUES FOR THE AUDIT MANAGER  
INTERNAL QUALITY ASSESSMENT  
AUDITING INFORMATION SYSTEM  
RISK BASED AUDIT  
VALUE ADDED BUSINESS CONTROL THE RIGHT WAY TO MANAGE RISK

### **Details of Appraised value of assets**

In 2016, Khon Kaen Sugar Industry Public Company Limited and its subsidiaries have engaged an independent professional appraisers to perform a revaluation of investment property and land not used in operation, due to have change their accounting policies for investment property and assets not used in operation for land from cost method to fair value method and the appraisal value of land used in operation to reflect the current existing value of assets. The appraisal value of assets by an appraiser using the market approach and income approach, make an investment property with the value of Baht 4,496 million and have gain on fair value adjustments of investment property amount of Baht 1,138 million, land used in operation with the value of Baht 3,160 million, an increase of Baht 1,008 million and loss on impairment of assets amount of Baht 22 million, land not used in operation with the value of Baht 718 million, an increase of Baht 294 million and loss on impairment of assets amount of Baht 54 million.



**Note : The Company disclosed the appraised value of assets, consisted of :**

Types and characteristics of assets	Appraisal (Million Baht)	Name of who role appraiser	Name of operational control or the main appraiser	Objective	The reporting date
Investment Property - Land	2,617	UK VALUATIONS & AGENCY CO., LTD.	Mrs. UDOMSRI NATHIKANCHANALAB Qualified Senior Valuer 026 Mr. NATEE TANGTIDTHAM Qualified Senior Valuer 346	Public	September 19, 2016
- Building	1,879	UK VALUATIONS & AGENCY CO., LTD.	Mrs. UDOMSRI NATHIKANCHANALAB Qualified Senior Valuer 026 Mr. NATEE TANGTIDTHAM Qualified Senior Valuer 346	Public	September 19, 2016
Land used in operation	3,160	UK VALUATIONS & AGENCY CO., LTD.	Mrs. UDOMSRI NATHIKANCHANALAB Qualified Senior Valuer 026 Mr. NATEE TANGTIDTHAM Qualified Senior Valuer 346	Public	September 20, 2016
Land not used in operation	718	UK VALUATIONS & AGENCY CO., LTD.	Mrs. UDOMSRI NATHIKANCHANALAB Qualified Senior Valuer 026 Mr. NATEE TANGTIDTHAM Qualified Senior Valuer 346	Public	September 19, 2016 October 20, 2016

## **Report of the Audit Committee**

The Audit Committee was appointed by the Board of Directors to be responsible for internal auditing, financial report auditing, and to promote and ensure the Company's compliance with the Code of Best Practices for Listed Companies enabling good corporate governance and the efficiency and effectiveness of the corporate risk management and internal audit system.

The Audit Committee shall serve three years term and can rotate among other independent directors. In 2016, the Audit Committee members include

- |    |                             |           |
|----|-----------------------------|-----------|
| 1. | Mr. Sitti Leelakasemlurk    | Chairman  |
| 2. | Mr. Worapat Todhanakasem    | Committee |
| 3. | Ms. Nongluck Phinainitisart | Committee |
| 4. | Mr. Karun Kittisataporn     | Committee |

All members are knowledgeable in accounting, finance, and legal area. Mr. Sitti Leelakasemlurk, Chairman of the Audit Committee, possesses sound knowledge, understanding, professional experience in accounting and finance. He qualified to perform his duties in reviewing the reliability of financial statements in accordance with the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

In 2016, the Audit Committee has 5 meetings with internal control, the management, and auditor as following details:

Name		No. of Meeting
1	Mr. Sitti Leelakasemlurk	5/5
2	Mr. Worapat Todhanakasem	5/5
3	Ms. Nongluck Phinainitisart	4/5
4	Mr. Karun Kittisataporn	4/5

A summary of the important work performed by the Audit committee during the year are as follows:

**1. The accuracy and reliability of financial reporting.**

The Audit Committee has reviewed the quarterly financial statements and consolidated financial statements for the year ended 2016 as of October 31, 2016 to propose to the Board of Directors for approval. The Audit Committee discussed with the Internal Audit, auditor and the management to ensure that the Company's financial reports are accurate, complete and reliable. All documents are prepared in accounting standards and adequately and timely disclosure for the benefit of investors.

**2. Good governance**

Board of Directors and the executives focus on the principles of corporate governance. The Company supports policies anti-corruption policy, reviews the complaints, and comply with the principle of corporate governance.

**3. Risk Management**

The Audit Committee has considered and reviewed the risk assessment along the COSO-ERM Enterprise Risk Management Bureau. In order to assess the risk factors that may affect the business of the Company both in short and long term. The Company also reviewed the results of the risk management on a quarterly basis to ensure that management has implemented risk management to the operating properly.

**4. The adequacy of the internal control system**

The Audit Committee reviews the adequacy of the internal control with the Internal Audit. and auditor on a quarterly basis. They deemed the Company has adequate internal control with reliable financial reporting.

**5. The appropriateness of transactions that may have conflicts of interest.**

The Audit Committee has reviewed the disclosure of transactions between the Company and its subsidiaries and associates which may have a conflict of interest according to the SEC and the SET. The summary is that the Company has operated under normal business conditions with a fair, reasonable without conflict of interests.

**6. Compliance with laws and regulations of the SEC, the SET and laws related to the business of the Company.**

The Audit Committee has reviewed the implementation of the laws together with the Legal Department and Internal Audit. There is no essential issue show that company's practice is contrary to the laws, rules and regulations related to the business of the Company.

**7. The suitability of the auditor**

The Committee agreed that Auditors, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd. has the expertise and good knowledge of the Company. It operates independently, justly, and consistently delivers its work on time. Consequently, the Committee recommends the Board propose the shareholder's meeting to continue appointing Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd. as its auditor for the year of 2017.