



ANNUAL REPORT 2014

KHONBURI SUGAR PUBLIC COMPANY LIMITED



# Vision and Mission

## Vision

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

## Mission

To conduct business with adherence to good corporate governance principal, ethics, and responsibility to all the stakeholders. To improve the quality of products, services, and processes so as to create higher value-added by innovations and new ideas. To promote the learning to result in the differentiation in the corporation's core competency, which will allow the company to grow rapidly with stability. To change and modernize the



# Annual Report 2014

## Khonburi Sugar Public Company Limited

Content	Page
<b>Vision and Mission Overview</b>	
Message from the Chairman and the Chairman of Executive Committee	002
Board of Directors	004
Management Team	006
Business Highlights	008
Financial Highlights	009
<b>Business</b>	
General Information	010
Corporate Background and Major Developments	011
Award and Accreditation	012
Business Operation and Income Structure	013
Marketing and Industry Overview	018
Risk Factors	032
<b>Good Governance</b>	
Shareholding Structure and Management	036
Policy on the Use of Inside Information	048
Directors and Management Profile	049
Corporate Governance	059
Related Party Transactions	067
<b>Financial Report</b>	
Report of The Board of Director's Responsibility to the Financial Reports	069
Report of the Audit Committee	070
Management Discussion and Analysis	072
Independent Auditor's Report and Financial Statements	076
<b>CSR</b>	
Corporate Social Responsibility	123
References	128

## Message from the Chairman and the Chairman of Executive Committee



A handwritten signature in black ink, appearing to read 'S. Wong'.

**Mr. Suthep Wongvorazathe**  
Chairman

A handwritten signature in black ink, appearing to read 'T. Tawintermsup'.

**Mr. Takon Tawintermsup**  
Chairman of Executive Committee

## Dear Shareholders:

In 2014, Khonburi Sugar Group (“KBS Group”) continued to put forward with business expansion in line with the main corporate strategies, which have been set forth following the Vision “to become a leader in cane, sugar and bio-energy businesses”. The Company’s Board of Directors and its shareholders has approved two major investment projects with the total budget of Baht 4,300 million. The first project was the installation of addition production capacity of 12,000 tons cane/day with a budget of approximately Baht 3,100 million. The second project was the construction of a 200,000 liters/day ethanol plant with a budget of approximately Baht 1,200 million. Moreover, the new 35 - Megawatt power plant has started to sell electricity to the Electricity Generating Authority of Thailand (EGAT) under the 22 - Megawatt firm contract on 2 January 2015 (Commercial Operating Date: COD). After the completion of these investment projects, the Company’s production facilities will be upgraded into a full-scale Sugar Energy Complex with efficiency comparable to other large and modern sugar mills in both domestic and international scales.

Additionally, toward the end of 2014, KBS Group has launched three products under the KBS brand: refined sugar - KBS First, natural sugar - KBS Brown, and extra sweet sugar - KBS2X Double Sweet. The last one is the innovative product specially developed to best fit the needs of SME entrepreneurs and new generation consumers. These branding and marketing activities were implemented in line with the management’s policy that aims at not only maximizing value of the company’s products but also capturing business expansion opportunities in the future.

KBS Group has executed all the aforementioned activities under the direction guided by the main corporate strategic platforms, which are to develop the Company’s sugar mill to become a modern and efficient mill, to maximize values from both sugar products and by-products, and to expand into related bio-energy businesses, in which the company has competitive advantages. The main objective is to diversify risks away from depending solely on profits from sales of sugar and molasses. The Company’s overall performance in 2014 has illustrated this risk very well. In 2014 the Group has generated the total revenues of Baht 6,304.5 million, and the net profit of Baht 318.7 million, a decline of 36.5% from 2013. The unfavorable performance is mainly due to the dip in sugar price in the world

market while Khonburi Sugar Group has very low income proportion from bio-energy businesses. However, once the Company’s Sugar Energy Complex is complete, and the KBS brand is strengthened, the Company’s performance will have better immune against sugar price fluctuation than it does today.

As for Corporate Social Responsibility (CSR) aspect, Khonburi Sugar Group is continuously implementing the CSR-DIW (the Corporate Social Responsibility, Department of Industrial Work). Last year, our Group had several projects for the sake of employees and communities within 5 kilometers distance from the mill. For example, the College in the Plant Project was organized to build up new workforce and to encourage employees to have educational opportunity in vocational and higher vocational levels. Other ongoing projects included the Clean Water for Communities Project, the KBS Good People, Smart People Project. There are also new initiatives added in 2014 such as the establishment of the “To be Number One” Club, which aims to prevent and solve drug abuse problem; the “Sweet Sugarcane Day” activity, which is organized to exchange information, knowledge, situation and news about sugarcane and sugar among cane farmers; and a project to sponsor the dredge up of Jarakhe-Hin Canal to remove weeds and soil dunes that may obstruct the flow of water and thus cause a flood to the plantation areas.

Finally, as the representation of the Company’s Board of Directors, I would like to express my gratitude to all employees and executives, who have collaborated and worked hard to develop KBS into a good and efficient organization, which aims at being responsive to the demand of consumers in the food and bio-energy industry. I would also like to thank shareholders, customers, and patrons who give confidence and support to the Company during the past year. The KBS team will continue to work hard and apply our knowledge, skills and experience to strengthen our organization to prepare ourselves for the competition in the industry arising from the introduction of ASEAN Economic Community (AEC) and to finally become a leader in cane, sugar, and bio-energy businesses.

## Board of Directors



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03

01

**01**  
 Mr. Suthep Wongvorazathe  
 Chairman

**02**  
 Mr. Takon Tawintermsup  
 Chairman of Executive Committee

**03**  
 Mr. Somkiat Twiltermsup  
 Director and Executive Director

**04**  
 Mr. Issara Twiltermsup  
 Director and Executive Director

**05**  
 Mr. Tat Wanakornkul  
 Director and Executive Director



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**06**  
Mr. Amnart Rumpoeypong  
Director

**07**  
Mr. Sran Smutkochorn  
Independent director

**08**  
Dr. Tawatchai Nakhata  
Independent Director

**09**  
Mrs. Suvimol Krittayakiern  
Chairman of Audit Committee

**10**  
Mr. Prathueng Srirodbang  
Audit Committee and  
Independent Director

**11**  
Mr. Voravit Rojrapitada  
Audit Committee and  
Independent Director

## Management Team



01

**01**  
**Mr. Tat Wanakornkul**  
 Managing Director

02

**02**  
**Mr. Somkiat Twiltermsup**  
 Assistant Managing  
 Director of Marketing

03

**03**  
**Mr. Issara Twiltermsup**  
 Assistant Managing  
 Director of Corporate Affairs

04

**04**  
**Mrs. Pornpun Boonchaisri**  
 Assistant Managing  
 Director of Accounting & Finance

**05**  
**Mr. Rathavudh Saetang**  
 Sale and Marketing Director

05

**06**  
**Mr. Natthasit Thaitrakul**  
 Khonburi Sugar Factory Director

06





07

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**07**  
Mr. Thanthit Kasemsup  
Business Development Director

**08**  
Mr. Sathaporn Singhathawat  
Cane Development  
Director

**09**  
Mr. Dumrong Putiput  
Technical and Project Director

**10**  
Mr. Thien Keawpradub  
Power Plant Director

**11**  
Ms. Surawee Puangthong  
Senior Accounting & Finance Manager

# Business Highlights

## Business Highlights

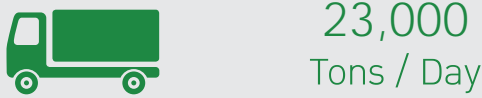
Cane Crush 2.5 Million Tons



Contract Farmer 5,097 contracts



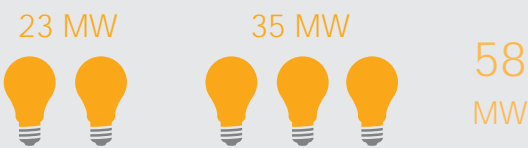
Crushing Unit 23,000 Tons / Day



Refined Capacity 1,200 Tons / Day



Power Plant



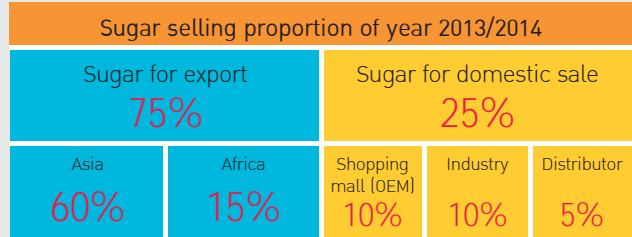
Power Purchased Agreement



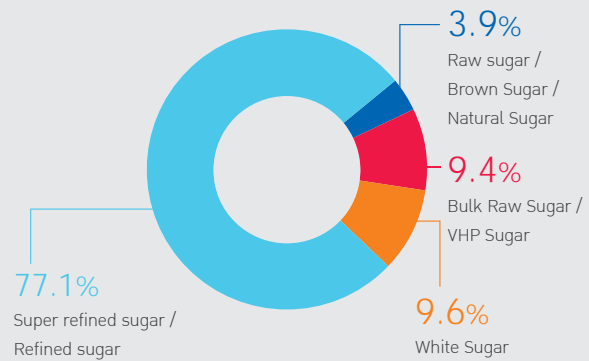
KBS Brand



Sales by Geographic



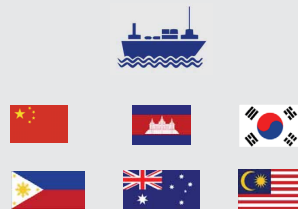
Sales by Geographic



International Customers



Customer Destination



Domestic Customers



Modern Trade



## Financial Highlights

Key Financial Highlight	2012	2013	2014
<b>Financial Status (THB mm.)</b>			
Cash and Cash Equivalents	748	747	302
Total Assets	4,316	5,933	7,727
Total Liabilities	1,530	2,502	3,622
Total Shareholders' Equity	2,786	3,430	4,105
<b>Operating Results (THB mm.)</b>			
Sale and Service Income	6,350	5,904	6,180
Total Revenues	6,637	5,972	6,305
Cost of Sales and Services	5,216	4,793	5,266
Selling and Administrative Expenses	434	479	593
Profit before Finance Cost and Taxes	987	648	444
Finance Cost	57	20	45
Profit for the year	715	502	319
<b>Financial Ratios</b>			
Gross Profit Margin	20.3%	18.1%	14.8%
Net Profit Margin	10.8%	8.4%	5.1%
Return on Asset (ROA)	16.1%	9.8%	4.7%
Return on Equity (ROE)	28.8%	16.1%	8.5%
Total Debt per Equity (D/E)	0.5	0.7	0.9
<b>Value/share (Baht/share)</b>			
Book Value per Share	5.57	6.24	6.84
Earning per Share	1.43	0.92	0.56

## General Information

### Khonburi Sugar Public Company Limited

Registered	:	Khonburi Sugar Public Company Limited
Company registration number	:	0107553000191
Registered capital	:	Baht 600,000,000
Paid-up capital	:	Baht 600,000,000
Nature of Business	:	Manufacture and distribution of sugar and product, which is sold both domestic and overseas.
Head Office	:	5 Soi Sukhumvit 57 Klongton Nua, Wattana, Bangkok 10110 Tel : 02-725-4888 Fax : 02-725-4886
Website	:	www.kbs.co.th
Factory	:	289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel : (044) 448-676, (044) 448-650-1 Fax : (044) 448-500

#### KBS Trading Co., Ltd.

- Established in 2013
- Trading of Sugar and by-Products

#### Khonburi Power Plant Co., Ltd.

- Established in 2008n
- Registered capital 500,000,000 Baht
- Generating and distribution of electricity using bagasses as feedstock
- Commercial Operating Date since January 2, 2015

#### Khonburi Bio Energy Co., Ltd.

- Established in 2004
- Registered capital 7,000,000 Baht
- Manufacturing and distribution of ethanol using molasses as feedstock
- While no significant operation

#### KBS INVESTMENT Co., Ltd.

- Established in 2013
- Holding Company
- Registered capital 10,000,000 Baht
- While no significant operation

#### KBS CANE AND SUGAR Co., Ltd.

- Established in 2013
- Registered capital 5,000,000 Baht
- Manufacturing and distribution of sugar and by-products
- While no significant operation

#### KBS POWER Co., Ltd.

- Established in 2013
- Registered capital 5,000,000 Baht
- Generating and distribution of electricity using bagasses as feedstock
- While no significant operation

# Corporate Background and Major Developments



# Award and Accreditation



By the strong intention of every management and employee to become an organization operating businesses together with the corporate social responsibility, Khonburi Sugar Public Company Limited received award of pride from prestigious institution such as Award of occupation safety and health bureau, Award of social responsibility and governance etc.

- The Best Sugar Mill 2012
- Complimentary Award of the best Sugar Mill 2008
- Quality Standard Mark, Good Manufacturing Practices (GMP)
- Quality Standard Mark, Hazard Analysis and Critical Control Point (HACCP)
- Occupation Safety and Health bureau Award 2012
- Occupation Safety and Health bureau Award 2013
- Occupation Safety and Health bureau Award 2014
- Safety and Health at work Promotion Award 2014
- CSR - DIW Advance Award Level 4 2013
- CSR - DIW Continuous Award 2013
- Testimonial Award of save and restore environment 2013
- Certificate of water resource management 2011
- Green Industry 2012
- Green Industry 2013
- The Certificate of Environmental Friendly of sugar production 2012
- EIA Monitoring Awards 2014
- Good Practices on Productivity and Continuous Improving to Carbon Label



# Business Operation and Income Structure

## 1. Business operation overview

Khonburi Sugar Public Company Limited (KBS) and its subsidiaries under the Khonburi Sugar Group is a group of companies operating an integrated business of sugar manufacturing and distribution. The Group has planned and linked both agricultural and industrial mechanisms together with advantages in raw materials and location. At present, KBS is ranked the 12<sup>th</sup> in the group of sugar manufacturers and distributors of Thailand with the total sugar output in 2014 of 270,027 tons.

KBS Group establishes the vision to be a leading organization in cane, sugar, and bio-energy businesses by integrating human resources, technology and management.

KBS Group considers that Thailand's sugarcane and sugar industry has certain competitive advantages in the world market. Thailand is the second largest sugar exporter in the world with distinguished geographic advantage compared to other competitors.

Thailand is in Asia where the sugar consumption ranges the highest in the world. The consumption growth in Asia is also higher than the global average, due to the sharp economic growth in this region. Therefore, development of Thailand's sugarcane and sugar industry will have great impacts to the economy and livelihood of Asian citizens. Furthermore, Thailand has advantage in sugar manufacturing efficiency and can invest into the power and ethanol businesses, which will increase its overall profitability.

KBS Group has policy to upgrade its current production base to be an efficient, cutting-edge Sugar Energy Complex which is able to create competitive advantage to KBS Group in the long run.

## 2. Sugar production and distribution business

### 2.1 Raw Sugar

Raw sugar is sugar with dark brown color derived from primary production process. There are impurities left in this type of sugar, and its purity level is low. Raw sugar must be taken to purification (refinery) process to become white or refined white sugar before consumption.





## 2.2 Brown Sugar and Natural Sugar

Brown sugar and natural sugar are sugar that have already been refined but have not passed through decolorization process so these types of sugar will have brownish yellow color. It is ready for consumption and is popular among people who are concerned about healthy diet.

## 2.3 White Sugar

White sugar is sugar derived from raw sugar that has passed through purification (refinery) process to remove impurities until sugar is white and clean. This type of sugar is normally used as raw materials in industrial factories that manufacture food products requiring medium level of purity such as energy drink, condensed milk, and drinking yogurt.

## 2.4 Refined Sugar and Super Refined Sugar

Refined sugar and super refined sugar are sugar derived from raw sugar that have passed through purification (refinery) process same as white sugar but with higher level of purity. Refined sugar and super refined sugar come with clear and white crystals, and with this feature, they are widely used as raw materials in industries that require high level of purity such as food, pharmaceutical and soft drink industries. These types of sugar are also popular for general consumption among people.

## 2.5 Sucralose Blended Sugar

The latest innovation of sugar having two times sweetness, because of a blend of sucralose, which is concentrated extract from 100% natural sugarcane. This type of sugar is cost-saving, clean and safe, suitable for small or medium enterprises (SMEs) who would like to save costs and increase profits. Sucralose Blended Sugar can be used by consumers for cooking nutritious and tasty dishes and beverages of all types, whether hot or cold.



### 3. Sugar by-product businesses

Besides manufacturing and distributing high quality sugar, the Company is able to produce the following by-products of sugar production process in order to maximize value-added by expanding into bio-energy businesses.

#### 3.1 Molasses

Molasses are by-products of sugar boiling process, and they are dark brown and sticky liquid. Typically, the Company can get approximately 42-48 kilograms of molasses out of one ton of sugarcane. The Company sells these molasses to a variety of industries as they can be used as raw materials in food industry, beverage industry, or used for the production of alcohol, liquor, yeast, MSG, animal feed, vinegar, soy sauce and seasoning. More importantly, molasses are raw materials in energy industry for the production of ethanol. At present, the Company is planning to construct ethanol production plant with capacity of 200,000 liters per day; the construction will complete at the end of 2016.

#### 3.2 Bagasses

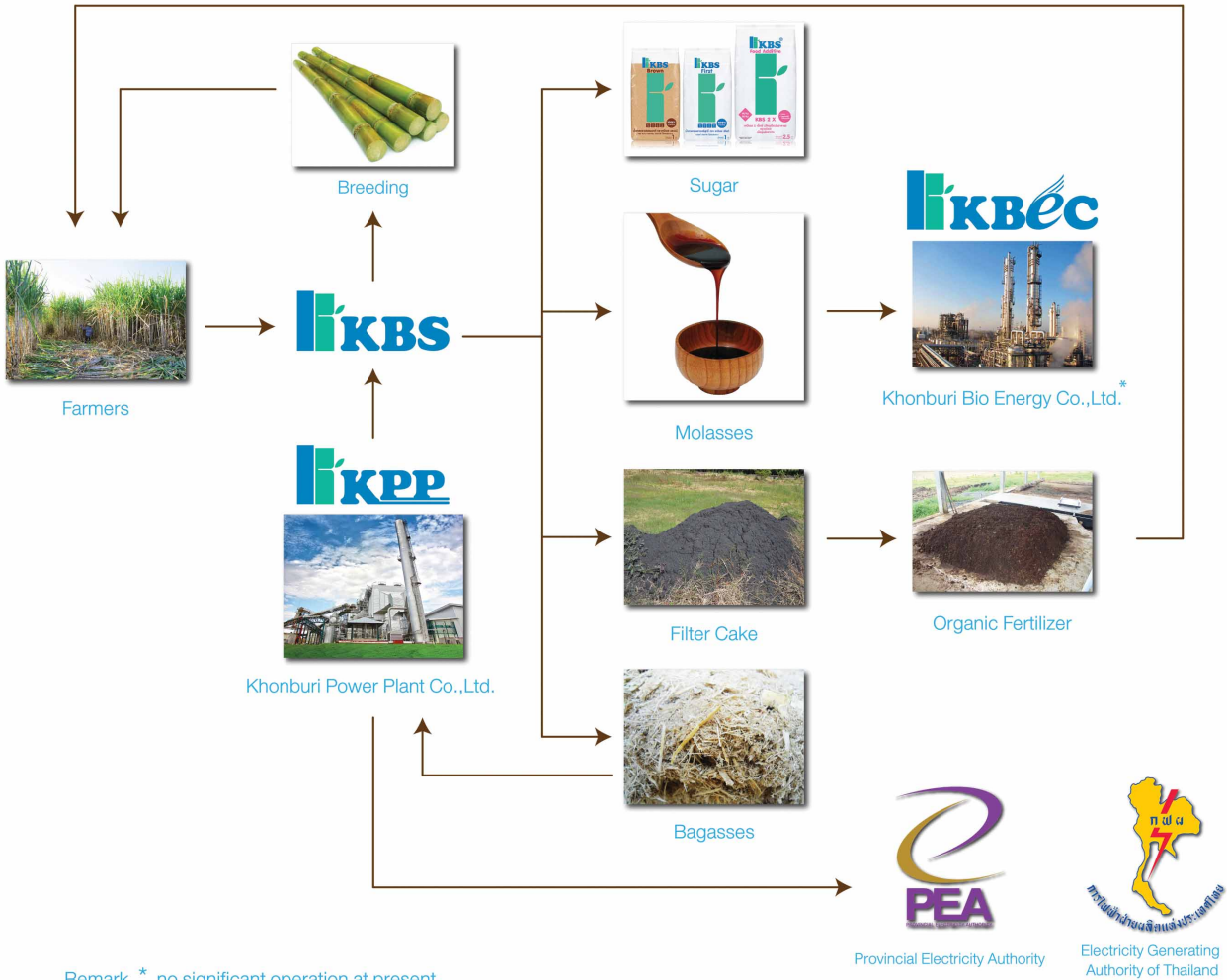
The Company uses bagasses derived from cane crushing process as fuel for steam and electricity production for distribution to our sugar factories. Electricity in excess will be sold to Provincial Electricity Authority (PEA) and Electricity Generating Authority of Thailand (EGAT). Khonburi Power Plant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

To be able to supply electricity sufficient for the increased demand each year, and to continuously strengthen sustainability with regard to electricity, the Ministry of Energy by Energy Policy and Planning Office therefore establishes and amends Thailand's electricity capacity development plan, B.E. 2010-2030 (PDP 2010 3rd Revision) in accordance with national economic and social development plan. It can be estimated that electricity demand will increase at an average of 3.9% per annum.

In addition, the Ministry of Energy recognizes the needs for development of a variety and suitable energy sources, especially renewable energy in the country in order to minimize dependency on fuel oil import, strengthen energy sustainability of the country, minimize impact on the environment and community, and minimize emission of green house gas, which is the key reason of global warming. The Ministry of Energy therefore aims to develop renewable energy and alternative energy to replace the use of fossil fuels by 25% within 10 years (2012-2021), and increase the ratio of renewable energy from 5% to at least 10% of total electricity within 2030. According to such plan, government sectors consequently need to procure and increase the purchase of electricity from renewable energy producers.



### KBS's Business Overview



Remark \* no significant operation at present  
 KBEC has a plan to construct a 200,000 liter ethanol plants,  
 which is due to be completed at the end of 2016

The income structure of the Company for the past 3 years is tabulated below.

	For the year ended 31 December 2012		For the year ended 31 December 2013		For the year ended 31 December 2014	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Domestic sales, (Sugar)</b>						
- Refined sugar and super refined sugar <sup>1</sup>	385.3	5.8	510.3	8.5	623.4	9.9
- White sugar <sup>1</sup>	337.1	5.1	502.0	8.4	423.9	6.7
- Raw sugar, brown sugar and natural sugar	251.5	3.8	328.6	5.5	177.0	2.8
<b>Total domestic sales</b>	<b>973.9</b>	<b>14.7</b>	<b>1,340.9</b>	<b>22.5</b>	<b>1,224.2</b>	<b>19.4</b>
<b>International sales, (Sugar)</b>						
- Refined sugar and super refined sugar	3,896.2	58.7	3,269.5	54.7	2900.7	46.0
- Refined sugar	83.3	1.3	-	0.0	14.0	0.2
- VHP sugar	328.7	5.0	214.6	3.6	271.9	4.3
- Bulk raw sugar	226.9	3.4	136.3	2.3	158.9	2.5
<b>Total international sales</b>	<b>4,535.1</b>	<b>68.3</b>	<b>3,620.4</b>	<b>60.6</b>	<b>3,345.5</b>	<b>53.1</b>
<b>Total sugar sales</b>	<b>5,509.0</b>	<b>83.0</b>	<b>4,961.3</b>	<b>74.8</b>	<b>4,569.7</b>	<b>68.9</b>
Molasses sales, (as by-product from sugar production)	341.6	5.1	509.3	8.5	501.4	8.0
Molasses trading					593.3	9.4
<b>Total</b>	<b>341.6</b>	<b>5.1</b>	<b>509.3</b>	<b>8.5</b>	<b>1,094.7</b>	<b>17.4</b>
Electricity sales	102.1	1.5	82.7	1.4	119.8	1.9
Agricultural product sales and services	396.9	6.0	350.5	5.9	396.1	6.3
Other income	287.4	4.3	68.5	1.1	124.3	2.0
<b>Total revenues</b>	<b>6,636.9</b>	<b>100.0</b>	<b>5,972.3</b>	<b>100.0</b>	<b>6,304.5</b>	<b>100.0</b>

Note: 1. Including sugar to industrial customer for export

# Marketing and Industry Overview

## 1. Sugar industry overview

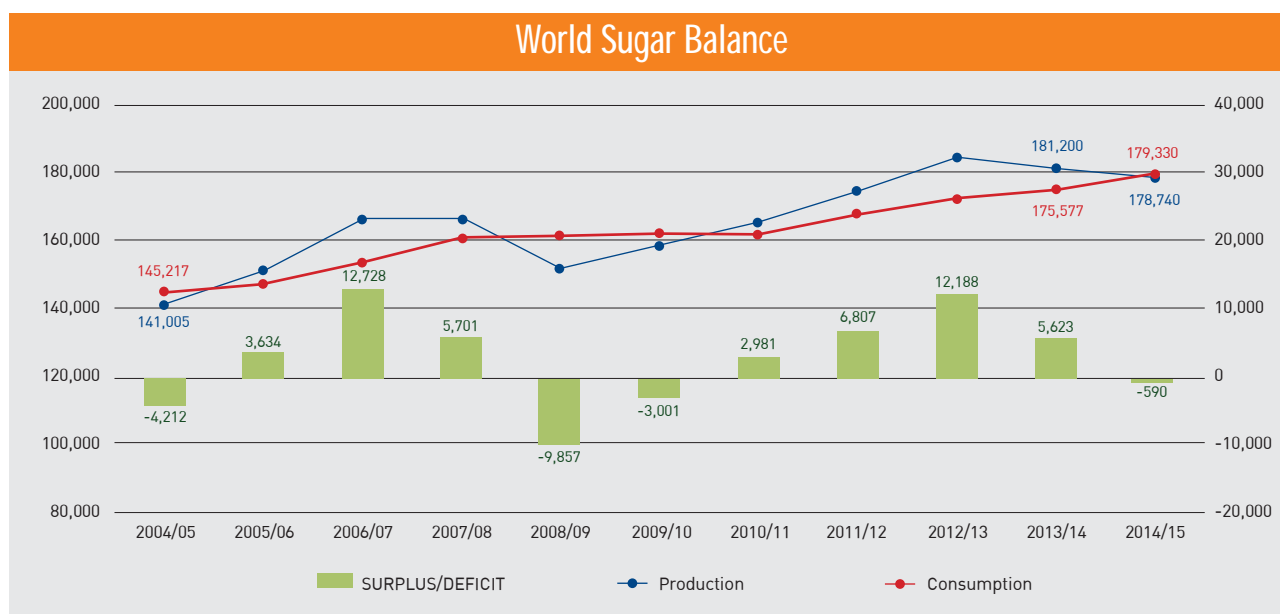
### 1) Sugar industry overview in global market

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

Details	Consumption volume, production volume, and sugar inventory in global market (million tons) <sup>1</sup>								
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Consumption	153.709	160.873	161.734	162.027	162.438	167.892	172.153	175.176	179.330
Production	166.437	166.561	151.656	159.132	165.473	174.785	184.443	181.404	178.740
Inventory	70.677	71.706	60.212	57.004	58.348	64.764	72.594	77.270	76.681
Ratio of inventory/ consumption (%)	45.981	44.573	37.229	35.182	35.920	38.575	42.168	44.110	42.760

Source: F.O.Licth's International Sugar and Sweetener Report 30.10.2014

Remark: 1 Metric ton raw value



For production in year 2014/2015, it is expected that total sugar production volume worldwide will be 178.74 million tons, which has decreased by 1.47% from the volume of 181.20 million tons last year, while total sugar demand worldwide in year 2014/2015 will be 179.33 million tons, which has decreased by 2.37% from the volume of 175.57 million tons last year. Sugar stock to use ratio has been decreased from 44.11% to 42.76% in year 2014/2015.

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

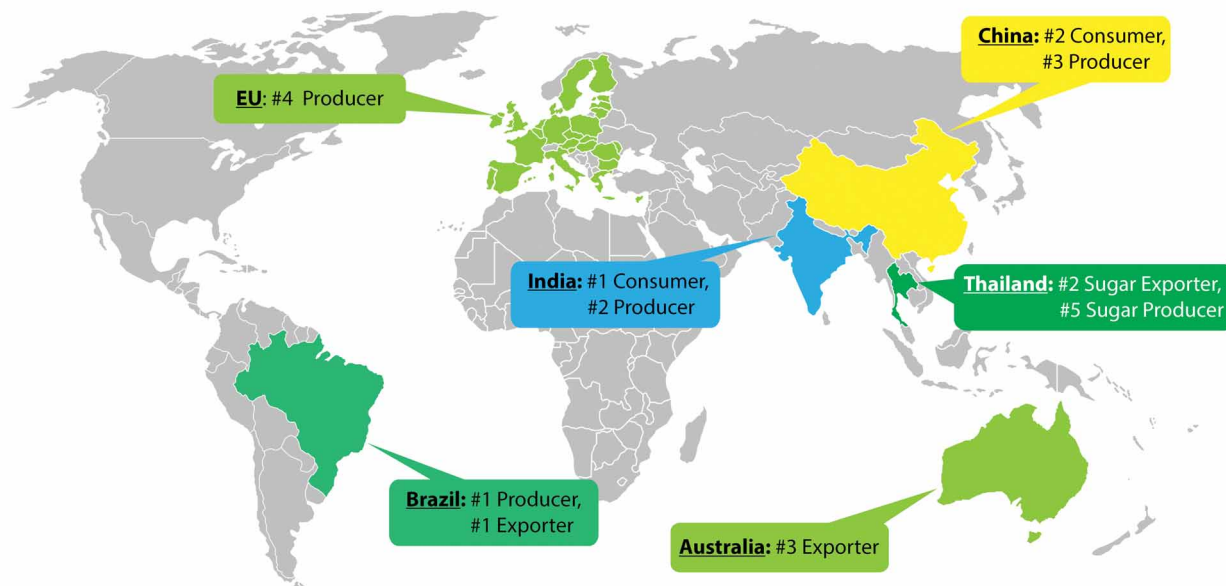














Table showing sugar production volume of major countries in the world during production year of 2010/2011 to production year of 2014/2015

	Product volume of major producers (million tons) <sup>1</sup>				
	2010/11	2011/12	2012/13	2013/14	2014/15
 Brazil	38.725	35.290	41.162	39.671	36.063
 India	26.509	28.632	27.332	26.530	27.000
 China	11.363	12.519	14.193	14.476	13.350
 Thailand	9.919	10.568	10.346	11.631	10.500
 United States	7.093	7.704	8.146	7.634	7.749
 Mexico	5.395	5.258	7.264	6.300	6.300
Total major producers	99.004	99.971	108.443	106.242	100.962
Ratio of production of major producers/ Total production volume (%)	59.83%	57.20%	58.79%	58.57%	56.48%

Source: F.O.Licht's International Sugar and Sweetener Report 30.10.2014

Remark: 1 Metric ton raw value






Table showing sugar consumption of major countries in the world during production year of 2010/2011 to production year of 2014/2015

	Consumption volume of major consumers (million tons) <sup>1</sup>				
	2010/11	2011/12	2012/13	2013/14	2014/15
 India	22.640	24.457	25.543	26.100	26.500
 China	14.730	15.300	15.760	16.200	16.700
 Brazil	12.657	12.636	12.671	12.706	12.762
 United States	10.379	10.205	10.91	11.309	11.009
 Indonesia	5.58	5.68	5.945	6.212	6.300
 Russia	5.861	5.869	5.865	5.870	5.869
Total major consumers	71.847	74.147	76.694	78.397	79.140
Ratio of consumption of major consumers/ Total consumption volume (%)	44.23%	44.16%	44.55%	44.75%	44.75%

Source: F.O.Licth's International Sugar and Sweetener Report 30.10.2014

Remark: 1 Metric ton raw value







Table showing sugar export of major countries during the world in production year of 2010/2011 to production year of 2014/2015

	Export volume of major exporters (million tons) <sup>1</sup>				
	2010/11	2011/12	2012/13	2013/14	2014/15
 Brazil	27.067	22.052	29.667	24.726	24.833
 Thailand	6.125	7.260	7.098	8.616	6.934
 Australia	2.110	2.570	3.094	3.381	3.334
 Guatemala	1.394	1.662	2.008	1.800	1.965
 India	3.165	3.793	1.086	2.780	1.500
Total major exporters	39.861	37.337	42.953	41.303	38.566
Ratio of export of major exporters/ Total export volume (%)	64.99%	61.54%	63.86%	64.85%	60.45%

Source: F.O.Licth's International Sugar and Sweetener Report 30.10.2014

Remark: 1 Metric ton raw value

Table showing sugar import of major countries in the world during production year of 2010/2011 to production year of 2014/2015







	Import volume of major importers (million tons) <sup>1</sup>				
	2010/11	2011/12	2012/13	2013/14	2014/15
 Indonesia	3.137	2.800	3.816	3.244	3.654
 United States	3.310	3.357	2.971	3.360	3.600
 China	2.096	4.292	3.688	4.053	2.500
 Malaysia	1.776	2.086	2.278	2.300	2.300
 United Arab Emirates	1.717	1.933	1.924	1.967	1.915
 Algeria	1.435	1.523	1.944	1.917	1.806
Total major importers	13.471	15.991	16.621	16.841	15.775
Ratio of import of major importers/ Total import volume (%)	22.59%	26.57%	26.47%	27.10%	25.74%

Source: F.O.Litch's International Sugar and Sweetener Report 30.10.2014

Remark: 1 Metric ton raw value)

(C) Thailand's sugar export

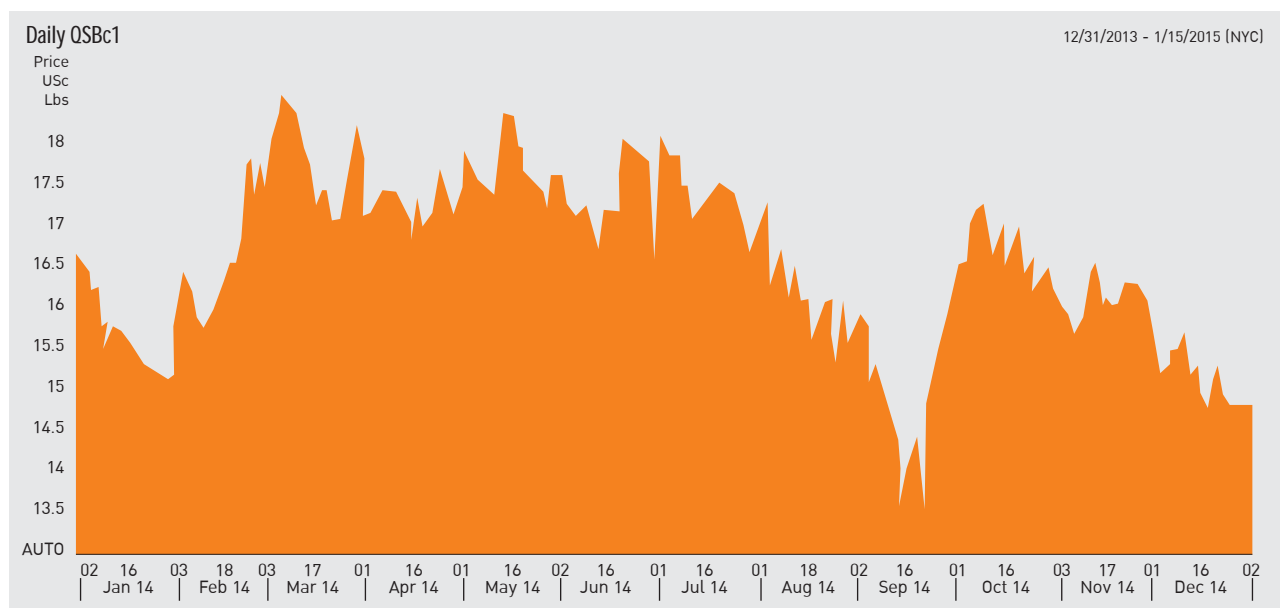
Thailand is the second largest exporter of sugar after Brazil. Our target customers are in Asia, which is an area that Thailand has the advantage over other major sugar exporting countries. Since Thailand is closer to destination countries, the transportation cost from the origin to the end destination remain low. The following table shows the major destination countries for sugar export from Thailand during the production year of 2010/2011 to 2014/2015.

	Sugar import volume from Thailand (million tons) <sup>1</sup>				
	2010/11	2011/12	2012/13	2013/14	2014/15
 Indonesia	1.286	1.385	1.852	1.781	1.685
 Japan	0.542	1.058	0.820	0.754	0.710
 Cambodia	0.146	0.269	0.423	0.326	0.662
 South Korea	0.020	0.322	0.964	0.262	0.519
 Malaysia	0.379	0.392	0.562	0.651	0.508
 China	0.129	0.516	0.445	0.528	0.393

Source : OMIC

Remark: 1 Metric ton raw value

## (d) Price of raw sugar in New York market



According to the chart, price of raw sugar in 2014 moves between 18.50 - 13.30 cent/pound, and it recently remains at 14.76 cent/pound, indication a decreasing trend compared to previous year where it moved between 20.00 - 16.00 cent/pound. Main factors leading to the decreased sugar price are as follows:

1. Sugar stock in excess in major manufacturing countries including Brazil and Thailand has to be quickly released for export in order to be prepared for new season.
2. Real currency of Brazil is weakening by 15-20% while Dollar currency is strengthening.
3. Price of crude oil is decreasing, resulting in the decreased price of ethanol. As a result, sugarcane quantity used in sugar production is more than expected, especially in the southern part of Brazil

## (e) Free Sugar Trade according to AFTA, FTA, AEC

ASEAN Free Trade Area (AFTA) and Free Trade Area (FTA) is an issue being discussed, coordinated and pushed forward continuously. During this time, flexibility and leniency have been extended to sensitive industries of member countries, and Thai government agencies are negotiating with the utmost care mainly for the benefits of business operators in Thailand and in order to minimize the likelihood of negative impact as much as possible. Recently, ASEAN Economic Community (AEC) has been established to integrate economic community among ASEAN countries aiming to achieve this task within 2015 in order to establish ASEAN as single market and production base, and facilitate free movement of goods, services, investment, funding, as well as skill labor.

### Advantage of Thailand's sugar industry under ASEAN Economic Community Agreement

Since Asia is the region with the largest volume of economic growth and population especially in India and China, the sugar consumption has been increasing every year but production volume cannot fulfill the demand. Therefore, the amount of sugar is not sufficient for consumption, and sugar has to be imported from other regions such as South America. Hence, Thailand has competitive advantage over other sugar importers.



The establishment of ASEAN Economic Community (AEC) becomes even more beneficial to the Thai sugar industry since Thailand is the only sugar manufacturer and exporter in ASEAN while the other member countries are sugar importers. Some of the benefits can be listed as follows:

1. Thailand is able to expand sugar export to ASEAN countries since trade barriers including tax or non-tax commercial barrier will be minimized or disappear, and rules and regulations will be adjusted to ensure consistency and benefits among member countries.
2. Sugar factory operators in Thailand have advanced sugar planting techniques and sugar production technology, which give an advantage to Thailand in terms of sugar production costs.
3. Integration into single market will draw more foreign direct investments into ASEAN and Thailand.

## 2) Sugar industry overview of domestic market

Sugarcane and sugar industry in Thailand is subject to the Sugarcane and Sugar Act, B.E. 2527 which requires the Cane and Sugar Board to control and ensure that sugar quantity is sufficient for domestic demand. The Cane and Sugar Board will estimate sugar quantity to be consumed within the country and determine sugar quota each year, and distribute such quota proportionately for sugar factories throughout the year based on sugar production volume of each factory. Sugar price within the country will also be controlled under the Act on Price of Goods and Service, B.E. 2542, and the Ministry of Commerce will announce domestic sugar price.

At present, there are 50 sugar mills in Thailand with the capacity of sugarcane crushing approximately 100-110 million tons/year to get the sugar totaling 10-11 million tons per year. The crushing season takes 4-5 months per year, starting from the end of November to April of each year. The number of sugar mills is governed by related authorities. Any expansion or relocation of sugar mills must be first approved by the Ministry of Industry. All these sugar mills may be divided into the groups of companies as listed below :

Group	Number of factories	Sugar production (tons)	Market share (percentage)
Mitrphol Sugar Group	6 factories	2,287,736.00	20.26
Thai Rung Ruang Group	7 factories	1,747,693.00	15.47
Thai Identity Group	3 factories	1,055,148.00	9.34
Khon Khen Sugar Group	5 factories	900,665.00	7.97
Wangkanai Sugar Group	4 factories	700,237.00	6.20
Korach Industry Group	2 factories	670,602.00	5.94
Erawan Sugar Group	2 factories	540,013.00	4.78
Ban Pong Sugar Group	2 factories	460,204.00	4.08
Chonburi Sugar Group	3 factories	372,971.00	3.30
Kumphawapi Sugar Group	2 factories	368,068.00	3.26
Kanchanaburi Group	2 factories	275,852.00	2.44
Khonburi Sugar PCL	1 factory	270,027.00	2.40
Others	11 factories	1,644,618.00	14.56
<b>Total</b>	<b>50 factories</b>	<b>11,293,834.00</b>	<b>100</b>

*Source: Report on sugar production of sugar factories nationwide for year 2013/2014 (End of Cane Crushing Period) prepared by Office of the Cane and Sugar Board*

## Domestic sugar price

The Ministry of Commerce will determine price, criteria and conditions on the sales of sugar each year by requiring sugar manufacturers or distributors to quote sugar price not exceeding the followings

### *Wholesale price (sack included) delivered at factory*

Refined Sugar	21.40	Baht per Kilogram
Grade 1 and Grade 2 Sugar	20.33	Baht per Kilogram
Grade 3 Sugar	20.33	Baht per Kilogram

### *Wholesale price (sack included) delivered at wholesaler's selling location*

Refined Sugar	22.095	Baht per Kilogram
Grade 1 and Grade 2 Sugar	21.025	Baht per Kilogram
Grade 3 Sugar	20.760	Baht per Kilogram

### *Retail price in Bangkok Metropolis, Nonthaburi, Pathum Thani, Samut Prakan and Samut Sakhon*

Refined Sugar	22.85	Baht per Kilogram
Grade 1 and Grade 2 Sugar	21.85	Baht per Kilogram
Grade 3 Sugar	21.35	Baht per Kilogram

*Remarks : 1) Each sack contains 50 kilograms of sugar. In case of retail price for 1 kilogram pack, the labor and material costs shall be added for 0.75 Baht per kilogram.*

*2) Sugar Grade 1 and Grade 2 means the white sugar while Sugar Grade 3 means the brown sugar.*

*3) Prices set in the above table includes 5.00 Baht per kilogram revenues that, sugar factories are required to submit to the Cane and Sugar Fund according to the resolution of the Council of Ministers in 1999.*

## 2. Quota allocation system

The Office of the Cane and Sugar Board is the unit established under the Cane and Sugar Act 1984. The Board regulates and allocates the production and distribution of sugar manufactured by each sugar mill in Thailand according to a quota system, including Quota A, Quota B and Quota C.

Quota A is the quota for domestic consumption. The Sugar Board will annually estimate the sugar consumption demand from the growth in population and economy.

Quota B is the raw sugar in the amount of 800,000 tons. The Sugar mills must sent 400,000 tons of sugar to be exported by Thai Cane and Sugar Corporation Ltd., and the sugar companies will directly export the other 400,000 tons.

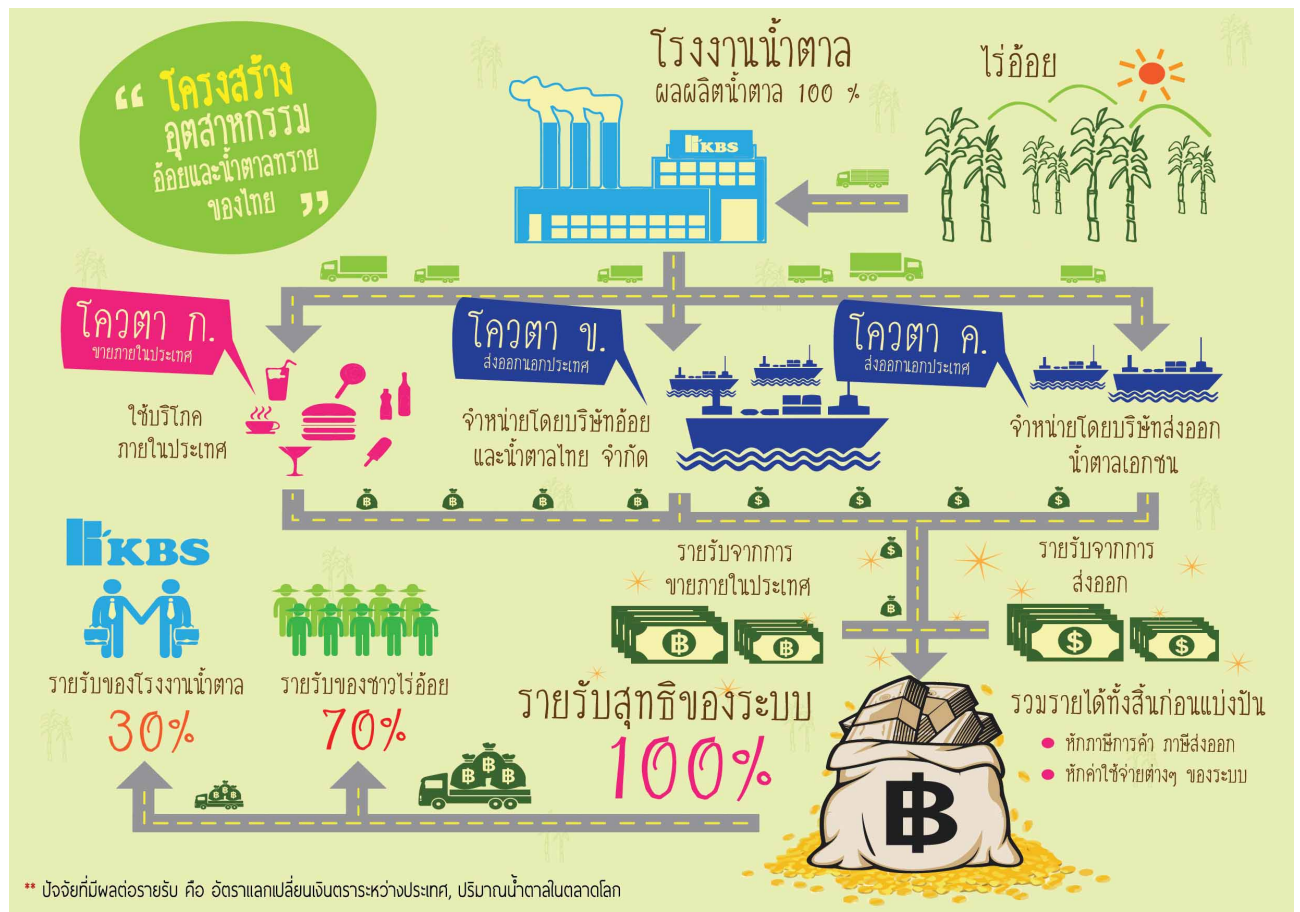
Quota C is the remaining sugar from Quota A and B by which each sugar company can export through authorized exporting companies according to the Regulation of the Cane and Sugar Board regarding Criteria, Methods and Conditions on Permission on Sugar Export, B.E. 2550.

The following table illustrates the quantity of sugar in Quota A, Quota B and Quota C in the past 5 production seasons manufactured by the sugar industry and by KBS according to the Notification of the Cane and Sugar Board regarding Types of Sugar Permitted for Sugar Mills' Manufacturing in the Production Season

	Production season of 2009/10 Tons	Production season of 2010/11 Tons	Production season of 2011/12 Tons	Production season of 2012/13 Tons	Production season of 2013/14 Tons
<b>Quota A.</b>					
Nationwide	2,200,000	2,300,000	2,300,000	2,610,000	2,400,000
Khonburi Sugar PCL	63,590	77,832	59,087	66,841	57,752
<b>Quota B.</b>					
Nationwide	800,000	800,000	800,000	800,000	800,000
Khonburi Sugar PCL	21,388	22,974	24,398	19,030	22,726
<b>Quota C.</b>					
Nationwide	3,922,976	6,363,009	7,151,217	6,614,147	8,132,906
Khonburi Sugar PCL	116,696	200,030	179,870	170,841	189,549

Source: The Cane and Sugar Board's notification

When each sugar factory has been allocated with sugar quota according to Quota A., those factories must sell Quota A. sugar each week in quantity equal to allocated quota divided by 52 weeks.



### 3. Benefit Allocation Scheme Between Sugarcane Farmers and Sugar Mills

The benefit allocation scheme between sugarcane farmers and sugar mills is 70:30 in which 70% of the industry's benefit will be allocated to sugarcane farmers and 30% of the industry's benefit will be allocated to sugar companies.

After the end of each production season and Quota B is determined by the Cane and Sugar Board, the Executive Board will calculate the final sugar price from the net profit actually occurred in that production year

The following table shows Preliminary Price and final price of sugarcane from production year of 2006/2007 to 2013/2014.

Production year	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Baht/Ton	Baht/Ton	Baht/Ton	Baht/Ton	Baht/Ton	Baht/Ton	Baht/Ton	Baht/Ton
Preliminary price of sugarcane	800.00	600.00	830.00	965.00	945.00	1,000.00	950.00	900.00
Final price of sugarcane (Zone 9)	687.07	667.07	917.42	999.94	1,077.62	1,072.01	1,011.22	952.24

Source: The Cane and Sugar Board's notification

Remark: Zone 9 consists of 19 sugar factories in the North East, which also include Khonburi sugar factory  
Preliminary price of sugarcane for production year of 2014/2015 is 900 Baht/ton

### 4. Marketing and Sales

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

Sugar selling proportion of year 2013/2014				
Sugar for export 75%		Sugar for domestic sale 25%		
Asia 60%	Africa 15%	Shopping mall (OEM) 10%	Industry 10%	Distributor 5%

This is the background of KBS branding strategy in both domestic and international markets.

#### 4.1 Domestic sales

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

##### (a) Industrial customers

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

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

(b) Modern trade customer

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

The Company normally enters into sugar sales and purchase agreement with these customers annually in order to determine the exact quantity and price for these customers same as industrial customers. These customers include Tesco Lotus, Big C, Marko, Tang Hua Seng and CJ Express.

(c) Distributors

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

(d) Food Service Business Channel (Hotel/Restaurant/Catering)

The Company plans to expand market under KBS brand through new channels to meet the needs of various customers such as restaurants, hotels, or catering agents.

## 4.2 International Sales

(a) Sales of Quota B. Sugar

Quota B. sugar is divided into two equal portions. The Company will deliver the first portion for Thai Sugar and Cane Co., Ltd. to sell. The second portion will be sold by the Company same as Quota C. sugar.

(b) Sales of Quota C. Sugar

Under the Sugarcane and Sugar Act, sugar factories will be able to export sugar through exporting agents being permitted by the Cane and Sugar Board only. At present, there are seven companies being permitted by the Cane and Sugar Board to export sugar. Our company has joined with other 16 sugar companies to establish The Thai Sugar Trading Co., Ltd. who will act as sugar exporting agent for the group of companies who have established such company. We will contact and negotiate with our foreign customers directly, which The Thai Sugar Trading Co., Ltd. will process goods shipping at the port, handle export documents, proceed customs procedures, and collect money from our customers.

The Thai Sugar Trading Co., Ltd. will enter into Packing Credit loan agreement with commercial banks for the Company in the name of The Thai Sugar Trading Co., Ltd. in order to obtain financial support.



The Thai Sugar Trading Co., Ltd. will transfer money it has received under Packing Credit loan from commercial banks to the Company, and the Company will issue promissory note to The Thai Sugar Trading Co., Ltd. as evidence of money. The Company will offer interest to The Thai Sugar Trading Co., Ltd. using the same rate being paid by The Thai Sugar Trading Co., Ltd. to the commercial banks.

Sugar sales and purchase agreement that the Company has entered into with the customers can be classified into two categories including short-term agreement and long-term agreement. For short-term agreement, we will enter into agreement by specifying quantity and selling price, and then only wait for delivery. For long-term agreement, we normally enter into this category of agreement 6-12 months in advance, whereby the Company will only specify quantity in the agreement, and will use the price as referred in NY#11 future sugar price to ensure that the Company will not be exposed to high risk.

Most of the Company's customers are large international sugar traders having good financial position such as Bunge, Cargill, and Louis Dreyfus, etc. In the past, we had never encountered bad debt issue. However, we have cautiously complied with customer credit policy, and review our customers' financial position regularly. We export sugar to over 20 countries worldwide, and our main customers are Indonesia and other countries in the Middle East.

## 5. Raw Material Supply

### 1) Overview on sugarcane farming in Thailand

Sugarcane is main raw material for production of sugar. Thailand has sugarcane plantation approximately 10.1 million rai, and has sugarcane product ready for sugar production totaling 103.7 million tons during production year of 2013/2014. Since there are several limitations to expand sugarcane plantation such as higher land price, prohibition on forest area trespassing, etc., the quantity of sugarcane product is therefore mainly depending on rainfall and climate. Furthermore, sugar price compared to other crops (especially cassava) also has impact on quantity of sugarcane product. In other words, during the year that the price of sugarcane is higher when comparing to cassava or other economic crops, some farmers will switch from planting cassava or other economic crops to sugarcane resulting in large quantity of sugarcane product that year.

Table showing quantity of sugarcane entering to sugar production process from production year of 2009/2010 to production year of 2013/2014

Production Year	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Sugarcane plantation (million rai)	7.1	8.1	9.3	9.5	10.1
Total sugarcane product (million ton)	68.5	95.4	98.0	100	103.7

Source: Information Department, Office of Cane and Sugar Board

### 2) Competition in raw material supply among sugar factories

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

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

Table showing quantity of sugarcane to be crushed nationwide, and quantity of sugarcane to be crushed in the North East during the past five production seasons

Production year	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	Average growth rate per annum (percentage)
Quantity of sugarcane to be crushed nationwide (million tons)	68.5	95.4	98.0	100.14	103.7	10.9
Quantity of sugarcane to be crushed in the North East (million tons)	23.8	38.0	37.1	40.5	44.9	17.2

Source: Information Department, Office of Cane and Sugar Board

### 3) The Company's sugarcane supply

The Company considers that sugarcane supply plan is one of our main strategies since quantity of sugarcane being acquired each year is a key factor having impact on our profit. If we can supply large quantity of sugarcane into our production process, we will be able to reduce cost per unit. We will also have sufficient quantity of bagasses for use as biomass fuel for the production of electricity, which will be used during production process. This will allow us to earn more profit from selling electricity to Provincial Electricity Authority and Electricity Generating Authority of Thailand. On the other hand, if the Company can only supply small quantity of sugarcane, cost per unit of sugar will increase, and quantity of bagasses will decrease. If the quantity of bagasses is insufficient for production electricity for use in our factories, we will have to buy additional fuel from other sources, which will result in low profitability

The Company does not own sugarcane plantation, and therefore needs to acquire sugarcane by promoting farmers to switch from planting other crops to sugarcane instead. We believe that good service and good relationship with farmers are the key factor in supplying raw materials. We consequently place importance on management of good relationship with farmers through provision of financial support and building relationship using agricultural researchers. This lead to increased number of farmers who plant sugarcane for sale to the company

The following table shows quantity of sugarcane of the Company comparing to the whole country during production year of 2009/2010 to production year of 2013/2014

Production year	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Quantity of sugarcane throughout the country (ton sugarcane)	68,450,588	95,358,928	97,979,690	100,002,514.86	103,665,750.46
The company's quantity of sugarcane to be crushed (ton sugarcane)	2,012,398	2,885,524	2,547,348	2,543,137.43	2,509,773.37
Ratio between The company's quantity of sugarcane to be crushed and quantity of sugarcane throughout the country (percentage)	2.93	3.02	2.60	2.54	2.42

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

#### 4) Good relationship management with sugarcane farmers

The Company considers that sugarcane farmers are our key trade partners, and we therefore focus on relationship management with sugarcane farmers in holistic manner aiming on long-term interest of our Company and sugarcane farmers. We work closely with farmers for several years from planning process to sugarcane cutting and delivery. As a result, we understand problems that the farmers are facing during all phases of farming beginning from soil preparation, planting, nourishing, irrigation, harvesting and transportation. All of these processes must be done in comprehensive manner.

##### (a) Financial support (offering advance payment)

The main method that sugar factories use in supplying sugarcane into production process and building good relationship with farmers is to offer advance payment or other necessary factors for sugarcane farmers in order to promote sugarcane farming so that sugarcane will be sold to sugar factories in the following year. This method of "advance payment" is like reserving sugarcane for crushing in the factories. After sugarcane is big enough and ready for cutting, it will be the time that sugar factories are opening for sugarcane crushing. Farmers will cut down sugarcane and deliver them to factories. The factories will then deduct advance payment from money to be paid for such sugarcane. Our Company usually plans one year ahead of production year to ensure that we will have enough sugarcane for production. We will enter into sale and purchase agreement directly with farmers in advance, and will also enter into advance payment agreement if farmers need cultivating assistance from the Company. In the past, 80% of farmers receive advance payment from the Company. This payment covers various expenses during cultivation beginning from soil preparation, sugarcane preparation, and investment in water system, fertilizer, as well as sugarcane harvesting expense.

We consider the amount of advance payment to be offered to each farmer based on history of sugarcane delivery, sugarcane quality, and debt repayment ability, in order to minimize the issue of bad debts of the Company. In addition, we also require some farmers to place their properties as security deposits. For advance payment in the amount exceeding approving authority of financial support management board, approval must be granted by managing director, executive board, or the Company's Board of Directors, as the case may be.

Besides financial support approving system that we have to proceed step by step, we also use technology when considering the amount of advance payment such as GIS (Geographic Information System), to help minimizing issue of claiming possessory right over sugarcane plantation, calculating cultivating area and suitability of sugarcane planting of farmers, in order to plan for sugarcane supply.

The Company monitors farmers' products continuously throughout cultivation season until farmers deliver sugarcane to deduct advance payment being provided.

In the event that advance payment has not been repaid after completion of crushing period, which is the end of sugarcane delivery during such production season, the Company will specifically monitor those farmers by analyzing reasons of unpaid balance, and continuity of sugarcane farming, in order to assess ability to deliver sugarcane as debt repayment in the following production season. This analysis will be made individually. If the Company has assessed and sees low chance of sugarcane delivery as debt repayment, the Company will submit the matter for legal department to proceed further action.

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

The Company recognizes the importance in strengthening the sustainability of raw materials since our factories have expanded production capacity, we therefore support farmers who would like to expand plantation and increase products by motivating them to plant sugarcane instead of other crops such as supporting them with ploughing and cultivating expenses, chicken manure, offering interest-free installment plan for sugarcane provision, backhoe service, well excavation, water system, installation of water tank on tractors, productivity and efficiency enhancement technology, preparation of experimental and demonstration plots with other agencies involved, transportation station



service for small farmers who do not have large truck for sugarcane transportation. All of these services and assistance are provided with our goal to improve better living condition for farmers according to the Company's motto "Fulfilling Life, Bringing Happiness. Having good relationship with farmers plays a part in helping the Company to reduce the risk in terms of raw material supply.

(c) Establishment of Promotion Office

The Company has established promotion office the area suitable for sugarcane farming by having fulltime agricultural technical staff to help supervising farmers, solving problems for farmers, promoting farmers to plant more sugarcane, and suggesting sugarcane farming techniques in order to improve products, The Company's agricultural technical staff are well experienced. We also instruct our staff to be active in offering services. All agricultural technical staff can maintain good relationship with sugarcane farmers.

The Company has expanded our promotion office to ensure that we will be able to supervise farmers closely and thoroughly, and to offer knowledge and persuade farmers to switch to sugarcane farming aiming to increase quantity of sugarcane for crushing in our factories.

(d) Sugarcane variety promotion

The Company recognizes that development of sugarcane variety is necessary for enhancement of sugarcane cultivation capability in the long run. We therefore established sugarcane variety research project to develop sugarcane variety that is suitable for cultivation in the promoted area to ensure that it will be sufficient for expansion of cultivation area each year.

(e) Agricultural machinery service

At present, sugarcane farmers need agricultural machineries for sugarcane cultivation and harvest due to the decrease in number of agricultural labor. The Company has tasked our Agricultural Machinery Service Department to offer agricultural machineries such as sugarcane harvesters, sugarcane planters, to farmers in order to reduce sugarcane planting and harvesting costs, and to build good relationship with farmers.

Recently, our Agricultural Machinery Service Department is developing sugarcane harvesters and sugarcane planters by focusing on high quality machineries with lower price than machineries available in the market, and with features suitable for application condition in Thailand.



# Risk Factors

## 1. RISK RELATED TO THE BUSINESS OF THE COMPANY

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

The production and sales of sugar are always been up to the sugarcane seasonal effect. Normally, the sugarcane harvesting period in Thailand starts at the end of November or the beginning of December. Thus, the raw sugar production goes on till the end of March or the beginning of April, while the white sugar products are on process. Consequently, sugar mills usually start their selling sugar products from January up to the end of the year. The Company always considers various factors in its sugar sales, such as inventory, expected production and world sugar prices etc. Therefore, the Company's sugar sales for each quarter is not constant.

### 1.2 Risk of volatile sugar prices in the global market

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

The volatility of sugar prices in the global market drives the Company to arrange its risk management under appropriately financial instruments such as the future contracts/options for sale or purchase of sugar in order to curb



the fluctuation of the Company's profit resulted in the risk of sugar price volatility in the global market. Nevertheless, such risk prevention may adversely affect the Company's operating performance at certain quarters because the Company has to record its profit and loss due to such risk prevention of the income statements according to the fair value of that option at the end of each accounting period, which may not perfectly match the period of sugar delivery by the Company.

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

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

### 1.3 Risk from foreign exchange rates

The Company has exported about 70% of its sugar sales sum. Most sugar exported is exposed to the USD currency; so the Company's sales sum has been fluctuating in line with the exchange rate. However, the Company has to set up the 70:30 revenue sharing scheme between the Company and sugarcane farmers; as a result, the Company's cost of sugar moves subject to the exchange rate, as well. Therefore, a great amount of income and costs of the Company are linked to the exchange rate (natural hedge). In addition, the Company has made the forward contract to reduce the impact caused by such fluctuations of exchange rate to the Company's operating results.

Nevertheless, such risk preventive measures may adversely affect the Company's quarterly operating results since the Company has to record its profit and loss of the income statements according to the fair value of that option, which may not perfectly match the time of receiving payments from its sugar sales.

### 1.4 Risk from raw material supplies-sugarcane

The Company is one of the producers and distributors of sugar and by-products, which needs the sugarcane as the raw material; so the Company's risk of operating results partly deals with the quantities of sugarcane supplied to the production process. The factors affecting the volume of sugarcane include: (1) the change of sugarcane planting areas (the number of Rai) which some farmers can decide to grow other agricultural crops generating higher returns than sugar, or the state sector may launch the promotion policy on growing other crops; and (2) the change in the yield of sugarcane (ton cane per Rai), which is mostly affected by the volume of rain and abundant soil as well as the climate change at each particular year.

If the dropping sugarcane planting areas or drought cause less amount of sugarcane across the country, the amount of sugar is produced by the Company would be reduced as well. When the cost per unit especially the fixed cost per unit is rising, the profit per unit certainly plunges and the Company's overall profit would finally slump. Moreover, in any years when the quantity of sugarcane grown is so low, the neighboring sugar mills compete for buying some sugarcane more to sustain their amount of sugarcane crushed. As a result, the Company's overall cost of raw materials is hiking while its net profit is dropped.

However, Thailand comes secondly in the list of the worlds' top sugar exporters, and being the main sugar supplier to the Asian region. In the years when the amount of sugarcane crushed was dropped in Thailand, it results to the quantity of sugar available in the Asian region, which drives the sugar selling prices in other countries higher. Consequently, such increasing prices help relieve the impact of the volume of sugar crushed, and higher costs.

Furthermore, the Company has valued the stability of sugarcane supplies; therefore, it has provided assistance to some sugarcane farmers, including advance loans for sugarcane planting, fertilizer, sugarcane varieties, irrigation

system, and utilization of technologies to boost the yields and efficiency in sugarcane planting. Such assistance purposively helps the sugarcane farmers, under the Company's care, the farmers can receive good returns from the sugarcane plantation in a long term, which indirectly motivates those sugarcane farmers to grow and supply some sugarcane to the Company consistently.

### 1.5 Risk from the cost of sugarcane

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

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

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

### 1.6 Risk from the quality of raw material-Sugarcane

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

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

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

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

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

The Company has valued the risk management for such advance loans are extended; so it is controlled, starting from the process of granting the credit line to the debt collection system. The Company establishes the advance loan management committee to be in charge of approving such advance loans to sugarcane farmers by considering

sugarcane planting areas, anticipated quantities of sugarcane grown, records of sugarcane delivery, and debt repayment of each debtor. The Company has regularly monitored the sugarcane grown by sugarcane farmers who receive the advance loans granted by the Company. The Geographic Information System (GIS) has been used to survey and measure the sugarcane planting areas in order to get the accurate information about sugarcane planting areas of the Company, and to make its monitoring of sugarcane products more efficient.

### 1.8 Risk from the impact on the environment

The Company has always focused on the business management to ensure that there will not be any negative impact on the environment, and on the policy of keeping the Company's production process under the industrial standards. In respect with dust emitted from the sugar mills, the Company repairs and installs some dust collectors, and improves the dust filling system by having the wet scrubber installed.

However, the Company cannot assure that it would not be claimed for any environmental impact in the future. The claims against the Company for the environmental impact can adversely affect its operating results and financial status, as well.

## 2. RISK FROM THE GOVERNMENT POLICY

The cane and sugar industry in Thailand has been controlled and regulated by the Cane and Sugar Board by virtue of the Cane and Sugar Act, B.E. 2527. The Board arranges the sugar distribution in a quota system (Quota A for domestic sales, Quota B and C for exports), allocates the revenue in the sugarcane production system between sugar mills and sugarcane farmers under the 70:30 profit-sharing scheme, and controls the entry of new players into the sugar business, etc. It is apparent that the rules and regulations issued by the Cane and Sugar Board take effect to the production costs and operating results of the Company; for example, the 70:30 profit-sharing scheme originates the calculation of sugarcane price the sugar mills pay to the farmers, the regulations regarding the sugar exports, the policies on the revision of domestic sugar prices, or the policies on free trading of the sugar business, which may affect the Company's operating results.

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

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

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

# Shareholding Structure and Management

## 1. Shareholding Structure

The major shareholders of the Company as of 31 December 2014 are listed below.

No.	Shareholders	Shares held	Proportion (%)
1	Khonburi Capital Co., Ltd. <sup>1</sup>	156,000,000	26.00
2	Mr. Issara Twiltermsup Group	83,972,500	14.00
3	Mitsui & Co., Ltd.	66,666,666	11.11
4	Mr. Somkiat Twiltermsup Group	40,987,500	6.83
5	Mitsui Sugar Co., Ltd.	33,333,334	5.56
6	Mr. Takon Tawintermsup Group	28,883,900	4.81
7	Thai NVDR Co., Ltd.	18,511,800	3.09
8	Phatra Capital Public Company Limited	17,191,600	2.87
9	K Valued Stock	5,515,600	0.92
10	Mr.Panas RungnopaKhunsri	4,200,000	0.70
11	Other	144,737,100	24.12
	<b>Total</b>	<b>600,000,000</b>	<b>100.00</b>

*Remark: Khonburi Capital Co., Ltd. is a holding company and its shareholders as of 30 Decemper 2014 are as follows:*

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

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

*Mr. Somkiat Twiltermsup Group holds 19,550,000 shares equivalent to 25%*

*78,200,000 shares equivalent to 100%*

*2. Mr. Issara Twiltermsup Group is composed of Mr. Issara Twiltermsup, Mr. Somchai Twiltermsup, Miss Chonatee Twiltermsup, Mr. Teerawat Twiltermsup, Mr. Kan Twiltermsup, Mr. Amnart Rumpoeypong and Mr. Methae Sukvatayanon*

*3. Mr. Somkiat Twiltermsup Group is composed of Mr. Somkiat Twiltermsup, Mr. Tanasit Twiltermsup, Ms. Jitsupa Twiltermsup, Mr. Tanachote Twiltermsup and Mrs. Tarinee Sermleelatham*

*4. Mr. Takon Tawintermsup Group is composed of Mr. Rungsan Tawintermsup, Mr. Rachot Tawintermsup and Mr. Kosol*

*Nantilipong*

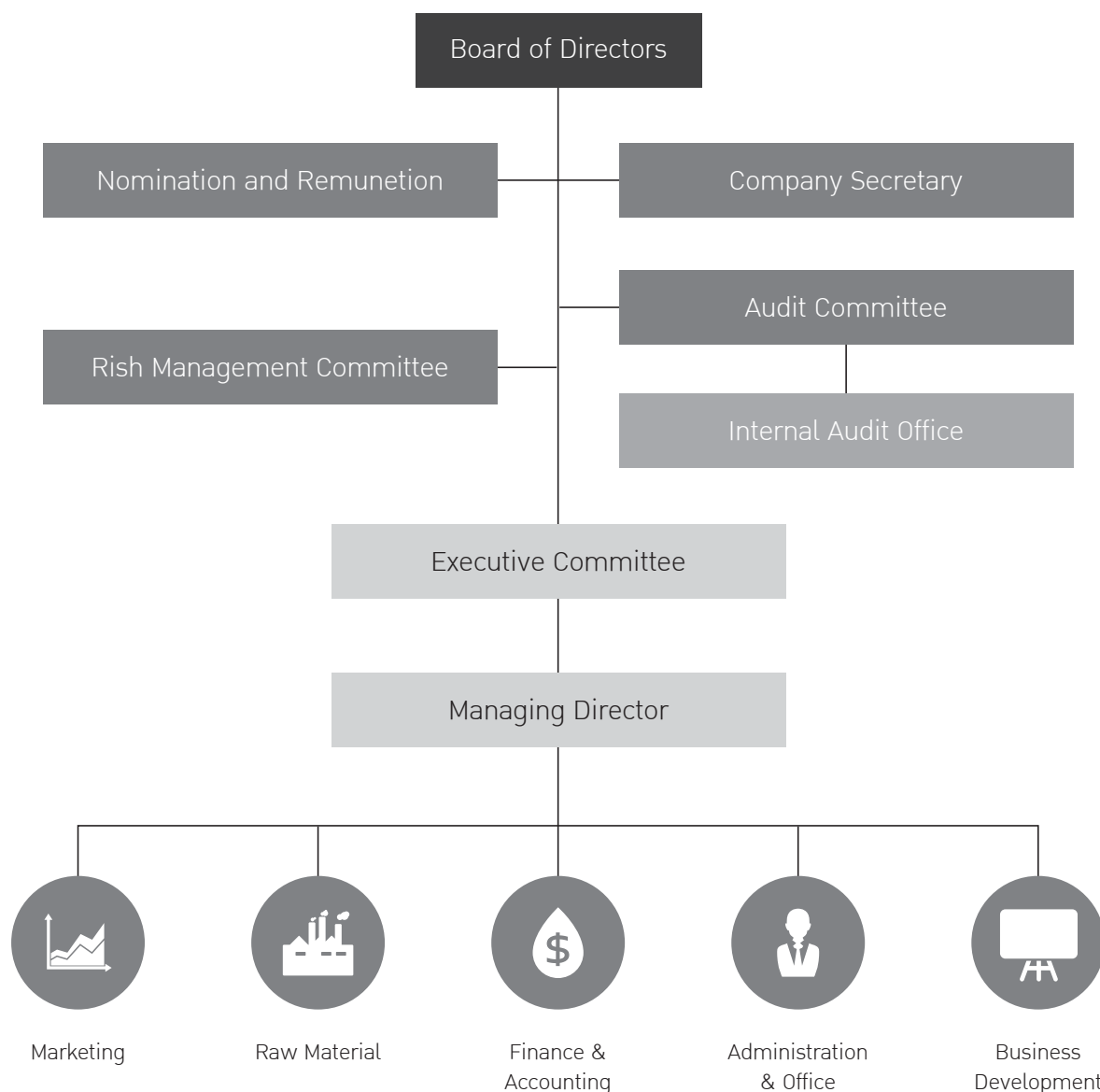
### Policy and Dividend payment

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

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

## 2. Management Structure

The management structure of the Company as of 31 December 2014 are listed below.



The management structure of the Company as of 31 December 2014 consisted of the Board of Directors and 4 sub-committees, namely Executive Committee, the Audit Committee, the Risk Management Committee, Nomination and Remuneration Committee as described below.

## 1) The Board of Directors

As of 31 December 2014 the Board of Directors consists of 11 members are included:

No.	Name of Directors	Position
1	Mr. Suthep Wongvorazathe	Chairman
2	Mr. Takon Tawintermsup	Director
3	Mr. Somkiat Twiltermsup	Director
4	Mr. Issara Twiltermsup	Director
5	Mr. Amnart Rumpoeypong	Director
6	Mr. Tat Wanakornkul	Director
7	Mr. Sran Smutkochorn	Independent Director
8	Dr. Thawatchai Nakhata	Independent Director
9	Mrs. Suvimol Krittayakiern	Independent Director
10	Mr. Prathueng Srirodbang	Independent Director
11	Mr. Voravit Rojrapitada	Independent Director

*Remark : Miss Thanathorn Sukaram was the company secretary*

The authorized directors are Mr. Takon Tawintermsup, Mr. Somkiat Twiltermsup, Mr. Issara Twiltermsup and Mr. Tat Wanakornkul, any two authorized directors co-sign their names with the Company's seal affixed.

### Scope of Duties and Responsibilities of the Board of Directors

1. To undertake and manage the Company in conformity with any and all related laws, objectives, and Articles of Association of the Company, as well as resolutions of the meetings of shareholders.

2. To comply with laws, objectives, and Articles of Association of the Company, as well as resolutions of the meetings of shareholders and the Board of Directors. In managing the Company's business, the Board of Directors shall perform duties with a full spectrum of responsibilities, care and honesty.

3. To consider and approve any significant matters related to the Company's business operations, e.g. vision, mission, policies, business strategies, goals and operating plans, financial targets, and budget.

4. To govern and care for the normal business operations of the Company; and to have the Management work efficiently and proficiently to be in line with the determined vision, mission, policies, business strategies, goals and operating plans, financial targets, and budget of the Company for inclusive benefits of the Company and its shareholders.

5. To provide the accounting system, financial reports and auditing; and to care for the internal control system and the internal audit system in order to ensure that they are all efficient and proficient.

6. To prepare the annual reports of the Company and/or the Board of Directors to be in accordance with all related laws and regulations required.

7. To care for and provide a governing mechanism to prevent the potential conflicts of interest between any stakeholders and the Company.

8. To consider, approve, consider and give opinions for consideration and approved by the meeting of shareholders in case of making any transactions significantly to the Company or any connected transactions in accordance with the procedure, conditions, legal process and related rules and regulations and/or obligations required by the Company.

9. To appoint any of the Company's directors as the chairman of the board; and to appoint some directors subject to the number of the Board of Directors deems appropriately as the vice chairman.



10. To determine and amend the authorized directors of the Company.
11. To recruit and appoint a person with knowledge, competence and experience that the Board of Directors deems appropriately, and with all other qualifications required by related laws and regulations to hold a position of directorship in case any director vacate his office due to other reasons apart from the expiration of the term of office.
12. To recruit a person with knowledge, competence, experience and all other qualifications required by related laws and regulations to hold a position of directorship, and such person shall be nominated for the meeting of shareholders' consideration.
13. To consider and set up the criteria of remuneration payment to the Company's directors and top management by regarding any all factors, e.g. work performance, title, scope of duties and responsibilities, qualifications, knowledge, competence, experience, and motivation in contributing for the Company, both in short and long terms, etc.
14. To consider appropriate amount of remuneration for directors of the Company in line with the criteria of remuneration payment set up by the Board of Directors which shall be proposed to the meeting of shareholders for consideration and approval.
15. To evaluate the work performance of the Managing Director and Top Management; to consider and set up the remuneration for the Top Management in line with the criteria of remuneration payment set up by the Board of Directors.
16. To appoint any sub-committees; to recruit and appoint the directors or persons having engaged the knowledge, competence and experience as the Board of Directors deems appropriately to hold positions in those sub-committees; and to lay down the scope of authority, duties and responsibilities of those sub-committees.
17. To appoint the executive board who is elected from any directors or executives of the Company; to elect any of executive board members as the Managing Director; and to determine the scope of authority, duties and responsibilities of the executive board and the Managing Director.
18. To appoint a director or person having engaging the qualifications, knowledge, competence and experience as the Board of Directors deems appropriately as the Company Secretary.
19. To appoint and/or empower one or several directors or persons to take any acts under the scope of directorship power and as the Board of Directors deems appropriately. However, such empowerment may be suspended, cancelled or altered.
20. To provide and care for the communication channels to connect with each group of shareholders and stake holders of the Company appropriately.
21. To care for the accuracy, completion, timing and transparent disclosure of important information related to the Company via fair and creditably accessible channels.
22. To set up and amend any matters prescribed in the regulations and Articles of Association of the Company.
23. To engage other power, duties and responsibilities as required by laws and other related regulations, Articles of Associations of the Company, and the resolutions of the meetings of shareholders.

## 2) The Executive Committee

As of 30 December 2014, the Executive Committee consisted of 4 following members :

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

*Remark : Mr. Thanthit Kasemsup was the Executive Committee Secretary.*

## Scope of Duties and Responsibilities of the Executive Committee

1. To consider and prepare the policies, business strategies, operating goals and plans, financial targets, and budget of the Company by appropriately regarding various business factors to be proposed for the Board of Directors' approval.
2. To govern, inspect and monitor the Company's business operations to ensure that they are efficiently and proficiently carried out in line with the policies, business strategies, operating goals and plans, financial targets, and budget of the Company as approved by the Board of Directors.
3. To set up the organization structure and management policy of the Company as well as policies of recruitment, training, employment and termination of employment for the Company's employees. The Managing Director and/or the Director to the Human Resources Department may be authorized to sign signature in the employment contract.
4. To conduct the feasibility studies on investment in new projects, and to be empowered to consider and approve the Company for an investment or a joint venture with an individual, juristic person or any other business organization in the investment form the Executive Committee deems appropriately in order to operate the business subject to the Company's objectives, and to consider and approve the Company's expenditure for such investment, business contracts and/or any related acts to complete such matter for the amount of investment from Baht 10 million up to Baht 50 million.
5. To consider and approve financial transactions, in the amount from Baht 10 million up to Baht 50 million, to be made with any financial institutions in respect with the opening of account, taking out of loans and credit line, pledge, mortgage, guarantee and other matters as well as selling and purchase, and registration for any ownership of land in accordance with the Company's objectives in order to benefit the business operations of the Company; and to take any legal acts, make contracts and/or perform other acts related to such matters until it is completed.
6. To consider and approve of entering into a contract and financial instruments, e.g. future contract for the right in sugar sales and purchases, foreign currencies exchange forward contract, etc. in order to prevent the Company's financial risks.
7. To consider and provide advice or opinions to the Board of Directors about any projects, proposals or entering into transactions related to the Company's operations, which need the operating amount greater than the permitted amount and/or required by any related laws and regulations or Articles of Association of the Company that must be considered and approved by the meeting of shareholders or that of the Board of Directors.
8. To consider and approve of the rules, regulations, management policies and business operations of the Company or any other acts binding the Company.
9. To empower the Managing Director to operate the business of the Company in accordance with the scope of power, duties and responsibilities as designated and governed by the Executive Committee.
10. To appoint and/or assign the Executive Director or a person or several persons to take any acts under the scope of power given to the Executive Committee and as the Executive Committee deems appropriately. The Executive Committee may suspend, cancel or alter such power.
11. To consider and approve of the Empowered Operation Manual to enable the appointed and/or authorized persons to be aware of the scope of responsibilities and given power, and such that shall be a working manual for further working reference and to make the working procedure in order.
12. To set up A succession plan for Managing Director
13. To have any power, duties and responsibilities as per assignments or policies given by the Board of Directors.

The scope of power, duties and responsibilities of the Executive Committee mentioned above is under applicable laws and related regulations, as well as Articles of Association of the Company. In case that the Executive Committee must carry out or enter into any transaction which may cause potential conflict of interest, and/or it must enter into any transaction with a connected transaction, the related laws and regulations or the Articles of Association of the Company

require that must be considered and approved by the meeting of shareholders or that of the Board of Directors. By this regard, the Executive Committee shall provide some opinions, which is further proposal to the Board of Directors for consideration, and undertaken as required by any related laws and regulations or the Articles of Association of the Company.

### 3) The Audit Committee

As of 31 December 2014, the Audit Committee consisted of 3 following members :

No.	Name of Directors	Position
1	Mrs. Suvimol Krittayakiern	Chairman of the Audit Committee
2	Mr. Prathueng Srirodbang	Audit Committee
3	Mr. Voravit Rojrapitada	Audit Committee

*Remark : 1. Mr. Manawin Kongto was the Secretary to the Audit Committee.*

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

1. To review the financial statements of the Company to ensure that they are disclosed accurately and adequately by coordinating with the external auditor and the Management who are responsible for the preparation of quarterly and yearly financial statements. The Audit Committee may have the auditor review or audit any transactions necessarily or importantly while auditing the Company's account.

2. To provide some advice to the Board of Directors and the Management on the improvement of the Company's working process or system in order to reduce related risks to ensure that the financial statements of the Company are accurate and efficiently utilized.

3. To review the internal control system and internal audit system of the Company to ensure that they are run appropriately and proficiently; to verify the independence of the Internal Audit Department; and to give approval of the appointment, removal and dismissal of the Head of Internal Audit Department or those of other departments which is responsible for the internal audit activities of the Company.

4. To verify that the Company conforms to laws on securities and stock exchange, regulations of the stock exchange and any other laws on the business of the Company.

5. To consider, recruit and nominate an independent person to be the Company's auditor; to propose the remuneration for such an auditor; and to have the meetings with the auditor at least once a year without the attendance of the Management.

6. To consider any connected transactions or those with potential conflicts of interest to be in conformity with laws on securities and stock exchange, and regulations of the stock exchange in order to ensure that such transactions are reasonable and enhance the best benefit for the Company; and to consider to ensure the Company's disclosure of connected transactions or those possibly causing the conflicts of interest which is accurate and adequate.

7. To disclose the reports of the Audit Committee, which signed by the Audit Committee Chairman, in the annual reports of the Company.

8. In performing duties, if the Audit Committee finds or suspects, the following transactions may have the material impact on the financial status and operation results of the Company, the Audit Committee shall report them to the Board Of Directors prior to the improvement within the timeframe of the Audit Committee who deems appropriately :

(a) Transactions causing conflicts of interest

(b) Dishonest or irregularity or important defect in the internal control system

(c) Violation of laws on securities and stock exchange, regulations of the stock exchange or laws on the business of the Company. If the Board of Directors or the Management of the Company fails to remedy such within the timeframe specified in paragraph one, any of the Audit Committee members may report the transaction or act stated in paragraph one to the Securities and Exchange Commission or the Stock Exchange of Thailand.

9. The Audit Committee may seek for an independent opinion from other professional advisors if it deems necessarily under the Company's expense.

10. To perform other duties specifically assigned by the Board of Directors with consent of the Audit Committee.

#### 4) The Risk Management Committee

As of 31 December 2014, The Risk Management Committee consisted of 5 following members :

No.	Name of Directors	Position
1	Mr. Sran Smutkochorn	Chairman of the Risk Management Committee
2	Mr. Somkiat Twiltermsup	Risk Management Committee
3	Mr. Issara Twiltermsup	Risk Management Committee
4	Mr. Amnart Rumpoeypong	Risk Management Committee
5	Mr. Voravit Rojrapitada	Risk Management Committee

*Remark : Mr. Teeraparb sittiweeratam was the Secretary to the Risk Management Committee.*

#### Scope of Duties and Responsibilities of the Risk Management Committee

1. To set up a general risk management policy to be proposed to the Board of Directors; such policy shall involve the procurement of raw materials, financial supports to farmers, production, marketing and finance, as well as investment risks and other risks possibly taking impact on the business reputation.

2. To set up the potential risk management direction and policy due to the procurement of raw materials, financial supports to farmers as well as the risk of inadequate supplies of sugarcane for the production process, and the risk of bad debt due to financial supports given to the farmers.

3. To set up the risk management policy in relation to the Company's production, which also includes the risks affected by the production proficiency and the discontinuity of production.

4. To set up the risk management policy in relation to the marketing and sales as well as risks affected by the fluctuation of global sugar price and the foreign exchange rates.

5. To set up the policy of utilizing financial instrument, e.g. future contract for the right in sugar sales and purchases, foreign currencies exchange forward contract, etc. in order to prevent the Company's financial risks.

6. To lay down the policies and the principles of making insurance for various assets in order to reduce the risk of possible disasters.

7. To place the business strategies to be in line with the risk management policy in order to support and encourage the cooperation from the Company's employees at all levels, and to enable to monitor, evaluate and keep the level of risks at an appropriate level.

8. To improve and revise the management and risk management systems of the Company to ensure that they are efficient and proficient. The evaluation and monitoring of such risk management process must be at all time in conformity with the determined risk management policy.

9. To set up the preparation of risk reports and advice to be submitted to the Board of Directors for further improvement.\

10. To perform other duties in relation to the risk management as specifically assigned by the Board of Directors.

## 5) The Nomination and Remuneration Committee

As of 31 December 2014, the Nomination and Remuneration Committee consisted of 3 following members :

No.	Name of Directors	Position
1	Dr. Thawatchai Nakhata	Chairman of the Nomination and Remuneration Committee
2	Mr. Sran Smutkochorn	The Nomination and Remuneration Committee
3	Mr. Amnart Rumpoeypong	The Nomination and Remuneration Committee

*Remark : Mrs. Pornpun Boonchaisri was the Secretary to The Nomination and Remuneration Committee*

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

1. To consider the recruitment criteria and procedure for persons with appropriate qualifications to be nominated the directors of the Company, and the selection of persons in line with the determined nomination process to be proposed to the Board of Directors for being further appointed or proposed to the meeting of shareholders for appointment, as the case may be, as well as to allow the minority of shareholders to nominate any persons for consideration and selection by the meeting of shareholders.

2. To consider the recruitment criteria and procedure for persons with appropriate qualifications to be nominated the Managing Director and to carry out the recruitment and selection of persons in accordance with the determined nomination process to be proposed to the Board of Directors for appointment.

3. To review the succession plan for Managing Director on regular basis.

4. To set up remuneration criteria for directors, member of sub-committee.

5. To consider and propose remunerations offered to directors and member of Sub-committee be proposed to the Board of Directors with consent to be further proposed to the meeting of shareholders of the Company for approval.

6. To consider salaries and revision of salary rates, as well as other remunerations offered to the Managing Director , which shall be further proposed to the Board of Directors for approval.

7. To set up the yearly work performance guidelines for the Board of Directors, Sub-committee, Managing Director, regarding particular duties, responsibilities and risks occurred.

8. To perform other duties as specifically assigned by the Board of Directors.

## 6) Executive Management Team

As of 31 December 2014, the Management Team of the Company consisted of 10 following members:

No.	Name of Directors	Position
1	Mr. Takon Tawintermsup	Managing Director
2	Mr. Somkiat Twiltermsup	Managing Director of Marketing
3	Mr. Issara Twiltermsup	Assistant Managing Director of Corporate Affairs
4	Mrs. Pornpun Boonchaisri	Assistant Managing Director of Accounting and Finance
5	Mr. Rathavudh Saetang	Sale and Marketing Director
6	Mr. Thanthit Kasemsup	Business Development Director
7	Mr. Natthasit Thaitrakul	Khonburi Sugar Factory Director
8	Mr. Sathaporn Singhathawat	Cane Development Director
9	Mr. Dumrong Putiput	Technical and Project Director
10	Miss Surawee Puangthong	Senior Accounting and Finance Manager

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

1. To be responsible for the Company's day-to-day operations and/or management, as well as for supervising general operations to be in line with policies, business strategy, goals and operating plans, financial targets and budgets of the Company as approved by the Board of Directors.

2. To consider, negotiate, and approve for engaging into any juristic acts and/or taking actions, which involve some money for not more than Baht 10 million, related to the Company's day-to-day operations and/or management.

3. To consider the engagement into any juristic acts, and/or to negotiate for any contracts related to any operations or undertaking in connection with the Company's day-to-day operations and/or management, which involve some money higher than the determined amount, in order to provide some opinions and propose such matter to the Board of Directors and/or the Executive Committee for further screening and finding out the solutions.

4. To set up certain trading conditions, e.g. line of credit, period of payment, entering into a contract of sale, changes of trading terms, etc. and such transactions involve some money not more than Baht 10 million.

5. To recruit, appoint, remove, transfer, dismiss, and set up the scope of authority, duties and appropriate benefits for employees of the Company, who hold position of the Department Manager or lower according to the policies settled by the Executive Committee.

6. To recruit, appoint, remove, transfer, dismiss, and set up the scope of authority, duties and appropriate benefits for top management of the Company, who hold position of the Deputy Managing Director up to position of Line Executive or equivalent in accordance with policies established by the Board of Directors and/or the Nomination and Remuneration Committee.

7. To appoint some advisors in any fields necessary for the Company's day-to-day operations and/or management.

8. To appoint and/or empower any person or persons to take acts under the scope of authority of the Managing Director as the Managing Director considers it is appropriate whereas such empowerment may be cancelled, revoked or revised by the Managing Director.

9. To have any authority, duties and responsibilities as assigned or subject to policies given by the Board of Directors and/or the Executive Committee.

### 3. Nomination of Directors and Executives

The Company has appointed The Nomination and Remuneration Committee to consider and prescribe criteria and policy on nomination of suitable candidates to assume position of directors, and propose to shareholders' meeting. Minor shareholders have been given opportunity as another channel to propose suitable candidates for directors. Criteria and procedures are prescribed in the Company's Articles of Association as follows :

The Company has given an opportunity to our shareholders to propose agendas and to nominate person to be elected from November 2014 unit February 2015, in advance in compliance with the criteria as announced on the Company's website at <http://www.kbs.co.th> under " Investor Relations" page, Shareholders information" section and item " Shareholders' Meeting".

Criteria and procedures are prescribed in the Company's Articles of Association as follows.

1. A shareholder shall have votes in a number equals to the number of shares he holds.
2. In case that the number of persons nominated for the office of director is greater than that required in that election, the shareholders shall vote for each nominated person. In casting votes, each person was elected by the shareholders shall receive the number of votes equals to the number of shares which each shareholder holds. In case of voting for more than one director, each shareholder is not permitted to distribute his/her votes as he/she pleases .The persons who receive the highest votes which are arranged in order from higher to lower in a number equal to that of directors whom to be appointed by electing as the directors of the Company. In the event of a tie at a lower place, which would make the number of directors greater than that required or elected at that time, the chairman of the meeting shall give the casting vote.

#### Qualifications of the Independent Director

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

1. Holding shares not exceeding one percent of the total number of shares having voting rights of the Company, subsidiary, major shareholder or controlling person of the Company, including the shares held by related persons;
2. Neither being nor having been a director having involvement in the management, employee, staff, advisor receiving regular salary or controlling person of the Company, subsidiary at the same level, major shareholder or controlling person of the Company, unless such prohibited characteristic has ended not less than two years prior to appointment, except where such independent director was a public servant or an advisor of the government sector, as major shareholder or controlling person of the Company.
3. Not being a person having relationship by blood or by registration under laws in the capacity as parent, spouse, sibling and offspring, including spouse of the offspring of any executive, major shareholder, controlling person or nominated person to be an executive or controlling person of the Company or subsidiary.
4. Having no or having business relationship with the Company, subsidiary, major shareholder or controlling person of the Company in the manner which may obstruct the exercise of his/her independent discretion, and neither being nor having been a shareholder or controlling person of those who have business relationship with the Company, subsidiary, major shareholder or controlling person of the Company, unless such prohibited characteristic has ended not less than two years prior to appointment. The aforesaid business relationship includes any transaction in the ordinary course of business, rental or lease of immovable property, transaction relating to assets or services, or provision or acceptance of financial assistance through receiving or extending loans, guarantee, providing assets as collateral,

including any other similar actions, which cause the Company or its contractual party to be subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or Baht twenty million or more, whichever is lower. Such indebtedness shall be calculated according to the calculation method of connected transaction value under the Notification of the Capital Market Supervisory Board, rules on Connected Transactions, mutatis mutandis. However, the consideration of such indebtedness shall include the indebtedness incurred during the course of one year prior to commencement of business relationship with any of such person.

5. Neither being nor having been an auditor of the Company, subsidiary, major shareholder or controlling person of the Company, and not being a shareholder, controlling person or partner of the audit firm which employs auditor of the Company, subsidiary, major shareholder or controlling person of the Company, unless such prohibited characteristic has ended not less than two years prior to appointment.

6. Neither being nor having been any professional service provider, including legal advisor or financial advisor receiving

fee more than Baht two million per year from the Company, subsidiary, major shareholder or controlling person of the Company, and not being a shareholder, controlling person or partner of such professional service provider, unless such prohibited characteristic has ended not less than two years prior to appointment.

7. Not being a director appointed of the same nature as representative of the Company's directors, major shareholder or shareholders who are related persons of any major shareholder.

8. Not operating a business as and in competition with the business of the Company or subsidiary, or not being a partner, or being a director having involvement in the management, employee, staff, advisor receiving regular salary or holding shares exceeding one percent of the total number of shares having voting rights of other companies which operate a business of the same nature as and in competition with the business of the Company or subsidiary.

9. Having no other characteristics which prevent the provision of independent opinion regarding the Company's business

#### 4. Remuneration of directors and executive

The Company has specified the remuneration for directors at the rate used within the industry. The remuneration is also sufficient to maintain quality directors with the Company. The remuneration for the management is in accordance with the Company's operational performance and performance of the individuals.

The Nomination and Remuneration Committee will determine necessary and appropriate remuneration, both monetary and non-monetary terms for the Company's directors, members of the sub-committees and the managing director including provided remuneration for directors and members of the sub-committee shall be proposed to the Company's general shareholders' meeting which is held on an annual basis.



#### 4.1 Remuneration of directors

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

Names	2012			2013			2014		
	Meeting Allowance	Annual Remuneration	Total	Meeting Allowance	Annual Remuneration	Total	Meeting Allowance	Annual Remuneration	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
1. Mr. Suthep Wongvorazathe	235,000	605,000	840,000	220,000	687,500	907,500	105,000	528,000	633,000
2. Mr. Takon Tawintermsup	160,000	275,000	435,000	175,000	602,500	777,500	229,000	396,000	625,000
3. Mr. Somkiat Twiltermsup	160,000	385,000	545,000	160,000	385,000	545,000	230,000	462,000	692,000
4. Mr. Issara Twiltermsup	150,000	385,000	535,000	150,000	385,000	535,000	218,000	462,000	680,000
5. Mr. Amnart Rumpoeypong	80,000	275,000	355,000	110,000	357,500	467,500	80,000	330,000	410,000
6. Mr. Sran Smutkochorn	75,000	330,000	405,000	115,000	440,000	555,000	116,000	528,000	644,000
7. Dr. Tawatchai Nakhata	150,000	330,000	480,000	110,000	330,000	440,000	85,000	396,000	481,000
8. Mr. Chusak Prachyangkhapreecha	120,000	275,000	395,000	20,000	68,750	88,750	-	-	-
9. Mrs. Suvimol Krittayakiern	120,000	275,000	395,000	110,000	275,000	385,000	139,000	396,000	535,000
10. Mr. Prathueng Srirodbang	-	-	-	90,000	206,250	296,250	116,000	330,000	446,000
11. Mr. Voravit Rojrapitada	-	-	-	20,000	96,250	116,250	150,000	462,000	612,000
12. Mr. Tat Wanakornkul	-	-	-	30,000	96,250	126,250	230,000	462,000	692,000
<b>Total</b>	<b>1,250,000</b>	<b>3,135,000</b>	<b>4,385,000</b>	<b>1,310,000</b>	<b>3,930,000</b>	<b>5,240,000</b>	<b>1,698,000</b>	<b>4,752,000</b>	<b>6,450,000</b>

#### 4.2 Remuneration of executives

Remunerations	Year of 2012	Year of 2013	Year of 2014
	Baht	Baht	Baht
Salaries, bonus etc	35,973,814	48,964,605	47,696,438

## Policy on the Use of Inside Information

The Company takes a measure to prevent the use of inside information; the Company's employees at every level must not disclose any confidential information of the Company to the third party. The use of such inside information by any of its employees must be under the duties and responsibilities specifically assigned to them only. The Guideline for Prevention of Use of Inside Information is prepared in a written form, and approved by the Meeting of the Board of Directors, No. 3/2010 held on 13 October 2010. The Company's employees and executives have been universally informed of such guideline by circular notices for strict compliance.

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

1. The company sets up a preventive measure for the use of inside information; a provision is set forth in the Code of Conduct and Working Regulations of the Company prescribing that the directors, executives, and employees of the Company are forbidden to disclose or utilize such material inside information for their personal interest.

2. The directors, executives, and employees of the Company should avoid using the Inside Information in purchasing or selling the Company's shares for their personal interest or in offering any inside information to the third party for the benefit of selling and purchasing the Company's shares.

3. The directors, executives, and employees of the Company should avoid and suspend the trading of securities of the Company for a period of 1 month prior to the disclosure of its financial statements as well as other important information to the public. The suspension of trading should take at least 24-48 hours after the disclosure of such information to the public.

4. The Company has always educated all its directors and executives about the duties of reporting their shareholding in the Company, as well as any related penalties in accordance with the Public Limited Company Act, B.E. 2535 (as amended) ("Public Limited Company Act") and the Securities and Exchange Act, B.E. 2535 (as amended) ("Securities and Exchange Act"), of reporting the interests of directors and executives, the prohibitions on the use of material inside information of the Company in the securities trading, as well as all related penalties in accordance with the Securities and Exchange Act.

## Directors and Management Profile



**Mr. Suthep Wongvorazathe**

### Position

- Chairman

Age 67 years old

### Education

- Master degree of Business Administration, University of Wisconsin.

### Director Training Program

- Director Certification Program (DAP) 48/2005

### Experiences

- Chairman of Executive Director and Director Export-Import Bank of Thailand
- Director Office of the Board of Investment

### 5 years experience in other Listed Company

- Chairman, Chairman of Nominating and Compensation Committee and Chairman of Investment Committee Seamico Securities Plc.
- Independent Director, Member of Audit Committee and Member of Nomination and Remuneration Committee Bangchak Petroleum Plc
- Chairman of Audit Committee Chumporn Palm Oil Industry Plc



**Mr. Takon Tawintermsup**

### Position

- Chairman of Executive Committee

Age 61 years old

### Education

- Matthayom 3, Matthayom Wat Thatthong school

### Director Training Program

- Director Certification Program (DCP) 32/2003
- Finance for Non-Finance Director (FND) 5/2003

### Experiences

- Chairman of Executive Committee Chumporn Palm Oil Industry Plc
- Director Khonburi Power Plant Co.,Ltd.
- Director Khonburi Bio Energy Co.,Ltd.
- Director KBS Trading Co.,Ltd.

### 5 years experience in other Listed Company

- Chairman of Executive Committee Chumporn Palm Oil Industry Plc



**Mr. Somkiat Twiltermsup**

**Position**

- Director
- Executive Director
- Member of Risk Management Committee
- Assistant Managing Director of Marketing

**Age** 53 years old

**Education**

- Bachelor of Arts in Accountancy, Finance and Economics University of Essex

**Director Training Program**

- Director Accreditation Program (DAP) 90/2011

**Experiences**

- Director Khonburi Power Plant Co.,Ltd.
- Director Khonburi Bio Energy Co.,Ltd.
- Director KBS Trading Co.,Ltd.

**5 years experience in other Listed Company**

- None



**Mr. Issara Twiltermsup**

**Position**

- Director
- Executive Director
- Member of Risk Management Committee
- Assistant Managing Director of Corporate Affairs

**Age** 37 years old

**Education**

- Bachelor of Science Industrial Management with an additional Major in Economics Carnegie Mellon University
- Bachelor of Law Thammasat University

**Director Training Program**

- Director Certification Program (DCP) 132/2010
- Financial Statements for Directors (FSD) 7/2010
- Director Accreditation Program (DAP) 78/2009

**Experience**

- Director Peerapat Technology Plc
- Director Khonburi Power Plant Co.,Ltd.
- Director Khonburi Bio Energy Co.,Ltd.
- Director KBS Trading Co.,Ltd.

**5 years experience in other Listed Company**

- None



### Mr. Tat Wanakornkul

#### Position

- Director
- Executive Director
- Member of Risk Management Committee
- Managing Director

Age 61 years old

#### Education

- Bachelor degree of Pharmacy, Mahidol University
- Master of Business Administration, Faculty of Commerce and Accountancy, Thammasat University

#### Director Training Program

- Directors Accreditation Program (DAP) 89/2011

#### Experience

- Managing Director Siam Food Products Co.,Ltd.
- Director Khonburi Power Plant Co.,Ltd.
- Director Khonburi Bio Energy Co.,Ltd.
- Director KBS Trading Co.,Ltd.

#### 5 years experience in other Listed Company

- None



### Mr. Amnart Rumpoeypong

#### Position

- Director
- Member of Risk Management Committee
- Member of Nomination and Remuneration

#### Committee

Age 39 years old

#### Education

- Master of Business Administration, Chulalongkorn University
- Bachelor of International Business, University of North Carolina at Charlotte.

#### Director Training Program

- Director Accreditation Program (DAP) 82/2009

#### Experience

- Director and Deputy Managing Director N.Y. Rubber Co., Ltd.
- Director and Deputy Managing Director N.Y. Plantation Co.,Ltd
- Deputy Managing Director N.Y. Development Co.,Ltd

#### 5 years experience in other Listed Company

- None



**Mr. Sran Smutkochorn**

**Position**

- Independent Director
- Chairman of Risk Management Committee
- Member of Nomination and Remuneration Committee

**Age** 49 years old

**Education**

- Master degree of Economics the University of California, Los Angeles.
- Bachelor degree of Economics The University of California, Northridge

**Director Training Program**

- Director Accreditation Program (DAP) 42/2005

**Experience**

- Chairman of Audit Committee SF Corporation Public Company Limited
- Executive Vice President L Food Solutions Co., Ltd
- Management Committee LOXLEY Plc
- Executive Vice President LOXLEY Trading Co., Ltd
- Executive Vice President LOXLEY International Co., Ltd
- Managing Director Yum Restaurants International (Thailand) Co., Ltd

**5 years experience in other Listed Company**

- Management Committee LOXLEY Plc



**Dr. Tawatchai Nakhata**

**Position**

- Chairman of Audit Committee and Independent Director

**Age** 66 years old

**Education**

- Ph.D. University of Illinois at Urbana-Champaign

**Director Training Program**

- Audit Committee Program (ACP) 13/2006
- Director Accreditation Program (DAP) 52/2006

**Experiences**

- Chairman and Director Share Group Co., Ltd. (Japan)
- Director Property Perfect International Co., Ltd. (Singapore)
- Chairman We Retail Co., Ltd.
- Chief Executive Director and Chairman Property Perfect Plc

**5 years experience in other Listed Company**

- Chief Executive Director and Chairman Property Perfect Plc



Mrs. Suvimol Krittayakiern

## Position

- Chairman of Audit Committee

Age 63 years old

## Education

- Master Degree of Accountancy Chulalongkorn University
- Bachelor Degree of Accountancy Chulalongkorn University

## Director Training Program

- Director Certification Program (DCP) 92/2007
- Audit Committee Program (ACP) 36/2011

## Experiences

- Executive Director DIA International Co.,Ltd
- Director 75 C P E Co.,Ltd
- Director DIA Audit Co.,Ltd

## 5 years experience in other Listed Company

- None



Mr. Voravit Rojrapitada

## Position

- Independent Director
- Member of Audit Committee

Age 70 years old

## Education

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

## Director Training Program

- Director Certification Program (DCP) 27/2003

## Experiences

- Director, Company Secretary and Adviser Bangkok Insurance Plc

## 5 years experience in other Listed Company

- Director and Company Secretary and Adviser Bangkok Insurance Plc



**Mr. Prathueng Srirodbang**

**Position**

- Independent Director
- Member of Audit Committee

**Age** 76 years old

**Education**

- Barrister-at-law The Thai Bar
- Bachelor Degree in law Thammasat University

**Director Training Program**

- Directors Accreditation Program (DAP) 11/2004
- Finance for Non - Finance Director (FND) 24/2005
- Improving the Quality of Financial Reporting (QFR) 2/2006
- Financial Statement for Directors (FSD) 6/2009

**Experiences**

- Audit Committee Thanachart Insurance Plc
- Independent Director and Chairman of the Audit Committee CS LoxInfo Plc
- Director Thanachart Insurance Plc
- Chairman of Audit Committee Chumporn Palm Oil Industry Plc
- Deputy Permanent Secretary, Ministry of Commerce

**5 years experience in other Listed Company**

- CS LoxInfo Plc
- Chumporn Palm Oil Industry Plc



**Mrs. Pornpun Boonchaisri**

**Position**

- Assistant Managing Director of Accounting & Finance

**Age** 61 years old

**Education**

- Master of Art in Economic Law Chulalongkorn University
- Bachelor of Accountancy Chulalongkorn University Director Training Program
- Director Accreditation Program (DAP) 90/2011

**Director Training Program**

- Director Accreditation Program (DAP) 90/2011

**Experiences**

- Deputy Managing Director Blue Star Marketing Co., Ltd

**5 years experience in other Listed Company**

- None





### Ms. Rathavudh Saetang

#### Position

- Sale and Marketing Director

Age 50 years old

#### Education

- Master of Business Administration (EMBA)  
National Institute of Development Administration  
(NIDA)

#### Director Training Program

- None

#### Experiences

- Deputy Manager Mitr Phol Sugar Co.,Ltd

5 years experience in other Listed Company

- None



### Mr. Thanthit Kasemsup

#### Position

- Business Development Director

Age 39 years old

#### Education

- Master of Business And Administration (MBA)  
University of Illinois at Urbana-Champaign
- Bachelor of Accounting Thammasat University

#### Director Training Program

- None

#### Experiences

- Vice President, Investment Banking Kasikorn  
Securities Plc

5 years experience in other Listed Company

- None



**Mr. Dumrong Putiput**

**Position**

- Technical and Project Director

**Age** 53 years old

**Education**

- Bachelor of Engineering (Industrial Engineering) Rajamangala University of Technology Phra Nakhon
- Certificate of Master Industrial Management (MINI MIM), King's Mongkut Institute of Technology, North Bangkok

**Director Training Program**

- None

**Experiences**

- Project Director, Cristalla Co.,Ltd

**5 years experience in other Listed Company**

- None



**Mr. Thien Keawpradub**

**Position**

- Power Plant Director, Khonburi Power Plant Co., Ltd.

**Age** 49 years old

**Education**

- Diploma of Mechanical Rajamangala University of Technology Nonthaburi

**Director Training Program**

- None

**Experiences**

- Maintenance Manager Mitr Phol Sugar Group
- Operation Manager EGCOM (ESCO) Group
- Power Plant Supervisor PTT Group

**5 years experience in other Listed Company**

- None



### Mr. Natthasit Thaitrakul

#### Position

- Ethanol Factory Director

Age 65 years old

#### Education

- Master of Science Program in Microbiology, Department of Microbiology, Kasetsart University
- Bachelor of Science Program in Microbiology, Department of Microbiology, Kasetsart University

#### Director Training Program

- None

#### Experiences

- Director of Factory, Thai Alcohol Plc
- Manager of Factory, Double A Ethanol Co.,Ltd

#### 5 years experience in other Listed Company

- None



### Mr. Sathaporn Singhathawat

#### Position

- Cane Development Director

Age 49 years old

#### Education

- Bachelor of Engineering (Irrigation Engineering), Kasetsart University
- Bachelor of Engineering (Irrigation Engineering), Kasetsart University

#### Director Training Program

- None

#### Experiences

- Deputy Managing Director, Paksong High Land Co.,Ltd
- Managing Director, Kasetthip (2010) Co.,Ltd

#### 5 years experience in other Listed Company

- None



### Ms. Surawee Puangthong

#### Position

- Senior Accounting & Finance Manager

Age 50 years old

#### Education

- Master of Business Administration Accounting  
Siam University
- Bachelor of Accounting Dhonburi Rajabhat  
University
- Bachelor of General Management Dhonburi  
Rajabhat University

#### Director Training Program

- Director Accreditation Program (DAP) 90/2011

#### Experiences

- Accountant Thai Advanced Textile Co.,Ltd
- Accountant Rungreang Palmoil Co.,Ltd
- Accounting and Finance Thai Nam Plastic  
Co., Ltd
- Accounting and Finance Officer Sang Thai  
Pattana Co.,Ltd

#### 5 years experience in other Listed Company

- None

# Corporate Governance

The Board of Directors of the Company do believe that the good corporate governance is an essence for the Company for its added value, sustainable business growth, and competitiveness, which shall trigger the long-term growth and higher value for the shareholders. The corporation of governance reflects the efficient, transparent and verifiable management system of the Company, which certainly makes the Company's shareholders, investors, stakeholders, and all other related parties have trust and confidence.

## 1. Rights of Shareholders

The Board of Directors is always concerned and valued the rights of the Company's shareholders; therefore, the corporate governance policy is placed by regarding with the basic rights of all shareholders. The related important polices are described below.

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

The Company lays down a policy of providing the information, adequacy and timing, to all of its shareholders about the date, time, venue, agendas of each meeting of the shareholders, as well as all other related issues for any decision-making in the meetings of shareholders as required by law. The Company may inform the shareholders of the rules of attending such meeting of the shareholders, and the procedure of voting for resolution. Such information shall be disclosed in the Company's website prior to the meeting date and submission of documents so that the shareholders have adequate time to investigate any information about meeting agendas in advance before receiving that information in a hard copy form.

The Company also places a policy of not taking any acts that restrict the shareholders' opportunities in investigating the Company's information about the meeting of the shareholders.

The Company has The Investor Relation which is assigned to act as a company representative responsible for communication, provision of information services, and dissemination of news and information about the Company's activities to institutions, investors, shareholders, and analysts from [www.kbs.co.th](http://www.kbs.co.th) at the Investor Relation page.

### 1.2 Procedure of the Meeting of Shareholders

The Company sets up a policy of facilitating the shareholders' exercise of rights in attending and voting in a meeting of the shareholders. The Company shall omit to do any acts that restrict the shareholders' attendance in the meeting. For example, the attendance in the meeting to vote should not be under the complicated procedure or extravagant expenses.

The Company also encourages all shareholders to share their opinions, or to raise any questions about any of the meeting agendas to the meeting of the shareholders. The Chairman of the meeting of the shareholders should allocate sufficient time to the shareholders. Some shareholders may submit their questions relating to any of the meeting agendas prior to the meeting date as the Board of Directors deems appropriately.

The Company's policy is to encourage all directors to attend every meeting of the shareholders.

## 2. Equitable Treatment to Shareholders

The Board of Directors has concerned and valued the equitable treatment to all shareholders. No discrimination is shown to any of the shareholders due to differences in their status, except the status of shareholders. For example, the shareholders who are the executive board members or the foreign shareholders shall be treated equitably and fairly.

The Board of Directors prescribes the corporate governance policy by regarding with various factors, as well as the equitable treatment to all shareholders. The important policies related to this matter include :

### 2.1 Proposal for Additional Agendas in the Meetings of Shareholders

The Company has a policy of facilitating the minority of shareholders who require proposing the additional agendas prior to the meeting of the shareholders. However, the proposal for the additional agendas, and the consideration for such proposal by the shareholders must be subject to the Company's rules.

The majority of shareholders, who are the Company's executives, shall not propose other additional agendas, particularly some important agendas, without notifying the shareholders in advance to ensure that every shareholder has sufficient time for data investigation before making decisions on voting.

### 2.2 Nomination of the Directors of the Company

The Company has a policy about the minority of shareholders' nomination of any person to hold a position of the director. Such nomination for the position of the director, and the consideration for such proposal by the shareholders must be subject to the Company's rules.

### 2.3 Proxy of Shareholders in case of Absence from the Meeting

The Company has a policy of encouraging the shareholders to use the proxy to enable the shareholders to determine the direction of voting. At least one independent director should be proposed for the shareholders' proxy. Such proxy form shall be delivered by the Company, along with the invitation letter for the meeting of the shareholders to every shareholder.

### 2.4 Use of Ballot Tickets for Significant Agendas

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

### 2.5 Appointment of Directors

The Company places a policy of encouraging the shareholders to exercise their right in appointing each director.

### 2.6 Guidance on Retention and Prevention of the Use of the Internal Information

The Company issues the written guidance on retention and prevention of the use of the internal information. This guidance is informed to all employees in the organization for their compliance. Every director and executive has a duty of reporting his interest or stake to the Company as required by law.

### 3. Roles of Stakeholders

The Board of Director places importance on all stakeholders such as shareholders, investors, customers, creditors, business partners communities and the society or Government Sector. Various stakeholders such as competitors and independent auditors.

#### 3.1 Shareholder and Investor

The company give importance to shareholder by adhering to the principle of fairness and it is committed to conduct its business with transparency, prudence and emphasis on sustainable long-term growth with good returns in order to create the highest satisfaction for shareholders. The Company has established procedures to prevent the use of inside information for the personal interests of directors and executives, in order to protect the interests of shareholders.

#### 3.2 Customers

The Company gives importance to and cares for customers with the highest responsibility. The Company is determined to give customers the greatest satisfaction in terms of both quality and value for money through quality control of products and services.

#### 3.3 Employees

The Company's employees are valuable resources and keys to successfully achieving its setting goals. The Company has remuneration and welfare system that is fair and appropriate. The Company also provides various welfares to employees such as uniforms, nursing rooms, health insurance, provident fund and so forth. Moreover, the Company also encourages continuously in developing its employees' knowledge and skills, focuses on the quality by assisting all employees and family by raising the fund and as well to arrange housing loans for them and so forth. The Company organizes regular fire drills, activities related to safety and 5S, and should establish a safety prevention system.

#### 3.4 Creditors

The Company adheres to the contracts and being fair to creditors according to the priority of the obligations in line with the contracts entered into.

#### 3.5 Business partners

The Company's suppliers are treated appropriately, honestly, transparently, fairly and equitably.

#### 3.6 Society and Communities

The Company is realized that acceptance and supporting from society and communities enable the Company to manage its business in smooth and sustainable manner, the Company is committed to be responsible for society, communities and the nation.

#### 3.7 Competitors

The Company operates its business with integrity without any legal or ethical wrongdoings. Company does not seek its competitors' trade secrets through illegal means nor breach agreements to disclose its competitors' information whether receive from customers or other persons.

## 4. Disclosure and Transparency

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

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

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

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

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

### 4.2 Disclosure of Information

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

Corporate Office Department

Khonburi Sugar Public Company Limited

Tel. (02) 725-4888 Ext. 4819

Fax: (02) 725-4876

Email : [Thanathorns.s@kbs.co.th](mailto:Thanathorns.s@kbs.co.th)

### 4.3 Disclosure of Corporate Governance Policy

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



#### 4.4 Statement on Responsibilities of the Board of Directors to the Financial Statements

The Company publishes the director's responsibilities to financial statement along with the auditor report in annual report. The report contains contents which conforms to accounting principles and financial report that presents accurate, complete, and factual information in compliance with accounting standards. This report is signed by both Chairman and Chairman of Executive Committee.

#### 4.5 Disclosure of Roles and Duties of the Board of Directors and Sub-committees

The Company's management structure comprises five committees, including the Board of Directors, Audit Committee Risk Management Committee and the Executive Board Directors (details in Shareholding Structure and Management). In the year 2014, the following committee members attended each committee's meetings :

Name of Directors	Attendance / Total number of meetings				
	Board of Directors	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Executive Board Directors
1. Mr. Suthep Wongvorazathe	6/6	-	-	-	-
2. Mr. Takon Tawintermsup	5/6	-	-	-	10/11
3. Mr. Somkiat Twiltermsup	6/6	-	3/3	-	11/11
4. Mr. Issara Twiltermsup	6/6	-	3/3	-	10/11
5. Mr. Tat Wanakornkul	6/6	-	3/3	-	11/11
6. Mr. Amnart Rumpoeypong	6/6	-	-	1/1	-
7. Mr. Sran Smutkochorn	6/6	-	2/3	1/1	-
8. Dr. Tawatchai Nakhata	6/6	-	-	1/1	-
9. Mrs. Suvimol Krittayakiern	6/6	4/4	-	-	-
10. Mr. Prathueng Srirodbang	6/6	4/4	-	-	-
11. Mr. Voravit Rojrapitada	6/6	4/4	3/3	-	-

## 5. Responsibilities of the Board

The Company recognizes the importance of seeking for the Company's directors equipped with leadership, vision, experience, knowledge and competence, independence in making decisions for the best interest of the Company and the general shareholders, and apparent segregation of roles, duties and responsibilities between the Board of Directors and the Management. The Board of Directors shall take care of the Company's working system to ensure that all company activities are done legally and ethically.

The Company places the corporate governance policy by considering various factors as well as the responsibilities of the directors. The important policies of this matter include :

### 5.1 Structure of the Board of Directors

1. The Annual General Meeting of shareholders 2010 determines the number of Directors shall hold office for nine person. Therefore, each director's term lasts approximately three years.
2. All directors shall be legally qualified and shall not possess any characteristics prohibited by law.
3. The Board of Directors shall comprise the independent directors, as four Independent Directors.

The Independent

Director of the Company shall be legally qualified and shall not possess any characteristics prohibited by the Board of Directors. The directorship qualifications prescribed by the Board of Directors are as strict as those required by the Securities and Exchange Commission.

The Company determines the scope of duties and authorities of the Board of Directors and the Managing Director apparently. The Chairman of the Board and the Managing Director are two different persons in order to separate between the duties of governing the executives' work, and the duties of managing the Company's work.

4. The Company requires that all directors and top management of the Company's report to the Company the information about any of their work in the positions of executive directors who are empowered to control any other company limited or public company limited, and partnership manager in any other ordinary partnership, or junior partner in any limited liability partnership pursuant to the rules and procedure required by the Board of Directors.

5. On November 30, 2010 The Board of Directors approved the appointment of Ms.Thanathorn Sukaram is the company secretary, with the Securities and Exchange Act (No. 4) B.E. 2551 Section 89/15, the results of the Good corporate governance, the role and responsibilities of the Board of Directors and shareholders and coordination and monitoring compliance with the resolution of the Board of Directors and shareholders. As well it is vital to care to advise the committee on rules and administration, to practice the storage of important documents of the company, as well as other operations of The Capital Market Supervisory Board (CMSB).

## 5.2 Sub-committees

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

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

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

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

## 5.4 Meetings of the Board of Directors

1. The Company holds board meetings and informs each board member of upcoming meeting in advance.

In the year

2012, six board meeting were convened. In each board meeting, The Chairman of Board Director, the Board of Directors, Managing Director and the Company Secretary jointly review meeting agenda to ensure that vital matters are included in the agenda.

2. The Company Secretary delivers meeting documents to directors in advance. The document has been prepared concisely as possible. The Chairman will allocate sufficient time for such discussion. For any issue which stilllacks sufficient information the director can always request additional information from the Company Secretary.

3. The Company shall have the Management propose the work performance reports to the Board of Directors regularly to enable the Board of Directors to govern, control, and take care of the Management's working continuously and timely.

4. The Chairman of the Board shall call for the board meetings, and determine the meeting agendas by discussing with the Managing Director, the Company Secretary, or the advisors of the Company. Each director retains the right in proposing any agenda to the board meeting.

5. The Board of Directors may invite any executives, employees, or advisors of the Company to attend the board meeting to provide some additional information to the meeting.

6. The Board of Directors may access to any additional necessary information to be provided by the Managing Director and the Company Secretary. Other executives are assigned by the Board shall have the right to access to it.

7. The Board of Directors places a policy that the non-executive directors may arrange an internal meeting as it deems necessarily to discuss any interesting management problems, in which no management members attend. The Managing Director should inform of the meeting outcome.

## 5.5 Self-assessment of the Board of Directors

1. The Board of Directors should regularly arrange the self-assessment so that the board members can mutually consider their performance and problems for further improvement. The Board also determines the performance typical criterion to compare with the board members' work performance.

2. The Board of Directors should arrange the board evaluation in general and/or in any specific aspects.

## 6. INTERNAL AUDIT OFFICE

The Company has recognized that the good audit shall boost the working efficiency of the Company. To ensure such efficiency, the Internal Audit Office was established with the following scope of power and duties :

1. To prepare the annual audit plan that contains the goals and the importance of audit.
2. To take care of the preparation of the audit program that must be in line with the annual audit plan.
3. To take care of and carry out the audit activities pursuant to the audit program.
4. To have meetings to give advice and to share opinions about the audit results with every audited department.
5. To take care of the preparation of the audit results report.
6. To take care of and monitor the results of improvement and remedies pursuant to the comments and advice given.
7. To take care of the maintenance or destruction of audited documents in accordance with the internal audit procedure.
8. To take care of the organization assets to avoid any possible damages.

At present, the Company employs an internal audit manager and the other four internal audit officers, who have engaged some experience in the credit granted to the sugar mills, and in the internal audit.

## Related Party Transactions

Related companies :	Relationship	The nature of the transactions of the company	Amount (Thousand Baht)		Rationale of the transaction
			Yearend 31/12/2014	Yearend 31/12/2013	
1. Talaysub Company Limited	<ul style="list-style-type: none"> <li>Subsidiaries Company</li> <li>Common Shares / Directors</li> </ul>	<ul style="list-style-type: none"> <li>Amortization of the leasehold</li> <li>Selling assets (leasehold)</li> </ul>	-	433	- The Company rent unit A, B, C on the 3 <sup>rd</sup> floor of Prasannit place Building as the head office. The lease contracts are valid for 30 years, ended in 2026, totaling Baht 15.1 million. (Transfer the leasehold rights November 13, 2013)
		<ul style="list-style-type: none"> <li>Rental expenses</li> <li>Service charges and utilities</li> <li>Other payables</li> </ul>	-	260	- The Company rent Unit B on 2 <sup>nd</sup> floor and Unit B on 5 <sup>th</sup> of Prasannit Place Building, Sukumvit, as additional office space. (The lease are valid at 15 July 2013)
2. The Thai Sugar Trading Co., Ltd.	<ul style="list-style-type: none"> <li>Subsidiaries Company</li> <li>Common Shares /Director</li> </ul>	<ul style="list-style-type: none"> <li>Export service expenses</li> </ul>	9,491	11,799	- The Company appoints TSTC. Licensed by the Cane and Sugar Board to export super under the Cane and Sugar Act, as the Company's agent for sugar exports.
		<ul style="list-style-type: none"> <li>Interest expenses</li> <li>Short - term loan</li> <li>Trade payables</li> </ul>	15,906	1,661	- TSTC is supported by the commercial banks in the same financial conditions which negotiated by the Company.
			98,550	-	TSTC issues promissory notes (PN) to the Company on behalf of their commercial banks for money receipt from and payment to the banks.
			(6,173)	3,861	

Related companies :	Relationship	The nature of the transactions of the company	Amount (Thousand Baht)		Rationale of the transaction
			Yearend 31/12/2014	Yearend 31/12/2013	
3. Khonburi Capital	<ul style="list-style-type: none"> <li>Subsidiaries Company</li> <li>Common Shares / Director</li> </ul>	<ul style="list-style-type: none"> <li>Office rental</li> <li>Service charges and utilities</li> <li>Equipment rental</li> </ul>	9,585 833 1,773	4,509 392 727	<ul style="list-style-type: none"> <li>The company enters into a rental at No.5 Sukhumvit 57 Khlongtian Nua Sub-District, Wattana District Bangkok, to rent office space for the period of 2 years 11months 20 days the detail as follows :               <ol style="list-style-type: none"> <li>Office rental Rent rate is Baht 460 per sq.m.total contract sum is Baht 28,470,866.81</li> <li>Equipment rental Rent rate is Baht 40 per sq.m. per month total rent period sum in Baht 2,475,727.55</li> <li>Service agreement Service fee rate is Baht 60 per sq.m per month total contract sum is Baht 3,713,591.32</li> <li>Utility service agreement Electricity charge is Baht 5 per unit. The water supply charge is similar to that charged by the Metropolitan Waterworks Authority</li> </ol> </li> </ul>
4. MITSUI AND CO. LTD.	<ul style="list-style-type: none"> <li>Subsidiaries Company</li> <li>Common major shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Sale income</li> <li>Account receivables</li> <li>Cost of sales (fertilizer, and insecticide)</li> <li>Account receivables</li> </ul>	13,853 13,853 4,330 -	- - - -	<ul style="list-style-type: none"> <li>The Company's revenues from sales of sugar, the price comparable with other customers.</li> </ul>
5. MITSUI & CO EUROPE PLC.	<ul style="list-style-type: none"> <li>Subsidiaries Company</li> <li>Common major shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Sale income</li> <li>Account receivables</li> </ul>	517,000 41,087	200,360 -	<ul style="list-style-type: none"> <li>The cost of product compared with the other customers.</li> </ul>
6. MITSUI AND CO. LTD. (Kumphawapi sugar Co., Ltd.)	<ul style="list-style-type: none"> <li>Subsidiaries Company</li> <li>Common major shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Cost of Product (Bagasse)</li> <li>Cost of sales (Raw Sugar)</li> <li>Account receivables</li> </ul>	13,409 - -	- 125,278 -	<ul style="list-style-type: none"> <li>The cost of product compared with the other customers.</li> </ul>
7. MITSUI AND CO. LTD. (Kasephol sugar Co., Ltd.)	<ul style="list-style-type: none"> <li>Subsidiaries Company</li> <li>Common major shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Cost of sales (Raw Sugar)</li> <li>Account receivables</li> </ul>	488,572 -	257,191 -	<ul style="list-style-type: none"> <li>The cost of product compared with the other customers.</li> </ul>

## Report of The Board of Director's Responsibility to the Financial Reports

The Board of Directors of Khonburi Sugar Public Company Limited strongly values the duties and responsibilities in accordance with good corporate governance principles. The Board of Directors is responsible for the financial statements of the Company and its subsidiaries including financial information presented in the annual report and the annual financial statements for the period as from 1 January 2014 to 31 December 2014, which are prepared according to Generally Accepted Accounting Standards of Thailand. The Board of Directors has selected and consistently followed an appropriate accounting policy. The aforementioned financial statements are prepared using careful judgment and the best estimation. In addition, important information is adequately disclosed in the notes to the financial statements. The financial statements have been examined by an independent external auditor and the auditor has expressed an unqualified opinion. Therefore, the financial statements accurately and transparently reflect the Company's financial status and operating performance for the period as from 1 January 2014 to 31 December 2014 and can be used for the benefit of shareholders and investors.

The Board of Directors has appointed the Audit Committee, which comprises of independent directors, to review the quality of the financial reports and to evaluate the internal control system, risk management system, and various systems to support effective financial documentation to ensure that accounting records are correct, completed, exact time and able to prevent fraud or materially irregular operations. The Audit Committee's opinion is presented in the Audit Committee's report which is a part of this annual report.

The Board of Directors believes that the Company's overall internal control system is able to create credibility and reliability for the financial statements of Khonburi Sugar Public Company Limited and its subsidiaries for the period ended 31 December 2014.



(Mr.Suthep Wongvorazathe)  
Chairman



(Mr.Takol Tawintermsup)  
Chairman of Executive Committee

## Report of the Audit Committee

### Attn: All shareholders of Khonburi Sugar Public Company Limited

The Board of Directors of the Company has appointed the Audit Committee, which involved 3 independent directors as listed below:

- |    |                           |                                 |
|----|---------------------------|---------------------------------|
| 1. | Mrs. Suvimol Krittayakian | Chairman of the Audit Committee |
| 2. | Mr. Voravit Rojrapitada   | the Audit Committee             |
| 3. | Mr. Prathueng Srirodbang  | the Audit Committee             |

All 3 directors have engaged good skills and experience in accounting, finance, economic, law and business. Mrs. Suvimol Krittayakian, Member of the Audit Committee, has engaged skills and experience in accounting and finance as well as other appropriate qualifications to perform her duties in reviewing creditability of financial statements as required by The Securities Exchange Commission (SEC) and The Stock Exchange of Thailand (SET)

In 2014, the Audit Committee held 4 meetings in total. One meeting was also attended by the auditor without the Company's management in order to have an independent discussion about significant issues in the preparation of financial statements, disclosure of information useful for users of those financial statements, as well as acknowledgment of auditing performance results, remarks found, and problems and hindrance in auditing.

The Audit Committee has completely performed duties assigned by the Board of Directors of the Company as specified in the Audit Committee Charter, which is in conjunction with the requirements of the SEC and the SECT, which included reviews and verification of financial statements, reviews of risk management, and reviews of internal control system. The significant points of such reviews by the Audit Committee are summarized as follows:

**Reviews and verification of financial statements** The Audit Committee has reviewed the Company's quarterly and yearly financial statements for Year 2014, which ended on December 31, 2014 to be proposed for the Board of Directors' consideration and approval. The Audit Committee has arranged the meetings to share opinions with the Internal Audit Department, the auditor and the Management of the Company to ensure that the financial statements have been presented accurately, completely and creditably under generally accepted accounting standards, the disclosure of financial statements have been adequate and timely for benefits of general investors and users of financial statements, and the disclosure of material information and the auditor's remarks and comments have been considered and implemented appropriately for the Company.

**Reviews of connected transactions** The Audit Committee has considered and reviewed the disclosure of connected transactions made between the Company and its affiliated company and subsidiaries, which possibly caused conflicts of interest as required by the notifications of the SEC and the SET. The reviewing results show that the Company's businesses have been operated under normal business conditions, fairness and rationality, and they have not caused the benefit manipulation. The Audit Committee has also reviewed the information disclosure to ensure that it has been complete and adequate by adhering to the Principle of Good Corporate Governance and notifications of the Stock Exchange of Thailand.



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

Reviews of internal control system The Audit Committee has reviewed the adequacy of the Company's internal control system in 2012 to ensure that it would drive the Company's operations to meet the preset targets and objective. The Company has consistently monitored the work improvements subject to comments in the auditing report, and opinions of the Audit Committee. Also, the internal control system has been improved to be in line with changing circumstances. The Audit Committee is of opinion that the internal control system of the Company has been adequate and efficient.

Reviews of the Company's internal audit affairs The Audit Committee has reviewed the internal audit reports submitted by the Internal Audit Office, and has also monitored the work performance of the Company and its subsidiaries in accordance with remarks and advice of the Internal Audit Office and the auditor. The Audit Committee gave an approval for the 2014 Audit Plan as proposed by the Internal Audit Office. This plan has been prepared by considering all potential risk factors. The Audit Committee has efficiently performed its duties in accordance with the Audit Committee Charter, and approved the work performance evaluation of the Internal Audit Office.

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

Appointment of the external auditor for 2015 The Audit Committee considered the appointment of external auditor, independence of selected external auditor, and appropriate audit fee before proposing these matters to the Board of Directors. The Board of Directors agreed to seek approval at the 2015 Annual General Meeting of Shareholders for the appointment of Ms. Rungnapa Lertsuwankul Certified Public Auditor No. 3516 and/or Mr. Chayapol Suppasethnontha, Certified Public Auditor No. 3972 and/or Ms. Pimjai Manitkajohnkit Certified Public Auditor No. 4521, of EY Office Company Limited as the Company's certified public auditor.



( Mrs. Suvimol Krittayakian)  
Chairman of the Audit Committee

# Management Discussion and Analysis

## 1. Financial Status

### 1.1 Assets

As of December 31, 2014, the Company has assets totaling Baht 7,726.9 million, which increase from previous year by Baht 1,794.3 million or 30.2%.

- Current assets amounting to Baht 2,831.4 million has increased from previous year by Baht 508.3 million or 21.9% due to the following reasons:

- Cash and cash equivalents has decreased by Baht 445.5 million
- Sugar cane plantation receivables have increased from previous year by Baht 453.1 million due to the increased sugarcane planting promotion and the change of payment method to farmers from post date checks to direct transfer of advance payment to farmers
- Inventories have increased from previous year by Baht 375.5 million whereby at the end of the year 2014, the Company has stored higher volume of sugar than normal which is approximately 20,000 tons for sales in the following year

- Non-current assets are at Baht 4,895.6 million which increase by Baht 1,285.9 million or 35.6% due to main reasons as follows:

- Sugar cane plantation receivables-long term net have increased by Baht 127.4 million mainly because of the expansion of sugarcane planting promotion especially by promoting sugarcane farmers to acquire agricultural machineries including tractors, sugarcane harvesters, as well as providing water system and sugarcane seeds. All of the aforementioned are promotion programs with repayment period of 3-5 years.

- Land, building and equipment have increased by Baht 453.1 million mainly because of the increase of machineries and equipment for 35-megawatt power plant project, and machineries and equipment to enhance capacity of sugar factories

- Intangible assets have increased by Baht 148.6 million mainly because of the recognition of capital expenditure that Khonburi Power Plant Co., Ltd. (KPP) has invested on the construction of Transmission Line to support the sales of electricity to Electricity Generating Authority of Thailand

- Prepaid payment for assets has increased by Baht 558.6 million because the Company has made prepaid payment to the main contractor of the project under EPC construction agreement for the project to expand the production capacity to 12,000 tons of sugarcane per day

### 1.2 Liabilities

As of December 31, 2014, the Company has liabilities totaling Baht 3,621.6 million, which increase from previous year by Baht 1,119.4 million or 44.7%

- Current liabilities amounting to Baht 2,051.3 million, which increase from previous year by Baht 459.0 million due to the main reasons as follows:

- Short-term loan from financial institutions has increased from previous year by Baht 285.0 million in order to support the increased sugarcane planting promotion

- Short-term loans to related party has increased from previous year by Baht 98.6 million, which is packing credit loan to support the export activities in December 2014

- Non-current liabilities amounting to Baht 1,570.4 million, which increase from previous year by Baht 660.5 million mainly because of the draw-down of long-term loan to support the investment project to expand the production capacity to 12,000 tons of sugarcane per day, and the project for construction of 35-megawatt powerplant

### 1.3 Shareholders' equity

As of December 31, 2014, the Company has shareholders' equity amounting to Baht 4,105.3 million, which has increased from previous year by Baht 674.8 million or 19.7%. The change in shareholders' equity is due to the main reasons as follows:

- Capital increase injection by Mitsui Group amounting to Baht 635.0 million
- Net profit from operation amounting to Baht 318.7 million
- Dividend payment amounting to Baht 255.0 million

## 2. Operating Performance

### Operating Performance Overview

Khonburi Sugar Public Company Limited has total income of Baht 6,304.5 million, which increases from year 2013 by 5.6%. The Company's income from the sales of sugar, which is its main business, has decreased by 7.9% due to the weakening trend of global sugar market price. However, the Group has initiated new business in trading molasses in 2014 to support its main business at present and in the future. The Group was able to earn income from this new business totaling Baht 593.3 million during the first year of operation.

The Group has cost of sales amounting to Baht 5,266.1 million, which increases from previous year by 9.9% resulting in the decrease of gross profit from 18.1% last year to 14.8% whereby the decreased gross profit is the direct result of decreased profit from sugar business, and decreased White Premium in global market in 2014, as well as the change in sale mix composition.

The Group has selling and administrative expenses, which increase from previous year by 23.8% due to the increased employee expenses to support the Group's business expansion especially electricity business. In addition, the Group also has increased marketing expenses.

From the main factors as mentioned above, the Group therefore has total net profit for year 2014 amounting to Baht 318.7 million, which decreases from previous year by 36.5%

## Total Revenues

In 2014, the Company has total revenues amounting to Baht 6,304.5 million, which increases from year 2013 by 5.6% in which total income of 2013 was amounting to Baht 5,972.3 million, provided in details as follows:

	2013 (Million Baht)	2014 (Million Baht)	Change (Million Baht)	Change (%)
<b>Income</b>				
Sales and services income	5,903.8	6,180.3	276.5	4.7
Other income	68.5	124.2	55.7	81.5
<b>Total income</b>	<b>5,972.3</b>	<b>6,304.5</b>	<b>332.2</b>	<b>5.6</b>

- Income from sales and services has increased by Baht 276.5 million. The Company has increased income from the trading business of molasses amounting to Baht 593.3 million, which is higher than the decreased income from the sales of sugar due to the decreased average selling price of sugar.

- Other income has increased by Baht 55.7 million mainly because of the recognition of sugar sale contract cancellation amounting of Baht 32.0 million.

## Sales and services income

Income from sales and services in 2014 was amounting to Baht 6,180.3 million, which increase from 2013 by 4.7% having details as follows:

	2013 (Million Baht)	2013 (Million Baht)	Change (Million Baht)	Change (%)
Income from the sales of sugar	4,961.3	4,569.1	(392.2)	(7.9)
Income from the sales of molasses	509.3	501.4	(7.9)	(1.6)
Income from the trading business of molasses	-	593.3	593.3	100.0
Income from electricity	82.7	119.8	37.1	44.9
Income from the sales and agricultural products	350.5	396.1	45.6	13.0
<b>Total income from sales and services</b>	<b>5,903.8</b>	<b>6,180.3</b>	<b>276.5</b>	<b>4.7</b>

- Income from the sales of sugar amounting to Baht 4,569.1 million, which decreases from previous year by Baht 392.2 million or 7.9%. Average selling price has decreased by 8.2% due to the weakening trend of global market price of sugar in previous year, while sales volume of sugar was nearly the same.

- Income from the sales of molasses amounting to Baht 501.4 million, which decreases from previous year by 1.6%. Sales volume of sugar has decreased from previous year by 10.9%, while average selling price per unit has increased by 10.4%.

- Income from the trading molasses business has increased by Baht 593.3 million. This trading molasses business was initiated by the Group in 2014 and is operated by KBS Trading Co.,Ltd. (KBST)

## Cost of sales and gross profit

Cost of sales and gross profit of the Company in 2014 when comparing to 2013 are presented in the following table:

	2013 (Million Baht)	2014 (Million Baht)	Change (Million Baht)	Change (%)
Income from sales and services	5,852.2*	6,180.3	328.1	5.6
Cost of sales and services	4,844.9	5,266.1	472.8	9.9
Gross profit	1,058.9	914.1	(144.7)	(13.7)
Rate of gross profit	18.1%	14.8%	-	(3.3%)

*Note \*inclusive of loss from exchange rate amounting to Baht 51.6 million*

- Gross profit in 2014 has decreased from previous year by Baht 144.7 million mainly because of the decrease of sugar selling price in global market, and the decreased of selling price difference between raw sugar and white premium

- Gross profit margin in 2014 was 14.8% which has decreased when comparing to 18.1% in 2013. This is a result of the decreased profit per unit due to the decrease of sugar price and white premium, and the increase of income proportion of trading molasses business, which has lower gross profit margin as compare to main business.

## Selling and Administrative expenses

In 2014, the Company has selling and administrative expenses totaling Baht 593.5 million, which have increased by Baht 114.2 million from previous year mainly because of the increased employee expenses since the Company has recruited more personnel to support business expansion, including engineers and production staff of Khonburi Power Plant Co., Ltd. Furthermore, the Company also has increased advertising and marketing expenses because the Company has launched sugar product under KBS brand in the 4th quarter of 2014.

## Financial expenses

In 2014, the Company has financial expenses amounting to Baht 44.6 million, which increase from previous year by Baht 24.1 million mainly because of the increased short-term loan from financial institutions during the 1st to 3rd quarters due to the slowdown of sugar taking over by foreign sugar traders during such period.

## Corporate income tax

The Company has corporate income tax amounting to Baht 80.9 million, which decreases from the same period of previous year by Baht 45.1 according to the decreased profit before tax.

# Independent Auditor's Report and Financial Statements

## To the Shareholders of Khonburi Sugar Public Company Limited

I have audited the accompanying consolidated financial statements of Khonburi Sugar Public Company Limited and its subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2014, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Khonburi Sugar Public Company Limited for the same period.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

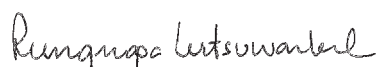
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Khonburi Sugar Public Company Limited and its subsidiaries and of Khonburi Sugar Public Company Limited as at 31 December 2014, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

## Other matter

The consolidated financial statements of Khonburi Sugar Public Company Limited and its subsidiaries for the year ended 31 December 2013 and 31 December 2012 (which have been used for preparing the consolidated and separate statements of financial position as at 1 January 2013) were audited by another auditor of our office, who expressed an unqualified opinion on those financial statements, under his report dated 25 February 2014 and 26 February 2013, respectively.



**Rungnapa Lertsuwankul**

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

Bangkok: 26 February 2015

## Statements of financial position

Khonburi Sugar Public Company Limited and its subsidiaries  
Statements of financial position

	Note	Consolidated financial statements			Separate financial statements		
		As at 31 December 2014 Baht	As at 31 December 2013 Baht	As at 1 January 2013 Baht	As at 31 December 2014 Baht	As at 31 December 2013 Baht	As at 1 January 2013 Baht
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	9	301,844,014	747,334,372	748,397,478	138,481,346	699,126,862	702,826,920
Trade and other receivables	8, 10	447,512,486	346,952,890	80,581,224	484,831,760	158,550,445	97,764,141
Sugar cane plantation receivables	11	736,531,774	283,397,537	314,862,417	736,531,774	283,397,537	314,862,417
Short-term loans to related party	8	-	-	-	340,000,000	40,000,000	-
Inventories	12	1,204,966,454	829,489,507	627,963,293	1,141,130,262	827,952,246	624,288,217
Forward exchange contract receivable		-	-	67,030,097	-	-	67,030,097
Other current assets	13	140,500,127	115,839,792	37,358,758	20,840,061	18,406,445	12,239,285
<b>Total current assets</b>		<b>2,831,354,855</b>	<b>2,323,014,098</b>	<b>1,876,193,267</b>	<b>2,861,815,203</b>	<b>2,027,433,535</b>	<b>1,819,011,077</b>
<b>Non-current assets</b>							
<b>Investment in debt</b>							
securities held to maturity		-	5,000,000	5,000,000	-	5,000,000	5,000,000
Investment in subsidiaries	14	-	-	-	549,999,910	539,999,940	389,999,940
Other long-term investments	15	1,994,875	1,994,875	1,994,875	1,994,875	1,994,875	1,994,875
<b>Sugarcane plantation</b>							
receivables - long-term	11	296,371,459	169,008,485	136,117,975	296,371,459	169,008,485	136,117,975
Property, plant and equipment	16	3,864,556,355	3,411,495,510	2,193,234,795	2,168,474,079	1,974,114,149	1,945,409,652
Intangible assets	17	155,284,171	6,664,089	9,985,554	7,207,434	5,472,171	8,894,032
Advance payment for assets		558,595,728	-	-	551,919,280	-	-
Deferred tax assets	27.1	9,531,662	5,986,997	3,747,649	-	-	-
Other non-current assets		9,224,954	9,480,239	89,674,587	9,206,356	5,429,174	9,457,269
<b>Total non-current assets</b>		<b>4,895,559,204</b>	<b>3,609,630,195</b>	<b>2,439,755,435</b>	<b>3,585,173,393</b>	<b>2,701,018,794</b>	<b>2,496,873,743</b>
<b>Total assets</b>		<b>7,726,914,059</b>	<b>5,932,644,293</b>	<b>4,315,948,702</b>	<b>6,446,988,596</b>	<b>4,728,452,329</b>	<b>4,315,884,820</b>

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

## Statements of financial position (cont'd)

Khonburi Sugar Public Company Limited and its subsidiaries  
Statements of financial position (cont'd)

	Note	Consolidated financial statements			Separate financial statements		
		As at 31 December 2014 Baht	As at 31 December 2013 Baht	As at 1 January 2013 Baht	As at 31 December 2014 Baht	As at 31 December 2013 Baht	As at 1 January 2013 Baht
<b>Liabilities and shareholders' equity</b>							
<b>Current liabilities</b>							
Short-term loans from							
financial institutions	18	435,000,000	150,000,000	5,832,000	415,000,000	140,000,000	-
Short-term loans from related party	8	98,550,540	-	-	98,550,540	-	-
Trade and other payables	8, 19	1,259,072,415	1,174,874,601	936,883,193	1,041,000,962	882,102,763	931,895,058
Current portion of long-term loans							
from financial institutions	20	137,820,000	102,230,000	16,630,000	17,820,000	22,230,000	16,630,000
Current portion of liabilities under							
financial lease agreements	21	3,640,976	-	11,147	3,361,968	-	11,147
Corporate income tax payable		1,164,663	-	41,813,809	-	-	41,813,809
Amounts due to the Office of the							
Cane and Sugar Fund		69,748,531	68,364,660	47,860,418	69,748,531	68,364,660	47,860,418
Forward exchange contract payables		-	78,824,030	-	-	78,824,030	-
Derivative liabilities		32,701,469	-	-	32,701,469	-	-
Other current liabilities		13,559,819	17,967,352	6,597,046	11,859,889	14,017,961	6,537,891
<b>Total current liabilities</b>		<b>2,051,258,413</b>	<b>1,592,260,643</b>	<b>1,055,627,613</b>	<b>1,690,043,359</b>	<b>1,205,539,414</b>	<b>1,044,748,323</b>
<b>Non-current liabilities</b>							
Long-term loans from financial							
institutions - net of current portion	20	1,487,000,000	843,678,904	430,050,000	537,000,000	7,820,000	430,050,000
Liabilities under financial lease							
agreements - net of current portion	21	10,867,579	-	-	9,842,804	-	-
Provision for long-term employee							
benefits	22	32,979,019	26,702,036	18,362,809	30,266,664	24,422,583	16,840,261
Deferred tax liabilities	27.1	39,527,288	39,541,139	26,265,319	39,527,288	39,541,139	26,265,319
<b>Total non-current liabilities</b>		<b>1,570,373,886</b>	<b>909,922,079</b>	<b>474,678,128</b>	<b>616,636,756</b>	<b>71,783,722</b>	<b>473,155,580</b>
<b>Total liabilities</b>		<b>3,621,632,299</b>	<b>2,502,182,722</b>	<b>1,530,305,741</b>	<b>2,306,680,115</b>	<b>1,277,323,136</b>	<b>1,517,903,903</b>

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



## Statements of financial position (cont'd)

Khonburi Sugar Public Company Limited and its subsidiaries  
Statements of financial position (cont'd)

	Note	Consolidated financial statements			Separate financial statements		
		As at 31 December 2014 Baht	As at 31 December 2013 Baht	As at 1 January 2013 Baht	As at 31 December 2014 Baht	As at 31 December 2013 Baht	As at 1 January 2013 Baht
Shareholders' equity							
Share capital							
Registered							
500,000,000 ordinary shares of Baht 1 each				500,000,000			500,000,000
600,000,000 ordinary shares of Baht 1 each	23	600,000,000	600,000,000		600,000,000	600,000,000	
Issued and fully paid up							
500,000,000 ordinary shares of Baht 1 each		-	-	500,000,000	-	-	500,000,000
550,000,000 ordinary shares of Baht 1 each		-	550,000,000	-	-	550,000,000	-
600,000,000 ordinary shares of Baht 1 each	23	600,000,000	-	-	600,000,000	-	-
Warrants	24	-	2,500,000	-	-	2,500,000	-
Share premium	23	2,230,175,000	1,642,675,000	1,180,175,000	2,230,175,000	1,642,675,000	1,180,175,000
Retained earnings							
Appropriated - statutory reserve	25	60,000,000	60,000,000	50,000,000	60,000,000	60,000,000	50,000,000
Unappropriated		1,242,653,647	1,178,971,451	1,059,152,841	1,273,995,488	1,195,954,193	1,067,805,917
Other components of shareholders' equity		(27,546,887)	(3,684,880)	(3,684,880)	(23,862,007)	-	-
<b>Total shareholders' equity</b>		<b>4,105,281,760</b>	<b>3,430,461,571</b>	<b>2,785,642,961</b>	<b>4,140,308,481</b>	<b>3,451,129,193</b>	<b>2,797,980,917</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,726,914,059</b>	<b>5,932,644,293</b>	<b>4,315,948,702</b>	<b>6,446,988,596</b>	<b>4,728,452,329</b>	<b>4,315,884,82</b>

## Statements of comprehensive income

Khonburi Sugar Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

	Note	Consolidated financial statements		Separate financial statements	
		2014 Baht	2013 Baht	2014 Baht	2013 Baht
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales income	28	6,138,616,673	5,870,724,821	5,443,675,015	5,845,438,160
Service income		41,640,590	33,059,926	41,640,590	32,725,751
Other income					
Interest income		50,225,925	25,514,024	55,606,577	25,967,091
Gain on derivatives		13,393,736	-	13,393,736	-
Income from termination of sugar sale agreement		32,047,531	-	32,047,531	-
Others		28,612,145	42,970,625	44,299,706	53,738,120
<b>Total revenues</b>		<b>6,304,536,600</b>	<b>5,972,269,396</b>	<b>5,630,663,155</b>	<b>5,957,869,122</b>
<b>Expenses</b>					
Cost of sales		5,236,689,741	4,763,974,378	4,609,088,998	4,761,229,174
Cost of services		29,445,577	29,318,629	29,445,577	30,192,469
Selling expenses		309,338,983	259,229,658	301,112,460	259,229,658
Administrative expenses		284,156,059	220,025,831	235,385,439	199,659,747
Loss on exchange		768,169	51,618,381	906,393	50,513,881
<b>Total expenses</b>		<b>5,860,398,529</b>	<b>5,324,166,877</b>	<b>5,175,938,867</b>	<b>5,300,824,929</b>
<b>Profit before finance cost and income tax expenses</b>		<b>444,138,071</b>	<b>648,102,519</b>	<b>454,724,288</b>	<b>657,044,193</b>
Finance cost		(44,567,986)	(20,494,014)	(38,985,344)	(19,563,520)
<b>Profit before income tax expenses</b>		<b>399,570,085</b>	<b>627,608,505</b>	<b>415,738,944</b>	<b>637,480,673</b>
Income tax expenses	27.2	(80,887,889)	(126,073,220)	(82,697,649)	(128,242,070)
<b>Profit for the year</b>		<b>318,682,196</b>	<b>501,535,285</b>	<b>333,041,295</b>	<b>509,238,603</b>

## Statements of comprehensive income (cont'd)

Khonburi Sugar Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

	Note	Consolidated financial statements		Separate financial statements	
		2014 Baht	2013 Baht	2014 Baht	2013 Baht
<b>Other comprehensive income</b>					
Unrealised gain on change in derivative financial instruments		(29,827,508)	-	(29,827,508)	-
Income tax effect	27.3	5,965,501	-	5,965,501	-
		(23,862,007)	-	(23,862,007)	-
Actuarial losses arising from defined benefit plan of employees	22	-	(3,934,750)	-	(3,237,909)
Income tax effect	27.3	-	718,075	-	647,582
		-	(3,216,675)	-	(2,590,327)
<b>Other comprehensive income for the year</b>		(23,862,007)	(3,216,675)	(23,862,007)	(2,590,327)
<b>Total comprehensive income for the year</b>		294,820,189	498,318,610	309,179,288	506,648,276
<b>Earnings per share</b>					
Basic earnings per share	29				
Net profit for the year		0.56	0.92	0.59	0.94

# Cash flow statements

Khonburi Sugar Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

	Consolidated financial statements									
	Retained earnings					Other components of equity				
	Issued and fully paid up share capital	Warrants	Share premium	Appropriated - statutory reserve		Unappropriated	Unrealised losses on derivative financial instruments	Surplus on business combination under common control	Total other components of shareholders' equity	Total shareholders' equity
				Baht	Baht					
Balance as at 1 January 2013	500,000,000	-	1,180,175,000	50,000,000	1,059,152,841	-	(3,684,880)	(3,684,880)	2,785,642,961	
Profit for the year	-	-	-	501,535,285	501,535,285	-	-	-	501,535,285	
Other comprehensive income for the year	-	-	-	(3,216,675)	(3,216,675)	-	-	-	(3,216,675)	
Total comprehensive income for the year	-	-	-	-	498,318,610	-	-	-	498,318,610	
Increase share capital (Note 23)	50,000,000	-	462,500,000	-	-	-	-	-	512,500,000	
Cash receipt from warrants (Note 24)	-	2,500,000	-	-	-	-	-	-	2,500,000	
Dividends paid (Note 32)	-	-	-	-	(368,500,000)	-	-	-	(368,500,000)	
Appropriated retained earnings to statutory reserve (Note 25)	-	-	-	10,000,000	(10,000,000)	-	-	-	-	
Balance as at 31 December 2013	550,000,000	2,500,000	1,642,675,000	60,000,000	1,178,971,451	-	(3,684,880)	(3,684,880)	3,430,461,571	
Balance as at 1 January 2014	550,000,000	2,500,000	1,642,675,000	60,000,000	1,178,971,451	-	(3,684,880)	(3,684,880)	3,430,461,571	
Profit for the year	-	-	-	-	318,682,196	-	-	-	318,682,196	
Other comprehensive income for the year	-	-	-	-	-	(23,862,007)	-	(23,862,007)	(23,862,007)	
Total comprehensive income for the year	-	-	-	-	318,682,196	(23,862,007)	-	(23,862,007)	294,820,189	
Increase share capital (Note 23)	50,000,000	(2,500,000)	587,500,000	-	-	-	-	-	635,000,000	
Dividends paid (Note 32)	-	-	-	-	(255,000,000)	-	-	-	(255,000,000)	
Balance as at 31 December 2014	600,000,000	-	2,230,175,000	60,000,000	1,242,653,647	(23,862,007)	(3,684,880)	(27,546,887)	4,105,281,760	

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

## Cash flow statements (cont'd)

Khonburi Sugar Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

	Separate financial statements										
	Issued and fully paid up share capital	Warrants	Share premium	Retained earnings		Other components of equity		Total other components of shareholders' equity	Total shareholders' equity	Baht	
				Appropriated - statutory reserve	Unappropriated	Unrealised losses on derivative financial instruments	Other				comprehensive income
Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht		
Balance as at 1 January 2013	500,000,000	-	1,180,175,000	50,000,000	1,067,805,917	-	-	-	-	2,797,980,917	
Profit for the year	-	-	-	-	509,238,603	-	-	-	-	509,238,603	
Other comprehensive income for the year	-	-	-	-	(2,590,327)	-	-	-	-	(2,590,327)	
Total comprehensive income for the year	-	-	-	-	506,648,276	-	-	-	-	506,648,276	
Increase share capital (Note 23)	50,000,000	-	462,500,000	-	-	-	-	-	-	512,500,000	
Cash receipt from warrants (Note 24)	-	2,500,000	-	-	-	-	-	-	-	2,500,000	
Dividends paid (Note 32)	-	-	-	-	(368,500,000)	-	-	-	-	(368,500,000)	
Appropriated retained earnings to statutory reserve (Note 25)	-	-	-	10,000,000	(10,000,000)	-	-	-	-	-	
Balance as at 31 December 2013	550,000,000	2,500,000	1,642,675,000	60,000,000	1,195,954,193	-	-	-	-	3,451,129,193	
Balance as at 1 January 2014	550,000,000	2,500,000	1,642,675,000	60,000,000	1,195,954,193	-	-	-	-	3,451,129,193	
Profit for the year	-	-	-	-	333,041,295	-	-	-	-	333,041,295	
Other comprehensive income for the year	-	-	-	-	-	(23,862,007)	(23,862,007)	(23,862,007)	(23,862,007)	(23,862,007)	
Total comprehensive income for the year	-	-	-	-	333,041,295	(23,862,007)	(23,862,007)	(23,862,007)	(23,862,007)	309,179,288	
Increase share capital (Note 23)	50,000,000	(2,500,000)	587,500,000	-	-	-	-	-	-	635,000,000	
Dividends paid (Note 32)	-	-	-	-	(255,000,000)	-	-	-	-	(255,000,000)	
Balance as at 31 December 2014	600,000,000	-	2,230,175,000	60,000,000	1,273,995,488	(23,862,007)	(23,862,007)	(23,862,007)	(23,862,007)	4,140,308,481	

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

## Cash flow statements

Khonburi Sugar Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

	Consolidated financial statements		Separate financial statements	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
<b>Cash flows from operating activities</b>				
Profit before income tax	399,570,085	627,608,505	415,738,944	637,480,673
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	205,988,028	180,488,704	186,885,058	169,432,886
Amortisation of premium from forward exchange contracts	-	(7,589,662)	-	(7,589,662)
(Reversal of) allowance for doubtful accounts	7,214,505	(25,319,127)	7,214,505	(25,319,127)
(Reversal) decrease of inventory to net realisable value	(66,930)	18,159	(66,930)	28,350
Write-off plant and equipment	31,825,935	-	-	-
Gain on sale of property, plant and equipment	(168,004)	(165,399)	(168,004)	200,418
Provision for long-term employee benefits	6,276,983	4,404,477	5,844,081	4,344,413
Unrealised gain (loss) on derivative financial statements	2,873,960	-	2,873,960	-
Unrealised (gain) loss on exchange	(4,200)	86,141,043	(4,200)	86,141,043
Interest income	(50,225,925)	(25,514,024)	(55,606,577)	(25,967,091)
Interest expenses	43,908,833	18,893,215	38,326,191	18,885,480
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>647,193,270</b>	<b>858,965,891</b>	<b>601,037,028</b>	<b>857,637,383</b>
<b>Operating assets (increase) decrease</b>				
Trade and other receivables	(101,419,228)	(256,297,385)	(328,249,507)	(51,932,881)
Sugarcane plantation receivables	(587,711,716)	23,893,497	(587,711,716)	23,893,497
Inventories	(375,410,017)	(201,544,373)	(313,111,086)	(203,692,379)
Forward exchange contract receivables	-	67,030,097	-	67,030,097
Other current assets	(24,660,335)	(78,481,034)	(2,433,616)	(6,167,160)
Other non-current assets	255,285	80,194,348	(3,777,182)	4,028,095
<b>Operating liabilities increase (decrease)</b>				
Trade and other payables	132,477,336	143,247,731	135,201,229	444,854
Forward exchange contract payables	1,383,871	20,504,242	1,383,871	20,504,242
Amounts due to the Office of the Cane and Sugar Fund	(78,824,030)	-	(78,824,030)	-
Other current liabilities	(4,407,533)	11,370,306	(2,158,072)	7,480,070
<b>Cash flows used in operating activities</b>	<b>(391,123,097)</b>	<b>668,883,320</b>	<b>(578,643,081)</b>	<b>719,225,818</b>
Cash paid for corporate income tax	(78,591,153)	(165,516,305)	(76,973,722)	(164,183,524)
<b>Net cash flows from operating activities</b>	<b>(469,714,250)</b>	<b>503,367,015</b>	<b>(655,616,803)</b>	<b>555,042,294</b>

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

## Cash flow statements (cont'd)

Khonburi Sugar Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

	Consolidated financial statements		Separate financial statements	
	2014 Baht	2013 Baht	2014 Baht	2013 Baht
<b>Cash flows from investing activities</b>				
Decrease in debt securities held to maturity	5,000,000	-	5,000,000	-
Increase in investment in subsidiaries	-	-	(9,999,970)	(150,000,000)
Increase in short-term loan to related party	-	-	(300,000,000)	(40,000,000)
Cash paid for acquisitions of property, plant and equipment	(675,641,044)	(1,297,686,871)	(336,516,141)	(254,404,312)
Cash paid in advance for equipment	(558,595,728)	-	(551,919,280)	-
Cash paid for acquisitions of intangible asset	(152,434,098)	(1,894,739)	(4,838,866)	(1,481,109)
Proceeds from sales of property, plant and equipment	220,075	11,442,903	220,075	10,989,432
Cash receipt from interest income	52,118,294	25,096,215	57,560,317	25,437,364
<b>Net cash flows used in investing activities</b>	<b>(1,329,332,501)</b>	<b>(1,263,042,492)</b>	<b>(1,140,493,865)</b>	<b>(409,458,625)</b>
<b>Cash flows from financing activities</b>				
Increase in bank overdrafts and short-term loans from financial institutions	285,000,000	144,168,000	275,000,000	140,000,000
Increase in short-term loans from related party	98,550,540	-	98,550,540	-
Cash paid for liabilities under financial lease agreements	(1,599,101)	(11,147)	(1,573,848)	(11,147)
Cash receipt from long-term loans	781,141,096	915,858,904	547,000,000	-
Repayment of long-term loans	(102,230,000)	(416,630,000)	(22,230,000)	(416,630,000)
Proceeds from increase in share capital	635,000,000	512,500,000	635,000,000	512,500,000
Cash receipt from warrants	-	2,500,000	-	2,500,000
Cash paid for interest expenses	(87,335,977)	(31,146,406)	(41,311,375)	(19,015,600)
Dividends paid	(254,970,165)	(368,626,980)	(254,970,165)	(368,626,980)
<b>Net cash flows from (used in) financing activities</b>	<b>1,353,556,393</b>	<b>758,612,371</b>	<b>1,235,465,152</b>	<b>(149,283,727)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(445,490,358)</b>	<b>(1,063,106)</b>	<b>(560,645,516)</b>	<b>(3,700,058)</b>
Cash and cash equivalents at beginning of year	747,334,372	748,397,478	699,126,862	702,826,920
<b>Cash and cash equivalents at end of year</b>	<b>301,844,014</b>	<b>747,334,372</b>	<b>138,481,346</b>	<b>699,126,862</b>
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Decrease (increase) in purchases of assets that have not yet been paid	48,614,263	(94,517,215)	(22,874,855)	49,980,049
Transfer assets under construction in progress to intangible assets	(45,000)	(1,000,000)	(45,000)	(1,000,000)
Capitalise interest to construction in progress	43,978,424	12,606,633	4,023,840	-
Purchase equipment under financial lease	16,107,656	-	14,778,620	-

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

# Notes to financial statements

Khonburi Sugar Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

## 1. General information

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

## 2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

### 2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2014 (Percent)	2013 (Percent)
<b>Held by the Company</b>				
Khonburi Power Plant Co., Ltd.	Manufacture and distribution of electricity	Thailand	100.00	100.00
KBS Trading Co., Ltd.	Trading of sugar molasses and by products	Thailand	100.00	100.00
Khonburi Bio Energy Co., Ltd.	Manufacture and distribution of ethanol	Thailand	100.00	100.00
KBS Investment Co., Ltd.	Holding company	Thailand	100.00	-
<b>Held by subsidiaries</b>				
KBS Cane and Sugar Co., Ltd. (100% held by KBS Investment Co., Ltd.)	Manufacture and distribution of sugar	Thailand	100.00	-
KBS Power Co., Ltd. (100% held by KBS Investment Co., Ltd.)	Manufacture and distribution of electricity	Thailand	100.00	-



b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

2.3 The separate financial statements, which present investment in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

### 3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies

TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

#### Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements, except as follow.

#### TFRIC 4 Determining whether an Arrangement contains a Lease

This TFRIC requires an entity to determine whether an arrangement is, or contains, a lease, based on the substance of the arrangement. If an arrangement is, or contains, a lease, the payments for the lease should be separated from payments for any other elements in the arrangement.

The Company and its subsidiaries' management considered the arrangement under the Power Purchase Agreements ("PPAs") between a subsidiary (Khonburi Power Plant Co., Ltd.) and the Electricity Generating Authority of Thailand ("EGAT") to be outside the scope of TFRIC 4.

#### (b) Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

#### TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognize actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognised actuarial gains and losses immediately in other comprehensive income.

#### TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in *TAS 27 Consolidated and Separate Financial Statements*. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

### TFRS 11 Joint Arrangements

TFRS 11 supersedes TAS 31 *Interests in Joint Ventures*. This standard requires an entity to account for an investment in a jointly controlled entity that meets the definition of a joint venture using the equity method, while TAS 31 allows the entity to apply either the proportionate consolidation method or the equity method to account for such an investment.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

### TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

### TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

At present, the management of the Company and its subsidiaries is evaluating the impact to the financial statements in the year when this standard is adopted.

## 4. Cumulative effect of change in accounting estimation in the method of fair value measurement of forward contract

During the current year, the Company changed in accounting estimation in the method of fair value measurement of forward contract from the rates of exchange ruling at the end of reporting period to the market rate, using prospective method.

The change has the effect of increasing profit after tax for the year ended 31 December 2014 by approximately Baht 96 million, increasing basic earnings per share by Baht 0.17 per share, and increasing in unrealised losses on derivative financial instruments in other components of equity by approximately Baht 9 million. Nevertheless, the Company is unable to predict the effect of this change to future period due to uncertainty on value of forward contract in the future.

## 5. Significant accounting policies

### 5.1 Revenue recognition

#### *Sales of goods*

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

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

*Interest income*

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

*Dividends*

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

**5.2 Cash and cash equivalent**

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

**5.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

**5.4 Inventories**

Finished goods, Work in process, and molasses are valued at the lower of cost under the average method and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs and attributable factory overheads.

Raw materials, fertilizers, chemicals, spare parts, factory supplies, and other supplies are valued at the lower of weight average method and net realisable value and are charged to production costs whenever consumed.

The common production costs incurred in the production process are not allocated to bagasse from productions of sugar; therefore, revenue from sale products are presented as deduction to production costs in each production season.

**5.5 Investments**

a) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

b) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The weighted average method is used for computation of the cost of investments. On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

**5.6 Property, plant and equipment/Depreciation**

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

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

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

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

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

## 5.7 Borrowing costs

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

## 5.8 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Intangible assets are amortised as expenses in the income statements on a straight-line basis over the economic useful life. A summary of the intangible assets are as follows:

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

## 5.9 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

## 5.10 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

## 5.11 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

## 5.12 Impairment of assets

At the end of each reporting period, the Company and the subsidiaries perform impairment reviews in respect of the property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

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

## 5.13 Employee benefits

### *Short-term employee benefits*

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

### *Post-employment benefits*

#### *Defined contribution plans*

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

#### *Defined benefit plans*

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

The defined benefits liabilities comprise the present value of the defined benefit obligation.

## 5.14 Provisions

Provisions are recognised when the Company and its subsidiaries have present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

## 5.15 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

### *Current tax*

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

### *Deferred tax*

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

## 5.16 Derivative financial instruments and hedging

### a) Derivative financial instruments

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

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

The fair value of forward currency contracts and commodity swap is their quoted market price at the end of reporting period.

### b) Hedge accounting

#### *Cash flow hedges*

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

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

## 6. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset have been transferred, taking into consideration terms and conditions of the arrangement.

### Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### Property plant and equipment/Depreciation

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

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

### Intangible assets

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

### Deferred tax assets

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

### Post-employment benefits under defined benefit plans

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

## 7. Seasonality of operations

The operations of the Company are affected by the seasonality of sugar manufacture, with the production season running from November to April, and the off season for production running from May to October.

## 8. Related party transactions

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

Name	Relationship
Khonburi Power Plant Co., Ltd.	Subsidiary
KBS Trading Co.,Ltd.	Subsidiary
Khonburi Bio Energy Co., Ltd.	Subsidiary
KBS Investment Co.,Ltd.	Subsidiary
KBS Cane and Sugar Co.,Ltd.	Subsidiary (Held by subsidiary)
KBS Power Co.,Ltd	Subsidiary (Held by subsidiary)
Khonburi Capital Co., Ltd.	Common shareholders/Common directors
The Thai Sugar Trading Co., Ltd.	Common shareholders/Common directors
N.Y. Development Co., Ltd.	Common shareholders/Common directors
Talaysub Co., Ltd.	Common shareholders/Common directors
N.Y. Rubber Co., Ltd.	Common shareholders/Common directors
Mitsui and Co., Ltd.	Common major shareholders



Name	Relationship
Mitsui & Co Europe plc.	Common major shareholders
Kasetphol sugar Co., Ltd.	Common major shareholders
Kumphawapi sugar Co., Ltd.	Common major shareholders

During the year, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	Consolidated financial statements		Separate financial statements		Transfer Pricing Policy
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht	
Transactions with subsidiaries: (Eliminated from consolidated financial statements)					
Interest income	-	-	5,673	864	2014: 5.125 - 5.250% per annum (2013: 5.375% per annum)
Sale income	-	-	88,933	-	Contract price and market price
Other income	-	-	3,086	8,618	Cost plus margin 3 to 5 percent
Bagasse income	-	-	142,432	27,968	Contract price (Baht 350 - 400 per ton)
Rental income	-	-	5,340	3,357	Contract price (Baht 3,333 to 2,125,000 Baht per month)
Management income	-	-	5,408	-	Contract price (Baht 100,000 to 350,667 per month)
Purchase of fixed assets	-	-	44,000	9,900	Market price and auction price
Electricity charges	-	-	96,639	28,703	Contract price (according to EGAT)
Steam charges	-	-	57,482	13,077	Contract price (Baht 70 - 100 per ton)
Rental expenses	-	-	9,120	26,448	Contract price (Baht 6,000 to Baht 120,000 per vehicle per month)
Maintenance expenses	-	-	-	6,618	Market price
Management expenses	-	-	23,833	2,167	Contract price
Other expenses	-	-	-	2,440	Market price
Transactions with related companies:					
Sale income	530,853	200,360	530,853	200,360	Market price
Selling assets	-	7,500	-	7,500	Market price
Purchase of raw sugar	488,572	382,469	488,572	382,469	Market price
Purchase of bagasse	13,409	-	13,409	-	Market price
Purchase of fertilizer, insecticide	4,330	-	4,330	-	Market price
Amortisation of the leasehold	-	433	-	433	Contract price (with contract terms 15 and 30 years)
Rental expenses	10,418	5,161	10,418	5,161	Contract price and comparable price charged to other customers
Service charges and utilities	1,773	1,111	1,773	1,111	Contract price (Baht 45 - 60 per square meter)
Export service expenses	9,491	11,799	9,491	11,799	Contract price (Baht 20 per ton)
Interest expenses	15,906	1,661	15,906	1,661	2014: 3.2-3.3% per annum (2013: 3.4% per annum)

As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related companies are as follows:

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
<b>Account receivables - related party (Note 10)</b>				
Subsidiary company (eliminated from consolidated financial statements)	-	-	18,590	-
Related companies	54,940	3,861	54,940	3,861
<b>Total account receivables - related party</b>	<b>54,940</b>	<b>3,861</b>	<b>73,530</b>	<b>3,861</b>
<b>Interest receivable related party (Note 10)</b>				
Subsidiary company (eliminated from consolidated financial statements)	-	-	51	112
<b>Other receivables - related party (Note 10)</b>				
Subsidiary company (eliminated from consolidated financial statements)	-	-	202,422	18,737
<b>Accounts payable - related parties (Note 19)</b>				
Subsidiary company (eliminated from consolidated financial statements)	-	-	69,259	19,018
Related companies	6,173	-	6,173	-
<b>Total account payable - related parties</b>	<b>6,173</b>	<b>-</b>	<b>75,432</b>	<b>19,018</b>
<b>Unearned revenue - related parties (Note 19)</b>				
Subsidiary company (eliminated from consolidated financial statements)	-	-	25,130	3,055
<b>Other non-current assets</b>				
Related company	2,396	2,396	2,396	2,396

#### Loans to and from related party

As at 31 December 2014 and 2013, the balances of loans between the Company and those related companies and the movement are as follows:

	Separate financial statements			
	Balance as at 31 December 2013 Thousand Baht	Increase during the year Thousand Baht	Decrease during the year Thousand Baht	Balance as at 31 December 2014 Thousand Baht
<b>Short-term loans to related party</b>				
Subsidiary company	40,000	765,000	(465,000)	340,000
<b>Consolidated financial statements/ Separate financial statements</b>				
	Balance as at 31 December 2013 Thousand Baht	Increase during the year Thousand Baht	Decrease during the year Thousand Baht	Balance as at 31 December 2014 Thousand Baht
<b>Short-term loans from related party</b>				
Related company	-	2,505,835	(2,407,284)	98,551

The Company has appointed a related company as its representative to enter into an export distributions agreement and short-term loan agreements with a financial institution, with power of attorney. The Company agrees to accept liability for any losses.

Directors and management's benefits

During the years ended 31 December 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Short-term employee benefits	55,169	48,021	52,448	48,021
Post-employment benefits	2,795	1,849	2,723	1,849
Total	57,964	49,870	55,171	49,870

**9. Cash and cash equivalents**

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Cash	402	386	307	296
Bank deposits	296,442	176,948	133,174	128,831
Investment in debt securities held to maturity	5,000	-	5,000	-
Bills of exchange	-	570,000	-	570,000
Total	301,844	747,334	138,481	699,127

As at 31 December 2014, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.125 and 4.5 percent per annum (2013: 1.00 and 2.90 percent per annum).

**10. Trade and other receivables**

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	54,940	3,861	73,530	3,861
Total trade receivables - related parties	54,940	3,861	73,530	3,861
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	175,489	98,101	141,140	90,335
Past due				
Up to 3 months	54,625	23,972	47,714	23,972
3 - 6 months	3,065	-	3,065	-
Total trade receivables - unrelated parties	233,179	122,073	191,919	114,307
Total trade receivables	288,119	125,934	265,449	118,168

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
<u>Other receivables</u>				
Advances	3,938	14,314	3,938	1,815
Interest receivable - related parties	-	-	51	112
Other receivables - related parties	-	-	202,422	18,737
Other receivables - unrelated parties	13,862	20,265	12,972	19,718
Molasses advances	141,593	186,440	-	-
Total other receivables	159,393	221,019	219,383	40,382
Total trade and other receivables - net	447,512	346,953	484,832	158,550

## 11. Sugar cane plantation receivables

The balances of Sugar cane plantation receivables as at 31 December 2014 and 2013, aged on the basis of due dates, are summarized below.

	Consolidated financial statements/ Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht
Sugar cane plantation receivables	1,092,408	504,697
Less: net of long - term sugar cane plantation receivables	(296,371)	(169,009)
Sugar cane plantation receivables - current portion	796,037	335,688
Less: Allowance for doubtful debts	(59,505)	(52,290)
Sugar cane plantation receivable - net	736,532	283,398

	Consolidated financial statements/ Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht
<b>Sugar cane plantation receivables aged on the basis of due dates</b>		
2014/2015 harvesting year	662,305	-
2013/2014 harvesting year	63,463	246,645
2012/2013 harvesting year	22,186	34,120
2011/2012 harvesting year	15,070	17,724
2010/2011 harvesting year	6,856	7,656
Up to 2010/2011 harvesting year	26,157	29,543
Total sugar cane plantation receivables	796,037	335,688
Less: Allowance for doubtful debts	(59,505)	(52,290)
Sugar cane plantation receivables - net	736,532	283,398

Sugar cane plantation receivables represent support provided for farmers in order to encourage sugar cane planting, whereby the Company supplies sugar cane, water systems, agricultural machinery and equipment. The terms of the agreements are generally between 3 and 5 years with interest charged at rates of 0% to 7% per annum. Most farmers have provided land and motor vehicles as collateral.

## 12. Inventories

	Consolidated financial statements					
	Cost		Reduce cost to net ealizable value		Inventories - net	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Finished goods	1,036,541	717,059	-	-	1,036,541	717,059
Work in process	32,074	48,907	-	-	32,074	48,907
Raw materials	51,622	-	-	-	51,622	-
Fertilizers, chemicals, spare parts, and factory supplies	65,066	45,078	(21)	(88)	65,045	44,990
By products (Molasses)	19,684	18,534	-	-	19,684	18,534
<b>Total</b>	<b>1,204,987</b>	<b>829,578</b>	<b>(21)</b>	<b>(88)</b>	<b>1,204,966</b>	<b>829,490</b>

	Separate financial statements					
	Cost		Reduce cost to net ealizable value		Inventories - net	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Finished goods	1,036,541	717,059	-	-	1,036,541	717,059
Work in process	32,074	48,907	-	-	32,074	48,907
Raw materials	51,622	-	-	-	51,622	-
Fertilizers, chemicals, spare parts, and factory supplies	65,066	45,078	(21)	(88)	65,045	44,990
By products (Molasses)	19,684	18,534	-	-	19,684	18,534
<b>Total</b>	<b>1,204,987</b>	<b>829,578</b>	<b>(21)</b>	<b>(88)</b>	<b>1,204,966</b>	<b>829,490</b>

The Company has pledged inventories of approximately Baht 99 million (2013: None) to secure short-term loans from financial institutions through its representative as mentioned in Note 8.

## 13. Other current assets

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Value added tax refundable	105,876	85,821	-	-
Income tax refundable	9,858	8,051	9,858	8,051
Prepaid expenses	11,592	10,566	8,634	9,564
Other	13,174	11,402	2,348	791
<b>Total other current assets</b>	<b>140,500</b>	<b>115,840</b>	<b>20,840</b>	<b>18,406</b>

## 14. Investment in subsidiaries

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

Company's name	Paid-up capital		Shareholding percentage		Cost	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Khonburi Power Plant Co., Ltd.	500,000	500,000	100.00	100.00	500,000	500,000
KBS Trading Co., Ltd.	40,000	40,000	100.00	100.00	40,000	40,000
Khonburi Bio Energy Co., Ltd.	7,000	7,000	100.00	100.00	7,000	7,000
KBS Investment Co., Ltd.	10,000	-	100.00	-	10,000	-
Total					557,000	547,000
Less: Allowance for loss on impairment of investment					(7,000)	(7,000)
Total investment in subsidiaries - net					550,000	540,000

On 17 February 2014, the Board of Directors' meeting No. 2/2014 of the Company passed the resolutions to form the following subsidiaries:

1) KBS Investment Co., Ltd., held by the Company, in which it holds 1 million ordinary shares (100% of the issued and paid-up shares of such company) with a par value of Baht 10 per share, 50% paid up, for a total payment of Baht 5 million. The Company registered the incorporation with the Ministry of Commerce on 25 March 2014.

2) KBS Cane and Sugar Co.,Ltd., held by KBS Investment Co., Ltd., in which it holds 0.5 million ordinary shares (or 100% of the issued and paid-up shares of such company) with a par value of Baht 10 per share, 50% paid up, for a total payment of Baht 2.5 million. The Company registered the incorporation with the Ministry of Commerce on 28 March 2014.

3) KBS Power Co.,Ltd., held by KBS Investment Co., Ltd., in which it holds 0.5 million ordinary shares (or 100% of the issued and paid-up shares of such company) with a par value of Baht 10 per share, 50% paid up, for a total payment of Baht 2.5 million. The Company registered the incorporation with the Ministry of Commerce on 28 March 2014.

On 2 April 2014, the meeting of Board of directors No. 1/2014 of a subsidiary (KBS Investment Co., Ltd.) passed a resolution to approve the collection of remaining amount of Baht 5 million (1,000,000 ordinary shares with the per value of Baht 5 per share). The Company paid full amount of those shares.

### Dividend received

During the years ended 31 December 2014 and 2013, the Company did not receive dividend from subsidiaries.

## 15. Other long-term investments

	Consolidated financial statements/ Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht
<i>Common stock</i>		
The Thai Sugar Trading Corporation Limited	1,750	1,750
Thai Cane and Sugar Corporation Limited	243	243
Thai Sugar Millers Corporation Limited	2	2
Total other long-term investments	1,995	1,995



Separate financial statements									
	Buildings and premises	Machinery	Land and land improvement	Equipment	Furniture, fixtures and office equipment	Motor vehicles	Facilities system and water treatment system	Assets under construction in progress	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
<b>Cost</b>									
As at 31 December 2012	842,025	2,170,493	204,779	147,954	87,739	43,083	233,698	74,469	3,804,240
Additions	1,105	-	5,903	15,008	13,467	23,936	1,093	143,912	204,424
Disposals/write-off	(110)	(6,757)	(4,530)	(393)	(575)	(1,179)	-	-	(13,544)
Transfers in (out)	118,731	58,771	-	8,315	-	-	8,524	(195,341)	(1,000)
As at 31 December 2013	961,751	2,222,507	206,152	170,884	100,631	65,840	243,315	23,040	3,994,120
Additions	770	26,850	-	18,467	11,375	79,201	-	237,506	374,169
Disposals/write-off	-	-	-	(560)	(2,949)	(16)	-	-	(3,525)
Transfers in (out)	19,899	167,300	-	3,964	686	15,180	7,400	(214,474)	(45)
Capitalised interest	-	-	-	-	-	-	-	4,024	4,024
As at 31 December 2014	982,420	2,416,657	206,152	192,755	109,743	160,205	250,715	50,096	4,368,743
<b>Accumulated depreciation</b>									
As at 31 December 2012	419,128	1,056,755	16,419	117,870	71,395	14,087	163,176	-	1,858,830
Depreciation for the year	29,944	92,697	114	10,297	6,701	9,805	13,973	-	163,531
Depreciation on									
disposals/ write-off	(92)	(1,014)	-	(379)	(544)	(326)	-	-	(2,355)
As at 31 December 2013	448,980	1,148,438	16,533	127,788	77,552	23,566	177,149	-	2,020,006
Depreciation for the period	32,191	96,080	70	14,649	8,918	17,340	14,489	-	183,737
Depreciation on									
disposals/write-off	-	-	-	(522)	(2,936)	(16)	-	-	(3,474)
As at 31 December 2014	481,171	1,244,518	16,603	141,915	83,534	40,890	191,638	-	2,200,269
<b>Net book value</b>									
As at 31 December 2013	512,771	1,074,069	189,619	43,096	23,079	42,274	66,166	23,040	1,974,114
As at 31 December 2014	501,249	1,172,139	189,549	50,840	26,209	119,315	59,077	50,096	2,168,474
<b>Depreciation for the year</b>									
For the year ended 31 December 2013 (Baht 147 million included in manufacturing cost,									
and the remaining balance in administrative expenses)									163,531
For the year ended 31 December 2014 (Baht 63 million included in manufacturing cost,									
and the remaining balance in administrative expenses)									183,737

As at 31 December 2014, the Company and a subsidiary had an outstanding balance of assets under construction of approximately Baht 50 million (2013: Baht 1,260 million) (The Company only: Baht 50 million, 2013: Baht 23 million). The construction has been financed with a loan from a financial institution. The total borrowing costs of approximately Baht 44 million were capitalized during the year ended 31 December 2014 (2013: Baht 13 million) (The Company only: Baht 4 million, 2013: none).

As at 31 December 2014, the Company and its subsidiary had machinery, vehicles and equipments with net book value of Baht 14 million (2013: None) which were acquired under financial lease agreement (The Company only: Baht 13 million, 2013: None).



As at 31 December 2014, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 257 million (2013: Baht 213 million) (The Company only: Baht 257 million, 2013: Baht 213 million).

The Company and subsidiaries have pledged most assets as collateral against credit facilities and loans received from financial institutions (all types of liabilities) as mentioned in Note 20 and 33.

## 17. Intangible assets

The net book value of intangible assets as at 31 December 2014 and 2013 is presented below.

	Consolidated financial statements			Separate financial statements	
	Right to use the transmission facilities	Computer software	Total	Computer software	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
As at 31 December 2014					
Cost	146,389	30,925	177,314	28,066	28,066
<u>Less</u> Accumulated amortisation	(273)	(21,757)	(22,030)	(20,859)	(20,859)
Net book value	146,116	9,168	155,284	7,207	7,207
As at 31 December 2013					
Cost	-	24,872	24,872	23,182	23,182
<u>Less</u> Accumulated amortisation	-	(18,208)	(18,208)	(17,710)	(17,710)
Net book value	-	6,664	6,664	5,472	5,472

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Net book value at beginning of year	6,664	9,986	5,472	8,894
Acquisition of computer software	6,045	1,894	4,839	1,481
Increase of right to use the transmission facilities	146,389	-	-	-
Amortisation	45	1,000	45	1,000
Impairment loss	(3,859)	(6,216)	(3,149)	(5,903)
Net book value at end of year	155,284	6,664	7,207	5,472

## 18. Short-term loans from financial institutions

	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Short-term loans from financial institutions	2.7 and 6.125	435,000	150,000	415,000	140,000
Total		435,000	150,000	415,000	140,000

## 19. Trade and other payables

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Planter payables	331,268	380,718	331,268	380,718
Trade payables - unrelated parties	165,473	133,434	134,687	132,311
Trade payable - related parties	6,173	-	75,432	19,018
Revenues received in advance	486,042	386,603	301,836	224,603
Fixed asset payables	156,841	205,456	83,213	60,338
Accrued expenses - unrelated parties	84,256	50,740	65,984	45,118
Unearned revenue - related parties	-	-	25,130	3,055
Other payables	29,019	17,924	23,451	16,942
<b>Total trade and other payables</b>	<b>1,259,072</b>	<b>1,174,875</b>	<b>1,041,001</b>	<b>888,103</b>

### Planter payables

The Company purchased sugar cane for the 2014/2015 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 6/2557 dated 19 November 2014. This determined the initial price of sugar cane in the 2014/2015 harvesting year at Baht 900 per ton of sugar cane at a sweetness of 10 C.C.S with the price to be increased or decreased by Baht 54 per ton for each 1 C.C.S variation. Up to the date on which the Company's directors approved these financial statements, the Office of the Cane and Sugar Board has yet to announce the final sugar cane prices for the 2014/2015 harvesting year.

However, the management estimated that the final sugar cane prices will be higher than the initial sugar cane prices, and thus the Company recorded sugar cane costs and planter payable for the 2014/2015 harvesting year based on the estimated cost. This was equal to Baht 998 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 60 per ton for each 1 C.C.S variation.

For the 2013/2014 harvesting year, the Company recorded sugar cane costs and planter payables in accordance with the letter of the Office of the Cane and Sugar Board No. 6/2557 dated 19 November 2014 at Baht 952 per ton of sugar cane at a sweetness of 10 C.C.S. with the price to be increased or decreased by Baht 57 per ton for each 1 C.C.S. variation.

## 20. Long-term loans

Loan no.	Credit facilities (Million Baht)	Interest rate (%)	Repayment schedule	Consolidated financial statements		Separate financial statements	
				2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
1	48.45	MLR - 1	10 semi-annual installments of Baht 2.42 to 7.97 million each, with the amount raised every year, commencing from March 2010	-	15,930	-	15,930
2	23.70	4	10 semi-annual installments of Baht 0.84 - 3.97 million each, with the amount raised every year, commencing from February 2011	7,820	14,120	7,820	14,120
3	1,150.00	AMLR - 2.95	12 semi-annual installments of Baht 40 - 140 million each, with the amount raised every year, commencing from June 2014	1,070,000	915,859	-	-

Loan no.	Credit facilities (Million Baht)	Interest rate (%)	Repayment schedule	Consolidated financial statements		Separate financial statements	
				2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
4	2,230.00	MLR - 3.35	12 semi-annual installments of Baht 186 million each, with the same amount every year, last installment Baht 184 million, commencing from June 2016	397,000	-	397,000	-
5	150.00	4.8	15 emi-annual installments of Baht 10 million each, with the same amount every year, commencing from December 2015	150,000	-	150,000	-
Total				1,624,820	945,909	554,820	30,050
Less: Current portion				(137,820)	(102,230)	(17,820)	(22,230)
Long-term loans - net of current portion				1,487,000	843,679	537,000	7,820

Movements in the long-term loans account during the year ended 31 December 2014 are summarised below.

	Consolidated financial statements Thousand Baht	Separate financial statements Thousand Baht
Balance as at 1 January 2014	945,909	30,050
Add: Additions	781,141	547,000
Less: Repayments	(102,230)	(22,230)
Balance as at 31 December 2014	1,624,820	554,820

As at 8 August 2014, the Company entered into loan agreement of Baht 2,230 million with a local financial institution. The loan carries interest at a rate of MLR minus 3.35% per annum. The loan is payable on semi-annual basis and due within 7 years 6 months since the first draw down, the first installment is payable in June 2016.

As at 3 November 2014, the Company entered into the loan agreement of Baht 150 million with a local financial institution. The loan carries interest at a rate of 4.08% per annum. The loan is payable on semi-annual basis and due within 8 years since the first draw down, and the first installment is payable in December 2015.

These loans are secured by mortgage of project land and construction thereon, and machinery and equipment of the Company and subsidiary.

The loan agreements contain several covenants which, among other things, require the Company to maintain long-term debt-to-equity ratio at the rate prescribed in the agreements.

As at 31 December 2014, the long-term credit facilities of the Company and its subsidiary which have not yet been drawn down amounted to Baht 2,475 million (2013: Baht 876 million) (The Company only: Baht 2,475 million, 2013: Baht 642 million).

## 21. Liabilities under finance lease agreements

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Liabilities under finance lease agreements	15,864	-	14,422	-
Less: Deferred interest expenses	(1,355)	-	(1,217)	-
Total	14,509	-	13,205	-
Less: Portion due within one year	(3,641)	-	(3,362)	-
Liabilities under finance lease agreements - net of current portion	10,868	-	9,843	-

The Company and a subsidiary have entered into the finance lease agreements with leasing company for rental of equipment and vehicle for use in their operation, whereby they are committed to pay rental on a monthly basis. The term of the agreements is generally 4 years. Finance lease agreements cannot be cancelled.

Future minimum lease payments required under the finance lease agreements were as follows:

	Consolidated financial statements		
	As at 31 December 2014		
	Less than 1 year Thousand Baht	1 - 5 year Thousand Baht	Total Thousand Baht
Future minimum lease payments	4,257	11,607	15,864
Deferred interest expense under finance lease agreement	(616)	(739)	(1,355)
Present value of future minimum lease payments	3,641	10,868	14,509

	Separate financial statements		
	As at 31 December 2014		
	Less than 1 year Thousand Baht	1 - 5 year Thousand Baht	Total Thousand Baht
Future minimum lease payments	3,922	10,500	14,422
Deferred interest expense under finance lease agreement	(560)	(657)	(1,217)
Present value of future minimum lease payments	3,362	9,843	13,205

## 22. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire from the company, was as follows:

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Balance at beginning of year	26,702	18,363	24,423	16,840
Current service cost	5,217	3,367	4,884	3,132
Interest cost	1,060	1,037	960	967
Transferred employee	-	-	-	246
Actuarial loss	-	3,935	-	3,238
Balance at end of year	32,979	26,702	30,267	24,423

Long-term employee benefit expenses included in the profit or loss consist of the following:

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Current service cost	5,217	3,367	4,884	3,132
Interest cost	1,060	1,037	960	967
<b>Total expense recognised in profit or loss</b>	<b>6,277</b>	<b>4,404</b>	<b>5,844</b>	<b>4,099</b>
Line items under which such expenses are included in profit or loss				
Cost of sales	2,168	2,348	2,168	2,348
Selling and administrative expenses	4,109	2,056	3,676	1,751

As at 31 December 2014 and 2013, cumulative actuarial losses, which were recognised in other comprehensive income of the Company and its subsidiaries, amounted to Baht 4 million (The Company only: Baht 3 million).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2014 (% per annum)	2013 (% per annum)	2014 (% per annum)	2013 (% per annum)
Discount rate	4.4	4.4	4.4	4.4
Future salary increase rate	4.0 - 8.0	4.0 - 8.0	4.0 - 8.0	4.0 - 8.0
Staff turnover rate (depending on age)	6.0 - 16.0	6.0 - 16.0	6.0 - 16.0	6.0 - 16.0

The amounts of defined benefit obligations and experience adjustments for the current year and the past three years are as follows:

	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
2014	32,979	30,267	-	-
2013	26,702	24,423	(2,732)	(3,099)
2012	18,363	16,840	7,232	6,950
2011	15,902	14,564	-	-

## 23. Share Capital

On 5 February 2013, the Extraordinary General Meeting No. 1/2013 passed the following resolutions.

a) The meeting passed a resolution approving an increase in the registered capital from Baht 500,000,000 (500,000,000 ordinary shares at a par value of Baht 1 per share) to Baht 600,000,000 (600,000,000 ordinary shares at a par value of Baht 1 per share). The Company registered the capital increase with the Ministry of Commerce on 7 February 2013.

b) The meeting passed a resolution approving an allocation of the capital increase of 100,000,000 ordinary shares with a par value of Baht 1 each. The details of such allocation are as follows:-

1) To allocate capital increase of 33,333,333 ordinary shares with Baht 10.25 each to Mitsui & Co., Ltd. on a private placement basis. The Company received share payment on 12 February 2013.

2) To allocate capital increase of 16,666,667 ordinary shares with Baht 10.25 each to Mitsui Sugar Co., Ltd. on a private placement basis. The Company received share payment on 12 February 2013.

3) To allocate capital increase of 50,000,000 ordinary shares reserved for the exercise of warrants in accordance with "KBS-W1".

During the current year, the Company received payment for the exercise of KBS-W1. The detail is below.

Date of exercised	Quantity of exercised warrants (Unit)	Ordinary shares issued for exercise warrants (Shares)	Exercise price (Baht)	Date of registration with the Ministry of Commerce	Date that the Stock Exchange of Thailand approved ordinary shares as listed securities
<u>KBS-W1</u>					
28 August 2014	50,000,000	50,000,000	12.7	29 August 2014	2 September 2014

The exercise of the warrants above resulted in an increase in the registered and paid up share capital of the Company. The details are summarised below.

Reconciliation of number of ordinary shares

	Number of shares (Shares)	Per Value (Baht)	Paid up capital (Baht)	Share premium (Baht)
<u>Issued and paid-up ordinary shares</u>				
Number of ordinary shares as at 1 January	550,000,000	1	550,000,000	1,642,675,000
Increase due to exercise of warrants	50,000,000	1	50,000,000	587,500,000
Number of ordinary shares as at 31 December 2014	600,000,000	1	600,000,000	2,230,175,000

## 24. Warrants

The Company's warrants are as follows: -

Type of warrant	Exercise price per share	Exercise ratio per 1 warrant	Number of warrants outstanding as at 1 January 2014	Number of warrants exercised during the period	Number of warrants outstanding as at 31 December 2014
KBS-W1	12.70	1 : 1	50,000,000	(50,000,000)	-

## 25. Statutory reserve

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

## 26. Expenses by nature

Significant expenses classified by nature are as follows:

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Salaries and wages and other employee benefits	392,653	317,768	373,206	304,152
Depreciation and amortisation	205,988	180,489	186,885	169,433
Transportation expenses	132,429	138,433	126,366	138,433
Stabilisation costs, research fee and contribution to Cane and Sugar Fund	81,678	78,266	81,678	78,266
Maintenance expenses	218,385	224,056	175,758	224,056
Rental expenses from operating lease agreements	26,311	17,724	19,681	13,706
Raw materials and consumables used	3,035,710	3,085,297	3,028,313	3,085,297
Changes in inventories of finished goods and work in process	302,649	194,592	296,277	194,748

## 27. Income tax

### 27.1 Deferred tax assets / liabilities

The components of deferred tax assets and deferred tax liabilities are as follows:

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	11,901	10,470	11,901	10,458
Allowance for diminution in value of inventories	4	18	4	18
Derivative revaluation				
Reflected in profit or loss	575	-	575	-
Reflected in shareholders' equity	5,965	-	5,965	-
Provision for long-term employee benefits	6,596	5,340	6,053	4,884
Unused tax loss	8,989	6,489	-	-
<b>Total</b>	<b>34,030</b>	<b>22,317</b>	<b>24,498</b>	<b>15,360</b>
<b>Deferred tax liabilities</b>				
Financial lease	59	-	59	-
Accumulated depreciation - Plant and equipment	63,966	55,871	63,966	54,901
<b>Total</b>	<b>64,025</b>	<b>55,871</b>	<b>64,025</b>	<b>54,901</b>
<b>Deferred tax assets - net</b>	<b>9,532</b>	<b>5,987</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities - net</b>	<b>39,527</b>	<b>39,541</b>	<b>39,527</b>	<b>39,541</b>

### 27.2 Income tax expenses

Income tax for the year ended 31 December 2014 and 2013 are summarised below.

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
<b>Current income tax:</b>				
Current income tax charge during the year	78,481	114,319	76,746	114,319
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	2,407	11,754	5,952	13,923
<b>Income tax expense reported in the statements of comprehensive income</b>	<b>80,888</b>	<b>126,073</b>	<b>82,698</b>	<b>128,242</b>



Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2014 and 2013.

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Accounting profit before tax	399,570	627,609	415,739	637,481
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	79,914	125,522	83,148	127,496
Effects of:				
Promotional privileges (Note 28)	354	-	-	-
Non-deductible expenses	1,444	1,455	1,221	1,437
Additional allowable expense deductions	(1,753)	(811)	(1,671)	(792)
Others	(205)	(332)	-	101
Unused tax losses of subsidiaries which may not be utilised	1,134	239	-	-
<b>Income tax expense reported in the statements of comprehensive income</b>	<b>80,888</b>	<b>126,073</b>	<b>82,698</b>	<b>128,242</b>

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

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

	Consolidated financial statements		Separate financial statements	
	2014 Thousand Baht	2013 Thousand Baht	2014 Thousand Baht	2013 Thousand Baht
Deferred tax relating to				
Loss on unrealized from derivative revaluation	5,965	-	5,965	-
Actuarial losses arising from defined benefit plan of employee	-	718	-	648

As at 31 December 2014, the Company and its subsidiaries had deductible temporary differences and unused tax losses totaling Baht 7 million (2013: Baht 7 million), on which deferred tax assets have not been recognised as the Company and its subsidiaries believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

## 28. Promotional privileges

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

The entire amounts of Company's sale in 2014 and 2013 are derived from non-promoted operations

## 29. Earnings per share

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

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

	Consolidated financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2014 (Thousand Baht)	2013 (Thousand Baht)	2014 (Thousand shares)	2013 (Thousand shares)	2014 (Baht)	2013 (Baht)
Basic earnings per share						
Profit attributable to equity holders of the Company	318,682	501,535	567,397	544,247	0.56	0.92

	Separate financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2014 (Thousand Baht)	2013 (Thousand Baht)	2014 (Thousand shares)	2013 (Thousand shares)	2014 (Baht)	2013 (Baht)
Basic earnings per share						
Profit attributable to equity holders of the Company	333,041	509,239	567,397	544,247	0.59	0.94

## 30. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have 3 reportable segments as follows:

- The sugar cane segment: production, distribution of sugar cane and related services, e.g. provision of agricultural machines and vehicles, e.g. sugar cane harvesters and tractors, to planters who sell sugar cane to the Company
- The sugar and molasses trading segment: purchase and sale of sugar, molasses and by products.
- The utilities segment: generation of electricity and steam whereby bagasses are used as main fuel.

In the current year, the Company and its subsidiaries have restructured their operations by aggregating service segments and sugar cane segment for benefit of their administration.

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

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

The following tables present revenue and profit information regarding the Company and its subsidiaries operating segments for the years ended 31 December 2014 and 2013, respectively.

For the year ended 31 December 2014							
	Sugar cane segment Thousand Baht	Sugar and molasses trading Thousand Baht	Utilities segment Thousand Baht	Others Thousand Baht	Total reportable segments Thousand Baht	Adjustments and eliminations Thousand Baht	Consolidated Thousand Baht
Revenue from external customers	5,400,989	677,609	101,660	-	6,180,258	-	6,180,258
Inter-segment revenue	84,327	-	158,727	-	243,054	(243,054)	-
<b>Total</b>	<b>5,485,316</b>	<b>677,609</b>	<b>260,387</b>	<b>-</b>	<b>6,423,312</b>	<b>(243,054)</b>	<b>6,180,258</b>
Interest revenue	55,607	78	171	43	55,899	(5,673)	50,226
Interest expense	38,985	2,252	8,669	335	50,241	(5,673)	44,568
Depreciation and amortisation	187,107	11,330	13,389	-	211,826	(5,616)	206,210
Gain (loss) on disposal of property, plants, and equipment	168	4,533	-	-	4,701	(4,533)	168
Income tax expense	(82,698)	(3,803)	5,613	-	(80,888)	-	(80,888)
Segment profit (loss)	333,041	14,116	(26,146)	(3,411)	317,600	1,082	318,682
Segment total assets	6,446,989	277,476	2,195,527	28,445	8,948,437	(1,221,523)	7,726,914
Additions to non-current assets other than financial instruments, deferred tax assets	884,155	(53,123)	451,024	14,246	1,296,302	(13,918)	1,282,384

For the year ended 31 December 2013					
	Sugar cane segment Thousand Baht	Service and utilities segment Thousand Baht	Total reportable segments Thousand Baht	Adjustments and eliminations Thousand Baht	Consolidated Thousand Baht
Revenue from external customers	5,878,164	25,621	5,903,785	-	5,903,785
Inter-segment revenue	-	76,146	76,146	(76,146)	-
<b>Total</b>	<b>5,878,164</b>	<b>101,767</b>	<b>5,979,931</b>	<b>(76,146)</b>	<b>5,903,785</b>
Interest revenue	25,967	411	26,378	(864)	25,514
Interest expense	19,564	1,794	21,358	(864)	20,494
Depreciation and amortisation	169,433	16,852	186,285	(5,796)	180,489
Gain (loss) on disposal of property, plants, and equipment	(200)	3,850	3,650	(3,484)	166
Income tax expense	128,242	(2,169)	126,073	-	126,073
Segment profit (loss)	509,239	(10,016)	499,223	2,312	501,535
Segment total assets	4,728,452	1,836,867	6,565,319	(632,675)	5,932,644
Additions to non-current assets other than financial instruments, deferred tax assets	355,905	1,196,182	1,552,087	(157,989)	1,394,098

#### Geographic information

The Company and its subsidiaries are operated in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable segment.

Revenue from external customers is based on locations of customers.

	2014 Million Baht	2013 Million Baht
Revenue from external customers		
Thailand	2,908	2,279
Asia	2,291	2,325
Europe	902	1,109
Others	79	191
Total	6,180	5,904

#### Major customers

For the year 2014, the Company and its subsidiaries have revenue from 1 major customer in the amount of Baht 1,061 million, arising from the production and distribution of sugar cane segment (2013: Baht 1,505 million derived from 2 major customers, arising from the production and distribution of sugar cane segment).

### 31. Provident fund

The Company, subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company and its subsidiaries contribute to the fund monthly at the rates of 3 to 10 percent of basic salary and its employees contribute to the fund monthly at the rates of 3 to 10 percent of basic salary. The fund, which is managed by Kasikorn Asset management Company limited, will be paid to employees upon termination in accordance with the fund rules. For the year ended 31 December 2014, the Company and its subsidiaries contributed Baht 6 million (2013: Baht 5 million) to the fund.

### 32. Dividends paid

	Approved by	Total dividends Baht	Dividend per share Baht
<u>Year 2013</u>			
Dividends on income for the period of 1 October 2012 to 31 December 2012	Annual General Meeting of the shareholders on 25 April 2013	258,500,000	0.47
Dividends on income for the period of 1 January 2013 to 30 June 2013	Board of Directors Meeting on 13 August 2013	110,000,000	0.20
		368,500,000	
<u>Year 2014</u>			
Dividends on income for the year 2013	Annual General Meeting of the shareholders on 22 April 2014	165,000,000	0.30
Interim dividends on income for the year 2014	Board of Director Meeting on 14 August 2014	90,000,000	0.15
		255,000,000	

### 33. Commitments and contingent liabilities

#### 33.1 Capital commitments

As at 31 December 2014, the Company and its subsidiaries had capital commitments of approximately Baht 2,760 million (2013: Baht 274 million) (The Company only: Baht 2,174 million, 2013: Baht 31 million), relating to the construction of factory buildings, and acquisition of machinery.

#### 33.2 Operating lease commitments

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

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

	Consolidated financial statements		Separate financial statements	
	2014 Million Baht	2013 Million Baht	2014 Million Baht	2013 Million Baht
Payable within:				
1 year	25	35	22	29
2 to 5 years	12	25	9	20
More than 5 years	-	21	-	-

#### 33.3 Molasses sale/purchase commitments

As at 31 December 2014, the Company and subsidiary had commitments to purchases molasses of Baht 472 million (2013: Baht 266 million) (The Company only: none) and molasses sales of Baht 578 million (2013: Baht 765 million) (the Company only: Baht 55 million 2013: Baht 507 million) respectively, for which the delivery had not yet been made. The agreements mature within one year.

#### 33.4 Cane sugar sales commitments

As at 31 December 2014, the Company had commitments of Baht 430 million (2013: Baht 1,096 million) relating to cane sugar sale agreements, for which delivery had yet to be made. The agreements mature within one year.

#### 33.5 Electricity sale/purchase commitment

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

Company's name	Date of agreement	Period (Years)	Commencement date	End of period	Contracted capacity (MW)
Provincial Electricity Authority Provincial Electricity Authority (PEA)	20 July 2009	5	16 July 2013	Renewable for every 5 years	8
Electricity Generating Authority of Thailand ("EGAT")	27 October 2014	25	18 December 2014	27 October 2039	22

#### 33.6 Agreements relating to the operation of electricity from biomass

On 1 December 2014, the Company and a subsidiary have revised and amended agreements relating to the operation of electricity from biomass. The terms are 3 years, as from the date of 5 December 2014 until 30 November 2017. The agreement shall be renewable for future 3 year, unless terminated by either party. The details are as follows:

a) The electricity sale/purchase agreement - The Company agreed to acquire an electricity voltage of 3300 volts for power supply of 2-25 megawatt (season based) from its subsidiary. The price is the same as the electricity price purchased from the Electricity Authority, excluding Adder.

b) The steam sale/purchase agreement - The Company agreed to acquire the steam, with the pressure of 0.5-23 bars and at the maximum volume of 470 tons per hour (season based), from its subsidiary. The price is as stipulated in the agreement.

c) The bagasse sale/purchase agreement - The Company agreed to sell at least 28% of the total sugar cane or at least 2.9 million tons of bagasse to its subsidiary. The price is as stipulated in the agreement.

In addition, the Company and the subsidiary entered into several lease agreements in respect of lease of land, building, and machinery to be used in the operation of electricity from biomass as mentioned in note 8. The terms of the agreements are generally 3-30 years.

### 33.7 Guarantees

(1) As at 31 December 2014, the Company guaranteed bank credit facilities of its subsidiary amounting to Baht 1,860 million (2013: Baht 1,230 million)

(2) As at 31 December 2014, there were outstanding bank guarantees of approximately Baht 2 million and Baht 2 million (2013: Baht 2 million and Baht 14 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business.

(3) As at 31 December 2014, there were outstanding bank guarantees of approximately Baht 249 million (2013: Baht 12 million) issued by banks on behalf of the subsidiary company in respect of performance under an electricity sale/purchase agreement and the submission of applications and offer to sell electricity. They were used as security with the Provincial Electricity Authority and the Electricity Generating Authority, in compliance with the regulations of purchasing electricity from small power producers.

(4) As at 31 December 2014, the Company had no letter of guarantee issued on behalf of the Company in respect of a subsidiary's loan, and letter of credit and trust receipts (2013: Baht 900 million).

### 33.8 Commitment in respect of uncalled investment

Subsidiary is committed to pay the uncalled portions of their investments as follows:

	As at 31 December	
	2014 Million Baht	2013 Million Baht
KBS Cane and Sugar Co., Ltd.	2.5	-
KBS Power Co., Ltd.	2.5	-

## 34. Financial instruments

### 34.1 Financial risk management

The Company and its subsidiaries financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivable, sugar cane plantation receivables, short-term loans from financial institutions, short-term loans related parties, trade and other payable, amount due to the Office of the Cane and Sugar fund, long-term loans from financial institutions and liabilities under finance lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.

#### *Credit risk*

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables, sugarcane plantation receivables and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables, sugarcane plantation receivables as stated in the statements of financial position.

*Interest rate risk*

The Company and its subsidiaries exposure to interest rate risk relates primarily to its deposits at financial institutions, sugarcane plantation receivables, loans, bank overdrafts, liabilities under the financial lease agreement and interest bearing borrowing. However, since most of the Company and subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements						
As at 31 December 2014						
	Fixed interest rates		Floating interest rate Million Baht	Non- interest bearing Million Baht	Total Million Baht	Interest rate (% p.a.)
	Within 1 year Million Baht	1-5 years Million Baht				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	302	-	302	Note 9
Trade and other receivables	-	-	-	448	448	
Sugarcane plantation receivables	737	296	-	-	1,033	Note 11
	737	296	302	448	1,783	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	435	-	-	-	435	Note 18
Short-term loans from related party	98	-	-	-	98	3.2%
Trade and other payables	-	-	-	1,259	1,259	
Amounts due to the Office of the Cane and Sugar fund	-	-	-	70	70	
Long-term loans from financial institutions	18	140	1,467	-	1,625	Note 20
Liabilities under financial lease agreement	4	11	-	-	15	4% - 5%
	555	151	1,467	1,329	3,502	
<b>Consolidated financial statements</b>						
As at 31 December 2013						
	Fixed interest rates		Floating interest rate Million Baht	Non- interest bearing Million Baht	Total Million Baht	Interest rate (% p.a.)
	Within 1 year Million Baht	1-5 years Million Baht				
<b>Financial assets</b>						
Cash and cash equivalents	570	-	177	-	747	Note 9
Trade and other receivables	-	-	-	347	347	
Sugarcane plantation receivables	283	169	-	-	452	Note 11
	853	169	177	347	1,546	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	150	-	-	-	150	Note 18
Trade and other payables	-	-	-	1,181	1,181	
Amounts due to the Office of the Cane and Sugar fund	-	-	-	68	68	
Long-term loans from financial institutions	6	8	932	-	946	Note 20
	156	8	932	1,249	2,345	

Separate financial statements						
As at 31 December 2014						
	Fixed interest rates		Floating interest rate Million Baht	Non- interest bearing Million Baht	Total Million Baht	Interest rate (% p.a.)
	Within 1 year Million Baht	1-5 years Million Baht				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	138	-	138	Note 9
Trade and other receivables	-	-	-	485	485	
Planter receivables sugarcane plantation loans	736	296	-	-	1,032	Note 11
Short-term loans to related parties	340	-	-	-	340	5.125%
	1,076	296	138	485	1,995	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	415	-	-	-	415	Note 18
Short-term loans from related party	99	-	-	-	99	3.2%
Trade and other payables	-	-	-	1,041	1,041	
Amounts due to the Office of the Cane and Sugar fund	-	-	-	70	70	
Long-term loans from financial institutions	18	140	397	-	555	Note 20
Liabilities under financial lease agreement	3	10	-	-	13	4% - 5%
	535	150	397	1,111	2,193	

Separate financial statements						
As at 31 December 2013						
	Fixed interest rates		Floating interest rate Million Baht	Non- interest bearing Million Baht	Total Million Baht	Interest rate (% p.a.)
	Within 1 year Million Baht	1-5 years Million Baht				
<b>Financial assets</b>						
Cash and cash equivalents	570	-	129	-	699	Note 9
Trade and other receivables	-	-	-	158	158	
Planter receivables sugarcane plantation loans	283	169	-	-	452	Note 11
Short-term loans to related parties	40	-	-	-	40	5.125%
	893	169	129	158	1,349	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	140	-	-	-	140	Note 18
Trade and other payables	-	-	-	888	888	
Amounts due to the Office of the Cane and Sugar fund	-	-	-	68	68	
Long-term loans from financial institutions	6	8	16	-	30	Note 20
	146	8	16	956	1,126	



### Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company and its subsidiaries have a significant foreign currency risk in respect of selling goods and purchasing equipment denominated in foreign currencies. However, the Company and its subsidiaries have entered into forward contracts, matured within one year to mitigate the foreign currency risk.

The Company has appointed a related company as its representative for the purpose of concluding forward exchange contracts, with power of attorney. The Company agrees to accept liability for any losses.

The Company and its subsidiaries had the following foreign currency financial assets and liabilities as follows:

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2014 (Million)	2013 (Million)	2014 (Million)	2013 (Million)	2014 (Baht per 1 foreign currency unit)	2013
US dollar	5.7	1.5	0.3	-	32.963	32.814

The balances of forward exchange contracts that were made in the name of the related company are summarised below.

Consolidated / Separate financial statements as at 31 December 2014			
Foreign currency	Sold amount	Exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	33	32.75 - 33.48	From March 2015 to December 2015

Consolidated / Separate financial statements as at 31 December 2013			
Foreign currency	Sold amount	Exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	66	29.61 - 32.15	From April 2013 to January 2014

### Sugarcane price fluctuation risk

The cane and sugar industry in Thailand is an industry under the supervision of a government agency, the Cane and Sugar Board, under the Cane and Sugar Act B.E. 2527, which imposes the following restrictions:

1. A quota system for the allocation of sugar distribution channels, as follows:
  - 1.1 Quota A for the sugar produced for domestic consumption,
  - 1.2 Quota B for the raw sugar identified by the Cane and Sugar Board as processed by sugar mills for delivery to Thailand Cane and Sugar Corporation (TCSC) for distribution. This quota is used as a base for setting the standard price of raw sugar exported to calculate the income of the system,
  - 1.3 Quota C for the sugar processed by sugar mills for export sales or as raw materials for the manufacture of products to be exported.

2. Allocation of profit is generated by the system between the cane farmers and the sugar mills under a benefit sharing arrangement, whereby cane farmers receive 70% of the income, which is the cane price, and the sugar mills receive 30%, which is the return on production.

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

As a result of the above system, the selling price of sugar under Quota B and the exchange rate of the actual sales made by TCSC have substantial impact on the cane price, which is the major cost of the sugar production. To manage the risk of fluctuating gross profit, the Company applies the following risk management measures:

1. It enters into sugar futures contracts to sell sugar in the futures market, with the prices, quantities and due dates being referenced to actual sales of sugar of TCSC.

2. The Company closes its positions under futures contracts when actual sales of sugar are made to customers. The closed position is made by entering into forward contracts to purchase sugar at the same price and in the same quantity as the actual sales to the customers, with terms of an equal length to those of the forward sales contracts.

These risk management measures enable the Company to manage risk efficiently in any circumstances, with the Company being able to set future selling prices that are close to the selling price fixed by TCSC. The result of this is that the Company is able to maintain a stable gross profit, based on the margin between the selling price of the Company and the cost of sugar cane derived from the selling price fixed by TCSC.

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

As at 31 December 2014			
Unit	Bought amount	Commodity type	Contractual maturity date
Tons	19,450	Sugar	From February 2015 to June 2015

### 34.2 Fair values of financial instruments

Since the majority of the financial instruments of the Company and its subsidiaries are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the latest market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

Fair value of derivative instruments as presented in consolidated financial statements and separate financial statements consists of:

	As at 31 December			
	2014		2013	
	Assets Million Baht	Liabilities Million Baht	Assets Million Baht	Liabilities Million Baht
<b>Current</b>				
1. Cash flow hedge of forward currency exchange contracts	-	9	-	-
2. Cash flow hedge of sugar commodity swap contracts	-	24	-	-

1. The Company held forward exchange contracts designated as cash flow hedges of expected future sales to customers for which the Company could designate highly probable forecast transactions.

2. The Company held sugar commodity swap contracts designated as cash flow hedges of expected future sales to customers for which the Company could designate highly probable forecast transactions.

As at 31 December 2014, the Company recognised changes in the fair values of financial instruments amounting to Baht 3 million (2013: None) as unrealised losses on derivative financial instruments in profit or loss and recognized in other comprehensive income amounting to Baht 24 million (2013: None).

The fair value of derivative instruments has been calculated by using quoted market rates at the end of reporting period.

### 35. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure in order to support its business and maximise shareholder value. As at 31 December 2014, the Group's debt-to-equity ratio was 0.88:1 (2013: 0.73:1) and the Company's was 0.55:1 (2013: 0.37:1).

### 36. Reclassification

Certain amounts in the statement of financial position as at 31 December 2013 and 1 January 2013 have been reclassified to conform to the current year's classification but with no effect to previously reported profit (loss) or shareholders' equity. The reclassifications are as follows:

Consolidated financial statements				
	As at 31 December 2013		As at 1 January 2013	
	As reclassified Thousand Baht	As previously reported Thousand Baht	As reclassified Thousand Baht	As brought forward Thousand Baht
Trade and other receivables	346,953	257,256	80,581	101,500
Other current assets	115,840	205,536	37,359	16,440
Planter receivables	-	36,753	-	18,532
Current portion of sugarcane plantation loans	-	246,645	-	296,330
Sugarcane plantation loans - net of current portion	-	169,008	-	136,118
Sugar cane plantation receivables	283,398	-	314,862	-
Sugarcane plantation receivables - long term	169,008	-	136,118	-
Trade and other payables	1,174,875	1,181,144	936,883	936,883
Dividend payables	-	5	-	132
Other current liabilities	17,967	11,693	6,597	6,465

Separate financial statements				
	As at 31 December 2013		As at 1 January 2013	
	As reclassified Thousand Baht	As previously reported Thousand Baht	As reclassified Thousand Baht	As brought forward Thousand Baht
Trade and other receivables	158,550	166,601	97,764	98,633
Other current assets	18,406	10,355	12,239	11,370
Planter receivables	-	36,753	-	18,532
Current portion of sugarcane plantation loans	-	246,645	-	296,330
Sugarcane plantation loans - net of current portion	-	169,008	-	136,118
Sugar cane plantation receivables	283,398	-	314,862	-
Sugarcane plantation receivables - long term	169,008	-	136,118	-
Trade and other payables	882,103	888,372	931,895	931,895
Dividend payables	-	5	-	132
Other current liabilities	7,749	7,744	6,538	6,406

### 37. Event after the reporting period

On 26 February 2015, a meeting of the Company's Board of Directors passed a resolution to propose the payment of dividends from the fiscal year 2014 results of its operations for approval by the 2015 Annual General Meeting of the shareholders. The proposed dividend was Baht 0.3 per share.

### 38. Approval of financial statements

These financial statements were authorised for issue by authorised directors on 26 February

# Corporate Social Responsibility

Khonburi Sugar Public Company Limited was founded in 1965 as an integrated sugar manufacture and distribute sugar comprehensively. The Company strives to become a leading organization in sugar business and other related businesses. Over the past 50 years that we have been operating our business, we have been adhering to our goal to develop various components in holistic manner. We develop production process, products, and services continuously in every steps to add value for our trade partners and customers. We are committed to promote farmers under our care to ensure that they will have higher income and better living conditions. We now have a total of 5,097 contract farmers. We also continue to expand our

business to create additional value for the community. In addition, our subsidiary, Khonburi Power Plant Co., Ltd. has initiated 35-megawatt biomass electricity power plant project using bagasses, which are by-products of sugar production, as main raw materials, and the project supplies 22-megawatts of electricity to Electricity Generating Authority of Thailand. This project will generate renewable energy in order to strengthen energy sustainability, which will help propelling the development of local economy later on. Our business operation does not only aim to earn maximum benefit, but we also build our culture of development in sustainable way using several components. This philosophy reflects in our vision and mission.

## Vision

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

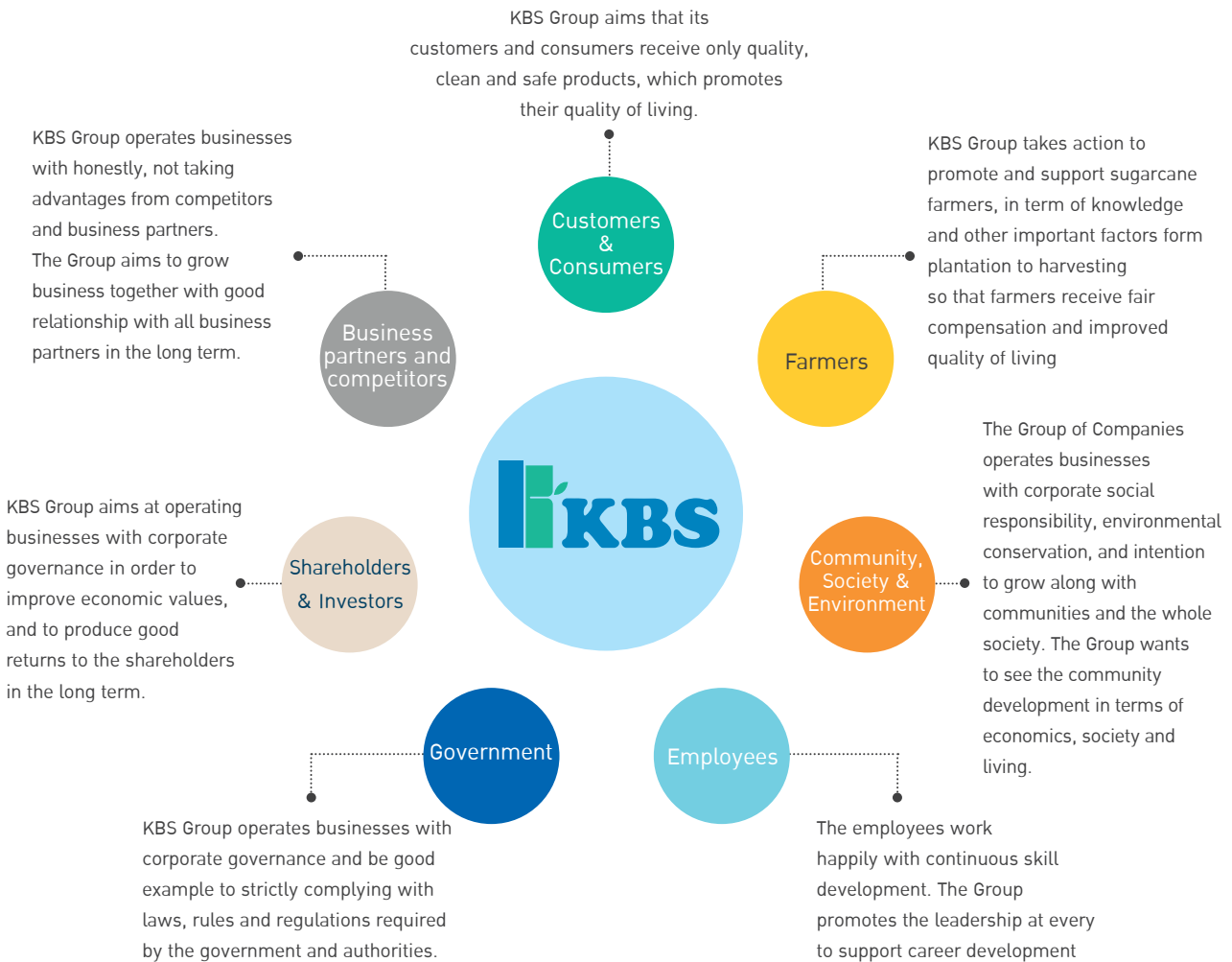
## Mission

To conduct business with adherence to good corporate governance principal, ethics, and responsibility to all the stakeholders. To improve the quality of products, services, and processes so as to create higher value-added by innovations and new ideas. To promote the learning to result in the differentiation in the corporation's core competency, which will allow the company to grow rapidly with stability. To change and modernize the organization to be in line with the business environment of the national and global level



## Concept and Framework of Business Operations with the Corporate Social Responsibility

KBS Group conducts its business with Corporate Social Responsibility (CSR). The principles of corporate social responsibility and corporate governance had been dually taken into consideration a part of our business strategies, with which the satisfaction of all stakeholders, e.g. customer and consumer, farmer, community, society and environment, employee, government, business partner and competitor, and shareholder must be kept in balance.



KBS Group intends to sustain the maximum benefits and values for all stakeholders, not a single group of stakeholders. The goals to be achieved are the organization success and sustainable living in the society. The business operations by KBS Group are in line with the following principles:

1. Operate with transparency and ethics.
2. Respect to human rights, and strictly adhering to benefits of all stakeholders.
3. Act to protect health and safety of consumers, providing and improving quality of our products and services.
4. Promote all related parties to involve in creating and planning.
5. Improve and review environmental impacts to , communities and related persons by regularly complying with requirements, laws and other rules.
6. Create the business growth on the concept of sustainable and stable development.

## CSR Activities in 2014

KBS Group carries out the corporate social responsibility on a concept that the business benefits and satisfaction of all stakeholders must be balanced. The Group has conducted the CSR-DIW (Corporate Social Responsibility, Department of Industrial Works) projects. In this regard, the CSR Committee was established, comprising representatives from every main operating department, with duties of promoting, supporting and monitoring the CSR activities to ensure that the CSR concept and practice framework would be undertaken constantly, and respond all related stakeholders thoroughly and equally according to the determined objectives. Another 8 sub-working groups were also established:

1. Corporate Governance Sub committee
2. Human Rights Sub Committee
3. Labor Force Sub Committee
4. Environment Sub Committee
5. Good Business Practice Sub Committee
6. Consumer Sub Committee
7. Community Relation and Development Sub Committee
8. Public Relation Legal and Administration Sub Committee

In 2014, the CSR Committee initiated and carried out the activities as listed below.

### College in the Plant Project

From the dialogue with the Company's employees, who is a group of stakeholders from the benefit and impact assessment, both Company and employees achieved a mutual conclusion on "College in the Plant" project, initiated to build new generations of personnel, and to encourage employees to continue studies in the vocational and higher vocational levels. The Company carried out this project in collaboration with the Pakthongchai Technical College, Nakhon Ratchasima Province. Both parties signed the Memorandum of Understanding (MOU). The Company targets that its employees continuing their studies there would enhance the working skills and efficiency, apply the academic principles to reduce mistakes, and feel proud of their organization that value basic education for the employees. As a result, the employees would feel attached and have good attitude toward the organization while the Company engages more qualified employees. This project was participated by 48 employees. The first group of employees will complete the higher vocational level (PorWorSor.) in 2015 and the vocational level (PorWorChor.) in 2016 respectively.



### Clean Water for Communities Project

For the community-related activities, the "Public Network" Working Group was established for the good relationship between the Company and communities. The dialogues with every community located in the area of 5 kilometers around the sugar mill were held to enable these communities to access to the clean water and better living. The Company and these communities agreed to execute the "Clean Water for Communities" project, which were warmly welcomed by them. In 2012, this project was set up in 4 villages: Cholakaehin Village, Moo 1, 2, 3 and 8 with population of 800 - 1,000 people.

Definitely, this project will continue, and the dialogues with many communities will be done further to select some more villages for this project.



### KBS Good People, Smart People Project

The Company in collaboration with the “Public Network” Working Group carried out a scholarship project for students in the Lammoonbon School Group, consisting of 10 schools, under the project name of “KBS Good People, Smart People”. Under this project, each school selected students with proper conducts and gratitude to win the KBS Good People scholarships, and students attended the examination to win the KBS Smart People scholarships. There were total 80 scholarships given to local youths with good behavior so that they had more opportunities to access to the education. This project has continued for 3 consecutive years. The project main objective is to value local youths who are the country’s prospect. Apart from this project, Khonburi Sugar Public Company Limited initiated other projects for the communities, educational institutes and religious places.

### Big Cleaning Day Activity

Our company has organized 5S Big Cleaning Day activity and tree planting activity to increase green area. These activities aimed to encourage our employees to participate and recognize the importance of 5S system, improve work environment, keep their workplace clean, free from dirtiness, and stay tidy. These activities brought good physical and emotional health to employees, and enabled them to work more effectively and productively. Furthermore, the activities also promoted good relationship, unity, and good experience among each other. The activities gained well cooperation from our executives employees, village headmen, villagers in Khon Buri Tai Sub-district, teachers, and students from Ban Khlong Yang School (Moon Bon Uppatham).

### Unity Day Activity

The Company places importance on the campaign in preventing and solving drug problems, and we are ready to respond to the intent of HRH Princess Ubolratana Rajakanya on “becoming number one without relying on drugs”, and we have established To Be Number One – Khonburi Sugar Club aiming to raise awareness and create a trend that helps preventing and solving drug problems, build and develop network to keep our employees, their families, as well as children and adolescents in the community nearby our factories away from drugs. We also organized Safety Week 2014 activity on the same day. This activity was organized to promote knowledge and awareness on work safety among all employees.







### “SWAT CAT” Nakhon Ratchasima FC Club Supporting Activity

The Company has supported “SWAT CAT” Nakhon Ratchasima FC Club, and truly hopes that the team from Nakhon Ratchasima will become national leading team during the season of 2015. Strong commitment and dedication to training among SWAT CAT athletes will inspire adolescents in Mueang District and local communities in Nakhon Ratchasima, as well as other adolescents to become interested in playing soccer or other sports.

### “Sweet Sugarcane Day” Activity

The Company and the Lum Moon Bon Sugar Cane Planter Association had jointly convened annual ordinary meeting or “Sweet Sugarcane Day” exhibition in order to exchange data, knowledge, situation, and information on sugarcane and sugar, and promote and support farmers and their family members to plant sugarcane for stable and sustainable source of income.

### Chorakhehin Canal Dredging Project

The Company, Chorakhehin Sub-district Municipality, local organizations and Chorakhehin community have cooperated to remove water hyacinth, weeds, soil and sediments in Chorakhehin Canal located in Chorakhehin Sub-district, which obstruct water flow in the canal and may be the cause of flooding in farmers’ plantations.

### Sugarcane Plantations for Sustainable and Secure Income of Sugarcane Farmers

The promotion of sugarcane plantations is one of main duties of KBS Group . The Group promotes and encourages the sugarcane farmers in the communities to grow the sugarcane according to the Company’s concept supported by academic principles, which helps increase the yield and reduce the plantation cost. The Company sets up several projects to support the sugarcane farmers. Apart from the financial support (advance loans), micro agricultural stations were set up to allow the Company’s agricultural officers to give good service to the farmers, from the plantation preparation stage to the harvesting and transportation of sugarcane to the sugar mill. The Company sufficiently provided the related tools to boost the farmers’ efficiency; namely, sugarcane varieties, tractor, sugarcane planter, fertilizer, pesticide, sugarcane harvester, truck, etc. In addition, the Company conducted the research and development for sugarcane varieties, and encourages the invention of agricultural machines to get any new ideas for further development in the future. The Company also valued the management and distribution of ideas created by successful farmers so that others could apply such ideas and practice guideline to increase their yield. The farmers were grouped; the good management of agricultural machines and trucks could produce the efficient plantation, harvesting and transport, reduce the cost, and raise the income sustainably. The sugarcane plantation process by the Company’s advice helps improve the farmers’ living and economic status. Finally, the community economy will be strongly improved, which is a part of the social and national development



## References

### The Registrar

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Thailand Securities Depository Co., Ltd.  
62 The Stock Exchange of Thailand Building,  
Rachadapisek Road, Klongtoey, Bangkok 10110, Thailand  
Tel: (66 2) 229 2800  
Fax: (66 2) 359 1259  
TSD CALL CENTER : (66 2) 229 2888  
Website: <http://www.tsd.co.th>  
E-mail: [TSDCallCenter@set.or.th](mailto:TSDCallCenter@set.or.th)

### Auditor

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Ms. Rungnapa Lertsuwankul, Certified Public Accountant (Thailand) No. 3516  
EY Office Limited  
33<sup>rd</sup> Floor, Lake Rajada Office Complex 193/136-137  
Rajadapisek Road Klongtoey, Bangkok 10110 Thailand  
Phone: (66) 2264 0777  
Fax: (66) 2264 0789 90  
E-mail : [ErnstYoung.Thailand@th.ey.com](mailto:ErnstYoung.Thailand@th.ey.com)  
Website : <http://www.ey.com>

### Legal Advisor

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Associate Prof Sahaton Rattanapijit  
The Faculty of Law, Thammasat University Bangkok 10200  
Tel : (66) 2221-6111 Ext. 2121

# “หวาน 2 เท่า” ความคุ้มค่าเพื่อธุรกิจ เพื่อคุณ



วางใจกับความคุ้มค่า ด้วยความหวาน 2 เท่าของน้ำตาลทราย ในปริมาณการใช้เพียงครึ่งจาก KBS 2X ที่เรามุ่งมั่นพัฒนา เพื่อให้ผู้ประกอบการทุกธุรกิจอาหารได้สัมผัสความหอมหวานให้แก่ผู้บริโภค ได้มากขึ้น **KBS 2X Double Sweet** หวาน 2 เท่า สุขเต็มคุ้ม



นอ. 4191/2557



บริษัท น้ำตาลครบุรี จำกัด (มหาชน)  
5 สุขุมวิท 57 แขวงคลองตันเหนือ เขตวัฒนา กรุงเทพฯ 10110  
โทร. 0-2725-4888 [www.kbs.co.th](http://www.kbs.co.th)



**Khonburi Sugar PublicCompany Limited**

5 Soi Sukhumvit 57 Klongton-Nue, Wattana Bangkok

Tel : 0-2725-4888 Fax. : 0-2725-4877

[www.kbs.co.th](http://www.kbs.co.th)