



Khonburi Sugar Public Company Limited



Annual Report 2016

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

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Vision and Mission

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Message from the Chairman and the Chairman of Executive Committee

Dear Shareholders,

The year 2016 was another challenging year for KBS since the Company had to face a number of external factors affecting its performance, such as domestic recessions which decreased consumption, oil price fluctuation which affect the Company's costs, widespread drought which had impact on sugarcane production in many areas, and fluctuation of Brazilian Real. As a result, NY#11 sugar price in 2016 fluctuated in the range of 12.5-24.1 cents/pound.

Moreover, there was a major factor directly affecting the Company's performance, which was an accidental breakdown of the main steam pipe of a subsidiary. As a result, the boiler and accessory equipment were partially damaged. Then such subsidiary could not produce and sell electricity to the Electricity Generating Authority of Thailand (EGAT) for the period 6 months. As a result, the Company's overall operating results for the year 2016 showed that the Company had a net loss of THB 355 million. However, it is expected that the Company's business operations would improve in 2017 since the steam mains have been successfully repaired and production of electricity has been resumed and electricity can be sold to EGAT again since 25 October 2016. Moreover, sugar prices in the international market trend to be increased.

Different projects under the strategic plan of the Company in the previous year were successfully implemented. The new production line with a daily production capacity of 12,000 tons of sugarcane or Project Line C has increased the total production capacity to 35,000 tons of sugarcane per day. This project clearly improves cane-crushing efficiency since it makes use of diffuser technology and also helps reduce waiting time for sugarcane farmers selling sugarcane to the Company. We believed that reduced waiting time will encourage the farmers to expand their sugarcane plantation areas and persuade more sugarcane farmers outside the production zone to sell sugarcane to the Company. With respect to the New Sugar Cane Mill Project in Sikhew District, Nakhon Ratchasima Province, the Company is working on it.

Another project of the Company is the Conditioning Silo & Packing Station, which was completed in August 2016. This project enables the Company to reduce repacking costs and maintain sugar quality, which greatly helps reduce the rate of customers denying acceptance of sugar.

In terms of sales promotion and marketing, currently the Company has three products under KBS brand, namely refined sugar "KBS First", natural sugar "KBS Brown" and extra sweet sugar "KBS 2X Double Sweet." The Company has adopted various marketing strategies to promote brand awareness among customers and to create brand value

to improve competitiveness and customer satisfaction. Our goal is to build sustainable brand loyalty in the future. With respect to marketing strategy for KBS 2X Double Sweet, we will focus mainly on SME customers. The Company has carried out many activities with the purpose to reduce production costs. We have also worked hand in hand with many companies in other fields of business.

With respect to Corporate Social Responsibility (CSR), the Company continues to implement many projects to improve the quality of life of our employees and communities surrounding the factory, such as “KBS KPP Good Students” project to provide scholarships to students from many schools near the factory, forestation project in honor of the royal family, white factory project, establishment of ‘To Be Number One’ club, and the “Smile Library” project to give books to schools.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders, business partners, customers, employees, executives, and all related parties as well as financial institutions. KBS Group will continue to conduct business with care, transparency, and adherence to corporate governance principles to ensure that KBS will enjoy sustainable growth and be prepared for competition in the industry to become the leading organization in cane, sugar and bio-energy industry in the future.



Mr. Suthep Wongvorazathe
Chairman



Mr. Takon Tawintermsup
Chairman of Executive Committee

Board of Directors



1. Mr. Suthep Wongvorazathe
Chairman

2. Mr. Tat Wanakornkul
Director and
Managing Director

3. Mr. Takon Tawintermsup
Chairman of
Executive Committee

4. Mr. Somkiat Twiltermsup
Director and Executive Director

5. Mr. Issara Twiltermsup
Director and
Executive Director

6. Mr. Sran Smutkochorn
Independent Director



7. Dr. Tawatchai Nakhata
Independent Director

8. Mr. Amnart Rumpoeypong
Director

9. Ms. Suvimol Krittayakiern
Chairman of Audit Committee

10. Mr. Suwat Summasshipvitsavakul
Audit Committee and
Independent Director

11. Mr. Voravit Rojrapitada
Audit Committee and
Independent Director

Management Team



1. Mr. Somkiat Twiltermsup
Deputy Managing Director
of Marketing

2. Mr. Issara Twiltermsup
Assistant Managing Director
of Corporate Affairs

3. Mr. Tat Wanakornkul
Managing Director

4. Mr. Rangsan Tawintermsup
Assistant Managing Director
of Supply Chain



5. Mr. Dumrong Putiput
Technical and Project Director

6. Mr. Rakkiti Tanglamlent
Chief Financial Officer

7. Ms. Surawee Puangthong
Financial Operation Senior Manager

8. Mr. Mongkhon Artsavatumnant
Accounting Manager

Business Highlights

Cane crush 2.6 Million Tons



2.6
Million tons

Crushing Unit 35,000 Tons / Day



35,000
Tons/day

Refined Capacity 1,200 Tons / Day



1,200
Tons/day

Power Plant

23 MW

35 MW

58 MW

Power Purchased Agreement



non firm
8 MW 8 MW

Firm
22 MW



Sales by Geographic

| Sugar selling proportion of year 2015/2016 | | | | | |
|--|--------|----------|--------------------------------|----------|-------------|
| Sugar for export 75% | | | Sugar for domestic sale 25% | | |
| Asia | Africa | Regional | Modern Trade | Industry | Distributor |
| 55% | 10% | 10% | 10% | 10% | 5% |

KBS Brand



KBS Brown



KBS First



KBS2X Double Sweet

International Customers



Domestic Customer

Industrial Customer



Modern Trade



Golden richness... uniquely Thai

Financial Highlights

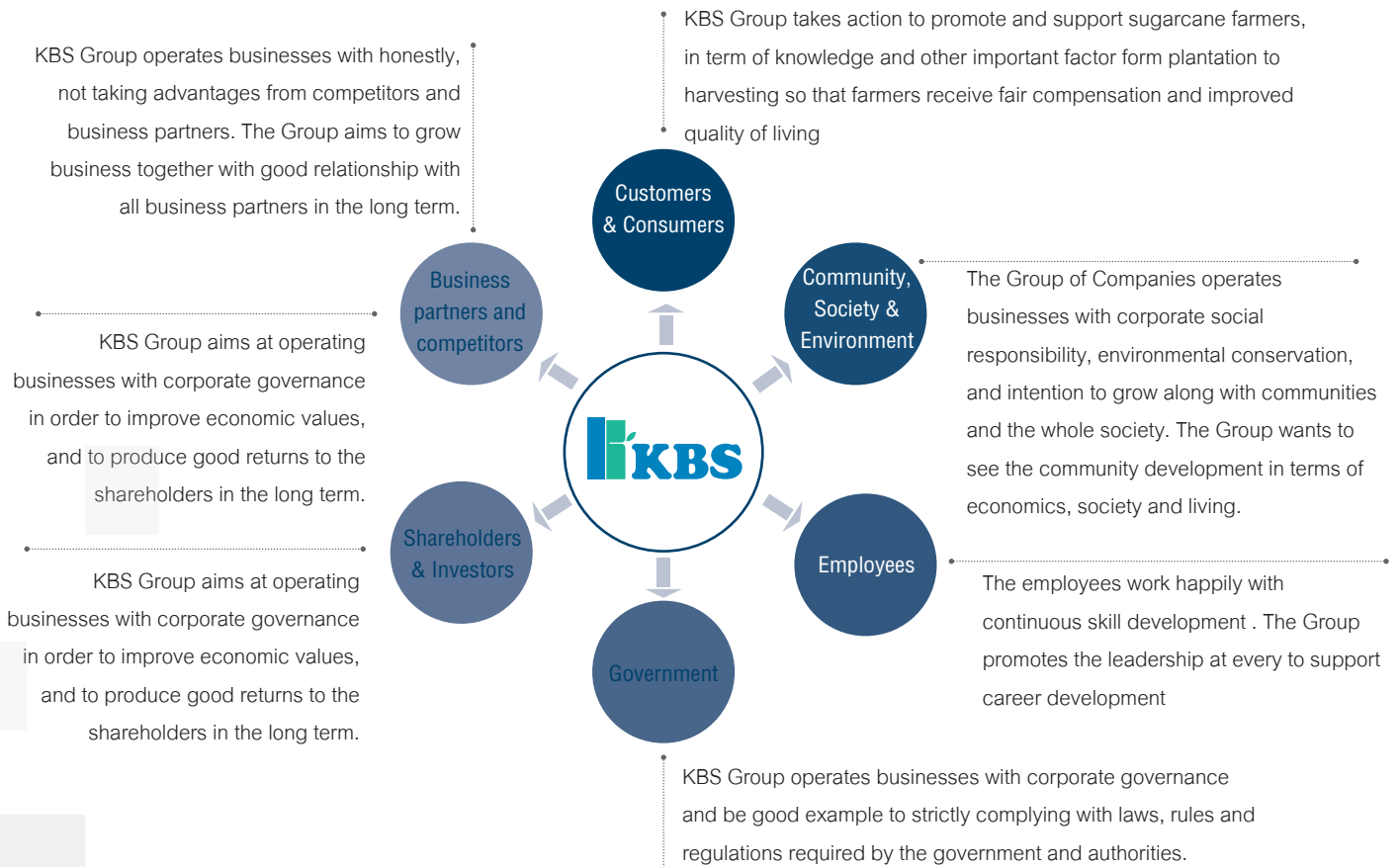
| Key Financial Highlight | 2014 | 2015 | 2016 |
|--|-------|--------|---------|
| Financial Status (THB mm.) | | | |
| Cash and Cash Equivalents | 302 | 82 | 126 |
| Total Assets | 7,727 | 10,069 | 10,608 |
| Total Liabilities | 3,622 | 6,098 | 7,060 |
| Total Shareholders' Equity | 4,105 | 3,971 | 3,548 |
| Operating Results (THB mm.) | | | |
| Sale and Service Income | 6,180 | 6,542 | 6,925 |
| Total Revenues | 6,305 | 6,665 | 7,161 |
| Cost of Sales and Services | 5,266 | 6,035 | 6,646 |
| Selling and Administrative Expenses | 593 | 585 | 614 |
| Loss from subsidiary's accident | - | - | 135 |
| Profit (loss) before Finance Cost and Income Tax | 444 | (10) | (234) |
| Finance Cost | 45 | 98 | 189 |
| Income tax (revenues) expenses | 81 | (58) | (68) |
| Profit (loss) for the years | 319 | (50) | (355) |
| Financial Ratios | | | |
| Gross Profit Margin | 14.8% | 7.8% | 4.0% |
| Net Profit Margin | 5.1% | (0.8%) | (5.1%) |
| Return on Asset (ROA) | 4.7% | (0.5%) | (3.3%) |
| Return on Equity (ROE) | 8.5% | (1.3%) | (10.0%) |
| Total Debt per Equity (D/E) | 0.9 | 1.5 | 2.0 |
| Value/share (Baht/share) | | | |
| Book Value per Share | 6.84 | 6.62 | 5.91 |
| Earning per Share | 0.56 | (0.08) | (0.59) |

Corporate Social Responsibility (CSR)

Khonburi Sugar Public Company Limited was founded in 1965 to manufacture and distribute sugar comprehensively. The Company strives to become leading organization in sugar business and other related businesses. Over the past 50 years that we have been operating our business, we have been adhering to our goal to develop various components in holistic manner. We develop production process, products, and services continuously in every steps to add value for our trade partners and customers. We are committed to promote farmers under our care to ensure that they will have higher income and better living condition. We also continue to expand our business to create additional value for the community. In addition, our subsidiary, Khonburi Power Plant Co., Ltd. has initiated 35-megawatt biomass electricity power plant project using bagasses, which are by-products of sugar production, as main raw materials, and the project supplies 22-megawatts of electricity to Electricity Generating Authority of Thailand. This project will generate renewable energy in order to strengthen energy sustainability, which will help propelling the development of local economy later on. Our business operation does not only aim to earn maximum benefit, but we also build our culture of development in sustainable way using several components.

Concept and Framework of Business Operations with the Corporate Social Responsibility

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



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

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

CSR Activities in 2016

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

In 2016, the CSR Working Group has carried on and initiated a number of projects and activities as follows:

“College in Factory” Project

After a dialogue with a group of concerned employees, it was agreed that the “College in Factory” project would be implemented with the objectives to create a new generation of personnel and to give the employees an opportunity to further their study and receive a vocational certificate and vocational diploma. Under an MOU, this project was implemented in collaboration with Pakthongchai Technical College, Nakhon Ratchasima Province, with the goals to enable the employees participating in this project to have skills required to do their



jobs effectively and reduce mistakes at work and to be proud of their organization that realized the importance of education of operational staff, which would result in employee engagement and good attitude toward the organization and enable the Company to have the employees with higher educational attainment. There were a total of 48 employees attending this project. In this year, a total of 40 students from the first batch have graduated with a vocational diploma. Later in 2018, there will be more students graduating with the vocational certificate.

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 3,500 - 4,000 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 Scholarship” Project

In cooperation with the “Public Relations Network” Working Group, the Company has implemented the “KBS Scholarship” project to provide scholarships to students from a total of 10 schools located in the upper part of Moon River. The schools choose students who have good behaviors and pass an achievement test to receive a total of 81 scholarships, which enable these local children to have a better chance in education. The project has been implemented continuously for five years already with the main objective to help children to have a brighter future. There are many other projects that Khonburi Sugar Public Company Limited has brought to communities, schools, and religious places.

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 2015 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 2017. 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.



Public Services for Chorakhehin Community

In cooperation with Chorakhehin Sub-district Municipality, local government agencies, community leaders, villagers, and volunteers, the Company has carried out a variety of public benefit activities, including improvement of community canals for farmers, improvement of school pond, construction of layer house over Nile tilapia pond, and home visit to provide nursing care to patients in the community.

“Smile Library” Project

The project is aimed at providing schools with books and knowledge. It is a part of the Company’s CSR activities in relation to education and long-term development of human resources. In cooperation with Nation International Edutainment PLC, a member of Nation Group, the Company has installed bookshelves and given books to eight schools in Jorakhay Hin Community to encourage children to improve their reading skill and expand their imaginations. The books provided give them both knowledge and entertainment. It is expected that this project will promote learning and create many good things for the community.

“Sweet Sugarcane Day”

In collaboration with Upper Moon River Sugarcane Farmer Association, the Company has organized the annual general meeting or “Sweet Day’ exhibition to share information, knowledge, and situations regarding sugarcanes and sugar as well as to encourage farmers to grow sugarcanes for stable and sustainable income.

Blood Donation Project

The Company, in cooperation with Nakhon Ratchasima Blood Donation Center under the Thai Red Cross Society, has organized a project to persuade its employees and people living around the factory to donate blood. The activity is held twice a year and there are not less than 100 people donating blood each time.

Sugarcane Plantations for Sustainable and Secure Income of Sugarcane Farmers

The promotion of sugarcane plantations is one of main duties of KBS Group . The Group promotes and encourages the sugarcane farmers in the communities to grow the sugarcane according to the Company’s concept supportably academic principles, which helps increase the yield and reduce the plantation cost. The Company set up several projects to support the sugarcane farmers. Apart from the financial support (advance



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

General Information

1 Khonburi Sugar Public Company Limited

| | |
|-----------------------------|---|
| Nature of Business | Sugar Manufacturer and Exporter |
| Company registration number | 0107553000191 |
| Registered capital | Baht 600,000,000 |
| Paid-up capital | Baht 600,000,000 |
| Head Office | 5 Soi Sukhumvit 57 Klongton Nue, Wattana, Bangkok 10110 Tel. : (662) 725 4888 Fax. : (662) 725 4877 |
| Factory | 289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 338 Fax. : (6644) 448 500 |
| Website | www.kbs.co.th |

2 KBS Trading Co., Ltd.

| | |
|-----------------------------|---|
| Year of Established | 2008 (Former company name is Agriculture Machine Service Co., Ltd.) |
| Nature of Business | Trading of Sugar and by-Products |
| Company registration number | 0105551079600 |
| Registered capital | Baht 40,000,000 |
| Paid-up capital | Baht 40,000,000 |
| Head Office | 289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 338 Fax. : (6644) 448 500 |
| Factory | 289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 338 Fax. : (6644) 448 500 |
| Website | www.kbs.co.th |

3 Khonburi Power Plant Co., Ltd.

| | |
|-----------------------------|--|
| Year of Established | 2008 |
| Nature of Business | Generating and distribution of electricity using bagasses as feedstock |
| Company registration number | 0105551074993 |
| Registered capital | Baht 500,000,000 |
| Paid-up capital | Baht 500,000,000 |
| Head Office | 18 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 652, (6644) 448 669 Fax. : (6644) 448-096 |
| Branch 1 | 289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 338 Fax. : (6644) 448 500 |
| Branch 2 | 99 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 652, (6644) 448 669 Fax. : (6644) 448-096 |
| Factory | 18 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel. : (6644) 448 652, (6644) 448 669 Fax. : (6644) 448-096 |
| Website | www.kbs.co.th |
| Remark | Commercial Operating Date since January 2, 2015 |

4 Khonburi Bio Energy Co., Ltd.

| | |
|-----------------------------|--|
| Year of Established | 2004 |
| Nature of Business | Manufacturing and distribution of ethanol using molasses as feedstock |
| Company registration number | 0105547116130 |
| Registered capital | Baht 440,000,000 |
| Paid-up capital | Baht 115,250,000 |
| Head Office | 5 Soi Sukhumvit 57 Klongton Nue, Wattana, Bangkok 10110 Tel. : (662) 725 4888 Fax. : (662) 725 4877 |
| Website | www.kbs.co.th |
| Remark | While no significant operation |

5 KBS Investment Co., Ltd.

| | |
|-----------------------------|--|
| Year of Established | 2014 |
| Nature of Business | Holding Company |
| Company registration number | 0105557044018 |
| Registered capital | 10,000,000 บาท |
| Paid-up capital | 10,000,000 บาท |
| Head Office | 5 Soi Sukhumvit 57 Klongton Nue, Wattana, Bangkok 10110 Tel. : (662) 725 4888 Fax. : (662) 725 4877 |
| Website | www.kbs.co.th |
| Remark | While no significant operation |

6 KBS Cane and Sugar Co., Ltd.

| | |
|-----------------------------|--|
| Year of Established | 2014 |
| Nature of Business | Manufacturing and distribution of sugar and by-products |
| Company registration number | 0105557046355 |
| Registered capital | Baht 5,000,000 |
| Paid-up capital | Baht 5,000,000 |
| Head Office | 5 Soi Sukhumvit 57 Klongton Nue, Wattana, Bangkok 10110 Tel. : (662) 725 4888 Fax. : (662) 725 4877 |
| Website | www.kbs.co.th |
| Remark | While no significant operation |

7 KBS Power Co., Ltd.

| | |
|-----------------------------|--|
| Year of Established | 2014 |
| Nature of Business | Generating and distribution of electricity using bagasses as feedstock |
| Company registration number | 0105557046347 |
| Registered capital | Baht 5,000,000 |
| Paid-up capital | Baht 5,000,000 |
| Head Office | 5 Soi Sukhumvit 57 Klongton Nue, Wattana, Bangkok 10110 Tel. : (662) 725 4888 Fax. : (662) 725 4877 |
| Website | www.kbs.co.th |
| Remark | While no significant operation |

Corporate background and major developments

- 1965 • Nong Yai Industry Company Limited was established with the registered capital of Baht 1 million.
 - The mill possessed the production capacity of 1,500 tons cane a day.
- 1967 • Increased the Company's registered capital to Baht 100 million and increased production capacity to 13,690 tons cane a day.
- 1996 • Relocated the production base to Khonburi District, Nakhonratchasima Province with the registered capital of Baht 300 million
- 1997 • Increased the registered capital to Baht 350 million to expand the production capacity to 21,000 tons cane a day.
- 2007 • The Company's name was changed to "Khonburi Sugar Company Limited"
- 2010 • The Company's name was changed to "Khonburi Sugar Public Company Limited"
 - The production capacity was increased from 21,000 tons cane a day to 23,000 tons cane a day.
- 2011 • Increasing of the registered capital to Baht 500 million and listed the Company's on the shares Stock Exchange of Thailand.
- 2012 • Entered into Strategic Alliance Agreement with Mitsui Group from Japan.
- 2013 • Increased the registered capital to be Baht 600 million.
- 2014 • Launching "KBS Brand" to released new 3 products; KBS First (refined sugar) KBS Brown (natural sugar) and KBS2X Double Sweet (Sucralose blended sugar)
- 2015 • Commercial Operating Date (COD) of electricity sale to the Electricity Generating Authority of Thailand (EGAT) under 22MW firm contract
 - Started operation of Line C, which added 12,000 ton canes/day to result in total capacity of 35,000 ton canes/day
- 2016 • In March 2016, The Company's announce to Thailand's Private Sector Collective Action Coalition Against Corruption

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 bereau , Award of social responsibility and governance etc.

The Best Sugar Mill 2012

Certificate of Environmental Friendly of Sugar production 2012

Green Industry 2012-2013

CSR - DIW Advance Award Level 4 2013

CSR - DIW Continuous Award 2013

Testimonial Award of save and restore environment 2013

EIA Monitoring Awards 2014

Occupation Safety and Health bereau Award 2012-2016

Safety and Health at work Promotion Award 2014-2015



With determination and its constant focus on production process and product quality, KBS receives many honors and awards e.g. Standard and Good Sanitation Practices, Thai Industrial Standards, ISO 9001:2008, FSSC 22000.



Business operation and income structure

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 11st in the group of sugar manufacturers and distributors of Thailand with the total sugar output in 2016 of 286,197 tons.

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

KBS Group considers that Thailand's sugarcane and sugar industry has certain competitive advantages in the world market. Thailand is the second largest sugar exporter in the world with distinguished geographic advantage compared to other competitors. Thailand is in Asia where the sugar consumption ranges the highest in the world. The consumption growth is also higher than the global average, due to the sharp economic growth in this region. Therefore, development of Thailand's sugarcane and sugar industry will have great impacts to the economy and livelihood of Asian citizens. Furthermore, Thailand has advantage in sugar manufacturing efficiency and can invest in to the power and ethanol businesses, which will increase its overall profitability.

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.

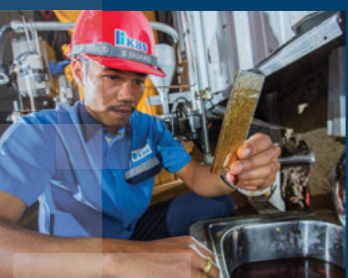
Sugar production and distribution business

Raw Sugar

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

Brown Sugar and Natural Sugar

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



White Sugar

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

Refined Sugar and Super Refined Sugar

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

Sucralose Blended Sugar

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

2. Sugar by-product businesses

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

1. Molasses

Molasses are by-products of sugar boiling process, and they are dark brown and sticky liquid. Typically, the Company can get approximately 43-45 kilograms of molasses out of one ton of sugarcane. The Company sells these molasses to a variety of industries as they can be used as raw materials in food industry, beverage industry, or used for the production of alcohol, liquor, yeast, MSG, animal feed, vinegar, soy sauce and seasoning. More importantly, molasses are raw materials in energy industry for the production of ethanol. At present, the Company is planning to construct ethanol production plant with capacity of 200,000 liters per day

2. Bagasses

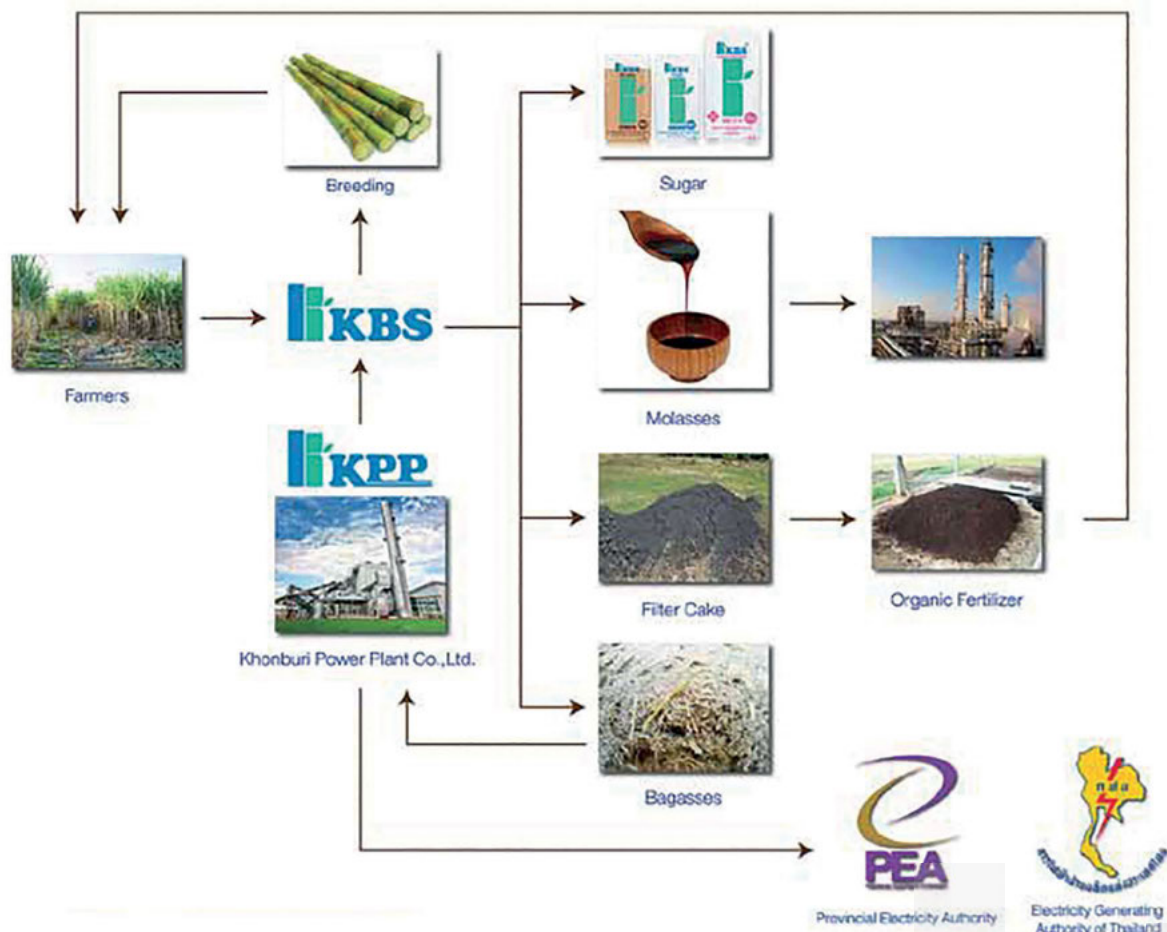
The Company uses bagasses derived from cane crushing process as fuel for steam and electricity production for distribution to our sugar factories. Electricity in excess will be sold to Provincial Electricity Authority (PEA) and Electricity Generating Authority of Thailand (EGAT). Khonburi Power Plant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

3. Molasses Trading Business

KBS Group has initiated molasses trading business in 2014 which is operated by KBS Trading Co., Ltd (KBST) in order to increase the Group's profitability from network of producers and users of molasses. Moreover, this business will support the ethanol business in the future.



KBS's Business Overview

The Company's income structure over the past three years has details as follows:

| | For the year ended 31 December 2014 | | For the year ended 31 December 2015 | | For the year ended 31 December 2016 | |
|--|--|--------------|--|--------------|--|--------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Domestic sugar sales | | | | | | |
| - Refined sugar and super refined sugar ¹ | 623.4 | 9.9 | 914.5 | 13.7 | 846.8 | 11.8 |
| - White sugar ¹ | 423.8 | 6.7 | 529.1 | 7.9 | 798.6 | 11.2 |
| - Raw sugar, brown sugar and natural sugar | 177.0 | 2.8 | 111.8 | 1.7 | 461.2 | 6.4 |
| Total domestic sales | 1224.2 | 19.4 | 1,555.4 | 23.3 | 2,106.6 | 29.4 |
| Export sugar sales | | | | | | |
| - Refined sugar and super refined sugar | 2,900.7 | 46.0 | 2,653.0 | 39.8 | 2,912.2 | 40.7 |
| - Refined sugar | 14.0 | 0.2 | 138.9 | 2.1 | 110.5 | 1.5 |
| - VHP sugar | 271.9 | 4.3 | 123.5 | 1.9 | 44.6 | 0.6 |
| - Bulk raw sugar | 158.9 | 2.5 | 117.0 | 1.8 | 197.2 | 2.8 |
| Total export sales | 3,345.5 | 53.1 | 3,032.4 | 45.6 | 3,264.5 | 45.6 |
| Total sugar sales | 4,569.7 | 72.5 | 4,587.8 | 68.9 | 5,371.1 | 75.0 |
| Molasses sales, (as by-product from sugar production) | 501.4 | 8.0 | 529.0 | 7.9 | 556.2 | 7.8 |
| Molasses trading | 593.3 | 9.4 | 533.0 | 8.0 | 406.7 | 5.7 |
| Total molasses sales | 1,094.7 | 17.4 | 1,062.0 | 15.9 | 962.9 | 13.4 |
| Electricity sales | 119.8 | 1.9 | 549.0 | 8.2 | 320.0 | 4.5 |
| Agricultural product sales and services | 396.1 | 6.3 | 343.5 | 5.2 | 271.1 | 3.8 |
| Other income | 124.2 | 2.0 | 123.1 | 1.8 | 235.9 | 3.3 |
| Total revenues | 6,304.5 | 100.0 | 6,665.4 | 100.0 | 7,161.0 | 100.0 |

Note : 1. Including sugar to industrial customer for export

Marketing and Competition in Sugar Industry

Sugar industry overview

Sugar industry overview in global market

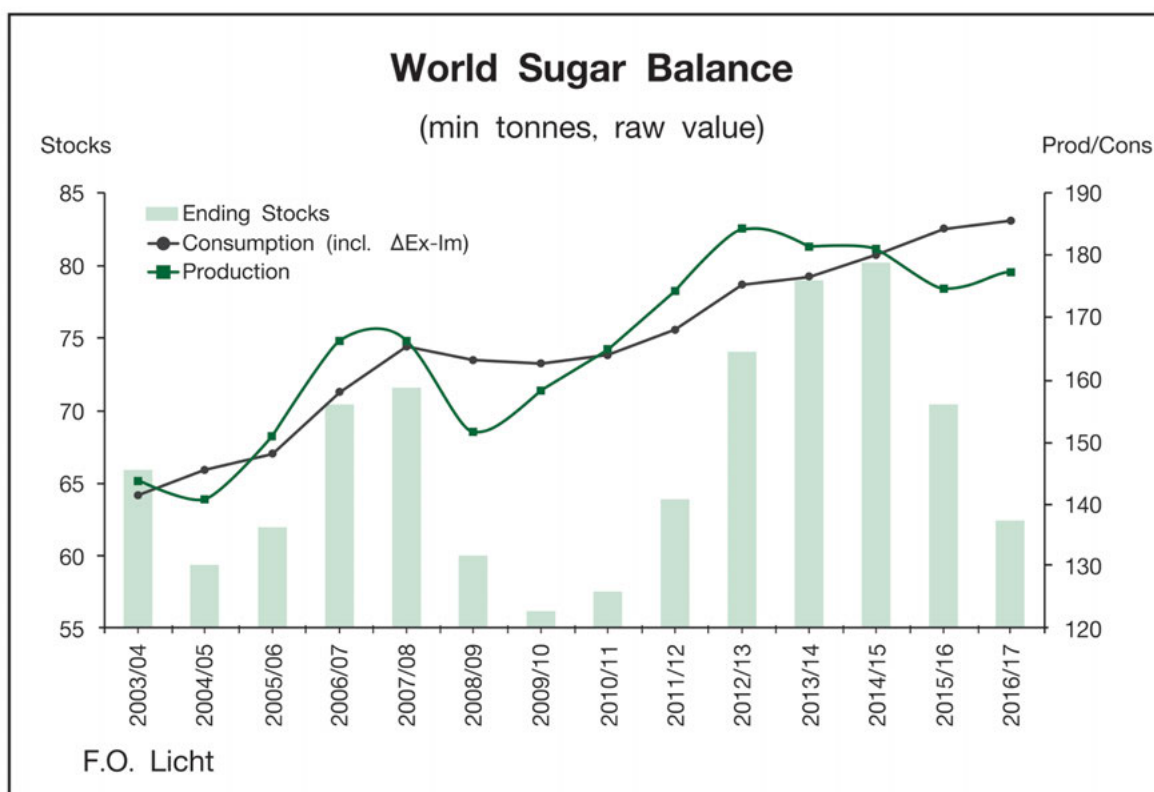
(a) Balance between sugar demand and supply in global market

| Details | Consumption volume, production volume, and sugar inventory in global market (million tons) ¹ | | | | |
|-------------------------|---|---------|---------|---------|---------|
| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
| Production | 184.18 | 181.47 | 180.96 | 174.67 | 177.43 |
| Consumption | 171.67 | 175.76 | 178.83 | 181.05 | 183.70 |
| Balance | 74.08 | 79.06 | 80.09 | 70.61 | 62.49 |
| Stock-to-use ratios (%) | 43% | 45% | 45% | 39% | 34% |
| Global surplus/deficit | 10.11 | 4.98 | 1.02 | -9.47 | -8.11 |

Source: F.O.Licht's International Sugar and Sweetener Report (Oct 2016)

Remark 1: Metric ton raw value

(Graph showing balance between sugar demand and supply in global market)



For production in year 2016/2017, it is expected that total sugar production volume worldwide will be 177.43 million tons, which has decreased by 1.58% from the volume of 181.20 million tons last year, while total sugar demand worldwide in year 2016/2017 will be 183.70 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 2016/2017

| | Product volume of major producers (million tons) ¹ | | | | | |
|--|---|---------|---------|---------|---------|---------|
| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
| Brazil | 35.29 | 41.16 | 39.53 | 34.71 | 40.51 | 38.52 |
| India | 28.63 | 27.33 | 26.58 | 30.62 | 27.28 | 24.50 |
| Thailand | 10.57 | 10.35 | 11.68 | 11.58 | 10.02 | 10.00 |
| China | 12.52 | 14.20 | 14.48 | 11.47 | 9.46 | 10.50 |
| United States | 7.70 | 8.15 | 7.67 | 7.84 | 8.08 | 8.55 |
| Mexico | 5.26 | 7.26 | 6.27 | 6.23 | 6.37 | 6.40 |
| Total major producers | 99.97 | 108.45 | 106.20 | 102.44 | 101.73 | 98.47 |
| Ratio of production of major producers/ Total production volume (%) | 57.37% | 58.88% | 58.52% | 57.00% | 58.24% | 55.49% |

Source: F.O.Licth's International Sugar and Sweetener Report (Oct 2016)

Remark 1 : Metric ton raw value

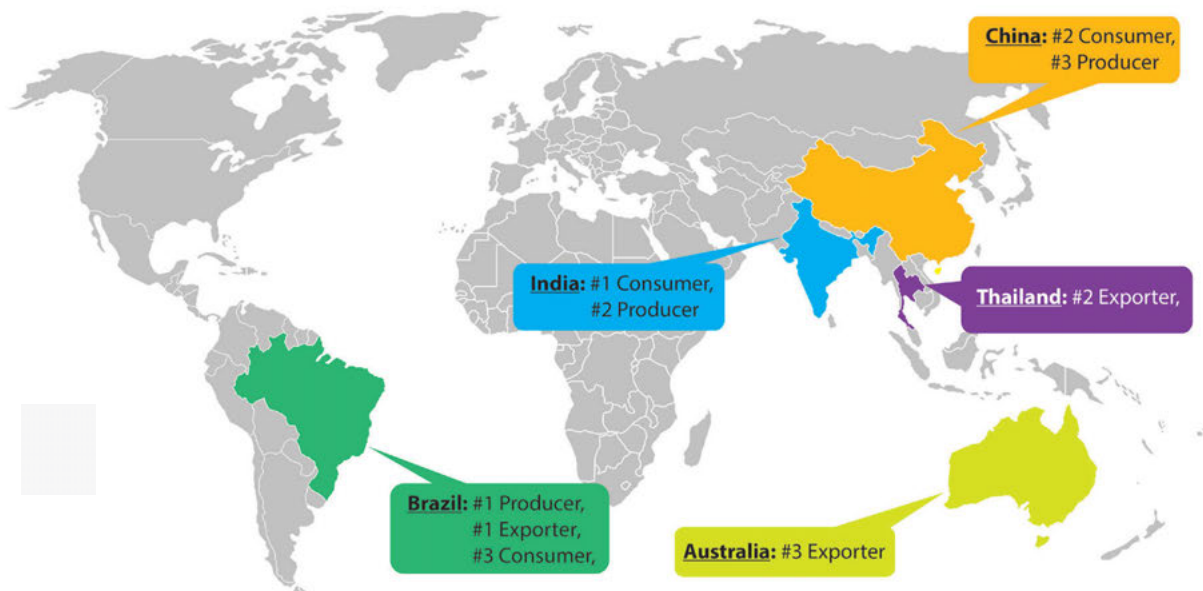


Table showing sugar consumption of major countries in the world during production year of 2011/2012 to production year of 2016/2017

| Country | Consumption volume of major consumers (million tons) ¹ | | | | | |
|--|---|---------|---------|---------|---------|---------|
| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
| India | 24.57 | 24.75 | 26.30 | 27.84 | 27.83 | 28.20 |
| China | 15.30 | 15.76 | 16.15 | 16.60 | 17.10 | 17.60 |
| Brazil | 12.46 | 12.52 | 12.41 | 12.14 | 12.00 | 12.16 |
| United States | 10.21 | 10.66 | 11.11 | 10.90 | 11.00 | 11.07 |
| Indonesia | 5.68 | 5.98 | 6.33 | 6.55 | 6.78 | 6.94 |
| Russia | 5.87 | 5.87 | 5.87 | 5.93 | 6.24 | 6.34 |
| Total major consumers | 74.08 | 75.54 | 78.17 | 79.97 | 80.95 | 82.31 |
| Ratio of consumption of major consumers/ Total consumption volume (%) | 44.06% | 44.00% | 44.47% | 44.72% | 44.71% | 44.81% |

Source: F.O.Licth's International Sugar and Sweetener Report (Oct 2016)

Remark 1 : Metric ton raw value

Table showing sugar export of major countries during the world in production year of 2011/2012 to production year of 2016/2017

| Country | Export volume of major exporters (million tons) ¹ | | | | | |
|--|--|---------|---------|---------|---------|---------|
| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
| Brazil | 22.05 | 29.67 | 24.73 | 23.71 | 29.80 | 26.05 |
| Thailand | 7.26 | 6.10 | 6.46 | 8.07 | 7.81 | 7.29 |
| Australia | 2.57 | 3.09 | 3.28 | 3.70 | 3.88 | 4.04 |
| Guatemala | 1.66 | 2.01 | 1.85 | 2.49 | 2.13 | 2.14 |
| India | 3.79 | 1.09 | 2.74 | 2.61 | 4.00 | 1.30 |
| Total major exporters | 37.34 | 41.95 | 39.06 | 40.57 | 47.60 | 40.82 |
| Ratio of export of major exporters/ Total export volume (%) | 61.76% | 62.82% | 60.40% | 62.24% | 66.35% | 62.42% |

Source: F.O.Licth's International Sugar and Sweetener Report (Oct 2016)

Remark 1 : Metric ton raw value

Table showing sugar import of major countries in the world during production year of 2011/2012 to production year of 2016/2017

| Country | Import volume of major importers (million tons) ¹ | | | | | |
|--|--|-----------|-----------|-----------|-----------|-----------|
| | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 |
| China | 4.29 | 3.69 | 4.05 | 5.35 | 6.12 | 3.90 |
| Indonesia | 2.85 | 4.27 | 3.80 | 3.20 | 4.02 | 4.25 |
| United States | 3.36 | 2.97 | 3.26 | 3.33 | 3.05 | 2.70 |
| United Arab Emirates | 2.12 | 2.28 | 2.51 | 2.00 | 2.25 | 2.33 |
| Malaysia | 1.93 | 1.92 | 2.00 | 2.01 | 2.04 | 2.00 |
| Algeria | 1.52 | 1.94 | 1.83 | 1.92 | 2.09 | 1.91 |
| Total major importers | 16.07 | 17.08 | 17.46 | 17.80 | 19.57 | 17.08 |
| Ratio of import of major importers/ Total import volume (%) | 26.40% | 26.52% | 27.30% | 27.79% | 28.51% | 26.05% |

Source: F.O.Licth's International Sugar and Sweetener Report (Oct 2016)

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 2011 to 2016.

| Country | Sugar import volume from Thailand (million tons) ¹ | | | | | |
|-------------|---|------|------|------|------|-------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 (Jan-Jun) |
| Indonesia | 1.32 | 1.87 | 1.80 | 1.75 | 1.86 | 1.65 |
| China | 0.28 | 0.97 | 0.25 | 0.70 | 0.88 | 0.21 |
| Myanmar | 0.03 | 0.05 | 0.11 | 0.13 | 0.68 | 0.39 |
| Japan | 1.08 | 0.85 | 0.73 | 0.75 | 0.63 | 0.31 |
| South Korea | 0.51 | 0.49 | 0.53 | 0.43 | 0.54 | 0.15 |
| Malaysia | 0.34 | 0.46 | 0.33 | 0.68 | 0.50 | 0.13 |
| Cambodia | 0.39 | 0.60 | 0.65 | 0.55 | 0.49 | 0.37 |

Source : OMIC

Remark 1 : Metric ton raw value

(d) Raw sugar prices in New York market.

Raw sugar prices in New York market started to improve continuously after dropping to 10.20 cents / pound in March 2015, it touched peak of 23.90 cents / pound.

However, in early October 2015 the sugar price in the global market increased by over 40% from its lowest price due to the following factors:

1. Drought in Thailand, China, and India, which are the world's major sugar producers;
2. Excessive rainfall at the end of sugar milling season of 2015/16 in southern Brazil, resulting in decreased quality and sweetness of sugarcanes and a lot of sugarcanes having to wait for the next sugar milling season in April 2016; and
3. An increase in ethanol consumption in Brazil by 10% compared to the previous year because an increase in tax rate imposed on imported oil resulting in a rise in production of ethanol from sugarcane to 57% (compared to 55% in the previous year) so there is a decrease in quantity of sugar produced by Brazil.

(e) Opportunities and challenges for the agriculture sector after the beginning of free trade under AEC

Opportunities

Exportation: Thai agricultural products, especially rice, rubber, fresh vegetables and fruits, sugar, and processed products, can be exported to ASEAN market whose population is over 590 million people.

Investment: Thai farmers have an opportunity to expand their investment or co-investment in agricultural activities in ASEAN countries where they have advantages in terms of cultivating areas, climate, and other production factors.

Raw Materials: entrepreneurs undertaking the business of processed agricultural goods are able to import raw materials or semi-finished goods from ASEAN countries without tariff barriers. They can also benefit from more efficient transportation and logistics systems in ASEAN, which help reduce their operating costs.

Improvement of Competitiveness: Thai farmers and entrepreneurs producing processed agricultural goods can improve their competitiveness in the global market as a result of use of production resources in partnership with other ASEAN countries.

Challenges

Trade competition: more agricultural goods from other ASEAN countries may enter Thai market at lower prices and/or better quality, such as rice (from Vietnam), palm oil (from Malaysia), coffee (from Vietnam and Indonesia), tea (from Indonesia), and coconut (from Philippines).

Impacts of AEC on the agriculture sector, including sugar

- Under AEC, Thailand is obliged to lower tariffs on every item of agricultural goods, including sugar, from other ASEAN countries to 0% beginning 1 January 2010 (except four sensitive goods, namely coffee, desiccated coconuts, cut flowers, and potatoes, whose tariffs will be lowered to 0-5%)
- Meanwhile, five ASEAN countries, namely Brunei, Indonesia, Malaysia, Philippines, and Singapore, are obliged to lower tariffs on agricultural goods imported from other ASEAN countries, including Thailand, to 0% beginning 1 January 2010.

(Thailand is ASEAN's largest sugar exporter. In 2011, it exported about 2.73 million tons of sugar to ASEAN countries. Currently, ASEAN countries' need for sugar is about 5.6 million tons per year. Thus, the free trade under AEC will be an opportunity for Thailand to expand sugar market in this region, especially Indonesia, which is the largest market of Thai sugar. Indonesia imports sugar about 2.9 million tons per year. In 2011, Thailand exported 1.32 million tons of sugar to Indonesia.)

- Thailand and all other ASEAN countries have to remove all non-tariff barriers. Thailand's gradual cancellation of tariff-rate quotas for 23 items of agricultural goods, including sugar, has already been completed on 1 January 2010.
- Due to similarity in terms of terrains and climate, most ASEAN countries produce the same or similar agricultural products, which are also harvested at the same time, especially rice and sugarcane. As a result, there is trade competition in the region and the global market.

Adaptation of sugarcane and sugar industries

- Overall structure of sugarcane and sugar industries should be properly adapted to match the free trade environment. The industries should be managed in a way that improves business operations and conforms to AEC obligations.
- A focus should be given to improvement of quality and production efficiency to reduce costs.
- Value creation of sugarcane and sugar should be promoted.
- Management of sugarcane and sugar industry systems should be improved. Co-investment and cooperation with neighboring countries should be promoted.
- Importance should be given to development of organic farming goods for value addition.

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 52 sugar mills in Thailand with the capacity of sugarcane crushing approximately 90-100 million tons/year to get the sugar totaling 9-10 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 of the Group | Sugar product (ton) | Market share (percentage) |
|------------------------|----------------------------------|---------------------|---------------------------|
| Mitrphol Sugar Group | 6 factories | 1,964,123 | 20.08% |
| Thai Rung Ruang Group | 8 factories | 1,392,030 | 14.23% |
| Thai Identity Group | 3 factories | 722,391 | 7.39% |
| Khon Khen Sugar Group | 5 factories | 774,327 | 7.92% |
| Wangkanai Sugar Group | 4 factories | 514,535 | 5.26% |
| Korach Industry Group | 2 factories | 574,197 | 5.87% |
| Erawan Sugar Group | 2 factories | 437,019 | 4.47% |
| Ban Pong Sugar Group | 2 factories | 301,085 | 3.08% |
| Kumphawapi Sugar Group | 2 factories | 462,771 | 4.73% |
| Chonburi Sugar Group | 3 factories | 287,227 | 2.94% |
| Kanchanaburi Group | 2 factories | 220,700 | 2.26% |
| Others | 12 factories | 1,842,096 | 18.84% |
| Khonburi Sugar PCL | 1 factory | 286,197 | 2.93% |
| Total | 52 factories | 9,778,698 | |

Source: Report on sugar production of sugar factories nationwide for year 2015/2016 (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

| | | |
|--|--------|-------------------|
| <u>Wholesale price (sack included) delivered at factory</u> | | |
| 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 |
| <u>Wholesale price (sack included) delivered at wholesaler's selling location</u> | | |
| 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 |
| <u>Retail price in Bangkok Metropolis, Nonthaburi, Pathum Thani, Samut Prakan and Samut Sakhon</u> | | |
| 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.

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 tones. 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 tones.

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.

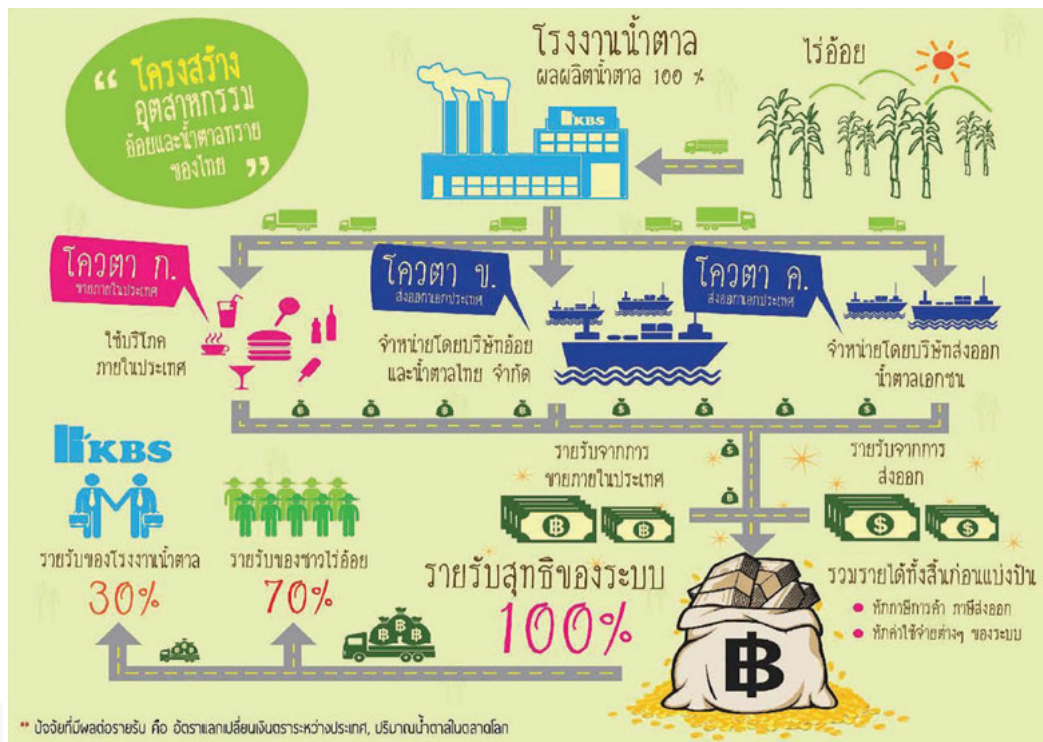
The following table illustrates the quantity of sugar in Quota A, Quota B and Quota C in the past 5 production seasons manufactured by the sugar industry and by KBS according to the Notification of the Cane and Sugar Board regarding Types of Sugar Permitted for Sugar Mills' Manufacturing in the Production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

(Unit : Ton)

| | Production season of 2011/12 | Production season of 2012/13 | Production season of 2013/14 | Production season of 2014/15 | Production season of 2015/16 |
|--------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Quota A. | | | | | |
| Nationwide | 2,300,000 | 2,610,000 | 2,400,000 | 2,500,000 | 2,600,000 |
| Khonburi Sugar PCL | 59,087 | 66,891 | 57,752 | 52,743 | 76,041 |
| Quota B. | | | | | |
| Nationwide | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| Khonburi Sugar PCL | 24,398 | 19,030 | 22,726 | 19,674 | 18,812 |
| Quota C. | | | | | |
| Nationwide | 7,151,217 | 6,614,147 | 8,132,906 | 8,039,086 | 6,385,649 |
| Khonburi Sugar PCL | 179,870 | 170,841 | 189,549 | 166,806 | 191,344 |

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.



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 final price of sugarcane from production year of 2011/12 - 2016/17

(Baht/Ton)

| Production year | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-----------------------------------|----------|----------|---------|---------|---------|----------|
| Preliminary price of sugarcane | 1,000.00 | 950.00 | 900.00 | 900.00 | 807.88 | 1,049.98 |
| Final price of sugarcane (Zone 9) | 1,072.01 | 1,011.22 | 952.24 | 853.75 | 884.00 | N/A |

Source: The Cane and Sugar Board's notification

Remark: Zone 9 consists of 20 sugar factories in the North East, which also include Khonburi sugar factory

Marketing and Sales

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

| Sugar selling proportion of year 2015/2016 | | | | | |
|--|--------|-----------------------|-------------------------|----------|-------------|
| Sugar for export | | | Sugar for domestic sale | | |
| 75% | | | 25% | | |
| Asia | Africa | Neighboring countries | Modern Trade | Industry | Distributor |
| 55% | 10% | 10% | 10% | 10% | 5% |

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 Carrefour shopping center, Tesco Lotus shopping center, Big C shopping center, Max Value shopping center, and The Mall Group.

(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.

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.

Raw Material Supply

Overview on sugarcane farming in Thailand

Sugarcane is main raw material for production of sugar. Thailand has sugarcane plantation approximately 11.1 million rais, and has sugarcane product ready for sugar production totaling 94.1 million tons during production year of 2015/2016. 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.

Sugar cane shipments to the whole country were 94.05 million tons, compared to the year 2014/15, of 106.0 million tons. The sugarcane volume dropped 11.9 million tons or 11.25% in the year 2015/2016 because most of the sugarcane plantation area is outside the irrigation area which relies on rainfall. The rainfall in year 2015/2016 was during May to August, this is the period of sugarcane when growth decreased from last year. Thus, the yield of sugarcane decreased.

Table showing quantity of sugarcane entering to sugar production process from production year of 2010/2011 to production year of 2015/2016

| Production Year | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Sugarcane plantation (million rais) | 8.1 | 9.3 | 9.5 | 10.1 | 10.5 | 11.0 |
| Total sugarcane product (million tons) | 95.4 | 98.0 | 100.0 | 103.7 | 106.0 | 94.1 |

Source: Information Department, Office of Cane and Sugar Board

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.

Sugar cane shipments to the whole country were 94.05 million tons, compared to the year 2014/15, of 106.0 million tons. The sugarcane volume dropped 11.9 million tons or 11.25% in the year 2015/2016 because most of the sugarcane plantation area is outside the irrigation area which relies on rainfall. The rainfall in year 2015/2016 was during May to August, this is the period of sugarcane when growth decreased from last year. Thus, the yield of sugarcane decreased.

Table showing quantity of sugarcane to be crushed nationwide, and quantity of sugarcane to be crushed in the North East from production year 2011/12 to 2015/16

| Production year | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | Average growth rate (percentage) |
|--|-----------|-----------|-----------|-----------|-----------|----------------------------------|
| Quantity of sugarcane to be crushed nationwide (million tons) | 98.0 | 100.14 | 103.7 | 106.0 | 94.0 | -11.32% |
| Quantity of sugarcane to be crushed in the North East (million tons) | 37.1 | 40.5 | 44.9 | 47.4 | 42.1 | -11.25% |

Source: Information Department, Office of Cane and Sugar Board

The Company's sugarcane supply

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

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

The following table shows quantity of sugarcane of the Company comparing to the whole country during production year of 2010/2011 to production year of 2015/2016

| Production year | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 |
|--|------------|------------|-------------|-------------|-------------|------------|
| Quantity of sugarcane throughout the country (ton sugarcane) | 95,358,928 | 97,979,690 | 100,002,514 | 103,665,750 | 105,959,057 | 94,047,042 |
| The company's quantity of sugarcane to be crushed (ton sugarcane) | 2,885,524 | 2,547,348 | 2,543,137 | 2,509,773 | 2,286,749 | 2,647,639 |
| Ratio between The company's quantity of sugarcane to be crushed and quantity of sugarcane throughout the country (%) | 3.02 | 2.60 | 2.54 | 2.42 | 2.16 | 2.82 |

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

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

Risk Related to the Business of the Company

1. Risk of the fluctuating income from sugar sales.

The production and sales of sugar are always been up to the sugarcane seasonal effect. Normally, the sugarcane harvesting period in Thailand starts at the end of November or the beginning of December. Thus, the raw sugar production goes on till the end of March or the beginning of April, while the white sugar products are on process.

Consequently, sugar mills usually start their selling sugar products from January up to the end of the year. The Company always considers various factors in its sugar sales, such as inventory, expected production and world sugar prices etc. Therefore, the Company's sugar sales for each quarter is not constant.

2. Risk of volatile sugar prices in the global market

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

The volatility of sugar prices in the global market drives the Company to arrange its risk management under appropriately financial instruments such as the future contracts/options for sale or purchase of sugar in order to curb the fluctuation of the Company's profit resulted in the risk of sugar price volatility in the global market. Nevertheless, such risk prevention may adversely affect the Company's operating performance at certain quarters because the Company has to record its profit and loss due to such risk prevention of the income statements according to the fair value of that option at the end of each accounting period, which may not perfectly match the period of sugar delivery by the Company.

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

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

3. Risk from foreign exchange rates

The Company has exported about 70% of its sugar sales sum. Most sugar exported is exposed to the USD currency; so the Company's sales sum has been fluctuating in line with the exchange rate. However, the Company has to set up the 70:30 revenue sharing scheme between the Company and sugarcane farmers; as

a result, the Company's cost of sugar moves subject to the exchange rate, as well. Therefore, a great amount of income and costs of the Company are linked to the exchange rate (natural hedge). In addition, the Company has made the forward contract to reduce the impact caused by such fluctuations of exchange rate to the Company's operating results.

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

4. Risk from raw material supplies–sugarcane

The Company is one of the producers and distributors of sugar and by-products, which needs the sugarcane as the raw material; so the Company's risk of operating results partly deals with the quantities of sugarcane supplied to the production process. The factors affecting the volume of sugarcane include: (1) the change of sugarcane planting areas (the number of Rai) which some farmers can decide to grow other agricultural crops generating higher returns than sugar, or the state sector may launch the promotion policy on growing other crops; and (2) 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 system, and utilization of technologies to boost the yields and efficiency in sugarcane planting. Such assistance purposively helps the sugarcane farmers, under the Company's care, the farmers can receive good returns from the sugarcane plantation in a long term, which indirectly motivates those sugarcane farmers to grow and supply some sugarcane to the Company consistently.

5. Risk from the cost of sugarcane

The 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.

6. Risk from the quality of raw material–Sugarcane

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

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

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

7. Risk of bad debts arising from loans granted to sugarcane farmers (advance loans)

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

The Company has valued the risk management for such advance loans are extended; so it is controlled, starting from the process of granting the credit line to the debt collection system. The Company establishes the advance loan management committee to be in charge of approving such advance loans to sugarcane farmers by considering sugarcane planting areas, anticipated quantities of sugarcane grown, records of sugarcane delivery, and debt repayment of each debtor. The Company has regularly monitored the sugarcane grown by sugarcane farmers who receive the advance loans granted by the Company. The Geographic Information System (GIS) has been used to survey and measure the sugarcane planting areas in order to get the accurate information about sugarcane planting areas of the Company, and to make its monitoring of sugarcane products more efficient.

8. Risk from the impact on the environment

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

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

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

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

Shareholding Structure and Management

Shareholding Structure

The major shareholders of the Company as of 30 December 2016 are listed below.

| | Shareholders | Shares held | Proportion (%) |
|----|---|-------------|----------------|
| 1 | Khonburi Capital Co., Ltd. ¹ | 165,307,800 | 27.55 |
| 2 | MITSUI & CO.,LTD. | 66,666,666 | 11.11 |
| 3 | MITSUI SUGAR CO.,LTD. | 33,333,334 | 5.56 |
| 4 | Mr. Somkiat Twiltermsup | 21,612,500 | 3.60 |
| 5 | Phatra Capital Public Company Limited | 17,191,600 | 2.87 |
| 6 | Mr. Kan Twiltermsup | 16,694,500 | 2.78 |
| 7 | Miss Chonatee Twiltermsup | 15,694,500 | 2.62 |
| 8 | Mr. Issara Twiltermsup | 15,694,500 | 2.62 |
| 9 | Mr. Somchai Twiltermsup | 15,694,500 | 2.62 |
| 10 | Mr. Teerawat Twiltermsup | 14,694,500 | 2.45 |
| 11 | Other | 217,415,600 | 36.22 |
| | Total | 600,000,000 | 100.00 |

Remark: Khonburi Capital Co., Ltd. is a holding company and its shareholders as of 31 December 2016 are as follows:

1. Khonburi Capital Co., Ltd.

| | | | |
|-----|-------------------------|-------------|--------------------------------------|
| 1.1 | Mr. Issara Twiltermsup | Group holds | 39,100,000 shares equivalent to 50% |
| 1.2 | Mr. Takon Tawintermsup | Group holds | 19,550,000 shares equivalent to 25% |
| 1.3 | 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

3. Mr. Takon Tawintermsup Group is composed of Mr. Takon Tawintermsup, Mr. Rungsan Tawintermsup, Mr. Rachot Tawintermsup and Mr. Kosol Nantilipong

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

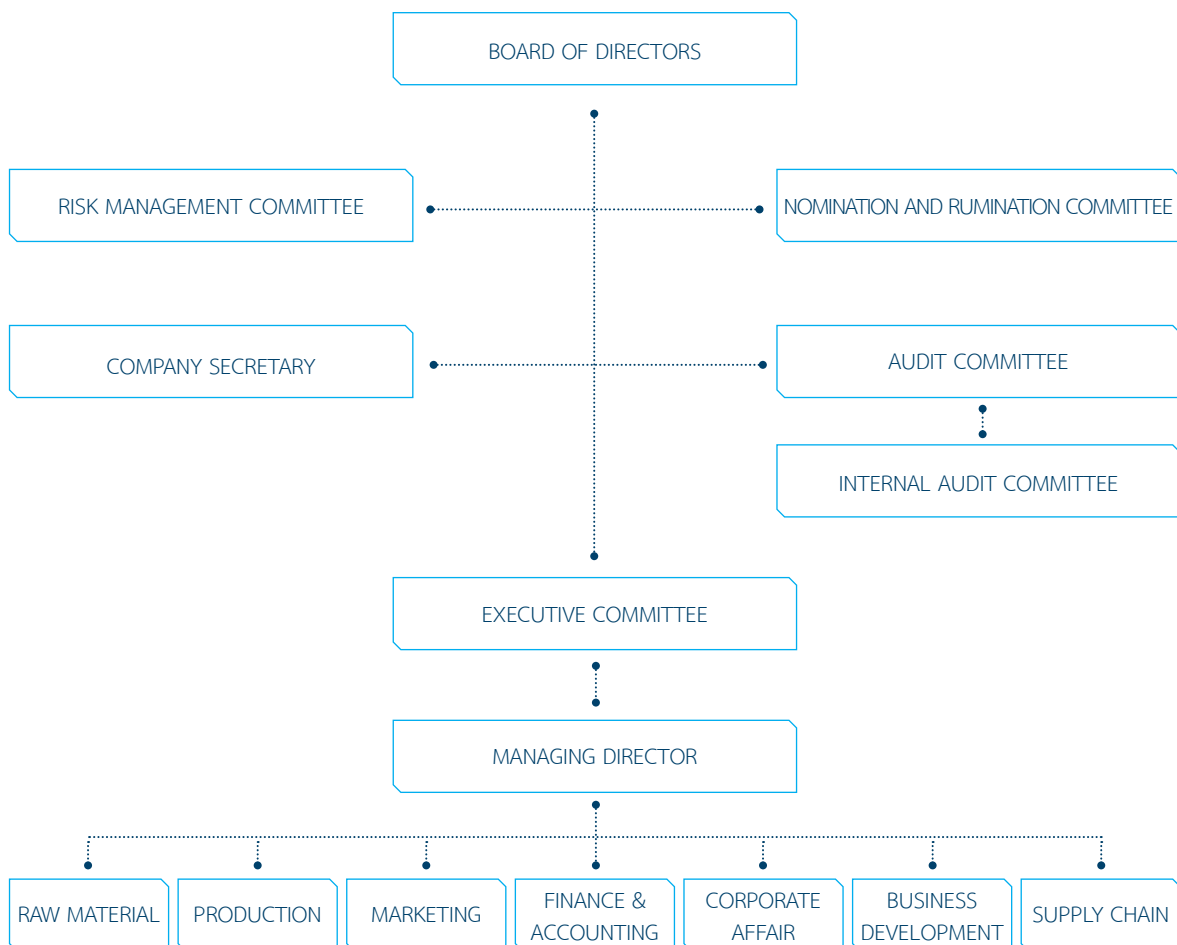
Policy and Dividend payment

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

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

Management Structure

The management structure of the Company as of 31 December 2016 are listed below.



The management structure of the Company as of 31 December 2016 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 2016 the Board of Directors consists of 11 members are included

| No. | Name of Directors | Position |
|-----|--------------------------------|--------------------------------|
| 1 | Mr. Suthep Wongvorazathe | Chairman, Independent Director |
| 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. Voravit Rojrapitada | Independent Director |
| 11 | Mr. Suwat Summasshipvitsavakul | Independent Director |

Remarks : Ms. Wirarat Wiwattanatikul 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 stakeholders of the Company appropriately.
21. To care for the accuracy, completion, timing and transparent disclosure of important information related to the Company via fair and creditably accessible channels.
22. To set up and amend any matters prescribed in the regulations and Articles of Association of the Company.
23. To engage other power, duties and responsibilities as required by laws and other related regulations, Articles of Associations of the Company, and the resolutions of the meetings of shareholders.
24. The Board of Directors has duties and responsibilities in setting polices and supervising system to effectively support anti-corruption in order to ensure that the Management recognizes and pays attention to anti-corruption unit it becomes a culture within the organization.

2) The Executive Committee

As of 31 December 2016, 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. Teerapat Thavisin 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 2016, the Audit Committee consisted of 3 following members :

| No. | Name of Directors | Position |
|-----|--|---------------------------------|
| 1. | Ms. Suvimol Krittayakiern ¹ | Chairman of the Audit Committee |
| 2. | Mr. Voravit Rojrapitada | Audit Committee |
| 3. | Mr. Suwat Summasshipvitsavakul | Audit Committee |

Remarks : 1. Ms. Suvimol Krittayakiern is an audit committee member who is equipped with knowledge in accounting and finance
2. 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 2016, 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. Tat Wanakornkul | Risk Management Committee |
| 5. | Mr. Voravit Rojrapitada | Risk Management Committee |

Remark : Mr. Teerapat Thavisin 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 2016, 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 : Mr. Teerapat Thavisin 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 2016, the Management Team of the Company consisted of 8 following members:

| No. | Name of Directors | Position |
|-----|-----------------------------|--|
| 1 | Mr. Tat Wanakornkul | Managing Director |
| 2 | Mr. Somkiat Twiltermsup | Deputy Managing Director of Marketing |
| 3 | Mr. Issara Twiltermsup | Assistant Managing Director of Corporate Affairs |
| 4 | Mr. Rangsan Twiltermsup | Assistant Managing Director of Supply Chain |
| 5 | Mr. Dumrong Putiput | Technical and Project Director |
| 6 | Mr. Rakkiti Tanglamlert | Chief Financial Officer |
| 7 | Ms. Surawee Puangthong | Senior Finance Manager |
| 8 | Mr. Mongkhon Artsavatumnant | Accounting 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.

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 September 15, 2016 unit December 15, 2016, in advance in compliance with the criteria as announced on the Company's website at www.kbs.co.th under " Investor Relations" page, Shareholder information" section and item " General Meeting of Shareholders".

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.

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.

Remuneration of directors

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

(Unit: Baht)

| | Name | 2014 | | | 2015 | | | 2016 | | |
|----|--------------------------------|------------------------|--------------------------|-----------|------------------------|--------------------------|-----------|------------------------|--------------------------|-----------|
| | | Meeting Allow- ance | Annual Remu- neration | Total | Meeting Allow- ance | Annual Remu- neration | Total | Meeting Allow- ance | Annual Remu- neration | Total |
| 1 | Mr. Suthep Wongvorazathe | 105,000 | 528,000 | 633,000 | 90,000 | 528,000 | 618,000 | 72,000 | 528,000 | 600,000 |
| 2 | Mr. Takon Tawintermsup | 229,000 | 396,000 | 625,000 | 276,000 | 396,000 | 672,000 | 264,000 | 396,000 | 660,000 |
| 3 | Mr. Somkiat Twiltermsup | 230,000 | 462,000 | 692,000 | 228,000 | 462,000 | 690,000 | 180,000 | 462,000 | 642,000 |
| 4 | Mr. Tat Wanakornkul | 230,000 | 462,000 | 692,000 | 216,000 | 462,000 | 678,000 | 204,000 | 462,000 | 666,000 |
| 5 | Mr. Issara Twiltermsup | 218,000 | 462,000 | 680,000 | 216,000 | 462,000 | 678,000 | 168,000 | 462,000 | 630,000 |
| 6 | Mr. Amnart Rumpoeypong | 80,000 | 330,000 | 410,000 | 72,000 | 330,000 | 402,000 | 60,000 | 330,000 | 390,000 |
| 7 | Mr. Sran Smutkochorn | 116,000 | 528,000 | 644,000 | 66,000 | 528,000 | 594,000 | 78,000 | 528,000 | 606,000 |
| 8 | Dr. Thawatchai Nakata | 85,000 | 396,000 | 481,000 | 78,000 | 396,000 | 474,000 | 72,000 | 396,000 | 468,000 |
| 9 | Ms. Suvimol Krittayakian | 139,000 | 396,000 | 535,000 | 132,000 | 396,000 | 528,000 | 120,000 | 396,000 | 516,000 |
| 10 | Mr. Voravit Rojrapitada | 150,000 | 462,000 | 612,000 | 120,000 | 462,000 | 582,000 | 108,000 | 462,000 | 570,000 |
| 11 | Mr. Suwat Summasshipvitsavakul | - | - | - | 84,000 | 330,000 | 414,000 | 96,000 | 330,000 | 426,000 |
| | Total | 1,698,000 | 4,752,000 | 6,450,000 | 1,602,000 | 4,752,000 | 6,354,000 | 1,422,000 | 4,752,000 | 6,174,000 |

Remuneration of executives

(Unit : Baht)

| Remunerations | Year of 2014 | Year of 2015 | Year of 2016 |
|---------------------|--------------|--------------|--------------|
| Salaries, bonus etc | 47,696,438 | 46,205,088 | 48,556,237 |

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



1. Mr. Suthep Wongvorazathe

Age 69 years old

Chairman / Independent Director

Education

Master degree of Business Administration, University of Wisconsin.

Bachelor degree of Business Administration, Finance Major, University of Wisconsin.

Training by the Thai Institute of Directors Association (IOD)

Director Accreditation Program (DAP) Class 48/2005

Experiences

| | |
|----------------|---|
| 2013 – Present | Chairman |
| 2016 - present | Independent Director Khonburi Sugar Public Company Limited |
| 2015 - present | Chairman M.K. Real Estate Development Public Company Limited |
| 2014 - present | Chairman of Executive Committee KT Seamico Securities Company Limited |
| 2013 - present | Chairman, Chairman of Nominating and Compensation Committee and Chairman of Investment Committee Seamico Securities Public Company Limited |
| 2007 – Present | Independent Director, Member of Audit Committee and Member of Nomination And Remuneration Committee, Bangchak Petroleum Public Company Limited |
| 2012 - Present | Director New Corp Co., Ltd. |
| 2009 - Present | Director Asia Kangnam Co., Ltd. |
| 2003 - 2016 | Chairman of the Audit Committee and Independent Director Chumporn Palm Oil Industry Public Company Limited |
| 2003 - 2015 | The Mall Group |



2. Mr. Takon Tawintermsup

Age 63 years old

Chairman of Executive Committee

Education

Matthayom 3, Matthayom Wat Thatthong school.

Training by the Thai Institute of Directors Association (IOD)

Director Certification Program (DCP) Class 32/2003

Finance for Non-Finance Director (FND) Class 5/2003

Experiences

| | |
|----------------|--|
| 2013 – Present | Chairman of Executive Committee, Director, |
| 1974 – 2013 | Executive Director and Managing Director Khonburi Sugar Public Company Limited |
| 2014 - Present | Director KBS Investment Company Limited |
| 2014 - Present | Director KBS Cane and Sugar Company Limited |
| 2014 - Present | Director KBS Power Company Limited |
| 2010 - Present | Director Khonburi Capital Company Limited |
| 2008 - Present | Director Agriculture Machine Services Company Limited |
| 2008 - Present | Director Khonburi Power Plant Company Limited |
| 2004 - Present | Director Khonburi Bio Energy Company Limited |
| 1993 - Present | Managing Director Chumporn Holding Company Limited |
| 1988 - Present | Executive Director Bomrungrat M.C. Company Limited |
| 1979 - Present | Director, Executive Director and Deputy Managing Director Chumporn Palm Oil Industry Public Company Limited |



3. Mr. Tat Wanakornkul

Age 63 years old

Director, Executive Director and Managing Director

Education:

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

Training by the Thai Institute of Directors Association (IOD)

Directors Accreditation Program (DAP) Class 89/2011

Experiences:

| | |
|----------------|--|
| 2013 – Present | Director and Managing Director Khonburi Sugar Public Company Limited |
| 2013 – Present | Director Khonburi Power Plant Company Limited |
| 2013 – Present | Director KBS Trading Company Limited |
| 2013 – Present | Director Khonburi Bio Energy Company Limited |
| 2014 - Present | Director KBS Investment Company Limited |
| 2014 - Present | Director KBS Cane and Sugar Company Limited |
| 2014 - Present | Director KBS Power Company Limited |



4. Mr. Somkiat Twiltermsup

Age 55 years old

Director, Executive Director, Risk Management Committee and Deputy Managing Director of Marketing

Education

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

Training by the Thai Institute of Directors Association (IOD)

Director Accreditation Program (DAP) Class 90/2011

Experiences

| | |
|----------------|--|
| 1991- Present | Director, Executive Director, Risk Management Committee and Deputy Managing Director of Marketing, Khonburi Sugar Public Company Limited |
| 2010 - Present | Director Khonburi Capital Company Limited |
| 2008 - Present | Director Khonburi Power Plant Company Limited |
| 2004 - Present | Director Khonburi Bio Energy Company Limited |
| 1989 - Present | Director Bangluek Agriculture Company Limited |
| 2008 - Present | Director KBS Trading Company Limited |
| 2014 - Present | Director KBS Investment Company Limited |
| 2014 - Present | Director KBS Cane and Sugar Company Limited |
| 2014 - Present | Director KBS Power Company Limited |



5. Mr. Issara Twiltermsup

Age 38 years old

Director, Executive Director, Risk Management Committee and Assistant Managing Director of Corporate Affairs

Education

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

Training by the Thai Institute of Directors Association (IOD)

Director Certification Program (DCP) Class 132/2010

ISO 9000 : 2000, ISO 14001 : 2004 Lead Auditor Training Course

Experiences

- | | |
|----------------|--|
| 2003 - Present | Director, Executive Director, Risk Management Committee and Assistant Managing Director of Corporate Affairs Khonburi Sugar Public Company Limited |
| 2010 - Present | Director Khonburi Capital Company Limited |
| 2008 - Present | Director Khonburi Power Plant Company Limited |
| 2008 - Present | Director KBS Trading Company Limited |
| 2008 - Present | Director Peerapat Technology Public Company Limited |
| 2001 - Present | Director, Managing N.Y. Rubber Company Limited |
| 2004 - Present | Director Khonburi Bio Energy Company Limited |
| 2001 - Present | Director, Managing Director N.Y. Plantation Company Limited |
| 2001 - Present | Director, Managing Director Talaysup Company Limited |
| 2007 - Present | Director, Executive Director N.Y. Development Company Limited |
| 2014 - Present | Director KBS Investment Company Limited |
| 2014 - Present | Director KBS Cane and Sugar Company Limited |
| 2014 - Present | Director KBS Power Company Limited |



6. Mr. Amnart Rumpoeypong

Age 41 years old

Director, Risk Management Committee, Nomination and Remuneration Committee

Education

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

Training by the Thai Institute of Directors Association (IOD)

Director Accreditation Program (DAP) Class 82/2009

Experiences

- | | |
|----------------|--|
| 2006 – Present | Director, Nomination and Remuneration Committee Director Khonburi Sugar Public Company Limited |
| 2006 - Present | Director and Deputy Managing Director N.Y. Rubber Company Limited |
| 2006 - Present | Director and Deputy Managing Director N.Y. Plantation Company Limited |
| 2006 - Present | Deputy Managing Director N.Y. Development Company Limited |



7. Mr. Sran Smutkochorn

Age 52 years old

Chairman of Risk Management Committee , Nomination and Remuneration Committee and Independent director

Education

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

Training by the Thai Institute of Directors Association (IOD)

Director Accreditation Program (DAP) Class 42/2005

Experiences

2010 - Present Chairman of Risk Management Committee, Nomination and Remuneration Committee and Independent Director

Khonburi Sugar Public Company Limited

2013 - Present Independent Director, Chairman of Audit Committee
SF Corporation Public Company Limited

2012 - Present Advisor to the Board of Directors LME Harrods Thailand

2012 – 2013 Executive Vice President

L Food Solutions Company Limited

2010 - 2013 Management Committee LOXLEY Public Company Limited

Executive Vice President LOXLEY Trading Company Limited

Executive Vice President LOXLEY International Company Limited



8. Dr. Tawatchai Nakhata

Age 70 years old

Chairman of Nomination and Renumeration and Independent Director.

Education

Ph.D. University of Illinois at Urbana-Champaign

Training by the Thai Institute of Directors Association (IOD)

Audit Committee Program (ACP) Class 13/2006

Director Accreditation Program (DAP) Class 52/2006

Experiences

2013 – Present Chairman of The Nomination and Remuneration Committee and Independent director

2010 - 2013 Chairman of Audit Committee and Independent Director

Khonburi Sugar Public Company Limited

2012- Present Chairman and Director Share Group Co., Ltd.

2012- Present Director Property Perfect International Pte. Ltd. (Singapore)

2012- Present Chairman We Retail Public Company Limited

2008 - Present Chief Executive Director Property Perfect Public Company Limited

1992 - Present Chairman Property Perfect Public Company Limited

1981 - Present Fellow Member License no. 736 Council of Engineering



9. Mr. Suwat Summasshipvitsavakul

Age 64 years old

Audit Committee and Independent Director

Education

- Senior Executive Program (SEP) SASIN Graduate Institute of Business Administration Chulalongkorn University 16/2002

- Agricultural Trade Finance in USA Sponsored by Cochran Fellowship Program 1999

- Master Degree in Business Administration National Institute of Development Administration

Training by the Thai Institute of Directors Association (IOD)

Directors Certification Program (DCP) 42/2004

Experiences

2015 - Present Audit Committee and Independent Director Khonburi Sugar Public Company Limited

2015 – Present Advisor to the Board of Directors Gussing Renewable Energy (Thailand) Company Limited

2013 – 2004 Assistant Managing Director CIMB Thai Bank Public Company Limited



10. Ms. Suvimol Krittayakiern

Age 65 years old

Chairman of Audit Committee and Independent Director

Education

- Master Degree of Accountancy Chulalongkorn University

- Bachelor Degree of Accountancy Chulalongkorn University

Training by the Thai Institute of Directors Association (IOD)

Audit Committee Program (ACP) Class 36/2011

Director Certification Program (DCP) Class 92/2007

Experiences

2013 – Present Chairman of Audit Committee and Independent Director

2010 - 2013 Audit Committee
Khonburi Sugar Public Company Limited

2010 - Present Managing Director DIA International Audit Company Limited

2002 - Present Director 75 C P E Company Limited

1990 - Present Executive Director DIA Audit Company Limited

2010 - Present Treasurer The Institute of Internal Auditors of Thailand

Present Committee on Accounting Standards Determination
Federation of Accounting Professions of the Federation
of Accounting Professions



11. Mr. Voravit Rojrapitada

Age 72 years old

Audit Committee and Independent Director and Risk Management Committee

Education

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

Training by the Thai Institute of Directors Association (IOD):

Director Certification Program (DCP) Class 27/2003

Experiences:

| | |
|----------------|---|
| 2010 - 2013 | Audit Committee and Independent Director Khonburi Sugar Public Company Limited |
| 1981 - present | Director, Bangkok Insurance Public Co., Ltd. |
| 1999 - 2014 | Director, Chumporn Palm Oil Industry Public Co., Ltd |



12. Mr. Rangsan Tawintermsup

Age 34 years old

Position Assistant Managing Director of Supply Chain

Education

- M Phil Industrial Systems, Manufacture and Management University of Cambridge, Trinity College, UK
- BA (Honors) Mathematics University of Cambridge, Trinity College, UK

Director Training Program

- None

Experiences

- Senior Advisor Chumporn Palm Oil Industry PLC
- Trading Manager Glencore Singapore Pte Ltd, Singapore
- Associate Nomura International, Singapore



13. Mr. Dumrong Putiput

Age 55 years old

Position Technical and Project Director

Education

- Bachelor of Engineering (Industrial Engineering) Rajamangala University of Technology Phra Nakon
- 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



14. Mr. Rakkiti Tanglamlert

Age 48 years old

Chief Financial Director

Education

- Bachelor Degree in Accounting
Chulalongkorn University
- Master Degree in business Accounting, Kasetsart University

Training Program

- Certified Public Accountant (CPA)
- Strategic CFO in Capital Market and Ethic code &

Anti Corruption Experiences

- Chief Financial Officer Chumporn Palm Oil Industry Public Company Limited
Director of Accounting and Finance Radicon Transmission (Thailand) Co., Ltd.



15. Ms. Surawee Puangthong

Age 52 years old

Position Financial Operation Senior Manager

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 Rungruang Palm Oil Co., Ltd
- Accounting and Finance Thai Nam Plastic Co., Ltd
- Accounting and Finance Officer Sang Thai Pattana Co., Ltd



16. Mr. Mongkhon Artsavatumnant

Age 38 years old

Position Accounting Manager

Education

- Master of Accountancy Chulalongkorn University
- Bachelor of Accounting Kasetsart University

Director Training Program

- Certified Public Accountant Thai Institute of Directors Association (IOD)

Experiences

- Senior Audit Manager Dr. Virach & Associates Office Co., Ltd.

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 policies 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 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 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 Relations at :

Managing Director Office
Khonburi Sugar Public Company Limited
Tel. : (02) 725-4888 Ext. 4817
Fax. : (02) 725-4898
E-mail : ir@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

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, Nomination and Ruminantion Committee and the Executive Board of Directors (details in Shareholding Structure and Management). In the year 2016, the following committee members attended each committee's meetings :

| Name of Director | | Board of Directors | Audit Committee | Risk Management Committee | Nomination and Remuneration Committee | Executive Board Directors |
|------------------|--------------------------------|--------------------|-----------------|---------------------------|---------------------------------------|---------------------------|
| 1 | Mr. Suthep Wongvorazathe | 4/4 | - | - | - | - |
| 2 | Mr. Takon Tawintermsup | 4/4 | - | - | - | 12/12 |
| 3 | Mr. Somkiat Twiltermsup | 4/4 | - | 1/1 | - | 10/12 |
| 4 | Mr. Tat Wanakornkul | 4/4 | - | 1/1 | - | 12/12 |
| 5 | Mr. Issara Twiltermsup | 3/4 | - | 1/1 | - | 10/12 |
| 6 | Mr. Amnart Rumpoeypong | 3/4 | - | - | 2/2 | - |
| 7 | Mr. Sran Smutkochorn | 3/4 | - | 1/1 | 2/2 | - |
| 8 | Dr. Thawatchai Nakata | 3/4 | - | - | 2/2 | - |
| 9 | Ms. Suvimol Krittayakiern | 4/4 | 4/4 | - | - | - |
| 10 | Mr. Voravit Rojrapitada | 4/4 | 4/4 | 1/1 | - | - |
| 11 | Mr. Suwat Summasshipvitsavakul | 4/4 | 4/4 | - | - | - |

5. Responsibilities of the Board

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

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

5.1 Structure of the Board of Directors

The Extraordinary General Meeting of shareholders 1/2013 determines the number of Directors shall hold office for eleven persons. Therefore, each director's term lasts approximately three years.

All directors shall be legally qualified and shall not possess any characteristics prohibited by law.

The Board of Directors shall comprise the independent directors, as six 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.

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.

On November 30, 2010 The Board of Directors approved the appointment.

5.2 Sub-committees

The Company set up four 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 Ms. Suvimol Krittayakiern having right to have sufficient knowledge and experience to verify the reliability of the financial statements.

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

The Company holds board meetings and informs each board member of upcoming meeting in advance. In the year 2016, four board meeting were convened. In each board meeting, The Chairman of Board Director, the Board of Directors, Managing Director jointly review meeting agenda to ensure that vital matters are included in the agenda.

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 still lacks sufficient information the director can always request additional information from the Company Secretary.

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.

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.

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.

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.

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

The Board of Directors 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.

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.

Anti-corruption Policy

Khonburi Sugar Public Company Limited and subsidiaries (the “Company”) are determined to conduct business ethically and adhere to the principles of good corporate governance and code of conduct as well as policies and procedures beneficial to all groups of stakeholders. The Company has set a policy to work against all forms of corruption that may occur in business operation and communication with stakeholders. The Company requires all directors, executives, and employees to strictly follow the anti-corruption policy. In 2016, the Company clearly expressed its intention to the public by becoming a member of “Thailand’s Private Sector Collective Action Coalition against Corruption”.

Definition according to Anti-Corruption Policy

Corruption means bribery in any forms either by offering, promising to offer, assuring, requesting, demanding or receiving money, asset or any improper benefits to government officials, government agencies, private agencies or persons in charge, directly or indirectly, aiming to have those persons to perform or omit their performance of duties, in order to gain or maintain business interest or suggest business to the Company, or to gain or maintain any improper business interest, unless it is permissible by laws, rules, notifications, regulations, local tradition or trading norms.

Anti-Corruption Policy

The Company’s directors, executives and employees are prohibited from engaging or accepting corruption of all forms either directly or indirectly. This also includes all businesses in all countries and related units. Due diligence shall be conducted on the compliance with anti-corruption policy regularly, and operational procedures and requirements shall also be reviewed to ensure that they remain in line with changing environment in terms of economy, politics and society, when carry out business, as well as rules , regulations and provisions of laws.

Duties and Responsibilities

1. The Company’s Board of Directors have duties and responsibilities to establish and regulate policy in order to ensure that there is effective supporting system in place for anti-corruption, and to demonstrate that the management recognizes and places importance on anti-corruption and inculcates it until the policy becomes corporate culture.
2. The Audit committee has duties and responsibilities to conduct due diligence on financial and accounting reporting system, internal control system, internal audit system, and other processes relating to anti-corruption measures, to ensure that they are effective and in accordance with the standard.
3. The executives have duties and responsibilities to set up system, promote and support anti-corruption policy in order to communicate it to employees and all related parties, and to review suitability of

systems and measures to ensure that they are in line with changing business aspects, rules, regulations and provisions of laws.

4. The manager of internal audit office has duties and responsibilities to inspect and review in order to ensure that the overall operation is performed correctly and in accordance with policies, procedures, operating authority, rules, regulations, laws, and requirements of regulatory agencies, and ensure that suitable and adequate control system is in place for corruption-related risk, and report to audit committee.

Operational Procedures

1. Directors, executives and employees in all levels are required to comply with the Company's anti-corruption policy and code of conduct, and not to get involved in corruption issues either directly or indirectly.
2. The Company's employees shall not neglect or ignore when witnessing any corrupted behaviors relating to the Company, and are required to inform their supervisor and person in charge, and provide cooperation for examination of facts. If there is any concern or inquiry, the employees shall consult with their supervisor or person who is assigned with duties and responsibilities to monitor the compliance with the Company's code of conduct, through various channels as provided by the Company.
3. The Company will fairly treat and protect the employees who reject corruption or report any corrupted behaviors relating to the Company, by using measures to protect complainants or persons who cooperatively report corrupted behaviors as specified in the Company's whistle blower policy.
4. Person engaging in corruption is violating the Company's code of conduct, and shall be subject to disciplinary action as specified by the Company's regulations, and may be subject to legal penalties if such conduct also violates the laws.
5. The Company recognizes the importance of the dissemination of knowledge and understanding to other people who perform duties relating to the Company or may affect the Company with regard to the compliance with this anti-corruption policy.
6. The Company strives to create and preserve corporate culture that will insist and do not tolerate corruption in any transaction with government and/or private sector.

Operational Requirements

1. This anti-corruption policy covers personnel management processes from recruitment, selection, promotion, training, performance assessment, reward and punishment for employees, by requiring all levels of supervisors to communicate and build understanding with employees in order to apply to business activities under their responsibilities, and monitor to ensure that operation is effectively carried out.
2. Any operation under anti-corruption policy shall apply procedures as specified in the Company's code of conduct handbook, policies and procedures on various groups of stakeholders, as well as all related rules and operational manuals of the Company, and other procedures to be specified by the Company in the future.

3. For clarity of operation with high risk of corruption, the directors, executives and employees of all levels shall perform the following conducts in a cautious manner:

3.1 Gift, entertainment and expenses

Giving, offering or receiving gift and entertainment shall be done openly, transparently and in accordance with the Company's code of conduct and procedures on giving and receiving gift, property or any benefits and entertainment.

3.2 Charitable donation or sponsor transaction

Giving or receiving donation or sponsor transaction shall be transparent, pursuant to the laws, and verifiable. It shall be assured that donation or sponsor transaction will not be claimed as bribe. In addition, political sponsor shall be transparent and pursuant to applicable laws.

3.3 Business relations and government procurement

Giving and receiving bribe are prohibited when carrying out business of all types, the Company's operation and interaction with government sectors shall be carried out transparently, honestly, and in accordance with applicable laws.

3.4 Political assistance

The Company remains politically neutral, and is not aligned with or against any political parties, groups or candidates whether in international or national level as specified in the Company's code of conduct.

Political assistance is assistance whether financially or in any other forms aiming to support political activities.

Whistleblowing Policy

Khonburi Sugar Public Company Limited and subsidiaries (the "Company") have developed the whistleblowing policy, which contain measures to protect and ensure that all directors, employees, and other persons will be treated fairly when they disclose information on potential corruption or violation of laws or the Company's rules and regulations. This is to ensure that any wrongdoing will be dealt with effectively and properly.

Information that should be reported:

1. Corruption and/or fraud
2. Abuse of power
3. Unauthorized use of the Company's money, assets, and/or facilities
4. Involvement in conflict of interest and/or use of one's position for business opportunity
5. Failure to comply with the Company's rules, regulations and/or code of conduct
6. Involvement in political activities and dangerous and/or illegal conduct
7. Omission of duties or use of one's position to seek personal gain
8. Breach of laws
9. Unauthorized disclosure of the Company's information
10. Actions that pose risk to safety and security of properties, facilities and/or employees of the Company

11. Actions not meeting professional standards
12. Concealment of the abovementioned information
13. Threat to directors, executives, or employees of the Company

Information that should not be reported:

1. False and unreasonable information
2. Defamation
3. Information without sufficient evidence

Reporting procedures

1. Type of corruption or wrongdoing
2. Names of persons involved
3. Date, time, and place of corruption
4. How the corruption activity is conducted
5. Witness
6. Related documents or evidence

Eligible Whistleblower

1. An employee and/or a person witnessing the breach of laws, regulations, articles of association, or business code of conduct of the Company
2. An employee who is treated unfairly, threatened, suffers disciplinary actions, such as pay reduction, suspension from work or termination of employment, or is discriminated in relation to employment conditions because he/she has filed a complaint, disclosed any information, is to provide information in the investigation process, collects any facts for a person receiving the complaint, or files a lawsuit, becomes a witness, testifies, or cooperates with the court or government agency

Channels for Making a Report or Filing a Complaint

The Board of Directors gives every stakeholder an opportunity to communicate with the Board of Directors. The rights of every person giving information or filing a complaint on any issue will be protected. The information or complaint shall be sent to the Audit Committee and be further reported to the Board of Directors in accordance with established procedures. The channels for sending the information or complaint are shown below.

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

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

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

Investigation Process

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

Protection of Person Providing Information

1. The complainant may choose to not disclose his/her name, if he/she considers that such disclosure may cause damage to him/her. If the complainant chooses not to disclose his/her name, clear and sufficient details or evidence shall be provided to make it reasonable to believe that there was actually a violation of the laws or the Company's regulations, articles of association, or business code of conduct. However, if the complainant chooses to disclose him/herself, the complaint recipient will be able to work on the complaint faster.
2. Information regarding the Company is considered confidential and can be disclosed as necessary only, taking safety and potential damage caused to the complainant, sources of the information, or relevant persons into consideration. A person in charge of each step shall keep the information received strictly confidential and not disclose such information to any other person. Violation of such requirement will be considered a breach of discipline.
3. Where the complainant considers that he/she may not be safe or there may be damage caused to him/her, he/she may ask the Company to take proper protection measures or the Company may determine protection measures without being requested by the complainant if it is deemed that the complaint tends to cause damage or unsafety.
4. It is considered a breach of discipline if an employee treats another person unfairly, discriminates, or causes damage to such person because that person files a complaint or providing information on corruption or failure to comply with laws or the Company's regulations, articles of association, or business code of conduct, or files a lawsuit, gives a witness statement, or cooperates with the court or governmental agency. Disciplinary action will be taken against such employee who may also be punished in accordance with law if his/her action is a breach of the law.
5. Proper and fair methods or processes will be used to mitigate damage caused to victim.
6. Proper action, including legal proceedings, will be taken against any person abusing or threatening a person who provides information to the Company.

Related Transactions

Related transactions of the Company and companies related to party with potential conflict of interest for financial statements of 2016 ended December 31, 2016 and 2015

| Party/Juristic Entity with potential conflict of interest | Relationship | Characteristics of related transactions | Value of Transactions (Thousand Baht) | | Necessity/ Reasonableness of Transactions | Opinion of Audit Committee |
|---|--|--|---|---|--|---|
| | | | Accounting period ended December 31, 2016 | Accounting period ended December 31, 2015 | | |
| 1. Sugar Trading Company Limited | - Being related company - Having joint shareholders/directors | - Export service charge | 10,535 | 13,123 | - The Company appointed Sugar Trading Company Limited, which has been approved by the Cane and Sugar Board to export sugar pursuant to Cane and Sugar Act, as the Company's representative for sugar export to overseas - Sugar Trading Company Limited had entered into export financing agreement with a commercial bank for the Company in the name of Sugar Trading Company Limited in order to receive financial support, and will transfer the money being received under credit facility to the Company, whereby the Company will issue promissory note for Sugar Trading Company Limited at the same rate of interest that Sugar Trading Company Limited is required to pay to such commercial bank | The appointment of Sugar Trading Company Limited as a representative for export activities and the receipt of export financing from a commercial bank through Sugar Trading Company Limited were in accord with business necessity for the compliance with applicable laws The rate of service charge for being export representative and related interest rate, were considered as reasonable rates |
| | | - Interest payable - Short-term loan - Accrued interest expenses | 23,452 311,520 92 | 11,979 - - | | |
| | | - Dividend income | 262 | 262 | -The Company considered it as other long-term investment | |
| | | - Trade accounts receivable and payable | - | (945) | Sugar was borrowed between sugar factories, whereby Sugar Trading Company Limited acted as representative for export management of sugar under supervision of Sugar Trading Company Limited. | |

| Party/Juristic Entity with potential conflict of interest | Relationship | Characteristics of related transactions | Value of Transactions (Thousand Baht) | | Necessity/ Reasonableness of Transactions | Opinion of Audit Committee |
|---|--|--|---|---|---|---|
| | | | Accounting period ended December 31, 2016 | Accounting period ended December 31, 2015 | | |
| 2. Khonburi Capital Company Limited | Being related company | Building rent and Equipment rent | 12,225 | 10,789 | The Company rented the space in the building located at no.5 Sukhumvit 57, Klongton-Nue Sub-district, Wattana District, Bangkok Metropolis, by entering into long-term rent agreement for a period of 3 years, beginning from July 1, 2016 to June 30, 2019. The rent agreement can be divided as follows: 1) Rent agreement for office space at the rate of Baht 469/square meter in the building located at no.5 Sukhumvit 57, Klongton-Nue Sub-district, Wattana District, Bangkok Metropolis (Total amount of Baht 33,487,050.24 throughout agreement term) 2) Equipment lease agreement at the rate of Baht 56/square Meter/ Month (totaling Baht 4,331,656.24 throughout agreement term) 3) Service agreement for common area at the rate of Baht 70/ Square Meter/Month (totaling Baht 4,999,067.20 throughout service agreement term) 4) Service agreement for public utilities; electricity was Baht 5 per unit, and water supply was charged at the rate being charged by Metropolitan Waterworks Authority <u>Damage deposit</u> Damage deposit was placed to lessor at the amount of three-month rents, which was Baht 2,790,587.52, and will be refunded upon termination of agreement (termination of rent). | - The transactions were in accordance with the Company's ordinary course of business, and the rate of rents was reasonable. |
| | Having joint shareholders/directors | Public utility service fees and rents | 2,170 | 1,945 | | |
| 3. MITSUI AND CO. LTD. | | Security deposit | 2,791 | 2,396 | -The Company sold sugar to MITSUI AND CO. LTD. at the price and under conditions similar to other customers. | |
| | Having major shareholders as the Company's related parties | - Income from sales - Income of sugar price compensation - Trade accounts receivable | 500,781 4,315 54,556 | 668,484 - 15,595 | | |

| Party/Juristic Entity with potential conflict of interest | Relationship | Characteristics of related transactions | Value of Transactions (Thousand Baht) | | Necessity/ Reasonableness of Transactions | Opinion of Audit Committee |
|---|--|---|---|---|---|--|
| | | | Accounting period ended December 31, 2016 | Accounting period ended December 31, 2015 | | |
| 4. MITSUI & CO EUROPE PLC. | Being the Company's related parties through major shareholders | Income from sales | - | 10,074 | The Company sold sugar to MITSUI AND CO. EUROPE PLC. at the price and under conditions similar to other customers. | The transactions were in accordance with the Company's ordinary course of business, and were reasonable. |
| 5. MITSUI AND CO. LTD. (Kaset Phol Sugar Co., Ltd.) | Being the Company's related parties through major shareholders | - Production cost (raw sugars) - Sugar Quality Analysis Fee | - | 87,422 2 | The Company bought sugar from Kaset Phol Sugar Co., Ltd. at the price and under conditions similar to other trade partners. | The transactions were in accordance with the Company's ordinary course of business, and were reasonable. |
| 6. MITSUI AND CO. LTD. (Kumpawapi Co., Ltd.) | Being the Company's related parties through major shareholders | - Production cost (raw sugar) - Trade accounts payable - Sugar Quality Analysis Fee | 353,747 9,815 - | 581,688 - 25 | The Company bought sugar from Kumpawapi Co., Ltd. at the price and under conditions similar to other trade partners. | The transactions were in accordance with the Company's ordinary course of business, and were reasonable. |

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

The Board of Directors of Khonburi Sugar Public Company Limited strongly values the duties and responsibilities in accordance with good corporate governance principles. The Board of Directors is responsible for the financial statements of the Company and its subsidiaries including financial information presented in the annual report and the annual financial statements for the period as from 1 January 2016 to 31 December 2016, 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 2016 to 31 December 2016 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 2016.

(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. Ms. Suvimol Krittayakiern | Chairman of the Audit Committee |
| 2. Mr. Voravit Rojrapitada | the Audit Committee |
| 3. Mr. Suwat Summasshipvitsavakul | the Audit Committee |

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

In 2016, 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 2016, which ended on December 31, 2016 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 2016 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 2017 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 2017 Annual General Meeting of Shareholders for the appointment of Mr. Sophon Permsirivallop Certified Public Auditor No. 3182 and/or Ms. Rungnapa Lertsuwankul Certified Public Auditor No. 3516 and/or Mr. Chayapol Suppasethnontha, Certified Public Auditor No. 3972 and/or Ms. Pimjai Manitkajohnkit Certified Public Auditor No. 4521 and/or Ms. Rosaporn Decharkom Certified Public Auditor No. 5659, of EY Office Company Limited as the Company's certified public auditor.



(Ms. Suvimol Krittayakiern)

Chairman of the Audit Committee

Management Discussion and Analysis

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

| Particular | For the year ended 31 Dec. 14 | | For the year ended 31 Dec. 15 | | For the year ended 31 Dec. 16 | |
|---|----------------------------------|--------------|----------------------------------|--------------|----------------------------------|--------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Revenues | | | | | | |
| Sales and service income | 6,180.3 | 98.0 | 6,542.3 | 98.2 | 6,925.1 | 96.7 |
| Others income | 110.8 | 2.0 | 98.4 | 1.4 | 163.4 | 2.3 |
| Gain on exchange | - | - | 24.7 | 0.4 | 10.0 | 0.1 |
| Gain on derivatives | 13.4 | 0.2 | - | - | 62.5 | 0.9 |
| Total revenues | 6,304.5 | 100.0 | 6,665.4 | 100.0 | 7,161.0 | 100.0 |
| Expenses | | | | | | |
| Cost of sales and services | 5,266.1 | 83.5 | 6,035.0 | 90.5 | 6,645.9 | 92.8 |
| Selling and administrative expenses | 593.5 | 9.4 | 584.7 | 8.8 | 613.7 | 8.6 |
| Loss on exchange | 0.8 | 0.1 | - | - | - | - |
| Loss from subsidiary's accident | - | - | - | - | 135.1 | 1.9 |
| Loss on derivatives | - | - | 55.6 | 0.8 | - | - |
| Total expenses | 5,860.4 | 93.0 | 6,675.3 | 100.1 | 7,394.7 | 103.3 |
| Profit (loss) before finance cost and income tax | 444.1 | 7.0 | (9.9) | (0.1) | (233.7) | (3.3) |
| Finance cost | (44.5) | (0.7) | (98.0) | (1.5) | (189.2) | (2.6) |
| Income tax | (80.9) | (1.3) | 57.7 | 0.9 | 67.6 | 0.9 |
| Net profit (loss) for the year | 318.7 | 5.0 | (50.2) | (0.7) | (355.3) | (5.0) |

APPENDIX 2 : Summary of financial position

| Particular | 31 Dec. 14 | 31 Dec. 15 | 31 Dec. 16 |
|--|----------------|-----------------|-----------------|
| | Million Baht | Million Baht | Million Baht |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 301.8 | 81.9 | 126.4 |
| Trade and other receivables | 447.5 | 490.0 | 964.1 |
| Sugarcane plantation receivables | 736.5 | 815.1 | 734.7 |
| Inventories | 1,205.0 | 1,157.3 | 1,094.9 |
| Other current assets | 140.5 | 276.8 | 291.9 |
| Total current assets | 2,831.3 | 2,821.1 | 3,212.0 |
| Non-current assets | | | |
| Other long-term investments | 2.0 | 2.0 | 2.0 |
| Sugarcane plantation receivables - long-term | 296.4 | 269.3 | 262.7 |
| Amounts due from the Office of the Cane and Sugar Fund | - | 169.8 | - |
| Property, plant and equipment | 3,864.6 | 6,589.4 | 6,842.4 |
| Intangible assets | 155.3 | 147.6 | 140.0 |
| Advance payment for assets | 558.6 | 40.1 | 7.0 |
| Deferred tax assets | 9.5 | 21.3 | 93.0 |
| Other non-current assets | 9.2 | 8.5 | 49.3 |
| Total non-current assets | 4,895.6 | 7,248.0 | 7,396.4 |
| Total assets | 7,726.9 | 10,069.1 | 10,608.4 |
| Liabilities | | | |
| Current liabilities | | | |
| Short-term loans from financial institutions | 435.0 | 1,202.7 | 1,839.3 |
| Short-term loans from related party | 98.5 | - | 311.5 |
| Trade and other payables | 1,259.1 | 1,140.1 | 1,306.8 |
| Current portion of long-term loans from financial institutions | 137.8 | 1,082.0 | 1,187.0 |
| Other current liabilities | 120.8 | 67.9 | 147.6 |
| Total current liabilities | 2,051.2 | 3,492.7 | 4,792.2 |

| Particular | 31 Dec. 14 | 31 Dec. 15 | 31 Dec. 16 |
|--|--------------|--------------|--------------|
| | Million Baht | Million Baht | Million Baht |
| Non-current liabilities | | | |
| Net of current portion | | | |
| - Liabilities under financial lease agreements | 10.9 | 15.0 | 56.9 |
| - Long-term loans from financial institutions | 1,487.0 | 2,551.3 | 2,177.7 |
| Provision for long-term employee benefits | 33.0 | 39.2 | 33.7 |
| Deferred tax liabilities | 39.5 | - | - |
| Total non-current liabilities | 1,570.4 | 2,605.5 | 2,268.3 |
| Total liabilities | 3,621.6 | 6,098.2 | 7,060.5 |
| Shareholders' equity | | | |
| Registered | | | |
| 600,000,000 ordinary shares of Baht 1 each | 600.0 | 600.0 | 600.0 |
| Issued and fully paid up | | | |
| 600,000,000 ordinary shares of Baht 1 each | 600.0 | 600.0 | 600.0 |
| Share premium | 2,230.2 | 2,230.2 | 2,230.2 |
| Retain earnings | | | |
| Legal reserve | 60.0 | 60.0 | 60.0 |
| Appropriated | 1,242.6 | 1,072.5 | 663.2 |
| Other components of shareholders' equity | (27.5) | 8.2 | (5.5) |
| Total shareholders' equity | 4,105.3 | 3,970.9 | 3,547.9 |
| Total liabilities and shareholders' equity | 7,726.9 | 10,069.1 | 10,608.4 |

APPENDIX 3 : Summary of cash flow

| Cash flow statements | For the year ended | For the year ended | For the year ended |
|--|--------------------|--------------------|--------------------|
| | 31 Dec. 14 | 31 Dec. 15 | 31 Dec. 16 |
| Net cash flows from (used in) operating activities | (470.0) | (217.8) | 339.3 |
| Net cash flows used in investing activities | (1,329.1) | (2,417.8) | (709.5) |
| Net cash flows from financing activities | 1,353.6 | 2,415.7 | 414.7 |
| Net increase (decrease) in cash and cash equivalents | (445.5) | (219.9) | 44.5 |
| Cash and cash equivalents at beginning of year | 747.3 | 301.8 | 81.9 |
| Cash and cash equivalents at end of year | 301.8 | 81.9 | 126.4 |

1. Financial Position

1.1 Assets

As at December 31, 2016, the Company had assets amounting to Baht 10,608.4 million, which had increased from last year by Baht 539.3 million or 5.4 percent, with details on the change of current and non-current assets as follows:

- Current assets amounting to Baht 3,212.0 million, which had increased from last year by Baht 390.9 million or 13.9 percent mainly due to the following reasons:
 - Cash and cash equivalents had increased by Baht 44.5 million.
 - Trade and other accounts receivable had increased by Baht 474.1 million.
 - Sugarcane plantation receivables had decreased by Baht 80.4 million.
 - Inventories had decreased by Baht 62.4 million.
 - Other current assets had increased by Baht 15.1 million.
- Non-current assets amounting to Baht 7,396.1 million, which had increased by Baht 148.4 million or 2.0 percent mainly due to the following reasons:
 - Office of the Cane and Sugar Fund accounts receivable had decreased by Baht 169.8 due to price compensation of sugarcane final price for production year of 2014/2015, which was lower than prime costs
 - Land, building and equipment had increased by Baht 253.0 million mainly because the increase of machinery and equipment for the project to increase production capacity of the project to construct Conditioning Silo & Packing Station
 - Deferred tax assets had increased by Baht 71.7 million, due to increase of unused tax loss.
 - Other non-current assets had decreased by Baht 40.8 million.

1.2 Liabilities

As at December 31, 2016, the Company had total liabilities amounting to Baht 7,060.5 million, which had increased from last year by Baht 962.3 million or 15.8 percent. The Company liabilities included:

Current liabilities amounting to Baht 4,792.2 million, which had increased from last year by Baht 1,299.5 million or 37.2 percent mainly due to the following reasons:

- Short-term loan from financial institutions had increased by Baht 636.6 million
 - Short-term loan from related party had increased by Baht 311.5 million.
 - Trade and other payables had increased by Baht 166.7 million.
 - Other current liabilities had increased by Baht 79.7 million.
- Non-current liabilities amounting to Baht 2,268.3 million had decreased from last year by Baht 337.2 million, due to in the year 2016 the Company start settle of long-term loan to support the project in increasing production capacity of sugar factory to 12,000 tons sugarcane per day (Line C Project).

1.3 Shareholders' Equity

As at December 31, 2016, the Company had shareholders' equity amounting to Baht 3,547.9 million, which had decreased from last year by Baht 423.0 million or 10.6 percent. The change on shareholders' equity mainly resulted from the following reasons:

- Net loss from operation amounting to Baht 355.3 million.
- Dividend payment amounting to Baht 60.0 million.
- Unrealised loss on change in derivative financial instruments to Baht 13.6 million.

2. Overall operation

Overall Performance

In 2016, Group of Khonburi Sugar Public Company Limited earned a total revenue of THB 7,161.0 million, increased from 2015 by 7.4 percent, primarily due to increased earnings from sugar sales of THB 783.3 million. The Company's increase in sales was 9.5 percent due to the Company's increased quantity of cane crushing from the previous year by 0.4 million tons and increased average sales price by 5.5 percent in line with the global sugar price, which has been continually rising since early 2016 with increased difference in the prices of white sugar and raw sugar (whiter premium).

For power plants in the Group, revenue from sales of electricity to the Electricity Generating Authority of Thailand ("EGAT") under the 22 Megawatt Firm Contract has decreased by THB 265.6 million. During the year, a subsidiary conducted repairs on machinery for damaged main steam pipes on 23 April 2016. Repairs are already completed, and electricity sales to EGAT recommenced on 25 October 2016. However, the aforementioned subsidiary had insured for the damage to assets in the aforementioned occurrence and received partial compensation in the amount of THB 25 million.

The Group's cost of sales and service amounted to THB 6,645.9 million, increased by 10.1 percent from the previous year. Hence, the Company earned less gross profit than the previous year from 7.8 percent to 4.0 percent. The decrease in gross profit directly resulted from a power plant accident during the year. Additionally, impacts of the aforementioned accident resulted loss from subsidiary's accident of THB 135.2 million. Furthermore, increased depreciation was at THB 214.6 million from the project for expansion of daily production capacity of 12,000 tons (Project Line C) and the project for conditioning silo and packing station, which caused the Company to encounter depreciation in 2016.

The Group's selling and administrative expenses increased from the previous year slightly by 5.0 percent due to increased expenses in sugar sales in line with increased quantity of sugar sales.

In 2016, the Company's gain from financial derivative amounted to THB 62.5 million, increased from the previous year by 212.6 percent, due to hedging of risks to profits from sugar sales. The Company maintained sugar sales ratio to be near the sales ratio of Thai Cane & Sugar Corporation Limited ("TCSC").

Due to the aforementioned factors, the Group experienced a net loss of THB 355.3 million in 2016, an increased loss from the previous year by THB 305.1 million.

Nevertheless, the Group's earnings before financial expenses, income tax, depreciation and amortization (EBITDA) were THB 292.4 million, decreased from the previous year by only 3.1 percent.

Total income

In 2016, the group Company had total income amounting to Baht 7,161.0 million, which had increased by 7.4 percent, having details as follows:

| | 2016 (Million Baht) | 2015 (Million Baht) | Change (Million Baht) | Change (Percent) |
|--------------------------------|------------------------|------------------------|--------------------------|---------------------|
| Revenue | | | | |
| Income from sales and services | 6,925.1 | 6,542.3 | 382.8 | 5.9 |
| Other income | 235.9 | 123.1 | 112.8 | 91.6 |
| Total Revenue | 7,161.0 | 6,665.4 | 495.6 | 7.4 |

Revenue from sales and services

Revenue from sales and services in 2016 was at Baht 6,925.1 million, which had increased from last year by 5.9 percent, having details as follows:

| | 2016 (Million Baht) | 2015 (Million Baht) | Change (Million Baht) | Change (Percent) |
|---|------------------------|------------------------|--------------------------|---------------------|
| Income from the sale of sugar | 5,371.1 | 4,587.8 | 783.3 | 17.1 |
| Income from the sale of molasses | 556.2 | 529.0 | 27.2 | 5.1 |
| Income from the sale and purchase of molasses | 406.7 | 533.0 | (126.3) | (23.7) |
| Income from the sale of electricity | 320.0 | 549.0 | (229.0) | (41.7) |
| Income from agricultural sales and services | 271.1 | 343.5 | (72.4) | (21.1) |
| Total income from sales and services | 6,925.1 | 6,542.3 | 382.8 | 5.9 |

- Income from the sale of sugar was at Baht 5,371.1 million, which had increased from last year by Baht 783.3 million, representing 17.1 percent due to the increased sale volume of approximately 31,500 tons even though the average sale price had increased by 5.5 percent.
- Income from the sale of molasses was at Baht 556.2 million, which had increased from last year by 5.1 percent. The sale volume of molasses had increased by 13.8 percent while the average sale price per unit had decreased by 7.9 percent.
- Income from the sale and purchase of molasses was at Baht 406.7 million, which had decreased from last year by 23.7 percent, whereby the sale and purchase volume of molasses had decreased from last year by 21.0 percent while the average sale price per unit had decreased from last year by 3.7 percent.
- Income from the sale of electricity had decreased from last year by Baht 229.0 million which had decreased by 41.7 percent because the steam pipe accident of the subsidiary on April 23, 2016, which has been repaired successfully and back to the electricity sales to EGAT again on October 25, 2016.
- Income from agricultural sales and services was at Baht 271.1 million, which had decreased from last year by 21.1 percent.

Costs of sales and gross profit margin

Comparison of the Company's costs of sales and gross profit margin in year 2016 and 2015 is shown in the following table:

| | 2016 (Million Baht) | 2015 (Million Baht) | Change (Million Baht) | Change (Percent) |
|---------------------------------|------------------------|------------------------|--------------------------|---------------------|
| Revenue from sales and services | 6,925.1 | 6,542.3 | 382.8 | 5.9 |
| Costs of sales and services | 6,645.9 | 6,035.0 | 610.9 | 10.1 |
| Gross profit | 279.2 | 507.3 | (228.1) | (45.0) |
| Gross profit margin | 4.0 % | 7.8 % | - | (3.8 %) |

Gross profit in 2016 had decreased from last year by Baht 228.1 million mainly because accident of subsidiary this resulted in lower electricity sales to EGAT and lowered the Company gross margin by 3.8 % from the previous year. Although the Company revenue from sales and services increased Baht 382.8 million

Although sales volume of sugar and molasses has increased compared from last year but the company has higher production costs. Depreciation cost increased by 68.9 percent from last year capacity expansion project.

Sale and administrative expenses

In 2016, the group Company had sale and administrative expenses totaling Baht 613.7 million, which had increased from the same period of last year by Baht 29.0 million mainly because the increase of sale expenses based on the increased sale volume.

Financial expenses

In 2016, the group Company had financial expenses amounting to Baht 189.2 million, which had increased from previous year by Baht 91.1 million or 92.9% mainly because the increased use of long term loan throughout the year 2015 for investment in the increase of production capacity including increase production capacity of sugar factory to 12,000 tons sugarcane per day (Line C Project) and Conditioning Silo & Packing Station.

Corporate income tax

In 2016 the group Company had income tax revenue amounting to Baht 67.6 million, which had increased from previous year by Baht 9.9 million , due to increase loss before tax and additional recorded deferred tax asset.

Independent Auditor's Report

Khonburi Sugar Public Company Limited and its subsidiaries

Report and consolidated financial statements

31 December 2016

To the Shareholders of Khonburi Sugar Public Company Limited

I have audited the accompanying consolidated financial statements of Khonburi Sugar Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Khonburi Sugar Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Khonburi Sugar Public Company Limited and its subsidiaries and of Khonburi Sugar Public Company Limited as at 31 December 2016, their financial and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole. Key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

Revenue from sale and services is the most significant amount in the consolidated financial statements and it is a key performance indication in the industry on which the financial statements' users focus. In addition, the Company has significant numbers of sugar future contracts. There is therefore a risk with respect to the amount and timing of revenue recognition. For this reason, I have paid particular attention to the Company's recognition of revenue from sales of goods in order to ensure that the revenue is recorded correctly and in accordance with the relevant accounting standards.

Audit procedures

I have examined revenue recognition of the Company by

- Assessing and testing of the Company IT system and its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the control and selecting representative samples to test the operation of the designed controls.
- Applying a sampling method to select sales documents to assess whether the recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Company's policy.
- On a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.
- Reviewing credit notes that the Company issued after the period-end.
- Performing analytical procedures of disaggregated data to detect possible irregularities in sales transactions throughout the period.

Allowance for Sugar cane plantation receivables

As discussed in Note 10 to the financial statements, the allowance for sugar cane plantation receivables is estimated based on various assumptions. Therefore, the management is required to exercise considerable judgement in determining the assumptions to be used in estimating allowance for the sugar cane plantation receivables expected to be incurred when debtors are unable to repay principal. Therefore, there is a risk of allowance for sugar cane plantation receivables.

I assessed and tested the internal controls relevant to sugar cane plantation receivables and its allowance. I also assessed the key information, assumptions and methods used by the Company in calculating allowance for sugar cane plantation receivables applying the following procedures:

- Gaining an understanding of the basis applied in determining allowance for sugar cane plantation receivables, and reviewing the consistency of the application of that basis, and whether the rationale for the recording of allowance.
- I performed analytical procedures of assumptions that the Company applied against historical data and external sources such as industry average ratios, financial and economic information, and the findings of assessments performed in other areas relating to the assumptions.
- I considered to what extent the methods applied were consistent with types of receivables.
- I tested the calculation of allowance for sugar cane plantation receivables.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can

arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public

disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Sophon Permsirivallop.



Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

EY Office Limited

Bangkok: 27 February 2017

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

(Unit: Baht)

| | Notes | Consolidated financial statements | | Separate financial statements | |
|--|-------|-----------------------------------|-----------------------|-------------------------------|----------------------|
| | | As at | As at | As at | As at |
| | | 31 December 2016 | 31 December 2015 | 31 December 2016 | 31 December 2015 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 8 | 126,438,301 | 81,891,022 | 100,193,847 | 29,971,370 |
| Trade and other receivables | 7, 9 | 964,086,441 | 490,009,814 | 1,041,225,966 | 661,982,771 |
| Sugar cane plantation receivables | 10 | 734,751,361 | 815,118,210 | 734,751,361 | 815,118,210 |
| Short-term loans to related party | 7 | - | - | 482,200,000 | 361,500,000 |
| Inventories | 11 | 1,094,863,316 | 1,157,254,384 | 1,024,671,092 | 1,086,860,488 |
| Derivative assets | | - | 19,896,919 | - | 19,896,919 |
| Other current assets | 12 | 291,908,359 | 256,896,161 | 223,647,214 | 179,042,759 |
| Total current assets | | 3,212,047,778 | 2,821,066,510 | 3,606,689,480 | 3,154,372,517 |
| Non-current assets | | | | | |
| Investment in subsidiaries | 13 | - | - | 665,249,610 | 556,999,610 |
| Other long-term investments | 14 | 1,994,875 | 1,994,875 | 1,994,875 | 1,994,875 |
| Sugarcane plantation receivables - long-term | 10 | 262,745,746 | 269,344,049 | 262,745,746 | 269,344,049 |
| Amounts due from the Office of the Cane and Sugar Fund | 15 | - | 169,774,810 | - | 169,774,810 |
| Property, plant and equipment | 16 | 6,842,379,983 | 6,589,376,430 | 5,224,938,483 | 4,931,576,001 |
| Intangible assets | 17 | 140,016,691 | 147,614,820 | 4,614,269 | 5,943,318 |
| Advance payment for assets | | 6,967,593 | 40,132,704 | 291,145 | 33,456,256 |
| Deferred tax assets | 24.1 | 93,040,951 | 21,291,221 | 70,150,381 | 20,446,121 |
| Other non-current assets | | 49,247,356 | 8,462,367 | 49,085,164 | 8,306,175 |
| Total non-current assets | | 7,396,393,195 | 7,247,991,276 | 6,279,069,673 | 5,997,841,215 |
| Total assets | | 10,608,440,973 | 10,069,057,786 | 9,885,759,153 | 9,152,213,732 |

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

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

(Unit: Baht)

| | Notes | Consolidated financial statements | | Separate financial statements | |
|--|-------|-----------------------------------|-----------------------|-------------------------------|----------------------|
| | | As at | As at | As at | As at |
| | | 31 December 2016 | 31 December 2015 | 31 December 2016 | 31 December 2015 |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Short-term loans from financial institutions | 18 | 1,839,300,000 | 1,202,700,000 | 1,799,300,000 | 1,172,700,000 |
| Short-term loans from related party | 7 | 311,520,300 | - | 396,520,300 | 80,000,000 |
| Trade and other payables | 7, 19 | 1,306,776,612 | 1,140,134,072 | 1,200,260,460 | 1,157,700,978 |
| Current portion of: | | | | | |
| - Liabilities under financial lease agreements | 20 | 26,794,445 | 6,212,150 | 26,208,823 | 5,653,659 |
| - Long-term loans from financial institutions | 21 | 1,187,000,000 | 1,082,000,000 | 947,000,000 | 922,000,000 |
| Corporate income tax payable | | 482,848 | 584,990 | - | - |
| Amounts due to the Office of the Cane and Sugar Fund | | 89,824,573 | 47,875,123 | 89,824,573 | 47,875,123 |
| Derivative liabilities | | 2,161,072 | 1,931,086 | 2,161,071 | 1,042,098 |
| Other current liabilities | | 28,345,378 | 11,294,404 | 15,235,473 | 9,034,675 |
| Total current liabilities | | 4,792,205,228 | 3,492,731,825 | 4,476,510,700 | 3,396,006,533 |
| Non-current liabilities | | | | | |
| Net of current portion: | | | | | |
| - Liabilities under financial lease agreements | 20 | 56,907,159 | 15,034,841 | 56,020,093 | 13,562,152 |
| - Long-term loans from financial institutions | 21 | 2,177,657,878 | 2,551,300,000 | 1,627,657,878 | 1,761,300,000 |
| Provision for long-term employee benefits | 22 | 33,719,087 | 39,155,770 | 29,415,028 | 35,819,261 |
| Total non-current liabilities | | 2,268,284,124 | 2,605,490,611 | 1,713,092,999 | 1,810,681,413 |
| Total liabilities | | 7,060,489,352 | 6,098,222,436 | 6,189,603,699 | 5,206,687,946 |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Registered | | | | | |
| 600,000,000 ordinary shares of Baht 1 each | | 600,000,000 | 600,000,000 | 600,000,000 | 600,000,000 |
| Issued and fully paid up | | | | | |
| 600,000,000 ordinary shares of Baht 1 each | | 600,000,000 | 600,000,000 | 600,000,000 | 600,000,000 |
| Share premium | | 2,230,175,000 | 2,230,175,000 | 2,230,175,000 | 2,230,175,000 |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | 23 | 60,000,000 | 60,000,000 | 60,000,000 | 60,000,000 |
| Unappropriated | | 663,190,358 | 1,072,475,466 | 807,709,311 | 1,042,769,832 |
| Other components of shareholders' equity | | (5,413,737) | 8,184,884 | (1,728,857) | 12,580,954 |
| Total shareholders' equity | | 3,547,951,621 | 3,970,835,350 | 3,696,155,454 | 3,945,525,786 |
| Total liabilities and shareholders' equity | | 10,608,440,973 | 10,069,057,786 | 9,885,759,153 | 9,152,213,732 |

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

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2016

(Unit: Baht)

| | Notes | Consolidated financial statements | | Separate financial statements | |
|--|-------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| Profit or loss: | | | | | |
| Revenues | | | | | |
| Sales income | 29 | 6,919,421,681 | 6,513,410,364 | 6,160,060,148 | 5,370,225,156 |
| Service income | | 5,708,523 | 28,912,773 | 6,176,698 | 29,398,242 |
| Other income | | | | | |
| Interest income | | 60,996,622 | 54,848,493 | 78,729,911 | 71,674,385 |
| Gain on exchange | | 10,027,950 | 24,734,622 | 7,959,162 | 24,709,936 |
| Gain on derivatives | | 62,530,521 | - | 63,314,902 | - |
| Dividend income | | 262,455 | 262,455 | 8,262,449 | 170,262,455 |
| Income from fine of delay construction | | 31,692,669 | - | 31,692,669 | - |
| Compensation from subsidiary's accident | | 25,000,000 | - | - | - |
| Others | | 45,380,403 | 43,269,064 | 83,470,313 | 70,961,534 |
| Total revenues | | 7,161,020,824 | 6,665,437,771 | 6,439,666,252 | 5,737,231,708 |
| Expenses | | | | | |
| Cost of sales | | 6,639,691,613 | 6,013,428,356 | 5,982,051,687 | 5,261,262,517 |
| Cost of services | | 6,212,944 | 21,625,341 | 6,681,119 | 22,110,810 |
| Selling expenses | | 325,515,941 | 306,526,825 | 271,393,969 | 285,137,712 |
| Administrative expenses | | 288,188,754 | 278,161,610 | 252,185,409 | 236,076,622 |
| Loss from subsidiary's accident | 16 | 135,148,793 | - | - | - |
| Loss on derivatives | | - | 55,557,244 | - | 55,557,244 |
| Total expenses | | 7,394,758,045 | 6,675,299,376 | 6,512,312,184 | 5,860,144,905 |
| Losses before finance cost and income tax expenses | | (233,737,221) | (9,861,605) | (72,645,932) | (122,913,197) |
| Finance cost | | (189,168,825) | (98,053,956) | (156,627,715) | (57,396,608) |
| Losses before income tax expenses | | (422,906,046) | (107,915,561) | (229,273,647) | (180,309,805) |
| Income tax revenue | 24.2 | 67,648,285 | 57,737,380 | 47,744,071 | 69,084,149 |
| Losses for the year | | (355,257,761) | (50,178,181) | (181,529,576) | (111,225,656) |
| Other comprehensive income: | | | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i> | | | | | |
| Unrealised gain (loss) on change in derivative financial instruments | | (16,998,276) | 44,664,713 | (17,887,264) | 45,553,701 |
| Less: Income tax effect | 24.3 | 3,399,655 | (8,932,942) | 3,577,453 | (9,110,740) |
| | | (13,598,621) | 35,731,771 | (14,309,811) | 36,442,961 |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i> | | | | | |
| Actuarial gain | | 7,465,817 | - | 8,086,319 | - |
| Less: Income tax effect | 24.3 | (1,493,164) | - | (1,617,264) | - |
| | | 5,972,653 | - | 6,469,055 | - |
| Other comprehensive income for the year | | (7,625,968) | 35,731,771 | (7,840,756) | 36,442,961 |
| Total comprehensive income for the year | | (362,883,729) | (14,446,410) | (189,370,332) | (74,782,695) |
| Losses per share | | | | | |
| 25 | | | | | |
| Basic losses per share | | | | | |
| Net losses for the year | | (0.59) | (0.08) | (0.30) | (0.19) |

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

Khonburi Sugar Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity
For the year ended 31 December 2016

| | Consolidated financial statements | | | | | | | | | | (Unit: Baht) |
|---|--|---------------|-------------------|----------------|----------------------------------|--|--|--|----------------------------|--|--------------|
| | Retained earnings | | | | | Other components of equity | | | | | |
| | Appropriated - | | | | | Unrealised | | | | | |
| | Issued and fully paid up share capital | Share premium | statutory reserve | Unappropriated | Appropriated - statutory reserve | gains (losses) on derivative financial instruments | Surplus on business combination under common control | Total other components of shareholders' equity | Total shareholders' equity | | |
| Balance as at 1 January 2015 | 600,000,000 | 2,230,175,000 | 60,000,000 | 1,242,653,647 | 60,000,000 | (23,862,007) | (3,684,880) | (27,546,887) | 4,105,281,760 | | |
| Loss for the year | - | - | - | (50,178,181) | - | - | - | - | (50,178,181) | | |
| Other comprehensive income for the year | - | - | - | - | 35,731,771 | - | - | 35,731,771 | 35,731,771 | | |
| Total comprehensive income for the year | - | - | - | (50,178,181) | - | 35,731,771 | - | 35,731,771 | (14,446,410) | | |
| Dividends paid (Note 26) | - | - | - | (120,000,000) | - | - | - | - | (120,000,000) | | |
| Balance as at 31 December 2015 | 600,000,000 | 2,230,175,000 | 60,000,000 | 1,072,475,466 | 60,000,000 | 11,869,764 | (3,684,880) | 8,184,884 | 3,970,835,350 | | |
| Balance as at 1 January 2016 | 600,000,000 | 2,230,175,000 | 60,000,000 | 1,072,475,466 | 60,000,000 | 11,869,764 | (3,684,880) | 8,184,884 | 3,970,835,350 | | |
| Loss for the year | - | - | - | (355,257,761) | - | - | - | - | (355,257,761) | | |
| Other comprehensive income for the year | - | - | - | 5,972,653 | - | (13,598,621) | - | (13,598,621) | (7,625,968) | | |
| Total comprehensive income for the year | - | - | - | (349,285,108) | - | (13,598,621) | - | (13,598,621) | (362,883,729) | | |
| Dividends paid (Note 26) | - | - | - | (60,000,000) | - | - | - | - | (60,000,000) | | |
| Balance as at 31 December 2016 | 600,000,000 | 2,230,175,000 | 60,000,000 | 663,190,358 | 60,000,000 | (1,728,857) | (3,684,880) | (5,413,737) | 3,547,951,621 | | |

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

Khonburi Sugar Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity (continued)
For the year ended 31 December 2016

| | Separate financial statements | | | | | | | (Unit: Baht) |
|---|--|-------------------|----------------------|--------------------|---|--|----------------------------|--------------|
| | Other components of equity | | | | | | | |
| | Other comprehensive income | | | | | | | |
| | Issued and fully paid up share capital | Retained earnings | | Share premium | Unrealised gains (losses) on derivative financial instruments | Total other components of shareholders' equity | Total shareholders' equity | |
| Appropriated - statutory reserve | | Unappropriated | | | | | | |
| Balance as at 1 January 2015 | 600,000,000 | 60,000,000 | 1,273,995,488 | (23,862,007) | (23,862,007) | 4,140,308,481 | | |
| Loss for the year | - | - | (111,225,656) | - | - | (111,225,656) | | |
| Other comprehensive income for the year | - | - | - | 36,442,961 | 36,442,961 | 36,442,961 | | |
| Total comprehensive income for the year | - | - | (111,225,656) | 36,442,961 | 36,442,961 | (74,782,695) | | |
| Dividends paid (Note 26) | - | - | (120,000,000) | - | - | (120,000,000) | | |
| Balance as at 31 December 2015 | 600,000,000 | 60,000,000 | 1,042,769,832 | 12,580,954 | 12,580,954 | 3,945,525,786 | | |
| Balance as at 1 January 2016 | 600,000,000 | 60,000,000 | 1,042,769,832 | 12,580,954 | 12,580,954 | 3,945,525,786 | | |
| Loss for the year | - | - | (181,529,576) | - | - | (181,529,576) | | |
| Other comprehensive income for the year | - | - | 6,469,055 | (14,309,811) | (14,309,811) | (7,840,756) | | |
| Total comprehensive income for the year | - | - | (175,060,521) | (14,309,811) | (14,309,811) | (189,370,332) | | |
| Dividends paid (Note 26) | - | - | (60,000,000) | - | - | (60,000,000) | | |
| Balance as at 31 December 2016 | 600,000,000 | 60,000,000 | 807,709,311 | (1,728,857) | (1,728,857) | 3,696,155,454 | | |

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

Khonburi Sugar Public Company Limited and its subsidiaries**Cash flow statements****For the year ended 31 December 2016**

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------------|-------------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Cash flows from operating activities | | | | |
| Losses before income tax | (422,906,046) | (107,915,561) | (229,273,647) | (180,309,805) |
| Adjustments to reconcile losses before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 526,095,272 | 311,462,213 | 460,342,672 | 242,302,369 |
| Write-off of equipment | 85,413,623 | 5,795 | - | 5,795 |
| Gain on sale of equipment | (4,711,085) | (9,327,884) | (4,711,085) | (9,327,884) |
| Write-off of bad debts | 1,006,748 | 1,650,176 | 946,610 | 1,650,176 |
| Allowance for doubtful accounts | 10,343,593 | 2,331,850 | 10,403,731 | 2,331,850 |
| Decrease of inventory to net realisable value | 42,760 | 338,610 | 42,760 | 338,610 |
| Provision for long-term employee benefits | 6,560,634 | 6,176,751 | 5,862,186 | 5,552,597 |
| Unrealised (gain) loss on change in derivative financial instruments | 3,128,628 | (6,002,589) | 3,128,628 | (6,002,589) |
| Unrealised gain on exchange | (273,850) | (9,096) | (273,850) | (9,096) |
| Reversal of loss on impairment of investment in subsidiary | - | - | - | (6,999,700) |
| Dividend income | (262,455) | (262,455) | (8,262,449) | (170,262,455) |
| Interest income | (60,996,622) | (54,848,493) | (78,729,911) | (71,674,385) |
| Interest expenses | 187,154,464 | 95,609,466 | 155,964,132 | 56,654,907 |
| Write-off of withholding tax as of expenses | - | 461,143 | - | 227,724 |
| Profit (loss) from operating activities before changes in operating assets and liabilities | 330,595,664 | 239,669,926 | 315,439,777 | (135,521,886) |
| Operating assets (increase) decrease | | | | |
| Trade and other receivables | (474,337,399) | (43,709,240) | (523,870,031) | (5,678,412) |
| Sugarcane plantation receivables | 74,401,490 | (40,802,591) | 74,401,490 | (40,802,591) |
| Inventories | 61,611,047 | 47,373,460 | 62,946,636 | 53,931,164 |
| Other current assets | (35,444,441) | (104,292,022) | (45,023,882) | (144,893,225) |
| Amounts due from the Office of the Cane and Sugar Fund | 169,774,810 | (169,774,810) | 169,774,810 | (169,774,810) |
| Other non-current assets | (40,784,989) | 762,647 | (40,778,989) | 900,181 |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | 200,929,585 | (107,238,266) | 142,239,700 | 44,816,073 |
| Amounts due to the Office of the Cane and Sugar Fund | 41,949,450 | (21,873,408) | 41,949,450 | (21,873,408) |
| Other current liabilities | 17,050,974 | (2,265,415) | 6,200,798 | (2,825,215) |
| Cash paid for long-term employee benefits | (4,531,500) | - | (4,180,100) | - |
| Cash flows used in operating activities | 341,214,691 | (202,149,719) | 199,099,659 | (421,722,129) |
| Cash receipt from income tax | 2,296,225 | - | 1,806,827 | - |
| Cash paid for corporate income tax | (4,161,077) | (15,722,357) | (1,387,400) | (13,537,196) |
| Net cash flows from (used in) operating activities | 339,349,839 | (217,872,076) | 199,519,086 | (435,259,325) |

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

Khonburi Sugar Public Company Limited and its subsidiaries**Cash flow statements (Continued)****For the year ended 31 December 2016**

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|------------------------|-------------------------------|------------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Cash flows from investing activities | | | | |
| Increase in investment in subsidiaries | - | - | (108,250,000) | - |
| Increase in short-term loan to related parties | - | - | (120,700,000) | (21,500,000) |
| Cash paid for acquisitions of property, plant and equipment | (763,085,338) | (2,460,365,056) | (725,659,522) | (2,353,617,364) |
| Proceeds from sales of equipment | 52,251,577 | 13,208,528 | 52,251,577 | 13,208,529 |
| Cash paid for acquisitions of intangible asset | (1,433,300) | (2,653,990) | (1,271,300) | (2,653,990) |
| Cash paid in advance for equipment | (59,826,703) | (9,657,412) | (59,826,703) | (9,657,412) |
| Cash receipt from interest income | 62,296,537 | 41,426,103 | 62,395,907 | 55,472,421 |
| Cash receipt from dividend income | 262,455 | 262,455 | 170,262,431 | 262,455 |
| Net cash flows used in investing activities | <u>(709,534,772)</u> | <u>(2,417,779,372)</u> | <u>(730,797,610)</u> | <u>(2,318,485,361)</u> |
| Cash flows from financing activities | | | | |
| Increase in short-term loans from financial institutions | 636,600,000 | 767,700,000 | 626,600,000 | 757,700,000 |
| Increase (decrease) in short-term loans from related parties | 311,520,300 | (98,550,540) | 316,520,300 | (18,550,540) |
| Cash receipt from long-term loans | 883,357,878 | 2,146,300,000 | 883,357,878 | 2,146,300,000 |
| Repayment of long-term loans | (1,152,000,000) | (137,820,000) | (992,000,000) | (17,820,000) |
| Cash paid for liabilities under financial lease agreements | (14,708,462) | (5,376,272) | (14,149,970) | (4,749,745) |
| Cash paid for interest expenses | (190,037,504) | (136,554,732) | (158,827,207) | (97,645,005) |
| Dividends paid | (60,000,000) | (120,000,000) | (60,000,000) | (120,000,000) |
| Net cash flows from financing activities | <u>414,732,212</u> | <u>2,415,698,456</u> | <u>601,501,001</u> | <u>2,645,234,710</u> |
| Net increase (decrease) in cash and cash equivalents | <u>44,547,279</u> | <u>(219,952,992)</u> | <u>70,222,477</u> | <u>(108,509,976)</u> |
| Cash and cash equivalents at beginning of year | 81,891,022 | 301,844,014 | 29,971,370 | 138,481,346 |
| Cash and cash equivalents at end of year | <u>126,438,301</u> | <u>81,891,022</u> | <u>100,193,847</u> | <u>29,971,370</u> |
| Supplemental cash flows information | | | | |
| Non-cash transactions | | | | |
| Decrease (increase) in purchases of assets that have not yet been paid | (33,434,952) | 1,961,258 | (98,848,089) | (71,667,595) |
| Transfer advance payment of assets to construction in progress increase (decrease) | 92,991,814 | (528,120,436) | 92,991,814 | (528,120,436) |
| Purchase equipment under financial lease | 77,163,075 | 12,114,709 | 77,163,075 | 10,760,784 |
| Adjustment of assets due to cancelation of contracts | - | (10,000,000) | - | - |
| Accrued dividend | - | - | 8,000,000 | 170,000,000 |
| Interest recorded as construction in progress | 2,478,975 | 41,206,446 | 2,478,975 | 41,206,446 |
| Transfer construction in progress to inventory | (800,000) | - | (800,000) | - |

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

Khonburi Sugar Public Company Limited and its subsidiaries

Notes to financial statements

For the year ended 31 December 2016

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 | |
|--------------------------------|---|--------------------------|----------------------------|-------------------|
| | | | 2016 (Percent) | 2015 (Percent) |
| <u>Held by the Company</u> | | | | |
| Khonburi Power Plant Co., Ltd. | Manufacture and distribution of electricity | Thailand | 100 | 100 |
| KBS Trading Co.,Ltd. | Trading of sugar molasses and by products | Thailand | 100 | 100 |

| Company's name | Nature of business | Country of incorporation | Percentage of shareholding | |
|---|---|--------------------------|----------------------------|-------------------|
| | | | 2016 (Percent) | 2015 (Percent) |
| Khonburi Bio Energy Co., Ltd. | Manufacture and distribution of ethanol | Thailand | 100 | 100 |
| KBS Investment Co.,Ltd. | Holding company | Thailand | 100 | 100 |
| <u>Held by subsidiaries</u> | | | | |
| KBS Cane and Sugar Co.,Ltd. (100% held by KBS Investment Co.,Ltd.) | Manufacture and distribution of sugar | Thailand | 100 | 100 |
| KBS Power Co.,Ltd (100% held by KBS Investment Co.,Ltd.) | Manufacture and distribution of electricity | Thailand | 100 | 100 |

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) 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 present investments in subsidiaries under the cost method.

3. New financial reporting standards

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

During the year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which are effective for fiscal years beginning on or after 1 January 2017. 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 standards.

The management of the Company and its subsidiaries believes that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

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

4. Significant accounting policies

4.1 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, and 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.

4.2 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.

4.3 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.

4.4 Inventories

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

Raw materials, chemicals, spare parts, factory supplies, and other supplies are valued at the lower of 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 of by products are presented as deduction from production costs in each production season.

4.5 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 net of allowance for loss on diminution in value (if any).

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.

4.6 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.

4.7 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.

4.8 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.

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

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

4.10 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.

4.11 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.

4.12 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 and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

4.13 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.

4.14 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.

4.15 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.

4.16 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 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.

4.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a buyer and a seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation techniques that are appropriate in the circumstances and maximise the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorises of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. 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 sugar cane plantation receivables

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

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

Impairment of investments

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

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.

6. 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.

7. 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 |
| Mitsui and Co., Ltd. | Common major shareholders |
| 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.

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | | Transfer Pricing Policy |
|--|-----------------------------------|-------------|-------------------------------|-------------|-------------------------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | |
| Transactions with subsidiaries: | | | | | |
| (Eliminated from consolidated financial statements) | | | | | |
| Sale income | - | - | 648,325 | 229,374 | Contract price and cost plus margin |
| Service income | - | - | 468 | 485 | Cost plus margin |
| Other income | - | - | 531 | 1,363 | Cost plus margin |

| | | | | | (Unit: Thousand Baht) |
|---|-----------------------------------|---------|-------------------------------|---------|---|
| | Consolidated financial statements | | Separate financial statements | | Transfer Pricing Policy |
| | 2016 | 2015 | 2016 | 2015 | |
| Interest income | - | - | 17,866 | 17,024 | 2016: 4.975 - 7.50 per annum (2015: 4.8 - 5.125 per annum) |
| Dividend income | - | - | 8,000 | 170,000 | As declared |
| Bagasse income | - | - | 247,246 | 226,749 | Contract price (Baht 350 - 400 per ton) |
| Rental income | - | - | 37,882 | 28,287 | Contract price (Baht 3,333 to 2,125,000 Baht per month) |
| Management income | - | - | 2,950 | 4,200 | Contract price (Baht 100,000 to 350,667 per month) |
| Purchase of fixed assets | - | - | 24,474 | - | Cost plus margin |
| Electricity charges | - | - | 218,882 | 209,074 | Contract price (according to EGAT) |
| Steam charges | - | - | 190,057 | 206,424 | Contract price (Baht 70 - 140 per ton) |
| Maintenance expenses | - | - | 48,046 | 47,242 | Cost plus margin |
| Bagasse compensation | - | - | 38,939 | 141,642 | Based on the difference between market purchase price and agreement price |
| Interest expense | - | - | 902 | 71 | 2016: 1.00 per annum (2015: 1.00 per annum) |
| Transactions with related companies: | | | | | |
| Sale income | 500,781 | 678,558 | 500,781 | 678,558 | Cost plus margin |
| Dividend income | 262 | 262 | 262 | 262 | As declared |
| Other income | 4,315 | 27 | 4,315 | 27 | Cost plus margin |
| Purchase of raw sugar | 353,747 | 669,110 | 353,747 | 669,110 | Cost plus margin |
| Purchase of sugar | - | 58 | - | 58 | Cost plus margin |
| Rental expenses | 12,225 | 10,789 | 12,225 | 10,789 | Contract price and comparable price charged to other customers |
| Service charges and utilities | 2,170 | 1,945 | 2,170 | 1,945 | Contract price (Baht 45 - 60 per square meter) |
| Export service expenses | 10,535 | 13,123 | 10,535 | 13,123 | Contract price (Baht 20 per ton) |
| Interest expenses | 23,452 | 11,979 | 23,452 | 11,979 | 2016: 2.15% - 2.55% per annum (2015: 2.55 - 3.20% per annum) |

As at 31 December 2016 and 2015, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--|----------------------|---------------|----------------------|----------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Account receivables - related party (Note 9) | | | | |
| Subsidiary company (eliminated from consolidated financial statements) | - | - | 13,100 | 32,859 |
| Related companies | 54,556 | 15,595 | 54,556 | 15,595 |
| Total account receivables - related party | 54,556 | 15,595 | 67,656 | 48,454 |
| Interest receivable related party (Note 9) | | | | |
| Subsidiary company (eliminated from consolidated financial statements) | - | - | 20,348 | 2,780 |
| Other receivables - related party (Note 9) | | | | |
| Subsidiary company (eliminated from consolidated financial statements) | - | - | 440,790 | 209,645 |
| Dividend receivables - related party (Note 9) | | | | |
| Subsidiary company (eliminated from consolidated financial statements) | - | - | 8,000 | 170,000 |
| Accounts payable - related parties (Note 19) | | | | |
| Subsidiary company (eliminated from consolidated financial statements) | - | - | 236,906 | 228,010 |
| Related companies | - | 945 | - | 945 |
| Total account payable - related parties | - | 945 | 236,906 | 228,955 |
| Revenue received in advance - related parties (Note 19) | | | | |
| Subsidiary company (eliminated from consolidated financial statements) | - | - | - | 160 |
| Accrued interest - related parties (Note 19) | | | | |
| Subsidiary company (eliminated from consolidated financial statements) | - | - | - | 9 |
| Related companies | 92 | - | 92 | - |
| Total accrued interest - related parties | 92 | - | 92 | 9 |
| Accrued expense - related party (Note 19) | | | | |
| Related companies | 9,815 | - | 9,815 | - |

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Unearned revenue - related parties (Note 19) | | | | |
| Subsidiary company (eliminated from consolidated financial statements) | - | - | - | 29,913 |
| Other non-current assets | | | | |
| Related company | 2,791 | 2,396 | 2,791 | 2,396 |

Loans to and from related party

As at 31 December 2016 and 2015, the balances of loans between the Company and those related companies and the movement are as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------------------|-----------------------------|-----------------------------|-----------------------------------|
| | Separate financial statements | | | |
| | Balance as at 31 December 2015 | Increase during the year | Decrease during the year | Balance as at 31 December 2016 |
| Short-term loans to related party | | | | |
| Subsidiary company | 361,500 | 137,200 | (16,500) | 482,200 |

| | (Unit: Thousand Baht) | | | |
|--|-----------------------------------|-----------------------------|-----------------------------|-----------------------------------|
| | Consolidated financial statements | | | |
| | Balance as at 31 December 2015 | Increase during the year | Decrease during the year | Balance as at 31 December 2016 |
| Short-term loans from related party | | | | |
| Related company | - | 3,232,516 | (2,920,996) | 311,520 |

| | (Unit: Thousand Baht) | | | |
|--|-----------------------------------|-----------------------------|-----------------------------|-----------------------------------|
| | Separate financial statements | | | |
| | Balance as at 31 December 2015 | Increase during the year | Decrease during the year | Balance as at 31 December 2016 |
| Short-term loans from related party | | | | |
| Subsidiary company | 80,000 | 85,000 | (80,000) | 85,000 |
| Related company | - | 3,232,516 | (2,920,996) | 311,520 |
| Total | 80,000 | 3,317,516 | (3,000,996) | 396,520 |

The Company 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 2016 and 2015, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|------------------------------|----------------------|---------------|----------------------|---------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Short-term employee benefits | 54,795 | 52,629 | 51,953 | 50,740 |
| Post-employment benefits | 993 | 864 | 768 | 719 |
| Total | <u>55,788</u> | <u>53,493</u> | <u>52,721</u> | <u>51,459</u> |

8. Cash and cash equivalents

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---------------|----------------------|---------------|----------------------|---------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Cash | 693 | 691 | 498 | 496 |
| Bank deposits | 125,745 | 81,200 | 99,696 | 29,475 |
| Total | <u>126,438</u> | <u>81,891</u> | <u>100,194</u> | <u>29,971</u> |

As at 31 December 2016, bank deposits in savings accounts and fixed deposits carried interests between 0.05 and 0.75 percent per annum (2015: 0.10 and 0.95 percent per annum).

9. Trade and other receivables

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--|----------------------|---------------|----------------------|---------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| <u>Trade receivables - related parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 51,381 | 14,168 | 57,052 | 47,027 |
| Past due | | | | |
| Up to 3 months | 3,175 | 1,427 | 10,604 | 1,427 |
| Total trade receivables - related parties | <u>54,556</u> | <u>15,595</u> | <u>67,656</u> | <u>48,454</u> |

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| <u>Trade receivables - unrelated parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 486,714 | 173,427 | 370,094 | 102,373 |
| Past due | | | | |
| Up to 3 months | 26,573 | 63,833 | 25,888 | 38,308 |
| 3 - 6 months | 3,709 | 340 | - | - |
| Total trade receivables - unrelated parties | 516,996 | 237,600 | 395,982 | 140,681 |
| Total trade receivables | 571,552 | 253,195 | 463,638 | 189,135 |
| <u>Other receivables</u> | | | | |
| Advances | 65,752 | 79,493 | 65,613 | 79,163 |
| Interest receivable - related parties | - | - | 20,348 | 2,780 |
| Other receivables - related parties | - | - | 440,790 | 209,645 |
| Other receivables - unrelated parties | 61,477 | 13,251 | 35,739 | 12,502 |
| Dividend receivable - related parties | - | - | 8,000 | 170,000 |
| Sugar advance | 8,361 | - | 8,361 | - |
| Molasses advances | 258,207 | 145,373 | - | - |
| Total other receivables | 393,797 | 238,117 | 578,851 | 474,090 |
| Less: Allowance for doubtful debts | (1,263) | (1,302) | (1,263) | (1,242) |
| Total other receivables - net | 392,534 | 236,815 | 577,588 | 472,848 |
| Total trade and other receivables - net | 964,086 | 490,010 | 1,041,226 | 661,983 |

10. Sugar cane plantation receivables

The balances of sugar cane plantation receivables as at 31 December 2016 and 2015, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

| | Consolidated financial statements/ Separate financial statements | |
|---|---|------------------|
| | 2016 | 2015 |
| | | |
| Sugar cane plantation receivables aged on the basis of due dates | | |
| 2016/2017 harvesting year | 624,054 | - |
| 2015/2016 harvesting year | 79,741 | 680,878 |
| 2014/2015 harvesting year | 42,932 | 117,198 |
| 2013/2014 harvesting year | 11,557 | 20,401 |
| 2012/2013 harvesting year | 12,628 | 18,596 |
| Before 2012/2013 harvesting year | 34,816 | 38,640 |
| Total current portion of sugar cane plantation receivables | 805,728 | 875,713 |
| Less: Allowance for doubtful debts | (70,977) | (60,595) |
| Current portion of sugar cane plantation receivables - net | 734,751 | 815,118 |
| Sugar cane plantation receivable - long-term | 262,746 | 269,344 |
| Sugar cane plantation receivable - net | <u>997,497</u> | <u>1,084,462</u> |

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.

11. Inventories

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|---|-----------------------------------|------------------|--|--------------|-------------------|------------------|
| | Cost | | Reduce cost to net realizable value | | Inventories - net | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Finished goods | 886,411 | 966,767 | - | - | 886,411 | 966,767 |
| Work in process | 56,239 | 52,310 | - | - | 56,239 | 52,310 |
| Raw materials | 45,128 | 48,089 | - | - | 45,128 | 48,089 |
| Chemicals, spare parts, and factory supplies | 96,458 | 71,051 | (402) | (360) | 96,056 | 70,691 |
| By products (Molasses) | 11,029 | 19,397 | - | - | 11,029 | 19,397 |
| Total | <u>1,095,265</u> | <u>1,157,614</u> | <u>(402)</u> | <u>(360)</u> | <u>1,094,863</u> | <u>1,157,254</u> |

(Unit: Thousand Baht)

| | Separate financial statements | | | | | |
|---|-------------------------------|------------------|--|--------------|-------------------|------------------|
| | Cost | | Reduce cost to net realizable value | | Inventories - net | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Finished goods | 884,610 | 962,733 | - | - | 884,610 | 962,733 |
| Work in process | 56,239 | 52,310 | - | - | 56,239 | 52,310 |
| Chemicals, spare parts, and factory supplies | 73,195 | 52,780 | (402) | (360) | 72,793 | 52,420 |
| By products (Molasses) | 11,029 | 19,397 | - | - | 11,029 | 19,397 |
| Total | 1,025,073 | 1,087,220 | (402) | (360) | 1,024,671 | 1,086,860 |

As at 31 December 2016, the Company pledged inventories of approximately Baht 312 million (2015: Nil) to secure short-term loans from financial institutions through its representative as mentioned in Note 7.

12. Other current assets

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|-----------------------------------|--------------------------------------|----------------|----------------------------------|----------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Value added tax refundable | 191,270 | 223,405 | 139,390 | 155,492 |
| Income tax refundable | 27,875 | 18,450 | 22,976 | 13,537 |
| Prepaid expenses | 47,922 | 11,591 | 41,423 | 7,357 |
| Other | 24,841 | 3,450 | 19,858 | 2,657 |
| Total other current assets | 291,908 | 256,896 | 223,647 | 179,043 |

13. Investment in subsidiaries

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

(Unit: Thousand Baht)

| Company's name | Paid-up capital | | Shareholding percentage | | Cost | | Dividend received during the year | |
|--------------------------------|-----------------|-------------|----------------------------|-------------|----------------|----------------|--------------------------------------|----------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | | | (%) | (%) | | | | |
| Khonburi Power Plant Co., Ltd. | 500,000 | 500,000 | 100.00 | 100.00 | 500,000 | 500,000 | - | 150,000 |
| KBS Trading Co., Ltd. | 40,000 | 40,000 | 100.00 | 100.00 | 40,000 | 40,000 | 8,000 | 20,000 |
| Khonburi Bio Energy Co., Ltd. | 440,000 | 7,000 | 100.00 | 100.00 | 115,250 | 7,000 | - | - |
| KBS Investment Co., Ltd. | 10,000 | 10,000 | 100.00 | 100.00 | 10,000 | 10,000 | - | - |
| Total | | | | | 665,250 | 557,000 | 8,000 | 170,000 |

On 25 January 2016, the Extraordinary General Meeting No.1/2016 of the Shareholders of Khonburi Bio Energy Co., Ltd. (a subsidiary) passed a special resolution to increase its registered share capital from Baht 7 million to Baht 440 million, through the issuance of 4,330,000 new ordinary shares with a par value of Baht 100 each, of which 25% is to be called up, or a total amount of Baht 108.25 million. The subsidiary registered the increase in its share capital with the Ministry of Commerce on 4 February 2016. The Company already paid for those shares.

14. Other long-term investments

(Unit: Thousand Baht)

| | Consolidated financial statements/ Separate financial statements | | Dividend received during the year | |
|--|--|--------------|-----------------------------------|-------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| <i>Common stock</i> | | | | |
| The Thai Sugar Trading Corporation Limited | 1,750 | 1,750 | 262 | 262 |
| Thai Cane and Sugar Corporation Limited | 243 | 243 | - | - |
| Thai Sugar Millers Corporation Limited | <u>2</u> | <u>2</u> | - | - |
| Total other long-term investments | <u>1,995</u> | <u>1,995</u> | <u>262</u> | <u>262</u> |

15. Amounts due from the Office of the Cane and Sugar Fund

As at 31 December 2015, amounts due from the Office of the Cane and Sugar Fund were the amounts that the Company will reimburse from the Office of the Cane and Sugar Fund, since in the 2014/2015 harvesting year the final sugar cane price and the final compensation for the production and distribution of sugar were lower than the initial sugar cane price. In accordance with Section 56 of the Cane and Sugar Act B.E. 2527, the Cane and Sugar Fund is to pay compensation to the Company at an amount equal to the difference, and the sugar cane planters do not have to return the excessive amount of the sugar cane price received.

During current period, the Company already received the compensation.

On 23 April 2016, there was an accidental breakdown of the main steam pipe of Khonburi Power Plant Co., Ltd. (a subsidiary). As a result, the boiler and accessory equipment were damaged. In October 2016, The subsidiary completed the repair work of damaged assets resulting from the accident, and therefore the machinery is back for normal operation and the business can be continued. As a result of the accident, the subsidiary had to write off certain damaged assets. The repair work incurred expenses as detailed below.

| | (Unit: Thousand Baht) |
|---------------------------------------|-----------------------|
| Write off of damaged assets | 85,414 |
| Repair work expenses | 49,735 |
| Total damages as a result of accident | <u>135,149</u> |

However, the subsidiary has insurance coverage for the damaged assets as a result of the accident. The coverage has been made for all-risk insurance in the event of machinery breakdown and for Business Interruption in the event of business loss. The sum insured is as follows:

- Sum insured for machinery damage 1,280 Million Baht
- Sum insured for Business Interruption 300 Million Baht

The subsidiary has notified the insurance company to inspect details and assess the compensation. Currently, the subsidiary is in the process of claiming the compensation from the insurance company and already received partial compensation of Baht 25 million.

As at 31 December 2016, the Company and its subsidiaries had machinery, vehicles and equipment with net book value of Baht 68 million (2015: Baht 20 million) which were acquired under financial lease agreement (The Company only: Baht 66 million, 2015: Baht 18 million).

As at 31 December 2016, 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 803 million (2015: Baht 355 million) (The Company only: Baht 803 million, 2015: Baht 355 million).

The Company and subsidiaries have pledged most land, building and machinery as collateral against credit facilities and loans received from financial institutions (all types of liabilities) as mentioned in Note 21 and 31.

17. Intangible assets

The net book value of intangible assets as at 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)

| | Consolidated financial statements | | | Separate financial statements | |
|--------------------------------------|--|-------------------|----------|-------------------------------|----------|
| | Right to use the transmission facilities | Computer software | Total | Computer software | Total |
| As at 31 December 2016 | | | | | |
| Cost | 146,389 | 35,012 | 181,401 | 31,991 | 31,991 |
| <u>Less</u> Accumulated amortisation | (11,992) | (29,392) | (41,384) | (27,377) | (27,377) |
| Net book value | 134,397 | 5,620 | 140,017 | 4,614 | 4,614 |

(Unit: Thousand Baht)

| | Consolidated financial statements | | | Separate financial statements | |
|--------------------------------------|--|-------------------|----------|-------------------------------|----------|
| | Right to use the transmission facilities | Computer software | Total | Computer software | Total |
| As at 31 December 2015 | | | | | |
| Cost | 146,389 | 33,578 | 179,967 | 30,720 | 30,720 |
| <u>Less</u> Accumulated amortisation | (6,124) | (26,228) | (32,352) | (24,777) | (24,777) |
| Net book value | 140,265 | 7,350 | 147,615 | 5,943 | 5,943 |

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 is presented below.

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|-----------------------------------|----------|-------------------------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Net book value at beginning of year | 147,615 | 155,284 | 5,943 | 7,207 |
| Acquisition of computer software | 1,433 | 2,654 | 1,271 | 2,654 |
| Amortisation | (9,031) | (10,323) | (2,600) | (3,918) |
| Net book value at end of year | 140,017 | 147,615 | 4,614 | 5,943 |

18. Short-term loans from financial institutions

| | | (Unit: Thousand Baht) | | | |
|---------------------|---------------------------------|-----------------------|------------------|----------------------|------------------|
| | | Consolidated | | Separate | |
| Interest rate | | financial statements | | financial statements | |
| (percent per annum) | | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Promissory notes | 2.15 - 2.33 and 5.65 - 6.125 | 1,839,300 | 1,202,700 | 1,799,300 | 1,172,700 |
| Total | | 1,839,300 | 1,202,700 | 1,799,300 | 1,172,700 |

19. Trade and other payables

| | | (Unit: Thousand Baht) | | | |
|--|--|-----------------------|------------------|----------------------|------------------|
| | | Consolidated | | Separate | |
| | | financial statements | | financial statements | |
| | | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Planter payables | | 403,156 | 353,552 | 403,156 | 353,552 |
| Trade payables - unrelated parties | | 229,673 | 159,698 | 171,441 | 112,893 |
| Trade payable - related parties | | - | 945 | 236,906 | 228,955 |
| Revenues received in advance - unrelated parties | | 413,303 | 346,460 | 221,141 | 173,617 |
| Revenues received in advance - related parties | | - | - | - | 160 |
| Fixed asset payables | | 121,445 | 154,880 | 56,032 | 154,880 |
| Accrued expenses - unrelated parties | | 32,872 | 41,644 | 23,823 | 30,722 |
| Accrued expenses - related parties | | 9,815 | - | 9,815 | - |
| Accrued interest expenses - unrelated parties | | 991 | 1,412 | 841 | 1,308 |
| Accrued interest expenses - related parties | | 92 | - | 92 | 9 |
| Unearned revenue - related parties | | - | - | - | 29,913 |
| Other payables | | 95,430 | 81,543 | 77,013 | 71,692 |
| Total trade and other payables | | 1,306,777 | 1,140,134 | 1,200,260 | 1,157,701 |

Planter payables

The Company purchased sugar cane for the 2016/2017 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 10/2015 Dated 28 November 2016 This determined the initial price of sugar cane in the 2016/2017 harvesting year at Baht 1,050 per ton of sugar cane at a sweetness of 10 C.C.S with the price to be increased or decreased by Baht 63 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 2016/2017 harvesting year.

However, the management estimated that the final sugar cane prices was higher than the initial sugar cane prices, and thus the Company recorded sugar cane costs and planter payable for the 2016/2017 harvesting year based on the estimated cost. This was equal to Baht 1,200 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 72 per ton for each 1 C.C.S variation.

The Company purchased sugar cane for the 2015/2016 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 11/2015 dated 8 December 2015. This determined the initial price of sugar cane in the 2015/2016 harvesting year at Baht 884 per ton of sugar cane at the sweetness of 10 C.C.S with the price to be increased or decreased by Baht 53 per ton for each 1 C.C.S variation.

20. Liabilities under finance lease agreements

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|----------------|----------------------|----------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Liabilities under finance lease agreements | | | | |
| - Less than 1 year | 31,417 | 7,073 | 30,774 | 6,430 |
| - Over 1 year within 4 years | 60,387 | 15,893 | 59,469 | 14,332 |
| Total future minimum lease payments | <u>91,804</u> | <u>22,966</u> | <u>90,243</u> | <u>20,762</u> |
| Less: Deferred interest expenses | | | | |
| - Less than 1 year | (4,622) | (861) | (4,565) | (776) |
| - Over 1 year within 4 years | (3,480) | (858) | (3,449) | (770) |
| Total deferred interest expenses | <u>(8,102)</u> | <u>(1,719)</u> | <u>(8,014)</u> | <u>(1,546)</u> |
| Present value of future minimum lease payments | 83,702 | 21,247 | 82,229 | 19,216 |
| Less: Portion due within one year | <u>(26,795)</u> | <u>(6,212)</u> | <u>(26,209)</u> | <u>(5,654)</u> |
| Liabilities under finance lease agreements | | | | |
| - net of current portion | <u>56,907</u> | <u>15,035</u> | <u>56,020</u> | <u>13,562</u> |

The Company has entered into the finance lease agreements with a leasing company for the lease of vehicle for use in its operation, whereby it is committed to pay rental on a monthly basis. The term of the agreements is 4 years. The finance lease agreements cannot be cancelled.

21. Long-term loans

| Loan no. | Credit facilities (Million Baht) | Interest rate (%) | Repayment schedule | (Unit: Thousand Baht) | | | |
|--|-------------------------------------|----------------------|--|-----------------------|-------------|----------------------|-----------|
| | | | | Consolidated | | Separate | |
| | | | | financial statements | | financial statements | |
| | | | | 2016 | 2015 | 2016 | 2015 |
| 1 | 1,115.0 | AMLR-2.95 | 12 semi-annual installments of Baht 40 - 140 million each, with the amount increased every year, commencing from June 2016 | 790,000 | 950,000 | - | - |
| 2 | 2,230.0 | MLR-3.35 | 12 semi-annual installments of Baht 186 million each, with the fixed amount every year, last installment Baht 184 million, commencing from June 2016 | 1,808,535 | 1,907,700 | 1,808,535 | 1,907,700 |
| 3 | 150.0 | 4.8 | 15 semi-annual installments of Baht 10 million each, with the fixed amount every year, commencing from December 2015 | 120,000 | 140,000 | 120,000 | 140,000 |
| 4 | 600.0 | 4.5 | Prepayment of all principals within 30 April 2016 | - | 530,000 | - | 530,000 |
| 5 | 282.0 | MLR - 3.35 | 12 monthly installments of Baht 23.5 million each, with the fixed amount every year, commencing from June 2017 | 238,123 | 105,600 | 238,123 | 105,600 |
| 6 | 860 | 4.5 | Prepayment of all principals within 30 April 2017 | 408,000 | - | 408,000 | - |
| Total | | | | 3,364,658 | 3,633,300 | 2,574,658 | 2,683,300 |
| Less: Current portion | | | | (1,087,000) | (1,082,000) | (847,000) | (922,000) |
| Classified as payable on demand | | | | (100,000) | - | (100,000) | - |
| Long-term loans - net of current portion | | | | 2,177,658 | 2,551,300 | 1,627,658 | 1,761,300 |

Movements in the long-term loans account during the year ended 31 December 2016 are summarised below.

| | (Unit: Thousand Baht) | |
|--------------------------------|-----------------------|----------------------|
| | Consolidated | Separate |
| | financial statements | financial statements |
| Balance as at 1 January 2016 | 3,633,300 | 2,683,300 |
| Add: Additions | 883,358 | 883,358 |
| Less: Repayments | (1,152,000) | (992,000) |
| Balance as at 31 December 2016 | 3,364,658 | 2,574,658 |

On 25 February 2016, the Company entered into loan agreement with a local bank for the loan facility of Baht 860 million. The objective is to fund the sugar cane plantation harvesting season 2016/2017. The loan is Thai a Baht loan and to be repaid in full within 30 April 2017.

These loans are secured by mortgage of land and construction thereon, and machinery and equipment of the Company and a 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 2016, the Company could not maintain (DSCR) Debt Service Coverage Ratio as specified in one of the facilities of Credit Facility Agreement, which resulted in the loan becoming payable on demand. Therefore, the Company classified such loan as current liabilities. However, in February 2017, the Company have already received the waiver for such non-compliance from lender. The classification of such liabilities to be current is in accordance with financial reporting standards.

As at 31 December 2016, the long-term credit facilities of the Company and its subsidiary which have not yet been drawn down amounted to Baht 545 million (2015: Baht 569 million) (The Company only: Baht 462 million, 2015: Baht 569 million).

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:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|---------------|----------------------|---------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Provision for long-term employee benefits at beginning of year | 39,156 | 32,979 | 35,819 | 30,267 |
| Included in profit or loss: | | | | |
| Current service cost | 5,321 | 5,026 | 4,742 | 4,516 |
| Interest cost | 1,240 | 1,151 | 1,120 | 1,036 |
| Included in other comprehensive income: | | | | |
| Actuarial (gain) loss arising from | | | | |
| Demographic assumptions changes | 660 | - | 581 | - |
| Financial assumptions changes | 3,401 | - | 3,011 | - |
| Experience adjustments | (11,527) | - | (11,678) | - |
| Benefits paid during the year | (4,532) | - | (4,180) | - |
| Provision for long-term employee benefits at end of year | <u>33,719</u> | <u>39,156</u> | <u>29,415</u> | <u>35,819</u> |

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

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|--------------|----------------------|--------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Cost of sales | 4,236 | 3,523 | 3,787 | 3,523 |
| Selling and administrative expenses | 2,325 | 2,654 | 2,075 | 2,029 |
| Total expenses recognised in profit or loss | <u>6,561</u> | <u>6,177</u> | <u>5,862</u> | <u>5,552</u> |

The Company and its subsidiaries expect to pay Baht 1 million of long-term employee benefits during the next year (Separate financial statements: Baht 1 million) (2015: Baht 2 million, separate financial statements: Baht 2 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 11 years (Separate financial statements: 11 years) (2015: 17 years, separate financial statements: 17 years).

Key actuarial assumptions used for the valuation are as follows:

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|---------------|-------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | (% per annum) | (% per annum) | (% per annum) | (% per annum) |
| Discount rate | 3.1359 | 4.4 | 3.1359 | 4.4 |
| Future salary increase rate | 5.0 | 4.0 - 8.0 | 5.0 | 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 result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 are summarised below:

| | (Unit: million Baht) | | | |
|----------------------|----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | Increase 1% | Decrease 1% | Increase 1% | Decrease 1% |
| Discount rate | (3) | 4 | (3) | 3 |
| Salary increase rate | 4 | (3) | 3 | (3) |

(Unit: million Baht)

| | Consolidated | | Separate | |
|---------------|----------------------|--------------|----------------------|--------------|
| | financial statements | | financial statements | |
| | Increase 20% | Decrease 20% | Increase 20% | Decrease 20% |
| Turnover rate | 2 | 3 | 2 | 3 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2015 are summarised below:

(Unit: million Baht)

| | Consolidated | | Separate | |
|----------------------|----------------------|-------------|----------------------|-------------|
| | financial statements | | financial statements | |
| | Increase 1% | Decrease 1% | Increase 1% | Decrease 1% |
| Discount rate | (2) | 2 | (2) | 3 |
| Salary increase rate | 3 | (3) | 3 | (3) |

(Unit: million Baht)

| | Consolidated | | Separate | |
|---------------|----------------------|--------------|----------------------|--------------|
| | financial statements | | financial statements | |
| | Increase 20% | Decrease 20% | Increase 20% | Decrease 20% |
| Turnover rate | 2 | (2) | 2 | (2) |

23. Statutory reserve

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

24. Income tax

24.1 Deferred tax assets / liabilities

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

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--|----------------------|---------------|----------------------|---------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Deferred tax assets | | | | |
| Allowance for doubtful accounts | 14,448 | 12,119 | 14,448 | 12,119 |
| Allowance for diminution in value of inventories | 80 | 72 | 80 | 72 |
| Derivative revaluation | | | | |
| Reflected in shareholders' equity | 432 | - | 432 | - |
| Finance lease | 696 | 260 | 696 | 260 |
| Provision for long-term employee benefits | 6,744 | 7,831 | 5,883 | 7,164 |
| Unused tax loss | 146,535 | 74,449 | 124,505 | 74,449 |
| Total | <u>168,935</u> | <u>94,731</u> | <u>146,044</u> | <u>94,064</u> |
| Deferred tax liabilities | | | | |
| Derivative revaluation | | | | |
| Reflected in profit or loss | - | 626 | - | 626 |
| Reflected in shareholders' equity | - | 2,967 | - | 3,145 |
| Accumulated depreciation - Plant and equipment | 75,894 | 69,847 | 75,894 | 69,847 |
| Total | <u>75,894</u> | <u>73,440</u> | <u>75,894</u> | <u>73,618</u> |
| Deferred tax assets - net | <u>93,041</u> | <u>21,291</u> | <u>70,150</u> | <u>20,446</u> |

The unused tax losses amounting to Baht 732 million (the Company only: Baht 622 million) will expire by the year 2021.

As at 31 December 2016, the Company and the subsidiaries has deductible temporary differences and unused tax losses totaling Baht 69 million (2015: Baht 49 million), on which deferred tax assets have not been recognised as the Company and the subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

24.2 Income tax revenues

Income tax for the year ended 31 December 2016 and 2015 is summarised below.

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---|----------------------|-----------------|----------------------|-----------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Current income tax: | | | | |
| Current income tax charge during the year | 2,195 | 2,482 | - | - |
| Deferred tax: | | | | |
| Relating to origination and reversal of | | | | |
| temporary differences | (69,843) | (60,219) | (47,744) | (69,084) |
| Income tax revenues reported in the statements of comprehensive income | <u>(67,648)</u> | <u>(57,737)</u> | <u>(47,744)</u> | <u>(69,084)</u> |

Reconciliation between income tax revenue and the product of accounting losses multiplied by the applicable tax rates for the years ended 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---|----------------------|-----------------|----------------------|-----------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Accounting losses before tax | (422,906) | (107,916) | (229,274) | (180,310) |
| Applicable tax rate | 20% | 20% | 20% | 20% |
| Accounting losses before tax multiplied by applicable tax rate | (84,581) | (21,583) | (45,855) | (36,062) |
| Effects of: | | | | |
| Promotional privileges (Note 28) | - | (13,178) | - | - |
| Non-deductible expenses | 19,107 | 4,008 | 6,706 | 3,767 |
| Additional deductible expense allowed | (16,219) | (36,789) | (16,207) | (36,789) |
| Others | - | 19 | - | - |
| Unused tax losses which may not be utilised | 14,045 | 9,786 | 7,612 | - |
| Income tax revenues reported in the statements of comprehensive income | <u>(67,648)</u> | <u>(57,737)</u> | <u>(47,744)</u> | <u>(69,084)</u> |

24.3 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 2016 and 2015 are as follows:

| | (Unit: Thousand Baht) | | | |
|---------------------------------|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Deferred tax relating to | | | | |
| Gain (loss) on revaluation from | | | | |
| derivative | 3,400 | (8,933) | 3,577 | (9,111) |
| Actuarial gain | (1,493) | - | (1,617) | - |

25. Loss per share

Basic loss per share is calculated by dividing loss 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 loss per share:

| | Consolidated financial statements | | | | | |
|--|-----------------------------------|-----------------|-------------------------|-------------------|--------------------|-------------|
| | Loss for the year | | Weighted average number | | Loss per share | |
| | of ordinary shares | | of ordinary shares | | of ordinary shares | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | (Thousand Baht) | (Thousand Baht) | (Thousand shares) | (Thousand shares) | (Baht) | (Baht) |
| Basic loss per share | | | | | | |
| Loss attributable to equity holders of the Company | (355,258) | (50,178) | 600,000 | 600,000 | (0.59) | (0.08) |

| | Separated financial statements | | | | | |
|--|--------------------------------|-----------------|-------------------------|-------------------|--------------------|-------------|
| | Loss for the year | | Weighted average number | | Loss per share | |
| | of ordinary shares | | of ordinary shares | | of ordinary shares | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | (Thousand Baht) | (Thousand Baht) | (Thousand shares) | (Thousand shares) | (Baht) | (Baht) |
| Basic loss per share | | | | | | |
| Loss attributable to equity holders of the Company | (181,530) | (111,226) | 600,000 | 600,000 | (0.30) | (0.19) |

26. Dividends paid

| | Approved by | Total dividends | (Unit: Baht) Dividend per share |
|---|---|--------------------|------------------------------------|
| 2015 | | | |
| Dividends on income for the year 2014 | Annual General Meeting of the shareholders on 22 April 2015 | 90,000,000 | 0.15 |
| Interim dividends on income for the year 2015 | Board of Directors' Meeting on 14 August 2015 | 30,000,000 | 0.05 |
| | | <u>120,000,000</u> | |
| 2016 | | | |
| Dividends on income for the year 2015 | Annual General Meeting of the shareholders on 25 April 2016 | 30,000,000 | 0.05 |
| Interim dividends on income for the year 2016 | Board of Directors' Meeting on 10 August 2016 | 30,000,000 | 0.05 |
| | | <u>60,000,000</u> | |

27. Expenses by nature

Significant expenses classified by nature are as follows:

| | Consolidated financial Statements | | Separate financial statements | |
|---|-----------------------------------|-------------|-------------------------------|-------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Salaries and wages and other employee benefits | 469,957 | 391,784 | 418,957 | 345,839 |
| Depreciation and amortisation | 526,095 | 311,462 | 460,343 | 242,302 |
| Transportation expenses | 204,536 | 171,584 | 169,254 | 164,817 |
| Stabilisation costs, research fee and contribution to Cane and Sugar Fund | 115,592 | 92,040 | 115,592 | 92,040 |
| Maintenance expenses | 236,889 | 262,214 | 209,706 | 234,978 |
| Rental expenses from operating lease agreements | 60,279 | 41,968 | 54,976 | 40,573 |
| Raw materials and consumables used | 2,840,231 | 3,284,755 | 2,835,827 | 2,770,561 |
| Changes in inventories of finished goods and work in process | (76,427) | 49,825 | (74,194) | 45,949 |

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 conditions, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues (on 18 December 2015) 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 sales in 2016 and 2015 are derived from non-promoted operations

29. 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 (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

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 2016 and 2015, respectively.

(Unit: Million Baht)

| | For the year ended 31 December 2016 | | | | | | |
|---|-------------------------------------|----------------------------|-------------------|------------|---------------------------|------------------------------|---------------|
| | Sugar cane segment | Sugar and molasses trading | Utilities segment | Others | Total reportable segments | Adjustments and eliminations | Consolidated |
| Revenue from external customers | 5,517 | 1,088 | 320 | - | 6,925 | - | 6,925 |
| Inter-segment revenue | 649 | 2 | 409 | - | 1,060 | (1,060) | - |
| Total | 6,166 | 1,090 | 729 | - | 7,985 | (1,060) | 6,925 |
| Interest revenue | 79 | - | - | 1 | 80 | (19) | 61 |
| Interest expense | 156 | - | 49 | 1 | 206 | (19) | 187 |
| Depreciation and amortisation | 460 | - | 63 | - | 523 | 3 | 526 |
| Gain on disposal of equipment | 5 | - | - | - | 5 | - | 5 |
| Write-off assets | - | - | 135 | - | 135 | - | 135 |
| Income tax expense (revenue) | 48 | (2) | 22 | - | 68 | - | 68 |
| Segment profit (loss) | (182) | 7 | (172) | (6) | (353) | (2) | (355) |
| Segment total assets | 9,886 | 297 | 2,250 | 126 | 12,559 | (1,951) | 10,608 |
| Additions to non-current assets other than financial instruments, deferred tax assets | 204 | - | (50) | 6 | 160 | (110) | 50 |

(Unit: Million Baht)

| | For the year ended 31 December 2015 | | | | | | |
|---|-------------------------------------|----------------------------|-------------------|------------|---------------------------|------------------------------|---------------|
| | Sugar cane segment | Sugar and molasses trading | Utilities segment | Others | Total reportable segments | Adjustments and eliminations | Consolidated |
| Revenue from external customers | 5,169 | 824 | 549 | - | 6,542 | - | 6,542 |
| Inter-segment revenue | 230 | - | 415 | - | 645 | (645) | - |
| Total | 5,399 | 824 | 964 | - | 7,187 | (645) | 6,542 |
| Interest revenue | 72 | - | - | - | 72 | (17) | 55 |
| Interest expense | 57 | - | 55 | 1 | 113 | (17) | 96 |
| Depreciation and amortisation | 242 | - | 72 | - | 314 | (3) | 311 |
| Gain on disposal of equipment | 9 | - | - | - | 9 | - | 9 |
| Income tax revenue (expense) | 69 | (2) | (9) | - | 58 | - | 58 |
| Segment profit (loss) | (111) | 10 | 213 | (9) | 103 | (153) | (50) |
| Segment total assets | 9,152 | 313 | 2,245 | 23 | 11,733 | (1,664) | 10,069 |
| Addition (decrease) to non-current assets other than financial instruments, deferred tax assets | 2,392 | - | 57 | - | 2,449 | (108) | 2,341 |

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.

| | (Unit: Million Baht) | |
|---------------------------------|----------------------|--------------|
| | <u>2016</u> | <u>2015</u> |
| Revenue from external customers | | |
| Thailand | 3,656 | 3,507 |
| Asia | 2,449 | 2,029 |
| Europe | 775 | 852 |
| Others | 45 | 154 |
| Total | <u>6,925</u> | <u>6,542</u> |

Major customers

For the year 2016, the Company and its subsidiaries have revenue from 2 major customer in the amount of Baht 1,595 million, arising from the production and distribution of sugar cane segment (2015: Baht 668 million derived from 1 major customer, arising from the production and distribution of sugar cane segment).

30. 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. The contributions for the year 2016 amounting to approximately Baht 8 million (2015: Baht 6 million) were recognised as expenses.

31. Commitments and contingent liabilities

31.1 Capital commitments

As at 31 December 2016, the Company and its subsidiaries had capital commitments of approximately Baht 593 million (2015: Baht 648 million) (The Company only: Baht 26 million, 2015: Baht 81 million), relating to the construction of factory buildings, and acquisition of machinery.

31.2 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.

| | (Unit: Million Baht) | | | |
|-------------------|--------------------------------------|-------------|----------------------------------|-------------|
| | Consolidated financial statements | | Separate financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Payable within: | | | | |
| 1 year | 36 | 21 | 30 | 15 |
| 2 to 5 years | 32 | 11 | 31 | 10 |
| More than 5 years | - | 7 | - | - |

31.3 Molasses sale/purchase commitments

As at 31 December 2016, the Company and subsidiary had molasses purchase commitments of Baht 469 million (2015: Baht 305 million) (The Company only: Nil) and molasses sales of Baht 603 million (2015: Baht 727 million) (the Company only: Baht 227 million 2015: Baht 282 million) respectively, for which the delivery has not yet been made. The agreements mature within one year.

31.4 Cane sugar sales commitments

As at 31 December 2016, the Company had commitments of Baht 744 million (2015: Baht 374 million) relating to cane sugar sale agreements, for which delivery has yet to be made. The agreements mature within one year.

31.5 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 (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 |

* On 26 September 2016, the subsidiary revised the agreement with Provincial Electricity Authority by changing the condition from Adder to Feed-in Tariff (TiF) and extending the term from 5 years to 20 years as from the agreement date. As a result, the termination of the agreement shall be 15 July 2029

Dispute between subsidiary and Electricity Generating Authority of Thailand

As discussed in Note 16 to the financial statements, on 23 April 2016 there was an accidental breakdown of the main steam pipe of Khonburi Power Plant Co., Ltd (“a subsidiary”). As result, the boiler and accessory equipment were partially damaged. A subsidiary completed the repairing such assets. Then, such boiler has been in normal operation since 25 October 2016. During the repairing period, a subsidiary could not produce and sell electricity to Electricity Generating Authority of Thailand (“EGAT”) in accordance with the Firm 22 MW contract. However, the subsidiary issued the letter notifying EGAT of such accident and regularly updated the progress of the repairing work throughout the repairing period.

On 22 November 2016, EGAT issued a letter to the subsidiary notifying that there were changes in the volume of electricity as stipulated in the contract under the condition no. 14.1 “In case the subsidiary fails to supply the electricity to EGAT in the volume as specified in the contract totaling 18 months in the past 24 months (assuming that the actual volume is as mentioned in the contract), whereby the 24th month falls due in the current month, EGAT will reduce the electricity volume equal to the actual volume that the subsidiary was able to generate in the 18th month.” The 18th month earlier as mentioned refers to August 2016, which was the period in which the subsidiary’s boiler had been under the repairing work. As a result, the subsidiary was unable to sell electricity to EGAT as above mentioned. Thus EGAT started reducing the volume of electricity in January 2017.

However, on 29 November 2016 the subsidiary issued 2 letters to EGAT and to Energy Regulatory Commission (ERC), respectively. The former is to clarify the cause of not complying with the sale / purchase electricity contract due to the suspension of selling the electricity, and reconsider the changes in the electricity volume. The latter is to appeal to ERC regarding the changes in electricity volume. On 30 December 2016, ERC informed the subsidiary of the outcome of the appeal. ERC allowed the relief of enforcement of the condition 14.1, and scheduled the negotiation between both parties on 28 February 2017. In this regard, the subsidiary has to regularly update ERC on the progress. Under the ERC decision, the subsidiary shall continue selling electricity to EGAT under this contract until ERC reaches the final decision.

On 9 January 2017, the subsidiary arranged a meeting with EGAT to discuss this matter. EGAT informed that EGAT is the operating function unit who complies with the contract and not authorised to make a decision in amending terms and conditions in the contract. Therefore, this matter has to be proposed to ERC for the finalised decision. The subsidiary was informed by EGAT that EGAT submitted the meeting's resolution to ERC for further consideration on 10 February 2017.

However, as at the auditor's report date of these financial statements, ERC has yet to finalise the decision on this matter. The Company's management reassures that the electricity volume as specified in the contract will not be reduced, and this dispute will not have a significant impact on the subsidiary's business because the subsidiary has regularly supplied the electricity to EGAT in the quantity as stipulated in the contract. The reason of not supplying the electricity to EGAT for 180 days is that the main steam pipe and accessory equipment have been repaired. After the repairing work was complete, the subsidiary is able to sell the electricity to EGAT as stipulated in sale and purchase electricity contract up to the present.

31.6 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 further 3 years, 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 7. The terms of the agreements are generally 3-30 years.

31.7 Guarantees

- (1) As at 31 December 2016, the Company guaranteed bank credit facilities of its subsidiary amounting to Baht 1,860 million (2015: Baht 1,860 million)
- (2) As at 31 December 2016, there were outstanding bank guarantees of approximately Baht 4 million and Baht 6 million (2015: Baht 2 million and Baht 2 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 2016, there were outstanding bank guarantees of approximately Baht 82 million (2015: Baht 82 million) issued by banks on behalf of the subsidiary company in respect of performance under an electricity sale/purchase agreement and the submission of applications and offer to sell electricity. They were used as security with the Provincial Electricity Authority and the Electricity Generating Authority, in compliance with the regulations of purchasing electricity from small power producers.

31.8 Commitment in respect of uncalled investment

Subsidiaries are committed to pay the uncalled portions of their investments as follows:

(Unit: Million Baht)

| | As at 31 December 2016 | As at 31 December 2015 |
|-------------------------------|------------------------|------------------------|
| Khonburi Bio Energy Co., Ltd. | 324.75 | - |
| KBS Cane and Sugar Co., Ltd. | - | 2.5 |
| KBS Power Co., Ltd. | - | 2.5 |

32. Fair value hierarchy

As at 31 December 2016, the Company and its subsidiaries had assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

| | Consolidated / Separate Financial Statements | | | |
|---|--|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at fair value | | | | |
| Derivatives | | | | |
| Foreign currency forward contracts | - | 2 | - | 2 |

As at 31 December 2015, the Company and its subsidiaries had assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

| | Consolidated Financial Statements | | | |
|---|-----------------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Derivatives | | | | |
| Commodity swaps | - | 20 | - | 20 |
| Financial liabilities measured at fair value | | | | |
| Derivatives | | | | |
| Foreign currency forward contracts | - | 2 | - | 2 |

(Unit: Million Baht)

| | Separate Financial Statements | | | |
|---|-------------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Derivatives | | | | |
| Commodity swaps | - | 20 | - | 20 |
| Financial liabilities measured at fair value | | | | |
| Derivatives | | | | |
| Foreign currency forward contracts | - | 1 | - | 1 |

33. Financial instruments

33.1 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 from 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, and loans 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 borrowings. 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.

(Unit: Million Baht)

| Consolidated financial statements | | | | | | |
|--|----------------------|--------------|---------------------------|--------------------------|--------------|---------------------------|
| As at 31 December 2016 | | | | | | |
| | Fixed interest rates | | | | Total | Interest rate (% p.a.) |
| | Within 1 year | 1-5 years | Floating interest rate | Non- interest bearing | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | - | - | 121 | 5 | 126 | Note 8 |
| Trade and other receivables | - | - | - | 992 | 992 | |
| Sugarcane plantation receivables | 735 | 262 | - | - | 997 | Note 10 |
| | <u>735</u> | <u>262</u> | <u>121</u> | <u>997</u> | <u>2,115</u> | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 1,839 | - | - | - | 1,839 | Note 18 |
| Short-term loan from related party | 312 | - | - | - | 312 | 1.00 - 2.55 |
| Trade and other payables | - | - | - | 1,307 | 1,307 | |
| Amounts due to the Office of the Cane and Sugar fund | - | - | - | 90 | 90 | |
| Liabilities under financial lease | 27 | 57 | - | - | 84 | Note 20 |
| Long-term loans from financial institutions | 528 | - | 2,837 | - | 3,365 | Note 21 |
| | <u>2,706</u> | <u>57</u> | <u>2,837</u> | <u>1,397</u> | <u>6,997</u> | |

(Unit: Million Baht)

| Consolidated financial statements | | | | | | |
|--|--------------|---------------------------|--------------------------|--------------|---------------------------|---------|
| As at 31 December 2015 | | | | | | |
| Fixed interest rates | | Floating interest rate | Non- interest bearing | Total | Interest rate (% p.a.) | |
| Within 1 year | 1-5 years | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | - | - | 81 | 1 | 82 | Note 8 |
| Trade and other receivables | - | - | - | 490 | 490 | |
| Sugarcane plantation receivables | 815 | 269 | - | - | 1,084 | Note 10 |
| | <u>815</u> | <u>269</u> | <u>81</u> | <u>491</u> | <u>1,656</u> | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 1,203 | - | - | - | 1,203 | Note 18 |
| Trade and other payables | - | - | - | 1,140 | 1,140 | |
| Amounts due to the Office of the Cane and Sugar fund | - | - | - | 48 | 48 | |
| Liabilities under financial lease agreement | 6 | 15 | - | - | 21 | Note 20 |
| Long-term loans from financial institutions | 550 | 120 | 2,963 | - | 3,633 | Note 21 |
| | <u>1,759</u> | <u>135</u> | <u>2,963</u> | <u>1,188</u> | <u>6,045</u> | |

(Unit: Million Baht)

| Separate financial statements | | | | | | |
|--|--------------|---------------------------|--------------------------|--------------|---------------------------|-------------|
| As at 31 December 2016 | | | | | | |
| Fixed interest rates | | Floating interest rate | Non- interest bearing | Total | Interest rate (% p.a.) | |
| Within 1 year | 1-5 years | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | - | - | 99 | 1 | 100 | Note 8 |
| Trade and other receivables | - | - | - | 1,070 | 1,070 | |
| Planter receivables sugarcane plantation loans | 735 | 262 | - | - | 997 | Note 10 |
| Short-term loans to related parties | 482 | - | - | - | 482 | 4.50 - 7.50 |
| | <u>1,217</u> | <u>262</u> | <u>99</u> | <u>1,071</u> | <u>2,649</u> | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 1,799 | - | - | - | 1,799 | Note 18 |
| Short-term loan from related party | 397 | - | - | - | 397 | |
| Trade and other payables | - | - | - | 1,200 | 1,200 | |
| Amounts due to the Office of the Cane and Sugar fund | - | - | - | 90 | 90 | |
| Liabilities under financial lease agreement | 26 | 56 | - | - | 82 | Note 20 |
| Long-term loans from financial institutions | 528 | - | 2,047 | - | 2,575 | Note 21 |
| | <u>2,750</u> | <u>56</u> | <u>2,047</u> | <u>1,290</u> | <u>6,143</u> | |

(Unit: Million Baht)

| | Separate financial statements | | | | | Interest rate (% p.a.) |
|---|-------------------------------|------------|---------------------------|--------------------------|--------------|---------------------------|
| | As at 31 December 2015 | | | | | |
| | Fixed interest rates | | Floating interest rate | Non- interest bearing | Total | |
| Within 1 year | 1-5 years | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | - | - | 29 | - | 29 | Note 8 |
| Trade and other receivables | - | - | - | 662 | 662 | |
| Planter receivables sugarcane plantation loans | 815 | 269 | - | - | 1,084 | Note 10 |
| Short-term loans to related parties | 362 | - | - | - | 362 | 4.98% - 5.1% |
| | <u>1,177</u> | <u>269</u> | <u>29</u> | <u>662</u> | <u>2,137</u> | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 1,173 | - | - | - | 1,173 | Note 18 |
| Trade and other payables | - | - | - | 1,158 | 1,158 | |
| Amounts due to the Office of the Cane and Sugar fund | - | - | - | 48 | 48 | |
| Liabilities under financial lease agreement | 6 | 14 | - | - | 20 | Note 21 |
| Long-term loans from financial institutions | 550 | 120 | 2,013 | - | 2,683 | Note 20 |
| | <u>1,729</u> | <u>134</u> | <u>2,013</u> | <u>1,206</u> | <u>5,082</u> | |

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 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 | | Financial liabilities | | Average exchange rate | |
|------------------|-------------------|-------------|-----------------------|-------------|------------------------------------|-------------|
| | as at 31 December | | as at 31 December | | as at 31 December | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | (Million) | (Million) | (Million) | (Million) | (Baht per 1 foreign currency unit) | |
| US dollar | 6.1 | 0.9 | - | - | 35.6588 | 35.9233 |

The balances of forward exchange contracts are summarised below.

Consolidated / Separate financial statements as at 31 December 2016

| Foreign currency | Sold amount (Million) | Contractual exchange rate | | Contractual maturity date |
|------------------|--------------------------|--|--|---------------------------|
| | | Sold (Baht per 1 foreign currency unit) | | |
| US dollar | 22.6 | 35.56 - 35.98 | | January - November 2017 |

Consolidated financial statements as at 31 December 2015

| Foreign currency | Bought amount (Million) | Sold amount (Million) | Contractual exchange rate | | Contractual maturity date |
|------------------------------------|----------------------------|--------------------------|---------------------------|---------------|---------------------------|
| | | | Bought | Sold | |
| (Baht per 1 foreign currency unit) | | | | | |
| US dollar | - | 7.8 | - | 35.71 - 36.25 | August - September 2016 |
| Pound sterling | 0.3 | - | 53.19 - 55.41 | - | February - July 2016 |
| Japanese yen | 2.3 | - | 0.3029 | - | March 2016 |

Separate financial statements as at 31 December 2015

| Foreign currency | Bought amount (Million) | Sold amount (Million) | Contractual exchange rate | | Contractual maturity date |
|------------------------------------|----------------------------|--------------------------|---------------------------|---------------|---------------------------|
| | | | Bought | Sold | |
| (Baht per 1 foreign currency unit) | | | | | |
| US dollar | - | 5 | - | 35.79 - 36.25 | August - September 2016 |
| Pound sterling | 0.3 | - | 53.19 - 55.41 | - | February - July 2016 |
| Japanese yen | 2.3 | - | 0.3029 | - | March 2016 |

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.

- Allocation of profit is generated by the system between the cane planters and the sugar mills under a benefit sharing arrangement, whereby cane planters 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 a 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:

- The Company 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.
- 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 2015

| Commodity type | Bought amount | Sold amount | Contract value | | Contractual maturity date |
|----------------|---------------|-------------|------------------------|------------------------|---------------------------|
| | | | Bought amount | Sold amount | |
| Sugar | 14,200 tons | 3,000 tons | 5.30 million US Dollar | 1.23 million US Dollar | February - September 2016 |

As at 31 December 2016, the Company had no remaining commodity swap contracts.

33.2 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.

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

(Unit: Million Baht)

| | Consolidated | | Separate | |
|----------------------------|----------------------|-------------|----------------------|-------------|
| | financial statements | | financial statements | |
| | As at | As at | As at | As at |
| | 31 December | 31 December | 31 December | 31 December |
| | 2016 | 2015 | 2016 | 2015 |
| | Fair value | Fair value | Fair value | Fair value |
| | Gain (loss) | Gain (loss) | Gain (loss) | Gain (loss) |
| Derivatives | | | | |
| Forward exchange contracts | (2.2) | (1.9) | (2.2) | (1.0) |
| Commodities swap contracts | - | 19.9 | - | 19.9 |

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

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable, short-term loans and accounts payable, their carrying amounts in the statement of financial position approximate their fair value.
- b) For long-term loans carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.
- c) For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies, interest rate yield curves and commodity price yield curves. The Company and its subsidiaries considered counterparty credit risk when determining the fair value of derivatives

During the current period, there were no transfers within the fair value hierarchy.

34. 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 2016, the Group's debt-to-equity ratio was 1.99:1 (2015: 1.53:1) and the Company's was 1.67:1 (2015: 1.32:1).

35. Event after the reporting period

On 27 February 2017, a meeting of the Company's Board of Directors passed a resolution proposing the payment of a dividend of Baht 0.05 per share from the retained earnings, for approval by the Annual General Meeting of the Company's shareholders. During the year 2016, the Company paid an interim dividend of Baht 0.05 per share.

36. Reclassification

Certain amounts in the comprehensive income statement as at 31 December 2015 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:

(Unit: Baht)

| | Consolidated | | Separate | |
|-----------------|----------------------|------------------------|----------------------|------------------------|
| | financial statements | | financial statements | |
| | As reclassified | As previously reported | As reclassified | As previously reported |
| Sales income | 6,513,410,364 | 6,574,611,796 | 5,370,225,156 | 5,431,426,588 |
| Selling expense | 306,526,825 | 367,728,257 | 285,137,712 | 346,339,144 |

37. Approval of financial statements

These financial statements were authorised for issue by authorised directors on 27 February 2017.

References

- **The Registrar**

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