

## General Information of Company

### Company Information

#### Khon Kaen Sugar Industry Public Company Limited

Type of Business	Manufacturer of Sugar and by products
Main Product	Raw Sugar, High Pol Sugar, White Sugar and Refined Sugar
Public Company No.	0107547000214
Head Office	503 KSL TOWER 9 <sup>th</sup> Floor, Sriyudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 191-9 Fax. : +66 2 6426 097
Factory	43 Moo 10, Nampong-Kranuan Rd., Nampong, Khon Kaen 40140, Thailand Tel. : +66 43 441241-4 Fax. : +66 43 441056
Homepage	www.kslsugar.com
Paid-up Capital	Baht 1,550 million

### Sugar Business Information

#### Tamaka Sugar Industry Company Limited

Type of Business	Manufacturer of Sugar and by products
Main Product	Raw Sugar, High Pol Sugar, White Sugar and Refined Sugar
Head Office	503 KSL TOWER 21 <sup>st</sup> Floor, Sriyudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 229-39 Fax. : +66 2 6426 228
Factory	14/1 Moo 10, Saengchooto Rd., Tumbon Tamaka, Amphur Tamaka, Kanchanaburi 71120, Thailand Tel. : +66 34 543 201-3 Fax. : +66 34 640 208

#### New Krung Thai Sugar Factory Company Limited

Type of Business	Manufacturer of Sugar and by products
Main Product	Raw Sugar, White Sugar and Refined Sugar
Head Office	503 KSL TOWER 21 <sup>st</sup> Floor, Sriyudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 229-39 Fax. : +66 2 6426 228
Factory	99 Moo 6, Tumbon Lumlang, Amphur Boploy, Kanchanaburi 71160, Thailand Tel. : +66 34 615 350 Fax. : +66 34 615 399

#### New Kwang Soon Lee Sugar Factory Company Limited

Type of Business	Manufacturer of Sugar and by products
Main Product	Raw Sugar, High Pol Sugar, White Sugar and Refined Sugar
Head Office	503 KSL TOWER 21 <sup>st</sup> Floor, Sriyudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 229-39 Fax. : +66 2 6426 228
Factory	24 Moo 1, Ban-Nhongbua Rd. Tambon Mon-Nang, Amphur Panutnikom, Cholburi 20140, Thailand Tel. : +66 38 788-203-5 Fax : +66 38 462 431-2

#### Savannakhet Sugar Corporation (SSC)

Type of Business	Sugar Cane Plantation and Sugar Mill
Head Office & Factory	Lianxay Village Atsapangthong District Savannakhet Province, Lao P.D.R. Tel./Fax. : (856) 41 666 001-3

## Koh Kong Plantation Company Limited (KPT)

Type of Business	Sugar Cane Plantation
Head Office	Cham yeam Village, Paklong Commune, Mondulseyma District, Koh Kong Province, Kingdom of Cambodia Tel. : (855) 35 399 888

## Koh Kong Sugar Industry Company Limited (KSI)

Type of Business	Sugar Factory and Terminal
Head Office & Factory	Cham yeam Village, Paklong Commune, Mondulseyma District, Koh Kong Province, Kingdom of Cambodia Tel. : (855) 35 398 889

## Energy and Chemical Business Information

### Khon Kaen Alcohol Company Limited

Type of Business	Producing Alcohol for gasohol and Producing Biofertilizer
Head Office	503 KSL TOWER 17 <sup>th</sup> Floor, Sriyudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 191-9 Fax. +66 2 6426 294
Factory(Branch 1)	88 Moo 10, Nampong-Kranuan Rd., Nampong, Khon Kaen 40140, Thailand Tel. : +66 43 441 141, 441 084 Fax. : +66 43 441 204
Factory (Branch 2)	99/2 Moo 6, Tumbon Lumlang, Amphur Boploy, Kanchanaburi 71160, Thailand Tel. : +66 34 615 351-3 Fax. : +66 34 615 354

### Khon Kaen Sugar Power Plant Company Limited

Type of Business	Electricity Production
Head Office	503 KSL TOWER 17 <sup>th</sup> Floor, Sriyudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 191-9 Fax. +66 2 6426 294
Factory (Branch 1)	43 Moo 10, Nampong-Kranuan Rd., Nampong, Khon Kaen 40140, Thailand Tel. : +66 43 441 051-2 Fax. : +66 43 441 244
Factory (Branch 2)	99/1 Moo 6, Tumbon Lumlang, Amphur Boploy, Kanchanaburi 71160, Thailand Tel. : +66 34 615 356-7 Fax. : +66 34 615 359

### KSL Chemical Company Limited

Type of Business	Chemical Trading
Head Office	503 KSL TOWER 17 <sup>th</sup> Floor, Sriyudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 191-9 Fax. : +66 2 6426 294

## Support Business Information

### KSL Export Trading Company Limited

Type of Business	Sugar and Related products exporting activities
Head Office	503 KSL TOWER 21 <sup>th</sup> Floor, Sriyudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 203-6 Fax. : +66 2 6426 207

## Thai Sugar Terminal Public Company Limited

Type of Business	Terminal and Warehouse
Head Office	90 Moo 1, Soi Siamisilo ,Poochaosamingprai Rd., Pheapradaeng, Samut Prakarn 10130, Thailand Tel. : +66 2 3942 340-9 Fax. : +66 2 3842 261, 3842 263

## KSL Agro and Trading Company Limited

Type of Business	Commodity distribution and promotion of Sugar Cane
Head Office	503 KSL TOWER 9 <sup>th</sup> Floor, Sriayudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 191-9 Fax. : +66 2 6426 097
Branch Office	83 Moo 2, Tumbon Wattananakorn, Amphur Wattananakorn, Srakaew 27160, Thailand Tel. : +66 37 262-236 Fax. : +66 37 262-235

## Wynn In Trading Company Limited

Type of Business	Trading and consultancy service
Head office	Republic of Mauritius

## KSL Real Estate Company Limited

Type of Business	Real Estate Development and Training Center
Head Office	503 KSL TOWER 9 <sup>th</sup> Floor, Sriayudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 221-3 Fax. : +66 2 6426 224

## Champion Fermentation Company Limited

Type of Business	To invest in Starch Factory
Head Office	503 KSL TOWER 20 <sup>th</sup> Floor, Sriayudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 210-19 Fax. : +66 2 6426 220

## References

### Company Register

Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel. : +66 2 2292 800 Fax. : +66 2 3591 259
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### Auditor

Sam Nak-Ngan A.M.C. Co., Ltd. 4 <sup>th</sup> Unit, 19 <sup>th</sup> Floor, Silom Complex Building, 191 Silom Rd., Silom, Bangrak, Bangkok 10500, Thailand Tel. : +66 2 2313 980-7 Fax. : +66 2 2313 988
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### Legal Advisor

Dr.Wuttichai Jittanu (PH.D) Jurisprudence Law Office 503 KSL TOWER 5 <sup>th</sup> Floor, Sriayudhya Road, Rajathevi, Bangkok 10400, Thailand Tel. : +66 2 6426 111 Fax. : +66 2 6426 112
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## Financial Summary

Income Statement Highlight (Million THB)	2010	2009 Adj.	% Change	2008 Adj.
Sales and Services	12,071.32	11,670.98	3.4%	11,056.00
Cost of Sales and Service	(9,190.66)	(8,783.33)	4.6%	(8,385.08)
Gross Profit from Sales & Services	2,880.65	2,887.65	- 0.2%	2,670.92
Other Incomes	309.14	348.95	- 11.4%	260.43
Gross Profit from other Income	3,189.79	3,236.60	- 1.4%	2,931.35
Selling Expense	(268.98)	(312.67)	- 14.0%	(439.05)
Administration Expense	(489.59)	(481.94)	1.6%	(436.94)
Director Remuneration	(124.75)	(113.64)	9.8%	(103.58)
Proceeds to Fund	(781.85)	(745.66)	4.9%	(446.36)
Gain (Loss) from Derivatives	(993.92)	(6.21)		-
Total cost	(2,659.10)	(1,660.12)	60.2%	(1,425.93)
EBIT	530.70	1,576.48	- 66.3%	1,505.42
Financial cost	(342.53)	(245.74)	39.4%	(217.53)
	6.35	1.36	-	(2.24)
Corporate Income Tax	(117.70)	(357.49)	- 67.1%	(312.98)
Minority and others	81.89	(55.00)		(117.03)
Net Profit	158.70	919.62	- 82.7%	855.63
<b>EPS</b>	<b>0.10</b>	<b>0.59</b>	<b>- 82.7%</b>	<b>0.55</b>
<b>Gross Margin from Sales &amp; Service</b>	<b>23.86%</b>	<b>24.74%</b>		<b>24.16%</b>
<b>Net Profit Margin</b>	<b>1.31%</b>	<b>7.88%</b>	<b>24.16%</b>	<b>7.74%</b>

Balance Sheet Highlight (Million THB)	2010	2009 Adj.	% Change	2008 Adj.
Cash & Short Term Investment	211.38	435.24	- 51%	508.71
Account Receivable	548.77	599.76	- 9%	702.04
Farmers Account Receivable	253.87	105.15	141%	138.14
Short Term Loan to Farmers	612.19	337.02	82%	318.83
A/R sugarcane & sugar fund	139.10	195.00	- 29%	244.95
Inventories	1,595.76	1,679.27	- 5%	1,776.53
Deferred Cane Plantation Cost	831.65	689.76	21%	402.25
Net PP&E	18,009.79	15,108.88	19%	11,291.21
Net Asset not used in Operation	361.92	328.51	10%	305.50
Total Asset	23,152.73	20,417.56	13%	16,872.42
Current Liabilities	5,087.98	3,720.83	37%	3,976.91
Non-Current Liabilities	8,130.63	5,897.19	38%	2,550.79
Total Liabilities	13,218.61	9,618.01	37%	6,527.70
Total Shareholder's Equity	9,934.12	10,799.54	- 8%	10,344.72
Book Value per share	5.30	5.61		5.40
D/E Ratio	1.33	0.89		0.63

Cash Flow Highlight (Million THB)	2010	2009 Adj.	% Change	2008 Adj.
Net Profit + Depre. + Non Cash	919	2,014	- 54%	1,846
Change in Working Capital	(671)	(320)		(896)
from Operating Activities	248	1,695	- 85%	950
Invest in PP&E	(3,334)	(3,821)	- 13%	(2,390)
from Investing Activities	(3,293)	(3,996)	- 18%	(2,280)
from Financing Activities	2,952	1,988	48%	1,554
Change in Cash Flow	(64)	(240)		217
Ending Cash	203	267		507
EBIT	537	1,578	- 66%	1,506
Depreciation	393	391	0%	339
EBITDA	930	1,969	-53%	1,845
Total Debt / EBITDA	14.22	6.71		3.54

## Summary of Significant Changes in 2010

Date	Summary of Significant Changes in 2010
January 25, 2010	Koh Kong Sugar Industry Co., Ltd. and Koh Kong Plantation Co., Ltd., subsidiaries of the KSL Group, which operates sugar cane plantation and the sugar mill in Koh Kong Province, Cambodia, had the official grand opening of the first sugar mill in Cambodia.
March 24, 2010	Khon Kaen Sugar Industry Public Company Limited increased its registered capital of THB 1,550 million to THB 1,870,000 million by issuing 320,000,000 shares at the par value of THB 1 per share, according to the resolution of 2009 Annual General Meeting, 1/2010 on February 26, 2010. 170,000,000 newly issued ordinary shares were allotted with a par value of THB 1 for the exercise of warrants offered to the existing shareholders and the general public. 150,000,000 newly issued ordinary shares were allotted with a par value of THB 1 each for public offering.
March 31, 2010	The 2009 Annual General Meeting approved the issuance and offering of warrants for purchasing the Company's newly issued ordinary shares at a total of not more than 170,000,000 units. The Stock Exchange of Thailand instructed acceptance of warrants for purchasing newly issued ordinary shares of Khon Kaen Sugar Industry Public Company Limited, KSL-W1, at a total of 154,999,394 units. The trade of KSL-W1 at the SET commenced on March 31, 2010.
July 14, 2010	The Cabinet meeting approved the idea of moving, extending and location of 12 sugar mills of which one is a mill of Khon Kaen Sugar Industry Public Company Limited. the company's new sugar mill will be located in Loei Province. The original license of the mill in Nam Pong District, Khon Kaen Province, with its production capacity decreased to 12,000 tons per day, is to be combined with the new license of the new mill in Loei Province where the total production capacity is to increase to 24,000 tons per day. The project idea was approved. Studies were undertaken to apply for the SET approval.

## Message from the Chairman of the Board of Directors



In 2010, the country's economy grew more than the previous year due to the world's improved economy and agricultural prices. There were, however, a number of risk factors, for instance, economic problems in the United States and the EU countries,

the continuously stronger Baht value affecting the Thai export sector, and fluctuations of agricultural product prices in the world's markets due to the fact that climate change had caused shortages of crop supplies.

Main businesses of Khon Kaen Sugar Industry Public Company Limited are impacted by the operating results of domestic sugar businesses. In the previous year sugar prices in the world market were quite volatile, rising to the highest level of 30 cents per pound and dropping to 15 cents per pound within less than six months. This sugar price volatility was the result of severe climatic impact and rapid climate change. The Thai sugar industry, including sugar business enterprises and the Company experienced many difficulties that had never occurred before, such as shortage of sugar supplies for sales, increased complication of crop output, overselling sugar, competition for raw materials driving production costs up, and selling prices in the country that were regulated to be lower than those in the world market. Those issues significantly affected the Company's operating results, necessitating adaptations to catch up with changing circumstances. The corporate Board of Directors met with executives to define and improve the Company's management to be more efficient. The Company emphasizes creating appropriate returns under risk management that can well handle future circumstances.

Furthermore, the Company operates under corporate governance. In 2010, the Company's corporate governance evaluation results were at the "excellent" level, demonstrating transparent and equitable treatment for shareholders. The Company always has plans that promote CSR (Corporate Social Responsibility), emphasizing community and environmental development that benefit the public.

On behalf of the Company's Board of Directors, I would like to thank our shareholders, customers, and business alliances for their continuous support. I also feel grateful to all of our executives, management and employees who continue to work with devotion to develop and stabilize the Company. I promise that the KSL Group will always be operated with transparency, integrity, and corporate governance to thrive for stable and sustainable success.

(Mr. Manu Leopairote)

Chairman of the Board of Directors

## Message from the President and Chief Executive Officer



In 2010, due to climate change, natural disasters and increased speculative investment in agricultural futures markets, prices of agricultural goods, particularly sugar products, were volatile. This price volatility affected the Company's operating results.

The corporate net profit of THB 158.70 million was a significant decrease from that of the previous year. Main causes included the fact that the Company and its subsidiaries had an actual volume of cane crushed that was lower than estimated, and the percentage of sugar output per ton of cane decreased compared to that of the previous year. Construction of the Bo Ploy renewable energy project was delayed; commercial cane crushing could not be completed in the crushing season of 2009/ 2010. Additionally, the government sector increased the quota on domestic sugar sales. The Company's actual sugar volume exported, subsequently, was lower than the sugar volume estimated in the futures contract and guaranteed price. The Company had a loss from contract termination and a loss from undertaking risk hedging procedure against sugar price volatility without sufficient sugar supply. The Company, hence, had to buy back derivatives while sugar prices in the world market dramatically increased.

The decreased operating results were also from significantly higher cane cost due to competition for raw materials among sugar mills. The decreased operating results of the Company's ethanol business were due to the fact that prices of ethanol did not proportionally increase in relation to increased molasses cost (raw material cost). The sugarcane plantation and sugar mills in Laos and Cambodia were at the beginning of their investment period. Volumes of cane for crushing were limited and could not break even the fixed burden cost.

Due to the decreased operating results, the Company realized the necessity of organizational change to enhance efficiency in management, and flexibility under control and risk management that can support dynamic changes in external environments. In 2011, the corporate executives estimate that the Company's businesses

will have a better outlook. Some positive factors will include higher capability of risk management in terms of prices and sugar output estimation. Sugar prices in the world market will remain high, which will generate more export revenue for the Company. The projects that the Company has been investing in, such as the sugarcane plantation and sugar mill projects in Laos and Cambodia, and the renewable project in Bo Ploy will commence commercial operations, manufacturing and generating more revenues.

Regarding the corporate future growth, in addition to the enterprise in Bo Ploy which the Company estimated that commercial operations of the first phase and second phase would commence in the crushing seasons of 2010/ 2011 and 2011/ 2012 respectively. The Company also received new licenses in which studies are being conducted on relocating the sugar mill in Chonburi Province to Sa Kaew Province with an extended production capacity of 20,400 tons of cane per day, an ethanol plant in which the license was granted by the Board of Investment of Thailand, and a new sugar mill in Loei Province for which the new license was granted in 2010 for a production capacity of 24,000 tons of cane per day. The Company is conducting studies on details and investment worthiness on those new business opportunities which the work will later be considered by the Board of Directors and procedures in line with regulations and rules of the Stock Exchange of Thailand.

(Mr. Chamroon Chinthammit)

President and Chief Executive Officer

# Report of the Audit Committee

The Audit Committee was appointed by the Company Board of Directors, comprising of experienced experts in finance, law and organizational management. The members are 4 independent directors: Mr. Pramoon Vichiensin, Chairman of the Audit Committee, Pol. Gen. Boonpen Bumpenboon, Mr. Sitti Leelakasamelek and Dr. Nongluck Phinainitisart.

Mr. Pramoon Vichiensin resigned from the position of Chairman of the Audit Committee, and proposed to the Board that Mr. Sitti Leelakasamelek serve as the Audit Committee Chairman as of September 24, 2010.

In 2010, the Audit Committee had 5 meetings with Management, the Internal Audit Unit and the auditor. The Committee also had one meeting without Management.

As assigned by the corporate Board, the Audit Committee has fulfilled its duties laid out in the Stock Exchange of Thailand Notification on Qualifications and Scope of Work of the Audit Committee. A summary of the work performed is as follows:

**Reviewing quarterly financial reports and the 2010 financial statements:** The work was completed in conjunction with Management and the auditor. The auditor notified solutions that were beneficial to the Company. The Audit Committee deemed that the financial reports and related party transactions were accurate, appropriate, reliable, and in line with generally accepted accounting standards.

**Reviewing and evaluating sufficiency of the internal control system:** The Audit Committee, auditor and Internal Control Unit have collaboratively examined the corporate internal control system in every quarter. It has been deemed that the Company's internal control system is sufficient and can reasonably establish confidence in the Company's achievements in terms of efficient and effective operations, reliability of the corporate financial reports, and compliance with applicable rules and policies.

**Verification of compliance with laws on securities and stock exchange, the SET regulations, and laws related to the Company's operations:** The Audit Committee did not find any matters of importance indicating that the Company had violated any laws, rules and requirements related to the Company's operations.

**Risk management:** The Board of Directors and Management are well aware of the importance of prudent risk management. The Risk management Committee takes part in considering and establishing the risk management system covering the entire organization. Progress has been monitored, and risk factors have been reviewed regularly to

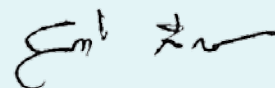
respond to the current situation. It is the belief of the Audit Committee that the risk management system in place is beneficial to the Company and all shareholders equally.

**Related Party Transactions:** Related party transactions which may cause conflicts of interest were reviewed and proven to be truthful and perfectly normal. These related party transactions were disclosed in the financial statements and notes to the financial statements adequately and appropriately in compliance with rules and guidelines issued by the Stock Exchange of Thailand and the Securities and Exchange Commission.

**Suitability of the Auditor:** The Audit Committee deemed that performance of Sam Nak-Ngan A.M.C. Co., Ltd. as the Company's auditor in 2010 was appropriate according to standards on auditing. Now the Company has more international partners. To enhance universality, the Audit Committee has selected and proposed to the Board for the shareholders' meeting approval Deloitte Touche Tohmatsu Jaiyos as the 2011 auditor.

**Corporate governance:** The Board of Directors and Management emphasize operations in line with corporate governance to strengthen confidence among shareholders. The Nomination and Remuneration Committee has undertaken research and sought expert advice on improving the Company's operations. The Nomination and Remuneration Committee has conducted studies and sought after experts in different areas for consultation and advisement regarding improvement in operations.

In conclusion, the Audit Committee has worked according to the scope, duties and responsibilities assigned by the corporate Board with due diligence and independence. It is the Audit Committee's opinion that the Company has provided correct financial reports, operated under the efficient internal control system, had in place effective risk management, complied with the laws, regulations and requirements pertaining to corporate business operations, appropriately disclosed related party transactions, and operated according to corporate governance sufficiently and reliably.



(Mr. Sitti Leelakasamelek)  
Chairman of the Audit Committee



# Report of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee is appointed by the corporate Board of Directors. A minimum of three of the corporate directors, of whom at least one is an independent director, are selected to serve in the Committee. In early 2010, the Nomination and Remuneration Committee originally consisted of three members; later in March the corporate Board appointed one additional member of the Committee. The following are four members of the Committee:

1. Pol. Gen. Boonpen Bumpenboon	Chairman of the Nomination and Remuneration Committee
2. Mr. Pramoon Vichiensin	Director Serving on the Nomination and Remuneration Committee
3. Ms. Duangdao Chinthammit	Director Serving on the Nomination and Remuneration Committee
4. Mr. Karun Kittisataporn	Director Serving on the Nomination and Remuneration Committee

The Nomination and Remuneration Committee is in charge of seeking qualified individuals to serve as directors on the Board of Directors and committees who are directly appointed and assigned responsibilities by the Board. It also engages in considering corporate directors' remuneration in order to make an appropriate proposal to the Board. In 2010, the Nomination and Remuneration Committee had two main meetings and a small meeting as follows:

- 1<sup>st</sup> meeting on January 13, 2010: Subjects considered included directors whose terms were over and nomination of three additional independent directors as assigned by the Board of Directors.
- 2<sup>nd</sup> meeting on June 4, 2010: Subjects considered included nomination of new directors to replace directors who had resigned.
- A small meeting held on September 24, 2010: The objective was to present opinions to Chairman of the Board on the proposal to extend the term of the corporate President.

In nominating individuals to serve as corporate directors and directors on committees, the Nomination and Remuneration Committee considers their qualifications, knowledge, capability, competencies, experience, expertise in various fields, leadership, vision and positive attitudes that are beneficial to the Company's operations. The Committee also ensures that the size, structure and components of the Board of Directors are conducive to promoting corporate governance and efficient management, as well as in line with the government regulations and dynamic environments.

To determine remuneration for the Board and committees, the Nomination and Remuneration Committee considers their responsibilities, assignments, performance, corporate operating results, business environments, and other factors that may affect the Company's businesses or the overall economy.

As of October 31, 2010, the Board of Directors is served by 21 directors categorized as 7 independent directors, 2 non-executive directors, and 12 executive directors. The remuneration of directors, executive directors, and committees shown in the Remuneration for the Board and Executives in 2010 section has been reviewed and considered to be appropriate by the Nomination and Remuneration Committee. Such remuneration has been further considered and approved by the Company's Board.

*Pol. Gen. Boonpen Bumpenboon.*

(Pol. Gen. Boonpen Bumpenboon)

Chairman of the Nomination and Remuneration Committee

# Report of the Risk Management Committee

Khon Kaen Sugar Industry Public Company Limited has realized the significance of risk management and its effect on business operations. Thus, the risk management policy has been defined and the Risk Management Committee has been appointed. This committee consists of Mr. Somchat Chinthammit - Chairman of the Risk Management Committee, Mr. Sitti Leelakasamelek, Prof. Dr. Warapatr Todhanakasem and Mr. Chalush Chinthammit as directors of the Risk Management Committee. Prof. Dr. Warapatr Todhanakasem has held the position in the Risk Management since 2010.

In the accounting period ending October 31, 2010, had 3 meetings to consider contracting an enterprise risk management consultant to lay out a risk management system in the organization or provide educational training on risk management for employees and Management by experts. In 2010, the Risk Management Committee requested that consultants from different companies submit proposals on risk management projects under the Company's terms of reference. There were a number of companies submitting proposals. After consideration, the Risk Management Committee approved the ideas proposed by Deloitte Touche Tohmatsu Jaiyos and proposed to the Board that the Company contract the agency to carry out the enterprise risk management project.

In the past year, the Risk Management Committee selected an enterprise risk management consultant from those who submitted proposals. The selected consultant submitted a proposal with a format and work scope that are appropriate and adequate for developing a long-term risk management system for the Company. Such a system will create confidence in business operations. The Risk Management Committee expects that implementation of the project will assure that the Company achieves its defined business plan objectives and creates and maintains the value of the organization that it delivers to its shareholders and stakeholders.

In nominating individuals to serve as corporate directors and directors on committees, the Nomination and Remuneration Committee considers their qualifications, knowledge, capability, competencies, experience, expertise in various fields, leadership, vision and positive attitudes that are beneficial to the Company's operations. The Committee also ensures that the size, structure and components of the Board of Directors are conducive to promoting corporate governance and efficient management, as well as in line with the government regulations and dynamic environments.



(Mr. Somchat Chinthammit)

Chairman of the Risk Management Committee

# The Board of Directors

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| <p>1. <b>Mr. Manu Leopairote</b><br/>Chairman of the Board of Directors</p>   | <p>13. <b>Mr. Chalush Chinthammit</b><br/>Director and Executive Director<br/>Risk Management Committee</p>   |
| <p>2. <b>Mr. Chamroon Chinthammit</b><br/>President and CEO</p>   | <p>14. <b>Mr. Chatri Chinthammit</b><br/>Director</p>   |
| <p>3. <b>Mr. Prapas Chutimavoraphand</b><br/>Director and Executive Director</p>  | <p>15. <b>Mr. Pramoon Vichiensin</b><br/>Independent Director<br/>Audit Committee<br/>Nomination and Remuneration Committee</p>                       |
| <p>4. <b>Mr. Pornsin Thaemsirichai</b><br/>Director and Executive Director</p>  | <p>16. <b>Pol. Gen. Boonpen Bumpenboon</b><br/>Independent Director<br/>Audit Committee<br/>Chairman of the Nomination and Remuneration Committee</p> |
| <p>5. <b>Mr. Sukhum Tokaranyaset</b><br/>Director and Executive Director</p>  | <p>17. <b>Mr. Sitti Leelakasamelek</b><br/>Independent Director<br/>Chairman of the Audit Committee<br/>Risk Management Committee</p>                 |
| <p>6. <b>Mr. Thawatchai Rojanachotikul</b><br/>Director and Executive Director</p>  | <p>18. <b>Mr. Karun Kittisataporn</b><br/>Independent Director<br/>Nomination and Remuneration Committee</p>  |
| <p>7. <b>Mr. Intira Sukhanindr</b><br/>Director and Executive Director</p>  | <p>19. <b>Mr. Warapatr Todhanakasem</b><br/>Independent Director<br/>Risk Management Committee</p>  |
| <p>8. <b>Ms. Duangdao Chinthammit</b><br/>Director and Executive Director<br/>Nomination and Remuneration Committee</p>                                 | <p>20. <b>Ms. Nongluck Phinainitisart</b><br/>Independent Director<br/>Audit Committee</p>  |
| <p>9. <b>Mr. Somchai Chinthammit</b><br/>Director and Executive Director</p>  | <p>21. <b>Mr. Trakarn Chunharojrit</b><br/>Director and Executive Director<br/>Company Secretary</p>  |
| <p>10. <b>Ms. Duangkae Chinthammit</b><br/>Director and Executive Director</p>  |   |
| <p>11. <b>Mr. Somchat Chinthammit</b><br/>Director<br/>Director Chairman of the Risk Management Committee<br/>Nomination and Remuneration Committee</p> |   |
| <p>12. <b>Mr. Tachpong Pakornsiriwongse</b><br/>Director and Executive Director</p>   |   |
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# Executive Summary



Khon Kaen Sugar Industry PLC. was established in 1976 with the registered capital of THB 1,870 million and the paid-up capital of THB 1,550 million. The Company engages in sugar manufacturing and develops business relating to sugar production. In 2005 the Company undertook an initial public offering and was listed in the Stock Exchange of Thailand as “KSL”. Since then, the Company has changed the vision, from being a traditional sugar manufacturer to a renewable energy producer. The company had realized the promising growing demand for renewable energy. Such vision is derived from the fact that corporate products are energy sources. Sugar provides energy for humans. Ethanol fuels automobiles. Bio fertilizer nurtures plants. Electricity from burning biomass like bagasses (cane fiber) is an energy driving equipment and machinery.

According to its vision, KSL has continuously invested in renewable energy businesses as well as planned to expand them. In 2005, corporate main earnings were from the operation of the company's four sugar mills located in different regions of Thailand. In 2006, the Company's Ethanol plant at Khon Kaen province achieved a production capacity of 150,000 litres per day, using molasses and cane juice as raw material. Bio fertilizer plant utilizes wastewater from ethanol production and filter cake from sugar mill as raw materials. In fiscal year 2007, KSL commenced the operation of its 30-MW power plant in Khon Kaen province, which utilizes bagasse, cane fiber from sugar production. The electricity produced has been sold to Electricity Generating Authority of Thailand. In addition, in 2007, under Kyoto Protocol, the company's power plant has been registered by CDM Executive Board, having the right to sell CDM or so-called Carbon Credit.

In 2010, the new sugar mills in Laos and Cambodia officially commenced sugar production and exportation to Europe. The first phase of construction of the Bo Ploy Renewable Energy Project was completed.

This project involves relocation and expansion of production capacity of New Krung Thai Sugar Factory Co., Ltd. (subsidiary) sugar mill from Tamaka District to Bo Ploy District, Kanchanaburi Province. It will begin to operate commercially in the 2010/11 cane crushing season. It is estimated that construction of the second phase of this renewable energy project will be completed in 2011.

Regarding the 2010 KSL operating results (accounting year: November 2009 - October 2010), the net profit was THB 158.70 million. Compared to the previous year's operating results which had the net profit of THB 919.62 million, the 2010 net profit decreased by THB 760.92 million. The main reasons that the 2010 profits decreased from those in 2009 are as follows:

(1) In 2010, the Company had an actual volume of cane crushed that was lower than estimated, and the yield percentage of sugar output per ton of cane decreased. Construction of the new Bo Ploy sugar mill was delayed; commercial cane crushing could not be completed in the crushing season. Additionally, the government sector increased

the quota on domestic sugar sales (Quota A) from that originally announced. The actual sugar volume exported, subsequently, was lower than the sugar volume estimated in the futures contract and risk prevention. The Company had expenses amounting to THB 292 million from insufficient sugar supply, of which THB 112 million was penalty payment for sugar trading contract termination, and THB 180 million of which was a loss from investing in derivatives. The expenses from the sugar futures contract penalty and the loss from the derivative investment were shown as THB 994 million, of which THB 702 million was a consequence of the usual risk management, and was offset by higher sugar selling prices in the actual sales contracts done with customers. For further details refer to 12. Financial Conditions and Operating Results, and 13. Other Related Information: Risk Prevention Procedure Against Sugar Price Volatility in the World Market .

(2) The decreased profits in sugar businesses were also partly caused by the fact that the Company and its subsidiaries had decreased sugar output due to reduced volumes of cane being crushed, and lower quality of cane crop for crushing compared to that in the previous year. The Company's production performance inevitably decreased. Moreover, cane cost was higher because of competition for raw materials. The higher unit cost of sugar production resulted in lower gross profit margin compared to that in the previous year.

(3) Operating results of the ethanol business decreased due to reduced volumes of sugar cane crushed. Therefore, the Company and its subsidiaries had limited molasses supply for ethanol production. Costs of other raw materials, such as tapioca flour, were high; they were not cost-effective alternatives for ethanol production. The Company's ethanol sales, subsequently, dropped from 42.5 million liters in 2009 to 28.0 million liters in 2010. Profits from the ethanol business decreased from THB 140 million in 2009 to THB 79 million in 2010.

(4) The increased loss from operating the sugarcane plantation and sugar mills in Laos and Cambodia was due to the fact that both projects

were at the beginning of their investment period. Volumes of cane for crushing were low, while the burden of cost was fixed and interest increased. Subsequently, both projects experienced an increased loss. The loss of the subsidiaries that affected the consolidated financial statements in 2010 amounted to approximately THB 283 million, which was an increase from the previous year's THB 213 million loss. However, in the future operating results of the both projects will improve after the cane plantations areas expand and the plantation improve yield per rai. The, there will be adequate sugar cane for crushing, allowing the projects to break even.

(5) According to the financial statements, the Company had an increased interest burden, from THB 246 million in 2009 to THB 343 million in 2010. The increase was partly due to the projects in Laos and Cambodia, which required increased working capital for the extension of cane plantations. The renewable energy project in Bo Ploy also had increased interest burden.

Business outlook : In 2011, it is forecasted that the economy will return to normal with the political climate being more stable. Projects that the Company has invested in will begin to operate commercially. Positive factors in 2011 will include increased selling prices of sugar in the world market and increased production volume from the sugarcane plantation and sugar mill projects in Laos and Cambodia as a result of the previous year's extension of cane plantations. The losses from these projects will be relieved. Negative factors may include increases in corporate expenses from the Company's investments and interest, and decreased operating results of the ethanol business which raw material costs are high, but ethanol prices have not increased proportionally. There may also be other uncertainties, such as fluctuation of sugar prices in the world market, fluctuation of the volume of cane crop available for crushing, fluctuation of prices of raw materials for ethanol production and ethanol prices, fluctuation of exchange rates, and political instability. The Company's operating results in 2011 may be affected by such uncertainties.

# Nature of Business Operation



## Company History

History of Khon Kaen Sugar Industry PLC. (KSL) 's sugar business began in 1945 by 3 Thai - Chinese family Co - founders, establishing the first sugar mill in the group, Kwang Soon Lee Co.,Ltd. Then, from the beginning, the business in Kwang Soon Lee had grown and expanded continuously by building new sugar mill and acquiring the old sugar mills, such as, Thonburi Sugar Factory (Plant 1, Plant 2, Plant 3), Angwien Sugar Factory, Tamaka Sugar Industry, New Krung Thai Sugar Factory and Prachub Sugar Industry, etc.

In 1974, there was a significant change in shareholder structure and the company structure in the group. New company group structure, Ms. Nantha Chinthammit as a chairman and Mr. Chavalit Chinthammit as a managing director, had 3 sugar factories under their management, as follows: Tamaka Sugar Industry, New Krung Thai Sugar Factory (both two sugar factories, located in Kanchanaburi province), New Kwang Soon Lee Sugar Factory (located in Cholburi province) In addition, in 1976 new sugar factory, Khon Kaen Sugar Industry Co.,Ltd., was established in Khon Kaen province. Since then, the company group had concentrated their investment based on the business related to sugar business, such as, Thai Sugar Terminal public company limited, KSL Export Trading Co.,Ltd., KSL Real Estate Co.,Ltd. etc.

In 2003, the group of companies, under the management of Mr. Chamroon Chinthammit and with the approval from shareholders in each company, had reorganized the company group structure from that each shareholder held the shares in each sugar factory into new structure as Khon Kaen Sugar Industry as a holding company,

holding the shares of each sugar factories and almost all of the old shareholders switched to hold the share only in Khon Kaen Sugar Industry Co.,Ltd, instead. In 2004, Khon Kaen Sugar Industry Co.,Ltd was registered as a public company and the capital was increase for offering some shares (IPO) to general investors. On February 2005, the Company was listed and first traded in The Stock Exchange of Thailand. The purpose of IPO share are partly from the decision to make investments in downstream project of sugar business, Ethanol Plant, Fertilizer Plant and Power Plant. Other proceeds will be used for internal working capital within the company.

In 2006, after the progress of the planned project go very well, the company has decided to invest in 2 additional projects: sugar cane plantation and sugar mill project in Laos, and sugarcane plantation and sugar mill project in Cambodia which will be operated commercially in 2010.

Furthermore, in response to the licenses granted for relocating and expanding two sugar mills, and two ethanol plant licenses, the Company decided to make an investment in one integrated project-renewable energy project in Bo Ploy District. This involves four integrated subsidiary projects. The sugar mill in Tamaka District will be relocated to Boploy District, and its production capacity will be increased to 32,000 tons per day. The future ethanol plant will have a production capacity of 200,000 liters per day. The other two projects are a 90MW power plant and organic fertilizer plant. The Company expects to realize the income from the projects in 2011.



In 2010, the Company's concept of building a new factory in Loei province was licensed. KSL is undertaking studies on this new license and the plant relocation licenses. Further information will be provided. The corporate future liquidity and economic factors are used as the factors for investment decisions in the future.

### Business overview of the Company

Khon Kaen Sugar Industry PLC. and its subsidiaries, under KSL, are Thailand 4<sup>th</sup> largest sugar producer group (based on the production volume on 2008). The company has 4 sugar factories in the group, located in three different regions, as follows:

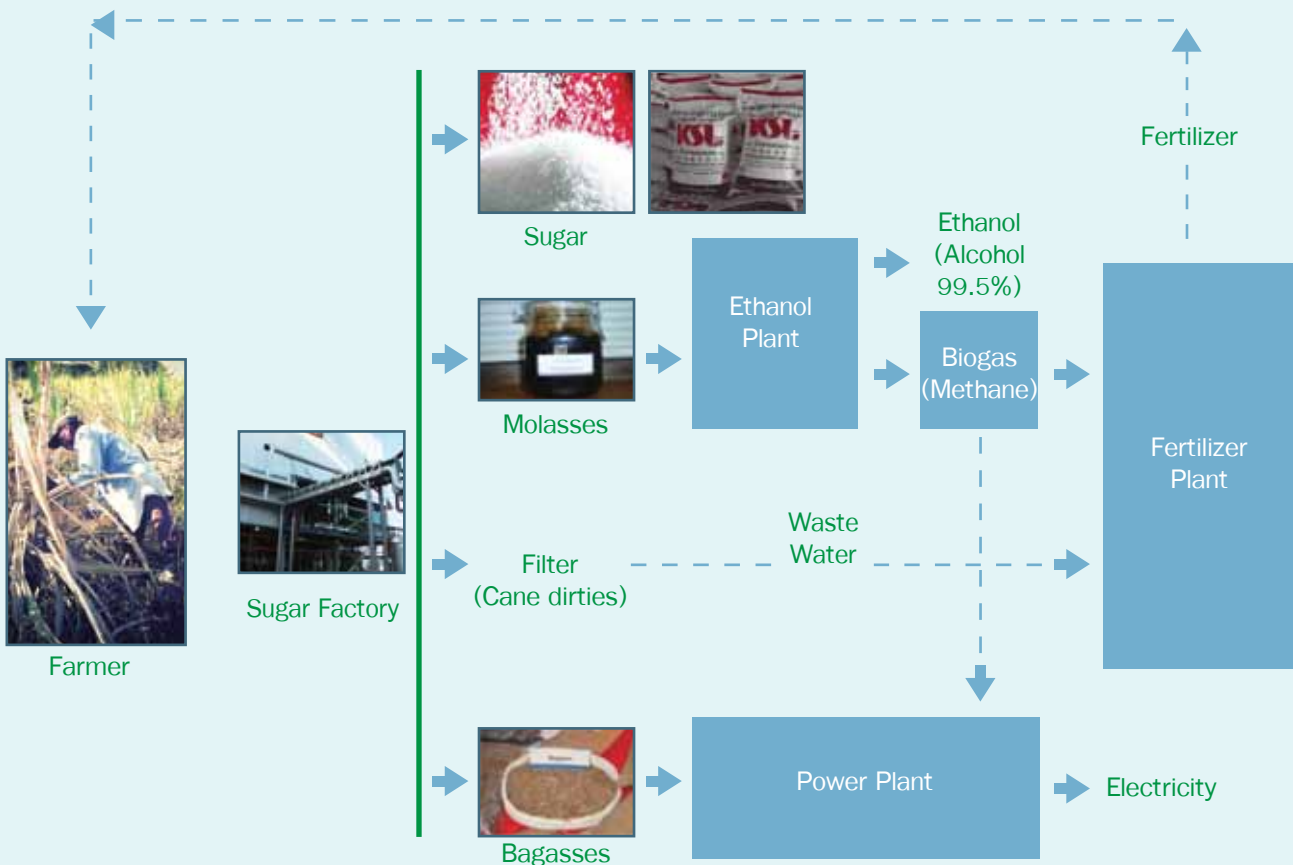
1. Northeastern Region: Khon Kaen Sugar Industry PLC. in Khon Kaen province
2. Western Region: New Krung Thai Sugar Factory Co.,Ltd. and Tamaka Sugar Industry Co.,Ltd. in Kanchanaburi province
3. Eastern Region: New Kwang Soon Lee Sugar Factory Co.,Ltd. in Choburi province

The core products which the Company produces are sugar which can be categorized to be 4 types: (a) raw sugar (b) high pol sugar

(c) white sugar and (d) refined sugar. The company also have other products related to sugar production process, such as molasses, bagasses and filter cake. According to these kinds of products, the company have a plan to invest in value added projects, as followings: (shown on chart 1)

1. Ethanol plant: Ethanol is mixed with gasoline, and the mixture is used as fuel for vehicles. Raw materials used in the Group's ethanol production include molasses and sugarcane juice
2. The biogas plant uses waste water from ethanol production process as a raw material. Biogas produced through fermentation of the raw material is used as a supplementary fuel for the corporate power plant.
3. The organic fertilizer plant uses waste from the sugar production process (filter cake) and wastewater from biogas and ethanol production as raw materials.
4. The power plant uses waste from the sugar production process (bagasse) and biogas from the biogas plant as fuel sources for producing electricity and steam sold to plants in the Group and the EGAT.

Chart 1 : The Relationship between KSL's Existing Sugar Production and KSL's Future Value Added Project



As of October 31, 2010, Khon Kaen Sugar Industry PLC. have the investment in subsidiaries and affiliates, as followings:

Name of Company	Paid-up Capital (THB Million)	Proportion of Investment	Name of Main Business
<b>Sugar Business</b>			
Tamaka Sugar Industry Co.,Ltd.	600.00	90.21%	Produce and distribute Sugar
New Krung Thai Sugar Factory Co.,Ltd.	1,000.00	95.78%	Produce and distribute Sugar
New Kwang Soon Lee Sugar Factory Co.,Ltd.	500.00	98.61%	Produce and distribute Sugar
Savannakhet Corporation	684.75	98.49%	Suagr cane Plantation and Sugar Mill in Laos
Koh Kong Plantation Co., Ltd.*	553.90	70.00%	Suagr cane Plantation in Cambodia
Koh Kong Sugar Industry Co., Ltd.	798.90	70.00%	Sugar Mill in Cambodia
<b>Supporting Business</b>			
Thai Sugar Terminal PLC.**	132.00	23.82%	Terminal and Warehouse
KSL Export Trading Co.,Ltd.	20.00	79.55%	Sugar and Related products exporting activities
KSL. Agro and Trading Co.,Ltd.***	280.00	100.00%	Trading sugar domestic and operating agricultural businesses
Wynn In Trading Co., Ltd.	34.15	100.00%	International trading and consulting
<b>Energy and Chemical Business</b>			
Khon Kaen Alcohol Co.,Ltd.	610.00	100.00%	Producing and distributing ethanol or agri-fuels and organic fertilizer from biofertilizer or organic fertilizer
Khon Kaen Sugar Power Plant Co.,Ltd.	800.00	100.00%	Small Power Plant (SPP)
KSL Chemicals Co.,Ltd.	7.50	100.00%	Chemical Trading
<b>Other Business</b>			
KSL Real Estate Co.,Ltd.	140.00	80.31%	Real Estate Development and Training Center
Champion Fermentation Co.,Ltd.	200.00	32.50%	Join Venture with the business partner to invest 60% in Chantaburi Starch Co.,Ltd.- Starch Factory by using cassava as raw material

**Note:**

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

\*\* Thai Sugar Terminal Public Company Limited, a KSL subsidiary listed by the Stock Exchange of Thailand as TSTE, has 5 subsidiaries:

- TSG Assets Company Limited operates real estate rentals. TSTE holds 79.78% shares.
- TS Oil Industry Company Limited (formerly known as TSG Property Company Limited) trades, leases, develops real estate, and operates a palm oil refinery plant. TSTE holds 94.31% shares.
- TS Flour Mill Company Limited rents out real estate and manufactures wheat flour. TSTE holds 98.82% shares.
- TS Warehouse Company Limited stores and transfers goods. TSTE holds 64.13% shares.
- TS Transport and Logistics Company Limited provides transport and security services. It also manufactures plastic sacks. TSTE holds 85.90% shares.

For details, refer to Listed Company Information on Thai Sugar Terminal Public Company Limited (TSTE).

\*\*\* formaly known as KSL Agro Co., Ltd.



## Revenue Structure

Company	% of Share in 2010	2008 Revenue (Million THB)	%	2009 Revenue (Million THB)	%	2010 Revenue (Million THB)	%
1. Khon Kaen sugar Industry PLC.	Mother Company	5,567.16	40%	5,488.29	40%	5,866.68	36%
2. Tamaka Sugar Industry Co.,Ltd.	90.21%	2,262.32	16%	2,564.47	19%	3,132.04	20%
3. New Krung Thai Sugar Factory Co.,Ltd.	95.78%	1,385.80	10%	1,647.47	12%	1,673.88	11%
4. New Kwang Soon Lee Sugar Factory Co.,Ltd.	98.61%	1,746.63	13%	855.55	6%	738.11	5%
5. Thai Sugar Terminal PLC.	23.82%	1,258.67	9%	1,453.95	11%	1,489.12	10%
6. KSL Export Trading Co.,Ltd.	79.55%	15.63	0%	15.06	0%	10.59	0%
7. Khon Kaen Alcohol Col.,Ltd.	100.00%	899.39	7%	993.81	7%	708.99	5%
8. Khon Kaen Sugar Power Plant Co.,Ltd.	100.00%	572.64	4%	543.47	4%	588.73	4%
9. KSL Chemicals Co.,Ltd.	100.00%	18.45	0%	10.97	0%	5.07	0%
10. Savannakhet Sugar Corporation	98.49%	-	0%	-	0%	33.24	0%
11. Koh Kong Plantation Co.,Ltd.*	70.00%	6.96	0%	27.05	0%	98.13	1%
12. Koh Kong Sugar Industry Co.,Ltd.	70.00%	23.26	0%	14.19	0%	151.20	1%
13. KSL. Agro and Trading Co.,Ltd.**	100.00%	2.24	0%	4.43	0%	26.29	0%
14. KSL Real Estate Co.,Ltd.	80.31%	7.00	0%	4.62	0%	18.18	0%
15. Champion Fermentation Co.,Ltd.	32.50%	-	0%	1.36	0%	6.35	0%
16. Wyn In Trading Co.,Ltd.	100.00%	4.22	0%	6.91	0%	1,060.58	7%
Total		13,770.37	100%	13,631.60	100%	15,607.18	100%
Minus Interrelated items		2,453.94		1,610.30		3,220.37	
Total Revenue		11,316.43		12,021.30		12,386.81	

Note:

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

\*\* Former name: KSL Agro Co., Ltd.

## Business Goal

Long term goal of the Company will be one of the leaders in sugar, by-product, and value added productions which can be shown in company's sugar policy: "production of quality sugar with high efficiency, prompt delivery, winning customers' trust, consumption safety" This policy has encouraged company's 4 sugar mills to be widely accepted as one of the highest efficiency and highest quality sugar production groups in Thailand. In addition, with the goal of being one of leading companies in by - product and value added production and with the vision on the potential growth in related - sugar businesses, such as ethanol business, power business, and organic fertilizer business, the company has made the investments continuously, which the past project investments quite perform satisfied. In 2008, the company announced the integrated business investment in renewable energy business at Bo Ploy.

In 2006, the company has expanded their own business into 2 new projects: sugarcane plantation and sugar mill project in Laos, and sugarcane plantation and sugar mill project in Cambodia. Based on

these future projects, the company has focused the investment on core business of sugar operation and other businesses which utilize and add value of products and by-products. The construction in the two projects will be completed, and crushing, production and sale will begin in 2010.

The Company's short - term goal is to be one of the leaders in the industry who excels in cost management and productivity. The goal can be achieved by applying modern technology to the corporate production and management systems. Furthermore, the Company is aware that its primary risk is the amount of cane it is able to procure for crushing. The sugar mills and other integrated businesses cannot sustain without adequate cane crushed. The Company, hence, aims to reduce the farmers' cane cultivation cost as well as to improve their productivity and efficiency. Its objective is to help the farmers sustain their living and create the reasonably good outcome that they deserve.

## Operation of Each Product Line

### SUGAR

#### Sugar : Product Characteristics

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

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

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

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

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

After sugar manufacturing there is a residue called "molasses" that its sugar content is so low that any further sugar extracting is uneconomical. Molasses is a valuable by-product obtained from sugar production. It contains 20% water, 30% sucrose, 32% invert sugar, 12% non-sugar organic substance, and 6% ash. From one ton of sugarcane, the corporate sugar mills have capacity to manufacture

between 45-50 kilograms of molasses. An amount of molasses produced in a year depends on a quantity of sugarcane crushed in the year. Molasses can be widely used in such biochemistry industries as alcohol and distilling industry, yeast industry, monosodium glutamate industry, animal food industry (where molasses is mixed with cassavas and bagasse), vinegar industry, and soy sauce and seasoning sauce brewing industry.

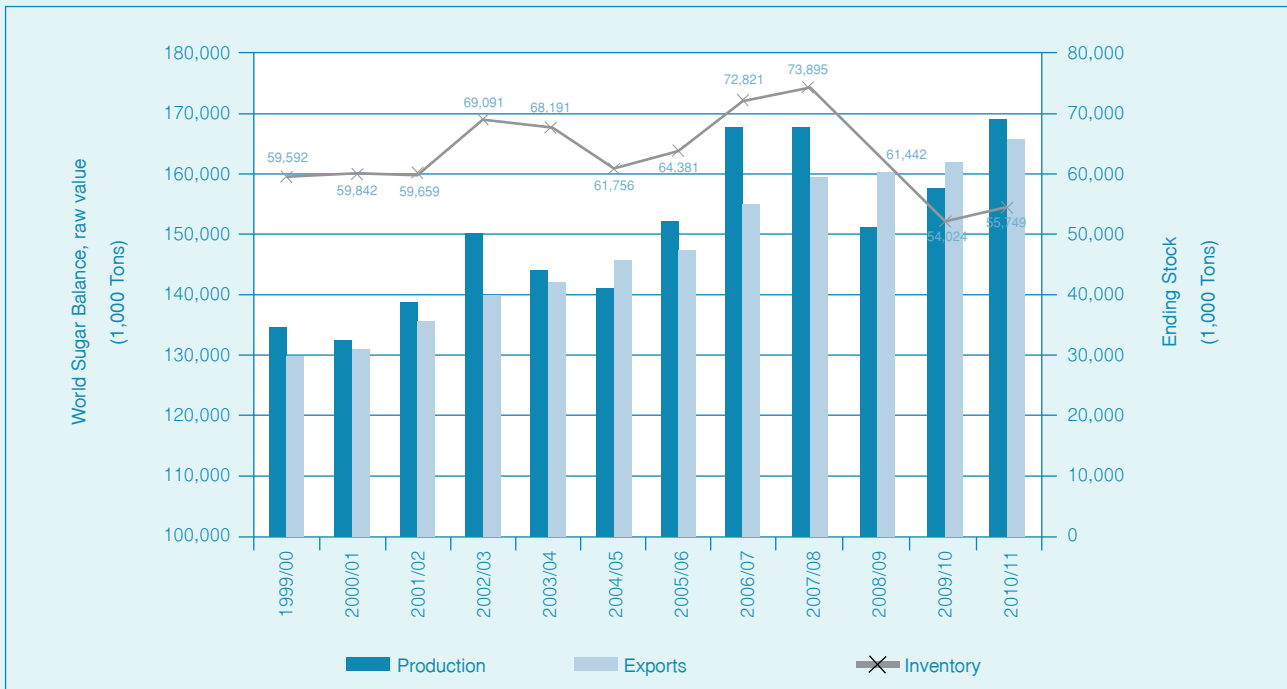
Other residues from sugar manufacturing process that are also useful include bagasse and filter cake. Bagasse is the fibrous material remaining after the last extraction of juice from sugarcane. Now the Company uses burned bagasse as a source of energy for electricity and steam generation used in sugar manufacturing process. Part of the electricity generated is sold to the EGAT. Filter cake is a residue from vacuum filtration. It can be used as a raw material for general-purpose fertilizer. In the past, the Company gives away filter cake to sugarcane farmers to promote sugarcane plantation in nearby areas. After the Company's subsidiary has continuously operated alcohol and chemical production, wastewater from the factory can be mixed with filter cake and bio-decomposed to produce organic fertilizer that is suitable for sugarcane plantation. This completes the corporate value-added product ranges

#### Sugar : Marketing and Competition

##### Marketing and Industry Overview in Overseas Markets

The world sugar market: In 2008/09 sugar was produced approximately 158.44 million tons (raw value) worldwide. The 6.61 million - ton increase was a 4.35 percent increase compared to that in 2008/09.. The world's total consumption amounted to 162.10 million tons. The 2.15 million-ton increase represented a 1.34 percent growth rate compared to that in 2008/09. As a result, the ending stock from 73.90 million tons in 2008/09 to 61.44 million tons in 2009/10. The stock represented 33.33 percent of the total demand likely to last for 4.55 - month consumption.

Chart 2 : World Sugar Balance (Millions Tons, centrifugal sugar, raw value, OCT/SEP)



Note: 2010/11 estimated number

Source : F.O. Licht, updated 19-11-2010.

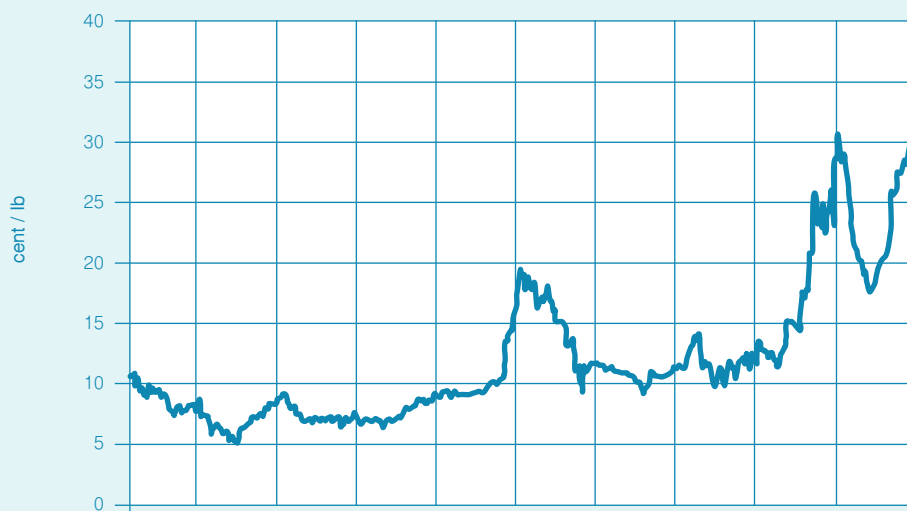
According to F.O. Licht 's forecast on November 19, 2010, the 2010/11 output will increase by 6.44%, from 158.44 million tons to 168.64 million tons. Consumption will increase by 2.13%, from 162.10 million tons to 165.55 million tons. There will be an excess of the world's sugar output in these 2 years. The world's sugar ending stocks in 2010/11 will increase from 54.02 tons to 55.75 tons. In Asia, it was projected that in 2009/10, there would not be enough sugar output for continuous consumption, resulting in approximately 14.7 million tons short. The forecast, however, may vary according to changing demands and supplies.

Climate uncertainties, such as flooding, drought, or severe cold in countries where sugar is produced and consumed, limited numbers of sugar manufacturers capable of exportation, and any other events affecting the world market sugar supplies also affect the world market sugar prices. Furthermore, in the past 2 - 3 years, significant increases

in investment by foreign funds have heightened fluctuation of sugar prices in the world market. In 2008, the selling sugar price was in a range of 10 - 15 cents/lb. In mid 2009, the selling price rose to 16 - 17 cents/lb. Later in 2009, the selling price was at 28 - 30 cents/lb. Then in February 2010, the price went down to 16 - 17 cents/lb and later to the lowest point of 14 cents/lb. Later in 2010, the sugar selling price rose to 30 cents/lb. Currently, the selling price is in a range of 28 - 32 cents/lb.

In the future, a trend in sugar prices will depend upon India's export capacity and the impact of climate on major sugar producers, as well as yields in Europe and Thailand. Examples include flood and drought in Brazil and Australia. Other factors that could affect sugar prices include allocation of investment in funds to other assets, the US currency, oil prices, and the overall world's economy.

Chart 3: World sugar prices (NYBOT#11) in the past 10 years



YEAR	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Max	10.47	8.03	9.07	9.32	11.84	19.30	12.37	15.02	24.64	34.39
Average	8.69	6.31	7.13	7.07	9.31	14.83	10.16	11.86	17.26	22.56
Min	6.15	4.96	5.89	5.36	8.22	9.75	8.45	9.52	11.38	13.67

Unit: Cent / lb, Conversion to US\$ / Ton by multiplied by 22.0462

Year: Nov / Oct, data updated until Dec 30, 2010

#### Export channels of Thai sugar manufacturers are divided into:

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

to their capacity. Domestic sugar prices are controlled by Goods and Services Act B.E. 2542. Current domestic sugar price are mandated that:

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

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

#### Domestic Marketing and Industry Overview

Domestic sugarcane and sugar industries are governed by Thai Sugarcane and Sugar Industry Act B.E. 2527. Office of the Cane and Sugar Board is in charge of ensuring adequacy of sugar for the domestic demand. Every year the board estimates the domestic sugar consumption amount and determines quotas for sugar mills according

#### Competition

There are currently 47 sugar mills in Thailand with sugarcane crushing capacity of 60 - 80 million tons/year and sugar manufacturing capacity of 5.0 - 8.0 million tons/year (depending on yearly sugarcane amounts in the crushing process). The crushing process lasts about

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

Of all 47 sugar mills, there are five main groups of major sugar manufacturers. The rest are small manufacturers. The KSL Group is the number four producer, with larger amounts of cane crushed and 7-8 percent market share. The Group has 7-8 percent market share. It operates four mills in three regions: the Northeast (1 mill), Central Thailand (2 mills), and the East (1 mill). Table 1 shows sales of different types of sugar in 2007 / 08, 2008 / 09, and 2009 / 10 as well as ratios of sales in export markets to domestic markets.

**Table 1: Sales of different types of sugar and ratios of exports to domestic sales in the past 3 years**

Domestic Sales	2010			2009			2008		
	Volume Unit	Avg. Price THB / unit	Value M THB	Volume Unit	Avg. Price THB / unit	Value M THB	Volume Unit	Avg. Price THB / unit	Value M THB
Sugar									
Domestic	466,089	18,539	8,641	549,967	15,481	8,514	627,341	12,553	7,875
Export	145,153	19,608	2,846	153,028	19,514	2,986	178,290	17,149	3,058
Molasses	148,452	4,424	657	91,669	2,857	262	161,046	2,362	380
% Domestic Sale/Total Sale	31%		33%	28%		35%	28%		39%

Note: Sugar unit: tons price: THB per ton Molasses unit: ton price: THB per ton

## Sugar : Product and Service Provision

### Raw material provision policy

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

The Company’s strategy is giving long-term benefits as incentives to the sugarcane farmers providing their crops to the corporate mills. This promotes both the growth of the farmers’ incomes and the Company. The main policy “Prosperity of farmers is prosperity of the Mill”, especially employed in the northeast, emphasizes creating and promoting a sustainable way to make a living for sugarcane farmers, as well as eliminating middlemen known as “Quota Heads”. This effort allows the Company to learn about problems experienced by the farmers and provide them suitable assistance. Also, the Company provides the farmers equipment, knowledge and production support, such as providing loans for purchasing trucks; giving them filter cakes for making fertilizers free of charge; and providing experts in sugarcane plantation, and prevention and elimination of crop pests. The support

enhances good relationships between the farmers and the Company, as well as systematic growth.

### Production policy

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

### Marketing policy

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

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

### Environmental effects

The sugar manufacturing process causes wastewater and dust from ash in the steamer’s burning process. The Company is well aware of



In 2008, among businesses investing in ethanol production, there were only 17 ethanol producers with a projected production capacity of 2.5 million liters per day. Domestic supply of ethanol totaling 1.2 million liters per day exceeded demand. The excess supply was exported by the producers. Since only some producers were able to manufacture all year round, the average daily outputs varied from the actual production capacities.

#### Marketing and Industry Overview in Overseas Markets

Brazil is the world's major ethanol producer. Primarily, ethanol is produced from sugarcane. It is combined with gasoline at the ratio of 20-25: 100, and used as fuel by itself with specially designed cars.

The Brazilian government has a policy to promote the use and manufacture of cars that run with 100% ethanol. There is control over the amount of ethanol produced and the demand through changing the amount of ethanol content in gasoline. Brazil is also one of the larger ethanol exporters in the world. The market prices of ethanol in Brazil are used as a basis for determining ethanol selling prices. In 2009, sugar prices in the global markets increased. The sugar

yielded from Brazil was not as expected due to climate change. Ethanol prices in the world markets increased in relation to the higher sugar prices. It is estimated that the ethanol yield will decrease, as more of the cane supply will be used in sugar production which will generate more income.

#### Competition

In 2010, ethanol consumption reached 1.2 million liters per day in line with gasohol consumption. There were new ethanol producers so the total ethanol production capacity will be increased. Despite increased production capacities, some ethanol plants were not able to operate at their full capacities. This was due to a raw material shortage in ethanol production and selling prices that could not motivate ethanol producers to increase their production, in 2010 the producers did not operate at their maximum capacities. Table 3 shows sales and average selling prices. In 2010, sales decreased from 42.5 million liters to 28 million liters due to the raw material limitations. The Company was able to sell ethanol at higher prices, yet raw material cost had increased

**Table 3: Sales and average selling prices of ethanol in the past 3 years**

	2010	2009	2008
Sale Volume (Liters)	28,006,265	42,510,380	50,425,475
Avg. selling price(baht / Liters)	23.49	21.13	16.75

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

##### Raw material provision policy

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

##### Production policy

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

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

##### Marketing policy

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

##### Environmental effects

The wastewater from ethanol production process is used to combine with filter cake from the corporate sugar mills to make organic fertilizer. The fertilizer is then sold to farmers. Moreover, the facilities in Boploy would have biogas as a by product from the waste water treatment process. Biogas can fuel power generation. The project is working on

being registered as a CDM project. The status will entitle the company to trade carbon credit trade in the carbon credit market.

## STEAM & ELECTRICITY

### Steam & Electricity : Product Characteristics

The project has been undertaken by Khon Kaen Sugar Power Plant Co., Ltd. The plant has a production capacity of 30 MW, of which 20 MW of electricity produced is sold to Electricity Generating Authority of Thailand. The rest of the electricity generated is sold to the KSL Group's plants and used within the power plant itself. In generating electricity, bagasse from sugar production is used as the main fuel

source. The Company invested further in the Bo Ploy renewable energy project, allowing the total production capacity to reach 120 MW in 2011. It is estimated that 40 MW of the electricity produced will be sold to the EGAT.

### Steam & Electricity : Marketing and Competition

As the distribution of electricity to Electricity Generating Authority of Thailand is governed by the contract of sale, the purchaser is specified and there is no competition. The remaining electricity and steam energy is sold to companies in the KSL Group for ethanol and sugar production. The sale is 100% domestic.

Table 4: Sales and average selling prices of electricity in the past three years

	2010	2009	2008
Sale (MW-hour)	137,134	127,459	136,997
Average selling price (THB/MW-hour)	2,720	2,880	2,668

### Steam & Electricity : Product and Service Provision

#### Raw material provision policy

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

#### Production policy

##### 1. Cost Management

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

##### 2. Improving and Developing Production Effectiveness

The quality of fuel is effectively controlled, as the company uses

its own bagasse. Fuel efficiency is ensured by controlling moisture in bagasse using such methods as bagasse dryer system and setting up roofs to protect the material from the rain.

#### Marketing policy

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

#### Environmental effects

Extensive Environmental Impact Assessment (EIA) has been carried out. The facilities in Khon Kaen has been registered with the UN as a CDM project (under the Kyoto Protocol), the company has the right to sell carbon credits. And the registration of the Boploy project as a CDM project is in progress.



# RISK FACTORS



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

## 1. Risk factors in Raw Material Sourcing – Sugarcane

The company's business is to run factories to produce sugar which use sugarcane as raw material. The company has also invested in other related projects, which use by products and wastes generated from the sugar manufacturing process, to create added value. Therefore, the quantity of sugarcane available for crushing is the most important factor affecting the operations of the company.

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

When the quantity of sugarcane crushed reduces, the effect on the company is that the quantity of sugar produced goes down, the unit cost, especially the fixed cost per unit, goes up, the profit per unit reduces and the company's overall profit is reduced. In addition, in those years when the sugarcane crushed is low, there is increased

competition among sugar mills to purchase the sugar cane locating in the neighborhood area. Therefore, in order to protect their crushing quantities, sugar mills have to vie by paying more than the price, established by revenue sharing system. This increases the overall raw material cost for the company.

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

## 2. Risk from Fluctuating Sugar Prices in the World Market

While considering sugar trade in the world markets, it can be said that sugar has high price fluctuations when compared with other agricultural products. The world sugar prices depend on several factors, such as demand and supply of countries that are producers, consumers, exporters and importers. Traders' speculations are in relation to climatic conditions facilitating cultivation in each of the respective countries. Government policies on promoting, interfering, exporting and importing sugar, particularly in developed countries also determine pricing in the industry. At present, sugar prices are also interrelated to oil prices. Both sugarcane and molasses can be used to produce a type of alcohol called ethanol. Ethanol can be blended with gasoline to produce fuel. All the above factors cause high fluctuations in the world sugar prices.

Generally, sugar companies in Thailand are bound to meet the domestic demand first. The balance sugar can be exported. Every year, the Office of the Cane and Sugar Board estimates the quantity of domestic demand for sugar, called Quota A, and allocates this Quota to all the sugar mills based on their respective sugar production. The ratio of domestic sales to exports of all sugar mills is therefore quite similar, usually in the range of 30:70 to 40:60 depending on the sugarcane available for crushing all over the country. The sales of the sugar industry fluctuate according to world sugar prices in the 60 - 70 % range. However, regarding on the cost of production, the cane price is the major cost, calculated by the formula based on the revenue sharing system 70 : 30. This means that when the sugar price has decreased 100%, the farmer should get the 70% impact in term of lower sugar cane price and the sugar factory should get 30% impact.

In 2010, the selling price of sugar was very volatile, increasing from 14-15 cents/lb in mid 2009 to 23 — 24 cents/lb, and to the record high of 30 cents/lb in January 2010. Then in February 2010, the price went down to 16 - 17 cents/lb. Later in 2010, the selling price of sugar rose to 30 cents/lb. With severe price fluctuations, if the Company were not able to establish a selling price that was higher than the price level for setting cane prices, the corporate operating results would have been severely affected. To prevent the risk posed by sugar price volatility in the world market, the Company entered into a sugar futures contract with a financial institution. The risk prevention would allow the Company to minimize the dependency of its profitability on the risk posed by sugar price volatility. However, this could affect profit and loss account recording, and there was a risk that the amount specified in the sugar futures contract could exceed the actual volume of sugar exported. This oversold condition could result in a loss. For details, refer to topic 13. Other Related Information: Risk Prevention Procedure Against Sugar Price Volatility in the World Market .

As regards the company, since it is involved only in the sugar and molasses business, the fluctuations in the world sugar price has an influence in the company's operations. The company has, however, invested in other related industries such as the ethanol production project, the bio-fertilizer project and the power plant project which in future will reduce the impact of world sugar prices on the business and permit operating in businesses where the impact of price is less pronounced.

## 3. Risk from Government Policy

The sugarcane and sugar industry in Thailand is under the supervision and control of the Office of the Cane and Sugar Board under the Cane and Sugar Act 1984. The Board regulates the amount of sugar produced by a quota system (Quota A for domestic sales, Quota B and C for sugar exports), controls the domestic price, regulates on the ratio of distribution of revenue from the sugar business between the farmers and sugar mills, with the revenues sharing in the ratio of 70:30, controls on the entry of new players in the sugar business etc. It is evident that the rules and regulations enacted by the Cane and Sugar Board have an impact on the production costs and the operations of the company. For Example, the revenues sharing system 70:30 ratio determines the sugar cane price which the sugar mills must pay to the farmers. In case, changes in the domestic sugar prices or changes in regulation of entire sugar industry, it will have a definite impact on the operations of the company.

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

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

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

#### 4. Risk of Bad Debts Arising from Credit Given to Farmers (Advance Credit)

In the running of a sugar mill, the factories extend loans or other kinds of financial support to sugarcane farmers as working capital to plant sugarcane crop, or what is called "sugarcane credit", thereby reserving the sugarcane for crushing. After the sugarcane crop is ready for harvesting and the sugar mills are ready to start crushing the cane, the farmers harvest the cane and send it to the sugar mills and receive payment for the value of the cane supplied after the loans advanced and other financial support given is deducted. The risks that are generated from such sugarcane credit can come from reduced production in any year due to drought conditions, losses from crop disease and pestilence, farmers refusing to send the cane to the sugar mills etc. Such liabilities, arising from sugarcane credit, can adversely affect the company's operations requiring higher amounts of provisioning for bad debts.

The company would like to mention that regarding the above risk factors, it has made positive developments in the sugarcane system. The company has bought a satellite monitoring system (Global Positioning System - GPS) to survey the sugarcane plantation areas, which helps in reducing the problems of ownership of sugarcane fields. The system is also used to plan for sourcing more sugarcane. The company also encourages farmers to deposit assets as collateral for the loans advanced. All this has resulted in the company having a low bad debt situation at present and the major debts are adequately covered with pledged assets.

#### 5. Risks of Investing in Corporate Ventures

KSL has undertaken 3 new ventures: sugarcane plantation and sugar mill projects in Laos, sugarcane plantation and sugar mill plantation in Cambodia, and the renewable energy project in Bo Ploy. Expansion of the sugar cane plantations of the projects in Laos and Cambodia are in progress to facilitate the cane crushing capacity the Company has invested in. Since the renewable energy project in Bo Ploy is a large-scale venture, investment has been divided into 2 phases. Construction of the first phase was completed and commercial manufacturing was estimated to commence in 2011. For the second phase, it is expected that construction will be completed in 2011.

There are risks involving in the projects, as they have just started. At this point, it is still difficult to determine whether the projects will be successful or not. The risks are explained as follows:

##### Sugarcane Plantation and Sugar Mill Projects in Laos and Cambodia

Major risks of the projects may be primarily posed by political risks and government policies in Laos and Cambodia. In Laos, the risk the enterprise is facing involves the land concession policy in which locals' parcels of lands and boundaries of the land under the concession are unclearly defined. Negotiations between the Company

and locals take time. Furthermore, the government policy regarding the sugar mill encouraging locals to grow sugarcane for sugar production and tax may also be risk factors. In Cambodia, the political risk is relatively high, especially border and political disputes between Thailand and Cambodia. The Cambodian tax policy may also be problematic for the project operations. However, the project is a joint venture between Thailand and Taiwan. The Cambodian government fully supports the project as it benefits community development, generates income for locals, and creates employment opportunities for local workers and farmers. The operations of the project bring in development to local communities in Cambodia.

Apart from the political and government policy risk factors, the projects may run the risk of a shortage of skilled laborers. Sugarcane plantation is a relatively new industry in both countries. There have been shortages of plantation skills and local laborers. Resources in transporting sugarcane to the mill for crushing are still limited. Climate change conditions, for instance, drought and flood, may also affect the timing for planting sugarcane. Destruction of crops by cattle and control were causing delays for the projects. The Company has adopted a new system that allows those matters to be managed more effectively. Specialists from Thailand have been brought in to improve sugarcane cultivars and cultivation methods to suit local conditions. The Company has also brought in machinery and more contractors from Thailand and is leasing cultivation areas to growers in order to alleviate the management problem.

##### Renewable Energy in Bo Ploy, Kanchanaburi Province

The project includes relocation and expansion of the sugar mill, currently in Tamaka District to Boploy District, along with development of sugar-byproduct businesses - ethanol, fertilizer and power plant businesses. The project is still in progress and requires ongoing investment. A primary risk was caused by adequate supply of raw materials for crushing. To reduce the risk, the investment of this project is divided into 2 phases. This ensures that the production capacity closely corresponds with the local promotional plan for cane plantation. Construction of the first phase and machinery testing were completed in 2010. Commercial operations will commence in 2011. Other risks are operational risks, such as other types of licensing, construction and machinery installation time frames, manufacturing technology which is relatively modern, labor and potential skill shortage risks that could affect machinery operations, financing for investing and working capital, etc.

#### 6. Exchange Rate Risk

The company exports about 60-70% of the sugar produced and hence, is exposed to the risk of fluctuating foreign exchange rates. However, the company operates under the 70:30 revenue sharing scheme, which hedges the risk from exchange rate variations since, lower revenues due to lower exchange rates cause the sugarcane price to be lower under this scheme. This means that sales revenues

and major raw material cost of the company are directly linked to the exchange rate (Natural Hedge).

### 7. Risk of having major shareholders controlling the votes of at the Shareholders' meeting

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

However, for the company's transparency and power balancing, the company has appointed six independent audit committee members for checking the operations of the company and also, out of the twenty-one directors of the company, fourteen are not Chinthammit; thus, power balancing for operation in the company is reasonable. In

addition, the company also has also set up an independent internal control team which reports directly to the audit committee.

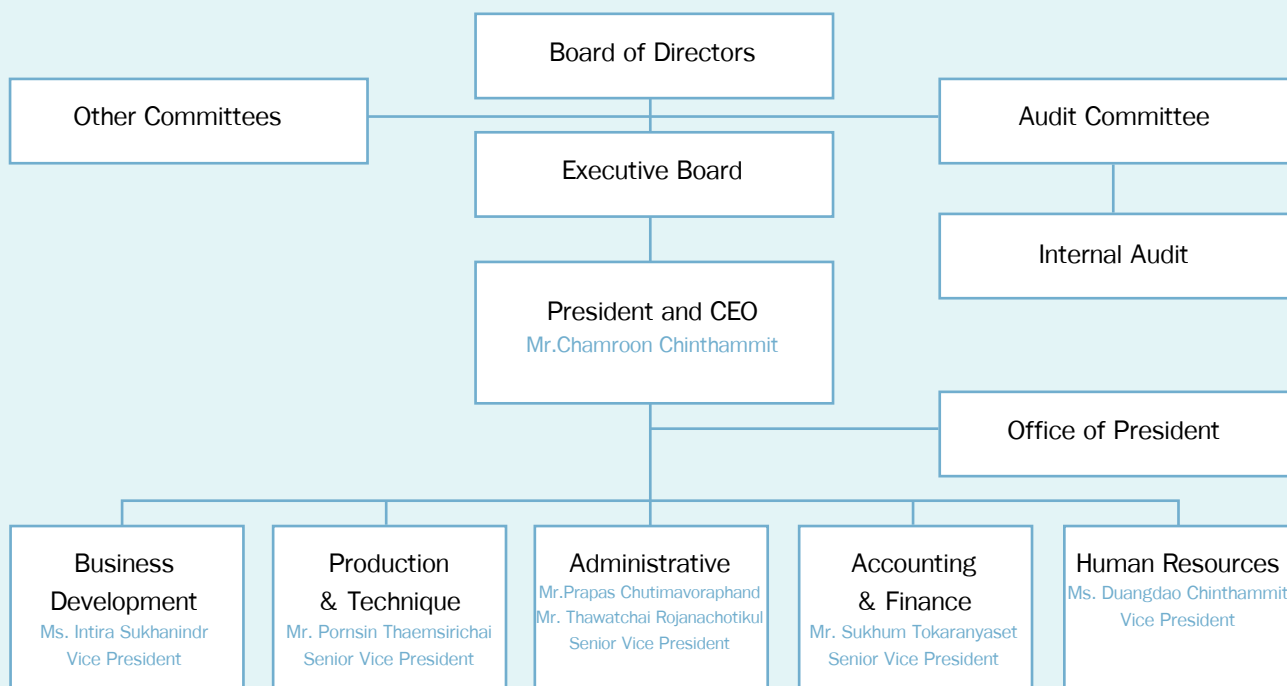
### 8. Risk from the World's Economic and Financial Situations

The US and EU financial crises caused by credit problems have spread widely to other regions, affecting liquidity and economic systems around the world. As the mentioned issues have been affecting economies worldwide, there is no guarantee that these issues and similar circumstances in the future will not affect sugar businesses, demand for sugar, and/or the world's sugar prices. The lack of liquidity among financial institutions may also affect the Group's sources of loans and financing costs.

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

# Shareholding Structure and Management

## Organization Structure



## Securities

At October 31, 2010, The Company's registered capital consisted of 1,870 million shares at a par value of THB 1.00, or a total of THB 1,870 million and the company's registered paid-up capital was at THB 1,550 million.

## Shareholders

Top 10 major shareholders of the company as of October 31, 2009, and as of October 31, 2010 are as followings:

As of Oct 31, 2009				As of Oct 31, 2010			
Rank	Name	No. of Shares	% of total	Rank	Name	No. of Shares	% of total
1	KSL Sugar Holding Company Limited	500,000,000	32.26	1	KSL Sugar Holding Company Limited	500,000,000	32.26
2	Mr.Chanachai Chutimavoraphand	42,794,190	2.76	2	Mr.Chanachai Chutimavoraphand	42,533,465	2.74
3	Thai NVDR Company Limited.	39,290,906	2.53	3	Thai NVDR Company Limited.	41,360,327	2.67
4	CREDIT SUISSE SINGAPORE BRANCH	35,621,900	2.30	4	CREDIT SUISSE SINGAPORE BRANCH	35,621,900	2.30
5	Ms.Duangdao Chinthammit	35,073,990	2.26	5	STATE STREET BANK	34,375,700	2.22
6	Ms.Duangkae Chinthammit	34,907,260	2.25	6	Ms.Duangdao Chinthammit	35,248,490	2.27
7	STATE STREET BANK AND TRUST COMPANY FOR LONDON	32,377,700	2.09	7	Ms.Duangkae Chinthammit	35,081,760	2.26
8	Mr.Piripon Chinthammit	31,472,100	2.03	8	Mr.Piripon Chinthammit	33,414,700	2.16
9	Mr.Kamondanai Chinthammit	32,700,800	2.11	9	Mr.Kamondanai Chinthammit	31,444,200	2.03
10	Chinnakij Company Limited.	29,910,000	1.93	10	Chinnakij Company Limited.	29,910,000	1.93
	Total	812,892,246	52.44	11	Total	820,247,142	52.92
11	Others	729,752,858	47.08		Others	737,107,754	47.56
	Total paid-up registered capital	1,550,000,000	100.00		Total paid-up registered capital	1,550,000,000	100.00

The registered capital and paid up capital of KSL SUGAR HOLDING COMPANY LIMITED consists of 50 million shares at par value of THB 10.00 per share or THB 500 million.

As of October 31, 2009 and as of October 31, 2010, top ten major shareholders in company's shareholder record are as followings:

As of Oct 31,2009				As of Oct 31,2010			
Rank	Name	Number of Share	%	Rank	Name	Number of Share	%
1	Ms.Nantha Chinthammit	14,199,481	28.40	1	Ms.Nareerat Chinthammit	6,052,634	12.11
2	Ms.Nareerat Chinthammit	4,277,699	8.56	2	Ms.Duangdao Chinthammit	3,923,972	7.85
3	Mr.Chanachai Chutimavoraphand	2,610,959	5.22	3	Ms.Duangkae Chinthammit	3,882,325	7.76
4	Mr.Somchai Chinthammi	2,584,945	5.17	4	Mr.Chanachai Chutimavoraphand	3,485,894	6.97
5	Ms.Duangdao Chinthammit	2,149,037	4.30	5	Mr.Chamroom Chinthammit	2,685,290	5.37
6	Ms.Duangkae Chinthammit	2,107,390	4.21	6	Mr.Somchai Chinthammi	2,584,945	5.17
7	Mr.Piripon Chinthammit	1,453,000	2.91	7	Mr.Sarun Chinthammit	2,123,414	4.25
8	Mr.Kamondanai Chinthammit	1,453,000	2.91	8	Mr.Kamondanai Chinthammit	1,453,000	2.91
9	Mr.Sarun Chinthammit	1,248,479	2.50	9	Mr.Piripon Chinthammit	1,453,000	2.91
10	Ms.Yaovaluck Chutimavoraphand	1,000,000	2.00	10	Ms.Yaovanuth Chutimavoraphand	1,450,000	2.90
	Ms.Yaovanuth Chutimavoraphand	1,000,000	2.00		Ms.Yaovaluck Chutimavoraphand	1,450,000	2.90
	Total for Top 10 Major Shareholders	34,083,990	68.17		Total for Top 10 Major Shareholders	30,544,474	61.09
11	Others	15,916,010	31.83	11	Others	19,455,526	27.22
	Total Registered Paid Up Capital	50,000,000	100.00		Total Registered Paid Up Capital	50,000,000	100.00

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

## Dividend Payment Policy

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

10.	Mr. Chalush	Chinthammit	Director
11.	Mr. Chatri	Chinthammit	Director
12.	Mr. Somchat	Chinthammit	Director
13.	Mr. Tachpong	Pakornsiriwongse	Director
14.	Mr. Pramoon	Vichiensin	Independent Director
15.	Pol. Gen. Boonpen	Bumpenboon	Independent Director
16.	Mr. Sitti	Leelakasamelek	Independent Director
17.	Mr. Karun	Kittisataporn	Independent Director *
18.	Mr. Worapatr	Todhanakasem	Independent Director *
19.	Ms. Nongluck	Phinainitsart	Independent Director *
20.	Mrs. Intira	Sukhanindr	Director **
21.	Mr. Trakarn	Chunharojrit	Director/ Corporate Secretary

## Board of Directors

As of October 31, 2010, the Company's Board of Directors comprises of:

1.	Mr. Manu	Leopairote	Chairman and Independent Director
2.	Mr. Chamroom	Chinthammit	Director
3.	Mr. Prapas	Chutimavoraphand	Director
4.	Mr. Pornsin	Thaemsirichai	Director
5.	Mr. Sukhum	Tokaranyaset	Director
6.	Mr. Thawatchai	Rojanachotikul	Director
7.	Ms. Duangdao	Chinthammit	Director
8.	Mr. Somchai	Chinthammit	Director
9.	Ms. Duangkae	Chinthammit	Director

Note: Mr. Supasawn Sukhanindr resigned as director on June 30, 2010.

\* In the position since March 1, 2010

\*\* In the position since July 1, 2010

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



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

#### Scope of Duties and Responsibilities

1. Manage corporate operations for shareholders' optimum benefits. Fulfill duties with due diligence and integrity. Comply with the law, objectives, requirements and resolutions of the shareholders' meeting. Disclose to shareholders information that is correct, complete and transparent.
2. Appoint or replace executive directors.
3. Determine policies, strategies, and directions of the Company. Ensure the Management's compliance with the policies, strategies, and directions determined with effectiveness and efficiency in order to maximize shareholders' wealth and sustainable growth.
4. Consider and make decisions concerning significant matters, for instance, business plans, budgets, major investment projects, administrative power, and any other articles required by related laws.
5. Evaluate the Management's performance and determine the Management's remunerations.
6. Be responsible for operation results and the work of the Management. Conduct duties with devotion and carefulness.
7. Establish an accounting system, financial reports, and reliable audits. Ensure that there are procedures for internal control evaluation, effective and efficient internal audits, risk management, financial reports, and follow-ups.
8. Prevent any conflicts of interest between interested persons and the Company.
9. Ensure that the business is operated with integrity.
10. Issue requirements and regulations considering the Company's internal activities.
11. Present a full statement on responsibilities of the Company's Board of Directors in preparing the annual report together with the audited financial statements and other significant matters in line with the SET Code of Best Practice for Directors of Listed Companies.
12. May appoint any other individual or other committees to function in the Company's operation under the Board's supervision or a power of attorney within a period approved by the Board. The authorization can be terminated, canceled, changed, or amended.
13. Supervise the Company's day-to-day operations.

### The Board of Executive Directors

As of October 31, 2010, the Company's Board of Executive Directors consists of:

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

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

*Note: Mr. Supasawn Sukhanindr resigned as executive director on June 30, 2010.*

*\* Accepting position on July 1, 2010*

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

1. Determine policies, directions, strategies, and main management structures for the Company's operations that suit and support the economy and competition, as defined and announced to corporate shareholders. Submit the proposed policies, directions, strategies, and structures to the Board of Directors for approval.
2. Determine business plans, budgets and administrative power of the Company to be submitted to the Board of Directors for approval.
3. Establish organizational structures and manpower policy including overviews of recruitment, training, employment, succession planning, performance evaluation, and remuneration criteria for all corporate employees.
4. Examine and monitor policies and management plans to ensure their effectiveness and suitability for the Company's operations.
5. Monitor the Company's performance to ensure compliance with the approved business plans.
6. Consider large investment projects of the Company in accordance with the provided guidelines for project approval.
7. Conduct financial transactions with financial institutions involving account opening, borrowing, pawning, mortgages, guarantees, and other activities including property trading and land ownership registration according to specified objectives and amounts of money in order to facilitate the Company's operations.
8. Monitor the development of managing systems and risk management of each division.
9. Carry out tasks assigned by the Board of Directors.

Any power mentioned above given to the Board of Directors shall be under the law and the Company's regulations. Any activities that

benefit/may benefit or affect interests of any executive director or individual, or that may lead to conflicts of interest (according to the SEC Notification), are required to be presented by the Board of Executive Directors to the Board of Directors for consideration. The particular executive director and the interested individual shall not be allowed to vote in the Board of Directors meeting concerning the matter.

## Audit Committee

As of October 31, 2010, the Audit Committee comprises of:

1. Mr. Sitti	Leelakasamelek	Chairman
2. Mr. Pramoon	Vichiensin	Director
3. Pol. Gen. Boonpen	Bumpenboon	Director
4. Ms. Nongluck	Phinainitisart	Director

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

### Scope of Duties and Responsibilities:

- To review and ensure that the disclosure of information in financial statements are accurate and adequate
- To review the Company's internal control system and internal audit system ensuring their appropriateness and effectiveness
- To review and ensure that the Company's operations are in compliance with securities and stock exchange laws, the SET regulations, or other laws applicable to corporate businesses
- To consider, select and nominate the external auditor; and propose the external auditor's remuneration
- To review the Company's disclosure in case of related party transactions or transactions that may lead to any conflict of interest and ensure that the disclosed information is correct and complete
- To perform any duties as assigned by the Board of Directors and agreed upon by the Audit Committee, such as reviewing financial management and risk management policies, reviewing Management's compliance with business ethics, and reviewing with Management important reports to be presented to the public as prescribed by the law, i.e. Management's reports and analyses, etc.
- To prepare reports of the Audit Committee for disclosing in the Company's annual report in which shall be signed by the Chairman of the Audit Committee and consist of at least the following information :
  - Opinions on accuracy, completeness and reliability of the Company's Financial Statements
  - Opinions on adequacy of the Company's internal control system
  - Comments the Company's on compliance with laws on securities and the Stock Exchange of Thailand, the Set requirements, or laws applicable to the Company's businesses
  - Comments on suitability of the auditor
  - Comments on transactions that may lead to conflicts of interest
  - Numbers of the Audit Committee meetings and attendances of each of the Audit Committee members
  - Comments or overview observation which the Audit Committee has obtained from performing in compliance with the Charter
  - Any reports considered appropriate for notifying corporate shareholders and general investors under the scope, duties and responsibilities as assigned by the Board of Directors
- To report routine activities in order that the Board of Directors shall acknowledge the Audit Committee's activities as follows:
  - The Audit Committee's minutes of meetings clearly specifying the Committee's comments on different matters
  - The report on the Committee's opinions on corporate financial statements, internal audit and internal audit procedure
  - Any report considered appropriate for acknowledgement of the Board of Directors
- In performing its duties, should the Audit Committee find any doubtful transactions or conducts as shown below which may cause a significant impact to the Company's financial status and operating results, it should report to the Board of Directors for improvement and correction within time frames it deems appropriate:
  - Conflict of interest transactions
  - Any suspicion or presumption of corruption, abnormality, or fault which are significant in the internal audit system
  - Any suspicion that there might be non-compliance with securities and stock exchange laws, the SET regulations, or laws applicable to the Company's businesses. Should the Audit Committee report to the Board of Directors matters that significantly affect the Company's financial status and operating results, and discussion between the Committee and the Board of Directors on improvement and correction occurs, after the agreed due date, the Audit Committee finds that the matters have not been acted upon without any good reasons, one of the Committee's members may further report the finding to the Securities and Exchange Commission and the Stock Exchange of Thailand.
- In case that the auditor finds any doubtful acts committed by a director, manager or any person responsible for the Company's operations that might be non compliant with the law and reports to the Audit Committee the fact about such conducts for acknowledgement and prompt inspection, the Audit Committee shall then notify the outcome of preliminary inspection to the SEC, SET and the auditor within 30 days after being notified by the auditor report. Reporting of doubtful acts and the procedure to gain the facts on such acts shall be in line with the Capital Market Commission's regulations.
- To have authority to invite directors, Management, department heads or employees to discuss or answer the Audit Committee's inquiries



12. To review the scope of authority and responsibilities, and appraise the Audit Committee's performance on a yearly basis

The Audit Committee is required to hold at least four meetings a year and serve a two-year term.

## Nomination and Remuneration Committee

As of October 31, 2010, the Nomination and Remuneration Committee consists of:

- |    |                   |               |          |
|----|-------------------|---------------|----------|
| 1. | Pol. Gen. Boonpen | Bumpenboon    | Chairman |
| 2. | Mr. Pramoon       | Vichiensin    | Director |
| 3. | Ms. Duangdao      | Chinthammit   | Director |
| 4. | Mr. Karun         | Kittisataporn | Director |

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

### Scope of Duties and Responsibilities:

- Determine policies, regulations, and procedures for nomination of directors and executives including remunerations and other benefits in accordance with their responsibility, the operating results of the Company, the normal practices in the same industries and as indicated in the Board of Executive director's policy.
- Select and nominate qualified personnel to the Board of Director for consideration and appointment of directors, directors in committees, executives including other committees.
- Review and give recommendations to the Board of Director corresponding to the organization structure, size and members of the Board of Director.
- Develop guidelines for evaluating performance of directors and executives in order to determine appropriate annual remunerations corresponding to their duties, responsibilities, and risks.
- Supervise to disclose reports of the work of the Nomination and Remuneration Committee in the corporate annual report, commencing in 2008.

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

## Risk Management Committee

As of October 31, 2010, the Risk Management Committee comprises of:

- |    |              |                |          |
|----|--------------|----------------|----------|
| 1. | Mr. Somchat  | Chinthammit    | Chairman |
| 2. | Mr. Sitti    | Leelakasamelek | Director |
| 3. | Mr. Chalush  | Chinthammit    | Director |
| 4. | Mr. Worapatr | Todhanakasem   | Director |

The Chairman of the Risk Management Committee shall appoint the secretary of the Risk Management Committee.

### Scope of Duties and Responsibilities:

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

The Risk Management Committee is required to be held at least two meetings in a year.

## The Executives

As of 31 October 2010, the corporate top executives include:

- |    |                |                  |  |
|----|----------------|------------------|--|
| 1. | Mr. Chamroon   | Chinthammit      | President and CEO                              |
| 2. | Mr. Prapas     | Chutimavoraphand | Senior Vice President - Administration         |
| 3. | Mr. Pornsin    | Thaemsirichai    | Senior Vice President - Production & Technique |
| 4. | Mr. Sukhum     | Tokaranyaset     | Senior Vice President - Accounting & Finance   |
| 5. | Mr. Thawatchai | Rojanachotikul   | Senior Vice President - Administration         |
| 6. | Ms. Intira     | Sukhanindr       | Vice President - Business Development          |
| 7. | Ms. Duangdao   | Chinthammit      | Vice President - Human Resource                |

### Scope of Duties and Responsibilities of President and CEO:

- Decide on important matters related to the Company. Determine the corporate missions, objectives, guidelines, and policies. Supervise the overall work. Be responsible for the Board of Directors.
- Have the power to employ, appoint, and transfer personnel as necessary and appropriate to be the management or staff members for corporate operations. Define appropriate functions, responsibilities, and remunerations of employees. Have the power to dismiss, lay off, and discharge employees as appropriate.
- Have the power to determine business terms and conditions, such as credit limits, payment terms, trade agreements, and trade term changes.

4. Have the power to act and appear as a corporate representative to outsiders regarding affairs related and advantages to the Company.
5. Approve the appointment of advisors needed in the corporate operations.
6. Deal with affairs concerning the Company's general operations.
- The functions and responsibilities of President and CEO shall comply with legislation and the Company's regulations. The approval of President and CEO does not apply to approval of transactions that would allow President and CEO and related persons to have interest or cause conflict of interests affecting the Company and its subsidiaries.

**Table 1: A summary of approved financial amounts of transactions according to the Company's authorization manual**

Approved Financial Amounts for Important Transactions	BOD	EXC	PSD
1. Approval of purchasing and procurement done within a budget for each transaction	More than THB 500 Million	More than THB 500 Million	Not over THB 500 Million
2. Approval of purchasing and procurement done without a budget requested for each transaction	More than THB 300 Million	Not over THB 300 Million Reported to BOD	Not over THB 10 Million Reported to EXC
3. Approval of the sale of inventories, fixed assets, and scraps at a financial amount for each transaction (under approval of the scrap examination officers)	More than THB 500 Million	Not over THB 500 Million Reported to BOD	Not over THB 20 Million Reported to EXC
4. Approval of expenses which a budget has been requested as a total financial amount for each transaction	More than THB 500 Million	Not over THB 500 Million	Not over THB 20 Million
5. Approval of expenses which a budget has not been requested as a total financial amount for each transaction	More than THB 300 Million	Not over THB 300 Million Reported to BOD	Not over THB 10 Million Reported to EXC

- Note :
1. The power to approve the financial amounts mentioned is governed by legislation and regulations of the company, the Stock Exchange of Thailand and Securities, and Exchange Commission.
  2. BOD : Board of Director, EXC : Executive Board, PSD : President and CEO

Table 2: Number of Meeting Attended

No.	Name of Directors	Position	Board of Directors		Board of Executives Directors		Audit Committee		Nomination and Remuneration Committee		Risk Management Committee	
			Attend	Total	Attend	Total	Attend	Total	Attend	Total	Attend	Total
1	Mr.Manu	Leopairote	Chairman	5	5							
2	Mr.Chamroon	Chinthammit	Director	5	5	11	11					
3	Mr.Prapas	Chutimavoraphand	Director	5	5	11	11					
4	Mr.Pornsini	Thaemsirichai	Director	5	5	11	11					
5	Mr.Somchai	Chinthammit	Director	5	5	11	11					
6	Mr.Supasawn	Sukhanindr	Director	2	3	5	5					
7	Mr.Tarkarn	Chunharojrit	Director / Secretary	5	5	11	11					
8	Ms.Duangkae	Chinthammit	Director	5	5	11	11					
9	Ms.Duangdao	Chinthammit	Executive Director Nomination & Remuneration Committee	5	5	11	11		2	2		
10	Mr.Tachpong	Pakornsiriwongse	Director (*Position on July 1,10)	5	5	4	4					
11	Mr.Chatri	Chinthammit	Director	5	5	11	11					
12	Mr.Chalush	Chinthammit	Executive Director / Risk Management Committee	5	5	11	11				2	3
13	Mr.Sukhum	Tokaranyaset	Executive Director	5	5	10	11					
14	Mr.Thawatchai	Rojanachotikul	Executive Director	5	5	11	11					
15	Mr.Somchat	Chinthammit	Director / Chairman of Risk Management Committee	4	5						3	3
16	Mr.Pramoon	Vichiensin	Director / Audit Committee / Nomination and Remuneration Committee	5	5			4	4	2	2	
17	Pol.Gen.Boonpen	Bumpenboon	Director / Chairman of the Nomination & Remuneration Committee	5	5			4	4	2	2	
18	Mr.Sitti	Leelakasameleerk	Director / Chairman of the Audit Committee / Risk Management Committee	5	5			4	4		3	3
19	Mr.Karun	Kittisataporn	Independeng Director / Nomination & Remuneration Committee	3	3				1	2		
20	Mr.Warapatr	Todhanakasem	Independeng Director / Risk Management Committee	3	3						3	3
21	Ma.Nongluck	Phinainitisart	Independeng Director / Audit Committee	3	3		2	2				
22	Ms.Intira	Sukhanindr	Director	2	2	5	5					

## Selection of Directors and Management

On December 22, 2006, Board of director appointed 3 directors as a member of the Nominating and Remuneration Committee. Two of three members are company's independent directors. This committee has planed to determine policies, regulations, and procedures for nomination of directors in order to select and nominate qualified personnel to the Board of Director and shareholder for consideration in annual shareholder meeting on year 2008. However, the criteria

for consideration must be not less than the qualifications specified in Section 68 of The SEC ACT B.E. 2535 (including the revised version) and related announcements of the SEC. The election of directors is organized in line with the following Company's regulations:

1. The corporate Board of Directors consists of at lease four directors, which not less than half of the number of directors must reside in

the Kingdom. The directors must be qualified individuals who do not possess characteristics as prohibited by the laws.

2. The election of directors by the shareholder meeting is in line with the majority of votes, and the following regulations and procedure:

- (a) One vote per share is allowed for a shareholder
- (b) Shareholders vote for each individual nominated as a director. The number of vote(s) received by each nominee does not exceed the number of share(s) held by the particular voter, as specified in (a). The shareholder cannot allot any of their

share(s) to any other individual. Directors are those individuals receiving the highest votes. Should the individuals receive the same number of votes where only one place for a director remaining, the chairperson shall be granted the final vote.

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

#### Directors' and Executives' remuneration

##### Directors' Remuneration

The Company has specified remuneration for its directors with approval from the shareholder meeting on February 28, 2008 as follows:

	Not Exceed to The amount of THB per year	Actual Payment on Year 2008
1. Remuneration for Chairman of Board of Director	480,000 THB	480,000 THB
2. Remuneration for Chairman of Audit Committee	480,000 THB	480,000 THB
3. Remuneration for 19 directors* THB 25,000 per month per person + bonus (*There were originally 16 directors. + 3 new independent directors on March 1, 2010)	7,600,000 THB	7,000,000 THB
4. Meeting allowances for 11 executive directors attending (THB 500 per meeting per person)		
5. Meeting allowances for 3 audit committee, 3 nomination and remuneration committee, 3 risk management committee attending (THB 5,000 per meeting per person)		

\* Note, the directors' remuneration are not include the remuneration from subsidiary companies

## Remunerations for the Management

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

##### Remuneration in Cash

Table 3 : Remuneration for directory, paid in year 2010:

No.	Name of Director	Position in Board of Director	THB in Year 2009				THB in Year 2008			
			Remuneration Monthly	Bonus	Meeting Allowance	Total (THB)	Remuneration Monthly	Bonus	Meeting Allowance	Total (THB)
1	Mr.Manu Leoparote	Chairman	360,000.00	120,000.00	-	480,000.00	360,000.00	120,000.00	-	480,000.00
2	Mr.Chamroon Chinthammit	Executive director	300,000.00	100,000.00	5,500.00	405,500.00	300,000.00	100,000.00	5,500.00	405,500.00
3	Mr.Prapas Chutimavoraphand	Executive director	300,000.00	100,000.00	5,500.00	405,500.00	300,000.00	100,000.00	6,000.00	406,000.00
4	Mr.Pornsirin Thaemsirichai	Executive director	300,000.00	100,000.00	5,500.00	405,500.00	300,000.00	100,000.00	6,000.00	406,000.00
5	Mr.Supasawn Sukhanindr	Executive director	200,000.00	100,000.00	2,500.00	302,500.00	300,000.00	100,000.00	6,000.00	406,000.00
6	Mr.Somchai Chinthammit	Executive director	300,000.00	100,000.00	5,500.00	405,500.00	300,000.00	100,000.00	6,000.00	406,000.00
7	Ms.Duangkae Chinthammit	Executive director	300,000.00	100,000.00	5,500.00	405,500.00	300,000.00	100,000.00	6,000.00	406,000.00
8	Ms.Duangdao Chinthammit	Executive director	300,000.00	100,000.00	15,500.00	415,500.00	300,000.00	100,000.00	16,000.00	416,000.00

No.	Name of Director	Position in Board of Director	THB in Year 2009			THB in Year 2008				
			Remuneration		Meeting Allowance	Remuneration		Meeting Allowance		
			Monthly	Bonus		Monthly	Bonus			
9	Mr.Tachpong Pakornsiriwongse	Director	300,000.00	100,000.00	2,000.00	402,000.00	300,000.00	100,000.00	-	400,000.00
10	Mr.Tarkarn Chunharojrit	Executive director / Secretary	300,000.00	100,000.00	5,500.00	405,500.00	300,000.00	100,000.00	6,000.00	406,000.00
11	Mr.Chattri Chinthammit	Director	300,000.00	100,000.00	-	400,000.00	300,000.00	100,000.00	-	400,000.00
12	Mr.Chalush Chinthammit	Executive director	300,000.00	100,000.00	10,000.00	410,000.00	300,000.00	100,000.00	15,500.00	415,500.00
13	Mr.Sukhum Tokaranyaset	Executive director	300,000.00	100,000.00	5,000.00	405,000.00	300,000.00	100,000.00	5,000.00	405,000.00
14	Mr.Thawatchai Rojanachotikul	Executive director	300,000.00	100,000.00	5,500.00	405,500.00	300,000.00	100,000.00	6,000.00	406,000.00
15	Mr.Somchat Chinthammit	Director	300,000.00	100,000.00	10,000.00	410,000.00	300,000.00	100,000.00	10,000.00	410,000.00
16	Mr.Pramoon Vichiensin	Audit committee	355,000.00	120,000.00	30,000.00	505,000.00	360,000.00	120,000.00	30,000.00	510,000.00
17	Pol.Gen.Boonpen Bumpenboon	Audit committee	300,000.00	100,000.00	30,000.00	430,000.00	300,000.00	100,000.00	30,000.00	430,000.00
18	Mr.Sitti Leelakasamelurk	Audit committee	305,000.00	100,000.00	30,000.00	435,000.00	300,000.00	100,000.00	30,000.00	430,000.00
19	Mr.Karun Kittisataporn	Independent Director	200,000.00	-	5,000.00	205,000.00	-	-	-	-
20	Mr.Warapatr Todhanakasem	Independent Director	200,000.00	-	10,000.00	210,000.00	-	-	-	-
21	Ma.Nongluck Phinainitisart	Independent Director	200,000.00	-	10,000.00	210,000.00	-	-	-	-
22	Ms.Intira Sukhanindr	Executive director	100,000.00	-	2,500.00	102,500.00	-	-	-	-
	Total		6,120,000.00	1,840,000.00	201,000.00	8,161,000.00	5,520,000.00	1,840,000.00	184,000.00	7,544,000.00

Note : Remunerations for directors are not include the remuneration for subsidiaries.

#### Remuneration for executives in the past year:

Remuneration for 7 executives (listed as corporate top executives on Page 10\*) include salaries, bonuses and allowances amounted to THB 20.4 million.

#### Other Remunerations

-None-

## Corporate Governance

The Board of Directors considers the importance of corporate governance and understands its functions, duties, and responsibilities to the Company, shareholders and stakeholders, as well as observes the Stock Exchange of Thailand's Code of Best Practice for the Director's of Listed Companies as follows:

#### Rights of Shareholders and Equitable Treatments of Shareholders

The Company always respects rights of its shareholders: basic shareholder rights as prescribed the law, ownership right through appointment of the Board of Directors, and other rights as appropriate. The Company takes care of its shareholders more than legal requirements, such as provision of information, news, updates through the corporate website. Important news for shareholders is notified by letters. Shareholders are welcome to visit the Company by request. The followings are a summary of the Company's important practice:

1. The Company provides shareholders, prior to a meeting, with information on the date, time, venue, and all agenda items concerning issues to be decided. A notice of a meeting and support documents are sent to corporate shareholders at least 7 days in advance. The notice for the 2009 shareholders meeting was posted on the Company's website so that shareholders could study all the information prior to receiving the notice in documentation.
2. The Company's website where corporate shareholders and those interested may download corporate financial information, corporate profiles, and meeting information is [www.kslsugar.com](http://www.kslsugar.com). Inquiries and requests for further information may be e-mailed to [ir@kslgroup.com](mailto:ir@kslgroup.com).
3. The Company facilitates and encourages its shareholders to exercise their rights and votes. There are two closing times of the transfer book. The transfer book is closed for shareholders' right to attend a shareholders meeting, allowing the shareholders to consider and approve the annual dividend payment. The book is closed again for shareholders' right to receive dividends, allowing the shareholders to choose whether they will hold the stocks for the dividends or not. Shareholders meetings are organized at convenient venues. The Company has chosen to hold annual general meetings at hotel in the middle of Bangkok, near the Company's head office. The meetings are notified in newspapers. Shareholders can register about one hour prior to each meeting. Should a shareholder not be able to physically present at a meeting, they may appoint their proxy or an independent director as their proxy to attend and vote in the meeting.

4. The Company held the Annual General Meeting 1/2010 on February 26, 2010, where all 18 directors were present. Corporate shareholders were given opportunities to directly inquire the corporate directors and committees. The Company does not deprive its shareholders of access to corporate information. All important information, for instance, is included in distributed notices without any last-minute addition of agendas or changes in important matters. Shareholders who arrive late are always allowed to attend meetings.
5. The Company allows its shareholders to propose matters to be included in a meeting's agenda, prior to the meeting, with requirements and procedures. For instance, there shall be at least 2,000,000 shares held, in which the share holding does not exceed 5% of paid-up registered capital. A meeting agenda is presented in detail. Criteria for approving or rejecting proposed matters as part of meetings' agendas are stated clearly. There are channels and periods of time for accepting shareholders' proposals. After proposals are accepted, the Board of Directors' meeting will consider and select the proposals. Shareholders will be informed about the Board's meeting resolutions and reasons in detail regarding the proposals through the Company's website. In 2010, corporate shareholders did not propose any additional matters to be included in the shareholders' meeting agendas. Moreover, the Company encourages its shareholders to electronically submit the Board their inquiries related to shareholders' meeting agendas via its website prior to shareholders' meeting dates.
6. The Company has facilitated nomination of candidates for corporate directors by shareholders. Guidelines for the procedure and criteria have been provided. For instance, registered mail can be used for shareholders' submission of their nominations to the Company's Secretarial Division. Periods of time for accepting shareholders' director nominations are defined. Forms for nominees' profiles are provided. The procedure for nominees' declaration of their consent is explained. Detailed information regarding the nomination is posted on the Company's website. After nominations are accepted, the board of directors' meeting will consider the nominations. However, up to the present there has been no nomination from corporate shareholders.
7. The Company provides information on a shareholders' meeting for its shareholders on the corporate website. Hard copies of the same information are also sent to corporate shareholders. Shareholders' meeting notices and support documents are sent to shareholders at least 14 days in advance.
8. In the annual shareholders meeting notice, the Company informed its shareholders about rules and procedure of attending the shareholders' meeting. It nominated corporate independent directors: Mr. Pramoon Vichiensin and Mr. Sitti Leelakasamelurk as the shareholders' proxies. Shareholders were provided with standard proxy forms for indicating their opinions in voting.
9. Agenda of the 2009 annual shareholders' meeting notice covered appointments of directors, consideration of directors' remuneration, appointment of an independent auditor and determination of their remuneration, dividend payment, and other important matters, such as the issuance and offering of the Company's warrants, and allocation of new ordinary shares. Necessary information for shareholders' decision was presented.
10. In the 2009 AGM, the Chair informed corporate shareholders about procedures relevant to the meeting including voting procedure. The shareholders were given opportunities to express their opinions and ask questions. There were inquiries about the Company's financial statements and operating results. In director appointment, the shareholders voted on each nominated director. Voting cards were used in case of disagreement over the meeting agenda. The meeting was recorded on video.
11. In minutes of the 2009 Annual General Meeting, names of all the directors physically present/absent were shown. All corporate directors were present. Summaries of clarifications, questions, answers, opinions, the voting procedure, and the vote count procedure were provided. Regarding disagreement, the meeting resolution was presented along with the total of votes in favor/against and no vote. The minutes were posted on the corporate website within 14 days after the AGM.
12. Regarding the use and protection of inside information, the Company has established measures to prevent the use of inside information by directors, management, and employees for abusive self-dealing.
13. The Company requires that a director shall not operate or have any position in any ordinary partnership, or be a general partner in limited partnership, or be a director in any other limited company or public company limited that operates businesses of the same nature and that is the Company's direct and indirect competition, unless the information about their position(s) is disclosed to the shareholders' meeting before the appointment. Directors shall inform the Company immediately about their direct and indirect conflicts of interest arising in any corporate contracts done between fiscal years, or due to change in their acquisition of shares or debentures of the Company or its subsidiaries between fiscal years. The Company encourages its directors, Management and those related to the Board to disclose information about their interests as part of the Board's meeting agendas. Directors who have interests in any issues being considered are not allowed to vote on those particular issues.

#### Role of Stakeholders

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

**Rights of shareholders:** They are defined in "Rights of Shareholders and Equitable Treatments of Shareholders" section.

**Rights of employees:** The Company respects its employees' legal rights according to the Labor Protection Act and related laws. It ensures fair and equal treatment for all employees regardless of their ranks, nationalities, religious beliefs, and gender. Employees are entitled to benefits according to their positions without discrimination. For transparency and fairness in employees' promotions and pay raises, the Company has established a committee comprising of Management of different departments. To support its growth, the Company encourages its employees' knowledge and skill development through in-house and outside training. Provident fund has been set for corporate employees' security. The Company upholds Thai Labor Standard 8001-2546 on human rights and social responsibility. It was given full and highest accreditation by the Department of Labor Protection and Welfare, Ministry of Labor, with the Thai Labor Standard (TLS: 8001-2546).

**Rights of customers:** Apart from customers' rights specified in contracts, the Company cares about their satisfaction. Follow-up and customer satisfaction evaluating systems have been established. Follow-ups and satisfaction evaluations are done periodically in line with ISO 9001: 2000 GMP and HACCP. The aim is to promote long-term relationships between the Company and customers.

**Rights of trading partners:** Most of the Company's relationships with its trading partners are in the form of joint ventures. The Company always respects its trading partners' legal rights and rights as specified in joint venture agreements. It adheres to integrity, equality, and rights of benefits corresponding to their investments.

**Rights of creditors:** The creditors' rights specified in trade agreements are respected. The Company has earned trust among its creditors from ethical operations. Information and updates concerning the Company and its financial status are provided for the Company's creditors.

**Rights of the community and environment:** The Company has always been responsible to the society and environment. It strictly complies with applicable laws, such as environmental and factory laws. The Company collaborates with the government sector and agencies, helps developing public infrastructure, provides financial supports, and promotes social activities that bring understanding and sustainable development to the community. For instance, the Company undertook the reforestation project in Sa Kaeo Province based on His Majesty's self-sufficiency economy philosophy. KSL Group also made a financial donation to support the construction of Bodhiwitalai College, in Sa Kaeo Province. In addition, the Company participated in a forestation project in Kanchanaburi Province, mangrove tree planting in Samutsongkram Province and sea turtle release at the Sattahip Naval Base, Chonburi Province. Donation of funds and supplies have been made to various temples and schools. For projects that may have a potential impact on the community and environment, the Company conducts public hearings and tries to minimize those effects. Specific

procedures have been set for environmental and social factor studies, minimizing environmental and social impact, along with feasibility studies. Prior to commencing its power plant project in Bo Ploy, Kanchanaburi Province, the Company had conducted public hearings and analyses of impacts on the community and environment.

The Company always realizes the importance of all groups of stakeholders as mentioned. It also values all suggestions, opinions, and comments that enable development, improvement and correction of the corporate operations. All stakeholders can contact the Company to report improper incidents, complain, request for clarifications or correction, or make any suggestions via email: [ia@kslgroup.com](mailto:ia@kslgroup.com) or faxing the internal audit office at 02-6426092. In the previous year, there was no wrongdoing reported to the Company.

#### Disclosure of Information and Transparency

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

1. Annual statements (Form 56-1) and annual reports are disclosed through the SET channels and corporate website, [www.kslsugar.com](http://www.kslsugar.com). There are also updates related to the Company and the industry posted on the website to facilitate decision-making of those involved.
2. In the previous year, the Company's disclosure of information and transparency were approved by the Securities and Exchange Commission and the Stock Exchange of Thailand, as its practice was in accordance with disclosure requirements. Effectiveness of the corporate information disclosure procedure was evaluated by outsiders.
3. In the 2009 annual report, the Company disclosed additional information including duties of the Board of Directors and committees, the director and executive remuneration policy, summarized corporate governance policy, environmental and social policies, the Company's compliance with established policies, summarized business ethics, and directors' training background were disclosed.
4. A statement of the Board of Directors' responsibilities for the Company's financial statements is provided along with the auditor's report in the corporate annual report. The contents include the certification that the Company's financial statements are fairly presented in accordance with generally accepted accounting principles and regulations, and that the financial statements are accurate, complete, and true according to accounting standards. The statement is signed by the Board Chairman and Managing Director.
5. Contents of the Company's website consist of organizational information, shareholding structure, the Board structure, vision/missions, businesses and products, corporate governance policies and compliance results, business ethics, information for investors,



environmental and social policies, annual reports, financial statements, news and updates in both Thai and English.

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

1. Mr. Chanachai Chutimavoraphand  
Telephone: 02-642-6230, ext. 294  
Email: [chanachai@kslgroup.com](mailto:chanachai@kslgroup.com)
2. Mr. Chalush Chinthammit Telephone: 02-642-6230, ext. 291  
Email: [chalush=@kslgroup.com](mailto:chalush=@kslgroup.com)

To promote understanding about the Company's businesses and distribution of the information to interested investors, the Company has produced an annual investor relations plan; quarterly analyst meetings are held at corporate conference room. Meetings are organized for reporting the Company's operating results at the Stock Exchange of Thailand in order to provide opportunities for small investors to access corporate information and ask questions about the operating results and progress of corporate projects.

For foreign investors, the Company collaborated with securities companies and financial analysts to prepare for various road shows presenting its operating results and project progress. In the previous

year, the Company attended conferences presenting corporate operating results and progress in the United States and the United Kingdom in conjunction with the Stock Exchange of Thailand, and in Singapore and Hong Kong in conjunction with a securities company. Visits to the Company have been arranged for domestic and foreign investors. Appointments can be made in advance with the Company's investor relations team.

#### Responsibilities of the Board of Directors

1. The structure of the Board originally consisted of 18 directors. Three independent directors were added to the structure. Currently, the Board comprises of 21 directors. The number of independent directors accounts for one third of the total number of directors, which is a good ratio. The structure is suitable for supporting growth of corporate projects in the future. Of the 21 directors, 7 are independent directors of which one is the Chairman of the Board but not the Managing Director. The Company's Board of Directors possesses skills and expertise in various fields, such as accounting, finance, law, governance, production technology, personnel, purchasing, marketing, real estate, internal audit, and information technology. Detailed profiles, qualifications, experiences, and ownership of directors are included in Form 56-1.

**Table 4 : Category of Directors**

No.	Name of Directors		Category of Director			
			Representative Shareholders	Non Executive Director	Director	Executive Director
1	Mr.Manu	Leopairote		/	/	
2	Mr.Chamroon	Chinthammit	/			/
3	Mr.Prapas	Chutimavoraphand	/			/
4	Mr.Pornsini	Thaemsirichai	/			/
5	Mr.Somchai	Chinthammit	/			/
6*	Mr.Supasawn	Sukhanindr	/			/
7	Mr.Tarkarn	Chunharojrit	/			/
8	Ms.Duangkae	Chinthammit	/			/
9	Ms.Duangdao	Chinthammit	/			/
10	Mr.Tachpong	Pakornsiriwongse	/			/
11	Mr.Chatratri	Chinthammit	/	/		
12	Mr.Chalush	Chinthammit	/			/
13	Mr.Sukhum	Tokaranyaset	/			/
14	Mr.Thawatchai	Rojanachotiku	/			/
15	Mr.Somchat	Chinthammit	/	/		
16	Mr.Pramoon	Vichiensin		/	/	
17	Pol.Gen.Boonpen	Bumpenboon		/	/	
18	Mr.Sitti	Leelakasamelurk		/	/	
19*	Mr.Karun	Kittisataporn		/	/	
20*	Mr.Warapatr	Todhanakasem		/	/	
21*	Ma.Nongluck	Phinainitisart		/	/	
22*	Ms.Intira	Sukhanindr	/			/
	Total		15	9	7	13

Note: Mr. Supasawn Sukhanindr resigned as director on June 30, 2010.

No.19-21 in the position since March 1, 2010

No.22 in the position since July 1, 2010



Although the current number of independent directors is less than 1/3 of the total of directors, the Company believes that it is quite appropriate. Each of the directors has leadership, vision, independent decision, and a balance of power proportionate to the ownership of each group. Increase in the number of independent directors could result in the total of corporate directors being too large in which flexibility might be lacking.

2. The nomination and remuneration committee has determined that an independent director: (1) must possess an amount of shares that does not exceed 0.5% of the total of voting shares; (2) must not involve in corporate management and must not be an employee or advisor including an audit advisor, a legal advisor, or any other type of advisor receiving salary, or a person with controlling power over the company, its subsidiaries and associates, or a person who may have conflicts of interest or may hold a stake in that manner not less than 2 years; (3) must not have any business relationship, interest or stake both direct and indirectly; (4) must not be a close relative or have other type of relationship with management and major shareholders that might result in lack of independence. Such requirements, which are stricter than other general requirements, have been approved by the Company's board.
3. It is required that during the annual general meeting, one third (1/3) or close to one third of corporate directors resign. Each director's term is about three years. In case that the Board serves until the end of its term and the new Board has not yet been appointed, the former Board still continues to work until the new Board has been appointed. The Company has not determined how many terms the Board can consecutively serve. The Nomination and Remuneration Committee is considering this matter in relation to feasibility of selecting personnel with experience specific to the Company's business to serve in the Board.
4. The Board of Directors has established the following committees: the Audit Committee, the Nomination and Remuneration Committee, and the Risk Management Committee, as well as defined their functions and responsibilities. For transparency and independence in the work, the majority of the committee members are independent directors, and chairs of the committees are independent directors. To maintain true independence of the corporate committees, the Chair of the Board is not the chair or a member of those committees. The committees serve 2 years. In case that a committee serves until the end of its term and a new committee has not yet been appointed, the former committee still continues to work until a new committee has been appointed. At the end of their term, if a director is not re-elected, their position in their current committee shall end automatically. If there is a new director in a committee, that director shall remain in the position as long as the committee's term.
5. The board requires that a director must not operate or have any position in any ordinary partnership, or be a general partner in limited partnership, or be a director in any other limited company

or public company limited that operates businesses of the same nature and that is the Company's direct and indirect competition, unless the information about their positions is disclosed in the annual general meeting before the appointment. The requirement is applied to corporate executives as well. None of the corporate directors serves as directors of more than 5 listed companies.

6. Roles, functions and responsibilities of the Board of Directors and committees as stated in 9.11 - 9.15, clearly differentiate authority and duties of the Board of Directors, the Audit Committee, the Board of Executive Directors, the Nomination and Remuneration Committee, the Risk Management Committee, and Management. Guidelines for approving important transactions are provided (Table 1). The Company has additional requirements as follows:

**The Audit Committee:** Qualifications of the Audit Committee are in line with relevant SET requirements. All the Audit Committee members are independent directors. Mr. Sitti Leelakasamelurk, one of the members, possesses sound knowledge, understanding, professional experience in accounting and finance. In 2010, the committee had 4 meetings, and reports on their work were regularly completed.

**The Nomination and Remuneration Committee:** The Company required that the Remuneration Committee and Nomination Committee be combined. The Chairperson and the majority of the committee members shall be independent directors. Directors serve in this committee have expertise in several fields, such as governance, law, and human resource management. In 2010, the Nomination and Remuneration Committee had 2 meetings, and reports on their work were regularly completed.

**The Risk Management Committee:** The Board requires most of the Risk Management Committee members and the Chairperson to be independent directors. Directors serve in this committee have expertise in several fields, such as accounting and finance, management, investment, and corporate businesses. In 2010, the Risk Management Committee had 3 meetings, and reports on their work were regularly completed.

7. The Company's vision, missions, strategies, goals, business plans, budgets, internal control, internal audit, and risk management have been governed with effectiveness and efficiency. The current corporate vision has been reshaped from being a sugar manufacturer to a producer of alternative energy which is environmentally friendly. The new vision is based on the idea that sugar is an energy source for human beings. Ethanol fuels automobiles. Fertilizer nourishes plants. Electricity energizes appliances. Corporate investments are in line with such vision.
8. The board has established corporate governance policy as follows: "The Company is committed to corporate governance to build trust among shareholders, employees, and customers, as well as

to create sustainable competitive advantage. It emphasizes internal control, internal audit, and risk management, as well as ensures that managements implement policies effectively in compliance with legislation and business ethics." The policy has been communicated throughout the Group. The Company ensures that its personal understands and complies with the corporate governance. The work and corporate policies are always evaluated and reviewed as indicated in Corporate Governance.

9. The board has set a written ethics and codes of business conduct for the Company's directors and employees, which cover key matters, such as honesty, integrity, conflicts of interest, and compliance with laws. Compliance to the codes is monitored, and penalties are defined. Each year the Company's human resources department evaluates, reviews, and revises the codes of conduct.
10. Conflicts of Interest Prevention, The board of directors thoroughly considers and deals with transactions with (potential) conflicts of interest. The audit committee considers related-party transactions according to the SET legislation and procedure. Stakeholders in transactions are not allowed to decide on those particular transactions, which are fully and accurately disclosed in annual reports and from 56-1.
11. Efficient Administrations and Internal Control, the Company's internal control unit has been formed to ensure effective operations, accurate and reliable information, compliance with legislation, efficient and effective use of corporate resources, and protection and corporate assets. The corporate internal audit provides analyses, audits, evaluations, advice, and recommendations to support corporate activities. The audit committee independently reviews and audits adequacy and efficiency of the Company's internal control and internal audit once a year. The opinions on the corporate internal control system are included in the annual report.
12. Risk Management, the risk management committee engages in establishing the total risk management. Adequacy and efficiency of the Company's risk management system will be reviewed at least once a year. The early warning system will be in place for irregularity scanning.
13. The board of director sets at least 4 board meeting every 3 months, and 1 additional meeting one month before annual shareholders' meeting, each director of the board is notified in advance. For the flow of the Company's operations, there are monthly executive meetings where the board entitles the meeting to make decisions. In every board meetings, the board of directors is informed about matters that have been approved by the Company's executive meeting to ensure that the board is able to supervise, control, and monitor the work of managements on a regular basis.

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

The board's secretary sends meeting documents to each director in advance of the meeting date. The documents are concise. Confidential issues that cannot be disclosed in writing or prior to the meetings are brought to be discussed during the meetings.

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

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

In 2010, the board evaluated its works according to the applicable SET evaluation criteria. Also, there were evaluations of directors in groups and individually. The board considered the evaluation results and put forward recommendations for improvement.

#### 14. Directors' Remunerations

The board of directors determines clear policies and guidelines for payment of directors' remunerations. For transparency, the remunerations are proposed to shareholders annually. They are adequate and motivational so that the Company is able to keep highly qualified directors. Directors serving in committees receive appropriate remunerations corresponding to more duties and responsibilities. Remunerations are divided into 3 categories:

- 1) Regular remunerations are paid to non-executive directors monthly with/without board meetings. There are 2 rates; chair of the board of directors and chair of the audit committee each receives Baht 30,000 per month. A director receives Baht 25,000 per month.

- 2) Meeting remuneration for a director serving in the board of directors attending a board meeting is Baht 500 a meeting. There are 12 boards of directors meetings in a year. Meetings of committees are held only if necessary, and a member gets paid Baht 5,000 a meeting.
- 3) Annual extra remunerations paid to directors in accordance with the corporate annual operating results.

#### 15. Managing Director's Remuneration

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

#### 16. Directorships and Executive Development

The Company has provided training and human resources development programs for all of its personal through internal and external training. It allows the board to participate in its operations and ventures. Corporate directors and executives have participated in training courses organized by accredited institutions, such as Chairman, DAP and DCP courses by Thai Institute of Directors (IOD), basic courses for the audit committee, courses offered at the Stock Exchange of Thailand, and cutting-edge management courses offered by other professional institutions.

Corporate directors are required to complete training and orientation providing important knowledge and skills that are crucial for their directorships. Once there are business expansions or new ventures, the Company invites corporate directors to visit the sites and monitor the progress regularly. This is to enhance confidence among shareholders.

#### 17. Succession Plans

The corporate board of director realizes that succession plans become necessary in case the managing director or top executives are not able to work. To ensure readiness for the circumstance, the Company has prepared its human resources to be able to take on different responsibilities assigned in order to appropriately

cover for their colleagues or fulfill their new positions. Executives are given opportunities to learn about the work outside their fields. This is to enable them to fill in assignments for their colleagues who are unable to take on the responsibilities. The board of directors has assigned the nomination and remuneration committee to research and coordinate with accredited consulting firms and professional institutions during development and revision of succession plans.

### Supervision of Use of Inside Information

The Company prohibits its directors and the Management from using inside information concerning important matters including trading of securities before publication for personal gains. Preventive measures against the use of inside information by the directors and the management are as follows:

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

## Personnel

Information concerning the Company's personnel as of October 31, 2010 is as follows:

	Consolidated		The Company Only	
	2010	2009	2010	2009
Average Number of Employees (Persons)				
During Production Season	3,969	5,395	1,052	1,358
During Normal Period	2,703	3,142	1,017	1,022
Expenses Related to Employees (Million THB)	822.20	760.81	253.02	249.66

As of 31 October 2010, the Company had no significant labor disputes that may have a potential negative impact on its operations

## Personnel Development Policy

The Company has always valued its human resources. Policies on continuous training and human resource management have been established. The aims are to help employees reach their potential, ensure effectiveness at work, and allow them to grow in their fields. All employees are required to receive training that is inline with the Company's direction and strategies. Training is well planed and always financially supported by the Company.

In the past year, the Company spent over THB 600,000 on training for all levels of employees. It is committed to promote life-long learning among the personnel, provide communications to disseminate knowledge, and act as resources for learning among personnel. A knowledge management system has been collaboratively established in the organization.

The Company collaborated with the Natural Agriculture Foundation to establish KSL River Kwae Natural Agriculture Center, Kanchanaburi Province, to provide resources facilitating the training on "Self-sufficiency economy" for Management, employees, farmers, and strategic partners. The training creates understanding in the philosophy, its application,

and balanced living.

KSL also applied to be part of "Ton-gla Archeep Project", providing training in job development, new agricultural theories, and the self-sufficiency economy way of life for villagers and unemployed members of communities nearby. The training enables them to have jobs in their hometown as well as promotes development of jobs in self-sufficient agriculture. This agricultural practice allows them to reduce dependency on chemicals in cultivation, which benefits the ecological system, revives the environment, and creates sustainable relationships between people and nature.

It is the Company's determination to support human resource development in the organization and the country. This is evidenced by the fact that it provides internship opportunities for students during their semester breaks. The internship also serves as a way to develop and recruit the right people to support the Company's operations and the nation in the future.

## Detail summary of the Board of Directors On Oct 31, 2010

Name/Position	Education Background	% of share holding	Work experience	
			Position	Company/Type of Business
1. Mr.Manu Leoparote - Chairman	- BBA in Economics (Honor), Thammasat University - M.Sc.(Economics) (Honor), University of Kentucky, USA - Diploma Development of Industry, Nagoya Training in Japan - Honorary Degree of Doctor of Business Administration, Thammasat University, Thailand - Diploma, National Defence College (34) - Diploma, Chairman 2000 (3/2001) - Director Certification Program (DCP) (30/2003)	-	- Chairman  - Chairman  - Chairman of the Audit Committee - Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - SME Bank - PTT PLC. - PTT Exploration and Production PLC. - Sherwood Chemical PLC. - Thai Oil PLC.  - Thai Oil Power Co., Ltd.
2. Mr.Chamroon Chinthammit - President and CEO	- BBA in Business Administration (Honor) Chulalongkorn University - Director Accreditation Program (DAP) (17/2004) by IOD - Chairman 2000 10/2004 by IOD	2.072	- President and CEO  - Chairman  - President   - Director - Executive Officer	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - The Federation of Thai Industry - Khon Kaen Alcohol Co., Ltd - Khon Kaen Sugar Power plant Co., Ltd. - KSL Chemicals Co., Ltd. - KSL Agro and Trading Co., Ltd - Savannakhet Sugar Corporation - Koh Kong Sugar Industry Co., Ltd. - Raja Solar Material Co.,Ltd. - Thai Listed Company Association - Thai Sugar and Bio Energy Producers Associate
3. Mr.Prapas Chutimavoraphand - Director and Executive Director - Senior Vice President Administration	- Vocational Certificate, Chonradadornumrung School - Director Accreditation Program (DAP) (17/2004) by IOD	0.656	- Director and Senior Vice President - Director - President and CEO  - Managing Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - Khon Kaen Sugar Power Plant Co.,Ltd. - Thai Sugar Terminal PLC. and affiliate companies - On Nuj Construction Co.,Ltd.
4. Mr. Pornsin Thaemsirichai - Director and Executive Director - Senior Vice President Production & Technique	- B.Eng. in Civil Chulalongkorn University - Master of Science, Engineering North Dakota State University, USA. - Master of Business Administration, The University of Southern Queensland, Australia - Director Accreditation Program (DAP) (18/2004) by IOD	1.441	- Director and Senior Vice President - President - Managing Director   - Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - Koh Kong Plantation Co., Ltd. - Khon Kaen Sugar Power Plant Co.,Ltd. - Khon Kaen Alcohol Co.,Ltd. - KSL Chemicals Co.,Ltd. - Savannakhet Sugar Corporation - Koh Kong Sugar Industry Co.,td. - Sahamit Machinery PLC.
5. Mr. Somchai Chinthammit - Director and Executive Director - Assistant Vice President	- Diploma, Computer College, Germany - Certificate Mini MBA., Thammasat University - Director Accreditation Program (DAP) (17/2004) by IOD	3.880	- Director and Assistant Vice President - Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - Khon Kaen Alcohol Co.,Ltd. - Khon Kaen Sugar Power Plant Co.,Ltd. - Thai Sugar Terminal PLC. and affiliate companies
6. Ms. Duangkae Chinthammi - Director and Executive Director - Assistant Vice President CEO office	- Diploma from KATINKA School, England - Certificate Modern Managers Program (MMP), Chulalongkorn University - Director Accreditation Program (DAP) (17/2004) by IOD	2.26	- Director and Assistant Vice President - Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - Sub Sri Thai Warehouse PLC.

Name/Position	Education Background	% of share holding	Work experience	
			Position	Company/Type of Business
7. Ms.Duangdao Chinthammit - Director and Executive Director - Vice President Human Resources - Nomination and Remuneration Committee	- Master of Science, Agricultural Economics, University of Saskatchewan, Canada - Bachelor of Science, Computer Information System, Western Michigan University, USA. - BBA in Business Administration, Kasetsart University - Director Accreditation Program (DAP) (17/2004) by IOD	2.27	- Director and Vice President - Director	- Khon Kaen Sugar Industry PLC Affiliate of KSL Sugar Factories - Sub Sri Thai Warehouse PLC. - KSL Chemicals Co., Ltd. - KSL. Agro and Trading Co., Ltd. - KSL Real Estate Co.,Ltd. - On Nuj Construction Co.,Ltd.
8. Mr.Tachpong Pakornsriwongse - Director and Executive Director	- Certificate in Financial Management, Chulalongkorn University - Director Accreditation Program (DAP) - Director Accreditation Program (DAP) (21/2004) by IOD	0.004	- Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories
9. Mr.Trakarn Chunharojit - Director and Executive Director - Company Secretary	- Certificate in Accounting - Director Accreditation Program (DAP) (17/2004) by IOD	0.333	- Director  - Executive Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - Khon Kaen Alcohol Co.,Ltd. - Khon Kaen Sugar Power Plant Co.,Ltd. - KSL Chemicals Co.,Ltd. - KSL. Agro and Trading Co.,Ltd. - Chengteh Chinaware Co.,Ltd.
10. Mr. Chatri Chinthammit - Director	- BBA in Economics, University of The Thai Chamber of Commerce - Master of Science, Computer Science, Bellevue University, USA. - Director Accreditation Program (DAP) (21/2004) by IOD	1.39	- Director  - Computer System Development manager	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - KSL IT Center Co.,Ltd.
11. Mr.Chalush Chinthammit - Director and Executive Director - Assistant Vice President Business Development - Risk Management Committee	- BBA in Finance and Banking, Assumption University - MBA in Finance and Banking Mercer University, USA. - Director Accreditation Program (DAP) (21/2004) by IOD	1.438	- Director and Assistant Vice President - Director  - Deputy Secretary General	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - Khon Kaen Alcohol Co.,Ltd. - Khon Kaen Sugar Power Plant Co.,Ltd. - KSL Chemicals Co.,Ltd. - KSL. Agro and Trading Co.,Ltd. - Savannakhet Sugar Corporation - Koh Kong Plantation Co.,Ltd. - Koh Kong Plantation Co., Ltd. - Koh Kong Sugar Industry Co., Ltd. - Thai Sugar Terminal PLC. and affiliates companies - Thai Sugar and Bio Energy Producers Associate
12. Mr. Sukhum Tokaranyaset - Director and Executive Director - Senior Vice President Accounting & Finance	- Vocational Certificate , Kitti Commerce College - Director Accreditation Program (DAP) (18/2004) by IOD	1.73	- Director and Senior Vice President - Director  - Executive Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - KSL Export Trading Co.,Ltd. - Chengteh Chinaware Co., Ltd. - Thai Fermentation Industry Co., Ltd. - KSL. Agro and Trading Co., Ltd. - Koh Kong Sugar Industry Co., Ltd. - KSL Real Estate Co.,Ltd. - Champion Fermentation Co.,Ltd. - Raja Solar Material Co, Ltd.

Name/Position	Education Background	% of share holding	Work experience	
			Position	Company/Type of Business
13. Mr. Thawatchai Rojanachotikul - Director and Executive Director - Senior Vice President - Administration	- BBA in Business Administration, Auckland Technical institute, New Zealand - Director Accreditation Program (DAP) (17/2004) by IOD	1.80	- Director and Senior Vice President - Director  - Director/ Assistant Managing Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - Savannakhet Sugar Corporation - KSL Agro and Trading Co., Ltd. - Chengteh Chinaware Co., Ltd. - KSL Export Trading Co., Ltd. - Thai Fermentation Industry Co., Ltd.
14. Mr. Somchat Chinthammit - Director - Chairman of the Risk Management Committee	- B.Eng in Mechanical, King Mongkut's University of Technology Thonburi - MIM in Marketing, Thammasat University - MBA./Marketing, Chulalongkorn University - Director of Accreditation Program (DAP) (17/2004) by IOD - Directors Certification Program (DCP) (55/2005) by IOD - Audit Committee Program (ACP) (8/2005) by IOD	0.509	- Director  - Chairman of the Risk Management Committee - Independent Director	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - Khon Kaen Sugar Industry PLC. - UOB Kay Hian Securities (Thailand) PLC.
15. Mr. Pramoon Vichiensin - Independent Director - Audit Committee - Nomination and Remuneration Committee	- LL.B., Thammasat University - Certificate in Executive Development from NIDA - Director of Accreditation Program (DAP) (11/2004) by IOD - Certificate in Audit Committee Program (ACP) (10/2005) by IOD - Improving The Quality of Financial Reporting (GFR) (4/2006) by IOD	-	- Chairman of the Audit Committee - Nomination and Remuneration Committee - Qualify person in Law - Advisor on President - Sub-committee	- Khon Kaen Sugar Industry PLC.  - Bangkok Metropolitan Administration - The Constitutional Court - Office of The National Counter Corruption Commission
16. Pol.Gen. Boonpen Bumpenboon - Independent Director - Audit Committee - Chairman of the Nomination and Remuneration Committee	- LL.B., Sukhothai Thammathirat University - BBA in Public Administration, Royal Police Cadet Academy - Diploma, National Defence College (37) - MPA./ Public Administration, NIDA - Director Accreditation Program (DAP) (11/2004) by IOD	-	- Audit Committee - Chairman of the Nomination and Remuneration Committee - Deputy Commissioner - General - Board of Police Commissioner - Council of State	- Khon Kaen Sugar Industry PLC.  - Royal Thai Police - Office of the Council of State
17. Mr. Sitti Leelakasamelek - Independent Director - Chairman of the Audit Committee - Risk Management Committee	- BA in Accounting, Chulalongkorn University - Director Accreditation Program (DAP) (11/2004) by IOD	-	- Chairman of the Audit Committee - Risk Management Committee - Executive Vice President (Support Line1 ) - Director	- Khon Kaen Sugar Industry PLC.  - Noble Development PLC.  - Continental City Co., Ltd. - Research and Consultant Co., Ltd. - Playground Store Co., Ltd.
18. Mrs. Intira Sukhanindr - Director and Executive Director - Vice President - Business Development	- Certificate of Secretary, Melbourne, Australia - Director Accreditation Program (DAP) (50 / 2006) by IOD	0.562	- Vice President  - Director  - General Manager	- Khon Kaen Sugar Industry PLC. Affiliate of KSL Sugar Factories - Thai Fermentation Industry Co., Ltd. - Sub Sri Thai Warehouse PLC. - KSL Agro and Trading Co., Ltd. - KSL Export Trading Co., Ltd.



Name/Position	Education Background	% of share holding	Work experience	
			Position	Company/Type of Business
19. Mr. Karun Kittisataporn - Independent Director - Nomination and Remuneration Committee	- Bachelor of Commerce & Administration Victoria University of Wellington, N.Z. (under Colombo Plan Scholarship) Syracuse Univ. USA. (ทุน USAID) - M.A. (International Trade) , Syracuse Univ. USA. (under USAID Scholarship) - Commercial Policy Course, GATT, Geneva - National Defense College, Class 388 - Director Certificate Programme, Institute of Directors	-	- Independent Director - Nomination and Remuneration Committee - Independent Director - Chairman of the Nomination and Remuneration Committee - Independent Director - Council of State - Director  - Chief Executive Officer	- Khon Kaen Sugar Industry PLC.  - Bank of Ayudhya PLC  - Central Pattana PLC. - Office the Council of State - Office of the Public Sector Development Commission - The Insurance Commission - Securities and Exchange Commission - The Support Art and Crafts International Centre of Thailand
20. Mr. Warapatr Todhanakasem - Independent Director - Risk Management Committee	- LL.B. Thammasat University - B.Econ. (1st Class Honor) Thammasat University - M.B.A. in Finance Kellogg School of Management, Northwestern University, Evanston, Illinois, USA. - M.S. in Economics University of Illinois, Urbana-Champaign, USA. - Ph.D. in Business Economics University of Illinois, Urbana-Champaign, USA	-	- Independent Director - Risk Management Committee - Chairman and Independent Director - Management Consultants	- Khon Kaen Sugar Industry PLC.  - Prinsiri PLC. - Amata Corporation PLC.
21. Ms. Nongluck Phinainitsart - Independent Director - Audit Committee	- Bachelor Degree in Electrical Engineering, Chulalongkorn University - Master Degree in Electrical Engineering, University of Missouri, U.S.A. - Doctorate Degree in Electrical Engineering, Chulalongkorn University - Director Accreditation Program (DAP) Class 4/2003 by IOD - Director Certification Program (DCP) Class 71/2006 by IOD	-	- Independent Director - Audit Committee - President and Executive Director - Executive Director	- Khon Kaen Sugar Industry PLC.  - Thaicom PLC. - Shin Satellite PLC.

Remark: Affiliate KSL Sugar Factories:

- Tamaka Sugar Industry Co.,Ltd.
- New Krung Thai Sugar Factory Co.,Ltd.
- New Kwang Soon Lee Sugar Factory Co.,Ltd.



## Featured Article

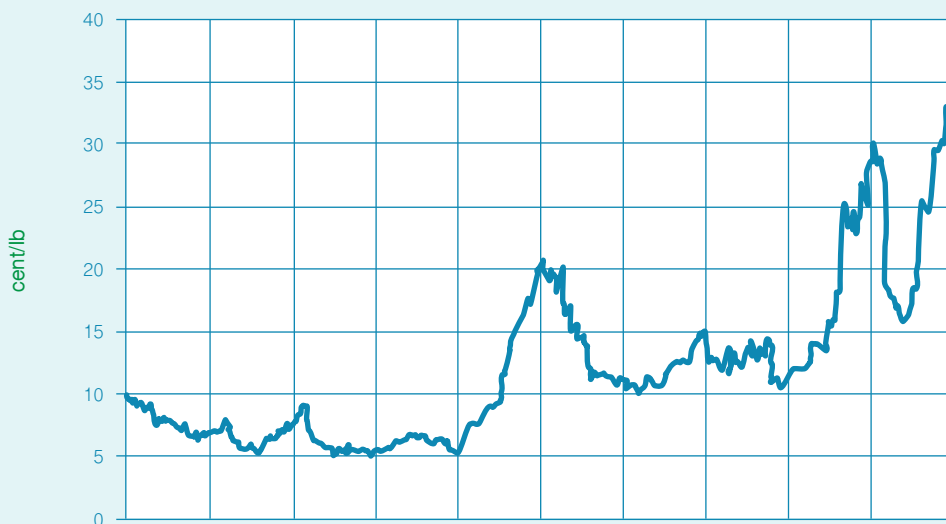
### Risk Hedging Procedure Against Sugar Price Volatility in the World Market

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

In terms of world sugar prices benefit and farmer protection policies, and food security policies allow international importers to issue measures for regulating and restricting sugar importation. These policies

issued by international government sectors affect sugar demand in the world market. Factors related to climate uncertainty such as flooding, droughts, or severe cold in countries where sugar is produced and consumed, limited number of sugar manufacturers capable of exportation, and any other events affecting the world market sugar supply also affect the world market sugar prices. Furthermore, in the past 2 - 3 years, significant increase in investment by foreign funds has heightened fluctuation of sugar prices in the world market; prices are much higher or lower than basic factors. Sugar prices are especially volatile in years when consumption demand is close to or greater than the amount of sugar produced. Table 13.1: World Market Sugar Prices in the Past 10 Years demonstrates volatility of sugar prices.

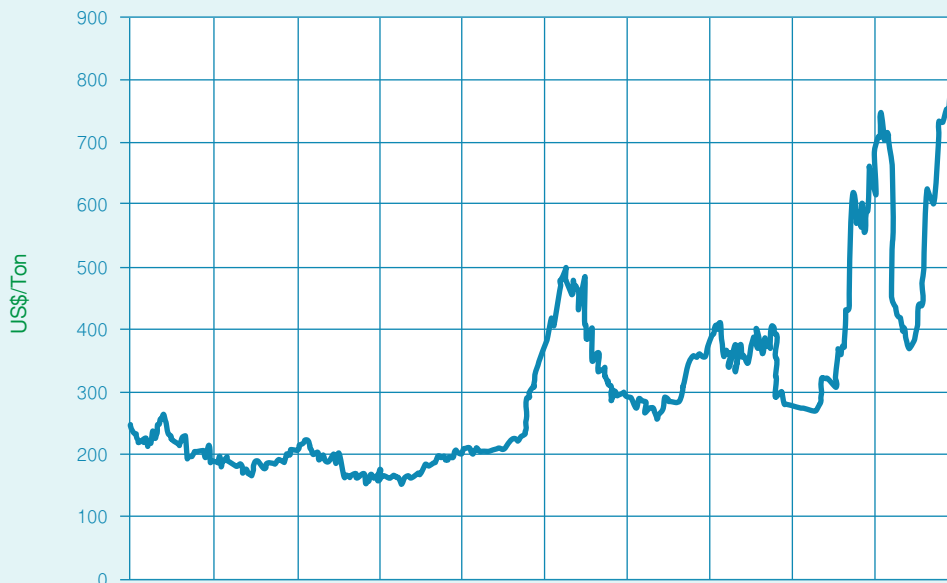
Table 1: World Sugar Prices in the Past 10 Years



YEAR	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Max	10.47	8.03	9.07	9.32	11.84	19.30	12.37	15.02	24.64	34.39
Average	8.69	6.31	7.13	7.07	9.31	14.83	10.16	11.86	17.26	22.56
Min	6.15	4.96	5.89	5.36	8.22	9.75	8.45	9.52	11.38	13.67

Unit : cent/lb, Conversion to US\$/Ton by multiplied by 22.0462

Year : Nov/Oct, data update until Dec 30, 2010



YEAR	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Max	282.00	257.50	246.00	263.10	314.70	497.00	419.40	412.50	628.90	826.40
Average	238.00	205.82	206.71	218.47	268.43	412.87	323.94	344.67	471.40	618.26
Min	205.20	175.10	174.50	173.50	238.50	281.20	259.50	273.80	324.60	437.80

Unit : US\$/Ton

Year : Nov/Oct, data update until Dec 30, 2010

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

**Case 1: Normal business transactions in trading exportsugar (without hedging)**

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

In case of sugar price increase in futures market

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

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

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

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

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

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

In case of sugar price decrease in futures market

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

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

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

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

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

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

## Case 2: Adopting risk hedging procedure for sugar price in forms of sugar futures contracts

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

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

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

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

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

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

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

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

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

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

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

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

A buyer needs sugar for use, resulting in buying at a high price. The seller sells sugar at the agreed market price of 800 USD + 100 USD

premium = 900 USD. At the same time, the seller closes the futures contract by buying back the contract at the market price of 800 USD/ton, resulting in 200 USD loss (sold at 600 USD while bought back at 800 USD).

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

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

In all the cases, the company has the net income of 700 USD (excluding a commission paid to the financial institution). Methods of producing accounting records are, however, different. For the regular transaction, (no risk management involved), the company records 700 USD as income from sale. The concern with this type of transaction is that at the time there may not be any buyer willing to buy, or the seller may not be willing to sell. Adopting a risk hedging tool of sugar futures contracts, if the market is in a downturn, the company will record income from the sugar sale at 500 USD, and 200 USD gain from entering into the sugar futures contract will be recorded as other income. However, during an upturn in the market, the company will record 900 USD as income from sale and -200 USD loss from entering into the sugar futures contract.

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

### Important Concerns

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

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

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

## KSL Group Activities 2010



### Grand opening for first sugar mill in Cambodia

January 25, 2010, Koh Kong Province of Cambodia - Koh Kong Sugar Industry Co., Ltd. and Koh Kong Plantation Co., Ltd., subsidiaries of KSL received the highest honor from Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia leading the official grand opening of Koh Kong Sugar Industry Co., Ltd. This mill is the first sugar mill in Cambodia.



### KSL participates in "Give Life Back to the Land" at Mab-uang Natural Farming Center, Chonburi Province

March 17-18 2009 - Khon Kaen Sugar Industry Public Company Limited, a member of the five-party collaborative organization carrying on HM The King's self-sufficiency economy, participated in "Give Life Back to the Land" Fair at Mab-uang Natural Farming Center, Nong Bondaeng Sub-district, Ban Bueng District, Chonburi Province. There were discussions about living in line with the self-sufficiency economy principle, and educational exhibitions from the five-party collaborative organization's operations and the Natural Farming Center Network from all over the country.



### Delivering sugar from Cambodia and Laos to European Union

June 4, 2010 -- The initial delivery of raw sugar from Koh Kong Sugar Industry Co., Ltd. and Savannakhet Sugar Corporation, subsidiaries of KSL, to the European Union via ocean freight took place at Laem Chabang Port, Thai Gulf Warehouse Co., Ltd.



### Khon Kaen Sugar - Tamaka Sugar Industry awarded First Class Sugar Mills 2010

August 9, 2010, Siam City Hotel, Bangkok - Office of the Cane and Sugar Board presented Distinctive Cane Planters and Sugar Mills 2010 Awards to commemorate the day Office of the Cane and Sugar Board was established. Khon Kaen Sugar Industry Public Company Limited and Tamaka Sugar Industry Co., Ltd. were awarded First Class Sugar Mills 2010. Mr. Chamroon Chinthammit, President and CEO and Mr. Chalush Chinthammit, Assistant Managing Director, received the awards from Mr. Chaiwut Bannawat, Minister of Industry.





### **Tamaka Sugar Industry and Cane Planters Association for Zone 7 donate Baht 400,000 to support Royal Rain Operations**

September 2, 2010 - Mr. Chaiwat Limwantha, Kanchanaburi Vice Governor, Mr. Supatpong Ariyasajjawekin, Plantation Manager of Tamaka Sugar Industry Co., Ltd., and 9 companies of Zone 7 Sugar Manufacturers Group travelled to the 9th Infantry Division Airpark, Surasi Military Camp where the Royal Rain Operations Center of Central Region is located. Baht 400,000 was donated to support the center. Mr. Akane Boonlert, Chief of the Royal Rain Operations Center of Central Region, accepted the fund.



### **“KSL Collaborative Tree Planting – Recycle for Kids” at Boploy Project site, Boploy District, Kanchanaburi Province**

September 18, 2010 - The KSL Group including Khon Kaen Sugar Industry Public Company Limited and subsidiaries: Thai Fermentation Industry Co., Ltd. and Raja Porcelain Co., Ltd. and subcompanies, held a productivity activity “KSL Collaborative Tree Planting – Recycle for Kids” at Boploy Project site, Boploy District, Kanchanaburi Province. Mr. Chamroom Chinthammit, Chief Executive Officer and President of the KSL Group, Management of each of the participating companies, and employees participated in this activity. To bring back pleasant natural surroundings for communities around New Krung Thai Sugar Factory Co., Ltd., trees were planted on all sides of Loomrang Sub-district Administration Organization athletic field. The area is used by the communities for exercising, social activities and recreation. The KSL group also donated funds and school supplies to Baan Nong Moo School.



### **KSL hosts robe offering ceremony at Wat Nong Moo, Kanchanaburi Province**

November 7, 2010 - Mr. Chamroom Chinthammit, President and CEO along with Management and employees of Khon Kaen Sugar Industry Public Company Limited and companies in the KSL Group hosted “The KSL Group Robe Offering Ceremony”, a charitable activity that also serves as a service to Buddhism, at Wat Nong Moo, Boploy District, Kanchanaburi Province. Baht 1,277,999 was donated to the temple.



### **Tamaka Sugar Industry awarded Sugar Mill with Highest Production Efficiency**

November 20, 2010 - Mr. Wirat Chunfong, Assistant Vice President of Tamaka Sugar Industry, received an honor plaque of Mr. Chaiwut Bannawat, Minister of Industry presented by Mr. Chaiwat Limwantha, Kanchanaburi Vice Governor. Tamaka Sugar Industry was awarded the Sugar Mill with Highest Production Efficiency in Production Year 2009/2010 of Zone 7. The sugar mill possesses the highest sugar production efficiency in the country. The ceremony took place at the auditorium of Cane Planters Association for Zone 7, Kanchanaburi Province.

## Related party transactions

Related party transactions for the year ended 31 October 2010 and 2009 disclosed in this section comprise of transactions between the enterprises and subsidiaries, associated, and individuals that may have the conflict of interest as follows:

### Related Party Relationship as at October 31, 2010

#### Subsidiaries

Company name	Relationship
Tamaka Sugar Industry Co., Ltd. Manufacture and distribution of sugar and molasses	Tamaka Sugar Industry Co., Ltd. is controlled by the company which owns 90.21% of the subsidiary's shares. Individuals that relate to directors of the company own 9.79% of the subsidiary's shares. Therefore, related transactions between the company and subsidiary are not required to disclose because the ownership proportion is less than 10%.
New Krung Thai Sugar Factory Co., Ltd. Manufacture and distribution of sugar and molasses	New Krung Thai Sugar Factory Co., Ltd. is controlled by the company which owns 95.78% of the subsidiary's shares. Individuals that relate to directors of the company own 4.22 % of the subsidiary's shares. Therefore, related transactions between the company and subsidiary are not required to disclose because the ownership proportion is less than 10%.
New Kwang Soon Lee Sugar Factory Co., Ltd. Manufacture and distribution of sugar and molasses	New Kwang Soon Lee Sugar Factory Co., Ltd. is controlled by the company which owns 98.61% of the subsidiary's shares. Individuals that relate to directors of the company own 1.39 % of the subsidiary's shares. Therefore, related transactions between the company and subsidiary are not required to disclose because the ownership proportion is less than 10%.
K.S.L. Real Estate Co., Ltd. Housing and land for agriculture estate including holiday resort for training and seminar center	K.S.L. Real Estate Co., Ltd. is a subsidiary of and controlled by the company which owns 80.31% of the subsidiary's shares. Major shareholders and directors of the company own 14.90 % of the subsidiary's shares. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Thawatchai Rojanachotikul, Mr. Sukhum Tokaranyaset, Mr. Prapas Chutimavoraphand, Mr. Trakarn Chunharojrit, Mr. Chalush Chinthammit and Ms. Duangdao Chinthammit.
Thai Sugar Terminal Public Company Limited Locating, silo warehouse and property rental	Thai Sugar Terminal Public Company Limited is a subsidiary of and controlled by the company which owns 23.82% of the subsidiary's shares. Major shareholders and directors of the company own 38.36% of the subsidiary's shares. The company also has common directors namely Mr. Prapas Chutimavoraphand, Mr. Somchai Chinthammit and Mr. Chalush Chinthammit.
K.S.L. Export Trading Co., Ltd. Export sugar as exporting agent	K.S.L. Export Trading Co., Ltd. is a subsidiary of and controlled by the company, Tamaka Sugar Industry Co., Ltd., New Krung Thai Sugar Factory Co., Ltd. and New Kwang Soon Lee Sugar Factory Co., Ltd. which own 33.87%, 23.11%, 16.04% and 9.60% of the subsidiary's shares, respectively. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Thawatchai Rojanachotikul, Mr. Sukhum Tokaranyaset and Mr. Chalush Chinthammit.
Savannakhet Sugar Corporation Agricultural Operation, Manufacture and distribution of sugar and molasses	Savannakhet Sugar Corporation is controlled by the company which owns 98.49% of the subsidiary's shares. None of major shareholders and directors of the company own the subsidiary's shares. Therefore, related transactions between the company and subsidiary are not required to disclose.
Koh Kong Sugar Industry Co., Ltd. Manufacture and distribution of sugar and molasses which are during investment process	Koh Kong Sugar Industry Co., Ltd. is controlled by the company which owns 70.00% of the subsidiary's shares. None of major shareholders and directors of the company own the shares. Therefore, related transactions between the company and subsidiary are not required to disclose.

#### Associates

Company name	Relationship
Champion Fermentation Co., Ltd. Holding company (the company has an ownership interest of over 50% in Chantaburi Starch Co., Ltd. which manufacture and distribute of cassava starch)	Champion Fermentation Co., Ltd. is an associate of and controlled by the company which owns 32.50% of the associate's shares. Major shareholders and directors of the company own 18.00% of the subsidiary's shares. Other major shareholders are a group of Taiwanese businessman. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Sukhum Tokaranyaset and Mr. Thawatchai Rojanachotikul.
K.S.L. IT Center Co., Ltd. Provide computerized and database services to parent company and related parties.	K.S.L. IT Center Co., Ltd. is controlled by Chengteh Chinaware (Thailand) Co., Ltd., and Thai Fermentation Industry Co., Ltd., whose stakes individually equal to 50% of K.S.L. IT Center Co., Ltd.'s shares. The company also has common directors namely Mr. Chatri Chinthammit.
Chengteh Chinaware (Thailand) Co., Ltd. Manufacture and distribution of ceramic products	Chengteh Chinaware (Thailand) Co., Ltd. is controlled by the same shareholder group of the company who owns 51.31% of Chengteh Chinaware (Thailand) Co., Ltd.'s shares. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Sukhum Tokaranyaset, Mr. Thawatchai Rojanachotikul, Mr. Trakarn Chunharojrit and Mr. Chalush Chinthammit.
Thai Fermentation Industry Co., Ltd. Manufacture and distribution of seasoning powder	Thai Fermentation Industry Co., Ltd. is controlled by the same shareholder group of the company who owns 47.10% of Thai Fermentation Industry Co., Ltd.'s shares. The company also has common directors namely Mr. Chamroon Chinthammit, Mr. Sukhum Tokaranyaset, Mr. Thawatchai Rojanachotikul, and Mr. Somchai Chinthammit.

Company name	Relationship
On Nuj Construction Co., Ltd. Hotel and real estate agent	On Nuj Construction Co., Ltd. is controlled by the same shareholder group of the company who owns 78.50% of On Nuj Construction Co., Ltd.'s shares. The company also has common directors namely Mr. Chamroon Chinthammit Mr. Chalush Chinthammit, Ms. Duangkae Chinthammit, Ms. Duangdao Chinthammit and Mr. Prapas Chutimavoraphand.
K.K. Wood Industry Co., Ltd. Manufacture and distribution of processing products	K.K. Wood Industry Co., Ltd. is controlled by the same shareholder group of the company who owns 93.01% of K.K. Wood Industry Co., Ltd.'s shares. There is no common director.
Amarco Co., Ltd. Distribution of pesticide products	Amarco Co., Ltd. is controlled by the same shareholder group of the company who owns 100% of Amarco Co., Ltd.'s shares. There is no common director.
Sahamit Machinery Public Company Limited Distribution of spare parts, machinery tools and equipments for industrial factory	Sahamit Machinery Public Company Limited has common director namely Mr. Pornsin Thaemsirichai.

## 1. The following transactions were carried out with related parties:

### 1.1 Sales of goods and services (for the year ended 31 October 2010 and 2009)

Sellers/ Service providers	Customers	Commercial terms and conditions	Amount (Thousand Baht)	
			31 Oct. 2010	31 Oct. 2009
Khon Kaen Sugar Industry Public Company Limited	Thai Fermentation Industry Co., Ltd.	Sales of sugar and molasses were carried out at market prices.	45,247	8,989
Tamaka Sugar Industry Co., Ltd.			32	188
New Krung Thai Sugar Factory Co., Ltd.			182,604	33,822
New Kwang Soon Lee Sugar Factory Co., Ltd.			78,879	-
Koh Kong Sugar Industry Co., Ltd.			792	-
KSL Chemical Co., Ltd.	Thai Fermentation Industry Co., Ltd.	Sales of resin were carried out at market prices.	608	-
Khon Kaen Sugar Industry Public Company Limited	K.K. Wood Industry Co., Ltd.	Sales of resin were carried out at market prices.	175	409
Tamaka Sugar Industry Co., Ltd.	Koh Kong Sugar Industry Co., Ltd. Koh Kong Plantation Co., Ltd.	Sales of goods were carried out at market prices.	33,694 10,482	32,432 5,076
K.S.L. Export Trading Co., Ltd.	Khon Kaen Sugar Industry Public Company Limited Tamaka Sugar Industry Co., Ltd. New Krung Thai Sugar Factory Co., Ltd. New Kwang Soon Lee Sugar Factory Co., Ltd. Koh Kong Sugar Industry Co., Ltd. Savannakhet Sugar Corporation	Service fees of goods exporting were charged according to the volume of goods, which are general rates in the market.	1,712	4,320
Thai Sugar Terminal Public Company Limited and its subsidiary company	Khon Kaen Sugar Industry Public Company Limited		7,605	8,135
	Tamaka Sugar Industry Co., Ltd.		7,605	8,135
	Tamaka Sugar Industry Co., Ltd.		6,065	6,477
	New Krung Thai Sugar Factory Co., Ltd.		6,777	7,033
	New Kwang Soon Lee Sugar Factory Co., Ltd.		560	1,318
Thai Fermentation Industry Co., Ltd.	Khon Kaen Sugar Industry Public Company Limited Tamaka Sugar Industry Co., Ltd. New Krung Thai Sugar Factory Co., Ltd. New Kwang Soon Lee Sugar Factory Co., Ltd.	Sales of chemical products were carried out at market prices	-	865
			1,275	800
			1,002	767
			260	-
K.S.L. IT Center Co., Ltd.	Khon Kaen Sugar Industry Public Company Limited Tamaka Sugar Industry Co., Ltd. New Krung Thai Sugar Factory Co., Ltd. New Kwang Soon Lee Sugar Factory Co., Ltd. K.S.L. Real Estate Co., Ltd. K.S.L. Export Trading Co., Ltd. Savannakhet Sugar Corporation Koh Kong Sugar Industry Co., Ltd. Koh Kong Plantation Co., Ltd.	Service fees of computerized activities were charged according to actual expenses, which are standard rates for service activities.	1,740	2,198
			1,138	1,577
			1,398	1,679
			911	1,231
			53	3
			297	128
			382	163
			248	-
			220	-
Sahamit Machinery Public Company Limited	Khon Kaen Sugar Industry Public Company Limited Tamaka Sugar Industry Co., Ltd.	Service fees of machinery maintenance were carried out at market prices.	1,076	1,089
			-	216

Sales of goods and services transactions stated above were carried out on normal terms and conditions of business.

### 1.2 Outstanding balances arising from sales/purchases of goods/services (as at 31 October 2010 and 2009)

Company	Related entities Related parties	Type of transaction	Amount (Thousand Baht)	
			31 Oct. 2010	31 Oct. 2010
Khon Kaen Sugar Industry Public Company Limited	K.S.L. Export Trading Co., Ltd.	Other accounts receivable	-	20,139
		Accrued expenses	-	290
	Koh Kong Sugar Industry Co., Ltd.	Other accounts receivable	9	32
		Koh Kong Plantation Co., Ltd.	Other accounts receivable	216
	K.S.L. IT Center Co., Ltd.	Other accounts payable	100	211
		Accrued expenses	10	-
	Thai Fermentation Industry Co., Ltd.	Other accounts payable	1	3
	K.K. Wood Industry Co., Ltd.	Trade accounts receivable	4	49
		Other accounts receivable	11	7
	On Nuj Construction Co., Ltd.	Income received in advance	17	17
Other accounts payable		-	22	
Tamaka Sugar Industry Co., Ltd.	Thai Sugar Terminal Public Company Limited	Accrued expenses	-	320
	K.S.L. Export Trading Co., Ltd.	Accrued expenses	-	330
	Koh Kong Sugar Industry Co., Ltd.	Other accounts receivable	2,185	7,355
	Koh Kong Plantation Co., Ltd.	Other accounts receivable	513	985
	K.S.L. IT Center Co., Ltd.	Prepaid expenses	13	17
		Accrued expenses	70	2
Sahamit Machinery Public Company Limited	Other accounts payable	-	65	
New Krung Thai Sugar Factory Co., Ltd.	K.S.L. Export Trading Co., Ltd.	Accrued expenses	-	70
		Other accounts receivable	-	7
	Thai Fermentation Industry Co., Ltd.	Advance received from customers for goods	-	3,569
		Other accounts payable	6	8
	K.S.L. IT Center Co., Ltd.	Prepaid expenses	15	17
		Accrued expenses	79	2
Sahamit Machinery Public Company Limited	Accounts payable-Assets	302	372	
New Kwang Soon Lee Sugar Factory Co., Ltd.	K.S.L. Export Trading Co., Ltd.	Accrued expenses	-	28
		Other accounts receivable	152	1,388
	Thai Fermentation Industry Co., Ltd.	Trade accounts receivable	2,208	-
		Other accounts payable	4	2
K.S.L. IT Center Co., Ltd.	Accrued expenses	49	-	

### 1.3 Rental fee (for the year ended 31 October 2010 and 2009)

Lessor	Lessee	Significant transaction	Amount (Thousand Baht)		Necessity and reasonableness of Connected Transaction
			31 Oct. 2010	31 Oct. 2010	
Khon Kaen Sugar Industry Public Company Limited	On Nuj Construction Co., Ltd.	Office and car park rental area of 202.84 square meters.	486	486	Rental fees were carried out at market prices.
	Chengteh Chinaware (Thailand) Co., Ltd.	Office and car park rental area of 495.54 square meters.	1,440	1,440	
	K.S.L. IT Center Co., Ltd.	Office and car park rental area of 202.84 square meters.	360	360	
	Amarco Co., Ltd.	Land rental area of 536 square meters.	21	18	
	K.K. Wood Industry Co., Ltd.	Land rental area of 1,728 square wah (January 2009 - October 2010) and 2,602 square wah (November - December 2008)	82	220	
Tamaka Sugar Industry Co., Ltd.	K.S.L. Export Trading Co., Ltd.	Office rental area of 30 square meters.	108	108	Land leasing is for a plot of experimental sugar cane plantation and sugar cane research. Rental fees were charged at market prices.
Champion Fermentation Co., Ltd.	Tamaka Sugar Industry Co., Ltd.	Land rental area of 270 rai	135	135	
K.S.L. Real Estate Co., Ltd.	Tamaka Sugar Industry Co., Ltd.	Office rental area of 55.19 square meters including furniture.	120	120	Rental fees were carried out at market prices.

#### 1.4 Sales/ Purchases of assets and investments (for the year ended 31 October 2010 and 2009)

Date	Significant transaction	Amount (Thousand Baht)	Necessity and reasonableness of Connected Transaction
8 Apr 2009	The company made additional investment in ordinary shares for the capital increase of KSL. Agro Co., Ltd.	85,000	The company made an increase of this subsidiary's capital in order to maintain the same shareholding proportion as previously held.
28 Apr 2009	The company made additional investment in ordinary shares for the capital increase of Khon Kean Alcohol Co., Ltd.	112,500	The company made an increase of this subsidiary's capital in order to maintain the same shareholding proportion as previously held.
13 Jul 2009	The company made additional investment in ordinary shares for the capital increase of KSL. Agro Co., Ltd.	10,000	The company made an increase of this subsidiary's capital in order to maintain the same shareholding proportion as previously held.
21 Jul 2009	The company made additional investment in ordinary shares for the capital increase of Khon Kaen Sugar Power Plant Co., Ltd.	140,000	The company made an increase of this subsidiary's capital in order to support the expansion of capacity of electricity production project.
28 Jul 2009	The company paid the advance share subscription fee for an additional investment in ordinary shares for the capital increase of Savannakhet Sugar Corporation.	169,880	The company made an increase of this subsidiary's capital in order to support the cane plantation and sugar production project.
22 Oct 2009	The company made additional investment in ordinary shares for the capital increase of Khon Kaen Alcohol Co., Ltd.	121,500	The company made an increase of this subsidiary's capital in order to support the expansion of capacity of ethanol production project.
5 Nov 2009	The company made additional investment in ordinary shares for the capital increase of New Krung Thai Sugar Factory Co., Ltd.	395,625	The company made an increase of this subsidiary's capital in order to support the expansion of capacity of sugar production project.
12 Nov 2009	The company made additional investment in ordinary shares for the capital increase of Khon Kaen Alcohol Co., Ltd.	58,500	The company made an increase of this subsidiary's capital in order to support the expansion of capacity of ethanol production project.
13 Jan 2010	The company made additional investment in ordinary shares for the capital increase of Savannakhet Sugar Corporation.	162,239	The company made an increase of this subsidiary's capital in order to support the cane plantation and sugar production project.
4 Feb 2010	The company made additional investment in ordinary shares for the capital increase of KSL Agro and Trading Co., Ltd. (Formerly KSL. Agro Co., Ltd.)	10,000	The company made an increase of this subsidiary's capital in order to maintain the same shareholding proportion as previously held.
17 Mar 2010	The company made additional investment in ordinary shares for the capital increase of Koh Kong Sugar Industry Co., Ltd.	164,379	The company made an increase of this subsidiary's capital by purchased shares from minority shareholder.

#### 1.5 Borrowings from/ Loans to related parties (for the year ended 31 October 2010 and 2009)

For the year ended 31 October 2010							
Borrower	Lender	As at 1 Nov 2009	Loan addition during the period	Repayment during the period	As at 31 Oct 2010	Interest paid	Necessity and reasonableness of Connected Transaction
Prachaup Industry Co., Ltd. Trading Co., Ltd.	K.S.L. Export Trading Co., Ltd.	130,355	353,016	(483,371)	-	5,436	The loan was provided as financial supporting through K.S.L. Export Trading Co., Ltd. which was registered according to the laws and regulations of sugar exporting. The credit line from financial institution was defined and borrowed by K.S.L. Export Trading Co., Ltd. Then, K.S.L. Export Trading Co., Ltd. lent to sugar factories. Therefore, K.S.L. Export Trading Co., Ltd. represents an intermediary for credit line carried out.

For the year ended 31 October 2009							
Borrower	Lender	As at 1 Nov 2009	Loan addition during the period	Repayment during the period	As at 31 Oct 2009	Interest paid	Necessity and reasonableness of Connected Transaction
Prachaup Industry Co., Ltd.	K.S.L. Export Trading Co., Ltd.	78,602	635,340	(583,587)	130,355	10,142	The loan was provided as financial supporting through K.S.L. Export Trading Co., Ltd. which was registered according to the laws and regulations of sugar exporting. The credit line from financial institution was defined and borrowed by K.S.L. Export Trading Co., Ltd. Then, K.S.L. Export Trading Co., Ltd. lent to sugar factories. Therefore, K.S.L. Export Trading Co., Ltd. represents an intermediary for credit line carried out.



#### Policy on Future Related party transactions

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

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

#### Policy on future related party transactions

1. **Normal Business Transactions** Normal business transactions include transfer and transport services and warehouse rental from Thai Sugar Terminal Public Company Limited and sales and purchases of sugar between the company and the subsidiaries. These connected transactions will firstly be brought to the company's consideration in respect of the company's interests and be ensured that they will be carried out at market price.
2. **Rental Service Transactions** Rental service transactions will be carried out at market price and the same rate given to third parties.
3. **Sales and Purchases of Assets and Investments** Sales and purchases of assets and investments are an increase of capital in order to maintain the same shareholding proportion as previously held. It is also an investment for the current business expansion and the future business growth. The policy of sales and purchases of assets and investments will firstly be brought to the company's consideration in respect of the company's interests and the justification for entering into the transaction, the necessity and appropriateness of such transactions.
4. **Borrowings from/ Loan to persons having potential conflict of interest** Borrowings from/ Loan to persons having potential conflict of interest will firstly be brought to the company's consideration in respect of the justification for entering into the transaction, the necessity and appropriateness of such transactions.
5. **Other Related Transactions** Other related transactions are transactions other than 1-4 stated above.

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

The Board of Directors of the company ensures compliance with the laws on securities and exchange, regulations, notifications, orders or any requirements of the Stock Exchange of Thailand, including compliance with regulations on the disclosure of information on connected transactions and the acquisition or disposal of important assets of

the company or its subsidiaries, and compliance with the accounting standards established by the Institute of Certified Accountants and Auditors of Thailand.

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

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

1. **K.S.L. Real Estate Co., Ltd.** The individuals having potential conflict of interest own 14.90% of K.S.L. Real Estate Co., Ltd.'s shares. These shareholders intend to hold their shares for an indefinite period of time. The major business of K.S.L. Real Estate Co., Ltd. is for training and seminar center. Since K.S.L. Real Estate Co., Ltd. had loss from operations and its fair value of shares is less than par value; therefore, these individuals having potential conflict of interest have views not to dispose this shares proportion in the near future.
2. **Thai Sugar Terminal Public Company Limited (TSTE)** The individuals having potential conflict of interest own 38.36% of the TSTE's shares. Mr. Prapas Chutimavoraphand and his family invest in TSTE for its personal interest and do not relate to the company. The company owns 23.82% of the TSTE's shares and has no policy to increase its capital proportion. Consequently, the company could not alter TSTE's capital structure and has no policy forcing the directors of the company to sell their shares to the company. Moreover, the shareholders and directors have no intention to transfer their benefits to one of these two companies because the shareholding proportion in the company of most shareholders and directors is higher than their shareholding proportion in TSTE. In addition, Thai Sugar Terminal Public Company Limited has many directors from other sugar companies; thus, power balancing in TSTE is reasonable for both companies. To conclude, the related transactions between the company and TSTE are in line with the characteristics of normal trading in the market which will maximize highest value to both companies.
3. **Champion Fermentation Co., Ltd.** The individuals having potential conflict of interest own 18.00% of Champion Fermentation Co., Ltd.'s shares. Other major shareholders are a group of Taiwanese businessman. Champion Fermentation Co., Ltd., formerly, has no business transactions except land leasing. However, Champion Fermentation Co., Ltd. has invested in cassava starch industry which does not relate to sugar industry in the end of 2004. The purpose of investment is for dividend received in the future.

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

# Financial Condition and Operating Results

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

## 1. Report of Independent Auditor

### 1. Auditor

Year 2008 Miss Praphasri Leelasupha, Certified Public Accountant, Registration No. 4664, Sam Nak-Ngan A.M.C. Co., Ltd.

Year 2009 Miss Praphasri Leelasupha, Certified Public Accountant, Registration No. 4664, Sam Nak-Ngan A.M.C. Co., Ltd.

Year 2010 Miss Sansanee Poonsawat, Certified Public Accountant, Registration No. 6977, Sam Nak-Ngan A.M.C. Co., Ltd.

### 2. Summary of the audit reports over the past three years

Year 2008 The Auditor reviewed corporate financial statements and issued unqualified opinions.

Year 2009 The Auditor reviewed corporate financial statements and issued unqualified opinions.

Year 2010 The Auditor reviewed corporate financial statements and issued unqualified opinions.

The Auditor clarified the scope of her responsibilities that she had not audited financial statements of the three overseas subsidiaries included in this consolidated financial statements. In 2010, the financial statements of the subsidiaries indicated the total assets of THB 4,315.86 million, accounting for 18.64 percent of the total assets. The total income was THB 282.56 million, accounting for 2.34 percent of the year's total income. The net loss totaled THB 419.43 million. The financial statements of the subsidiaries were audited by other certified public accountants. The Auditor presented parts of the reports related to monetary amounts of transactions of the subsidiaries included in the consolidated financial statements; those amounts presented were based on the other certified public accountants' reports.

## 2. Percentage of Shareholding in the Subsidiaries and Consolidated Financial Statements Preparation Criteria

(Refer to the attached Financial Statements for details.)

The 2008 financial statements, the 2009 financial statements, and the 2010 financial statements comprise of 14 subsidiaries.

**Table 1: Percentage of Direct and Indirect Corporate Shareholding**

	Percentage of Shareholding		
	2008	2009	2010
Tamaka Sugar Industry Co., Ltd.	90.21	90.21	90.21
New Krung Thai Sugar Factory Co., Ltd.	93.01	93.01	95.78
New Kwang Soon Lee Sugar Factory Co., Ltd.	98.61	98.61	98.61
KSL Real Estate Co., Ltd.	80.31	80.31	80.31
KSL Export Trading Co., Ltd.	79.11	79.11	79.11
KSL Chemicals Co., Ltd.	100.00	100.00	100.00
Khon Kaen Sugar Power Plant Co., Ltd.	100.00	100.00	100.00
Khon Kaen Alcohol Co., Ltd.	100.00	100.00	100.00
KSL Agro and Trading Co., Ltd.*	100.00	100.00	100.00
Savannakhet Sugar Co., Ltd.	97.00	97.00	98.49
Koh Kong Plantation Co., Ltd.**	50.00	50.00	70.00
Koh Kong Sugar Industry Co., Ltd.	50.00	50.00	70.00
Wynn In Trading Co., Ltd.	100.00	100.00	100.00
Thai Sugar Terminal Public Company Limited***	23.82	23.82	23.82

NOTE: \* Formerly Name as KSL Agro Co., Ltd.  
 \*\* Koh Kong Plantation Co., Ltd. holds shares through Wynn In Trading Co., Ltd.  
 \*\*\* Although the Company only has 23.82 percent shareholding in Thai Sugar Terminal Public Company Limited, it has controlling power in that particular company. Thai Sugar Terminal Public Company Limited is, therefore, considered a corporate subsidiary.

Thai Sugar Terminal Public Company Limited, a KSL subsidiary listed by the SET as TSTE, has 5 subsidiaries: TSG Assets Company Limited operates real estate rentals. TSTE holds 79.78% shares.  
 TS Oil Industry Company Limited (formerly known as TSG Property Company Limited) trades, leases, develops real estate, and operates a palm oil refinery plant. TSTE holds 94.31% shares.



TS Flour Mill Company Limited rents out real estate and manufactures wheat flour. TSTE holds 98.82% shares.

TS Warehouse Company Limited stores and transfers goods. TSTE holds 64.13% shares.

TS Transport and Logistics Company Limited provides transport service and security service. It also manufactures plastic sacks. TSTE holds 85.90% shares.

For details, refer to Listed Company Information on Thai Sugar Terminal Public Company Limited (TSTE).

### 3. Important Changes Related to Accounting Figures

In 2010, the Company and its subsidiaries manufacturing and distributing sugar, changed the policy on recording the cost of molasses, which are a by-product of cane sugar production. The value originally expressed as the average net realizable value is now expressed as cost or the net realizable value which ever lower. The cost is calculated from the average cost of production of each production year with the First In, First Out method, the same as the main products. The purpose of this policy change is to ensure that financial statements provide information that is more in line with decision-making. As molasses selling prices have greatly increased and the demand has risen, compared to that in the past, production and sale of molasses are significant in corporate business operations. The changed policy resulted in the Company and its subsidiaries retroactively revising the 2009 and 2008 financial statements. This new accounting policy shall be considered retroactive. The effects of the change in policy in 2010 are shown in Notes to the Financial Statements, Number 4.1.

In 2010, the Company presented its profit and loss statement with the expenses classified by function in multiple categories and the format of the statements of changes in shareholders' equity in compliance with the Notification of the Department of Business Development

notification dated January 30, 2009, on Specification of Condensed Items to be shown on Financial Statements B.E.2552. There was also reclassification of other items in the 2010 financial statements. For the benefit of data analysis, the format of 2009 and 2008 financial statements used for comparison were revised to correspond to the 2010 financial statements.

### 4. Profit and Loss Statement

In 2010, the Company's revenue from operations amounted to THB 12,071 million, increasing from that in the previous year by 3.4 percent. Sales amounted to THB 11,950 million, and services income amounted to THB 122 million. The Company's total cost was THB 9,121 million, increasing from that in the previous year by 4.6 percent. Other incomes amounted to THB 309.14 million. The Company had profit before expenses totaled THB 3,190 million, decreasing from that in the previous year by 1.4 percent.

Regarding selling and administrative expenses, the Company had selling expenses totaled THB 269 million, decreasing by 14 percent, and administrative expenses amounted to THB 490 million, increasing by 1.6 percent. The proceed to the Cane and Sugar Fund was THB 782 million. The Company had an extraordinary item, loss from entering into the sugar futures contract, amounted to THB 994 million. Subsequently, the Company had the profit before financial cost and income expenses amounted to THB 531 million, decreasing by 66 percent.

In 2010, the Company's financial cost was THB 343 million, increasing by 39 percent. The corporate income tax burden amounted to THB 118 million, decreasing by 67 percent. After deduction of a THB 82 million loss in minority interests, the Company's net profit decreased by 83 percent from the previous year's THB 920 million to THB 159 million in 2010.

Table 2 : Profit and Loss Statements, Years 2010, 2009 and 2008

Income Statement Highlight	2010	2009 Adj.	% Change	2008 Adj.
Sales and Services	12,071.32	11,670.98	3.4%	11,056.00
Cost of Sales and Service	(9,190.66)	(8,783.33)	4.6%	(8,385.08)
Gross Profit from Sales & Services	(2,880.65)	2,887.65	-0.2%	2,670.92
Other Incomes	309.14	348.95	-11.4%	260.43
Gross Profit from other Income	3,189.79	3,236.60	-1.4%	2,931.35
Selling Expense	(268.98)	(312.67)	14.0%	(439.05)
Administration Expense	(489.59)	(481.94)	1.6%	(436.94)
Director Remuneration	(124.75)	(113.64)	9.8%	(103.58)
Proceeds to Fund	(781.85)	(745.66)	4.9%	(446.36)
Gain (Loss) from Derivatives	(993.92)	(6.21)		-
Total cost	(2,659.10)	(1,660.12)	60.2%	(1,425.93)
EBIT	530.70	(1,576.48)	-66.3%	1,505.42
Financial cost	(342.53)	(254.74)	39.4%	(217.53)
	6.35	1.36		(2.24)

Income Statement Highlight	2010	2009 Adj.	% Change	2008 Adj.
Corporate Income Tax	(117.70)	(357.49)	-67.1%	(312.98)
Minority and others	81.89	(55.00)		(117.03)
Net Profit	158.70	919.62	-82.7%	855.63
EPS	0.10	0.59	82.7%	0.55
Gross Margin from Sales & Service	23.86%	24.74%		24.16%
Net Profit Margin	1.31%	7.88%		7.74%

NB: The Company revised the 2009 and 2008 financial statements to correspond to and be comparable to the 2010 financial statements.

With reference to the Company's revenue structure, the gross income was THB 12,071 million. The Company had revenues from sales of sugar and molasses amounted to THB 9,320 million, accounting for 77 percent of the total income. Revenues from sales of ethanol and gasoline amounted to THB 663 million, representing 5 percent of the total income. Electricity sales, which the corporate power generation facilities had distributed to the Electricity Generating Authority of

Thailand according to the firm contract, amounted to THB 373 million, accounting for 3 percent of the total income. Revenues from sales of wheat flour, palm oil, and sacks totaled THB 1,318 million, accounting for 11 percent of the total income. Other types of revenues were generated from sales of fertilizer, service provision, and other sources.

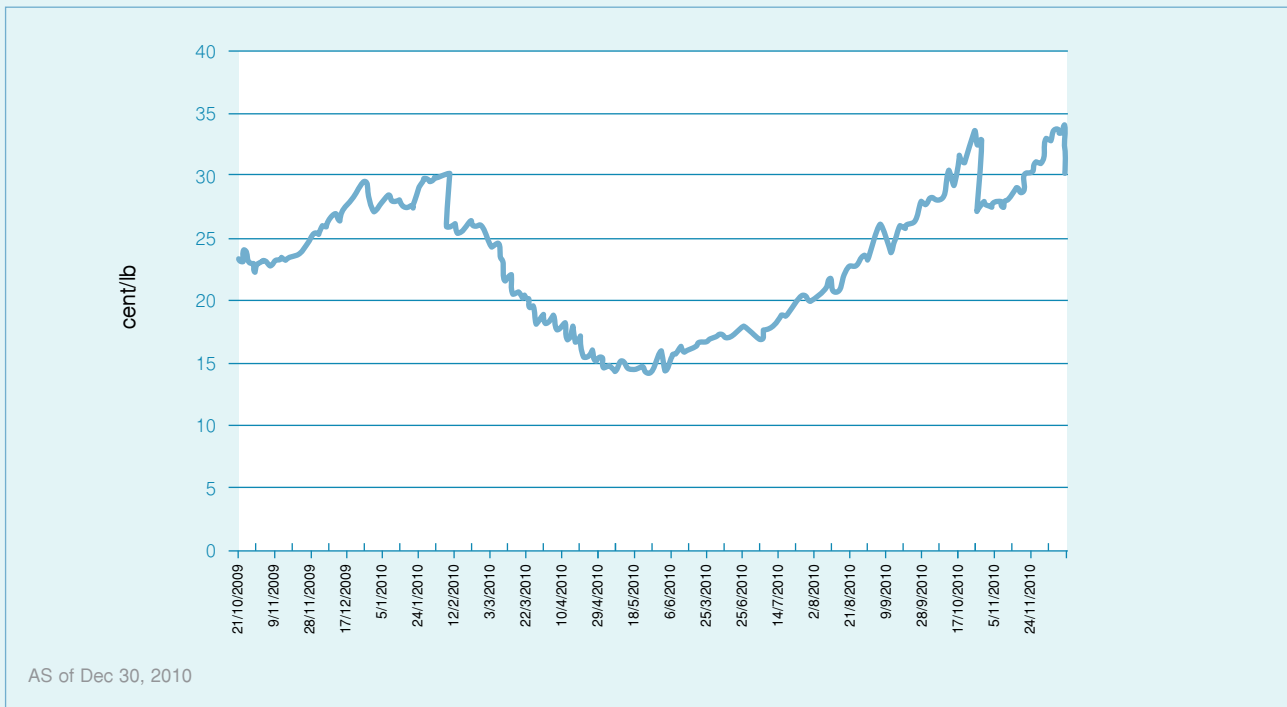
Table 3 : Consolidated Revenue Structure, Years 2010, 2009, and 2008

Revenue Structure	2010		2009 Adj.		% Change	2008 Adj.
Sales and Services						
Sugar Sales	8,640.64	72%	8,514.22	73%	1.48%	7,874.84
Molasse Sales	656.76	5%	261.92	2%	150.75%	380.36
Other Income from sugar & molasses	22.51	0%	13.04	0%	72.60%	26.38
Electricity Sale (Firm Contract)	372.98	3%	367.09	3%	1.60%	365.54
Ethanol and Benzene Sale	662.90	5%	904.53	8%	-26.71%	849.68
Fertilizer Sale	31.79	0%	74.17	1%	-57.14%	38.98
Wheat Flour, Palm oil and Sacks	1,317.98	11%	1,143.44	10%	15.26%	1,042.10
Service	121.66	1%	172.70	1%	-29.56%	171.04
Other	244.09	2%	219.86	2%	11.02%	307.08
Total	12,071.32	100%	11,670.98	100%	3.43%	11,056.00
Other Incomes						
Rental Income	4.40	15%	43.17	12%	7.47%	43.42
Sales of Electricity (Non-Firm)	44.58	14%	35.02	10%	27.33%	45.06
Gain on Sales of Assets	28.46	9%	146.39	42%	-80.56%	9.08
Other Incomes	189.70	61%	124.37	36%	52.53%	162.88
Total	309.14	100%	348.95	100%	-11.41%	260.43

Table 4 : Sales and Sale Volumes of Sugar, Molasses, Ethanol and Electricity (Firm Contract)

Sale Volume & Price	2010			2009			2008		
	Volume (Unit)	Avg. Price (THB/Unit)	Value (M THB)	Volume (Unit)	Avg. Price (THB/Unit)	Value (M THB)	Volume (Unit)	Avg. Price (THB/Unit)	Value (M THB)
Sugar	466,089	18,539	8,641	549,967	15,481	8,514	627,341	12,553	7,875
Molasses	148,452	4,424	657	91,669	2,857	262	161,046	2,362	380
Total			9,297			8,776			8,255
Ethanol (1,000 Litres)	28,006	23.49	658	42,510	21.13	898	50,425	16.75	845
Power	137,134	2,719.80	373	127,459	2,880.05	367	136,997	2,668.20	366

Table 5 : NYBOT World Sugar Prices



According to the revenue structure, the gross income slightly increased by 1.48 percent, compared to that in 2009. Revenue from each business can be summarized as follows:

1. Revenues from sugar and molasses sales in 2010: In 2010, sugar prices were quite volatile, increasing continuously from 23 cent/lb in December 2009 to the record high of 30 cent/lb in January 2010, and decreased drastically to 15 cent/lb within 4 months. The price, then, rose to the record high of 34 cent/lb in December 2010. The fluctuation was the most severe in the past 10 years. The severe volatility of sugar prices was caused by increased speculative investment, and fluctuation of sugar supplies manufactured by the countries that are sugar producers and consumers due to severe climate change. (For details, refer to Operations of Each Product Line.) As a result, the Company's average selling price in the year, increased by 20 percent, from THB 15,481 per ton in 2009 to THB 18,539 per ton in 2010. Sugar sales decreased by 15 percent, from 549,967 tons in 2009 to 466,089 tons in 2010. The decrease was partially due to the fact that in 2009 the Company's inventory of sugar remaining from 2008 was sold in 2009; the 2009 sales, thus, were higher than usual. The other cause was the amount of sugar output per ton of cane decreased in 2010 compared to that in 2009, from 108 kilograms of sugar per ton of cane decreased to 101 kilograms of sugar per ton of cane. Due to a change in the climate in winter of 2009, the 2010 cane crop had less sweetness compared to that in 2009. Overall the revenue from sugar sales increased slightly by 1.48 percent. In 2009, molasses prices continuously increased along with sugar prices. Prices of ethanol (produced from molasses), however, did not proportionally increase. The ethanol business was experiencing a problem of limited demand; the Company, hence, decided to decrease ethanol production. Some molasses from distant sugar mills were sold directly to customers for higher returns. Consequently, molasses sales increased. The average selling price of molasses also increased. The Company's revenue from molasses sales then increased by 151 percent, from THB 262 million in 2009 to THB 657 million in 2010.
2. Revenues from ethanol and gasoline sales decreased by 27 percent as ethanol sales decreased by 34 percent, from 42.5 million liters in 2009 to 28 million liters in 2010. The average selling price of ethanol, however, increased by 11 percent from THB 21.13 to THB 23.49 per liter. The decreased sale volume of ethanol was a result of molasses prices increasing while the average selling price of ethanol did not proportionally increase. The Company, thus, sold an amount of molasses directly to customers.
3. Sales of electricity according to the firm contract with the EGAT increased by 8 percent, from 127,459 Mw-hr to 137,134 Mw-hr. The average selling price, however, decreased by 6 percent, from THB 2,880 per Mw-hr to THB 2,720 per Mw-hr. The increase in sales was due to the fact that the Company procured a supplementary fuel source apart from bagasse for its power generation. The decrease in prices was caused by the EGAT formula of purchasing price calculation, which had Thai Baht currency against US Dollar and natural gas prices as variables. The stronger Thai Baht resulted in a lower electricity purchasing price of the EGAT.
4. Revenues from sales of wheat flour, palm oil, and sacks were from Thai Sugar Terminal Public Company Limited (TSTE) and its

subsidiaries. In the past 2-3 years, Thai Sugar Terminal and its subsidiaries invested more in the wheat flour production project and palm oil production project. Wheat was imported for manufacturing wheat flour sold to domestic customers. Crude palm oil was bought from factory in the South to be refined. The refined palm oil was sold to customers in the food industry and biodiesel producers. Revenues of this group increased with an upward tendency in the future. As the Company's shareholding in Thai Sugar Terminal Public Company Limited only accounts for 23.82 percent, the degree that profits of TSTE and its subsidiaries affecting the Company's profits is quite low compared to other businesses. (For details, refer to Listed Company Information on Thai Sugar Terminal Public Company Limited (TSTE).

5. In 2009 the Company sold the investment in Kerry Siam Seaport Limited. This extraordinary item was shown in the 2009 financial statements as income from assets and investment sales amounted to THB 146 million. The Company, hence, realized the increase in profit from the sale of the investment (after minority interests) in the 2009 financial statements at THB 75 million.

Overall, the Company's revenue increased slightly. Main reasons for the decreased operating results included increased raw material and production costs, and other extraordinary items. Costs are explained in the topic on comparison of operating results of each business of the Company and its subsidiaries in the consolidated statements.

The Selling and Administrative Expenses consist of 4 main parts:

1. Selling expenses include expenses from transport and exportation. In 2010, selling expenses decreased by 14 percent from those in 2009 due to a decrease in the sales volume of sugar.
2. Administrative expenses slightly increased. Management remuneration increased by 10 percent as a result of the Company investing in its new project in Boploy. The operations necessitate additional recruitment of personnel.
3. Contributions to the Cane and Sugar Fund have been made to stabilize the cane and sugar industry. They consist of 2 parts: The first part is the amount from the THB 5 /kilogram domestic selling price in mid 2008. The second part is the difference from the price adjustment. Controlled prices of sugar originally included VAT, while currently they do not. The difference in this sugar price is required by the Cabinet to be contributed to the Cane and Sugar Fund. The proceeds are based on domestic sugar sales volumes. In 2010, the total proceeds increased by 4.9 percent from that in the previous year as the government sector had increased a quota on domestic sale.
4. A loss from entering into a sugar futures contract: The loss was caused by volatile sugar prices in the previous year. The Company and its subsidiaries operating sugar businesses were subject to risk in prices of estimated sugar outputs not yet sold to customers. The Company might experience increased selling prices if market prices fell sharply. To prevent part of the estimated sugar outputs

from the risk in sugar prices; the Company entered into the sugar futures contract with a financial institution. As an effect of this risk prevention, when the market is in an upturn, the Company will experience a loss from the futures contract made. It will, however, gain from actual sale at a higher price to offset the loss. When the sugar market is experiencing a downturn, the selling price of an actual sale will be lower, but there will be actual gain from the sugar futures contract made to offset. For details on risk hedging-procedure against sugar price volatility and the corporate accounting records of the items in the financial statements.

Of all the total loss, THB 994 million was a consequence of the Company's risk prevention measure during the upturn in the market. The THB 702 million loss, however, was offset by the increased sugar selling price. The remaining loss of THB 292 million was caused by the fact that the actual sugar volume exported was lower than the sugar volume estimated in the futures contract which became oversold; the rationale was:

- 1 The total volume of cane crop nationwide was lower than the estimate.
- 2 Sugar outputs per ton of cane decreased compared to those in the previous year due to climate conditions before cane crushing; the temperatures did not decrease resulting in less sweetness of the crop.
- 3 The quota on domestic sale increased from that originally announced. The sugar export volume, thus, decreased.
- 4 Construction and machinery installment of the new Boploy sugar mill were delayed. Commercial cane crushing could not be completed in the crushing season.

For the reasons mentioned, the estimate volume in the future contract was higher than the actual volume of sugar exported resulting in the futures contract being oversold. The contract was bought back without the actual sugar sale, causing the THB 292 million loss.

Regarding the financial cost and corporate income tax, the Company had increased interest burden from investment in projects requiring more loans. The corporate financial cost, consequently, increased by 39 percent. The decrease in tax expenses was a result of the decrease in operating results.

From all the factors mentioned above, the Company's net profit decreased by 83 percent from THB 920 million in 2009 to THB 159 million in 2010.

The Company and its subsidiaries operate businesses diverse in industry categories with profitability and tendency being different for each business. To facilitate analysis and comprehension of each business, the Company compared the profits that affect the consolidated profit and loss statement in relation to business categories as shown in Table 6.

**Table 6: Comparing Profits in Relation to Business Categories that Affect the Company's Consolidated Profit and Loss Statement**

PROFIT CONTRIBUTION (million THB)	2010		2009*		%	2008*	
			Adjust		Change	Adjust	
THAI SUGAR MILL BUSINESS	160.64	101%	720.17	78%	-78%	617.25	72%
ETHANOL & FERTILIZER BUSINESS	78.52	49%	139.59	15%	-44%	97.63	11%
POWER PLANT BUSINESS	192.16	121%	191.11	21%	1%	173.17	20%
SUPPORTING BUSINESS	18.53	12%	20.51	2%	-10%	32.84	4%
OTHER BUSINESS	(3.27)	-2%	(1.44)	0%		(2.18)	0%
LAO & CAMBODIA SUGAR PROJECT	(284.88)	-180%	(212.71)	-23%	-34%	(34.59)	-4%
RELOCATION PROJECT	(3.00)	-2%	(12.86)	-1%		(28.48)	-3%
EXTRA			75.26				
TOTAL	158.70	100%	919.62	100%	-83%	855.63	100%

1. Operating results of domestic sugar businesses decreased by 78 percent, from THB 720 million in 2009 to THB 161 million in 2010. The decreased profits were partially due to the fact that the Company had experienced the loss from the oversold futures contract which the sugar volume estimated had exceeded the actual sugar volume exported. The loss was approximately THB 292 million. The Company and its subsidiaries had the actual volume of cane crushed lower than estimated, and the percentage of sugar output per ton of cane decreased. Delay of construction of the Boploy sugar mill project did not allow the cane crushing to occur in the season. Additionally, the government sector increased the quota on domestic sugar sales (Quota A) from that originally announced. The actual sugar volume exported, subsequently, was lower than the sugar volume estimated in the futures contract and risk prevention. The Company had expenses amounted to a THB 292 million loss from:

- (1.1) Penalty payment as a result of sugar physical contract termination the Company had made with customers overseas, amounting to THB 112 million; and
- (1.2) A loss from investment in future contracts as a result of the Company's risk hedging procedure of sugar price volatility at the sugar futures market. The amount of sugar actually produced were lower than the amount hedged through future contract. The Company, hence, had to buy back future contracts without actual sugar sale, resulting in a THB 180 million loss from investing in the future contracts.

According to the profit and loss statement, the Company showed the THB 112 million penalty expense from the sugar futures contract (corresponding to 1.1), and the loss from investment in derivatives totaled THB 881.96 million. The THB 180 million loss was from the loss described in 1.2 (as previously mentioned). The remaining loss amounting to THB 702 million was a consequence of the usual risk management procedure and accounting records. Details are as follows:

The risk hedging procedure carried out by the Company and its subsidiaries against sugar price volatility involved fixing a sugar selling price in advance by entering futures contract. Fixing Sugar selling price was based on the price used for calculating the cost of cane which was major raw material cost that the Company had to pay. In terms of fixing the sugar selling price in advance, the Company entered into the futures contracts against the whole year sugar exports. Future contract closure unwinding occurred at the time close to when the Company entered into an actual contract of sale with a customers.

In 2010, the Company closed most of the contracts in the first half of the year when the world sugar prices were high. This resulted in losses from entering into the sugar futures contract. The losses, however, were offset by higher sugar selling prices in the actual sales contracts done with customers. Account record required that the losses be recorded in the sales and admin expenses section while the increased income from the higher sugar selling prices be recorded in revenues from sugar sales. The Company showed the loss from the investment in derivatives totaling THB 702 million which was a normal loss from its risk hedging procedure, and the THB 180 million loss (according to 1.2) from the amount of sugar actually exported being lower than the amount in the future contract. Therefore, the Company had loss from the investment in derivatives totaling THB 882 million.

In conclusion, the Company's overall operating results were affected by the fact that its actual sugar volume exported was lower than the sugar volume hedged against futures contracts amounting to approximately THB 292 million (the penalty payment amounting to THB 112 million and the loss from investment in derivatives amounting to THB 180 million). The remaining THB 702 million was the result of the Company's normal risk hedging procedure, which was offset by higher sugar selling prices in the actual sales contracts done with customers.

The decreased profits in sugar businesses were also caused by the incident that the Company and its subsidiaries had decreased sugar outputs due to reduced volume of cane being crushed, and lower quality of cane crop for crushing compared to that in the last year. The Company's production performance inevitably decreased. Moreover, cane cost was higher because of competition for raw materials. The higher unit cost of sugar production resulted in lower gross profit margin compared to that in the previous year.

- Operating results of the ethanol business decreased due to reduced volumes of cane being crushed. Therefore, the Company and its subsidiaries had limited molasses supply for ethanol production. Costs of other raw materials, such as tapioca flour, were high; they were not cost-effective alternatives for ethanol production. Ethanol prices could not keep up with the increased material cost ratio. The Company's ethanol sales decreased from 42.5 million liters in 2009 to 28.0 million liters in 2010. Profits from the ethanol business decreased from THB 140 million in 2009 to THB 79 million in 2010.
- Operating results of the power plant business were close to the previous year's results. Although electricity sales increased by 8 percent, the selling price of electricity decreased by 6 percent. This resulted in a 2-percent revenue increase. The increase in electricity sales was partly due to the fact that the Company

procured a supplementary fuel source apart from bagasse for its power generation. The unit cost of this fuel alternative was higher than that of bagasse, so the profitability ratio decreased. Overall, operating results of the electricity generation business were close to the previous year's results.

- The increased loss from operating the sugarcane plantation and sugar mills in Laos and Cambodia was due to the fact that both projects were at the beginning of their investment period. Volumes of cane for crushing were low, while the burden cost was fixed and interest increased. Subsequently, both projects experienced increased a loss. The loss of the subsidiaries that contributed to the consolidated financial statements in 2010 amounted to approximately THB 285 million, which was an increase from the previous year's THB 213 million loss. However, in the future operating results of both projects will improve after the extension of cane plantations and improved yields per rai. There will be adequate sugar cane for crushing, allowing the projects to break even.
- In 2009 the Company and its subsidiaries sold their investment in Kerry Siam Seaport Limited. The increased revenue from assets and investment sales amounted to THB 146 million. The Company, hence, realized the increase in profit from the sale of the investment (after minority interests) in the 2009 financial statements at THB 75 million.

## 5. Balance Sheet

Table 7 : A Summary of the Company's 2010, 2009 and 2008 Balance Sheets

Balance Sheet Highlight (Million THB)	2010	2009 Adj.	% Change	2008 Adj.
Cash & Short Term Investment	211.38	435.24	-51%	508.71
Account Receivable	548.77	599.76	-9%	702.04
Farmers Account Receivable	253.87	105.15	141%	138.14
Short Term Loan to Farmers	612.19	337.02	82%	318.83
A/R sugarcane & sugar fund	139.10	195.00	-29%	244.95
Inventories	1,595.76	1,679.27	-5%	1,776.53
Deferred Cane Plantation Cost	831.65	689.76	21%	402.25
Net PP&E	18,009.79	15,108.88	19%	11,291.21
Net Asset not used in Operation	361.92	328.51	10%	305.50
<b>Total Asset</b>	<b>23,152.73</b>	<b>20,417.56</b>	<b>13%</b>	<b>16,872.42</b>
Current Liabilities	5,087.98	3,720.83	37%	3,976.91
Non-Current Liabilities	8,130.63	5,897.19	38%	2,550.79
<b>Total Liabilities</b>	<b>13,218.61</b>	<b>9,618.01</b>	<b>37%</b>	<b>6,527.70</b>
<b>Total Shareholder's Equity</b>	<b>9,934.12</b>	<b>10,799.54</b>	<b>-8%</b>	<b>10,344.72</b>
Book Value per share	5.30	5.61		5.40
D/E Ratio	1.33	0.89		0.63

In 2010, the Company and its subsidiaries had the total assets of THB 23,153 million, which was a 13 percent increase from THB 20,418 million in 2009. The increase was mainly results of: (1) increased investment in lands, buildings and machinery in the renewable energy project in Boploy; (2) working capital provided for cane growers for expanding cane plantations to support the Company's renewable energy

project in Boploy; and (3) the extension of ares of sugarcane plantations and sugar mills projects in Laos and Cambodia. The increased assets were invested by the use of credits Loans from financial institutions and issuance of bonds. Consequently, the total assets increased by 37 percent, from THB 9,618 million in 2009 to THB 13,219 million in 2010. The D/E ratio increased from 0.89 in 2009 to 1.33 in 2010.



## 6. Statement of Cash Flows

Table 8 : Cash Flow Statements of the Company, Years 2010, 2009 and 2008

Cash Flow Highlight (Million THB)	2010	2009 Adj.	% Change	2008 Adj.
Net Profit + Depre. + Non Cash	919	2,014	-54%	1,846
Change in Working Capital	(671)	(320)		(896)
from Operating Activities	248	1,695	-85%	950
Invest in PP&E	(3,334)	(3,821)	-13%	(2,390)
from Investing Activities	(3,293)	(3,996)	-18%	(2,280)
from Financing Activities	2,952	1,988	48%	1,554
Change in Cash Flow	(64)	(240)		217
Ending Cash	203	267		507
EBIT	537	1,578	-66%	1,506
Depreciation	393	391	0%	339
EBITDA	930	1,969	-53%	1,845
Total Debt / EBITDA	14.22	6.71		3.54

In 2010, the Company and its subsidiaries received cash flows from their operations before change in working capital totaled THB 919 million, which was a 54 percent decrease from that in 2009. The decrease was due to decreased operating results. The Company's renewable energy project in Boploy also required working capital to provide cane growers credit for expanding cane plantations. Moreover, the extension of cane plantations of the sugarcane cultivation and sugar mills projects in Laos and Cambodia required increased short-term working capital. As a result, in 2010 cash flows from operating activities of the Company and its subsidiaries reduced to THB 248 million.

In 2010, the Company and its subsidiaries had cash paid in investing activities (net) totaled THB 3,293 million, of which THB 3,334 million was invested in lands, buildings and machinery (net), mainly for the renewable energy project in Boploy.

Regarding financing activities in 2010, the Company and its subsidiaries received the net cash of THB 2,952 million from short-term loans, issuance of bonds, and long-term credit for different projects. Some of the cash was used for dividend payments in the mother company and dividend payments made to minority shareholders.

## 7. Financial Ratios

Table 9 : Financial Ratios, Years 2010, 2009 and 2008

Financial Ratio (Million THB)	2010	2009* Adj.	% Change	2008* Adj.
Short Term liquidity				
Current Ratio	0.70	1.02		1.10
Acid Test Ratio	0.29	0.43		0.42
Collection period	17	20		N/A
Days of Inventory	65	71		N/A
Capital Structure and Solvency ratio				
D/E Ratio	1.33	0.89		0.63
LTD to equity	0.82	0.54		0.24
Times interest earned	2.55	7.42		7.92
Return on Investment ratios				
ROA	1%	5%		5%
ROE	2%	9%		8%
Operating performance ratios				
Gross Profit Ratio	24%	25%		24%
Operating Profits to Sales	4%	14%		14%



Financial Ratio (Million THB)	2010	2009*	%	2008*
		Adj.	Change	Adj.
Pretax Profit to sales	2%	11%		12%
Net Income to Sales	1%	8%		8%
Asset Utilization ratios				
Sales to cash	51.3	30.1		N/A
Sales to accounts receivables	21.0	17.9		N/A
Sales to inventory	7.4	6.8		N/A
Sales to fixed assets	0.7	0.9		N/A
Sales to total assets	0.6	0.6		N/A
Market Measures				
P/E Ratio				
from C Earning Yield				
Divided Yield				
Book Value per Share	5.30	5.61		5.40
Earning Per Share	0.10	0.59		0.55
Dividend Payout Ratio				

According to the 2010 financial ratios, liquidity ratios, specifically current ratio and acid test ratio, decreased. In 2010, interest rates for short-term loans were much lower than those for long-term loans. The Company managed its finance by using short-term credits as working capital for its investment projects. Once the long-term loan contract periods were due, the Company switched to use the long-term credits. The purpose was to relieve the interest burden on loans. The current ratio and acid test ratio, subsequently, decreased. The collection period and days of inventory decreased, indicating increased abilities to collect and manage inventories.

Regarding capital structure and solvency ratios, it can be seen that the D/E ratio and LTD to equity increased. The increased liabilities were due to investment in the renewable energy project in Boploy.

Times interest earned, however, decreased as a result of the decreased 2010 operating results.

In terms of profitability ratios, the ROA and ROE decreased due to the decreased 2010 operating results. The changes were in line with other financial ratios, such as operating profits to sales, net income to sales, book value per share, and earning per share.

## 8. Audit Fees

Khon Kaen Sugar Industry PLC. and subsidiaries were responsible for audit fees in 2010 totaling THB 5,600,500.

## Report of the Board of Directors Responsibilities for Financial Statements

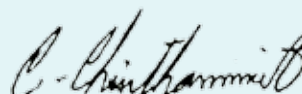
The Boards of Directors is responsible for the company's financial statements and other information as shown in the annual report. Such financial statements are prepared in accordance with the generally - accepted accounting principles and other reporting requirements, Significant information to support the financial statements are also adequately provided.

In this matter, the board of directors has appointed an adult committee which consists of four independent directors who are responsible for the quality of the financial statements and the internal control system. The remarks of the audit committee are included in its report that already exists in the annual report of the company

The board of directors opinion that overall internal control system is satisfactory and can create the credit towards the consolidated financial statements and the financial statements of the company and its subsidiaries as of October 31, 2010



(Mr. Manu Leopairote)  
Chairman of the Board of Directors



(Mr. Chamroon Chinthammit)  
President and CEO

# AUDITOR'S REPORT

To the Shareholders and Board of Directors of  
KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED

I have audited the accompanying consolidated and separate balance sheets as at October 31, 2010, the related consolidated and separate statements of income, changes in shareholders' equity and cash flows for the year ended October 31, 2010 of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED and its subsidiary companies and also of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED only. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. I have not audited the financial statements of the three foreign subsidiary companies which are consolidated in the said consolidated financial statements. As at October 31, 2010, the financial statements of these subsidiary companies disclosed the total assets of Baht 4,315.86 million equivalent to 18.64% of the consolidated total assets and for the year ended October 31, 2010 showed the total revenues of Baht 282.56 million equivalent to 2.34% of the consolidated incomes for the year and total loss of Baht 419.43 million. The financial statements of these subsidiary companies have been audited by other independent certified public accountants whose reports have been received by me and my report presentation in part relating to amounts of various items of these subsidiary companies which are consolidated is based on the reports of those other independent certified public accountants. Furthermore, the consolidated and separate financial statements for the year ended October 31, 2009 of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED and its subsidiary companies and also of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED only have been audited by another auditor in the same firm; who expressed thereon an unqualified opinion as reported thereon dated December 25, 2009.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit together with the reports of other independent certified public accountants mentioned in the first paragraph provide a reasonable basis for my opinion.

In my opinion, basing on my audit and other independent certified public accountants' reports mentioned in the first paragraph, the consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial positions as at October 31, 2010, the consolidated and separate operating results and cash flows for the year ended October 31, 2010 of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED and its subsidiary companies and of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED only in accordance with generally accepted accounting principles.

While I still hold to the unqualified opinion, I would like to draw your attention to the notes to financial statements no. 4.1 regarding the change in the accounting policy on the inventory calculation method for molasses which the Company and its subsidiary companies have adjusted the effects from the said change in the accounting policy and retrospectively adjusted the consolidated and separate financial statements for the comparison purpose. I have audited the adjustments applied to the revised consolidated and separate financial statements for the year ended October 31, 2009. In my opinion, the said adjustments are reasonable and have been appropriately applied to adjust the consolidated and separate financial statements.

SAM NAK-NGAN A.M.C. CO., LTD.



(Miss Sansanee Poolsawat)

Certified Public Accountant (Thailand) Registration No. 6977

Bangkok,

December 24, 2010

# BALANCE SHEETS

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES AS AT OCTOBER 31, 2010 AND 2009

(Unit : Baht)

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		2010	2009 (Restated)	2010	2009 (Restated)
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents		203,223,776.22	267,015,082.31	13,513,698.23	29,791,532.91
Temporary Investments-Net	8	8,157,256.51	168,221,134.26	5,708,477.19	-
Trade Accounts Receivable-Net	6.1 and 9	548,766,118.32	599,758,200.64	144,158,852.16	135,971,807.79
Farmer Accounts Receivable-Net	10	12,221,667.68	12,347,593.60	3,260,940.43	-
Current Portion of Loans for Cane Plantation Development	17	45,646,870.38	23,878,328.59	7,216,600.00	4,950,000.00
Current Portion of Other Accounts Receivable- Compensation for Sugar Production and Distribution	18	50,246,488.89	55,960,567.12	21,972,578.37	25,419,991.34
Short-Term Loans to Related Companies	6.1	-	130,355,542.21	1,375,000,000.00	1,089,500,000.00
Short-Term Loans to Farmers	11	612,188,795.99	337,019,953.88	265,641,295.99	163,340,953.88
Inventories-Net	12	1,595,760,605.33	1,679,268,499.42	480,260,293.95	516,511,778.11
Real Estate Development Cost		57,451,093.53	26,959,567.07	-	-
Machine Maintenance Supplies		247,083,569.18	300,301,118.77	88,305,601.29	94,944,926.55
Accrued Dividend Receivable from Subsidiary Company	6.1	-	-	108,257,486.00	135,321,857.50
Other Current Assets	13	160,901,262.05	185,306,817.56	73,101,521.31	45,230,917.25
<b>TOTAL CURRENT ASSETS</b>		<b>3,541,647,504.08</b>	<b>3,786,392,405.43</b>	<b>2,586,397,344.92</b>	<b>2,240,983,765.33</b>
<b>NON-CURRENT ASSETS</b>					
Investments in Subsidiary and Associated Companies-Net	14	55,149,827.48	48,799,333.84	5,102,223,945.14	4,273,319,513.06
Other Long-Term Investments-Net	15	22,063,019.62	24,338,717.98	9,880,065.83	10,778,407.27
Deferred Cane Plantation Cost-Net	16	831,654,407.48	689,763,383.11	73,369,350.73	46,795,253.30
Loans for Cane Plantation Development-Net	17	196,003,380.48	68,927,309.97	14,434,200.00	5,941,600.00
Long-Term Loans to Related Individual	6.1	-	160,484,160.00	-	-
Other Accounts Receivable-Compensation for Sugar Production and Distribution-Net	18	88,853,723.32	139,041,591.52	60,905,447.84	82,748,715.26
Property, Plant and Equipment-Net	19	18,009,792,925.06	15,108,882,837.24	2,753,048,137.70	2,861,770,539.54
Assets not used in Operation-Net	20	361,921,751.22	328,508,693.40	125,867,151.26	98,281,732.26
Other Non-Current Assets		45,642,007.00	62,419,297.46	147,623.06	5,856,100.25
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,611,081,041.66</b>	<b>16,631,165,324.52</b>	<b>8,139,875,921.56</b>	<b>7,385,491,860.94</b>
<b>TOTAL ASSETS</b>		<b>23,152,728,545.74</b>	<b>20,417,557,729.95</b>	<b>10,726,273,266.48</b>	<b>9,626,475,626.27</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Overdrafts and Short-Term Loans from Financial Institutions	21	1,902,245,952.91	1,274,181,890.02	-	-
Bills of Exchange-Net	22	-	99,677,158.98	-	99,677,158.98
Trade Accounts Payable	23	403,692,417.12	524,050,409.82	138,367,837.72	181,672,238.98
Current Portion of Debentures	25	999,932,895.01	-	999,932,895.01	-
Current Portion of Long-Term Loans	26	552,855,000.00	228,000,000.00	168,000,000.00	168,000,000.00
Short-Term Loans from Related Companies	6.1	-	-	450,000,000.00	297,000,000.00
Short-Term Loans from Outside Person	24	5,000,000.00	68,000,000.00	-	-
Accrued Income Tax		47,062,201.79	122,261,401.01	-	5,627,840.55
Advance Received for Goods		98,621,650.60	87,840,052.09	87,632,152.06	72,728,473.19
Accrued Fee Payable to the Office of The Cane and Sugar Fund		35,749,577.46	69,045,536.25	11,513,728.39	30,000,460.84
Accrued Stabilization Function Payment to the Office of The Cane and Sugar Fund		50,246,488.89	55,960,567.12	21,972,578.37	25,419,991.34
Other Accrued Expenses		132,028,263.31	167,835,911.79	82,892,949.74	89,956,174.97
Account Payable-Assets		606,495,009.62	722,673,331.38	28,494,322.03	15,277,402.80

Notes to financial statements are an integral part of these financial statements.

# BALANCE SHEETS

KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES  
AS AT OCTOBER 31, 2010 AND 2009

(Unit : Million Baht)

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		2010	2009 (Restated)	2010	2009 (Restated)
Other Accounts Payable		114,382,685.27	170,341,431.57	41,005,680.47	66,893,921.88
Liabilities from Investment in Derivative Instruments	38	-	6,205,768.81	-	2,790,715.43
Other Current Liabilities		139,667,013.31	124,754,801.09	20,235,685.05	14,596,733.63
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,087,979,155.29</b>	<b>3,720,828,259.93</b>	<b>2,050,047,828.84</b>	<b>1,069,641,112.59</b>
<b>NON-CURRENT LIABILITIES</b>					
Debentures-Net	25	3,775,647,034.41	3,274,853,366.81	3,775,647,034.41	3,274,853,366.81
Long-Term Loans-Net	26	4,341,985,000.00	2,607,246,298.00	164,000,000.00	332,000,000.00
Other Non-Current Liabilities		12,997,272.00	15,087,015.37	10,079,484.06	9,759,665.76
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,130,629,306.41</b>	<b>5,897,186,680.18</b>	<b>3,949,726,518.47</b>	<b>3,616,613,032.57</b>
<b>TOTAL LIABILITIES</b>		<b>13,218,608,461.70</b>	<b>9,618,014,940.11</b>	<b>5,999,774,347.31</b>	<b>4,686,254,145.16</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share Capital	27				
Authorized Share Capital :					
1,870,000,000 Ordinary Shares @ Baht 1.00 Par Value Each		1,870,000,000.00	-	1,870,000,000.00	-
1,550,000,000 Ordinary Shares @ Baht 1.00 Par Value Each		-	1,550,000,000.00	-	1,550,000,000.00
Issued and Paid-Up Share Capital					
1,550,000,000 Ordinary Shares @ Baht 1.00 Par Value Each		1,550,000,000.00	1,550,000,000.00	1,550,000,000.00	1,550,000,000.00
Premium on Ordinary Shares		1,554,617,243.34	1,554,617,243.34	1,554,617,243.34	1,554,617,243.34
Unrealized Gain (Loss)					
Differences on Revaluation of Assets-Parent Company		1,115,913,152.68	1,192,500,992.10	1,115,913,152.68	1,192,500,992.10
Differences on Revaluation of Assets-Subsidiary Companies		157,911,268.44	166,457,204.70	-	-
Differences on Internal Restructure of Entities under Common Control		1,467,432,249.91	1,645,617,978.33	-	-
Differences on the Changes in Shareholding Ratio in Subsidiary Companies		(6,175,140.28)	42,602,414.19	-	-
Change in Fair Value of Available-for-Sale Securities		1,844,390.67	2,347,501.41	2,270,539.01	2,745,885.00
Currency Translation Differences		(82,038,949.07)	13,469,376.68	-	-
Retained Earnings	28				
Appropriated					
Legal Reserve		167,420,000.00	162,620,000.00	167,420,000.00	162,620,000.00
Unappropriated		2,284,104,512.04	2,362,704,703.47	336,277,984.14	477,737,360.67
<b>TOTAL SHAREHOLDERS' EQUITY OF PARENT COMPANY</b>		<b>8,211,028,727.73</b>	<b>8,692,937,414.22</b>	<b>4,726,498,919.17</b>	<b>4,940,221,481.11</b>
Minority Shareholders' Equity		1,723,091,356.31	2,106,605,375.62	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>9,934,120,084.04</b>	<b>10,799,542,789.84</b>	<b>4,726,498,919.17</b>	<b>4,940,221,481.11</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>23,152,728,545.74</b>	<b>20,417,557,729.95</b>	<b>10,726,273,266.48</b>	<b>9,626,475,626.27</b>

# STATEMENTS OF INCOME

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

For the Years Ended October 31, 2010 and 2009

(Unit : Million Baht)

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		2010	2009 (Restated)	2010	2009 (Restated)
<b>REVENUES</b>					
Revenue from Sale		11,949,658,783.26	11,498,280,427.27	5,699,174,409.44	5,305,186,504.43
Revenue from Services		121,658,575.87	172,702,655.58	-	-
<b>TOTAL REVENUES</b>		<b>12,071,317,359.13</b>	<b>11,670,983,082.85</b>	<b>5,699,174,409.44</b>	<b>5,305,186,504.43</b>
<b>COST</b>					
Cost of Sales		(9,120,501,549.25)	(8,707,333,982.91)	(4,705,608,263.90)	(4,148,721,605.92)
Cost of Services		(70,161,108.25)	(75,997,720.97)	-	-
<b>TOTAL COST</b>		<b>(9,190,662,657.50)</b>	<b>(8,783,331,703.88)</b>	<b>(4,705,608,263.90)</b>	<b>(4,148,721,605.92)</b>
Gross Profit		2,880,654,701.63	2,887,651,378.97	993,566,145.54	1,156,464,898.51
Other Income		309,138,315.64	348,950,586.57	314,121,361.18	321,600,360.53
Profit before expenses		3,189,793,017.27	3,236,601,965.54	1,307,687,506.72	1,478,065,259.04
Selling Expenses		(268,983,625.42)	(312,672,104.94)	(111,820,675.44)	(168,698,180.96)
Administrative Expenses		(489,588,594.35)	(481,944,343.32)	(119,454,363.75)	(131,352,373.97)
Executives' Remuneration	30	(124,750,447.25)	(113,642,162.00)	(28,587,600.00)	(26,875,980.00)
Fee Payable to the Office of The Cane and Sugar Fund		(781,848,623.38)	(745,655,265.55)	(308,331,080.76)	(379,425,631.71)
Penalty from Sugar Future Contracts	31	(111,963,929.65)	-	(19,236,704.00)	-
Loss from Investment in Derivative Instruments	38	(881,960,043.04)	(6,205,768.81)	(391,123,258.23)	(2,790,715.43)
<b>TOTAL EXPENSES</b>		<b>(2,659,095,263.09)</b>	<b>(1,660,119,644.62)</b>	<b>(978,553,682.18)</b>	<b>(709,142,882.07)</b>
Profit before Financial Cost and Income Tax		530,697,754.18	1,576,482,320.92	329,133,824.54	768,922,376.97
Financial Cost		(342,533,466.19)	(245,735,586.77)	(233,294,062.97)	(174,401,190.25)
(174,401,190.25)*Share of Profit of Associated Company (Net from Income Tax)		6,350,493.64	1,364,888.74	-	-
<b>PROFIT BEFORE INCOME TAX</b>		<b>194,514,781.63</b>	<b>1,332,111,622.89</b>	<b>95,839,761.57</b>	<b>594,521,186.72</b>
<b>INCOME TAX</b>	33	<b>(117,703,692.93)</b>	<b>(357,494,552.83)</b>	<b>-</b>	<b>(104,119,905.53)</b>
<b>PROFIT FOR THE YEAR</b>		<b>76,811,088.70</b>	<b>974,617,070.06</b>	<b>95,839,761.57</b>	<b>490,401,281.19</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO:</b>					
SHAREHOLDERS OF THE COMPANY		158,698,946.67	919,616,612.15	95,839,761.57	490,401,281.19
MINORITY SHAREHOLDERS		(81,887,857.97)	55,000,457.91	-	-
		76,811,088.70	974,617,070.06	95,839,761.57	490,401,281.19
<b>EARNINGS PER SHARE</b>					
Basic Earnings per Share	34	0.102	0.593	0.062	0.316
Diluted Earning per Share		0.101	-	0.061	-
Basic Number of Ordinary Shares (Unit : Share)		1,550,000,000	1,550,000,000	1,550,000,000	1,550,000,000
Dilutive Potential Number of Ordinary Shares (Unit : Share)		1,565,594,506	-	1,565,594,506	-

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

For the Years Ended October 31, 2010 and 2009

(Unit : Baht)

Notes	Issued and Paid-up Share Capital	Premium on Ordinary Shares	Unrealized Gain(Loss)				Currency Translation Differences	Retained Earnings		Total Shareholders' Equity of Parent Company	Minority Shareholders' Equity	Total
			Differences on Revaluation of Assets-Parent Company	Differences on Revaluation of Assets-Subsidiary Companies	Differences on Internal Restructure of Entities under Common Control	Changes in Shareholding Ratio in Subsidiary Companies		Change in Fair Value of Available-for-Sale Securities	Appropriated Legal Reserve			
Balance as at November 1, 2008	1,550,000,000.00	1,554,617,243.34	1,296,890,669.71	135,062,713.77	1,842,877,148.17	37,995,203.05	977,617.75	162,620,000.00	1,894,159,405.80	8,473,516,290.27	1,393,605,929.25	10,457,122,219.52
Effect from Change in the Accounting Policy - Inventory	-	-	-	-	-	-	977,617.75	(11,070,886.48)	(110,070,886.48)	(110,070,886.48)	(2,331,216.16)	(112,402,102.66)
Adjusted Balance	1,550,000,000.00	1,554,617,243.34	1,296,890,669.71	135,062,713.77	1,842,877,148.17	37,995,203.05	977,617.75	162,620,000.00	1,784,087,519.32	8,363,445,403.79	1,391,274,713,071,034,470,116.86	
Differences on Revaluation of Assets Increase(Decrease)-Net	-	-	(19,054,018.09)	40,864,900.13	(21,446,535.44)	(8,935,148.21)	-	-	-	(8,570,801.61)	159,267,273.10	150,696,471.49
Depreciation on Differences on Revaluation of Assets	-	-	(85,325,659.52)	9,470,409.20	(175,812,634.40)	2,180,595.92	-	-	-	(268,428,107.20)	(44,464,188.20)	(312,892,295.40)
Differences on the Changes in Shareholding Ratio in Subsidiary Companies	-	-	-	-	-	11,361,763.43	-	-	-	11,361,763.43	(11,361,763.43)	-
Change in Fair Value of Available-for-Sale Securities	-	-	-	-	-	-	1,369,883.66	-	-	1,369,883.66	752,041.40	2,121,925.06
Currency Translation Differences	-	-	-	-	-	-	-	15,142,088.00	-	15,142,088.00	(18,096,355.00)	(2,954,267.00)
Total Recognised Income (Expenses) in Shareholders' Equity Profit for the year	-	-	(104,379,677.61)	31,394,490.93	(197,259,169.84)	4,607,211.14	1,369,883.66	-	919,616,612.15	(249,125,173.72)	86,097,007.87	(163,028,165.85)
Total Income (Expenses) Recognised for the year	-	-	(104,379,677.61)	31,394,490.93	(197,259,169.84)	4,607,211.14	1,369,883.66	-	919,616,612.15	(249,125,173.72)	86,097,007.87	(163,028,165.85)
Dividends Paid	-	-	-	-	-	-	-	-	(340,999,428.00)	(340,999,428.00)	(15,766,803.23)	(356,766,231.23)
Balance as at October 31, 2009	1,550,000,000.00	1,554,617,243.34	1,192,500,992.10	166,457,204.70	1,645,617,976.33	42,602,414.19	2,347,501.41	162,620,000.00	2,362,704,703.47	8,692,937,414.22	2,106,605,375.62	10,799,542,789.84
Differences on Revaluation of Assets Decrease-Net	-	-	(1,635,621.50)	-	(2,111,900.57)	-	-	-	-	(3,747,422.07)	(399,003.55)	(4,146,425.62)
Depreciation on Differences on Revaluation of Assets	-	-	(74,952,217.92)	(8,546,936.26)	(176,073,927.85)	(6,227,747.87)	-	-	-	(265,799,629.90)	(27,341,316.73)	(293,141,142.63)
Differences on the Changes in Shareholding Ratio in Subsidiary Companies	-	-	-	-	-	(42,549,806.60)	-	-	-	(42,549,806.60)	42,549,806.60	-
Change in Fair Value of Available-for-Sale Securities	-	-	-	-	-	-	(503,110.74)	-	-	(503,110.74)	276,640.93	(226,469.81)
Currency Translation Differences	-	-	-	-	-	-	(95,508,325.75)	-	-	(95,508,325.75)	(36,511,248.43)	(132,019,574.18)
Total Recognised Expenses in Shareholders' Equity Profit (Loss) for the year	-	-	(76,587,839.42)	(8,545,936.26)	(178,185,728.42)	(48,777,554.47)	(503,110.74)	(95,508,325.75)	158,698,946.67	(408,108,495.06)	(21,425,117.18)	(429,533,612.24)
Total Income (Expenses) Recognised for the year	-	-	(76,587,839.42)	(8,545,936.26)	(178,185,728.42)	(48,777,554.47)	(503,110.74)	(95,508,325.75)	158,698,946.67	(408,108,495.06)	(21,425,117.18)	(429,533,612.24)
Decrease in Minority Shareholders' Equity	-	-	-	-	-	-	-	-	-	-	(267,427,430.74)	(267,427,430.74)
Dividends Paid	-	-	-	-	-	-	-	-	(232,499,138.10)	(232,499,138.10)	(12,773,613.42)	(245,272,751.52)
Legal Reserve	-	-	-	-	-	-	-	4,800,000.00	(4,800,000.00)	-	-	-
Balance as at October 31, 2010	1,550,000,000.00	1,554,617,243.34	1,115,913,152.68	157,911,268.44	1,467,432,249.91	(6,175,140.28)	1,844,390.67	167,420,000.00	8,211,028,727.73	7,723,091,356.31	9,934,120,084.04	

Notes to financial statements are an integral part of these financial statements.



# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

For the Years Ended October 31, 2010 and 2009

		Separate Financial Statements						Total
		Issued and Paid-Up Share Capital	Premium on Ordinary Shares	Unrealized Gain(Loss) Change in Fair Value of Available-for-Sale Securities	Retained Earnings Appropriated Legal Reserve	Unappropriated	Total	
Notes								
	Balance as at November 1, 2008	1,550,000,000.00	1,554,617,243.34	1,296,880,669.71	1,725,415.00	162,620,000.00	403,471,405.31	4,969,314,733.36
	Effect from Change in the Accounting Policy - Inventory	-	-	-	-	-	(75,135,897.83)	(75,135,897.83)
4.1	Adjusted Balance	1,550,000,000.00	1,554,617,243.34	1,296,880,669.71	1,725,415.00	162,620,000.00	328,335,507.48	4,894,178,835.53
	Differences on Revaluation of Assets Decrease-Net	-	-	(19,054,018.09)	-	-	-	(19,054,018.09)
	Depreciation on Differences on Revaluation of Assets	-	-	(85,325,659.52)	-	-	-	(85,325,659.52)
	Change in Fair Value of Available-for-Sale Securities	-	-	-	1,020,470.00	-	-	1,020,470.00
	Total Recognised Income (Expenses) in Shareholders' Equity	-	-	(104,379,677.61)	1,020,470.00	-	-	(103,359,207.61)
	Profit for the Year	-	-	-	-	-	490,401,281.19	490,401,281.19
	Total Income (Expenses) Recognised for the Year	-	-	(104,379,677.61)	1,020,470.00	-	490,401,281.19	387,042,073.58
28	Dividends Paid	-	-	-	-	-	(340,999,428.00)	(340,999,428.00)
	Balance as at October 31, 2009	1,550,000,000.00	1,554,617,243.34	1,192,500,992.10	2,745,885.00	162,620,000.00	477,737,360.67	4,940,221,481.11
	Differences on Revaluation of Assets Decrease-Net	-	-	(1,635,621.50)	-	-	-	(1,635,621.50)
	Depreciation on Differences on Revaluation of Assets	-	-	(74,952,217.92)	-	-	-	(74,952,217.92)
	Change in Fair Value of Available-for-Sale Securities	-	-	-	(475,345.99)	-	-	(475,345.99)
	Total Recognised Expenses in Shareholders' Equity	-	-	(76,587,839.42)	(475,345.99)	-	-	(77,063,185.41)
	Profit for the Year	-	-	-	-	-	95,839,761.57	95,839,761.57
	Total Income (Expenses) Recognised for the Year	-	-	(76,587,839.42)	(475,345.99)	-	95,839,761.57	18,776,576.16
28	Dividends Paid	-	-	-	-	-	(232,499,138.10)	(232,499,138.10)
	Legal Reserve	-	-	-	-	4,800,000.00	(4,800,000.00)	-
28	Balance as at October 31, 2010	1,550,000,000.00	1,554,617,243.34	1,115,913,152.68	2,270,539.01	167,420,000.00	336,277,984.14	4,726,498,919.17

Notes to financial statements are an integral part of these financial statements.

# CASH FLOW STATEMENTS

KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

For the Years Ended October 31, 2010 and 2009

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2010	2009 (Restated)	2010	2009 (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit Before Income Tax	194,514,781.63	1,332,111,622.89	95,839,761.57	594,521,186.72
Reconciliation of Profit with Cash Received (Payment) from Operation :-				
Dividends Income	(296,824.70)	(178,710.00)	(108,464,955.70)	(138,712,577.20)
Doubtful Accounts-Trade Accounts Receivable, Farmer Accounts Receivable and Loans for Cane Plantation Development (Reversal)	(4,583,638.70)	4,986,848.98	-	-
Share of Profit of Associated Company (Net of Income Tax)	(6,350,493.64)	(1,364,888.74)	-	-
Amortization of Premium on Bond	82,804.96	99,252.06	40,596.34	68,488.55
Loss from Damaged Cane and Impairment of the Deferred Cane Plantation Cost	162,023,227.93	187,649,818.97	-	485,945.85
Loss from Dilapidated Goods and Factory Supplies and Costs of Goods Exceeding Net Realizable Value	4,403,394.25	19,743.00	-	-
Depreciation	392,547,551.33	390,964,657.33	134,903,432.01	148,215,697.55
Gain from Disposal and Written-off of Assets	(32,078,797.62)	(11,282,643.32)	(15,613,320.32)	(8,753,249.31)
Loss from Impairment of Fixed Assets	-	3,111,773.05	-	-
Loss from Impairment of Investments in Subsidiary and Associated Companies (Reversal)	-	-	(38,357,579.32)	17,700,063.70
Gain from Sale of Temporary Investments and Other Long-term Investments	(1,312,029.66)	(135,258,065.45)	(1,090,396.43)	(58,144,274.94)
Unrealized Gain on Exchange Rate	(11,898,805.92)	(756,114.58)	-	(102,653.21)
Interest Expenses	338,420,953.96	241,917,623.74	229,762,038.93	171,808,041.66
Amortized Debenture Issuance Expenses	3,160,408.76	2,275,143.59	3,160,408.76	2,275,143.59
Profit from Operation before Changes in Operating Assets and Liabilities	1,038,632,532.58	2,014,296,061.52	300,179,985.84	729,361,812.96
Operating Assets (Increase) Decrease				
Trade Accounts Receivable	51,349,482.32	94,257,404.20	(8,187,044.37)	146,724,171.85
Farmer Accounts Receivable	7,484,568.96	20,146,380.93	-	-
Inventories	79,104,499.84	97,241,274.01	36,251,484.16	211,723,420.38
Real Estate Development Cost	2,078,483.45	15,095,964.46	-	-
Machine Maintenance Supplies	53,217,549.59	(65,853,178.85)	6,639,325.26	9,360,141.45
Other Current Assets	33,441,611.58	306,249,508.41	(21,042,141.95)	237,313,726.30
Deferred Cane Plantation Cost	(253,290,289.08)	(391,575,670.20)	(25,673,426.07)	(21,529,178.57)
Other Non-Current Assets	11,168,813.27	(23,827,096.19)	-	-
Operating Liabilities Increase (Decrease)				
Trade Accounts Payable	(120,059,018.15)	151,154,050.09	(43,304,401.26)	14,551,097.61
Advance Received for Goods	10,781,598.51	(13,597,742.36)	14,903,678.87	63,879,897.87
Accrued Fee Payable to the Office of The Cane and Sugar Fund	(33,295,958.79)	15,316,736.43	(18,486,732.45)	4,649,561.65
Accrued Stabilization Function Payment to the Office of The Cane and Sugar Fund	50,187,868.20	75,077,890.87	21,843,267.42	34,835,339.41
Other Accrued Expenses	(46,589,600.82)	20,106,065.38	(13,857,433.17)	(17,759,767.29)
Other Accounts Payable	(55,959,038.25)	(25,718,071.80)	(25,888,241.41)	4,942,349.78
Liabilities from Investment in Derivative Instruments	(6,205,768.81)	6,205,768.81	(2,790,715.43)	2,790,715.43
Other Current Liabilities	14,912,212.22	46,954,670.92	5,638,951.42	4,526,158.40
Other Non-Current Liabilities	(2,089,743.37)	(9,860,139.11)	319,818.30	(992,764.90)
Cash Received from Operating Activities	834,869,803.25	2,331,669,877.52	226,546,375.16	1,424,376,682.33
Interest Paid	(385,587,653.60)	(258,673,142.38)	(222,644,989.97)	(140,345,883.43)
Income Tax Paid	(201,211,740.27)	(378,263,804.57)	(12,456,302.66)	(136,205,564.34)
Net Cash Received from (Used in) Operating Activities	248,070,409.38	1,694,732,930.57	(8,554,917.47)	1,147,825,234.56

Notes to financial statements are an integral part of these financial statements.

# CASH FLOW STATEMENTS

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

For the Years Ended October 31, 2010 and 2009

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2010	2009 (Restated)	2010	2009 (Restated)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Cash Purchase of Temporary Investment	(59,020,779.32)	(166,000,000.00)	-	-
Cash Received from Redemption and Sale of Temporary Investment	225,220,305.23	-	-	-
(Increase)Decrease in Short-Term Loans to Related Companies	130,355,542.21	(51,753,351.94)	(285,500,000.00)	(1,089,500,000.00)
Increase in Short-Term Loans to Farmers	(278,429,782.54)	(18,191,726.74)	(105,561,282.54)	(77,506,582.88)
Cash Paid to Purchase Investments in Subsidiary Companies	-	-	(790,743,430.76)	(638,880,000.00)
Cash Received for Sale and Repayment of Investment in Subsidiary Companies	-	-	195,250.00	272,553,290.31
Cash Purchase of Other Long-Term Investment	(6,295,949.90)	(7,171,666.09)	(6,295,949.90)	-
Cash Received from Redemption and Sales of Other Long-Term Investments	8,396,073.44	213,326,664.92	7,770,073.44	110,172,963.00
Cash Received from Dividend from Subsidiary Companies and Other Companies	296,824.70	178,710.00	135,529,327.20	108,790,045.70
(Increase)Decrease in Loans for Cane Plantation Development	(148,716,076.21)	15,796,447.35	(10,759,200.00)	(10,891,600.00)
Cash Received from (Paid to) Long-Term Loans to Related Individual	160,484,160.00	(167,683,680.00)	-	-
Cash Payment to Purchase Property, Plant and Equipment	(3,324,547,875.08)	(3,820,995,548.10)	(78,796,996.41)	(131,074,018.87)
Cash Received from Sales of Property, Plant and Equipment	32,365,724.46	30,757,893.44	17,370,983.28	17,230,076.92
Purchase of Land not used in Operation	(56,967,012.82)	(31,664,230.18)	(27,585,419.00)	-
Cash Received from Sales of Assets not used in Operation	32,755,821.00	-	-	-
(Increase)Decrease in Obligated Fixed Deposits	-	68,511.79	-	(131,488.21)
<b>Net Cash Used in Investing Activities</b>	<b>(3,284,103,024.83)</b>	<b>(4,003,331,975.55)</b>	<b>(1,144,376,644.69)</b>	<b>(1,439,237,314.03)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase (Decrease) in Overdrafts and Short-Term Loans from Financial Institutions	642,035,235.16	382,836,304.47	-	(70,360,483.92)
Decrease in Bills of Exchange	(100,000,000.00)	(1,496,661,945.77)	(100,000,000.00)	(1,496,661,945.77)
Increase in Short-Term Loans from Related Companies	-	-	153,000,000.00	18,000,000.00
Increase(Decrease) in Short-Term Loan from Outside Person	(63,000,000.00)	68,000,000.00	-	-
Cash Payment for Accounts Payable-Assets	(707,598,233.18)	(256,144,797.15)	(13,413,288.27)	(83,072,231.76)
Cash Received from Debentures	1,497,566,153.85	1,776,236,247.00	1,497,566,153.85	1,776,236,247.00
Cash Received from Long-Term Loans	2,563,316,510.00	2,083,904,298.00	-	500,000,000.00
Repayment of Long-Term Loans	(368,000,000.00)	(365,000,000.00)	(168,000,000.00)	-
Cash Payment of Dividends for Parent Company's Shareholders	(232,499,138.10)	(340,999,428.00)	(232,499,138.10)	(340,999,428.00)
Cash Payment of Dividends for Minority Shareholders	(12,773,613.42)	(15,766,803.23)	-	-
Cash Received from (Paid to) Minority Shareholders	(267,427,430.74)	151,787,040.00	-	-
<b>Net Cash Received from Financing Activities</b>	<b>2,951,619,483.57</b>	<b>1,988,190,915.32</b>	<b>1,136,653,727.48</b>	<b>303,142,157.55</b>
Increase in Currency Translation Differences	20,621,825.79	80,042,988.25	-	-
<b>Cash and Cash Equivalents Increase (Decrease) -Net</b>	<b>(63,791,306.09)</b>	<b>(240,365,141.41)</b>	<b>(16,277,834.68)</b>	<b>11,730,078.08</b>
Cash and Cash Equivalents at the Beginning of the Year	267,015,082.31	507,380,223.72	29,791,532.91	18,061,454.83
Cash and Cash Equivalents at the End of the Year	203,223,776.22	267,015,082.31	13,513,698.23	29,791,532.91

# CASH FLOW STATEMENTS

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

For the Years Ended October 31, 2010 and 2009

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2010	2009 (Restated)	2010	2009 (Restated)
1. Additional cash flow information Disclosure :				
Significant non-cash items are as follows :-				
- Classified Obligated fixed deposit with the maturity not exceeding 12 months (presented in other non-current assets) to temporary investments-net	5,708,477.19	-	5,708,477.19	-
- Reclassified the short-term loans to farmer to the farmer accounts receivable	3,260,940.43	-	3,260,940.43	-
- Set off other accounts receivable-compensation for sugar production and distribution with accrued stabilization function payment to the Office of The Cane and Sugar Fund	55,901,946.43	49,950,369.43	25,290,680.39	24,601,393.36
- Unrealized gain(loss) from available-for-sale securities	(226,469.81)	2,121,925.06	(475,345.99)	1,020,470.00
- Depreciation on differences on revaluation of assets	293,141,142.63	312,892,295.40	74,952,217.92	85,325,659.52
- Revaluation differences on assets increase(decrease)-net	(4,146,425.62)	150,696,471.49	(1,635,621.50)	(19,054,018.09)
- Transfer of depreciation to deferred cane plantation cost	99,037,818.11	95,212,750.27	900,671.36	2,409,305.01
- Transfer of asset-in-construction to machine supplies not used	-	19,932,244.36	-	-
- Purchases of fixed assets which had not yet been paid	589,018,942.07	677,710,176.97	26,630,207.50	14,277,946.54
- Recorded interest expense as cost of assets	58,325,364.19	53,667,710.20	-	-
- Transfer out (in) of minority interest equity to differences on the change in shareholding ratio in subsidiary companies	(42,549,806.60)	11,361,763.43	-	-
- Transfer of property, plant and equipment to real estate development cos	32,570,009.91	-	-	-
- Reclassified other long-term investments-net to other current assets	751,158.74	-	-	-
- Reclassified property awaiting transfer from property, plant and equipment to non-current assets	100,000.00	-	-	-
- Received dividend from a subsidiary company	-	-	-	2,858,160.00
- Appropriated for legal reserve from retained earnings	4,800,000.00	-	4,800,000.00	-
2. Cash and Cash Equivalents as follows :-				
- Cash	8,740,346.19	7,970,601.47	976,558.25	1,636,936.25
- Savings accounts deposits	144,728,385.47	181,826,315.76	7,501,354.16	15,226,045.38
- Current accounts deposits	49,755,044.56	77,197,639.75	5,035,785.82	12,928,551.28
- Fixed deposit with the maturity not exceeding 3 months	-	20,525.33	-	-
Total	203,223,776.22	267,015,082.31	13,513,698.23	29,791,532.91

# NOTES TO FINANCIAL STATEMENTS

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES OCTOBER 31, 2010 AND 2009

### 1. General Information

KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED (the Company) was registered as a limited company under the Civil and Commercial Code on October 6, 1976 with the registration number 1163/2519, was registered as a limited public company on March 18, 2004 with the registration number Bor Mor Jor 0107547000214 and was registered with the Stock Exchange of Thailand on March 7, 2005. Its registered headquarter is located at 503 K.S.L. Tower, 9<sup>th</sup> Floor, Sriyudahya Road, Ratchathewi, Bangkok and its factory is located at 43 Moo 10, Namphong Sub-District, Namphong District, Khonkaen Province. The Company's main business is to manufacture and distribute sugar and molasses and the subsidiary companies' main business operations are listed in the notes to financial statements No. 5.1.

The Company's major shareholders during the financial period were K.S.L. Sugar Holding Co., Ltd. (32.26% shareholding), which is a company incorporated in Thailand.

### 2. Basis of Financial Statements Preparation

2.1 The consolidated and separate financial statements are prepared in accordance with the generally accepted accounting principles under the Accounting Act B.E. 2543 which include the accounting standards and financial reporting standards announced to be effective by Federation of Accounting Professions established under the Accounting Professions Act B.E. 2547 and in accordance with the regulation of the Office of Securities and Exchange Commission on the subject of preparation and presentation of the financial reports.

These financial statements have been prepared under the historical cost basis except disclosed otherwise under the accounting policy.

2.2 The Federation of Accounting Professions has issued its announcements No. 86/2551 No. 16/2552 and No. 17/2553 for the implementation of accounting standards, financial reporting standards and accounting guidelines as follows:-

- Accounting framework (Revised 2009)
- Accounting standard No.36 (Revised 2007) On Impairment of Assets
- Financial Reporting Standard No.5 (Revised 2007) On Non-current Asset Held for Sales and Discontinued Operations
- Accounting Guideline on Business Combinations of Entities under Common Control

The said accounting standards, financial reporting standards and accounting guidelines have to be applied to the financial statements for the accounting period that commence on or after January 1, 2009. The management of the Company has evaluated that those standards would have no material effects on the financial statements for the current year.

2.3 The Federation of Accounting Professions has issued FAP's Notifications No. 17/2553 and No. 50-55/2553, which have been published in the Royal Gazette, mandating the use of new accounting standards financial reporting standards and interpretation for financial reporting standards as follows:-

Reference Standard No.	Name	Effective Date
Accounting Standard No. 1 (Revised 2009)	Presentation of Financial Statements	January 1, 2011
Accounting Standard No. 2 (Revised 2009)	Inventories	January 1, 2011
Accounting Standard No. 7 (Revised 2009)	Statement of Cash Flows	January 1, 2011
Accounting Standard No. 8 (Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2011
Accounting Standard No. 10 (Revised 2009)	Events after the Reporting Period	January 1, 2011
Accounting Standard No. 11 (Revised 2009)	Construction Contracts	January 1, 2011
Accounting Standard No. 16 (Revised 2009)	Property, Plant and Equipment	January 1, 2011
Accounting Standard No. 17 (Revised 2009)	Leases	January 1, 2011
Accounting Standard No. 18 (Revised 2009)	Revenue	January 1, 2011
Accounting Standard No. 19	Employee Benefits	January 1, 2011
Accounting Standard No. 23 (Revised 2009)	Borrowing Costs	January 1, 2011
Accounting Standard No. 24 (Revised 2009)	Related Party Disclosures	January 1, 2011
Accounting Standard No. 26	Accounting and Reporting by Retirement Benefit Plans	January 1, 2011
Accounting Standard No. 27 (Revised 2009)	Consolidated and Separate Financial Statements	January 1, 2011
Accounting Standard No. 28 (Revised 2009)	Investments in Associates	January 1, 2011

Reference Standard No.	Name	Effective Date
Accounting Standard No. 29	Financial Reporting in Hyperinflationary Economics	January 1, 2011
Accounting Standard No. 31 (Revised 2009)	Interests in Joint Ventures	January 1, 2011
Accounting Standard No. 33 (Revised 2009)	Earnings per Share	January 1, 2011
Accounting Standard No. 34 (Revised 2009)	Interim Financial Reporting	January 1, 2011
Accounting Standard No. 36 (Revised 2009)	Impairment of Assets	January 1, 2011
Accounting Standard No. 37 (Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets	January 1, 2011
Accounting Standard No. 38 (Revised 2009)	Intangible Assets	January 1, 2011
Accounting Standard No. 40 (Revised 2009)	Investment Property	January 1, 2011
Financial Reporting Standard No. 2	Share-based Payment	January 1, 2011
Financial Reporting Standard No. 3 (Revised 2009)	Business Combination	January 1, 2011
Financial Reporting Standard No. 5 (Revised 2009)	Non-current Assets Held for Sale and Discontinued Operations	January 1, 2011
Financial Reporting Standard No. 6	Exploration for and Evaluation of Mineral Resources	January 1, 2011
Interpretation for Financial Reporting Standard No. 15	Agreements for the Construction of Real Estate	January 1, 2011
Accounting Standard No. 12	Income Taxes	January 1, 2013
Accounting Standard No. 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance	January 1, 2013
Accounting Standard No. 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates	January 1, 2013

The Company is evaluating its effect on the financial statements on the accounting period the said accounting standard becomes effective.

- 2.4 The financial statements for the year ended October 31, 2009 have been adjustment because of the change in the accounting policy as mentioned in the notes to financial statements No. 4.1 on the Account reclassification since November 1, 2009 onward, the Company presented the Statements of Income with the expenses classified by function in multiple categories and the format of the Statements of Changes in shareholders' equity in compliance with Notification of the Department of Business Development dated January 30, 2009 on Specification of Condensed Items to be shown on Financial Statements B.E. 2552 which has become effective for the accounting period that commence on or after January 1, 2009 and other reclassification, which the reclassification has no effect on profit for the year or shareholder's equity as previously reported, to facilitate the comparison and correspond with the financial statements for the year ended October 31, 2010. The said adjustments and reclassified accounting items consist of the following :-

- 1) The balance sheets as at October 31, 2009

(Unit : Million Baht)

	Consolidated Financial Statements				Separate Financial Statements			
	Before Adjustment	Adjustment Increase (Decrease)	Reclassification Increase (Decrease)	After Adjustment	Before Adjustment	Adjustment Increase (Decrease)	Reclassification Increase (Decrease)	After Adjustment
Trade accounts receivable-net	597.18	-	2.58	599.76	125.01	-	10.96	135.97
Trade accounts receivable-subsiary and related companies	2.58	-	(2.58)	-	-	-	-	-
Current portion of other accounts receivable-compensation for sugar production and distribution	-	-	55.96	55.96	-	-	25.42	25.42
Inventories-net	1,773.77	(94.50)	-	1,679.27	560.94	(44.43)	-	516.51
Other accounts receivable-cane value-net	3.35	-	(3.35)	-	1.44	-	(1.44)	-
Other current assets	196.81	-	(11.50)	185.31	54.75	-	(9.52)	45.23
Other accounts receivable-compensation for sugar production and distribution-net	244.95	-	(105.91)	139.04	132.77	-	(50.02)	82.75
Obligated fixed deposits	5.71	-	(5.71)	-	5.71	-	(5.71)	-
Other non-current assets	41.86	-	20.56	62.42	0.15	-	5.71	5.86
Accrued stabilization function payment to the Office of The Cane and Sugar Fund	105.91	-	(49.95)	55.96	50.02	-	(24.60)	25.42
Retained earnings	2,453.86	(91.16)	-	2,362.70	522.17	(44.43)	-	477.74
Minority shareholders' equity	2,109.94	(3.34)	-	2,106.60	-	-	-	-

## 2) The statements of income for the year ended October 31, 2009

(Unit : Million Baht)

	Consolidated Financial Statements				Separate Financial Statements			
	Before Adjustment	Adjustment Increase (Decrease)	Reclassification Increase (Decrease)	After Adjustment	Before Adjustment	Adjustment Increase (Decrease)	Reclassification Increase (Decrease)	After Adjustment
Revenue from sales and services	11,517.32	-	(11,517.32)	-	5,215.64	-	(5,215.64)	-
Revenue from sale of fuel oil, fertilizer and other supplies	171.19	-	(171.19)	-	89.54	-	(89.54)	-
Revenue from sales	-	-	11,498.28	11,498.28	-	-	5,305.19	5,305.19
Revenue from services	-	-	172.70	172.70	-	-	-	-
Dividend income	0.18	-	(0.18)	-	138.71	-	(138.71)	-
Other income	380.44	-	(31.49)	348.95	207.72	-	113.88	321.60
Cost of sales and services	8,524.58	-	(8,524.58)	-	4,136.16	-	(4,136.16)	-
Cost of sales of other goods	155.50	-	(155.50)	-	80.51	-	(80.51)	-
Cost of sales	-	(17.90)	8,725.23	8,707.33	-	(30.70)	4,179.42	4,148.72
Cost of services	-	-	76.00	76.00	-	-	-	-
Selling expenses	330.20	-	(17.53)	312.67	168.70	-	-	168.70
Administrative expenses	741.14	-	(259.20)	481.94	141.11	-	(9.76)	131.35
Executives' remuneration	-	-	113.64	113.64	-	-	26.88	26.88
Directors' remuneration	13.47	-	(13.47)	-	7.48	-	(7.48)	-
Loss from investment in derivative instruments	-	-	6.21	6.21	-	-	2.79	2.79

2.5 Preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates which estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

2.6 The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

### 3. Summary of Significant Accounting Policies

The Company and its subsidiary companies have significant accounting policies as follows:

- 3.1 Cash and cash equivalents includes cash, savings account deposits, current account deposits and not exceeding 3 months fixed deposits and short-term investments which are not exceeding 3 months duration for repayment with no obligation commitment.
- 3.2 Trade accounts receivable, farmer accounts receivable, and other accounts receivable are shown at the net realizable value. The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.
- 3.3 Inventories are shown at the lower of cost or net realizable value and adjusted by slow-moving or out-of-date goods. In case of cost, the following calculation is observed :
- Raw materials, factory supplies and purchased for resale finished goods, first in-first out method is used.
  - The calculation of goods in process and finished goods of sugar and molasses is made from average production cost in each production year using first in-first out method.
  - Organic fertilizer-finished goods-calculated by the actual cost using the first in-first out method.
  - Organic fertilizer-goods in process-calculated by the actual cost using the specific method.
  - Alcohol, wheat flour and polypropylene bags-goods in process and finished goods-calculated by the actual cost incurred using the first in-first out method.
  - Palm oil's work-in-process and finished goods is calculated by the actual cost incurred under the weighted average method.

In the year 2010, the Company and the subsidiary companies, with the main business activities of manufacturing and distributing sugar and molasses, have changed the calculation method for the molasses, a by-product from sugar production, from formerly shown at the average net realizable value to the lower of cost or net realizable value which the cost is calculate from the average cost of production of each production year under first in-first out method. Its effect is shown in the notes to financial statements no. 4.1.



Bagasse, other by-products from sugar, wheat flour and palm oil production, the Group Companies do not appropriate the common production cost incurred from the production process; therefore, the revenue from selling the said by-products is shown after deduction of the production cost in each production season.

- 3.4 Real estate development cost is shown at the lower of cost or net realizable value using the specific method which consist of land cost, filling cost, construction cost, utility-system development cost and direct cost to acquire the products and set them to be ready for sale.
- 3.5 Machine maintenance supplies are shown at cost using first in-first out method and adjusted by allowance for slow-moving or out-of-date supplies (if any).
- 3.6 Investments
- 3.6.1 Investments in subsidiary companies in the separate financial statements are record under the cost method net by the allowance for accumulated impairment and record the recognition of the change in the investment in the statements of income when the investment is disposed or the impairment of the investment incurred.
- 3.6.2 Investments in associated companies in the consolidated financial statements are recorded by equity method and in the separate financial statements are recorded under the cost method net by the allowance for accumulated impairment and record the recognition of the change in the investment in the statements of income when the investment is disposed or the impairment of the investment incurred.
- 3.6.3 Investment in marketable debt and equity instruments which are recorded as securities for sale are those held for an unspecified period which might be sold in need of liquidity and shown in total under of non-current assets except the management has intention to hold them less than 12 months from the balance sheet date or the management want to sell them to increase the working capital. In the latter case, they will be classified as current asset. Normally, the management will fix the appropriate classification at the time of investing and will review the classification regularly. These investments are valued at fair values which are calculated from the latest quote of purchase price as of the accounting year end date and recognised the change in value as a separate item in the shareholders' equity when these investments are sold or impaired in value, the recognition will be made through the statements of income.
- 3.6.4 Investments in debt instruments which are held until maturity will be classified as short-term or long-term investments according to the remaining maturity period. They are shown at amortized cost and deducted by the allowance for accumulated impairment (if any). The Company and its subsidiary companies amortized premium/discount over value of debt instruments by effective interest rates method and the amount amortized will be shown in the statements of income.
- 3.6.5 General investments is non-marketable equity instruments are shown at cost net off by allowance for accumulated impairment (if any) and change is value of general investments is recognised in the statements of income when they are sold or impaired.
- 3.7 Deferred cane plantation cost is the accumulated cost of cane plantation consisting of purchase cost of breed canes, cost of cane harvested for cane breeding, fertiliser cost, wages and other related direct expenses which are measured at cost deducted by accumulated depreciation and the allowance for accumulated impairments. For canes harvested for transfer to being raw material cost in production and cost of goods sold as at the harvest date, they are valued at fair value deducted by estimated expense at point of sale. The fair value of cane is considered from price the Company and its subsidiary companies expected to purchase from cane farmers in each region.
- 3.8 Property, plant and equipment are stated at cost less accumulated depreciation and the allowance for accumulated impairment except for land, buildings and machines which are stated at their revalued amounts. The revalued amount is the fair value determined on the basis of the property's existing use at the date of revaluation less accumulated depreciation which calculated from the said fair value and allowance for accumulated impairment.

Revaluations are performed by independent professional appraisers, which the Company has the policy for the independent professional appraisers to perform the appraisal for the said assets at sufficient regularity to ensure that the book value of these assets does not differ materially from their fair values at the balance sheet date. Increase from appraisal value will be recorded in the shareholders' equity under "unrealized gain (loss)-difference on revaluation of assets", and decrease from cost recorded as loss from decrease in revaluation of assets in the statements of income. Increase in revaluation of building and machines will be amortized in accordance to the remaining useful life those assets.

The depreciation of the plant and equipment calculates from the cost or the revaluations of assets using the straight-line basis over their estimated useful life as follows:-

- Land Improvement	5-61	years
- Building and Construction	2-58	years
- Machinery and Equipment	3-43	years
- Motor Vehicle and Labor Saving Tools	4-20	years
- Furniture and Office Equipment	3-20	years

In the year 2010, the Company and the subsidiary companies, with the main business activities of manufacturing and distributing sugar and molasses, have changed the calculation method for the depreciation of the machinery used in production from depreciate over the straight-line basis over the estimate useful life of 3-43 years to depreciate over the production hours of the machine, which calculated to be equivalent to approximately 5 - 50 production seasons, using the production power of the machine which is estimated by the engineers of the Group Companies.

The Company and its subsidiary companies record the depreciation as calculated above as follow: -

- The depreciation for those calculated from the cost value is included in the calculation of the operating result.
- The depreciation for the revaluation surplus is written-off to the unrealized gain (loss)-difference on revaluation of assets in the shareholders' equity.

No depreciation is calculated for the land and assets in construction.

Interest expense incurred from the loan obtained especially for the work in construction project and during installation are included in the cost of the said work in construction until it is ready for its intended usage.

- 3.9 Assets not used in operation are initially recorded by cost method net by allowance for accumulated impairment.
- 3.10 Impairment of assets, the Company and its subsidiary companies assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and its subsidiary companies make an estimate of the asset's recoverable amount. When the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statements of income (An asset's recoverable amount is the higher of net selling price and value in use of the said assets).
- 3.11 Trade and other accounts payable are shown at cost.
- 3.12 Debenture, initially recorded at cost by calculating from the fair value of the money received, which comprised of the fund received net by the direct cost from the issuance of debenture such as the management fee, debenture holder's representatives trustee appointment fee and the fee for financial advisor for debenture issuance and amortized as expenses by using the straight-line method, which is not significantly differ from the effective rate method. The said expenses would be recorded over various periods throughout the period of debenture according to each period's outstanding value of the debenture. Interest bearing liabilities are shown at cost and state the expense related to the incurrence of debt as the expense for the year.
- 3.13 For liability estimates, the Company and its subsidiary companies will record liability estimates when it is highly certain that obligations will occur at present legally or estimate result from past events. These obligations are expected to cause damage to economically beneficial resource in order to pay for such obligations and these amounts to be paid can be estimated confidently. If there is expectation to recover payment toward estimated liabilities certainly by all or part, the Company and its subsidiary companies will recognized the returned payment as separate asset but its amount must not be more than related estimated liabilities and the expense related to liability estimates is shown in the statements of income at amount net by recognized amount of expense to be recovered.
- 3.14 Ordinary shares are classified as capital and additional costs directly related to issuance of ordinary shares and warrants are recognized as deduction from share capital.
- 3.15 Premium on ordinary shares: in accordance with the provision in Section 51 of the Public Limited Company Act B.E. 2535, in the event the Company offer the ordinary for sale at the price exceeding the registered share price, the Company shall appropriate this said surplus as reserve ("Premium on ordinary shares"). This premium on ordinary shares could not be used in dividend.

- 3.16 Unrealised gain (loss)-difference from internal restructure of entities under common control is the difference between net book value of investment received and purchase cost of investment occurred from internal restructure of entities under common control. This investment was a merger of identities with the same former shareholders and management and the said difference is shown as a separate item in the balance sheet under shareholders' equity and will be written off when the investment is disposed.
- 3.17 Unrealised gain (loss)-difference from change in shareholding ratio in subsidiary companies is the difference between the investment for changed proportion in subsidiary companies and book value of the subsidiary companies resulted from change in proportion of investment in that subsidiary companies. This difference is shown as a separate item in the balance sheet under the shareholders' equity and will be written off when the investment is disposed.
- 3.18 Minority's interest mean the book value of the net assets of the subsidiary companies in according to the shareholding ratio of the minority shareholders or the participating portion which does not belong to the Group Companies. The minority's interest is shown in a separate caption under the shareholders' equity in the consolidated balance sheet and the net profit (loss) of the minority's interest is shown in a separate caption of the consolidated statements of income.
- 3.19 Incomes recognition, revenue recognised excludes value added taxes and other sales taxes and is arrived at after deduction of trade discounts with the following policies: -
- 3.19.1 Sale of goods: revenue is recognized in the statements of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the economic benefit due from the sale of goods or render of services or the amount of the revenue and cost incurred could not be reasonably measured or the probable return of goods.
- 3.19.2 Service income is recognized as services are provided.
- 3.19.3 Rental income is recognised over the term of the lease.
- 3.19.4 Revenue from sale of land is recognized when the land ownership has already been transferred to the purchaser.
- 3.19.5 Revenue from sale of houses together with land is recognized in accordance with installments due for payment under gross margin method. If the payment of installments due is more than percentage of work completed, it would be restrictively recognized only that amount pursuant to the work already completed. The Group Companies will cease to recognize revenue immediately if purchaser becomes overdue by more than three consecutive installments.
- The amount of money received by installments which exceeding the percentage of the work completed will be recorded as advance received from purchaser and is shown as other liabilities in the balance sheet.
- 3.19.6 Revenue from sale of electricity and steam are recognized when the electricity and the steam are delivered and the customers have accepted the deliveries.
- 3.19.7 Interest and discount receivable from discounting notes receivable are recognized according to the related period.
- 3.19.8 Dividend is recognized when entitled to receive such dividend.
- 3.19.9 Other incomes are recognized by accrual basis.
- 3.20 The policies concerning its expenses are as follows:
- 3.20.1 In case of cost of sale for house together with land, the Group Companies calculates by appropriating all estimated development costs of properties (based on actual costs) to house and land sold according to saleable areas and then recognizing it as cost of sales in the statements of income according to proportion of revenue recognition.
- 3.20.2 Other expenses are recognized by accrual basis.
- 3.21 Employee benefits: The Group Companies recognizes salaries, wages, bonuses, other welfare, contributions towards social security fund and provident fund as expenses when occurred.
- 3.22 For asset under lease contract, in which risk and ownership right in that asset vested in the lessor, is treated as operating lease contract. Leasing fee paid under the operating lease contract is accounted as expense throughout the contract period.

- 3.23 Finance costs such as interest expenses and similar costs are charged to the statements of income for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.
- 3.24 Foreign currency transactions are translated into Baht at the rates ruling on the occurrence dates. Assets and liabilities in foreign currency outstanding on the year-end date are translated into Baht at the rates ruling on that date. Exchange gains or losses are included as incomes or expenses in the statements of income of the year.
- 3.25 The related parties and related companies with the Company and its subsidiary companies meant individuals or enterprises which have the controlling power over the Company and its subsidiary companies or are controlled by the Company and its subsidiary companies either directly or indirectly, or under the same control with the Company and its subsidiary companies. Furthermore, the related parties or related companies also meant the associated companies and the parties whose holding the shares with voting rights, either directly or indirectly, and have significant influence to the Company, important managers, directors or the employees of the Company and its subsidiary companies who have the power to plan and control the operations of the Company and its subsidiary companies including the family members close to the said persons which could persuade or power to persuade to act in compliance with the said persons and business that the said persons have control power or significant influence, either directly or indirectly.
- 3.26 Income tax will be recognized as expense item whenever liable to pay tax and calculate the tax from the taxable profit for the year under the Revenue Code.
- 3.27 The calculations of basic earnings per share for the year were based on the profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares held by outsiders during the year. The calculations of diluted earnings per share for the year were based on the weighted average number of ordinary shares on the assumption that all dilutive potential ordinary shares have been converted to ordinary shares.
- 3.28 The sectoral business operation is disclosed under the separate business sectors of the Group Companies. By the business sector that source products or provide services which have different risks and return from the risks and return of the products or services provide by other business sectors.
- 3.29 Financial assets and liabilities carried on the balance sheets include cash and cash equivalents, trade accounts receivable and payable, other accounts receivable and payable, investments and loan receivables and payables. The important accounting policies and measurement of these items are disclosed in the respective accounting policies for related items.
- Derivatives, which the Group Companies invested in as means to prevent risk from volatile movements in exchange rates or prices of goods by establishing a future exchange rates or prices of goods at which the related asset and liability will be settled. Gain or loss from the investment in foreign currency forward contracts will be recorded in the statements of income when the contracts are settled or the contractual term expired.

#### 4. Changes in Accounting Policies and Accounting Estimates

##### 4.1 Change in Accounting Policy

The Company and its subsidiary companies, with the main business activities of manufacturing and distributing sugar, have changed the accounting policy in showing the molasses, a by-product from sugar production, from formerly shown at the average net realizable value to the lower of cost or net realizable value, which the cost is calculated from the average cost of production of each production year under first in-first out method, which consistent with the policy of the main products. The information provided in the financial statements would; therefore, be more related to the decision making process because the selling price of the molasses and the increased in demand that is much higher than those demand in the past resulted in the manufacturing and distributing of molasses became significant in the business operation. Furthermore, as a result of the said change in the accounting policies, the Company and its subsidiary companies retrospectively adjusted their financial statements as if the new accounting policy has always been applied and the effects are as follows: -

## 1) The balance sheets as at October 31, 2009

	Effect	(Unit : Million Baht)	
		Consolidated Financial Statements	Separate Financial Statements
Assets			
Inventories	Decrease	94.50	44.43
Shareholders' equity			
Unappropriated retained earnings	Decrease	91.16	44.43
Minority shareholders' equity	Decrease	3.34	-

## 2) The statements of income for the year ended October 31, 2009

	Effect	(Unit : Million Baht)	
		Consolidated Financial Statements	Separate Financial Statements
Cost of sales	Decrease	17.90	30.70
Profit for the year	Increase	17.90	30.70
Earnings per share (Unit : Baht)	Increase	0.01	0.02

- 3) The consolidated and separate statements of change in shareholders' equity shown the decrease in retained earnings as at November 1, 2008 amounted to Baht 110.07 million and Baht 75.13 million respectively and shown the decrease in minority shareholders' equity amounted to Baht 2.33 million. The effect of the change in accounting policy is shown under the caption "Effect from change in the accounting policy-inventory".

## 4.2. Changes in Accounting Estimates

4.2.1 Since November 1, 2009, the Company and the subsidiary companies, with the main business activities of manufacturing and distributing sugar and molasses, have changed the calculation method for the depreciation of the machinery used in production from depreciate over the straight-line basis over the estimate useful life of 3-43 years to depreciate over the production hours of the machine using the production power of the machine which is estimated by the engineers of the Group Companies. The said change would be more suitable with the nature of the machinery usage in seasonal production and the method is prospectively applied. The management of the Company has evaluated that there would be no significant effect on the financial statements.

4.2.2 From February 1, 2010, two subsidiary companies have changed the approximate useful live of new building and construction from formerly 20 years to the new approximate useful live of 50 years to better suit the current situation. The information on the appraisal reports of independent appraiser whom has been approved by the Office of the Securities and Exchange Commission have been used in considering the remaining useful live of these assets and the new remaining useful live is prospectively applied. The management of the Company had evaluated and thought its effect to the financial statements is insignificant.

5. Basis for Preparation of the Consolidated Financial Statements

- 5.1 The consolidated financial statements include the consolidated, either directly or indirectly, financial statements of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED ("the Company") and its subsidiary companies ("subsidiary companies") as follows :-

Company Name	Percentage of Shareholding		Country of Incorporation	Type of Business
	Directly	Indirectly		
* Thai Sugar Terminal Public Company Limited	23.82	23.82	Thailand	Transfer and transportation services for certain agriculture products, warehouse rental, land trading operation, land lots appropriation and construction of buildings on land for sale and rental
New Krung Thai Sugar Factory Co., Ltd.	95.78	93.01	Thailand	Manufacture and distribution of sugar and molasses
Tamaka Sugar Industry Co., Ltd.	90.21	90.21	Thailand	Manufacture and distribution of sugar and molasses
New Kwang Soon Lee Sugar Factory Co., Ltd.	98.61	98.61	Thailand	Manufacture and distribution of sugar and molasses
K.S.L. Real Estate Co., Ltd.	80.31	80.31	Thailand	Housing and land for agriculture estate including holiday resort for training and seminar center

Company Name	Percentage of Shareholding		Country of Incorporation	Type of Business
	Directly and Indirectly 2010	2009		
K.S.L. Export Trading Co., Ltd.	79.55	79.11	Thailand	Export sugar as exporting agent
KSL Chemical Co., Ltd.	100.00	100.00	Thailand	Import and distribution of chemicals
Khon Kaen Sugar Power Plant Co., Ltd.	100.00	100.00	Thailand	Manufacture and distribution of electricity
Khon Kaen Alcohol Co., Ltd.	100.00	100.00	Thailand	Manufacture and distribution of alcohol or fuel from agricultural produce and bio-fertilizer
KSL Agro and Trading Co., Ltd.(Formerly KSL Agro Co., Ltd.)	100.00	100.00	Thailand	Domestic sugar trading and agricultural business operation
Savannakhet Sugar Corporation	98.49	97.00	Laos	Agricultural operation, manufacture and distribution of sugar and molasses
Koh Kong Sugar Industry Co., Ltd.	70.00	50.00	Cambodia	Manufacture and distribution of sugar and molasses
Wynn In Trading Co., Ltd.	100.00	100.00	Mauritius	Trading and consultancy service

Company Name	Percentage of Shareholding Indirectly		Percentage of Shareholding Directly and Indirectly		Country of Incorporation	Type of Business
	2010	2009	2010	2009		
Subsidiary Companies (The Company holds shares directly and indirectly through Thai Sugar Terminal Public Company Limited.)						
* T S G ASSET CO., LTD.	19.00	19.00	23.11	23.11	Thailand	Property rental
* T S OIL INDUSTRY CO., LTD. (Formerly T S G PROPERTY CO., LTD.)	22.46	22.46	23.08	23.08	Thailand	Trading, rental, development of real-estate and palm oil refinery operation
* T S FLOUR MILL PUBLIC CO., LTD. (Formerly T S FLOUR MILL CO., LTD.)	23.54	23.54	23.63	23.63	Thailand	Produce and distribute wheat flour and property rental
* TS WAREHOUSE CO., LTD.	15.28	15.28	19.30	19.30	Thailand	Warehousing and loading of goods
* T S TRANSPORT AND LOGISTIC CO., LTD.	20.46	20.46	30.58	30.58	Thailand	Manufacture and distribute polypropylene bag, plastic fiber and plastic resin and plastic, including the trading of the said products and providing transportation and security services
Subsidiary Company (The Company hold the shares indirectly through Wynn In Trading Co., Ltd.)						
Koh Kong Plantation Co., Ltd.	70.00	50.00	70.00	50.00	Cambodia	Agricultural operation

\* The Group Companies participate in controlling power; thus, they are considered subsidiary companies under the definition specified in the accounting standard.

All of the aforementioned companies are collectively called the "Group Companies".

5.2 The accounting periods of subsidiary companies ended the same date as the Company's (accounting period ended October 31) except the 8 subsidiary companies whose accounting periods ended December 31 as follows :-

- Thai Sugar Terminal Public Company Limited
- T S Oil Industry Co., Ltd.
- T S Warehouse Co., Ltd.
- Koh Kong Plantation Co., Ltd.\*
- TSG Asset Co., Ltd.
- T S Flour Mill Public Co., Ltd.
- T S Transport and Logistics Co., Ltd.
- Koh Kong Sugar Industry Co., Ltd.\*

\* During 2010, two overseas subsidiary companies have changed their accounting periods to end on the same date as the parent company's, which is October 31.

5.3 The financial statements of the foreign subsidiary companies, considered as foreign entities, in the preparation for the consolidated financial statements are translated into Baht by applying the following exchange rates:

- Assets and liabilities are translated by the closing rate at the end of the period.
- Revenue and expenses are translated by the average exchange rate.
- Share capital is translated at the rate when the transaction occurred.

The difference incurred from the exchange rate translation of the said financial statements is shown under the shareholders' equity.

5.4 The consolidated financial statements have been prepared using the same accounting policy for the same accounting items and other events in the similar situation.

- 5.5 Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- 5.6 The significant inter-transactions and balances between the Company and its subsidiary companies including investments in the subsidiary companies in the Company's books and the subsidiary companies' share capital had been eliminated during the process of the consolidated financial statements preparation.

## 6. Inter-Transactions between the Related Companies and Individual

The Company holds accounting transaction items with its subsidiary companies, the related companies and related persons with the same shareholders' group or mutual directors. Significant inter-transactions and remaining balances between the Company and its subsidiary companies with related companies and related persons could be summarized as follows :-

### 6.1 Inter-Assets and Liabilities as follows :-

(Unit : Million Baht)

Type of Transaction	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
- Trade Accounts Receivable				
Subsidiary Companies	-	-	29.66	10.96
Related Companies	3.26	2.57	-	-
Total	3.26	2.57	29.66	10.96
- Other Accounts Receivable				
Subsidiary Companies	-	-	15.14	24.39
Related Companies	0.01	0.06	0.01	0.06
Total	0.01	0.06	15.15	24.45
- Accrued Dividend Receivable				
Subsidiary Company	-	-	108.26	135.32
- Accrued Incomes				
Related Company	-	0.59	-	-
- Accrued Interest Incomes				
Subsidiary Company	-	-	0.23	0.16
Related Individual	-	6.55	-	-
Total	-	6.55	0.23	0.16
- Short-Term Loans to				
Subsidiary Companies				
Beginning balance	-	-	1,089.50	-
Increase in the year	-	-	2,417.88	1,385.50
Repaid in the year	-	-	(2,132.38)	(296.00)
Ending balance	-	-	1,375.00	1,089.50
Related Companies				
Beginning balance	130.36	78.60	-	-
Increase in the year	353.01	635.34	-	-
Repaid in the year	(483.37)	(583.58)	-	-
Ending balance	-	130.36	-	-
Total	-	130.36	1,375.00	1,089.50
- Long-Term Loans to				
Related Individual				
Beginning balance	160.48	-	-	-
Increase in the year	-	167.68	-	-
Repaid in the year	(160.48)	-	-	-
Currency translation differences	-	(7.20)	-	-
Ending balance	-	160.48	-	-



As at October 31, 2010 and 2009, short-term loans to subsidiary and related companies were loans in the form of promissory notes on demand bearing interest rates at 1.57-2.13% and 1.50-5.75% per annum respectively.

Long-term loans to related individual were loans due from a shareholder of an overseas subsidiary company, amounting to USD 4.80 million for the period of 5 years with interest rate charged at 5.00% per annum, and the loan is guaranteed by the subsidiary company's share certificates held by the said shareholder. The principal must be repaid every year in the total of 5 installments at USD 0.96 million per installment. On June 25, 2009, the repayment schedule has been revised with the following conditions: the first installment is due on December 31, 2010 and the final installment is due within December 31, 2014, the interest rate is reduced to 3.50% per annum commencing from January 1, 2010 and the interest must be paid every June and December of each year. In the second quarter of 2010, the full repayment of the loan has been received.

(Unit : Million Baht)

Type of Transaction	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
- Trade Accounts Payable				
Subsidiary Companies	-	-	27.99	31.99
Related Companies	-	0.49	-	-
Total	-	0.49	27.99	31.99
- Other Accounts Payable				
Subsidiary Companies	-	-	5.52	4.38
Related Companies	0.86	1.15	0.80	0.93
Total	0.86	1.15	6.32	5.31
- Accrued Expenses				
Subsidiary Companies	-	-	2.03	1.35
Related Companies	1.09	0.14	0.04	0.04
Total	1.09	0.14	2.07	1.39
- Accounts Payable-Assets				
Related Companies	0.30	0.37	-	-
- Advance Received for Goods, Lease Fee and Deposit				
Subsidiary Companies	-	-	12.57	12.12
Related Companies	20.88	7.96	0.02	0.76
Total	20.88	7.96	12.59	12.88
- Other Non-Current Liabilities				
Subsidiary Companies	-	-	0.62	0.62
Related Companies	0.74	0.74	0.74	0.74
Total	0.74	0.74	1.36	1.36
- Short-Term Loans from				
Subsidiary Companies				
Beginning balance	-	-	297.00	279.00
Increase in the year	-	-	856.00	1,232.50
Repayment in the year	-	-	(703.00)	(1,214.50)
Ending balance	-	-	450.00	297.00

As at October 31, 2010 and 2009, loans from subsidiaries are in the form of promissory notes maturing within three months, bearing interest rate at 1.57-2.13% and 0.65-4.50% per annum respectively.

## 6.2 Inter-Revenues-Expenses as follows :-

(Unit : Million Baht)

Type of Transaction	Consolidated Financial Statements		Separate Financial Statements	
	For the years ended October 31,			
	2010	2009	2010	2009
- Sales and Services				
Subsidiary Companies	-	-	275.78	248.77
Related Companies	325.23	55.37	45.44	9.08
Total	325.23	55.37	321.22	257.85
- Purchases Goods and Services				
Subsidiary Companies	-	-	1,428.29	667.09
Related Companies	3.77	4.21	1.23	1.95
Total	3.77	4.21	1,429.52	669.04

(Unit : Million Baht)

Type of Transaction	Consolidated Financial Statements		Separate Financial Statements	
	For the years ended October 31,			
	2010	2009	2010	2009
- Dividend Receivable				
Subsidiary Companies	-	-	108.55	138.53
- Other Incomes				
Subsidiary Companies	-	-	45.59	295.44
Related Companies	3.00	3.67	2.53	3.18
Total	3.00	3.67	48.12	298.62
- Interest Incomes				
Subsidiary Companies	-	-	21.76	5.42
Related Individual	2.24	6.77	-	-
Total	2.24	6.77	21.76	5.42
- Other Expenses				
Subsidiary Companies	-	-	10.06	16.08
Related Companies	19.23	26.31	10.49	18.01
Total	19.23	26.31	20.55	34.09
- Interest Expenses				
Subsidiary Companies	-	-	2.88	3.77

#### Policy of Inter-Price Setting

- The inter-purchase/sales and borrow-return of raw sugar transactions between the Company and its subsidiary companies, the Group Companies uses the world market price when the sales-purchase is made for the first time of that year.
- In case of the sugar purchase/sales agreements entered into on behalf of the Group Companies, which each company has already been allocated the sales volume, if any company within the Group Companies has no sufficient volume of sugar to be delivered for the sales, purchase of sugar can be made within the Group Companies at the same price as stipulated in the said sugar purchase/sales agreements.
- The prices for other inter-purchase/sales goods (except sugar) are in accordance with the prices stipulated in the mutually agreed contracts, which is higher than cost.
- The purchase/sale prices of assets with related entities are those mutually agreed upon, which are higher than cost.
- Revenue from selling of supplies are charged at cost.
- Revenue from land leased out to a subsidiary company was charged according to agreement, of which term is for 30 years, starting from January 25, 2005 until January 24, 2035 at annual fee of Baht 0.11 million, and will be increased by 10.00% for every 3 years. Once the lease is expired, ownership rights on all constructions built on the leased land were vested to the lessor.
- The incomes from land and construction lease with the terms range from 2 months to 3 years are in accordance with the mutually agreed prices.
- Inter-service income, other incomes and expenses are charged according to the normal price charged to general clients.
- Fees for goods custody are charged according to the volume of the goods and the custody time, which are general rates in the market.
- The expenses paid on behalf of each other are charged according to actual expenses.
- No fee is charged for the inter-credit facility guarantee.

#### 6.3 Relationship of Related Entities

Consisted of :-		
Company Name	Relationship	Connection
K.S.L. IT Center Co., Ltd.	Related Company	Same shareholder Group/Mutual directors
Raja Ceramics Co., Ltd.	Related Company	Same shareholder Group/Mutual directors
On Nuj Construction Co., Ltd.	Related Company	Same shareholder Group /Mutual directors
K.K. Wood Industry Co., Ltd.	Related Company	Same shareholder Group
Amarco Co., Ltd.	Related Company	Same shareholder Group
Thai Fermentation Industry Co., Ltd.	Related Company	Same shareholder Group
Rajburi Sugar Co., Ltd.	Related Company	Mutual directors in Subsidiary
Mitr Kaset Sugar Industry Co., Ltd.	Related Company	Mutual directors in Subsidiary
Eastern Sugar and Sugar Cane Co., Ltd.	Related Company	Mutual directors in Subsidiary

Company Name	Relationship	Connection
Sahamit Machinery Public Co., Ltd.	Related Company	Mutual directors
KSL Tower Juristic Person office	Related Juristic Person	Shared Owner of Condominium Building

All of the aforementioned related entities are incorporated in Thailand.

Prachaup Industry Co., Ltd. held no part in management of the Company, but is a related company, where some directors of Prachuap Industry Co., Ltd. are also directors of Thai Sugar Terminal Public Co., Ltd. and K.S.L. Export Trading Co., Ltd., which are subsidiary companies of Khon Kaen Sugar Industry Public Company Limited.

## 7. Privileges of Benefits from Promoted Investment

Three domestic subsidiary companies received 6 investment promotion certificates from the Board of Investment of Thailand (BOI) under the Investment Promotion Act B.E. 2520. The benefits includes the exception of income tax for profit for the year derived from operation of promoted businesses for the period of 8 years commencing from the first date of income received from the promoted business. The details are as follows :-

Certificate No.	Sections	Date	Promoted activity types	Commenced date of revenues generated	Expire date
1929(2)/2547	25 26 28 31 34 35(3) 36(1) and 36(2)	November 2, 2004	- Production of pure alcohol or fuel from agricultural products, including scraps, garbage or waste - Production of biological fertilizers or organic fertilizers	January 8, 2006 March 30, 2006	January 7, 2014 January 7, 2014
1062(2)/2552	25 26 28 31 34 35(3) 36(1) and 36(2)	January 30, 2009	- Production of pure alcohol or fuel from agricultural products, including scraps, garbage or waste - Production of biological fertilizers or organic fertilizers	Income not yet derived	Income not yet derived
1063(2)/2552	25 26 28 31 34 35(3) 36(1) and 36(2)	January 30, 2009	- Production of pure alcohol or fuel from agricultural products, including scraps, garbage or waste - Production of biological fertilizers or organic fertilizers	Income not yet derived	Income not yet derived
1258(2)/2548	25 26 28 31(3) 31(4) 34 and 35(3)	March 29, 2005	- Production of electricity power and steams	December 22, 2006	December 21, 2014
1432(2)/2552	25 26 28 31(1) 31(2) 31(3) 31(4) 34 35(1) 35(2) and 35(3)	June 24, 2009	- Production of electricity power and steams	Income not yet derived	
1657(2)/2552	25 26 28 31(1) 31(3) 31(4) and 34	August 25, 2009	- Production of pure vegetable oil and / or semi-pure vegetable oil	June 5, 2010	June 4, 2018

Furthermore, in accordance with the promotion certificate no. 1432(2)/2552, the subsidiary company receives the privilege in reduction of the income tax rate at 50% of the regular rate for the period of 5 years commencing from the expired date and the promotion certificate no. 1657(2)/2552 receives the tax privilege by exempting the import duties for approved machines and exempting the income tax for the dividend received from promoted businesses for the entire period the income tax is exempted.

Three foreign subsidiary companies received the foreign investment certificate and tax privilege benefit with 1 investment certificate from Lao People's Democratic Republic and 5 investment certificates from Kingdom of Cambodia, with the details as follows: -

- 1) Foreign investment certificate no. 017-06/ Khor Lor Tor receives tax privilege by exempting the income tax for 5 years from the date the income is first derived from the selling of sugar, thereafter, the subsidiary company has to pay the income tax at the rate of 20%. The income is first derived on July 21, 2010 and the expiry date is July 20, 2015.
- 2) Foreign investment certificate no. 4420/06 Ghor. Wor. Ghor. dated December 15, 2006 and no. 4342/07 Ghor. Wor. Ghor. dated November 20, 2007 issued by Council for the Development of Cambodia, the subsidiary company receives tax privilege by exempting the duties in importing machines for manufacturing and construction materials.
- 3) Foreign investment certificate no. 1641/09 Ghor. Wor. Ghor. and no. 1642/09 Ghor. Wor. Ghor. dated July 28, 2009 issued by Council for the Development of Cambodia, the subsidiary company receives tax privilege by exemption of income tax for the period of 8 years, including priority period commencing from the date that the subsidiary company commenced the operation (year 2006).

- 4) Tax exemption certificate for agriculture-industrial (sugar cane) no. 4511 dated July 29, 2009 issued by the Ministry of Economy and Finance, Cambodia receives the privilege to charge the value-added tax at 0% for the sale of sugar cane that produce especially for export. This certificate is valid for the period of 1 year commencing from July 29, 2009 to July 28, 2010.

## 8. Temporary Investments-Net

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
Bank deposit with the maturity exceeding 3 months				
- Fixed 12 months	5,729,256.51	-	5,708,477.19	-
Total	5,729,256.51	-	5,708,477.19	-
Investments in marketable debt instrument-securities available for sales				
- Siam Commercial Bank Treasury Money Open End Fund	-	166,000,000.00	-	-
Add Unrealized gain on revaluation of securities available for sales	-	128,134.26	-	-
Investments in marketable debt instrument-securities available for sale-net	-	166,128,134.26	-	-
Investments in marketable equity securities available for sales				
- TPI Polene Public Co., Ltd.	2,721,589.64	2,721,589.64	-	-
- Land and Houses Public Co., Ltd.	1,593,751.91	1,593,751.91	-	-
Total	4,315,341.55	4,315,341.55	-	-
Less Unrealized loss on revaluation of securities available for sales	(1,887,341.55)	(2,222,341.55)	-	-
Investments in marketable equity securities available for sales-net	2,428,000.00	2,093,000.00	-	-
Temporary Investments-Net	8,157,256.51	168,221,134.26	5,708,477.19	-

## 9. Trade Accounts Receivable-Net

Consisted of :-

(Unit : Baht)

Type of Transaction	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
Related Companies	3,256,128.03	2,574,972.47	29,659,067.55	10,956,602.41
Outside Companies	555,068,737.54	607,099,375.42	114,499,784.61	125,015,205.38
Total Trade Accounts Receivable	558,324,865.57	609,674,347.89	144,158,852.16	135,971,807.79
Less Allowance for Doubtful Debts	(9,558,747.25)	(9,916,147.25)	-	-
Trade Accounts Receivable-Net	548,766,118.32	599,758,200.64	144,158,852.16	135,971,807.79

Aging analyses for trade accounts receivable were as follows: -

### 9.1 Trade Accounts Receivable-Related Companies

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
Domestic Trade Accounts Receivable				
Not yet due	3,004,896.95	2,574,972.47	29,659,067.55	10,956,602.41
Overdue Not over 3 months	251,231.08	-	-	-
Total	3,256,128.03	2,574,972.47	29,659,067.55	10,956,602.41

The normal credit term granted by the Group Companies ranges from 7 days to 360 days.

## 9.2 Trade Accounts Receivable-Outside Companies

	(Unit : Baht)			
	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
Domestic Trade Accounts Receivable				
Not yet Due	465,753,713.89	474,829,353.65	114,499,784.61	117,005,244.68
Overdue Not Over 3 Months	63,833,235.11	42,864,193.30	-	6,779,648.40
Overdue Over 3 Months but Not Over 6 Months	11,268,897.09	-	-	-
Overdue Over 6 Months but Not Over 9 Months	3,699,307.79	1,870,350.00	-	-
Overdue Over 9 Months but Not Over 12 Months	10,513,583.66	10,689,874.48	-	-
Total	555,068,737.54	530,253,771.43	114,499,784.61	123,784,893.08
Foreign Trade Accounts Receivable				
Not yet Due	-	76,435,499.89	-	820,208.20
Overdue Not Over 3 Months	-	410,104.10	-	410,104.10
Total	-	76,845,603.99	-	1,230,312.30
Total Trade Accounts Receivable	555,068,737.54	607,099,375.42	114,499,784.61	125,015,205.38
<u>Less</u> Allowance for Doubtful Debts-Domestic Trade Accounts Receivable	(9,558,747.25)	(9,916,147.25)	-	-
Net	545,509,990.29	597,183,228.17	114,499,784.61	125,015,205.38

The normal credit term granted by the Group Companies ranges from 5 days to 90 days.

10. Accounts Receivable-Net

Consisted of :-

	(Unit : Baht)			
	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
Cane Accounts Receivable				
Before Season 2007 / 2008	57,186,107.83	65,836,882.40	-	-
Season 2007 / 2008	6,475,191.04	9,897,066.06	-	-
Season 2008 / 2009	1,281,582.50	2,161,969.93	-	-
Season 2009 / 2010	6,011,740.39	-	3,260,940.43	-
Total	70,954,621.76	77,895,918.39	3,260,940.43	-
Fuel Oil, Fertilizer and Other Service Charge Accounts Receivable	5,342,110.72	2,624,442.62	-	-
Total	76,296,732.48	80,520,361.01	3,260,940.43	-
<u>Less</u> Allowance for Doubtful Debts	(64,075,064.80)	(68,172,767.41)	-	-
Net	12,221,667.68	12,347,593.60	3,260,940.43	-

11. Short-Term Loans to Farmers

As at October 31, 2010 and 2009, the majority of these loans are in the form of post-dated cheques in the consolidated financial statements amounting to Baht 454.34 million and Baht 262.61 million respectively, and in the separate financial statements at the portions amounting to Baht 134.33 million and Baht 88.93 million respectively, were discounted by the farmers with the Company and its subsidiary companies at the interest rate based on the lending rate of commercial banks and the remaining portions were advances made for farmers for the next production season.

## 12. Inventories-Net

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
Sugar and molasses	850,222,486.18	971,111,605.77	416,919,981.45	462,908,713.19
Alcohol and bio-fertilizer	174,682,602.43	82,481,346.99	-	-
Wheat Flour	223,585,995.63	445,872,438.74	-	-
Polypropylene bag	20,980,904.35	18,099,525.49	-	-
Palm oil	179,339,487.30	-	-	-
Factory supplies	151,985,552.78	162,336,611.52	63,340,312.50	53,603,064.92
Total	1,600,797,028.67	1,679,901,528.51	480,260,293.95	516,511,778.11
<u>Less</u> Allowance for dilapidated goods and factory supplies	(668,283.19)	(633,029.09)	-	-
Allowance for the cost of goods exceeding net realizable value	(4,368,140.15)	-	-	-
Net	1,595,760,605.33	1,679,268,499.42	480,260,293.95	516,511,778.11

The Company and its subsidiary companies have movement in transactions of allowance for the cost of goods exceeding net realizable value during the year as follows: -

(Unit : Baht)

	Consolidated Financial Statements
Balance as at November 1, 2009	-
<u>Add</u> Reserve for allowance for the cost of goods exceeding net realizable value	(4,368,140.15)
<u>Less</u> Reversal of allowance for the cost of goods exceeding net realizable value	-
Balance as at October 31, 2010	(4,368,140.15)

## 13. Other Current Assets

As at October 31, 2010, the amount of Baht 29.05 million in the consolidated financial statements and Baht 12.36 million in the separate financial statements are compensation received from the Cane and Sugar Fund for the re-purchase of one million sacks of sugar for the year 2009/2010 which the Office of The Cane and Sugar Fund would repay when the final cane price for the production year 2009/2010 has already been announced in the Royal Gazette.

## 14. Investments in Subsidiary and Associated Companies-Net

Consisted of :-

(Unit : Baht)

Company Name	Consolidated Financial Statements								
	As at October 31,								
	Paid-Up Share Capital		Percentage of Shareholding		2010 Investment		2009 Investment		
	2010	2009	2010	2009	Equity	Dividend	Equity	Dividend	
<i>Associated Company</i>									
Champion Fermentation Co., Ltd.	200,000	200,000	32.50	32.50	73,800,000.00	55,149,827.48	-	73,800,000.00	48,799,333.84
Total					73,800,000.00	55,149,827.48	-	73,800,000.00	48,799,333.84

(Unit : Baht)

Company Name	Separate Financial Statements							
	Investment							
	Paid-Up Share Capital (Thousand Baht)		Percentage of Shareholding		Cost As at October 31,		Dividend For the years Ended October 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Subsidiary and Associated Companies								
Thai Sugar Terminal Public Co., Ltd.**	132,000	132,000	23.82	23.82	81,966,759.79	81,966,759.79	-	3,175,733.30
New Krung Thai Sugar Factory Co., Ltd.	1,000,000	604,375	95.78	93.01	834,393,484.58	438,768,484.58	-	-
Tamaka Sugar Industry Co., Ltd.	600,000	600,000	90.21	90.21	523,337,347.61	523,337,347.61	108,257,486.00	135,321,857.50
New Kwang Soon Lee Sugar Factory Co., Ltd.	500,000	500,000	98.61	98.61	569,284,258.19	569,284,258.19	-	-
KSL Real Estate Co., Ltd.	140,000	140,000	80.31	80.31	89,134,074.29	89,134,074.29	-	-
K.S.L. Export Trading Co., Ltd.	20,000	20,000	33.88	33.88	6,775,000.00	6,775,000.00	-	-
KSL Chemical Co., Ltd.	7,500	7,500	100.00	100.00	6,618,488.66	6,618,488.66	-	-
Khon Kaen Sugar Power Plant Co., Ltd.	800,000	800,000	100.00	100.00	799,972,000.00	799,972,000.00	-	-
Khon Kaen Alcohol Co., Ltd.	610,000	551,500	100.00	100.00	609,985,600.00	551,485,600.00	-	-
KSL. Agro and Trading Co., Ltd. (Formerly KSL. Agro Co., Ltd.)	280,000	270,000	100.00	100.00	279,999,920.00	269,999,920.00	-	-
Savannakhet Sugar Corporation*	684,757	351,082	98.49	97.00	674,178,200.00	342,059,200.00	-	-
Koh Kong Sugar Industry Co., Ltd.*	798,900	798,900	70.00	50.00	563,829,430.76	399,450,000.00	-	-
Wynn In Trading Co., Ltd.	34,150	34,150	100.00	100.00	34,149,998.20	34,149,998.20	-	-
T S G Assets Co., Ltd.**	50,000	50,000	4.11	4.11	2,061,429.54	2,061,429.54	-	-
T S Oil Industry Co., Ltd.**	200,000	135,000	0.62	0.62	1,237,672.44	1,237,672.44	-	-
T S Flour Mill Public Co., Ltd.**	200,000	400,000	0.09	0.09	196,477.34	393,055.34	92,704.70	-
T S Warehouse Co., Ltd.**	12,500	12,500	4.02	4.02	508,543.53	508,543.53	-	36,276.40
T S Transport and Logistic Co., Ltd.**	80,000	80,000	10.12	10.12	8,107,979.09	8,107,979.09	-	-
Champion Fermentation Co., Ltd.	200,000	200,000	32.50	32.50	73,800,000.00	73,800,000.00	-	-
Total					5,159,536,664.02	4,199,109,811.26	108,350,190.70	138,533,867.20
<u>Plus</u> Advance Payment for Share Subscription-Savannakhet Sugar Corporation					-	169,880,000.00	-	-
Total					5,159,536,664.02	4,368,989,811.26	108,350,190.70	138,533,867.20
<u>Less</u> Allowance for Impairment of Investments					(57,312,718.88)	(95,670,298.20)	-	-
Net					5,102,223,945.14	4,273,319,513.06	108,350,190.70	138,533,867.20

\* These foreign subsidiary companies have been audited by other independent Certified Public Accountants including Koh Kong Plantation Co. Ltd. which the Company hold its shares indirectly through Wynn In Trading Co., Ltd. at 70%. Furthermore, Koh Kong Plantation Co., Ltd. have the condition to dissolve the Company if its loss exceed 75% of the registered share capital and could not solve the said loss within 1 year.

\*\* These local subsidiary companies which as at October 31, 2009 have been audited by other independent Certified Public Accountant.

Movement of Investments for the year ended October 31, 2010 and 2009 are as follows :-

(Unit : Baht)

	Separate Financial Statements	
	2010	2009
Beginning balance	4,273,319,513.06	3,926,233,666.76
Increase in investments		
- New Krung Thai Sugar Factory Co., Ltd.	395,625,000.00	-
- Thai Sugar Terminal Public Co., Ltd.	-	2,858,160.00
- Khon Kaen Alcohol Co., Ltd.	58,500,000.00	234,000,000.00
- Khon Kaen Sugar Power Plant Co., Ltd.	-	140,000,000.00
- KSL. Agro and Trading Co., Ltd.	10,000,000.00	95,000,000.00
- Savannakhet Sugar Corporation	162,239,000.00	169,880,000.00
- Koh Kong Sugar Industry Co., Ltd.	164,379,430.76	-
Capital payback		
- T S Flour Mill Public Co., Ltd.	(196,578.00)	-
Sales of Investments		
- Koh Kong Plantation Co., Ltd.	-	(276,952,250.00)
Reversal of (Reserve for) Allowance for Impairment of Investments	38,357,579.32	(17,700,063.70)
Ending balance	5,102,223,945.14	4,273,319,513.06



The financial statements of three foreign subsidiary companies\*, which were also consolidated, have been audited by other independent Certified Public Accountant. As at October 31, 2010 and 2009, there were, in the said foreign subsidiary companies' financial statements, the total assets amounts of Baht 4,315.86 million and Baht 4,244.00 million respectively, and for the years ended October 31, 2010 and 2009, the total revenue was Baht 282.56 million and Baht 41.24 million respectively, and the total loss for the year was Baht 419.43 million and Baht 338.94 million respectively.

The financial statements of six local subsidiary companies\*\*, which were also consolidated, have been audited by other independent Certified Public Accountant. As at October 31, 2009 there were, in the said subsidiary companies' financial statements, the total assets amounts of Baht 2,388.50 million, the total revenue was Baht 1,471.48 million and the total profit for the year was Baht 186.85 million.

As at October 31, 2010 and 2009, in the consolidated financial statements, the financial statements of Champion Fermentation Co., Ltd. and its subsidiary companies, an associated company, which were accounted by equity method were prepared by the Company's management and have not yet been audited by an independent Certified Public Accountant. The Company recognized participating equity from investment in the associated company as participating profit recognized in the consolidated statements of income for the years ended October 31, 2010 and 2009 at amount of Baht 6.35 million and Baht 1.36 million respectively, or equivalent to 8.27% and 0.14% of the consolidated profit for the year respectively.

For the year ended October 31, 2010, the Company has reversed Baht 38.36 million of the allowance for impairment of investment because the result of operation has been improved and the fair value of the subsidiary company's assets is increased in accordance with the current economic condition.

## 15. Other Long-Term Investments-Net

Consisted of :-

(Unit : Baht)

Company Name	Type of Business	Paid-Up Share Capital (Thousand Baht)	Percentage of Holding (%)		Consolidated Financial Statements As at October 31,		Separate Financial Statements As at October 31,			
			Consolidated Financial Statements 2010	Separate Financial Statements 2009	2010	2009	2010	2009		
<b>15.1 Available for Sale Securities Investment</b>										
Investment in Debt Securities										
- Subordinated Debenture					4,000,000.00	4,000,000.00	-	-		
Investment in Marketable Equity Securities										
- Bangkok Bank Public Co., Ltd.					157,830.99	336,180.00	157,830.99	336,180.00		
- Ratchaburi Egco Holding Public Co., Ltd.					791,700.00	791,700.00	791,700.00	791,700.00		
- Finansa Public Co., Ltd.					50,000.00	50,000.00	50,000.00	50,000.00		
Add Unrealized Gain on Available for Sale Securities					2,368,844.69	2,802,180.24	2,270,539.01	2,745,885.00		
Fair Value of Available for Sale Securities Investment					7,368,375.68	7,980,060.24	3,270,070.00	3,923,765.00		
<b>15.2 General Investments</b>										
- Thai Cane and Sugar Corp. Ltd.	Export Agent	20,000	3.93	3.93	1.61	1.61	786,600.00	786,600.00	322,600.00	322,600.00
- Thai Sugar Miller Co., Ltd.	Marketing	109	8.00	8.00	2.00	2.00	8,700.00	8,700.00	2,175.00	2,175.00
Total General Investments	Information Service						795,300.00	795,300.00	324,775.00	324,775.00
<b>15.3 Investment in Held-to-Maturity Debt Securities</b>										
- Bonds							14,775,670.52	15,964,423.20	6,295,949.90	6,857,318.26
Less Accumulated Amortization							(125,167.84)	(401,065.46)	(10,729.07)	(327,450.99)
Less Current Portion							(751,158.74)	-	-	-
Amortized Cost1							13,899,343.94	15,563,357.74	6,285,220.83	6,529,867.27
Total Other Long-Term Investments-Net							22,063,019.62	24,338,717.98	9,880,065.83	10,778,407.27

As at October 31, 2010 and 2009, bonds which had the book value in the consolidated financial statements amounts of Baht 14.65 million and Baht 15.56 million respectively, and in the separate financial statements amounts of Baht 6.29 million and Baht 6.53 million respectively, have been pledged as guarantee for electricity usage with the Provincial Electricity Authority.

In first quarter of 2009, the Company and its subsidiary companies sold their entire investment in Kerry Siam Seaport Co., Ltd. at Baht 28.50 per share as in the consolidated financial statements and separate financial statements presenting the sale value of Baht 208.23 million and Baht 110.17 million respectively, and profit gained from such sale of Baht 135.26 million and Baht 62.54 million respectively.

## 16. Deferred Cane Plantation Cost-Net

Movement for the years ended October 31, 2010 and 2009 are as follows :-

(Unit : Baht)

	Consolidated Financial Statements As at October 31,		Separate Financial Statements As at October 31,	
	2010	2009	2010	2009
	Beginning Book Value-Net	689,763,383.11	402,248,014.32	46,795,253.30
Additional cost during the year				
- Cost of cane plantation	400,192,146.38	508,538,167.95	83,101,588.63	53,492,444.45
- Transfer from land development cost and depreciation	99,037,818.11	95,212,750.27	900,671.36	2,409,305.01
Accumulated cost of cane planted	1,188,993,347.60	1,005,998,932.54	130,797,513.29	79,244,465.03
- Amortized cane cost during the year	(146,319,031.00)	(116,962,497.75)	(57,428,162.56)	(31,963,265.88)
- Written-off	(582,826.30)	-	-	-
Ending Book Value	1,042,091,490.30	889,036,434.79	73,369,350.73	47,281,199.15
Loss from damaged cane	(10,708,400.83)	(30,742,939.34)	-	(485,945.85)
Loss from value impairment	(151,314,827.10)	(156,906,879.63)	-	-
Difference from translation adjustment	(48,413,854.89)	(11,623,232.71)	-	-
Ending Book Value-Net	831,654,407.48	689,763,383.11	73,369,350.73	46,795,253.30

The Company and its subsidiary companies recorded the deferred cane plantation cost at the cost value less accumulated depreciation and allowance for accumulated impairment because of the short cane plantation period of approximately 10-13 months and the fair value of the cane fluctuate with the weather of the plantation area which resulted in the volume and quality of the cane produced.

As at October 31, 2010 and 2009, a portion of the deferred cane plantation cost at Baht 744.38 million and Baht 626.59 million respectively belong to two subsidiary companies who perform cane plantation on leased land as follows:-

- The first subsidiary company for the amounts of Baht 223.85 million and Baht 159.20 million respectively, perform cane plantation on the land leased from the government of the Lao People's Democratic Republic as specified in the notes to the financial statements no. 37.1.
- The second subsidiary company for the amounts of Baht 520.53 million and Baht 467.39 million respectively, perform cane plantation on the land leased from the government of the Kingdom of Cambodia as specified in the notes to the financial statements no. 37.2.

## 17. Loans for Cane Plantation Development-Net

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements As at October 31,		Separate Financial Statements As at October 31,	
	2010	2009	2010	2009
	Cane Growing Promotion Loans	247,437,195.32	98,721,119.11	21,650,800.00
<u>Less</u> Current Portion of Loans for Cane Plantation Development	(45,646,870.38)	(23,878,328.59)	(7,216,600.00)	(4,950,000.00)
Total	201,790,324.94	74,842,790.52	14,434,200.00	5,941,600.00
<u>Less</u> Allowance for Doubtful Debts	(5,786,944.46)	(5,915,480.55)	-	-
Net	196,003,380.48	68,927,309.97	14,434,200.00	5,941,600.00

As at October 31, 2010 and 2009, in the consolidated and separate financial statements, in amount of Baht 21.65 million and Baht 10.89 million respectively were loans provided to two outside companies and an outside company respectively to purchase agricultural machines to be used in plantation for an overseas subsidiary company. The loan agreements are entered into for the period of 3 years with the principal repayment and interest to be made in installment; every year at Baht 7.22 million per installment and every three-month at Baht 0.99 million per installments respectively and interest chargeable at MLR+1.00% per annum for both years. The Company has the ownership over the purchased agricultural machines with the contractual value of Baht 10.89 million, which in the event of default of debt payment, the Company can sell these machines back to the seller.

As at October 31, 2010 and 2009, the remaining loans for cane plantation development were loans made to farmers for the purpose to buy lands used for cane plantation, agricultural machines and agricultural apparatus of the subsidiary companies. The loan agreements were made for the period of 1-10 years or longer at the same interest rates of 5.00-10.00% per annum for both years. These loans were mostly secured by the farmers pledging their lands and vehicles as collaterals.

## 18. Other Accounts Receivable–Compensation for Sugar Production and Distribution–Net

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements As at October 31,		Separate Financial Statements As at October 31,	
	2010	2009	2010	2009
	Other Accounts Receivable–Compensation for Sugar Production and Distribution	244,952,528.07	244,952,528.07	132,770,099.96
<b>Less</b> Stabilization Function Payment Season 2007 / 2008	(49,950,369.43)	(49,950,369.43)	(24,601,393.36)	(24,601,393.36)
Stabilization Function Payment Season 2008 / 2009	(55,901,946.43)	-	(25,290,680.39)	-
Other Accounts Receivable–Net	139,100,212.21	195,002,158.64	82,878,026.21	108,168,706.60
<b>Less</b> Current Portion of Other Account Receivable–Compensation for Sugar Production and Distribution	(50,246,488.89)	(55,960,567.12)	(21,972,578.37)	(25,419,991.34)
Net	88,853,723.32	139,041,591.52	60,905,447.84	82,748,715.26

On January 9, 2008, the Office of The Cane and Sugar Board issued the letter No. Or Gor 0602/Wor 72 informing the Cabinet resolution approving payment for compensation the difference between final and initial of cane price and sugar production and distribution compensation for the production season 2006/2007 to the Company and its subsidiary companies which calculated from the difference of compensation rate of final sugar production and distribution which is lower than initial price multiplied by the volume of cane going into the production process. In accordance to minutes of the Cane and Sugar Board' s meeting No. 3/2551 held on March 4, 2008, it resolved to made payment for compensation of sugar production and distribution as a factory credit and The Cane and Sugar Fund will gradually repays it out of collections from cane and sugar industry. In accordance to minutes of the Cane and Sugar Board' s meeting No. 4/2551 held on April 3, 2008, it approved the collection of stabilization function payment for the miller compensation for the period of 5 years. On September 7, 2009, 3 sugar millers associations issued the letter No. Sor Thor. 035/2552 asking the Cane and Sugar Fund to consider making the full payment of the compensation for Sugar Production and Distribution for the production season 2006/2007 to the sugar millers at the same time. However, the Cane and Sugar Fund has already announced to set off the stabilization function payment for the production season 2007/2008 and 2008/2009 at the amount equivalent to the outstanding amount divided by 5 years, which the Company and its subsidiary companies have set off the stabilization function payment for the said production with the other account receivable–compensation for sugar production and distribution, as at October 31, 2010 and 2009, in the consolidated financial statements at Baht 105.85 million and Baht 49.95 million respectively, and in the separate financial statements at Baht 49.89 million and Baht 24.60 million respectively, and reclassified the current portion of other account receivable–compensation for sugar production and distribution according to the outstanding stabilization function payment for the latest production season remains to be paid to the Office of The Cane and Sugar Fund.

## 19. Property, Plant and Equipment–Net

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements						
	Land and Land Improvement	Building and Construction	Machinery and Equipment	Motor Vehicle and Labor Saving Tools	Furniture and Office Equipment	Assets in Construction	Total
<b>Cost :</b>							
As at October 31, 2009	1,600,559,646.18	2,319,135,779.34	7,095,013,023.52	862,723,575.13	159,660,764.57	5,130,643,602.89	17,167,736,391.63
Reclassified to Real Estate Development Cost	(29,057,018.03)	(10,750,882.09)	-	-	-	-	(39,807,900.12)
Purchase	74,403,325.26	4,337,719.03	42,979,202.87	88,905,863.91	23,023,013.87	3,738,243,056.40	3,971,892,181.34
Transfer in	34,805,149.02	592,386,966.53	1,539,241,635.90	16,196,506.48	8,638,658.95	5,999,448.81	2,197,268,365.69
Disposals/Written off	(195,385.04)	(602,199.54)	(20,207,958.32)	(49,991,240.27)	(9,710,559.77)	-	(80,707,342.94)
Transfer out	(100,000.00)	-	-	-	(50,850.00)	(2,197,217,515.69)	(2,197,368,365.69)
Currency Translation Differences	(47,698,706.93)	(46,011,801.26)	(4,416,901.55)	(28,189,092.78)	(1,039,309.34)	(127,192,321.67)	(254,548,133.53)
As at October 31, 2010	1,632,717,010.46	2,858,495,582.01	8,652,609,002.42	889,645,612.47	180,521,718.28	6,550,476,270.74	20,764,465,196.38
<b>Accumulated Depreciation :</b>							
As at October 31, 2009	(82,436,438.82)	(952,379,443.32)	(4,393,154,298.88)	(535,032,979.08)	(114,678,560.75)	-	(6,077,681,720.85)
Reclassified to Real Estate Development Cost	1,522,620.27	3,500,138.56	-	-	-	-	5,022,758.83

(Unit : Baht)

Consolidated Financial Statements							
	Land and Land Improvement	Building and Construction	Machinery and Equipment	Motor Vehicle and Labor Saving Tools	Furniture and Office Equipment	Assets in Construction	Total
Depreciation for the year	(16,390,785.16)	(65,259,401.82)	(285,319,760.80)	(106,645,922.93)	(17,969,498.73)	-	(491,585,369.44)
Disposals/Written off	-	44,775.39	16,539,216.01	45,188,018.07	9,446,540.63	-	71,218,550.10
Currency Translation Differences	2,324,489.63	1,028,434.16	1,501,865.13	9,489,514.87	253,476.66	-	14,597,780.45
As at October 31, 2010	(94,980,114.08)	(1,013,065,497.03)	(4,660,432,978.54)	(587,001,369.07)	(122,948,042.19)	-	(6,478,428,000.91)
<b>Differences on Revaluation of Assets :</b>							
As at October 31, 2009	1,263,714,527.51	1,077,844,867.63	3,800,987,761.93	4,658,000.00	-	-	6,147,205,157.07
Reclassified to Real Estate Development Cost	(458,647.08)	(46,321.16)	-	-	-	-	(504,968.24)
Disposals	-	-	(6,190,396.47)	-	-	-	(6,190,396.47)
Increase(Decrease) in the year	(2,256,000.86)	326,655.04	-	-	-	-	(1,929,345.82)
As at October 31, 2010	1,260,999,879.57	1,078,125,201.51	3,794,797,365.46	4,658,000.00	-	-	6,138,580,446.54
<b>Accumulated Depreciation- Differences on Revaluation of Assets :</b>							
As at October 31, 2009	(47,430,852.48)	(298,753,967.64)	(1,741,715,563.08)	(4,658,000.00)	-	-	(2,092,558,383.20)
Reclassified to Real Estate Development Cost	16,727.56	1,689.05	-	-	-	-	18,416.61
Depreciation for the year	(2,646.45)	(61,590,179.61)	(231,548,316.57)	-	-	-	(293,141,142.63)
Disposals	-	-	3,973,316.67	-	-	-	3,973,316.67
As at October 31, 2010	(47,416,771.37)	(360,342,458.20)	(1,969,290,562.98)	(4,658,000.00)	-	-	(2,381,707,792.55)
<b>Allowance for Impairment on Assets :</b>							
As at October 31, 2009	(20,282,908.60)	(9,281,787.18)	(6,253,911.63)	-	-	-	(35,818,607.41)
Reclassified to Real Estate Development Cost	2,701,683.01	-	-	-	-	-	2,701,683.01
As at October 31, 2010	(17,581,225.59)	(9,281,787.18)	(6,253,911.63)	-	-	-	(33,116,924.40)
<b>Net Book Value :</b>							
As at October 31, 2009	2,714,123,973.79	2,136,565,448.83	4,754,877,011.86	327,690,596.05	44,982,203.82	5,130,643,602.89	15,108,882,837.24
As at October 31, 2010	2,733,738,778.99	2,553,931,041.11	5,811,428,914.73	302,644,243.40	57,573,676.09	6,550,476,270.74	18,009,792,925.06
<b>Depreciation in the Statements of Income</b>							
For the year ended October 31, 2009							390,964,657.33
For the year ended October 31, 2010							392,547,551.33

(Unit : Baht)

Separate Financial Statements							
	Land and Land Improvement	Building and Construction	Machinery and Equipment	Motor Vehicle and Labor Saving Tools	Furniture and Office Equipment	Assets in Construction	Total
<b>Cost :</b>							
As at October 31, 2009	297,276,975.63	832,928,736.02	2,508,466,146.75	354,595,941.74	66,835,172.58	7,706,622.75	4,067,809,595.47
Purchase	1,171,893.00	-	31,356,733.36	786,600.00	3,939,835.71	68,172,141.84	105,427,203.91
Transfer in	-	6,063,183.67	8,993,091.51	-	303,750.00	-	15,360,025.18
Disposals/Written off	-	-	(11,878,491.31)	(31,093,277.45)	(8,299,018.23)	-	(51,270,786.99)
Transfer out	-	(303,750.00)	-	-	-	(15,056,275.18)	(15,360,025.18)
As at October 31, 2010	298,448,868.63	838,688,169.69	2,536,937,480.31	324,289,264.29	62,779,740.06	60,822,489.41	4,121,966,012.39
<b>Accumulated Depreciation :</b>							
As at October 31, 2009	(8,125,818.74)	(399,442,199.65)	(1,605,955,743.61)	(305,112,026.40)	(56,932,365.79)	-	(2,375,568,154.19)
Depreciation for the year	(1,357,300.05)	(14,062,599.91)	(94,489,889.01)	(21,542,302.94)	(4,352,011.46)	-	(135,804,103.37)
Disposals/Written off	-	-	11,878,473.31	29,407,638.86	8,227,011.86	-	49,513,124.03
As at October 31, 2010	(9,483,118.79)	(413,504,799.56)	(1,688,567,159.31)	(297,246,690.48)	(53,057,365.39)	-	(2,461,859,133.53)
<b>Differences on Revaluation of Assets :</b>							
As at October 31, 2009	316,433,785.09	451,477,725.95	795,620,334.05	-	-	-	1,563,531,845.09
Disposals/Written off	-	-	(4,115,617.64)	-	-	-	(4,115,617.64)
As at October 31, 2010	316,433,785.09	451,477,725.95	791,504,716.41	-	-	-	1,559,416,227.45

(Unit : Baht)

	Separate Financial Statements						Total
	Land and Land Improvement	Building and Construction	Machinery and Equipment	Motor Vehicle and Labor Saving Tools	Furniture and Office Equipment	Assets in Construction	
<b>Accumulated Depreciation-Differences on Revaluation of Assets :</b>							
As at October 31, 2009	-	(64,668,451.85)	(306,362,400.85)	-	-	-	(371,030,852.70)
Depreciation for the year	-	(12,151,823.51)	(62,800,394.41)	-	-	-	(74,952,217.92)
Disposals/Written off	-	-	2,479,996.14	-	-	-	2,479,996.14
As at October 31, 2010	-	(76,820,275.36)	(366,682,799.12)	-	-	-	(443,503,074.48)
<b>Allowance for Impairment on Assets :</b>							
As at October 31, 2009	(10,449,620.00)	(8,705,472.81)	(3,816,801.32)	-	-	-	(22,971,894.13)
As at October 31, 2010	(10,449,620.00)	(8,705,472.81)	(3,816,801.32)	-	-	-	(22,971,894.13)
<b>Net Book Value :</b>							
As at October 31, 2009	595,135,321.98	811,590,337.66	1,387,951,535.02	49,483,915.34	9,902,806.79	7,706,622.75	2,861,770,539.54
As at October 31, 2010	594,949,914.93	791,135,347.91	1,269,375,436.97	27,042,573.81	9,722,374.67	60,822,489.41	2,753,048,137.70
<b>Depreciation in the Statements of Income</b>							
For the year ended October 31, 2009							148,215,697.55
For the year ended October 31, 2010							134,903,432.01

Between the year 2010 and 2009, in the consolidated financial statements, the borrowing cost at Baht 58.33 million and Baht 53.67 million respectively incurred from the borrowing for the projects of 5 and 4 domestic subsidiary companies respectively and for the projects of 1 and 2 overseas subsidiary companies respectively. The said borrowing cost is included as the cost of assets in construction which included in the "assets purchased" item.

As at October 31, 2010 and 2009, in the consolidated financial statements, the Company and its subsidiary companies pledged land together with construction and machinery at the book value of Baht 956.05 million and Baht 929.75 million respectively, and as at October 31, 2009, in the separate financial statements at amount of Baht 97.60 million, as collaterals against short-term and long-term credit facilities with commercial banks as mentioned in the notes to the financial statements nos. 21, 26 and 36.5.

As at October 31, 2010 and 2009, in the consolidated financial statements, buildings and construction and building-in-construction of three overseas subsidiary companies at the book value of Baht 663.57 million and Baht 648.55 million respectively are located on the concession land. When the contractual term expires, the ownership of the buildings and construction and building-in-construction would belong to the lessor as mentioned in the notes to financial statements nos. 37.1 and 37.2.

As at October 31, 2010 and 2009, Cost of assets, in the consolidated financial statements, amount of Baht 579.29 million and Baht 555.43 million respectively, and in the separate financial statements, amount of Baht 276.75 million and Baht 239.14 million respectively, were fully depreciated but still in use.

As the Company and its subsidiary companies choose to account by cost method and when there is an increase in asset revaluation, only net value of increase book value would be recorded to related asset account along side with the Unrealized Gain (Loss) - difference on revaluation of assets, if the Company and its subsidiary companies choose to account for the differences on revaluation of assets through the statements of income, the detail of the effect is as follows: -

(Unit : Baht)

	Consolidated Financial Statements For the Years Ended October 31,		Separate Financial Statements For the Years Ended October 31,	
	2010	2009	2010	2009
Depreciation and Written Off recognised under Shareholders' Equity	295.36	358.89	76.59	104.38
<u>If the above Depreciation and Written Off recognised in the statements of income, it would effect to:</u>				
Profit for the year decreased by	295.36	358.89	76.59	104.38
Earnings per share decreased by (Unit : Baht)	0.19	0.23	0.05	0.07

## 20. Assets not used in Operation–Net

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements As at October 31,		Separate Financial Statements As at October 31,	
	2010	2009	2010	2009
	Land not used in Operation	347,632,989.94	310,083,349.04	125,867,151.26
Assets not used in Operation (Machine Supplies)	15,795,661.28	19,932,244.36	-	-
Total	363,428,651.22	330,015,593.40	125,867,151.26	98,281,732.26
<u>Less</u> Allowance for Accumulated Impairment	(1,506,900.00)	(1,506,900.00)	-	-
Net	361,921,751.22	328,508,693.40	125,867,151.26	98,281,732.26

As at October 31, 2009, in the consolidated and separate financial statements, land not used in operation at book value of Baht 3.25 million, which was pledged as securities for credit facilities obtained from commercial banks, both for short and long-term credits, as mentioned in the notes to financial statements nos. 26 and 36.5. In the second quarter of 2010, the Company have already released the said guarantee obligation.

As at October 31, 2009, land not used in operation belonging to a subsidiary company at the amount of Baht 10.25 million, is being dispute in the court regarding the right to utilize the land. In July 2010, the case has been finalized, which the subsidiary company agreed to sell the said land and the adjacent area with the cost value of Baht 16.81 million at the selling price of Baht 27.01 million. On October 26, 2010, the subsidiary company has registered the ownership transfer for the adjudicated land and received the payment for the land and obtained the net gain from the land sale at Baht 9.09 million.

## 21. Overdrafts and Short–Term Loans from Financial Institutions

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements As at October 31,	
	2010	2009
	Bank Overdrafts	-
Promissory Note	1,455,011,187.00	707,717,508.00
Trust Receipt	447,234,765.91	435,861,753.96
Packing Credit	-	130,355,542.21
Total	1,902,245,952.91	1,274,181,890.02

As at October 31, 2009, bank overdrafts carried interest rates at MOR per annum.

As at October 31, 2010 and 2009, loans in the form of promissory notes with the maturity period ranging from 1-6 months at Baht 722.21 million and Baht 392.52 million respectively, were covered by loan agreement of two overseas subsidiary companies with a commercial bank in Thailand in US Dollar currency carrying interest rates at LIBOR+2.00% per annum, the same rate for both years. The remaining amounts are loans in Baht currency and carrying interest rates at 1.65–3.50% per annum and 1.88–3.50% per annum respectively.

As at October 31, 2010 and 2009, trust receipts payable is borrowing in Baht currency and carried interest rates at 2.45–2.70% per annum and 2.25–2.50% per annum respectively.

Bank overdrafts, loans in the form of promissory notes and trust receipts payable are secured by land together with constructions, machinery and leasehold right of factory land location. There are inter-guarantees offered by the Company and its subsidiary companies and short-term loan of an overseas subsidiary company utilized the joint collaterals with the tenth to twelfth credit lines long-term loan as mentioned in the notes to financial statements no. 26.

As at October 31, 2009, packing credit payable is a loan agreement of a subsidiary company with three commercial banks for the benefit of the related company and the promissory note of a related company is used as collateral as mentioned in the notes to financial statements no. 6.1. The remaining loan has the following details :-

- The remaining principal balance at amounts of Baht 48.52 million, is principal from debt restructuring of the related company which is required to be repaid within the year 2015. The loan carried the interest rates at 6.50% per annum. Land together with construction, machines and bank deposit of the related company were pledged as collaterals, and also the subsidiary company's directors and related individuals took part in pledging guarantees. In the first quarter of 2010, the loan has already been repaid in full and the obligations have been released.
- The remaining principal balances at amounts of Baht 81.84 million, carried the interest rate at 5.25-5.75% per annum, for the period of 2-3 months, and guaranteed by the related company's goods. In the first quarter of 2010, the loan has already been repaid in full.

## 22. Bills of Exchange-Net

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements/ Separate Financial Statements As at October 31, 2009
Par Value	100,000,000.00
Less Prepaid Interest	(322,841.02)
Net	99,677,158.98

As at October 31, 2009, the Company issued unsecured bills of exchange to financial institutions due in 1-9 months with the discount rates at approximately 2.50% per annum.

## 23. Trade Accounts Payable

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements As at October 31,		Separate Financial Statements As at October 31,	
	2010	2009	2010	2009
	Related Companies	-	487,503.31	27,993,508.85
Outside parties				
- Accounts Payable-Cane Purchase	238,036,494.79	453,091,074.82	57,115,772.47	137,838,222.84
- Other Trade Accounts Payable	165,655,922.33	70,471,831.69	53,258,556.40	11,839,719.46
Total	403,692,417.12	524,050,409.82	138,367,837.72	181,672,238.98

As at October 31, 2010, the Company and three subsidiary companies purchased canes for the production season 2009/2010 using the announced initial cane price for the production season 2009/2010 in accordance with the minute of the Cane and Sugar Board's meeting No.10/2552 dated December 1, 2009. The price is Baht 965.00 per cane ton with sweetness level at 10 c.c.s. and fluctuating cane price per one c.c.s. is fixed at Baht 57.90 per cane ton. Until the date the Company's board of directors approved the issuance of these financial statements, the Office of The Cane and Sugar Board has not yet announced a final cane price for the production season 2009/2010. Therefore, the Company and the subsidiary companies booked accounts payable-cane purchase and calculated cost of goods sold and inventories for the year ended October 31, 2010 in accordance with the cabinet resolution on December 7, 2010 at Baht 1,143.56-1,251.03 per cane tone with the average sweetness level at 10.63-11.77 c.c.s.

As at October 31, 2009, the Company and three subsidiary companies purchased canes for the production season 2008/2009 by using the announced initial cane price for the production season 2008/2009 in accordance with the minute of the Cane and Sugar Board's meeting No.15/2551 dated November 13, 2008. The price is Baht 830.00 per cane ton with sweetness level at 10 c.c.s. and fluctuating cane price per one c.c.s. is fixed at Baht 49.80 per cane ton. Until the date the Company's board of directors approved the issuance of the financial statements, the Office of The Cane and Sugar Board has not yet announced a final cane price for the production season 2008/2009. Therefore, the Company and the subsidiary companies booked accounts payable-cane purchase and calculate cost of goods sold and inventories for the years ended October 31, 2009 of a final cane price for the production season 2008/2009, in accordance with the regulation of the Cane and Sugar Board's meeting No. 10 /2552 held on December 1, 2009 at Baht 994.41-1,092.26 per cane ton with average sweetness level at 11.47-12.56 c.c.s. In the second quarter of 2010, the Office of The Cane and Sugar Board has announced the final cane price for the production season 2008/2009 in the Royal Thai Government Gazette dated March 17, 2010 and there was no difference between the announced final cane price and the estimation made by the management of the Company and the subsidiary companies.



## 24. Short-Term Loans from Outside Person

As at October 31, 2010 and 2009, in the consolidated financial statements, the whole amount of short-term loan is loan from outside person in the form of at-call on demand promissory note without collateral, bearing the interest rate at 3.50-4.00% per annum in the both years.

## 25. Debentures-Net

The Company issued Thai Baht currency debentures which are holder specified, non-subordinated and unsecured bonds at par value of Baht 1,000 per unit to a limited number of investors, with the following details :-

(Unit : Baht)

Consolidated Financial Statements/Separate Financial Statements									
As at October 31, 2010									
Bond Set No.	Symbol	Term	Maturity Date	Interest Per Annum	Issue Number of Units	Total Value	Amortized Bond Issuance Expense	Net	Fair Value
1	KSL10NA	3 years	November 20, 2010	4.94	1,000,000.00	1,000,000,000.00	67,104.99	999,932,895.01	1,001,352,710.00
2	KSL12NA	5 years	November 20, 2012	5.44	500,000.00	500,000,000.00	749,824.16	499,250,175.84	524,865,605.00
3	KSL11NA	3 years	November 18, 2011	5.40	780,000.00	780,000,000.00	692,252.11	779,307,747.89	803,905,845.60
4	KSL127A	3 years	November 20, 2012	4.50	1,000,000.00	1,000,000,000.00	951,726.12	999,048,273.88	1,029,947,220.00
5	KSL139A	3 years 6 months	September 3, 2013	3.35	1,000,000.00	1,000,000,000.00	1,321,225.05	998,678,774.95	1,009,891,910.00
6	KSL133A	3 years	March 29, 2013	3.25	500,000.00	500,000,000.00	637,938.15	499,362,061.85	503,618,750.00
Total					4,780,000.00	4,780,000,000.00	4,420,070.58	4,775,579,929.42	4,873,582,040.60
<u>Less</u> Current Portion of Debentures					(1,000,000.00)	(1,000,000,000.00)	(67,104.99)	(999,932,895.01)	(1,001,352,710.00)
Debentures-Net					3,780,000.00	3,780,000,000.00	4,352,965.59	3,775,647,034.41	3,872,229,330.60

(Unit : Baht)

Consolidated Financial Statements/Separate Financial Statements									
As at October 31, 2009									
Bond Set No.	Symbol	Term	Maturity Date	Interest Per Annum	Issue Number of Units	Total Value	Amortized Bond Issuance Expense	Net	Fair Value
1	KSL10NA	3 years	November 20, 2010	4.94	1,000,000.00	1,000,000,000.00	1,180,438.38	998,819,561.62	1,007,098,700.00
2	KSL12NA	5 years	November 20, 2012	5.44	500,000.00	500,000,000.00	1,028,252.08	498,971,747.92	503,415,460.00
3	KSL11NA	3 years	November 18, 2011	5.40	780,000.00	780,000,000.00	1,464,408.47	778,535,591.53	792,063,784.20
4	KSL127A	3 years	November 20, 2012	4.50	1,000,000.00	1,000,000,000.00	1,473,534.26	998,526,465.74	997,196,670.00
Total					3,280,000.00	3,280,000,000.00	5,146,633.19	3,274,853,366.81	3,299,774,614.20

The debenture-net have the following movements for the year ended October 31, 2010 and 2009.

(Unit : Baht)

	Consolidated Financial Statements / Separate Financial Statements	
	2010	2009
Beginning Book Value-Net	3,274,853,366.81	1,496,341,976.22
Increase during the Year	1,497,566,153.85	1,776,236,247.00
Amortized debenture issuance expense during the Year	3,160,408.76	2,275,143.59
Ending Book Value-Net	4,775,579,929.42	3,274,853,366.81

### Other significant compliance to the covenants of the debenture issuances

- The Company shall maintain the debt to shareholders' equity ratio in the consolidated financial statements at not more than 2.5 to 3 : 1 at any time for the entire debentures terms. However, the debt to shareholder's equity ratio as at October 31 of each year shall be maintained at not more than 1.5 to 3 : 1 for the entire debentures terms.
- In the event the credit rating of the debenture is lower than the Company's credit rating at that time, the Company shall pledge additional assets as collateral for the shareholders or implement other methods to amend the debenture's credit rate to be at the same credit rating of the Company or better.

## 26. Long-Term Loans-net

Consisted of :-

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
1. Limit 500 Million Baht	332,000,000.00	500,000,000.00	332,000,000.00	500,000,000.00
2. Limit 2,000 Million Baht	1,043,000,000.00	-	-	-
3. Limit 1,000 Million Baht	1,000,000,000.00	-	-	-
4. Limit 600 Million Baht	310,000,000.00	-	-	-
5. Limit 140 Million Baht	120,000,000.00	-	-	-
6. Limit 200 Million Baht	-	160,000,000.00	-	-
7. Limit 80 Million Baht	20,000,000.00	40,000,000.00	-	-
8. Limit 200 Million Baht	146,000,000.00	99,960,000.00	-	-
9. Limit 800 Million Baht	725,000,000.00	725,000,000.00	-	-
10. Limit 5 Million USD	149,855,000.00	167,171,000.00	-	-
11. Limit 5 Million USD	149,855,000.00	167,171,000.00	-	-
12. Limit 30 Million USD	899,130,000.00	975,944,298.00	-	-
Total	4,894,840,000.00	2,835,246,298.00	332,000,000.00	500,000,000.00
Less Current portion of long-term loans	(552,855,000.00)	(228,000,000.00)	(168,000,000.00)	(168,000,000.00)
Net	4,341,985,000.00	2,607,246,298.00	164,000,000.00	332,000,000.00

Movements of long-term loans for the years ended October 31, 2010 and 2009 are as follows :-

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2010	2009	2010	2009
Beginning Book Value Balance	2,835,246,298.00	1,131,747,000.00	500,000,000.00	-
Increase in the Year	2,563,316,510.00	2,083,904,298.00	500,000,000.00	-
Repayment in the Year	(368,000,000.00)	(365,000,000.00)	(168,000,000.00)	-
Currency Translation Differences	(135,722,808.00)	(15,405,000.00)	-	-
Ending Book Value Balance	4,894,840,000.00	2,835,246,298.00	332,000,000.00	500,000,000.00

In the consolidated and separate financial statements, as at October 31, 2010 and 2009, the Company and its subsidiary companies obtained loans from commercial banks, which the first to ninth credit lines had due payment of interest at the end of every month and carried interest rates at MLR-2.00% to MLR-0.75% per annum. The tenth to twelfth credit lines had due payment of interest every three months and carried the interest rate at LIBOR+2% per annum. The credit facilities obtained have the important covenants as follows :-

No.	Limit	Term of Payment
1	Baht 500 Million	- Repayment of principal at every six-month period for the total of 6 installment, the first installment to be paid in January 2010. The payment for the 1 <sup>st</sup> -5 <sup>th</sup> installment at Baht 84.00 million each and the 6 <sup>th</sup> installment repayment of Baht 80.00 million.
2	Baht 2,000 Million	- Repayment of principal at every six-month period for the total of 10 installment at Baht 200.00 million each, and the grace period of two years, commencing the first installment in December 2011.
3	Baht 1,000 Million	- Repayment of principal at every six-month period for the total of 10 installment at Baht 100.00 million each, and the grace period of two years, commencing the first installment in March 2012.
4	Baht 600 Million	- Repayment of principal at every six-month period for the total of 10 installment at Baht 60.00 million each, and the grace period of two years, commencing the first installment in July 2012.
5	Baht 140 Million	- Repayment of principal at every six-month period for the total of 7 installment at Baht 20.00 million each, commencing the first installment in June 2010.
6	Baht 200 Million	- Repayment of principal at every six-month period for the total of 10 installments at Baht 20.00 million each, commencing the first installment in December 2008.

No.	Limit	Term of Payment
7	Baht 80 Million	- Repayment of principal at every six-month period for the total of 8 installments at Baht 10.00 million each, commencing the first installment in January 2008.
8	Baht 200 Million	- Repayment of principal at every three-month period for the total of 20 installment at Baht 10.00 million each, and the grace period of two years, commencing the first installment in January 2012.
9	Baht 800 Million	- Repayment of principal at every six-month period for the total of 10 installments at Baht 37.50-92.50 million each, commencing the first installment in April 2009.
10	USD 5 Million	- Repayment of principal at every six-month period for the total of 10 installments at USD 0.50 million and the grace period of two years, commencing the first installment in March 2011.
11	USD 5 Million	- Repayment of principal at every six-month period for the total of 10 installments at USD 0.50 million and the grace period of two years, commencing the first installment in March 2011.
12	USD 30 Million	- Repayment of principal at every six-month period for the total of 10 installments at USD 3.00 million and the grace period of two years, commencing the first installment in June 2011.

As at October 31, 2009, the first long-term loan was secured by the land not used in operation as specified in the notes to financial statements no. 20. In the second quarter of 2010, the Company has released all of the guarantee obligation for the said land.

As at October 31, 2010, the second to fourth long-term loans were secured by the Company. For the third and fourth long-term loan, the subsidiary company shall insure against casualty and risk for the subsidiary company's constructions, machines and inventories including transferring beneficial right of the said insurance claim to the lenders.

As at October 31, 2010 and 2009, the fifth to eighth long-term loans were secured by the mortgage of land together with constructions, machines and leasehold rights on land for factory building of subsidiary companies as specified in the notes to financial statements no. 19 including transferring beneficial right of insurance claim on collateralized assets to the lenders. Two subsidiary companies also offered their guarantee.

As at October 31, 2010 and 2009, the ninth long-term loan was secured by pledge of machines. The Company and the shareholders of the subsidiary companies also pledged their own guarantees.

As at October 31, 2010 and 2009, the tenth to twelfth long-term loans were secured by the Company, subsidiary companies, the shareholders of the subsidiary companies and related persons with the shareholder of the subsidiary company and share certificates of a related company which held by shareholders of the subsidiary company. In the third quarter of 2010, the guarantee obligation for the former shareholder and the related person with the former shareholder in subsidiary companies has been released because of the change in the subsidiary companies' shareholders structure.

In addition, the Company and its subsidiary companies have to abide to some financial conditions, for example, maintaining of debt-to-equity ratio, the shareholding ratio in subsidiary companies, Debt Service Coverage Ratio (DSCR), restriction on additional long-term debt creation, increase of the registered share capital and restriction on dividend payment, etc.

## 27. Share Capital

Consisted of :-

	Registered Share (Number of Thousand Shares)	Par Value (Baht)	Registered Share Capital (Thousand Baht)	Issued and Paid Up Share Capital (Thousand Baht)
As at November 1, 2008	1,705,000	1.00	1,705,000	1,550,000
Registered Share Capital Decreased During the Year	(155,000)	1.00	(155,000)	-
As at October 31, 2009	1,550,000	1.00	1,550,000	1,550,000
Registered Share Capital Increased During the Year	320,000	1.00	320,000	-
As at October 31, 2010	1,870,000	1.00	1,870,000	1,550,000

27.1 In accordance with the minutes of the annual general shareholders' meeting No.1/2552 held on February 27, 2009, and of the Company's board of directors' meeting No. 1/2552 held on January 23, 2009, the following resolutions were made :-

- Approved the cancellation of the first issue of warrants with rights to purchase ordinary shares of the Company ("Warrant") as resolved by the extra-ordinary meeting of shareholders No.1/2551 held on April 29, 2008.

- Approved the decrease of the registered share capital from formerly Baht 1,705.00 million to Baht 1,550.00 million by canceling 155 million unissued shares of the registered share capital at par value of Baht 1.00 each totaling Baht 155.00 million and amending the Company's memorandum of association to correspond with the decrease of the registered share capital. The Company has already registered the resolved decrease share capital with the Ministry of Commerce on March 10, 2009.

27.2 In accordance with the minutes of the annual general shareholders' meeting No.1/2553 held on February 26, 2010, the following resolutions were made:-

- Approved the increase of the registered share capital from formerly Baht 1,550.00 million to Baht 1,870.00 million by issuance of 320 million new ordinary shares at the par value of Baht 1.00 each totaling Baht 320.00 million and amending the Company's memorandum of association to correspond with the increase of the registered share capital. The Company has already registered the resolved increase share capital with the Ministry of Commerce on March 24, 2010.
- Approve the issuance and offer for sales of the warrant at 170 million units. The warrant not more than 155 million units are offered to the current shareholders of the Company at the ratio of 10 current ordinary shares to 1 unit of Warrant at the offering price of Baht 0.00 per unit and not more than 15 million units are offered to the general investors whom purchased the above increase capital ordinary shares at the ratio of 10 current ordinary shares to 1 unit of Warrant at the offering price of Baht 0.00 per unit. The exercise ratio is 1 unit of warrant per 1 ordinary share at the exercise price of Baht 10.00 per share. The Warrant can first be exercised on March 15, 2011 and the last exercise date is March 15, 2013 with the term of 3 years from the issuing date. The entire warrants still exist at present.
- Approve to allocate the said capital increased ordinary shares by allocating 150 million shares to issued and offer for sales to the general investors and 170 million shares to support the conversion of the Company's 170 million units of warrant. The board of executives is authorized to determine the selling price of the capital increased ordinary shares to the general investors after considering the weighted average of the Company's market price for 7-15 working days prior to the date to sell the said shares to the general investors. In the event the board of executives determined the selling price of the capital increased ordinary shares at lower than the market price, the said selling price can be discounted at not more than 5% of the market price with the consideration of the book building and the trading situation of the Stock Exchange of Thailand at that time.

## 28. Dividend Paid and Legal Reserve

Dividend Paid and Legal Reserve	Approved by	Number of shares (Unit : Million shares)	Dividend Paid Per share	Dividend Paid (Unit : Million Baht)	Dividend Date
- Dividend paid from the Company's operation result from November 1, 2008 to October 31, 2009	Annual general meeting of shareholders No. 1/2553 held on February 26, 2010	1.55	0.15	232.50	March 25, 2010
- Dividend paid from the Company's operation result from November 1, 2007 to October 31, 2008 and appropriate profit to legal reserve at Baht 18.50 million	Annual general meeting of shareholders No. 1/2552 held on February 27, 2009	1.55	0.22	341.00	March 27, 2009

In accordance with the Public Limited Company Act B.E. 2535, the Company has to appropriate part of the annual net profit as legal reserve at rate not less than 5% of the annual net profit for the year less by existing accumulated loss (if any) until this legal reserve hold not less than 10% of the authorized capital. This legal reserve can not be used for paying dividends. In the year 2010, the Company appropriated Baht 4.80 million of the profit for the year 2010 as legal reserve.

## 29. Capital Management

The primary objectives of the Company and its subsidiary companies' capital management are to maintain their ability to continue as a going concern, to maintain an appropriate capital structure and to maintain the debt to equity ratio not exceeding the covenants of the loan agreements.

### 30. Executives' Remuneration

Executives' remuneration included the compensation paid to the directors of the Company and its subsidiary companies in accordance to Section 90 of Public Company Act which not include salaries and related benefits paid to the executive directors of the Company and its subsidiary companies are as follows :-

	(Unit : Baht)			
	Consolidated Financial Statements		Separate Financial Statements	
	2010	2009	2010	2009
For the years ended October 31,	15.43	13.36	8.17	7.54

### 31. Penalty from Sugar Future Contracts

In 2010, the Company and its subsidiary companies have settled their sugar future contracts because they could not deliver the goods under the contractual terms. The Company and its subsidiary companies agreed to pay the differences of the contractual price and the price that the counter-parties could purchase from other sources, in the consolidated and separate financial statements, at the amount of Baht 111.96 million and Baht 19.24 million respectively.

### 32. Natures of Expense

The significant natures of expense are as follows :-

	(Unit : Baht)			
	Consolidated Financial Statements		Separate Financial Statements	
	For the years ended October 31,			
	2010	2009	2010	2009
Salaries, Wages and Other Employee Benefits	697,453,841.60	663,941,008.22	224,431,799.72	222,803,861.68
Depreciation	392,547,551.33	390,964,657.33	134,903,432.01	148,215,697.55
Fuel Costs	191,070,119.39	154,463,823.01	117,052,213.65	98,602,208.56
Fee Payable to the Office of The Cane and Sugar Fund	781,848,623.38	745,655,265.55	308,331,080.76	379,425,631.71
Maintenance Expenses	296,529,037.64	341,613,795.98	131,330,466.93	210,742,677.21
Transportation Expenses	290,852,640.49	298,155,352.50	127,938,202.89	170,087,370.96
Raw Material and Supplies Used	7,322,171,456.45	6,615,746,818.25	2,510,417,934.42	2,321,447,094.57
Purchased Finished Goods	230,147,969.20	384,810,552.91	1,497,716,397.73	928,290,954.86
Changes in Finished Goods and Work In Process	(128,098,719.99)	62,836,489.41	45,988,731.74	210,208,643.81
Executives' Remuneration	124,750,447.25	113,642,162.00	28,587,600.00	26,875,980.00
Penalty from Sugar Future Contracts	111,963,929.65	-	19,236,704.00	-
Loss from Investment in Derivative Instruments	881,960,043.04	6,205,768.81	391,123,258.23	2,790,715.43
Interest Expenses	338,420,953.96	241,917,623.74	229,762,038.93	171,808,041.66
Other Financial Expenses	4,112,512.23	3,817,963.03	3,532,024.04	2,593,148.59
Other Operating Expenses	656,560,981.16	665,415,654.53	147,104,124.00	138,373,651.65
Total	12,192,291,386.78	10,689,186,935.27	5,917,456,009.05	5,032,265,678.24

### 33. Income tax

For the years 2010 and 2009, income tax is calculated at the rate of 25% of profit before deduction of tax and after adding back allowances and non-tax allowable expenses for tax calculation purpose, less the income exempted from including in the taxable income of which the majority are dividend income at Baht 108.55 million and Baht 138.71 million respectively and reversal of the allowance for impairment of investment for the year 2010 at Baht 38.36 million. The said income tax rate is in accordance with the Royal Decree no. 387 (B.E. 2544) dated August 28, 2001.

The income tax of its subsidiary company which listed in the Stock Exchange of Thailand, for the years 2010 and 2009 is calculated at the rate of 25% of the profit before tax for the profit not exceeding Baht 300 million and at the rate of 30% for the part of the profit exceeding Baht 300 million after adding back the allowances and non-tax allowable expenses for tax calculation purpose, and less the income exempted from including in the taxable income. The said income tax rate is in accordance with the Royal Decree no. 475 (B.E. 2551) dated August 6, 2008.

The income taxes of other domestic subsidiary companies are calculated at the rate of 30% of the profit which not receiving tax privilege from the investment promotion before tax, adding back the allowances and the non-tax allowable expenses for the tax calculation purpose, and less the income which are exempted from including in the taxable income.

The income taxes of four foreign subsidiary companies are calculated at the rate of 3-20% of the profit for the year which have not been granted investment promotion under the law of each country.

### 34. Earning per Share

The calculations of basic earnings per share were based on dividing the profit for the year attributable to equity holders of the Company and the number of weighted average ordinary shares held by outside persons during the year.

The diluted earnings per share is calculated by adjusting the number of weighted average ordinary shares held by outside shareholders during the year by the number of dilutive potential ordinary shares, on the assumption that all dilutive potential ordinary shares have been converted to ordinary shares. For the year ended October 31, 2010, the Company's dilutive potential ordinary shares is the stock option provided to the existing shareholders. The detail is as follows: -

Consolidated Financial Statements			
For the year ended October 31, 2010			
	Profit for the Year (Thousand Baht)	Number of Shares (Thousand Shares)	Earning Per Share (Baht)
Basic Earning per Share			
Profit for the year available to ordinary shareholders	158,699	1,550,000	0.102
Effect of diluted equivalent ordinary shares			
Warrants	-	15,595	
Diluted Earning per Share			
Profit available to ordinary shareholders by assuming warrant conversion to ordinary shares	158,699	1,565,595	0.101

Separate Financial Statements			
For the year ended October 31, 2010			
	Profit for the Year (Thousand Baht)	Number of Shares (Thousand Shares)	Earning Per Share (Baht)
Basic Earning per Share			
Profit for the year available to ordinary shareholders	95,840	1,550,000	0.062
Effect of diluted equivalent ordinary shares			
Warrants	-	15,595	
Diluted Earning per Share			
Profit available to ordinary shareholders by assuming warrant conversion to ordinary shares	95,840	1,565,595	0.061

### 35. Disclosure of Sectoral Business Operations

Details of the sectoral business operation of Group companies are as follows:-

Consolidated Financial Statements																				
For the years ended October 31, 2010 and 2009																				
(Unit : Million Baht)																				
	Manufacture and Distribution of Sugar and Molasses			Manufacture and Distribution of Alcohol			Manufacture and Sale of Electricity		Real Estate Rental		Wheat Flour		Others		Inter-Transactions		Total			
	2010		2009	2010		2009	2010		2009		2010		2009		2010		2009			
	Thailand	Laos	Cambodia	Thailand	Laos	Cambodia	Thailand	Laos	Thailand	Laos	Thailand	Laos	Thailand	Laos	Thailand	Laos	Thailand	Laos		
Net Revenue from Operation - Domestic	5,528	-	-	4,265	-	-	663	905	566	542	136	190	860	1,185	1,632	91	(3,034)	(1,270)	6,351	5,908
Revenue from Operation - Foreign	5,509	33	248	5,972	-	-	-	-	-	-	-	-	-	28	61	(98)	(270)	5,720	5,763	
Total	11,037	33	248	10,237	-	-	663	905	566	542	136	190	860	1,185	1,660	152	(3,132)	(1,540)	12,071	11,671
Profit (Loss) from Operation	2,693	(36)	(84)	2,528	-	15	152	232	215	213	129	246	143	169	558	85	(574)	(250)	3,196	3,238
Selling and Administrative Expenses																			(2,659)	(1,660)
Financial Cost																			(342)	(246)
Income Tax																			(118)	(357)
Profit for the Year																			77	975
Plus (Less) Loss (Profit) for the Year of Minority Shareholders																			82	(55)
Profit for the Year of the Company																			159	920
<u>As at October 31,</u>																				
Trade Accounts Receivable - Net	297	-	-	444	-	-	50	41	75	50	19	34	105	107	202	67	(199)	(143)	549	600
Inventories-Net	915	27	45	1,013	32	73	140	55	-	-	-	-	244	464	225	42	-	-	1,596	1,679
Property Plant and Equipment-Net	9,437	884	1,094	8,052	934	1,291	940	774	3,366	2,030	1,091	1,374	437	478	874	285	(113)	(109)	18,010	15,109
Central Assets	3,629	268	744	3,119	177	648	32	57	54	67	60	75	31	29	282	533	(2,102)	(1,675)	2,998	3,030
Total Assets	14,278	1,179	1,883	12,628	1,143	2,012	1,162	927	3,495	2,147	1,170	1,483	817	1,078	1,583	927	(2,414)	(1,927)	23,153	20,418

### 36. Obligations and Contingent Liabilities

As at October 31, 2010 and 2009, apart from liabilities reflected in the financial statements, the Company and its subsidiary companies have obligations and contingent liabilities as follows:-

- 36.1 The Company and its subsidiary companies have obligations relating to agreements to sell goods but not yet delivered as in the consolidated financial statements for the amounts of Baht 2,012.00 million and Baht 1,378.35 million respectively, and as in the separate financial statements for the amounts of Baht 1,428.71 million and Baht 971.79 million respectively.
- 36.2 The Company and three subsidiary companies had issued post-dated cheques to farmers to purchase cane. The Company and the subsidiary companies have not recorded the said liabilities because the cheques are not yet due and the cane of the said production season has not been received from farmers as follows :-

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
For the production season 2009/2010	17.61	67.41	17.61	67.41
For the production season 2010/2011	599.19	295.95	140.70	23.37

- 36.3 A subsidiary company entered into two electricity sale-purchase agreements with the Electricity Generating Authority of Thailand (EGAT) as follows: -
- Agreement dated February 21, 2005: EGAT agrees to buy electricity from the subsidiary company at Namphong District, Khonkaen Province for the period of 21 years commencing from the first month of electricity selling (December 2006) at the volume of 20 Megawatt at the voltage of 115 Kilovolts. For the second year until the year before last, EGAT agrees to buy electricity at not less than 80% of the electricity volume stipulated in the agreement.
  - Agreement dated January 12, 2010: EGAT agrees to buy electricity at the volume of 22 Megawatt at the voltage of 115 Kilovolts at Bo Ploy District, Kanchanaburi Province at the mutually-agreed price as stipulated in the agreement for the period of 5 years commencing from October 1, 2011. Prior to the expiration of the contractual term, the subsidiary company shall inform EGAT for the extension of the contractual term in writing at not less than 30 days prior to the expiry date of the agreement and the agreement shall be extended for the contractual term of 5 years at a time. The subsidiary company has pledged the letter of guarantee at the amount of Baht 4.40 million as collateral for the offer to sell the electricity. Furthermore, on October 20, 2010, the subsidiary company entered into additional amendment to the agreement to temporary sell the electricity to EGAT at the volume of 8 Megawatt at the voltage of 22 Kilovolts from November 25, 2010 to September 30, 2011.
- 36.4 A subsidiary company was granted the electricity generating business concession from the Ministry of Energy (the Concession Granter) on July 1, 2005 in the area of 43 Moo 10, Namphong Sub-District, Namphong District, Khonkaen Province for the period of 21 years. The important conditions are as follows: -
- Once the concession period expired or terminated, the Concession Granter have the option to purchase the entire electricity generating business from the subsidiary company at the price determine by the committee approved by the cabinet and the Concession Granter shall inform the subsidiary company in writing at least six months prior to the expiration date of the concession and within three months from the rescind date of the concession.
  - Once the concession period expired, Metropolitan Electricity Authority, Provincial Electricity Authority, municipal government or sanitation district have the intention to operate the subsidiary company's electricity generating business, they can purchase the assets of the electricity generating business at the price determine by the committee approved by the cabinet. However, if the said government sectors do not wish to purchase the electricity generating business and the subsidiary company have the intention to continue the operation, the Concession Granter may consider the appropriateness in extending the concession term.
- In case the subsidiary company does not agree as mentioned above, the subsidiary company shall demolish all the constructions constructed or installed in public area and renovate to their original conditions within six months after this concession is expired.



## 36.5 Commitment and contingent liabilities with financial institutions are as follows: -

(Unit : Million)

	Consolidated Financial Statements						
	Currency	As at October 31, 2010			As at October 31, 2009		
		Total Credit Line	Utilized	Remaining	Total Credit Line	Utilized	Remaining
Letter of Guarantees (Unspecified credit Limit)	Baht	-	86.75	-	-	79.26	-
Note Acceptance	Baht	30.00	-	30.00	30.00	-	30.00
Letter of Credit and Trust Receipt	Baht	2,934.00	1,017.66	1,916.34	3,234.00	1,059.18	2,174.82
Letter of Credit	USD	21.88	11.88	10.00	11.00	-	11.00
* Overdraft and Short-Term Loans	Baht	11,336.00	632.80	10,703.20	8,456.00	397.04	8,058.96
Short-Term Loans	USD	23.00	20.00	3.00	23.00	11.74	11.26
Long-Term Loans	Baht	2,800.00	1,508.00	1,292.00	3,800.00	155.00	3,645.00
Long-Term Loans	USD	-	-	-	30.00	29.19	0.81
Joint credit line in the Letter of Credit and Long-Term Loans	Baht	260.00	146.00	114.00	260.00	166.74	93.26
Contract to Guarantee of Debt Repayment of Subsidiary Company for all Liabilities to be occurred	Baht	-	4,441.11	-	-	1,209.44	-
Contract to Guarantee of Debt Repayment of Subsidiary Company for all Liabilities to be occurred	USD	-	133.68	-	-	82.40	-
Contract to Guarantee of Debt Repayment of Subsidiary Company for all Liabilities to be occurred	YEN	-	-	-	-	300.00	-

(Unit : Million)

	Separate Financial Statements						
	Currency	As at October 31, 2010			As at October 31, 2009		
		Total Credit Line	Utilized	Remaining	Total Credit Line	Utilized	Remaining
Letter of Guarantees (Unspecified Credit Limit)	Baht	-	2.86	-	-	1.33	-
Letter of Credit	Baht	30.00	-	30.00	30.00	-	30.00
Letter of Credit	USD	-	-	-	1.00	-	1.00
* Overdraft and Short-Term Loans	Baht	3,858.00	-	3,858.00	3,058.00	-	3,058.00
Short-Term Loans	USD	3.00	-	3.00	3.00	-	3.00
Contract to Guarantee of Debt Repayment of Subsidiary Company for all Liabilities to be occurred	Baht	-	4,441.11	-	-	1,209.44	-
Contract to Guarantee of Debt Repayment of Subsidiary Company for all Liabilities to be occurred	USD	-	63.68	-	-	31.47	-
Contract to Guarantee of Debt Repayment of Subsidiary Company for all Liabilities to be occurred	YEN	-	-	-	-	300.00	-

\* As at October 31, 2010 and 2009, Short-term loan with the credit line of Baht 1,130.00 million and Baht 1,000.00 million respectively, are credit facility received from a financial institution which the credit facility utilization is jointly granted to 5 subsidiary companies. For the current period, the credit facility is unutilized.

\* As at October 31, 2010, Short-term loan with the credit line of USD 5.0 million is credit facility received from a financial institution which the credit facility utilization is jointly granted to 2 overseas subsidiary companies and has already utilized USD 4.10 million equivalent to Baht 123.81 million.

Part of the above credit facilities are secured by land together with construction, machinery, the subsidiary company's leasehold right for the land, where the factory is located, and share certificates of a related company held by shareholders of the subsidiary company. The inter-guarantee was also offered between the Company and its subsidiary companies, in addition to the shareholders of the subsidiary companies and related persons with the shareholder of the subsidiary company jointly offered their guarantees and benefits arisen from insurance policy for construction and machines were transfer to the lenders, and for some of the credit facilities, if the drawback is made, the Company and its subsidiary companies have to additionally pledge parts of their inventories as collaterals. In the third quarter of 2010, the guarantee obligation for the former shareholder and the related person with the former shareholder in subsidiary companies has been released because of the change in the subsidiary companies' shareholders structure.

Furthermore, in relation to obligations for long-term loans, the Company and its subsidiary companies must comply with certain financial conditions such as maintaining the debt to equity ratio, maintaining the shareholding ratio in subsidiary company, maintaining the debt service coverage ratio, limitation in creating additional long-term debt, increase of the registered share capital and limitation in dividend payment, etc.

36.6 The Company and its subsidiary companies have remaining obligations under the various contracts as follows :-

(Unit : Million)

	Currency	Consolidated Financial Statements			
		As at October 31, 2010		As at October 31, 2009	
		Contractual Amount	Outstanding Contractual Obligation	Contractual Amount	Outstanding Contractual Obligation
Construction and Subcontract Agreements	Baht	512.76	108.01	1,226.28	315.94
	USD	-	-	51.05	3.76
Machine and Equipment Purchase Agreements	Baht	607.54	327.19	500.05	235.80
	USD	17.63	2.42	41.51	13.60
	YEN	3,190.00	1,650.00	3,202.00	2,462.00
	EURO	1.18	0.89	-	-
Land Development Agreements	USD	11.25	4.86	11.25	4.87

### 37. Other Significant Information

- 37.1 On February 16, 2006, Savannakhet Sugar Corporation, which is a subsidiary company, made a contract to develop area in the Lao People's Democratic Republic with the government of that country to be used for the subsidiary company's office, factory unit, road and area for cane plantation with the total area of 10,000 hectares covering the period of 30 years which can be extended for another 20 years if approved by the counter party. As at October 31, 2010 and 2009, the subsidiary company has already utilized the area of 5,053.61 hectares and 3,247.13 hectares respectively, at the rental rate of USD 6 per hectare per annum.
- 37.2 Koh Kong Plantation Co., Ltd. and Koh Kong Sugar Industry Co., Ltd. (subsidiary companies) have enter into the Memorandum of Understanding (MOU) with the government of Kingdom of Cambodia on August 2, 2006 in order to build a sugar mill factory and receive concession land for cane plantation in Koh Kong Province, Kingdom of Cambodia with total area of 20,000 hectares covering period of 90 years and the rental price has a grace period of the first 4 years, afterwards, the rate of rental price of USD 1-4 per hectare per annum. As at October 31, 2010 and 2009, the subsidiary companies have already utilized the area of 10,481 hectares and 9,909 hectares respectively.
- 37.3 A subsidiary company in the Kingdom of Cambodia entered into two long-term land lease agreements with an outside person to build port and land awaiting development dated May 21, 2007 and June 1, 2007 respectively. The contractual term is 90 years for both agreements. The subsidiary company has already paid the entire advance lease fee at USD 476,953. As at October 31, 2010, the remaining amount of the advance lease fee paid is USD 463,466.

### 38. Financial Instruments

#### Policy to Manage Financial Risks

The Company and its subsidiary companies possess risks regarding to the change of market interest rate, market currency exchange rate, rates of the related goods' price changing and from non-performance of contractual obligations by counter parties. The Company and its subsidiary companies will consider to using appropriate financial instruments when it considers necessary to manage such risks. However, the Company and its subsidiary companies do not have any policy to hold or issue any financial instruments for speculation or for trading.

#### Risk on Interest Rate

Risk on interest rates is derived from the fluctuation of the market interest rate in the future, which will affect upon the Company and its subsidiary companies' operating results and cash flows. However, the Group Companies manage risk on interest rate by using various methods including the loan allocation to gain appropriate balance between fixed interest rate loans and floating interest rate loans and compatible to different activities of the Group Companies with the majority of details as follows :-

(Unit : Baht)

Consolidated Financial Statements				
As at October 31, 2010				
	Fixed Interest Rate		Floating	Total
	Within 1 year	More than 1 year to 5 years	Interest Rate	
<b>Financial Assets</b>				
Savings Accounts Deposits	-	-	144,728,385.47	144,728,385.47
Fixed Accounts Deposits	5,729,256.51	-	-	5,729,256.51
Short-Term Loans to Farmers	454,336,000.00	-	-	454,336,000.00
Other Long-Term Investments	751,158.74	17,997,649.62	-	18,748,808.36
Loans for Cane Plantation Development	38,430,270.38	181,569,180.48	21,650,800.00	241,650,250.86
Total	499,246,685.63	199,566,830.10	166,379,185.47	865,192,701.20
<b>Financial Liabilities</b>				
Overdrafts and Short-Term Loans from Financial Institutions	-	-	1,902,245,952.91	1,902,245,952.91
Short-Term Loan from Outside Person	5,000,000.00	-	-	5,000,000.00
Debentures-Net	999,932,895.01	3,775,647,034.41	-	4,775,579,929.42
Long-Term Loans	-	-	4,894,840,000.00	4,894,840,000.00
Total	1,004,932,895.01	3,775,647,034.41	6,797,085,952.91	11,577,665,882.33
<b>Financial Assets</b>				
Savings Accounts Deposits	-	-	181,826,315.76	181,826,315.76
Fixed Accounts Deposits	5,729,002.52	-	-	5,729,002.52
Temporary Investments-Net	-	-	166,128,134.26	166,128,134.26
Loans for Cane Plantation Development	23,878,328.59	68,927,309.97	-	92,805,638.56
Short-Term Loans to Related Companies	-	-	130,355,542.21	130,355,542.21
Long-Term Loans to Related Individual	-	160,484,160.00	-	160,484,160.00
Short-Term Loans to Farmers	262,605,500.00	-	-	262,605,500.00
Other Long-Term Investments	6,529,867.27	13,089,785.71	-	19,619,652.98
Total	298,742,698.38	242,501,255.68	478,309,992.23	1,019,553,946.29
<b>Financial Liabilities</b>				
Short-Term Loans from Financial Institutions	-	-	1,274,181,890.02	1,274,181,890.02
Bills of Exchange-Net	99,677,158.98	-	-	99,677,158.98
Short-Term Loans from Outside Person	68,000,000.00	-	-	68,000,000.00
Debentures-Net	-	3,274,853,366.81	-	3,274,853,366.81
Long-Term Loans	-	-	2,835,246,298.00	2,835,246,298.00
Total	167,677,158.98	3,274,853,366.81	4,109,428,188.02	7,551,958,713.81

**Risk on Exchange Rate**

Risks on exchange rates for the Company and its subsidiary companies mainly involve with sales of goods and import of machines as transactions are made in foreign currencies. As at October 31, 2010 and 2009, the Company and its subsidiary companies possessed assets and liabilities in foreign currencies over which the contract to hedge against risk of exchange rates has not been conducted as follows :-

(Unit : Million)

Currency	Consolidated Financial Statements				Separate Financial Statements			
	As at October 31,				As at October 31,			
	2010		2009		2010		2009	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
USD	-	9.49	19.35	55.66	-	-	0.64	1.81
YEN	-	802.09	-	-	-	-	-	-
RIEL	944.54	161.89	30.54	73.13	-	-	-	-

As at October 31, 2010 and 2009, in the consolidated and separate financial statements, the Company and its subsidiary companies conducted foreign forward sale contracts with commercial banks to hedge against exchange rate risk from receipt and debt repayment denominated in foreign currencies. The Company and its subsidiary companies have not recorded such financial assets and liabilities in the financial statements. The due date of the foreign forward contracts already committed has outstanding period of not greater than 6 months with the following details :-

Currency	Contracted Amount				Currency	Resulted Amount Earned under Contract			
	Consolidated Financial Statements		Separate Financial Statements			Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,			As at October 31,		As at October 31,	
	2010	2009	2010	2009	2010	2009	2010	2009	
USD Million	10.90	15.33	1.00	-	Baht Million	345.28	535.44	30.08	-
YEN Million	400.00	300.00	-	-	Baht Million	139.54	106.83	-	-

Net fair values of financial derivatives at the balance sheets date are as follows :-

	(Unit : Million Baht)			
	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
Net fair values of foreign forward contracts	0.20	0.21	0.06	-

#### Risk on the Fluctuation of Sugar and Cane Prices

Since the cane and sugar industry in Thailand is an industry under the control and supervision of the government sector by the Cane and Sugar Board under the Cane and Sugar Act B.E. 2527 with the following restrictions: -

1. The quota system on the allocation on sugar distribution channels is as follow: -
  - 1.1 Quota A for the sugar produced for the domestic consumption,
  - 1.2 Quota B for the raw sugar determined by the Cane and Sugar Board for the sugar mill factories to produce and delivery to Thailand Cane and Sugar Corporation (TCSC) for distribution. These will be used as a base to set the standard price of raw sugar exported to calculate the income of the system,
  - 1.3 Quota C for the sugar that the sugar mill factories produced for international sales or for the raw material for the production of goods to be export overseas.
  
2. The allocation of net income of the system between the cane farmers and the sugar mill factories under the benefit sharing, where the cane farmers receive 70% of the income which consisted of the cane price and the sugar mill factories receive 30% which consisted of the return on production. The net income of the cane and sugar system is calculated by using the income from the domestic sugar distribution (Quota A) and income from the international sales (Quota B and Quota C: using the average price of the sugar in Quota B and the exchange rate of the actual sale made by TCSC as the base for income calculation for the international sales) less the expenses of the Cane and Sugar Industry. Currently, the ratio of the exported sugar comparing to the domestic sales sugar is approximately 70:30.

From the said system, it is found that the selling price of sugar under Quota B and the exchange rate of the actual sale made by TCSC have great effect on the cane price which is the major cost of the sugar production. To manage risk on the fluctuation of the gross profit for the production season 2009/2010, the Company has utilized the risk management process as follow: -

1. Entered into Commodity Swap Contracts with the contractual periods range from approximately 8-12 months from May 2009 to April 2010.
2. Entered into Option Contracts (Call and Put option) where the buyers can only exercise on the expiration date of the contracts (European Option), with the contractual period of approximately 4 months from November 2009 to February 2010.

The consideration on the risk management on the raw sugar and white sugar prices would be considered by mainly using the information used in preparation of TCSC's cane price determination and the estimate of the production made by the production department of the sugar mill factories together with the basic information of the world sugar price related to the consumption needs and the anticipated production volume, including the related financial information. The risk prevention would refer to the price of the raw sugar NY#11 and the price of the white sugar LD#5.

For the years ended October 31, 2010 and 2009, the price of sugar is constantly increasing; therefore, the Company and the subsidiary companies has incurred the liabilities and loss from the settlement of the financial derivative contracts which has already been accounted for in the financial statements as follow: -

	(Unit : Million Baht)			
	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
Liabilities from Investment in Derivative Instruments	-	6.21	-	2.79
Loss from Investment in Derivative Instruments				
- For the years ended	881.96	6.21	391.12	2.79

Net fair values of outstanding financial derivatives at the balance sheets date are as follows :-

	Consolidated Financial Statements		Separate Financial Statements	
	As at October 31,		As at October 31,	
	2010	2009	2010	2009
	USD Million	USD Million	USD Million	USD Million
Net fair values-Long-Short for Commodity Swap Contract	(0.45)	(13.58)	(0.45)	(9.63)
Net fair values-Short for Option Contract (Call)	-	(0.60)	-	(0.27)

The fair value of the Commodity Swap and Option contracts is calculated by using the raw sugar and white sugar from The Exchange and Bloomberg at the balance sheet date as though the Group companies have settled the said contracts on the balance sheet date.

#### Credit Risk

The Company and its subsidiary companies have risk on credit regarding trade accounts receivable, farmer accounts receivable, loans to farmers, loans to related persons and related companies and other accounts receivable. However, since the Company and its subsidiary companies always has conservative policy in granting sound credit provision and carefully considered the appropriated allowance for doubtful debts; thus, it believes that the risk which the debtors will not repay is minimal.

#### Fair Value

Since the majority of the financial assets and liabilities are short-term and loans bearing interest rates closed to market rates, the Company and its subsidiary companies' managements believe that book value of such financial assets and liabilities are presented in values which not materially different from relevant fair values. The fair value of debenture is shown under the notes to financial statements no. 25.

### 39. Provident Fund

The Company and twelve subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Group Companies and their employees contribute to the fund monthly at the rate of 2.00% of basic salary. The fund, which is managed by Ayudhya Fund Management Co., Ltd. and Siam Commercial Fund Management Co., Ltd., will pay the employees upon their termination in accordance with the fund rules. For the years ended October 31, 2010 and 2009, in the consolidated financial statements, the Company and its subsidiary companies contributed in amounts of Baht 6.72 million and Baht 6.43 million respectively, and in the separate financial statements, the Company contributed in amounts of Baht 2.29 million and Baht 2.16 million respectively.

#### 40. Subsequent Event after the End of Accounting Period

In accordance with the minute of the shareholders' meeting no. 1/2553 held on December 7, 2010 of Koh Kong Plantation Co., Ltd. (which the Company hold shares indirectly via Wynn In Trading Co., Ltd. at 70%), it resolved to decrease the registered share capital from formerly USD 16 million to the new registered share capital of USD 8 million to reduce the deficit and it also resolved to increase the registered share capital by USD 12 million to be used as the working capital and loan repayment; therefore, the registered share capital has been increased from USD 8 million to USD 20 million. The subsidiary company is in the process of registering the said reduction and increment of the registered share capital.

#### 41. Approval of Financial Statements

These financial statements have been approved for issuance by the Company's board of directors on December 24, 2010.