

(Translation)

Attachment

**Khon Kaen Sugar Industry Public Company Limited (Company or KSL)**

**Information Memorandum re: Cancellation of the listing of KSL Green Innovation Public Company Limited, a subsidiary of the Company, in the Stock Exchange of Thailand, and the Amalgamation between the subsidiary of the Company which will be incorporated and hold 99.99% of the shares in KSL Green Innovation Public Company Limited and BBP Holding Company Limited which is a subsidiary of Bangchak Corporation Public Company Limited**

**Cancellation of the listing of KSL Green Innovation Public Company Limited, a subsidiary of the Company, in the Stock Exchange of Thailand**

Reference is made to the Board of Directors' Meeting No. 7/2015 – 2016 held on 30 September 2016 which resolved to approve the plan of KSL Green Innovation Public Company Limited (**KGI**) (which was converted into a public company limited pursuant to the Public Company Act B.E. 2535, previously, known as Khon Kaen Alcohol Company Limited) for public offering of its newly issued ordinary shares and listing in the Stock Exchange of Thailand, whereby the Company has notified the Stock Exchange of Thailand and disclosed the information relevant to such matter on 30 September 2016 and the revised version on 3 October 2016.

At present, the Company has reached and entered into the merger agreement and the shareholders' agreement with Bangchak Corporation Public Company Limited (**BCP**) to become a business alliance for bio-based product businesses. Therefore, in order to adhere to such agreements, the Company will proceed with the incorporation of a new subsidiary, i.e. KSLGI Company Limited (**KSLGI**) in order to accept the transfer of and hold 99.99% of the total issued shares in KGI instead of the Company. Thereafter, KSLGI and BBP Holding Company Limited (**BBH**), a subsidiary of BCP, will be amalgamated, where a new company will emerge. The details of the Amalgamation appear in the information memorandum below.

Therefore, the Company, by the resolution of the Board of Directors' Meeting No. 6/2017 held on 19 July 2017, approved the cancellation of the plan of KGI for public offering of its newly issued ordinary shares and listing in the Stock Exchange of Thailand.

However, the Company and BCP have agreed in principle that, after the completion of the Amalgamation, in the case that the new company undertakes the initial public offering to list the shares in the Stock Exchange of Thailand pursuant to relevant Thai laws and regulations, if a portion of the shares is to be offered to the shareholders of both parties, it shall be allocated in accordance with the shareholding ratio that respective parties hold in the new company on the date of the Amalgamation (Pre-emptive right).

**Overview of the Amalgamation plan**

The Board of Directors' Meeting of the Company No. 6/2560 held on 19 July 2017 approved the Amalgamation between KSLGI (a subsidiary of the Company which will be incorporated to accept the

*(Translation)*

transfer of and hold 99.99% of the total issued shares in **KGI**<sup>1</sup> from the Company) and BBP Holding Company Limited (**BBH**), a subsidiary of BCP in which BCP holds 99.99% of shares (**Amalgamation**). Such Amalgamation is in accordance with the agreements on business alliance for bio-based product businesses between the Company and BCP and adheres to the procedures and provisions of the Civil and Commercial Code concerning partnerships and companies (as amended).

For the purpose of the Amalgamation and to ensure that shareholders and investors will accurately appropriately adequately and equally obtain important information, the Company and BCP have determined that the Amalgamation plan will be proposed to their board of directors for consideration on the same day, i.e. 19 July 2017. The Amalgamation is not regarded as an acquisition or disposal of assets or a connected transaction of the Company and its subsidiaries as defined in the Securities and Exchange Act, B.E.2535 (as amended) and applicable notifications of the Capital Market Supervisory Board or the Stock Exchange of Thailand Board. Therefore, the Company is not required to seek an approval from its shareholders' meeting.

The Company and BCP will procure that the Amalgamation between KSLGI and BBH is proceeded in accordance with the agreed terms and conditions of the merger agreement dated 19 July 2017. It is preliminarily anticipated that the Amalgamation will be completed approximately in October 2017 upon which a new company (**the NewCo**) will emerge. The NewCo will assume all existing rights and liabilities of KSLGI and BBH by operation of law. The NewCo will operate as a flagship company in which Company and BCP as major shareholders of the NewCo expect that the core business of the NewCo is to manufacture and distribute bio-based products, namely ethanol and biodiesel (B100). The Amalgamation is expected to benefit the Company and its shareholders in a long term in relation to the manufacturing and distribution of bio-based products, enhance potential and business advantage and increase an opportunity of business expansion in the future, through the NewCo.

On 19 July 2017, BBH is a shareholder of three companies engaging in bio-based production: (i) Bangchak Bio Ethanol (Chachoengsao) Company Limited (**BBE**) in which BBH holds 84.99% of the total issued shares, (ii) Bangchak Bio Fuel Company Limited (**BBF**) in which BBH holds 70.00% of the total issued shares, and (iii) Ubon Bio Ethanol Company Limited (**UBE**) in which BBH holds 21.28% of the total issued shares (collectively referred to as the **BBH Group**). After KSLGI accepts a transfer of the shares from the Company in KGI, a company engaging in bio-based production, KSLGI will hold 99.99% of the total issued shares in KGI. On the completion date of the Amalgamation, the NewCo will have the respective equity of 99.99%, 84.99%, 70.00% and 21.28% of the total issued shares in KGI, BBE, BBF and UBE by operation of law. As a result, the NewCo will become one of the largest business operators in biomass fuel (namely ethanol and biodiesel (B100)) in Thailand with the total production capacity of more than 1,710,000 litres per day.

## **1. Amalgamation**

The Amalgamation between KSLGI and BBH will adhere to the procedures and provisions of the Civil and Commercial Code concerning partnerships and companies (as amended). The shareholders' meetings of KSLGI and BBH will approve the Amalgamation and will arrange the joint shareholders' meeting according to the procedures and within the time required by law in order to consider and approve various matters relating to the NewCo, e.g. memorandum of association (including the name and registered capital of the NewCo), articles of association, share allocation to Company and BCP (and other

---

<sup>1</sup> As of the date of this information memorandum, the Company directly holds 99.99% of shares in KGI. For the purpose of Amalgamation, the Company will establish KSLGI (a subsidiary in which the Company will hold 99.99% of the shares) and the Company shall transfer its entire 99.99% of shares in KGI to KSLGI prior to the date on which the shareholders' meeting of KSLGI resolves to approve the Amalgamation with BBH.

(Translation)

individuals holding approximately 0.01% of the total issued shares) as shareholders of KSLGI and BBH (respectively), and appointment of directors and an auditor.

## **2. Summary of information about KSLGI**

### **2.1 Summary of BBH**

Name: BBP Holding Company Limited

Nature of business: Holding company i.e. holding shares in other companies which their principal business is to manufacture and distribute bio-based products, both locally and/or abroad

Head office: 2098, M Tower, 17th Floor, Sukhumvit Road, Bangchak, Phrakonong, Bangkok

Corporate registered no.: 0105560049441

BBH was registered as a limited company on 24 March 2017. Currently, it has the registered capital of Baht 1,700,000,000, divided into 170,000,000 ordinary shares having a par value of Baht 10 each. Key information about the BBH Group companies of which BBH is a shareholder is set out below:

#### **2.1.1 BBE**

Name: Bangchak Bio Ethanol (Chachoengsao) Company Limited

Nature of business: Manufacturing and selling ethanol

Head office: 96/10-11, Village no. 7, Koa Kanoon sub-district, Panomsarakam district, Chachongsao province

Corporate registered no.: 0245559001170

BBE was registered as a limited company on 2 May 2016. Currently, it has registered capital of Baht 500,000,000 divided into 5,000,000 ordinary shares having a par value of Baht 100 each.

BBE manufactures and distributes ethanol for use as fuel with the production capacity of 150,000 litres per day. Key raw materials used in manufacturing ethanol consist of fresh tapioca and tapioca chips.

#### **2.1.2 BBF**

Name: Bangchak Bio Fuel Company Limited

Nature of business: Manufacturing and selling biodiesel

Head office: 28, Village no.9, Bangkrason sub-district, Bangpa-in district, Phra Nakhon Sriyutthaya province

(Translation)

Corporate registered no.: 0105551029246

BBF was registered as a limited company on 12 March 2008. Currently, it has registered capital of Baht 281,500,000 divided into 2,815,000 ordinary shares having a par value of Baht 100 each.

BBF manufactures and distributes biodiesel for use as fuel with the production capacity of 810,000 litres per day. Key raw materials used in manufacturing include crude palm oil.

### **2.1.3 UBE**

Name: Ubon Bio Ethanol Company Limited

Nature of business: Manufacturing biodiesel and tapioca starch

Head office: 333, Village no.9, Nadi sub-district, Nayia district, UbonRatchathani province

Corporate registered no.: 0345550000315

UBE was registered as a limited company on 26 July 2007. Currently, it has registered capital of Baht 2,740,000,000 divided into 2,740,000 ordinary shares having a par value of Baht 1,000 each.

UBE manufactures and distributes ethanol for use as fuel and tapioca starch with the production capacity of 400,000 litres per day. The key raw materials are fresh tapioca and tapioca chips. UBE has a subsidiary engaging in the manufacturing of tapioca starch with the production capacity of 700 starch tons per day. UBE also has a power plant fueled by biogas that is derived from the treatment of wastewater discharged from the manufacturing process of tapioca starch and ethanol.

## **2.2 Summary of information about KSLGI**

Name: The Company will establish KSLGI without delay after 19 July 2017 to accept a transfer of 99.99% of the total issued shares in KGI from the Company.

Nature of business: Holding company i.e. holding shares in other companies in which their principal business is to manufacture and distribute ethanol

KSLGI will be registered as a private limited company to have the initial registered capital of Baht 832,000,000 divided into 83,200,000 ordinary shares having a par value of Baht 10 each. Before a general meeting of KSLGI shareholders approves the Amalgamation with BBH, KSLGI will accept a transfer of KGI shares from the Company to hold 99.99% of the total issued shares in KGI. Information about KGI can be summarised as follows:

Name: KSL Green Innovation Public Company Limited

*(Translation)*

Nature of business: Manufacturing and distributing alcohol

Head office: 503, KSL Tower, 9th Floor, Sri Ayutthaya Road, Phayathai, Rajdhevi, Bangkok

Corporate registered no.: 0107559000486

KGI was originally registered as a private limited company under the laws of Thailand on 3 February 2004 as Khon Kaen Alcohol Company Limited. On 12 October 2016, Khon Kaen Alcohol Company Limited was converted into a public limited company and changed the name to KSL Green Innovation Public Company Limited, which is the current name. At the same time, KGI also increased its registered capital by Baht 240,000,000 and reduced the par value of shares from Baht 10 to Baht 1 each. As of 19 July 2017, KGI has the registered capital of Baht 850,000,000 divided into 850,000,000 ordinary shares having a par value of Baht 1 each. The paid-up capital is Baht 610,000,000.

KGI's principal business is to manufacture and distribute denatured ethanol at its Namphong Plant and Bo Ploy Plant. The Namphong Plant has the maximum production capacity of 150,000 litres per day. The Bo Ploy Plant has the maximum production capacity of 200,000 litres per day. The ethanol sold by KGI will be mixed with benzene in order to produce gasohol to be used as fuel.

### **3. Purpose or expected benefit of the Amalgamation**

The Amalgamation between BBH and KSLGI will enhance the potential and strengthen the position of their bio-based product business as the major shareholders of the NewCo, i.e. Company and BCP, operate business supporting the NewCo, in terms of raw materials and/or outputs. This Amalgamation will result in a synergy and boost the prospects for growth in the future. The Company and BCP as major shareholders of the NewCo expect that the NewCo will operate as a flagship company to manufacture and distribute bio-based products namely ethanol and biodiesel. The Amalgamation is expected to benefit the Company and its shareholders in a long term in relation to the manufacturing and distribution of bio-based products, enhance potential and business advantage and open up an opportunity of business expansion in the future, through the NewCo. Among various forms of mergers and acquisitions (M&A), the amalgamation is the selected solution because the transaction will not adversely affect the businesses conducted by the NewCo's subsidiaries. Expected benefit of this Amalgamation can be summarised as follows:

- 3.1 The NewCo will be a shareholder of the group companies which are considered the Thailand's largest manufacturer and distributor of biomass fuel with the total production capacity of 1,710,000 litres per day, consisting of the ethanol production capacity of 900,000 litres per day and the biodiesel production capacity of 810,000 litres per day. This will strengthen the position of its business, enhance its marketability and negotiation power and improve its financial position and operating results.
- 3.2 The NewCo (through its subsidiaries operating core businesses) can diversify risk relating to fluctuations in the costs of raw materials, (fresh tapioca, tapioca chips and molasses that are used in the manufacturing of ethanol and crude palm oil that is used in the manufacturing of biodiesel). The NewCo's gross profit will be more stable because its business does not heavily depend on a particular kind of raw materials.

(Translation)

- 3.3 The NewCo will benefit from the information sharing policy, administration and management strategy or problem-solving approach relating to the conduct of business. This will improve the efficiency and effectiveness of its business operations, manufacturing and distribution.

#### 4. Procedure and time frame for Completion

KSLGI and BBH will adhere to the procedures and provisions of the Civil and Commercial Code concerning partnerships and companies (as amended) with the obligations to comply with the rules, conditions and time period specified in the law which can be summarised as follows:

Key Actions	Initial Timeline <sup>2</sup>
1. Convening the meetings of board of directors and shareholders of KSLGI and BBH and the joint meeting of shareholders of both companies (including notifying debtors and seek permissions, consents, or waivers from relevant parties).	Late July – Late October 2017
2. Registration of the Amalgamation with the Ministry of Commerce resulting that KSLGI and BBH defunct from being a juristic person and the NewCo is entitled to the rights and subject to the liabilities of the amalgamated companies by the operation of law.	Late October 2017

#### 5. Details relating to the allocation of shares in the NewCo to shareholders of the amalgamated companies, e.g. allocation ratio and shareholding ratio post-Amalgamation

As part of the Amalgamation, the NewCo's shares will be allocated to shareholders of KSLGI and BBH whose names appear in the respective companies' share registers on the date and at the time to be determined later (those shareholders mean the Company, BCP and other individuals (respectively)). The shares will be allocated at the following ratios:

One existing share in BBH : 0.89364706 shares in the NewCo

One existing share in KSLGI : 1.21730769 shares in the NewCo

In the share allocation procedure to shareholders of KSLGI and BBH, if a fractional number of shares calculated according to the above ratios is equal to or higher than 0.5, the fraction will be rounded up to be equal to one share. On the other hand, a fractional number that is lower than 0.5 will be disregarded.

According to the allocation ratio mentioned above, it will result in BCP holds 60% and the Company holds 40% of the shares in the NewCo.

#### 6. Capital of the NewCo

---

<sup>2</sup> Timeline mentioned above is the initial tentative timing which subject to further changes depending on the progress and result of obtaining consents, permissions, approvals, or waiver from debtors or related persons.

*(Translation)*

The NewCo will have registered capital of Baht 2,532,000,000 divided into 253,200,000 ordinary shares having a par value of Baht 10 each, which is equal to the combined registered capital of KSLGI and BBH.

## **7. Conditions of the Amalgamation**

The Amalgamation will be completed only after all conditions necessary to or in connection with the Amalgamation, including the following key conditions, have been satisfied on or before 31 October 2017 or 31 December 2017 (as the case may be):

- 7.1 BCP shall hold 99.99% of the total issued shares in BBH;
- 7.2 the Company shall hold 99.99% of the total issued shares in KSLGI; and KSLGI shall hold 99.99% of the total issued shares in KGI;
- 7.3 BBH and KSLGI shall have obtained a resolution approving the Amalgamation and other related matters from their respective board of directors' meeting and shareholders' meeting, and a resolution approving the Amalgamation and other related matters from a joint shareholders' meeting of BBH and KSLGI;
- 7.4 debt shall have been paid or security for debt payment shall be provided to any opposing creditor of BBH or KSLGI;
- 7.5 the Company and BCP shall have agreed with any material agreements relating to the conduct of business by the NewCo's subsidiaries, including an ethanol offtake agreement, a bio diesel offtake agreement, a molasses sale and purchase agreement, an utility (water, power and steam) sale and purchase agreement and a biogas sale and purchase agreement;
- 7.6 the relevant articles of association of relevant BBH Group companies and KGI, which are subsidiaries that conduct the core business of the NewCo, shall be amended in order to demonstrate that the NewCo has appropriate measures in place to oversee and assume responsibility for the conduct of business by those subsidiaries;
- 7.7 relevant BBH Group companies and KGI shall have obtained necessary approvals, consents or waivers from relevant parties in relation to the Amalgamation;
- 7.8 if it is required by the trade competition law, the Company, BCP, BBH, KSLGI, the BBH Group or KGI shall have fulfilled the legal requirements prior to the completion of the Amalgamation (**Permission**) (those requirements include an obligation to seek approvals, waivers or relaxations from any relevant agencies before the completion of the Amalgamation and to notify the Amalgamation to any relevant agencies). In order to obtain the Permission, the Amalgamation may be conducted free of unreasonable conditions, restraints or requirements;
- 7.9 there shall be no occurrence of any event that have materially adversely affect BBH Group or KGI as agreed in the agreement prior to the registration of Amalgamation with the Ministry of Commerce; and
- 7.10 there shall have been no occurrence of any event nor change in applicable laws, rules or regulations that may preclude the legal implementation of the Amalgamation, nor change in any laws, rules or regulations governing the Amalgamation that have materially adversely affect BCP's or the Company's tax incentives.

*(Translation)*

If any party fails to fulfill the condition referred to in paragraph 7.6 above within 31 October 2017, the other party may terminate the Amalgamation Agreement, which will result in the abortion of the Amalgamation. However, if the condition referred to in paragraph 7.6 above is satisfied within the time specified but other key conditions remain unfulfilled on 31 December 2017, the relevant party may terminate the Amalgamation Agreement, which will result in the abortion of the Amalgamation.

---