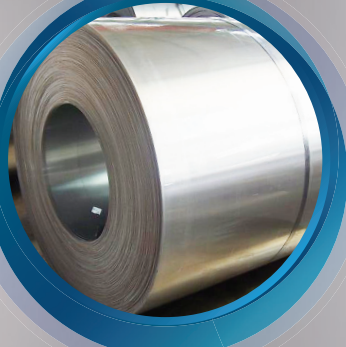
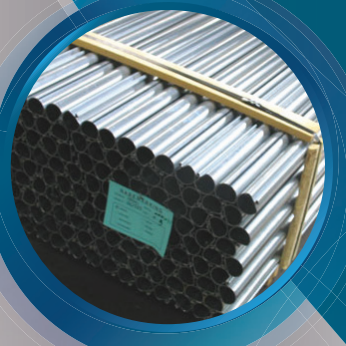


# 2016 รายงานประจำปี 2559 Annual Report





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## Appendix

Financial Statements of the Company and its subsidiaries for the year ended  
December 31, 2016



### Message from Board of Directors

In 2016, global steel market was faced a highly volatile including domestic steel businesses still having to manage risk regarding price and production due to the steel industry's excess supply in the global market and steel price fluctuations. Domestic iron and steel sales volume (excluding semi-finished steel products, cold rolled steel, coated steel, and steel pipes) is 19.07 million tons whereby the domestic production volume is only 7.73 million tons and the remaining steel demand was imported from abroad which impacted domestic manufacturers on such situation.

For 2017, government investment projects will be launched continually and being an important factor to stimulate private sector investment and growth which will cause to the investment in both commercial construction and housing construction. It is expected that such construction will expand over the next 3-5 years from 2017. Various projects will increase the demand for construction materials, as well as steel used in the construction, especially steel bars, wire rods, steel pipes, structural steel and steel rail including concrete piles, concrete sleepers, and other concrete products, which would be the opportunity to increase the company's sales and profitability in future. The Company is in acceleration process to resolve the debt problem with financial institutions and other parties, including rearrange the appropriate financial structure and resource of fund to reduce financial burden, which could improve a better company's performance and reduce deficit.

The Board of Directors and management team strongly ensure that we will employ all best efforts to resolve problems in order to achieve corporate sustainability and to maintain business value, while having minimal impact to shareholders and concerned parties.

The Board of Directors, on this occasion, would like to deeply express our appreciation towards the shareholders of the Company, clients, business partners, creditors, and staff for their confidence in the Company's operations and consistency supporting to the Company's business.



General

(Watanachai Chaimuanwong)

Chairman



(Miss Angkarn Tantiviroon)

Chief Executive Officer



## BOARD OF DIRECTORS



General Watanachai Chaimuanwong  
Chairman  
(Independent Director)



Mr. Surapong Churangsarit  
Vice Chairman /  
Chairman of Audit Committee  
(Independent Director)



Pol.Lt.Gen. Mongkol Kamolbutra  
Independent Director /  
Audit Committee



Asst.Prof.Dr. Nakhun Thoraneenitiyan  
Independent Director /  
Audit Committee



Ms. Angkarn Tantiviroon  
Director



Mr. Somkiat Vongsarajana  
Director



Mr. Teera Phoncharoensuk  
Director



Dr. Rittirong Intarajinda  
Director



Mrs. Pimsiri Keeratitensiri  
Director



## EXECUTIVE COMMITTEE



Ms. Angkarn Tantiviroon  
Chief Executive Officer



Mr. Teera Phoncharoensuk  
Production Director



Mr. Somkiat Vongsarojana  
Managing Director



## NOMINATION AND REMUNERATION COMMITTEE \*



Dr. Rittirong Intarajinda

Chairman of Nomination and Remuneration Committee



Mr. Surapong Churangsarit

Nomination and Remuneration Committee



Ms. Angkarn Tantiviroon

Nomination and Remuneration Committee

\* Appointed by Board of Directors' meeting no. 7/2016 held on November 11, 2016.



## RISK MANAGEMENT COMMITTEE \*



Asst. Prof. Dr. Nakhun Thoraneenitayan  
Chairman of Risk Management Committee



Pol. Lt. Gen. Mongkol Kamolbutra  
Risk Management Committee



Mr. Somkiat Vongsarajana  
Risk Management Committee

\* Appointed by Board of Directors' meeting no. 7/2016 held on November 11, 2016.



### Audit Committee Report

At present, The Audit Committee of Rich Asia Corporation Public Company Limited consists of 3 independent directors as follows:

- |  |                                  |
|--|----------------------------------|
| 1. Mr. Surapong Churangsarit             | Chairman of Audit Committee      |
| 2. Pol.It.Gen. Mongkol Kamolbutra        | Audit Committee                  |
| 3. Asst.Prof. Dr. Nakhun Thoraneenitiyan | Audit Committee                  |
| and Mr. Vorapoj Chaisantana              | Secretary to the Audit Committee |

The Audit Committee have fulfilled their duties and responsibilities, as per their assignments. The mission and major responsibilities have included reviewing financial statements to be conformed with accounting standards and adequate information disclosure, reviewing systems of internal control and appropriated internal audit, review the company's compliance with applicable laws and principles of corporate governance in order to avoid conflict of interest and consider for the accuracy and complete disclosure of related transaction including considerations of the appointment of Certified Public Accountant (external auditor) for the company.

For the fiscal year ended December 31, 2016, The Audit Committee has organized 4 meetings to consider and review company's activities as followings.

Audit Committee	Attending Meeting / Total Meeting
Mr. Surapong Churangsarit	3/4
Pol.It.Gen. Mongkol Kamolbutra	4/4
Asst.Prof. Dr. Nakhun Thoraneenitiyan	4/4

1. Reviewed company's quarterly and audited financial statements of 2016 which have reported financial status and operation in 2016 and related transactions as stated in financial statement including management's clarification prior submission to the Board of Directors. The financial statements are stated in general accepted accounting principles and carried out with adequate information disclosure.

2. Reviewed the reasonability of related transactions and operation transactions between company with related person and/or business which have been expressed through normal and general business transaction according to business necessity and company's optimized benefit.





3. Approved annual internal audit plan and quarterly review audit operation, audit report, progress of operation plan and viewed that the company has an adequate, appropriate and efficient internal audit system.
4. Assess the adequacy of the company's internal control system with consideration from Management and viewed that company has an adequate, efficient internal control system. The company has developed and adjusted accordingly to current circumstances and no significant errors occurred.
5. Examined company's risk management and advised the Management periodically and frequently to review and improve risk management plan to be in accordance with any change of circumstances.
6. Examined company's compliance with Securities and Stock Exchange (SET) law and other laws relevant to company's business.
7. Advised the Management on focusing fully on good corporate governance pursuant to regulations of Stock Exchange of Thailand in order to confirm confidence to the shareholders and all concerned parties.
8. Selected and proposed to the Board of Directors for submission to the Shareholders meeting's approval to nominate Mr. Ampol Chamnongwat CPA No. 4663 or Ms. Ms.Praphasri Leelasupha CPA No. 4664 of the company's office. AMC Ltd. As auditors for the year 2016 and setting up the auditing fee amount of Baht 1,250,000 which exclusive others audit expenses.

The Audit Committee has carefully examined the works under assigned responsibility - providing advice to the company and company's management, which have cooperated to solve any issues within an appropriate period. The Audit committee has conclusion that the company conform a good corporate governance and adequate internal control system including company's financial report audited by the Certified Public Accountant are in general accepted accounting principles and carried out an adequate information disclosure.

Mr. Surapong Churangsarit

Chairman of Audit Committee



## Policy and Overview of Business

### *Vision*

*To be leading manufacturer and distributor of quality construction products and being international recognition.*

### *Mission Strategy*

*Produce and distribute international standard quality products to gain satisfaction from business partners and all concerned parties including promote and preserve the good quality social and environment.*

### *Strategy*

- 1. Develop production system to achieve the international standard quality.*
- 2. Enhancing satisfaction to business partners and stakeholders.*
- 3. Develop employee's competency and life quality to work with happiness.*
- 4. Promote conservation of energy and environment including establish good relationship with community.*
- 5. Develop management system with transparency.*

### Background

Rich Asia Corporation Public Company Limited, has changed its name on May 17, 2016 (formerly name; Rich Asia Steel Public Company Limited), was established by Thai and Hong Kong investors on May 10, 1999 as Rich Asia Trading (Thailand) Co., Ltd., with an initial registered capital of 1 million Baht. The Company aimed to provide and distribute steel products by trading and contracting other manufacturers to produce steel products for the Company. In 2003, the Company has expanded its business to be a manufacturer of structural steel products and the Company increased registered capital to 250 million Baht providing that to purchased machinery to support production and sales increased. In 2004 increased registered capital to 400 million Baht providing that to purchased machinery, investment in distribution center for supporting the growth of sales. In 2006 The Company being listed in the Stock Exchange of Thailand and increased registered capital to 500 million Baht for business expansion, investment of land, plants, machinery for industrial structural steel and for working capital. In 2007 increased registered capital of 1,000 million Baht to support expansion of sales and working capital. Currently, the company has issued and paid-up share capital amount of 3,115.27 million Baht and the business has managed by Miss Angkarn Tantiviroon.



The Company's major development can be summarized as follows:

- 1999 May - Established the company named "Rich Asia Trading (Thailand) Co., Ltd." with initial registered capital of 1.00 million Baht to operate as a trading company to provide steel products such as hot rolled coil and sheets, structural steels, lip channel steels, billets and other steel products.
- 2000 January - Employed Rich Asia Industry Co., Ltd.\* to provide steel production services.
- February - Employed Inter Metal Tube Alliance Co., Ltd. to provide steel processing services.
- 2001 January - Increased its registered capital to 5 million Baht to be used as working capital.
- 2002 June - Increased its registered capital to 75 million Baht to be used as working capital.
- 2003 June - Set up plant and warehouse to expanded its business to become a manufacture of steel pipes.
- November - Launch its processing steel products for sale in domestic.
- December - Increased its registered capital to 250 million Baht to purchase a steel pipe machine.
- 2004 December - Increased its registered capital to 400 million Baht to be used as working capital.
- 2005 August - Purchase C-Channel machine.
- 2006 March - Changed the name from "Rich Asia Trading (Thailand) Co., Ltd." to "Rich Asia Steel Plc."
- Increased registered capital from 400 million Baht to 500 million Baht and changed par value from 100.00 Baht to 1.00 Baht each which resulted in an increase in the number of ordinary shares from 400 million shares to 500 million shares and converted the company to be public company with the intention to be listed on the Stock Exchange of Thailand.
- August - Listing date as at 31 August 2006 (Trading commencement on 31 August 2006 by Initial Public Offering totaling 100 million shares)
- October - Achieved the approval certificate from Thai Industrial Standards Institute 107-2533 for Hollow structural steel.
- November - Achieved the approval certificate from Thai Industrial Standards Institute 1228-2537 Cold-formed structural steel.
- Operated the local Distribution Center (D/C) at Tambol Pantainorasingh, Amphor Muang Samut Sakhon, Samut Sakhon Province



- 
- 2007 April - Signed agreement for buying land and building at Tambol Bangprong Amphor Muang Samutprakarn Province for set up hot rolling mill.
- June – July - Signed contract for purchasing machine for hot rolling steel.
- December - Increased registered capital from 500 million Baht to 1,000 million Baht for Allocation to existing shareholders 500 million Baht, offering price 2.00 Baht each, par value 1.00 Baht each, the number of registered ordinary shares increased from 500 million shares to 1,000 million shares
- Complete installation of hot – rolling machine and test run for commercial production
- 2008 May - Changed par value of ordinary shares of the company from the value of 1.00 Baht per share to value of 0.10 Baht per share. As a result, the number of Ordinary shares of the company were increased from 1,000 million shares to 10,000 million shares.
- 2008 July - Increasing registered capital from 1,000 million Baht to 1,500 million Baht by issuing new ordinary shares in number of 5,000 million shares, par value of 0.10 Baht per share for reservation convertible warrants No# 1 which offered to existing shareholders proportionally.
- December - The Board of Directors meeting no. 9/2008 held on 27 December 2008 passed a resolution approving the company's acquisition of ordinary shares of Thai National Product Co., Ltd. in a total amount of 26,100,600,000 shares each of 0.01 Baht par value, representing 100% of Thai National Product Co., Ltd total issued and paid-up shares in the amount not exceeding 650 million Baht. The Company is under request for credit facilities from financial institutes. The Company should perform this transaction within June 30, 2009.
- 2009 May - Decreasing registered capital from 1,500 million Baht to 1,000 million Baht due to the cancellation of the issue and offer of warrants to purchase new ordinary shares of the Company No. 1 in the amount of 5,000,000,000 units to the existing shareholders of the Company in proportion of shareholding.
- August - The Board of Directors meeting no. 4/2009 held on 14 August 2009 passed a resolution approving the extension of schedule the Company's acquisition of ordinary shares of Thai National Product Co., Ltd. and the share payment period from ending June 30, 2009 to ending September 30, 2009. The seller group has agreed and not objected to the extension of schedule as mentioned here above. The seller group reserve the right in case of they can sell such shares to the other persons who offer the higher price. In case of termination



- the transaction, the seller group maintains the condition of return deposit in full amount of 200 million Baht within 60 days without interest charge commencing from the date of termination.
- November - The Board of Directors meeting no. 5/2009 held on 14 November 2009 passed a resolution approving the extension of schedule the Company's acquisition of ordinary shares of Thai National Product Co., Ltd. and the share payment period from ending September 30, 2009 to ending February 28, 2010. The seller group has agreed and not objected to the extension of schedule as mentioned here above. The seller group reserve the right in case of they can sell such shares to the other persons who offer the higher price. In case of termination the transaction, the seller group maintains the condition of return deposit in full amount of 200 million Baht within 60 days without interest charge commencing from the date of termination.
- 2010 April - The Meeting of the Board of Directors no. 3/2010 held on April 2, 2010 has resolved to approved the extension of schedule the Company's acquisition of ordinary shares of Thai National Product Co., Ltd. and the share payment period from end February 28, 2010 to be ended May 31, 2010. The seller group has agreed and not object to the extension of schedule as mentioned here above. The seller group reserve the right in case of they can sell such shares to the other persons who offer the higher price. In case of termination the transaction, the seller group maintains the condition of return deposit in full amount of 200 million Baht within 60 days without interest charge commencing from the date of termination.
- May - The Company has obtained credit facilities support and performed investment transaction in Thai National Product Co., Ltd. by acquisition of ordinary shares in a total amount of 26,100,599,998 shares each of 0.01 Baht par value representing 100% of Thai National Product Co., Ltd. paid-up capital and has registered as shareholder in Thai National Product Co., Ltd. with the Registrar, Business Development Department, Ministry of Commerce. Hence the company has negotiated and agreed to purchase ordinary share at the price 635 million Baht.
- December - The Meeting of the Board of Directors No.8/2010 held on December 23, 2010 has resolved to approved the Company's acquisition of ordinary shares of Rich Asia Industry Co., Ltd.\* in a total amount of 10,954,556 shares each of 100 Baht par value, representing 76.88%of Rich Asia Industry Co., Ltd.\*'s total issued



- and paid-up capital, at the price of 73 Baht each, in the total amount of 799,682,588 Baht.
- 2011 March - Registration of the alteration of par value from the existing par value of 0.10 Baht each of 10,000 million shares to be at the par value of 1.00 Baht each of 1,000 million shares and the amendment of Clause No. 4 of the Company's Memorandum of Association in accordance with the alteration of the par value and number of the Company's shares.
- Increase of the Company's registered capital from 1,000 million Baht to 1,500 million Baht by issuing 500 million new ordinary shares at a par value of 1.00 Baht to reserve for the company and subsidiaries' working capital and / or to reserve for business expansion of the company and subsidiary company.
- December - The Meeting of the Board of Directors No.8/2011 held on December 2, 2011 passed a resolution approving the sale of partial ordinary shares of Rich Asia Industry Co., Ltd.\* held by the Company in a total amount of 3,562,106 shares each of 31 Baht par value, representing 25.00% of Rich Asia Industry Co., Ltd.\*'s total issued and paid-up capital, at the price of 80 Baht each, in the total amount of 284,968,480 Baht to Wealth Fortune Assets Ltd total of 2,849,685 shares and Mr. Sunthorn Chitboonthaweek total of 712,421 shares.
- 2012 July - Decrease the registered capital from 1,500 million Baht to 1,000 million Baht by deducting the unissued registered shares of 500 million shares with the par value of 1.00 Baht per share before increase the new capital.
- August - Increase the registered capital from 1,000 million Baht to 4,000 million Baht by issuing 3,000 million new ordinary shares with the par value of 1.00 Baht per share which consists of issue and offer 2,000 million new ordinary shares to the existing shareholders and reserve for exercising the right of Warrant-PP allotted to through private placement the lenders who agrees to grant loan to the Company and/or its subsidiaries in the amount of not exceeding 1,000 million shares.
- September - Registered the paid-up capital from 1,000 million Baht to 1,002,913,226 Baht and amended Clause No. 4 of the Company's Memorandum of Association with Department of Business Development, Ministry of Commerce.
- December - Relocate Head Office from 272 Soi Wat Channok, Rama III Road, Bangkoklaem, Bangkok 10120 to 636 Bangkhuntien-Chaitaley Road, Thakham, Bangkhuntien, Bangkok 10150 due to the rental contract was expired.



- 2013 November - Mr. Prapat Chongsanguan, governor of State Railway of Thailand and Management team has visited Thai National Product Co., Ltd. factory (Currently is Associated Company) which has diversified a new product: "Concrete Sleepers".
- 2014 April - Decrease the registered capital from 4,000 million Baht to 1,002,913,226 Baht by deducting the unissued registered shares of 2,997,086,774 shares with the par value of 1.00 Baht per share before increase the new capital.
- Increase the registered capital from 1,002,913,226 Baht to 1,322,913,226 Baht by issuing 320 million new ordinary shares with the par value of 1.00 Baht per share as reservation for conversion of right of convertible debentures for the issue and offer for sale of convertible debentures in a sum of not exceeding Singapore Dollar 20 million or an equivalent amount in other currency to a specific foreign investor (Private Placement) that is Advance Opportunities Fund ("AO Fund").
- June - Issue and offer for sale of the newly Convertible Debentures to AO Fund totaling SGD 400,000 which is 10 million Baht (Exchange rate of 25 Baht per SGD 1)
- Registered the paid-up capital from 1,002,913,226 Baht to 1,025,640,498 Baht with Department of Business Development, Ministry of Commerce.
- November - Decrease the registered capital from 1,322,913,226 Baht to 1,025,640,498 Baht by deducting the unissued registered shares of 297,272,728 shares with the par value of 1.00 Baht per share before increase the new capital.
- Increase the registered capital from 1,025,640,498 Baht to 2,400 million Baht by issuing 1,374,359,502 new ordinary shares with the par value of 1.00 Baht per share to accommodate the allocation of the newly issued shares to the shareholders proportionate to their shareholding (Rights Offering) at a ratio of 1 existing share per 1 new share, at the offering price of 0.30 Baht per share and to four specific persons (Private Placement) who are not connected persons of the Company, namely, (1) Mr. Wichai Wachiraphong (2) Mr. Kiaticchai Lohachitranont (3) Miss Suratsawadee Raiput and (4) Miss Ornuma Supornsirikul at the price of 0.30 Baht per share.
- December - Registered the paid-up capital from 1,025,640,498 Baht to 2,400 million Baht with Department of Business Development, Ministry of Commerce.
- Disposal of the shares in Thai National Product Co., Ltd. ("TNP"), a subsidiary of the Company, amounting to 18 million shares at the par value of 10 Baht or equivalent to 66.42 percent of TNP's registered capital, at the price of 30 Baht



- per share, totaling of 540 million Baht to (1) Dr, Phasin Suebsubanunt (2) Mr. Thiti Kittipattananon and (3) Miss Duendara Limthanakul.
- 2015 February - Invest by setting up a subsidiary, Rich Asia Engineering Co., Ltd., was established on February 19, 2015, which operates supply of equipment and technology, including invest in utilities and infrastructure. The company holds shares in the proportion of 90% of its registered capital amount of 1.00 million Baht.
- May - Issued and offered the 1<sup>st</sup> debentures in the amount of 500 million Baht. The form of debentures are identified holder, unsubordinated, unsecured and without debenture holders' representative; by offering to the Private Placement and/or institutional investors under the II/HNW Rule on April 27 - 29, 2015, in which the Company has already received proceeds in full. The debenture's age is about 1 year 9 months (from April 30, 2015 to January 30, 2017), with interest rate 6.50% per year.
- July - Issued and offered the 2<sup>nd</sup> debentures in the amount of 500 million Baht. The form of debentures are identified holder, unsubordinated, unsecured and without debenture holders' representative; by offering to the Private Placement and/or institutional investors under the II/HNW Rule on July 13 - 15, 2015, in which the Company has already received proceeds in full. The debenture's age is about 2 years (from July 16, 2015 to July 16, 2017), with interest rate 6.50% per year.
- October - Issued and offered the 3<sup>rd</sup> debentures in the amount of 300 million Baht. The form of debentures are identified holder, unsubordinated, unsecured and without debenture holders' representative; by offering to the Private Placement and/or institutional investors under the II/HNW Rule on October 26 - 28, 2015, in which the Company has already received proceeds in amount of 230 million Baht. The debenture's age is about 1 year 11 months 29 days (from October 29, 2015 to October 28, 2017), with interest rate 6.20% per year.
- 2016 January - Rich Asia Engineering Co., Ltd. (Subsidiary) was increase the registered capital from 1.00 million Baht to 80.00 million Baht by registered the paid-up capital amount of 20.75 million Baht. The company holds shares in the proportion of 95% of its registered capital which the subsidiary will be used the increased capital as invest to expand the business.





- March - Invest by setting up a subsidiary, Rich Asia Utilities Co., Ltd., was established on March 23, 2016, which operates supply and management of water resources and related public utilities. The company holds shares in the proportion of 99.9994% of its registered capital amount of 5 million Baht and paid-up registered capital amount of 1.25 million Baht.
- May - The Company changed its name from “Rich Asia Steel Public Company Limited” to “Rich Asia Corporation Public Company Limited” since May 17, 2016.
- November - Increase of the registered capital from 2,400 million Baht to be 9,600 million Baht by issuing 7,200 million new ordinary shares with the par value of 1.00 Baht per share by offering 4,800 million new ordinary shares to the existing shareholders of the Company in proportion to the number of shares held by each shareholders. And allocation of 2,400 million new ordinary shares to reserve for the exercise of the 1st series of warrants (RICH-W1).
- December - Registered the paid-up capital from 2,400 million Baht to 3,115,268,236 Baht with Department of Business Development, Ministry of Commerce.

Note \* Siam Ferro Industry Co., Ltd. has changed its name to Rich Asia Industry Co., Ltd. on September 17, 2015.

#### Structure of shareholding in Subsidiaries

Currently, The Company has 3 subsidiaries.

1. Rich Asia Industry Co., Ltd. operated in business of manufacturing and distribution of structural steel, steel pipes and services in steel pipe manufacturing, which is related in the current business for, enhance the production and distribution and support customers' demand immediately.

2. Rich Asia Engineering Co., Ltd. operated in business of supplying equipment and technology including investment in utilities and infrastructure.

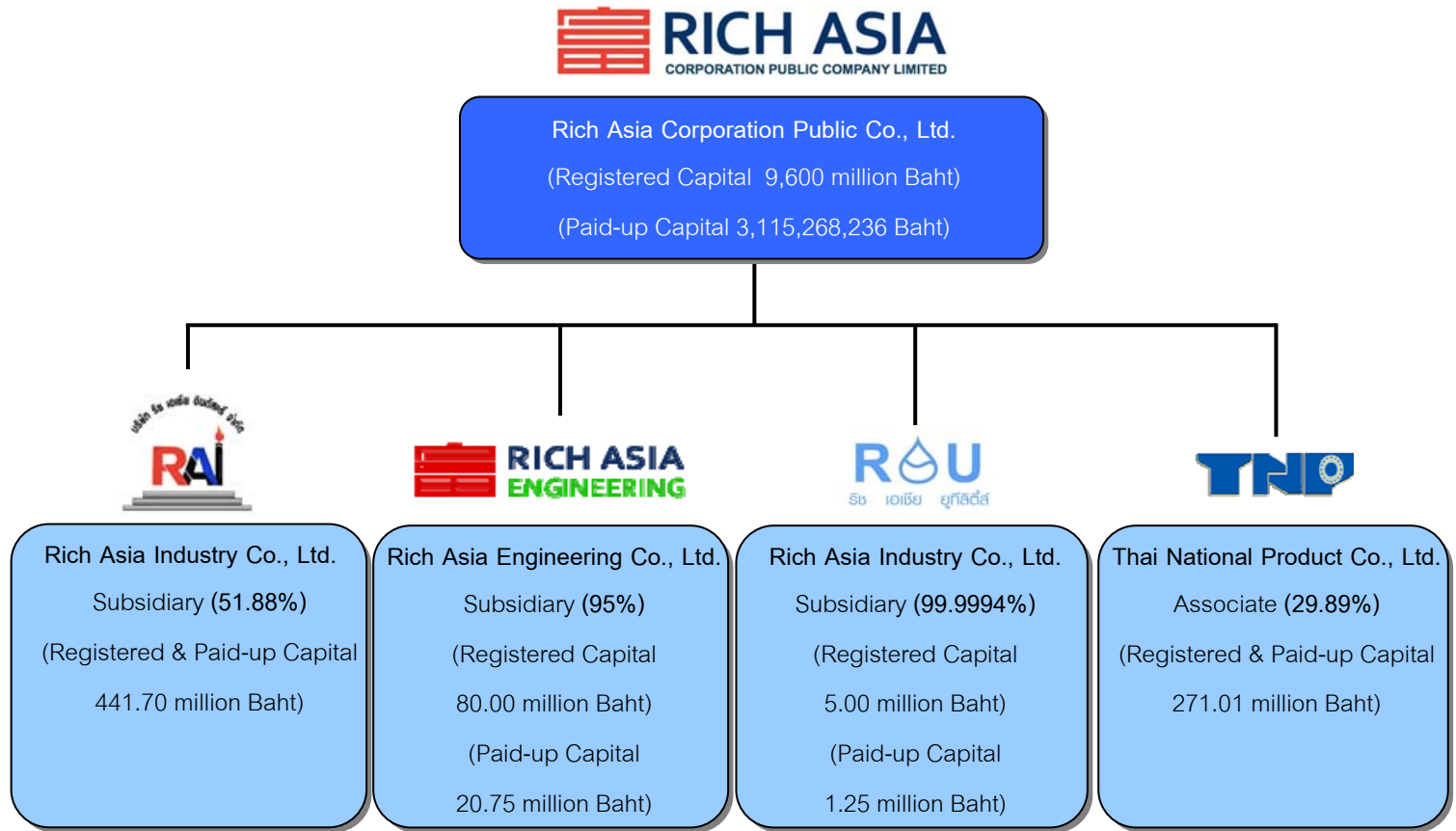
3. Rich Asia Utilities Co., Ltd. operated in business of supplying and management of water resources and related public utilities.

#### Structure of shareholding in Associate

The Company has an Associate, which is Thai National Product Co., Ltd., which operates in spun piles manufacturing and piles driving. In 2014, Thai National Product Co., Ltd. has diversified a new concrete product: Concrete Sleepers which used the projects of State Railway of Thailand in Sleepers substitution throughout the country.



Currently, Chart of shareholding in subsidiaries and associate as below:





## Nature of Business

Rich Asia Corporation Public Company Limited is a trader and distributors of various types of steel products including raw materials and finished products. The finished products are composed of structural steel pipes, hot rolled coil and sheets, billets, and other products steel as well as being manufacturer and distributor of steel pipe and C-channel with company's policy of being a manufacturer, trader and distributors of all types and sizes of steel products; hence, the company can be deemed as a "One-Stop-Service Company" by the coordinate of purchasing planning, production planning and hiring other steel plants to produce, and the efficiency of inventory control management, which could supply promptly the required quality and quantity to customers.

In 2016, Rich Asia Steel had invested in 3 subsidiaries and 1 associate company, as follows:

### 1) Rich Asia Industries Co., Ltd. (RAI)

Rich Asia Industry Co., Ltd. (Formerly known as Siam Ferro Industry Co., Ltd.) has established in 1993, operate in steel pipe and C-channel manufacturing and distribute various kinds of steel products including manufacturing service and trading the structural steel. RAI located in Muang Samut Sakhon district, Samut Sakhon province, Current registered capital is 441,701,237.00 Baht which fully paid up and 51.88% held by the Company.



In 2013, the company was approved the establishment of Bonded Warehouse, that receives tax privileges under the Customs Act, which will benefit the company's production and the company's revenue in the future. Currently is in the approval process for the establishment of general bonded warehouse, so the Company can generate revenue from such general bonded warehouse services.



**2) Rich Asia Engineering Co., Ltd. (RAE)**

Rich Asia Engineering Co., Ltd. was registered in 2015, and operates supply of equipment and technology, including investment in utilities and infrastructure. RAE located in Bangkhuntien District, Bangkok, with registered capital of 1.00 million Baht which fully paid up and 90% held by the Company. On December 11, 2015, the Board of Directors has approved an increase in registered capital and amendment from previous registered capital of 1.00 million Baht to 80.00 million Baht by issuing 7,900,000 new ordinary shares with a par value of Baht 10.00 each to accommodate the allotment of new shares to existing shareholders. The company has registered the capital increase and requested payment of the share capital at Baht 2.50 per share, which has been paid up 20.75 million Baht. As well as the amendment of the Company's Memorandum of Association to be in accordance with the change in the share capital with the Ministry of Commerce on 27 January 2016. Currently, the Company holds 95% of the shares.

**3) Rich Asia Utilities Co., Ltd. (RAU)**

Rich Asia Utilities Co., Ltd. was incorporated in the year 2016, operates in the primary business of service of water supply and other utilities, located in Bangkhuntien District, Bangkok. In 2016, the Company started to have a registered capital of Baht 5.00 million, with initial payment of Baht 2.50 per share, amounting to 1.25 million Baht. The Company holds 99.99% shares.

**4) Thai National Product Co.,Ltd. (TNP)**

Thai National Products Co., Ltd. has established in 1990, operate in spun pile manufacturing with transport and pile driving services at the maximum capacity of 480,000 tons per year, TNP is located in Bangbuathong-Supunburi Road. Km.24.5 Saiyai Subdistrict. Sainoi District, Nonthaburi Province. Current registered capital is 271,006,000 Baht which fully paid up and 29.89% held by the Company.





Currently, TNP has been trusted from government and private sectors to produce and drive spun pile foundation in the variety large projects, such as electric train, power plants, bridges, express way, office building, factories and other buildings.



In 2013, the company expanded its business by setting up new product line of; in order to support the government policy for the improvement of unsafe railway throughout the country, by replacing wooden sleepers to concrete sleepers, including other projects which use concrete sleepers. The company invests in and tests new products in 2013 and started distribution in 1st quarter of 2014. Nowadays, The Company has expanded to produce TIS standard square concrete pile to support the diverse needs of its customers. These products can be used in various applications such as construction of electrical towers, telephone poles and other basic infrastructure works.





The nature of business of each's product line can be classified as follows.

Group of Structural steel products and steel products



1. The characteristics of products and services

The Company and subsidiary are provider of products and services for distribution to customers by the both procuring from the purchase, hiring production and manufacturing as following

Products and services from the purchase or hire production

1) Structural Steel Pipe

Steel pipes and Lip channel structural steel, the company procure the structural steel by hiring and orders from other manufacturers or distributors (see details on the topic, procurement of raw materials and products), by pipe steel products that the company provides the main hiring contractors are 3 types such as Square Tube, Black Steel Pipe and Rectangular Tube, size standard length of 6 meters diameter from ½ "- 8" and has a thickness ranging from 1.00 to 4.50 mm, In addition the Company also provide products from procurement to be sold to customers to cover the demand in the market both for building structures and various pipeline liquids.

2) Hot Rolled Steel Coil and Sheets

Company provide the hot rolled coil steel both roll type and plate type by order from the distributor of manufacturer to customers such as wholesaler and manufacturer, which will be used in various industries such as construction industry, automotive industry, the furniture industry, etc.

Hot-rolled steel plate product that the company distribute thickness 1.20 – 12.0 mm and size according to customer's requirements Hot rolled steel plates that the company distribute to a hot rolled coil steel, the general level of quality that suitable for use in various types of construction, dock, heavy industries such as machinery in sugar factory, oil refinery, etc..

3) Billet and other products

In addition to the provide and distribution of steel products, structural steel pipe Lip channel steel, hot rolled coils and steel sheets, the company also provides procurement and distribute of



billets steel and other steel products such as steel plate, flat steel, angle steel conduit pipes, water joints, structural steel ,H-shaped, I-shaped, round Bar, steel bar and wire-frange, etc. ,which the most added service to facilitate to customers by policy to provide One-Stop-Service.

Product and Service from manufacturing

In addition to being a leading provider of distribution. The company has developed the business into a manufacturer to retailer to meet the demands of more customers. The production and service in year 2016 as follows.

- Rich Asia Corporation Public Company Limited , manufacturer and distributor of structural steel, steel processing industry categories.



The company has one factory, fully capacity 90,000 tons per year, In 2015, the Company allowed another Company to rent the factory short term. Due to the fact that in 2015 the Thai steel industry was still being affected by foreign steel, with foreign steel prices being lower than domestic steel prices, coupled with the fact that the Company has received better revenue by purchasing for resale this year. Also, production requires large cash flow and resources. With the aforementioned reasons, the Company has considered that with the Company's current situation, it is more suitable in 2015 to purchase for resale as the Company's Main business, and have the factory rental income as support instead of producing itself.

As for 2016, the Company believes that the steel sector will see a revival, since there has been government announcements for precise basic infrastructure investments. This should lead to growth for the real estate market and the construction sector, which means there would be more demand for structural steel used in construction. Therefore, the Company has decided not to extend the rental of Factory, in order to prepare for the resurgence of steel demand in 2016.



- Rich Asia Industry Company Limited, manufacturer and distributor of structural steel Type of steel pipe and Lip channel. The company has one factory, fully capacity 480,000 tons per year.



Production of the company and subsidiary are as follows:

1. Steel Pipe Production, which the companies manufactures and distribute can be classified into three types: Square Tube, Black Steel Pipe and Rectangular Tube in length. of 6.0 meters and has the following dimensions.

Type of steel	Diameter (inch)	Thickness (mm)
Square Tube	1/2" x 1/2" – 2 1/2" x 2 1/2"	1.00-4.50
Black Steel Pipe	1/2" – 3"	1.00-6.50
Rectangular Tube	2" x 1" – 3" x 1 1/2"	1.20-4.50

2. Lip channel Steel, which the companies manufacture and distribute have size 5"- 8" thickness 1.60 to 3.20 mm for use in general roof structure.





For products which have the size as the machine can not be produced or the size of product can be produced but unable to produce on time or not worth the cost of the machine to produce products that companies are hiring .

3. Structural industry steel, which steel processing product as the companies manufacture and distribute for use in structural works and construction. The company has a machine with total capacity of 90,000 tons per year.

## 2. Quality of Products

In addition, the importance to procurement the products delivered to customers according to the size, quantity and period of time specified products that are delivered to have quality according to customer requirement. Steel products of the companies that are a quality product by certified quality according to the international standard from both domestic and international as the following:

Standard	Country	Description
TIS. 1228-2006 TIS. 276-1989 TIS. 277-1989, TIS. 281-1989 TIS. 107-1990	Thailand	Cold formed structural steel steel pipe Galvanized steel pipe Spiral steel pipe for plumbing and general. Hollow structural steel
ASTM A-120, 35A	U.S.A.	Fluid pipe, gas, air
JIS G 3452	Japan	General black steel pipe
JIS G 3101 SS400 (TIS 1479) TIS. 1479-1998	Japan	Hot-rolled carbon steel sheet, strip, plate and sheet for general and processing

Standard	Country	Description
JIS G 3131 SPHC (TIS 528 HR 1) TIS. 528-1997	Japan	Hot-rolled carbon steel sheet, strip, plate and sheet for general structure.
TIS. 348-1997	Thailand	Low carbon steel wire
TIS. 24-2005	Thailand	Concrete reinforcing bars : Deformed bar

The companies have a policy to ensure product quality at all stages starting from inspection of raw materials, such as checking the chemical ingredients and mechanical properties of the material, quality inspection of finished goods to size, form and product quality inspection before delivery to customers to check for damage that may occur from storage, such as rust or dents of the pipe, which the



importance to the quality inspection process the product ensures that our customers receive products as the requirement of quality of service provided by the companies.



The companies obtained a license for the standard industrial products TIS No. 107-1990 of hollow structural steel and TIS 1228-2006 of structural steel cold forming on August 20, 2008, and October 30, 2006, respectively. On October 29, 2015, the Company obtained a license for the standard industrial products TIS No. 24-2458 for produce deformed bars.

### **3. Marketing and competitive environment**

#### **3.1 Competitive strategy**

The companies are planning the competitive strategy in steel products of the companies and its subsidiaries as follow

##### **1) Enhancing variety and completeness of the product**

The companies have a policy to provide manufacturing and distribution of various steel products with products a wide range and most comprehensive in order to support the different requirement of customers by the customers do not need to make a purchase from several vendors that can find all types of products from only company (One-Stop-Service) to achieve such goals. The company has relied on production planning, purchasing, and inventory management efficiency by the companies have an advantage in terms of sources of product procurement, that the companies can procure products in a manner of trading, and hiring additional manufacturing of the products that a companies can not be produce that result to the companies can accommodate order for a large number and diverse in terms of size, quantity and quality of raw materials that each customer has different requirements for the purpose of use.



## 2) Marketing business group

The companies have a policy in distribution and increase group of the customer. The currently, domestic customers are wholesalers group, retail group and the variety industry group of customers in Bangkok, metropolitan area and the provinces. The Company will expand the market to end users group.

## 3) Service

The companies focus on services, especially the procurement and delivery of the products to be able to create the highest customer satisfaction of the companies. The Companies also operate capacity sufficient factory party companies to serve orders urgent, so customers can trust that the company is able to supply steel products completely according to the delivery to the Companies also offer fast delivery and on time, which is an important part of time management and transportation costs for the customer and the companies and to make a long-term ongoing relationship with customers. The Companies have prepared the truck for delivery of goods and customer service from factory of contractor for about 30 vehicles for the transport of goods from factories to customers.

## 4) Warehouse management

The companies have a policy to provide the most complete products so as to meet the requirement of customers all the time in the amount of storage to a minimum to reduce the cost of storage products of the companies by the companies have contracted with a factory production contract to procure products for delivery to customers in size or as that a company can not produce include the procurement of the products are delivered on time, that result to the companies do not need a large of storage, or storage in a long period, that to reduce the cost of storage.

### 3.2 The characteristics of the customers and target customers

Currently the main products of the company and subsidiary such as structural steels and hot rolled plates will be used in the primarily of the construction industry, however, in the future, the company aims to expand to customer base to other industry groups.

Therefore, the company's target customers group include distributors steel processing industry entrepreneur in the construction industry, which is currently the main customer group and the automotive industry include the continual industry, that will bring the company's products are used as raw material in the production, such as

Construction industry : structural, such as high rise buildings, electrical plant,  
water plant etc.



Transportation industry : various train stations, maintenance depot, large scale bridges and rail system.

Automotive industry : auto parts, such as bumper beams, pickup truck, vacuum trucks etc.

Furniture industry : parts in manufacturing furniture, such as desks, chairs, cabinets, beds, steel window grills etc.

Electric appliances industry: parts in manufacturing various appliances such as washing machine, air conditioning, generator etc.

Food industry : Canned packaging.

Other industries : Other decorative, such as the fence home, shipyard, building doors, sugar plant machinery, oil refinery etc.

In any case, in 2016, the Company aims to expand more towards other markets, focusing on end-users in construction sector, automobile sector, canned food sector, and other markets which will result to more income and gain larger profit margins.

### 3.3 Distribution and distribution channel

The company provides production and distribution of products, mainly sold through wholesalers that distribute in Bangkok, metropolitan and region of more than 150 vendors for distributed directly to enterprises in the manufacturing sector, which led product of the companies to use as raw material in the production of goods. The portion of the distribution to customers are wholesalers to the customers to become entrepreneurs in the industrial sector is approximately 95 percent: 5 percent.

In order that, the mainly customers of the companies are mostly regular with contact trading for a long time and have a good relationship, by the group of customers of the company classified by the nature of business are as follows

#### 1. Wholesaler

The wholesaler is the main customers of the company and its subsidiaries mainly as the wholesaler in the Bangkok and metropolitan, this group of customers will purchase the products of the companies to sell even to the retailers or manufactures.

#### 2. Retailer

The retail customer group of the company and its subsidiaries based in Bangkok, metropolitan and the provinces. This customer group the company to sell even to consumers directly, which are expected that expand the customer base in more retails.



### 3. Manufacturers in various industry

The customer in this group such as the construction industry, the automotive industry and furniture industry, this group of customers will purchase the products of the companies to use as raw material in the production of goods, which is mostly enterprises construction and medium-sized factories

## 4. Procurement of products

### 4.1 Procurement from purchasing or hiring production

1) Structural steel (Structural Steel Pipe), a type of steel pipe and steel structure of lip channel, that the company has been procuring products for steel structure by hiring contractors and factory production with orders from manufacturers or dealers.

2) Hot Rolled Steel Plates and Sheets

The companies procured all types of hot rolled coil and hot roll sheet steel by purchasing from dealers of manufacturing factory and led to distribute to customers.

3) Long product steel (Billet) and other steel products.

The companies procured long product steel, such as steel plate, flat steel, angle steel conduit pipes, joints, structural steel, H-shaped steel, I-beam, round bar, steel bar and wire flange from Suppliers both domestic and abroad.

### 4.2 Procurement from production

#### Procurement of raw material and products

The company's main products and raw materials such as steel plates, hot rolled steel pipe, lip channel steel, steel products and other types of processing steel such as billet, flat steel, angle steel, conduit pipes, joints and slit steel, etc. The company and its subsidiaries have the procurement of raw materials and the products for trading, hiring production and manufacturing.

## 5. Impact on the environment

The companies has given importance to care and protection of the environment throughout. The companies continue to maintain the level of noise generated by the cutting steels in the safe level, according to law of the Department of Labor and social Welfare and In terms of scrap resulting from cutting metal will be collected for distribution to scrap trader.

The companies have regulations to protect the environment in the production process according to the rules defined field offices by the Department of Industrial Works, Ministry of Industry examines factory and environment and concluded that the results of the inspection, which the companies in the benchmark did not cause any problems to the environment.



Since the opening of the factory The company does not dispute or litigation about building environmental impact and have never been warned or fined by the state agency by law must be followed, including the Company. Factory Act 1992 and Environmental Protection Act 1992 and also received a license from the Department of Industrial Works, especially since the opening of the business.

#### Group of pile and concrete product

##### 1. Product and service

###### 1.1 Spun pile

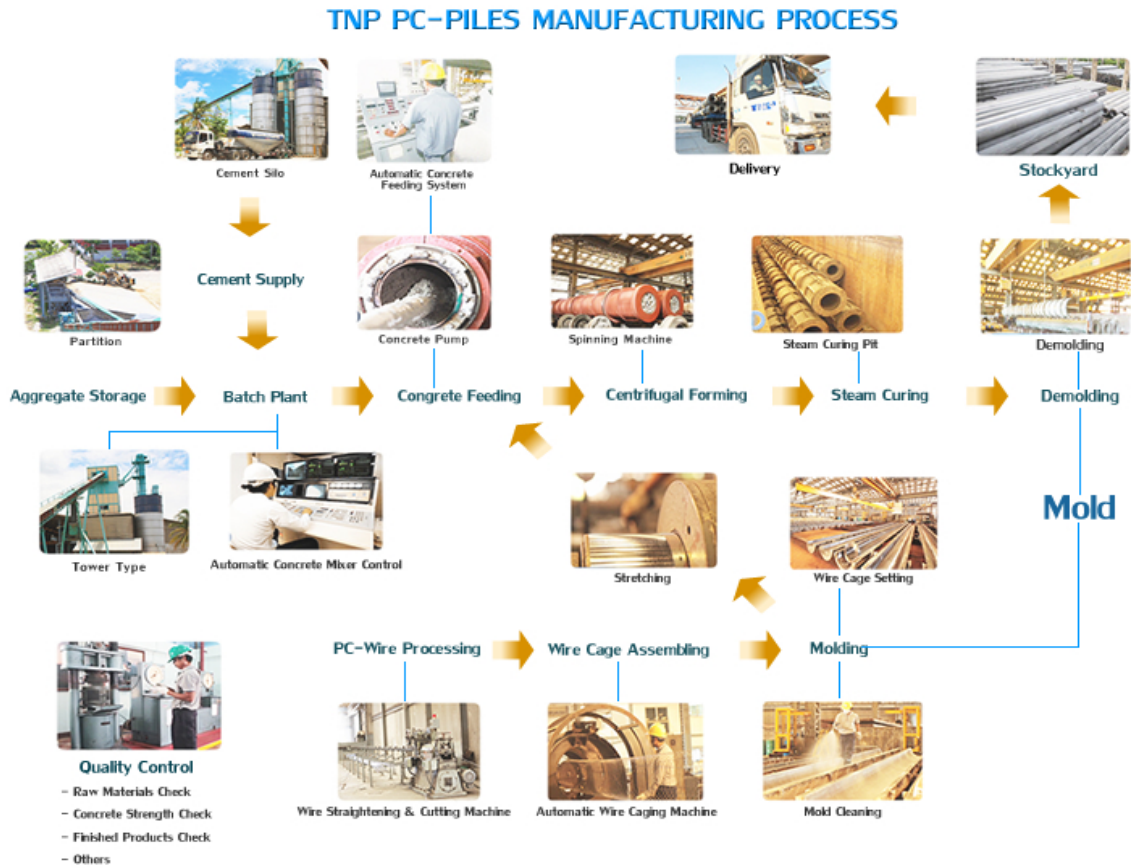
The currently, Thai National Product Company Limited is a manufacturer of spun pile with a delivery and pile driving service for a period of more than 20 years.



Current line of TNP has piles with diameter of 250, 300, 350, 400, 450, 500, 600, 700, and 800 mm. In the future to be able to support several sizes of project at the same time. Pile welding method of TNP is designed to have 3 times strength of the concrete part which is internationally accepted. Actual welding is done by Automatic Welding Machine or Semi Automatic Welding Machine. The skilled welders must pass the test conducted by an accredited institute prior to operating the machines.



### Manufacturing process of Spun pile



The company also provides piling services with modern machines and methodology according to customers' demand and environment. The piling methodology deployed includes Pure Drive, Pre-Boring, Auger-Press with Final Drive each of which has been developed for maximum efficiency and pollutions such as vibration, dust, and noise are kept at minimum.





**Hydraulic Hammers**

**HYSINC**



**specifications**

Model	HNC-65	HNC-80	HNC-100	HNC-125
Driving System	PATENTED BSP HYDRAULIC SYSTEM			
Ram Weight(T)	6.5	8.0	10.0	12.5
Driving Energy (T-M)	7.80	9.60	12.00	15.00
Blow Rate/ Min	18-70	18-70	18-70	18-70

**NISSHA**



**specifications**

Model	NH-40	NH-70	NH-100
Driving System	Hydraulic, Double action		
Ram Weight(T)	4.0	7.0	10.0
Driving Energy (T-M)	6.08	8.96	14.4
Blow Rate/ Min	28-80	25-70	20-56

1.2 Concrete square pile







In 2016, Thai National Product Co., Ltd. expanded new production line of concrete square pile to support customers' demand of various product. The concrete square piles can be used for the construction of power poles, telephone poles and other basic infrastructure projects, and started distribution in the year 2017.

### 1.3 Concrete railway sleeper products

Thai National Product Company Limited has expanded its businesses to encompass concrete railway sleepers measuring 1.00 meters in length for distribution to the contractor by the State Railway of Thailand, which is the project to improve the railways include the double-track railway project and speed rail medium - high.



Thai National Product Company Limited has started investments in producing the concrete sleepers (1st phase) in 2013, and ready in time for distribution in 2014 onwards. In 2014, Thai National Product Company Limited has expanded investment for concrete sleepers in phase 2. Currently production capacity is at 360,000 pieces / year. Whereby, Thai National Product Company Limited can produce concrete sleepers in 1.0 meters and 1.435 meters.

## 2. Quality of product

### 2.1 Spun pile



Thai National Product Company Limited's first and foremost philosophy is "Quality Paramount" This philosophy extends not only to our product but to the services we provide. The company fully recognize that the success of any organization is dependent on customer satisfaction. Retaining old customers through trust and reliability whilst encouraging new customers by way of an enviable reputation. The foregoing ensures continued expansion and prosperity based on a "Firm Foundation." Thereby safeguarding the integrity of our whole structure.

Using the most up-to-date, computer-controlled production technology supplied by a specialized Japanese company result to products are of high quality, precision and consistency, meeting the strict requirement of National and International Industrial Standard. To ensure its production quality, Thai National Product have instituted the Quality Control Division equipped with a modern laboratory to strictly inspect and control the quality of works at each stage, from the selection of raw materials up to the services at the job site. Aiming to meet our customer's requirements and maximum satisfaction of the customer as a result, the company's products granted industrial standard (TIS 398-2537) by the production pile diameters ranging from 250, 300, 350, 400, 450, 500, 600, 700 and 800 mm, and the company can also manufacture prestressed concrete piles using a centrifugal terms all kinds of special needs, beyond the standard has been designed to accommodate both small and large projects of all types.



In addition, quality management of Thai National Product Co., Ltd. has been certified with ISO 9001:2008 since 2001 with certification from AJA Registrars Limited. Scope of the certification is on " Design and Manufacture of Prestressed Spun Concrete Piles ". The company has implemented and maintained working environment according to the Requirements, Policies and Operation Plans to achieve the company's goals. And in order to guarantee maximum satisfaction of customers in both products and services, the Quality Policy has always been " Excellence in Development of Quality Products and Services ".

### 2.2 Concrete Square Pile

In 2016, Thai National Product Co., Ltd. started to produce concrete square piles, which has been inspected and obtained certification Thai Industrial Standards Institute (TISI) 396-2549 from the Thai Industrial Standards Institute.



### 2.3 Concrete railway sleepers products

The production of TNP's concrete sleepers developed from TNP's knowledges and experience in spun pile production from the trial production stages onward to commercial production stages. In production process, the Company has stricted to the production quality by selecting good quality of raw materials and also controlling every stage of production process to achieve optimum efficiency in order to ensure the product quality to be accepted by contractor and SRT's specification.





TNP's concrete sleeper products are properly qualified, fully compliant, and certified by the State Railway of Thailand. The concrete sleepers must be passed inspection and strict testing by SRT engineers before delivery to customers.

### 3. Marketing and competitive environment

#### 3.1 Competitive strategy

The company is planning the competitive strategy in pile products and concrete product of the company as follow

##### 1) Creating variety and completeness of the product

The company has a policy to increase the variety of products. The original main income of the company was spun pile (spun) only one product. In 2013, the company has increased other concrete products was railway concrete sleepers, these products started selling in the quarter 1 of 2014. In addition, for 2016 the company remains committed to increase other concrete products such as concrete square piles to increase revenue and use common resource to net worth and increase profit and diversify the risk in the business of one another.

##### 2) Marketing business group

The customer in this group have both domestic and overseas customers. However, in currently, the main customers are both government and the private sector in construction industry business and general customers such as construction projects, roads, bridges, express ways, power plants, sky trains, electrical poles, telephone poles, ports, office buildings, factory buildings, etc. The company still have the policy to increase customers' market to have more variety.

##### 3) Service





The company to focus on quality service and fast delivery include the pile driving with quality by modern machinery and process methodology, variety of requirement of customer and the suitability of the construction on the environment, such as pile driving by hydraulic hammer (Pure Drive), drilling system (Pre-Boring), Drilling – Press (Auger-Press with final drive), each system has been developed to work efficiently in parallel with the reduction of pollution, such as vibration, dust, smoke, noise, etc., which is provided by a team that has the experience in period of not less than 20 years and is monitoring and control equipment and safety services to rigorous safety standards. The company set a policy to the Committee of Safety, health and environment to work in every project to provide customers with confidence in the service along with the product.

#### **4) Warehouse management**

The company has policy to storage of goods in standard quantity, due to the companies produce goods according to customer's orders. The company has managed the warehouse by speedy delivery in order to utilize the warehouse efficiency.

### **3.2 The characteristics of the customers and target customers**

Currently the main products of the company was spun pile, which will be used in mainly the construction industry and transportation, however, the company aims to expand its customer base to other industry groups to be more focused on other concrete products industry, which is similar industry and use raw materials, which is a common resource that to the maximize benefits, such as railway concrete sleepers products and other concrete products, which the company's goal is to increase the production to more to achieve the diversity.

The main target customers are both domestic and overseas customers, which are both government sector and private sectors, the construction industry and the general customers to led products to use in various construction projects by classified are 3 categories follow:

- Infrastructure projects, such as construction of a rapid transit, toll way, express way, bridges, dams, docks, pumping plants, etc.
- The industrial and energy projects, such as oil depots, power plants
- The buildings such as factories, office buildings, educational buildings, residential buildings Shopping malls, hospitals, etc.

### **3.3 Distribution and distribution channel**

The company produce and distribute of goods by mainly distributed through entrepreneurship, contractor of construction, such as the construction of maintenance subway electric train parking, deepwater port, expressway, toll way, etc. And some product to distribute to consumer customers such as used in the construction of factory office building, office, residential buildings,



hospitals, etc., which this distribution is mainly delivery to customers to site projects. The construction project, which is distributed both in the Bangkok metropolitan area and other regions.

The portion of customer who are main contractor and general customer is an entrepreneur in the construction 80 percent: 20 percent. Most of company's customers are long-term relation customers who have contacted on regular trading have a good relationship.

#### 4. Procurement of products

##### 4.1 Procurement from production

###### Production

Thai National Products Co., Ltd. has one factory for production in spun pile and concrete sleeper, located on Sainoi District, Nonthaburi Province, volume of production as follows:

- Concrete spun pile machine max production capacity 40,000 tons/month or 480,000 tons/year. In 2016 production volume is 14.89% of the maximum capacity.
- Concrete railway sleeper machine in 2016 max production capacity totaling 360,000 pieces. The Company's production volume of 21,98% of the maximum capacity.

###### Procurement of raw material

The main raw material used in the production such as steel, cement, gravel, sand and other, which is the main raw material, that the maximize value is 65-70% of the value of raw materials used in production. In 2016, the company procure raw materials for steel from only domestic suppliers.

#### 5. Impact on the environment

With a sense of duty and social responsibility to the environment, the company has the appropriate technology selection and has minimal environmental impact as possible, for example, concrete mixer modern closed systems, which have the device traps dust while working not dispersed into the atmosphere, and also installed wastewater from production then put back into the cleaned plant for renewable resources to maximize the benefits and then introduced into the deposition process and fill the air and water quality to a level that is not harmful to the environment before it is released to the outside plant.



Control noise pollution



Vibration control



In the field, the company led modern and variety machine for pile driving used by meet the requirement of customer, such as the driving with hydraulic hammer that pollutes the soot vibration and noise, less is more compared to the other driving system, press driving (Auger-Press with final drive) and pre-boring that can reduce vibration almost completely devoid of any pollution.

Additionally, the Company also encourage the planting of trees around the factory to create a tropical atmosphere and fresh air.

## Revenue Structure

### Revenue Structure of Company and Subsidiaries

Revenue in consolidated statement of the company and subsidiaries ending at 31 December, 2016 total amount of 3,228.80 million Baht, which consist sale amount of 3,215.28 million Baht, revenue for sale and service of the separate company 2,940.89 million Baht.

Revenue of subsidiaries 2016 were as following

Revenue from its subsidiaries for the year ended December 31, 2016 as follows:

- Rich Asia Industry Co., Ltd. (proportion of holding shares of the company 51.88%), total revenue amount of 689.44 million Baht, which is sale and services (production for sale, production hiring and procure for trading) amount of 689.19 million Baht.

- Rich Asia Engineering Co., Ltd. (proportion of holding shares of the company 95%) Year 2016 the Company has no revenues. Currently in the process of starting a business.

- Rich Asia Utilities Co., Ltd. (proportion of holding shares of the company 99.99%) Year 2016 the Company has no revenues due to the subsidiary began operations in March, 2016. Currently in the process of starting a business.

### Revenue Structure of Associate Company

Revenue from associate company of Thai National Product Co., Ltd. (in which the Company has proportion of holding shares 29.89%). Total revenue for the year ended December 31, 2016 amount of 262.35 million Baht, which is sale and service (Sale of pile, transportation, driving service and sale of concrete products) amount of 260.70 million Baht.



(Consolidated financial statements exclude related transaction)

Product / Group of business	Operated by	Holding shares (%)	Revenue from consolidated financial statement (Million Baht)					
			2016	%	2015	%	2014	%
Structural steel and other steel	Rich Asia Corporation Public Company Limited		3,215.28	99.58	3,759.12	98.85	2,658.99	72.51
	Rich Asia Industry Company Limited <sup>1</sup>	51.88						
Procurement of material, equipment and technology include investment in utilities and infrastructure projects	Rich Asia Engineering Company Limited <sup>2</sup>	95.00	-	-	-	-	-	-
Operates in the business of service of water supply and other utilities	Rich Asia Utilities Company Limited <sup>3</sup>	99.99	-	-	-	-	-	-
Pile, delivery and driving and other concrete products	Thai National Product Company Limited <sup>4</sup>	29.89	-	-	-	-	376.37	10.26
Other Revenue	Rich Asia Corporation Public Company Limited and subsidiaries		13.52	0.42	43.61	1.15	631.54	17.23
<b>Total</b>			<b>3,228.80</b>	<b>100.00</b>	<b>3,802.73</b>	<b>100.00</b>	<b>3,666.90</b>	<b>100.00</b>

- Remark:**
1. Rich Asia Industry Company Limited, formerly name Siam Ferro Industry Company Limited
  2. Rich Asia Engineering Company Limited was registered as a company limited on February 19, 2015
  3. Rich Asia Utilities Company Limited was registered as a company limited on March 23, 2016
  4. As December 3, 2014, the Company has sold shares in Thai National Product Co., Ltd. as a result, its changing in status from a subsidiary company 100% to an associated company net of holding shares 29.89%. For the years 2015 and 2016, the Company did not include the revenues of Thai National Product Co., Ltd.





## Revenue Structure of the separate company

Type of Revenue	2016		2015		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales						
1. Structural Steel						
1.1 Square tube	223.56	7.49	359.57	10.39	174.43	6.28
1.2 Black steel pipe	61.99	2.08	93.31	2.70	55.50	2.00
1.3 Rectangular tube	209.65	7.02	284.67	8.22	192.28	6.92
1.4 Lipped channel	868.17	29.08	1,126.79	32.55	529.46	19.06
1.5 Angle Bar	-	-	0.13	-	0.17	0.01
1.6 Deformed Bar	379.40	12.71	283.93	8.20	259.60	9.34
1.7 Round bar	228.71	7.66	274.17	7.92	114.66	4.13
2. Hot rolled steel coil and Sheets	882.08	29.54	681.70	19.70	740.87	26.67
3. Billet	68.30	2.29	230.13	6.65	223.29	8.04
4. Others *	19.03	0.63	64.81	1.88	62.84	2.26
<b>Total Revenue from sales</b>	<b>2,940.89</b>	<b>98.50</b>	<b>3,399.21</b>	<b>98.21</b>	<b>2,353.10</b>	<b>84.71</b>
<b>Other revenue **</b>	<b>44.68</b>	<b>1.50</b>	<b>62.04</b>	<b>1.79</b>	<b>425.13</b>	<b>15.29</b>
<b>Total Revenue</b>	<b>2,985.57</b>	<b>100.00</b>	<b>3,461.25</b>	<b>100.00</b>	<b>2,778.23</b>	<b>100.00</b>

**Remark :** \* Others consists of scrap, iron tail steel, flat bars steel, plate steel, checkered plates, steel band, round bars steel, square tube, galvanized steel pipe, wide flange steel, end plate and others

\*\* Other revenue consists of revenue from rental, gain on sales of assets, gain on sales of investments in subsidiaries, gain on debt restructuring, interest revenue and others Income



## Trends and Industry Outlook

The trend of the industry related to the production line of steel, production line of spun pile and concrete products are as follows

### Steel Industry Outlook 2016

The overview steel situation in 2016. Summary of production details and domestic sale and import as follows:

Production Quantity	7,728,338	Metric Ton	Increased 18.98% from 2015 (long steel increased 27.02% , flat steel increased 8.90%, galvanized steel sheet increased 18.05%)
Domestic Sale	19,074,108	Metric Ton	Increased 10.86% from 2015 (long steel increased 15.82%)
Import	approximate 6,715.04	Million Dollar	Decreased 3.66% from 2015 (flat steel decreased 11.76%, cold rolled steel sheet decreased 15.99%, long steel decreased 8.10%, steel wire decreased 8.30%)

The production condition of the iron and steel industry in 2016 import of steel billets increased due to the steel billet price decline that reflect to the production of long steel products increased including demand for steel in infrastructure increased as result to demand for long steel products increased.

In 2016, steel business entrepreneurs still face the risk management in price and the production due to raw material prices continue to fluctuate in 2016 had sales volume 19.07 million tons, but the quantity of production only 7.73 million tons. By remaining was the use of steel imports from abroad as the impact to domestic manufacturers have been affected from the order reduced.

From the information Office of Industrial Economics, Ministry of industry forecasted trend of steel consumption of the steel industry in 2017 is estimated at 17.8 million tons, which increased from year to year 2016 equal 1.1-2.8%. By long steel used in the construction industry, there is a growing trend to increase due to in 2017, the government will stimulate the economy and planned investment in transportation under 36 infrastructure projects, such as the double-track railway project Pak Nam Phoe-Den Chai, JIRA - Ubon Ratchathani, Khon Khaen Nongkai, Chumphon - Surat Thani, Surat Thani - Songkhla, Hat Yai- Padang Besar, Den Chai - Chiang Mai, Denchai – Cheang Khong and Ban Phai - Nakhon Phanom, project construction road, sky train, double-track railway and motorway, which will



result to demand expansion of long product steel expand. The flat steel will likely to consume increase according to the expansion in electric appliance industry and tendency increase of air condition.

Therefore, investment in the infrastructure of public measures which moving more in 2017 assembly to the cabinet approved the law to protect the evasion of Tariff and taxes from import, which is expected to be practiced in 2017, could reduce imports tax evasion and domestic manufacturers have opportunity to increase production to compete the price. The trend of production and sales have increased in accordance with the increased demand in, both government and private sectors construction projects.

For overall steel prices is likely increase continuously since end of 2016 due to production costs from coal and iron ore had significantly increased as a result of China's coal mines shutting down and global iron ore manufacturers closing down due to impact from deficit and sales losses . Therefore, manufacturers and distributors would have to track the movement of steel prices and closely monitor the procurement of goods.

#### Construction Industry

Information from the Bank of Thailand in 2016, shows decrease trend of condominium registration nationwide compared to 2015. There is also decrease trend of the land development licences nationwide and construction areas permitted in municipal zone from the same 2014-2015 period, as per following details:

	2016	2015	2014
Condominium Registration Nationwide (unit)	113,395	117,600	108,175
Land Development Licences Nationwide (unit)	87,570	94,052	107,615
Construction Areas Permitted in Municipal Zone (Thousand sq. metres)	19,605	20,731	23,396

Source : Bank of Thailand

Steel demand in 2016 in the construction business has increased to the merit of the government infrastructure investment in transportation and the stimulus on various construction investment projects, such as the Thanaruk Phacharat Housing Project and projects which raise living standards in the district, such as community learning

This will result in private construction investment to follow with the increased construction in condominiums due to the BTS Sky train investment.

#### Trend of construction industry

The construction investment trend in 2017-2018 reflects increase in private residential construction, such as condominiums, especially condominiums along the sky train route according to government expansion plan. The industrial construction industry will benefit from the development of the



special economic zone (Border Special Economic Zones: Border SEZs) as the government will accelerate the construction of infrastructure and public utilities in each area, to be completed in 2017 which will cause increase in new industrial factory investments.

In 2016 the construction of commercial buildings had decrease in volume but gradually recovered in 2017-2018 according to Thai's economic conditions and the consumer's purchasing power increase.

The steel industry has tendency of expansion which will increase construction in both the Government and the private sector. However Steel prices are stable and are expected to fluctuate quite significantly. In 2017 the demand for long products and flat products is around 7 and 11.5 million tons with growth rate of approximately 10% and 8% respectively.

#### Automotive Industry

The automotive industry uses several types of steel as essential components in automotive manufacturing, using cold-rolled steel sheet, hot-rolled steel sheet, and steel pipe. In 2016, The Federation of Thai Industries summarized the domestic automotive production volume to 1,944,417 cars, which increased 1.64% from 2015. The volume of domestic automotive sales amounted to 768,788 cars, which declined 3.86% compared to 2015.

	2016	2015	2014
The volume of domestic automotive production (car)	1,944,417	1,913,002	1,880,007
The volume of domestic automotive sale (car)	768,788	799,632	881,832

Source: The Federation of Thai industries

Car sales in each category: has rate of increase and decrease from 2015 as follows:

Type of car	Sale in 2016 (car)	% Increase (Decrease) from the Year 2015
Commercial vehicles	488,961	(2.3% )
Passenger car	279,827	(6.5%)

The decline in car sales was partly due to market pressure from negative factors, such as drought early in the year, agricultural price decline, the high level of household debt. the export sector is experiencing a slow recovery, as a result to the decreased car demand in 2016.

#### Trend of automotive industry

Automotive industry trends in 2017 has expected sales increase from 2016, in which data from Kasikorn Research Center estimates that sales of cars will reach 770,000 to 800,000 units in 2017,



2% -6% higher than in 2016, Whereby vehicle types which have tendency to increase in sales over other segments include small passenger cars, western luxury cars and pickup trucks, which are categorized as commercial vehicles.

The forecast of Thailand's expected economic recovery, has resulted in increase in consumer income due to labor wage adjustments,. increased agriculture income in some areas and Government projects expected to increase in 2017. Expected sales will focus on the increase in middle-income consumers and business customers, with medium to high income. As well as financial institutions' flexible lending results in increased opportunity in auto production and sales, the volume of steel used in automobile production has tendency to increase as well.



## Risk factors

### 1. Risks in business

Risk to the operations of the Company and its subsidiaries are as follows:

#### 1. Risk from trend of raw material and finished goods price

In 2016, trends of the steel price has increased from the year 2015 , which government has stimulated the real estate business since the late past 2015 as a result to the demand for construction materials increased, particularly round bar price and deformed bar price that will be adjusted around 5% increasing. During the years, raw materials price remain stagnant. Hence domestic manufacturers still need to focus on risk management for the purchasing of raw materials to prevent the loss from product price.

Therefore, in order to reduce the risk from raw material and product price trends that will increase or decrease in various circumstances. The executive of the company has tracked the changes in prices for raw material steel and hot-rolled steel coil and other steel products from both domestic and overseas markets closely and to evaluate the prospects of domestic steel prices for comparison with overseas price all time for the benefit of the cost management in the steel price decreased, which will have a positive impact on the operations of the company.

The policy price of the products of the company are considering the cost of sales, coupled with the market price at that time, so that the company has gross profit increased.

#### 2. Risk from products procurement

According to company's policy to hedge the purchase of raw materials risks by procurement of raw materials from various distributors both the domestic and abroad by considered both the cost, quality of product and on time delivery. By considering the direction of the fluctuations of the prices and negotiations about the payment period increased. The company and its subsidiaries have policy to supply distributors of raw materials and products from various sources continue increase. In order to for the benefit in product procurement to reserve an adequate quantity and able to support with demand for the production efficiency. In addition, the Company can increase bargaining power on price negotiation and procure the lower cost of raw materials to increase profitability.

Thus, on such policy, the company expects that the risks of the demand and quantity on products supplying will be reduced and can control cost of raw material and products efficiently.



### 3. Financial Risks

#### 3.1 Risk from the contingent liabilities from issuance of debentures and loan

As the company has liabilities from issuance of debentures in the year 2015 and liabilities on loans from financial institutions for used as working capital of which entering into debt restructuring with financial institutions in 2016.

In 2016, the company had earned not much high gross profit margin from sales, also to the accounts receivable has request extend the repayment to the company as a result to the company's lacking of financial liquidity and could not comply with the conditions of debt restructuring contracts.

As of December 31, 2016, the company had liabilities amount of 2,656.30 million Baht (partially from issuance the debenture amount of 1,230 million Baht and loans from financial institutions amount of 1,198.85 million Baht). Shareholder's equity 125.93 million Baht. Debt to Equity ratio according to the consolidated financial statements were 21.10 : 1.00 times, which is increased from year 2015 which was 2.85 : 1 times. The increase of company's financial structure risk may affected to the company's operation.

As January 10, 2017, creditor banks has called the company to repay the principal outstanding amount of 537.75 million Baht and accrued interest amount of 272.63 million Baht in total amount of 810.38 million Baht within 15 days after received the letter. Such call for repayment has impacted to the whole amount of debenture has been defaulted, which was in accordance with the terms of the debenture.

Currently, company is in the process of acceleration to finding solutions to reduce the risk of liabilities from loan as mentioned above, providing that the company's operation could be going concern and return to the normal financial structure.

#### 3.2 Risks from liabilities due for payment within 1 year

As the company is unable to pay the liabilities under the debt restructuring contract according to the terms specified in the debt restructuring contract with financial institutions mentioned above. The bank creditor has called to the company to repay all defaulted amount of outstanding principal and interest, as of December 31, 2016, the company had liabilities under debt restructuring contract that to be due within one year amount of 910.89 million Baht.

In addition, as of December 31, 2016 the company has debenture due within one year amount of 1,224.92 million Baht. The company has current liabilities total amount of 2,565.05 million Baht, current assets amount of 1,837.83 million Baht as result to had current ratio the company of 0.72 times, which reflect to lacking of financial liquidity.

The company is planning for a better and appropriate financial structure, providing that the company has a sufficient working capital for operation and repayment of debt.



### 3.3 Risk of receiving payment

The company and subsidiaries have a risk on receiving payment from trade receivables. In 2016, some customers also faced liquidity problem due to less demand in steel market during past year and our customers has postponed payment to the company, which affected to the company's liquidity.

In consideration for credit limit to customers and tracking of debt payment from receivable. The company has practiced according to the procedures and regulations of the company strictly. For the receivable who has been demanded to the fullest extent for repayment, the company has submit to legal department and claim payment for avoidance company's benefit loss.

### 4. Risk of law changes in competition

Due to the domestic steel prices fluctuate as result to steel business to be protected by the government which needed to track changes in the law, such laws directly impact to the operations of the steel business group. In year 2016 the Government has announced anti-dumping measures, on October 28, 2016 the anti-dumping and countervailing committee (TTA.) has resolved to use the temporary measures and investigate dumping case of hot-rolled steel sheet and in coils that originate from Iran and Turkey Brazil at the rate of 7.05-38.52% of C.I.F. for the period of not more than 4 months after the publication in the Government gazette until there is other further notice announcement.

In addition, there are also resolved to use the temporary measures to investigate dumping case of tubes and pipes from iron or steel, which originating from the Republic of China and Republic of Korea too impose duties temporarily and placing collateral duties on imports of such products at the rate of 3.22 to 66.01% of C. I. F. and imposed duties on imports at a rate of 0% of C. I. F. in the case of imported product for export under the three laws which are the Industrial Estate Authority of Thailand law, Investment Promotion Law and Customs Law or in case imports 3 kind of tubes: 1) pipe, used oil or gas pipelines, a standard API 5L 2), hose wall wells (casing) of a kind used in drilling for oil or gas type welding seam standard API 5 CT for oil and gas industrial. 3) steel pipe lining poly ethylene, for the period not exceeding four months, until further notice changes.

In 2017, the Cabinets trended to approve a law to prevent tariff dodging which effect to steel importers who dodged tariff and tare more difficulty.

However, the company has follow any changes of laws closely relating to steel production and distribution in order to set up plan to prevent various area of risks, including the data summarize to analyze the opportunities in steel production and guidelines to resolve other problems concerned.

## 2. **Risks affecting shareholders' right and investment**

### The risk of the company's retained deficit





As of December 31, 2016 the Company had net loss on consolidated financial total amount of 1,200.99 million Baht, a net profit attributable to the equity holders of the parent amount of 1,144.83 million Baht. For the operating performance of the separate company had net loss of 1,137.89 million Baht, which the company had the retained deficit as of December 31 2016, according to the consolidated financial statements amount of 2,180.05 million Baht, the separate financial statement had retained deficit amount of 1,994.41 million Baht.

Partially to the increase of company's deficit in 2016, due to the company has estimated for doubtful receivables and advance payment for goods total amount of 1,100.75 million Baht, such estimation is in accordance with the regulations of the company and in case of the company has received payment from the account receivables in any period, the company will reverse such doubtful receivable to be income accordingly.

In addition, in 2016 the company had financial cost burden from loans total amount of 156.14 million Baht. The company's revenue from sales has decreased from the last year. Gross profit was insufficient for fixed expenses and financial costs, including the estimation of doubtful account which result to the company has retain deficits increased in 2016.

The Company has retained deficits which affected the inability of dividend payments. The shareholders have a risk on such inability according to dividend policy.

The Company is currently in the process of accelerating to resolve and reduce the debt problem with the financial institutions and other parties/businesses, including plan the financial restructuring to an appropriate level, and seeking more financing support to reduce the Company's financial burden. The aforementioned plan will improve ability to the better performance, and reduce the deficit of Company. Also increase opportunity and profitability of sales the Company's products, and ability of dividend payment to the shareholders in future.

**General and Others Substantial Information****Company's Name, Location and Business Type**

Company's Name	:	Rich Asia Corporation Public Company Limited
Symbol	:	RICH
Nature of Business	:	Seller and supplier of steel products which acquired from trading as well as hiring other steel plants to produce the products for the company, the company is also a trader and supplier of other types of steel products including raw materials and finished products. The finished products are composed of, for example, structural steel pipe, lipped channel, hot rolled coil and sheets, billets, and others.
Head Office	:	636 Bangkhuntien-Chaitaley Road, Thakham, Bangkhuntien, Bangkok 10150 Tel. 0 2453 6277 Fax. 0 2453 6288
Factory	:	141/3-141/4 Moo 3, Tambol Bangprong, Amphur Muang Samut Prakarn, Samutprakarn 10270 Tel. 0 2383 0485 Fax. 0 2383 0485
Registration No.	:	0107549000050
Home Page	:	<a href="http://www.richasiacorp.com">www.richasiacorp.com</a>
Customers Care Center	:	Tel. 0 2453 6277 ext. 219
(Customers' Complain Center)	:	E-mail : <a href="mailto:customerscare@richasiacorp.com">customerscare@richasiacorp.com</a>
Registered Capital	:	9,600,000,000 Baht
Ordinary Shares	:	3,115,268,236 Shares
Par Value	:	1.00 Baht per share
Paid-up Capital	:	3,115,268,236 Baht
Paid-up Ordinary Shares	:	3,115,268,236 Shares

*Investors can study additional company's information in Annual Registration Statement (Form 56-1) which is shown in [www.sec.co.th](http://www.sec.co.th) or [www.richasiacorporation.com](http://www.richasiacorporation.com)*



## Referrals and Their Locations

### Common Stock Registrar

Thailand Securities Depository Co., Ltd.

93 Ratchadaphisek Road

Dindaeng, Dindaeng, Bangkok 10400

Tel. 0 2009 9000

Fax. 0 2009 9991

### Auditor

SAM NAK-NGAN A.M.C. Co., Ltd.

4<sup>th</sup> Unit, 19<sup>th</sup> Floor, Silom Complex Building

191 Silom Road, Bangrak

Bangkok 10500

Tel. 0 2231 3980 - 7

Fax. 0 2231 3988



Currently, The corporate name that the company holds 10 percent or more of Issued and Paid-up Share Capital

Items	Company/Location	Type of Business	Type of Share	Issued Share Capital	Number of Shares	%
1	Rich Asia Industry Co., Ltd.* 88 Moo 2 Tambol Kahlong Amphur Muang Samutsakhon Samutsakhon 74000 Tel. 0 3485 1018 - 21 Fax. 0 3485 1028	Steel pipe and tube manufacturer	Ordinary Shares	14,248,427	7,392,450	51.88%
2	Rich Asia Engineering Co., Ltd. 636 Bangkhuntien-Chaitaley Road, Thakham, Bangkhuntien, Bangkok 10150 Tel. 0 2453 6424-5, 0 2453 6468 Fax. 0 2453 6469	Supply of equipment and technology including invest in utilities and infrastructure	Ordinary Shares	8,000,000	7,600,000	95.00%
3	Rich Asia Utilities Co., Ltd. 636 Bangkhuntien-Chaitaley Road, Thakham, Bangkhuntien, Bangkok 10150 Tel. 0 2453 6424-5 Fax. 0 2453 6469	Supply and management of water resources and related public utilities	Ordinary Shares	500,000	499,997	99.9994%
4	Thai National Product Co., Ltd. 33/3 Moo 4, Bang Bua Thong - Suphanburi Rd., Tambol Sai Yai, Amphur Sai Noi, Nonthaburi 11150 Tel. 0 2985 5300 Fax. 0 2985 5309	Spun pile manufacturer	Ordinary Shares	27,100,600	8,100,598	29.89%

Note \* Siam Ferro Industry Co., Ltd. has changed its name to Rich Asia Industry Co., Ltd. on September 17, 2015.



## Shareholders

Major Shareholders as of January 20, 2017 (Valued 1 Baht per share)

Ranking	Shareholders	Number of shares	Percentage
1.	Mr. Taweechat Jurangkool	330,000,000	10.59
2.	Miss Angkakarn Tantiviroon's group		
	1.1 Mrs. Pimsiri Keeratitensiri	66,900,000	2.15
	1.2 Miss Angkakarn Tantiviroon	46,550,000	1.49
	1.3 Mr. Chen Marcus	1,475,000	0.05
	1.4 Miss Chen Ming Ming	890,625	0.03
	Total	115,815,625	3.72
3.	Mr. Narong Whangjaroenwong	93,589,600	3.00
4.	Mr. Nuttapol Jurangkool	92,360,100	2.96
5.	Mr. Sitthichai Srisa-nguankul	82,664,600	2.65
6.	Thai NVDR Co.,Ltd.	74,429,063	2.39
7.	Mr. Jatuporn Wongthongsan	48,000,000	1.54
8.	Mr. Thammarat Opas-sathien	46,237,350	1.48
9.	Mr. Krit Phurisinsit	46,140,600	1.48
10.	Mr. Anuwat Laikijtrung	37,564,700	1.21
	Total	966,801,638	31.02
	Other Shareholders	2,148,466,598	68.98
	Total Shareholders	3,115,268,236	100.00

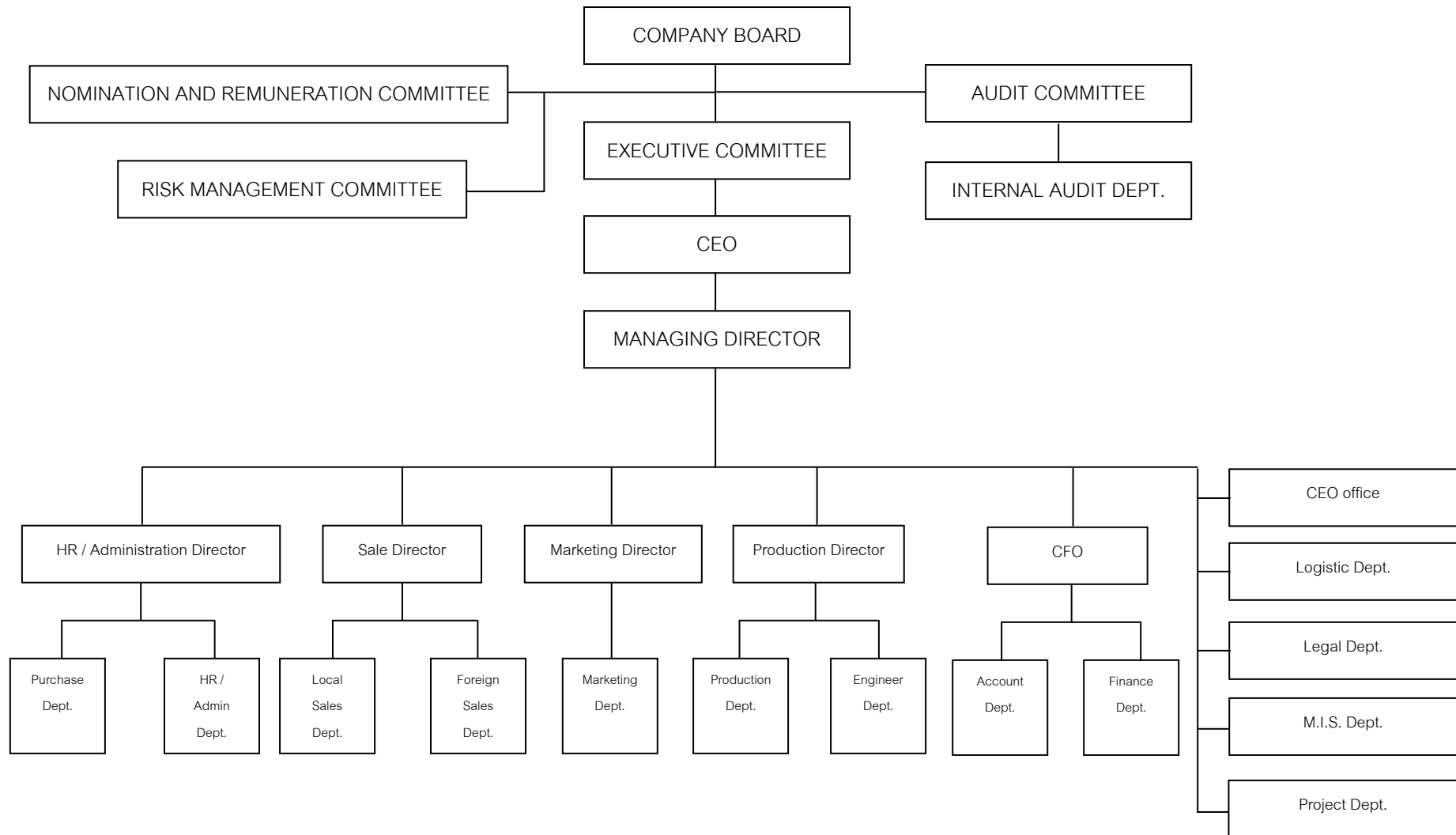
## Dividend Payment Policy

The Company has dividend payment policy at least 50% of the net profit (after deduction of corporate income tax and legal reserve). However, the Company may determine the rate of dividend payment less than the above policy rate, depending on the performance, financial status, liquidity and needs in utilizing operating fund for operation, business expansion and other factors involving management of the Company.



Management Structure

Organization Chart





### Board of Directors

Company's regulation specifies that Board of Directors comprises at least 5 directors. Not less than one half of all directors must have domicile in Thailand. Independent directors shall represent at least one-third of the total number of Board members and not less than 3 members. The Board is responsible for the overall duties and performance which is maximized benefit to the Company and shareholders. The Board structure, term of directorship and Roles, duties and responsibilities of the Board has shown in item 9. Corporate Governance.

As of December 2016, Board of Directors comprises of 9 members:

- Executive Directors                      3            members
- Non-Executive Directors                2            members
- Independent Directors                 4            members

### Independent Directors

The company has 4 Independent Directors represent to 44% of total directors. Chairman is an Independent Director and not hold the title in top Management. Board of Directors resolves to define the qualifications of Independent Directors and the meeting of Board of Directors No.4/2013 has resolved to adjusted amount of shareholding from not over 1% to 0.5% which is more strictly than the minimum requirements of the Capital Market Supervisory Board. The details of qualify of Independent Director has show in item 9. Corporate Governance.

#### Board of Directors' Name

1. Gen. Watanachai	Chaimuanwong	Chairman (Independent Director)
2. Mr. Surapong	Churangarit	Vice Chairman / Chairman of Audit Committee (Independent Director)
3. Mrs. Pimsiri	Keeratitiansiri	Director (Non-Executive Director)
4. Dr. Rittirong	Intarajinda	Director (Non-Executive Director)
5. Miss Angkarn	Tantiviroon	Director (Executive Director)
6. Mr. Somkiat	Vongsarajana	Director (Executive Director)
7. Mr. Teera	Phoncharoensuk	Director (Executive Director)
8. Asst.Prof.Dr. Nakhun	Thoraneenitayan	Director / Audit Committee (Independent Director)
9. Pol.Lt.Gen. Mongkol	Kamolbutra	Director / Audit Committee (Independent Director)

### Authorized Directors on behalf of the Company

Authorized Directors: Mrs. Pimsiri Keeratithiansiri, Mr. Somkiat Vongsarajana, Mr. Teera Phoncharoensuk, Miss Angkarn Tantiviroon, 2 of 4 persons co-sign with the company's seal.



### Board of Directors' Meetings

Meeting schedule for each year has been planned and sent to each director in advance. In 2016, The Company has set up Board of Directors' meeting 7 times and each Director has attended the meeting at least 75% of the total number of meetings. Board of Directors' attendance is summarized as follows:

Name	Position	Attending Meeting / Total Meeting (Times)
1. Gen. Watanachai Chaimuanwong	Chairman (Independent Director)	7/7
2. Mr. Surapong Churangsarit	Vice Chairman (Independent Director)	6/7
3. Mrs. Pimsiri Keeratitensiri	Director	6/7
4. Dr. Rittirong Intarajinda	Director	7/7
5. Miss Angkakam Tantiviroon	Director	7/7
6. Mr. Somkiat Vongsarojana	Director	7/7
7. Mr. Teera Phoncharoensuk	Director	7/7
8. Asst.Prof.Dr. Nakhun Thoraneenitiyan	Director (Independent Director)	7/7
9. Pol.Lt.Gen. Mongkol Kamolbutra	Director (Independent Director)	6/7

### Management

As of December 31, 2016, Company's Management as per SEC regulations consists of 3 members, as follows:

- |                  |                           |   |
|------------------|---------------------------|---|
| 1. Miss Angkakam | Tantiviroon <sup>1)</sup> | Chief Executive Officer   |
| 2. Mr. Somkiat   | Vongsarojana              | Managing Director/<br>HR / Administration Director (Deputy)/<br>Sales Director (Deputy) |
| 3. Mr. Teera     | Phoncharoensuk            | Production Director   |

*(Details of Directors and Managements appears in appendix 1)*

### Company Secretary

Board of Directors' meeting no. 1/2008 held on February 1, 2008 has resolved to appointed Miss Nongluck Sarochsuwan, to be Company Secretary, who graduated in accounting and passed the training course "Law and regulation for new secretary of the Securities and Exchange Law" (details and qualification as shown in appendix 1) to support in practice Board of Directors and the Company's duty pursuant to the relevant laws and regulations.





## Director and Management Remuneration

### 1. Monetary Remuneration

#### Directors Remuneration

Annual General Shareholders' Meeting 2016 on April 29, 2016 has resolved to fix the remuneration for Board of Directors for year 2016 i.e. remuneration, Bonus on operation as follows:

1) Remuneration of Board of Directors' meeting as follows.

Chairman	20,000 Baht / time
Vice Chairman	15,000 Baht / time
Directors	10,000 Baht / time

(Only for attending Directors)

2) Bonus on operation for 2016 at the rate 10% of dividend paid in 2016 but not excess 7 Million Baht.

Director who is managements will received salary as remuneration.

3) Remuneration for Sub-committee i.e. Audit Committee, directors who have been nominated as member of Sub-committee will received additional remuneration on meeting as follows.

Chairman of Audit Committee	20,000 Baht / time
Audit Committee	10,000 Baht / time

(Only for attending Directors)

Thus, Directors' remuneration is considered from Company's performance, responsibility of the Board and compared to the remuneration of similar business in the same and similar size business.

In 2016 the Company has paid remuneration to each director for accounting period of December 31, 2016 as follows:



Name	Position	Remuneration <sup>1)</sup> (Baht)
1. Gen. Watanachai Chaimuanwong	Chairman	140,000
2. Mr. Surapong Churangarit	Vice Chairman / Chairman of Audit Committee	150,000
3. Mrs. Pimsiri Keeratitensiri	Director	60,000
4. Mr. Rittirong Intarajinda	Director	70,000
5. Miss Angkakarn Tantiviroon <sup>2)</sup>	Director	-
6. Mr. Somkiat Vongsarojana <sup>2)</sup>	Director	-
7. Mr. Teera Phoncharoensuk <sup>2)</sup>	Director	-
8. Asst.Prof.Dr.Nakhun Thoraneenitayan	Director / Audit Committee	110,000
9. Pol.Lt.Gen. Mongkol Kamolbutra	Director / Audit Committee	100,000
Total		630,000

Remark 1) Remuneration paid upon meeting attendance of each director.

2) Director who is managements will received salary as remuneration.

3) There is no other non-cash remuneration.

In 2016, the company does not pay bonus on operation of the Board.

#### Managements Remuneration

In 2016 the company has 3 Managements for accounting period of December 31, 2016 the company has paid remuneration to Managements as follows:

#### Total Managements Remuneration

Type of Remuneration	Amount (Baht)
Salary	9,564,000
Provident Fund	188,200
Total	9,752,200

Remark Only first 4 Managements starting from Chief Executive Officer who is top Management and Management who hold the position in equal level of Management No. 4.

#### 2. Other remuneration

Other remuneration of the company is Provident Fund which established on May 1, 2006 in the rate of 2% of their salary, beginning since May 2006 as mentioned in the table above.



Report the holding of common shares of Directors and Managements as of December 31, 2016

Name	Dec. 31, 2016	Dec. 31, 2015	Increase (Decrease)
1. Gen. Watanachai Chaimuanwong	-	-	-
2. Mr. Surapong Churangsarit	-	-	-
3. Mrs. Pimsiri Keeratitensiri	66,900,000	66,900,000	-
4. Mr. Rittirong Intarajinda	-	-	-
5. Miss Angkakarn Tantiviroon	46,550,000	43,550,000	3,000,000
6. Mr. Somkiat Vongsarojana	4,000,000	4,000,000	-
7. Mr. Teera Phoncharoensuk	3,000,000	3,000,000	-
8. Asst.Prof.Dr.Nakhun Thoraneenitiyan	-	-	-
9. Pol.Lt.Gen. Mongkol Kamolbutra	-	-	-

#### Personnel

As of December 31, 2016 the Company has a total of 67 staffs (exclude Managements). The Company has paid remuneration to the employees who are not Managements consisting of salary and provident fund for a total of 20 million Baht. In addition, Subsidiaries: Rich Asia Industry Co., Ltd. has paid remuneration for a total of Baht 11.02 million and Rich Asia Engineering Co., Ltd. has remuneration for a total of Baht 0.89 million.

Remark \*Rich Asia Industry Co., Ltd. (RAI) has changed its name from Siam Ferro Industry Co., Ltd. on September 17, 2015.

#### Labor dispute for last 3 years

- No -

#### Human Resource Development Policy

The Company has set the training program for employee which divided into 2 levels as follows:

1. Operation Level Focus on working knowledge, security in workplace, encourage to have more discipline and develop positive thinking toward organization by giving an opportunity for employee to express idea and solving problem within function.
2. Command Level Focus on management, technical and modern management. The company has conducted the training program for internal and external.



Therefore, in 2016 the company has conducted internal and external training program to improve working skill, knowledge, develop attitude of positive thinking toward organization for both operation level and command level which consists of 11 internal training programs and 15 external training programs which total numbers of 36 participants.

The company has the policy to appoint or promote employee in appropriate position every year for employee who has ability and capability according to development plan and career path. The company also supports the employee for further study which the employee can indulgent working time in appropriate to studying program.

The company has encouraged Director and top Management to participate in Thai Institute of Directors (IOD) and other programs to develop knowledge and understand of role and ability on being a director and management team.

The table shows the numbers of employee for each division on December 31, 2016.

Division	Employee amount (person)
Purchase	2
Human Resource & Administration	11
Sale	3
Production	29
Accounting	7
Finance	4
Internal Audit	1
Law	1
Information Technology	2
Logistics	1
Marketing	0
Project	2
C.E.O. Office	4
<b>Total</b>	<b>67</b>

Remark: Employee amount exclude Managements



## Corporate Governance

Due to The Stock Exchange of Thailand has improved good governance principle for listed companies in 2012 in order to comply with the guidelines assessment the corporate governance of listed companies under the ASEAN CG Scorecard. Thus, the meeting of Board of Directors No. 4/2013 held on November 13, 2013 has resolved to adjust the Company's Corporate Governance and Code of Business Ethics in order to comply with such good governance principle and exalt the Company's Standards and Principles of Good Corporate Governance. The Company has announced to Directors, Management and all employees adhere as a guideline to achieve in the workplace and create a confidence to shareholders, investors, stakeholders and all concerned parties including corporate social responsibility. The Company has been disclosed through Company's website: [www.richasiacorp.com](http://www.richasiacorp.com) in topic "Corporate Governance Policy" and "Code of Business Ethics". The Board of Directors' Meeting No. 7/2016 held on November 11, 2016 has reviewed "Corporate Governance Policy" and "Code of Business Ethics" and approved to use the existing policy.

### Corporate Governance Policy

For corporate governance policy and compliance with good corporate governance principles as follows:

## Chapter 1 Rights of Shareholders

The Board of Directors recognizes the importance of the rights of shareholders, and engages in no conduct that will be in violation to or deprive the shareholders of their rights.

### 1. Basic rights

Shareholders enjoy their basic rights, such as buying, selling or transfer of shares, sharing of the Company's profits, access to adequate news or information, attending shareholders' meeting to vote on appointment or removal of directors, determination of directors' remuneration, appointment of auditor, fixing the audit fee, and such issues that may impact the Company as allocation of dividend, capital increase or write-down, approval of extra transactions, etc.

### 2. Shareholders' meeting

In 2016, the Company held the Annual General Meeting of Shareholders on April 29, 2016 at Yomtara room, the 2<sup>nd</sup> floor, Ramada Plaza Menam Riverside Bangkok Hotel, No. 2074 Charoenkrung Road, Bangkoklaem, Bangkok. The Company has followed guidelines as follows:

2.1 The Company has sent the notice of the shareholders' meeting which contains such details as date, time and venue of the meeting, as well as details of the meeting agenda and accompanying documents to the shareholders in advance as prescribed by law and also disseminate such information through the Company's website: [www.richasiacorp.com](http://www.richasiacorp.com) at 31 days prior to the meeting date, and then notify the Stock Exchange of Thailand (SET) of such dissemination, so that the



shareholders will have sufficient time to study the information before receiving the printed document. The document has been sent to shareholders in advance 17 days prior the meeting date.

2.2 The Company has delivered together with the notice of the shareholders' meeting the proxy form in the format as prescribed by the Ministry of Commerce for the shareholders who cannot attend the meeting in person to appoint any other persons or any of the Company's independent directors as proxies to attend the meeting on their behalf in order to retain their rights at the meeting.

2.3 Duty stamps are prepared for shareholders attending by proxy free of charge.

2.4 Chairman, Chief Executive Officer, and 6 Directors, total 8 persons, together with auditors have attended shareholders meeting to give relevant information and answer questions.

2.5 Before starting consideration on the agenda items, the shareholders will be informed of the meeting procedure, and vote casting and vote count method for each agenda item.

2.6 The Company facilitated the meeting attendance registration by using software and technology to provide convenience and save time for the shareholders and the proxy holders.

2.7 The Company prepared ballots for each agenda item, and for the agenda on the election of directors, the ballots will be segregated to allow for the shareholders' voting on individual directors.

2.8 The meeting has been proceed sequentially in accordance with the agenda, and there in no alteration of agenda sequence nor request to consider any other issue which is not specified in agenda in case of without adequate supporting reasons.

2.9 The shareholders have been allowed and given enough time to express opinions and ask questions in the meeting, as well as submit questions prior to the meeting, for more clarity and fairness to the shareholders and the parties concerned.

2.10 The Company has reported the voting result of each agenda item showing the number of votes of approval, disapproval and abstention through the SET's electronics system on the following business day is May 3, 2016 and on the Company's website: [www.richasiacorp.com](http://www.richasiacorp.com).

2.11 The minutes of the shareholders' meeting has been taken, containing vote casting and vote count method, details of key points of questions raised and answers given at the meeting, and voting result of each agenda item, as well as name-list of attending and absent directors. The Company has sent a copy of the minutes to the SET, post on its website: [www.richasiacorp.com](http://www.richasiacorp.com) on May 13, 2016 and inform the SET of such notification. The meeting has also been recorded in VDO and be posted in clip file on the company's website.

For the Extraordinary General Meeting of Shareholders No. 1/2016, the Company held on October 20, 2016, at River Grand Ballroom, the 2<sup>nd</sup> floor, Ramada Plaza Menam Riverside Bangkok Hotel, No. 2074 Charoenkrung Road, Bangkoklaem, Bangkok.



The Company has adjusted and developed the arrangement formality of each Shareholders' Meeting in order to set standard and comply with the AGM checklist which is evaluated by Thai Investors Association. In 2016 AGM Assessment Program, the Company received the score of 98.50 points.

### **Chapter 2 Equitable Treatment of Shareholders**

The Company believes in equitable treatment of all shareholders, whether they are major shareholders, minor shareholders, institutional investors, or foreign shareholders.

1. The Company recognizes the rights of shareholders and treatment of all shareholders on a fair and equitable basis. It gives opportunity for minor shareholders to propose issues considered beneficial to the Company for inclusion in the agenda and qualified candidates for directorship at least three months before the ordinary meeting of shareholders starting from September 28 to December 31, 2016. The criteria and procedure have been posted on the Company's website: [www.richasiacorp.com](http://www.richasiacorp.com).

2. Voting rights in the meeting has been determined according to member of shareholding on the basis of one share for one vote.

3. The Company has set up a policy regarding securities trading and use of inside information not yet disclosed to the public to prevent Directors, Managements and Employees from using inside information for personal and others' benefits, and instructed all people in the organization to follow. Directors and Managements have duty to report their securities holding as prescribed by the Office of the Securities and Exchange Commission to the Board (SEC) on a regular basis.

4. The Board and Managements shall disclose information of beneficial interests and related parties for Board's consideration on the transactions that may have conflict of interest and has decision for the Company's benefits. Directors and Managements are duty-bound to report the Company of their or related parties' beneficial interests, which are related to administration and management of the Company and subsidiaries. The Company has prepared the form on reporting interests of Directors and Managements as prescribed by law. Directors and Managements have to report any change to the Company and review such report on immediate report prior making any connected transaction. Company Secretary will send copies of such report to Chairman of the Board and Chairman of Audit Committee for information. Directors and Management who have beneficial interests in any transaction will not be entitled to vote on such transaction. The Company will strictly comply with the laws, notifications and criteria of the SET and the SEC.

### **Chapter 3 Role of Stakeholders**

The Company recognized the importance of stakeholders' rights, engages in no conduct that violates the stakeholders' rights and promotes the cooperation between the Company and stakeholders concerned which will enhance ensure the Company's sustainable stability.

Stakeholders of the Company comprise of shareholders, customers, trade partners/creditors, competitors, employees, government sector, community/society, and environment.



1. The Company has developed and adopted a code of business ethics for all its Directors, Management and employees to acknowledge and strictly follow as guidelines in work performance, and imposed penalty in case of non-compliance, which has disclosed through Company's website: [www.richasiacorp.com](http://www.richasiacorp.com) in topic "Code of Business Ethics".

2. The Company has established a corporate social responsibility policy and conducted activities that represent its implementation of such policy, as well as promoted and supported its employees' participation in such implementation, which have show in item 10. "Corporate Social Responsibility" (CSR).

3. The Company has mapped out an anti-bribery and anti-corruption policy, and supported activities that promote and encourage all employees to perform in conformity to the relevant rules and laws, which has disclosed through Company's website: [www.richasiacorp.com](http://www.richasiacorp.com) in topic "Code of Business Ethics".

4. The Board has imposed whistle blowing and complaint measures in relation to possible legal offenses, accuracy of financial report, defective internal control system, or breach of code of ethics, and put in place mechanism to protect the rights of whistle blowers and complainants, such as keeping their identities in confidentiality, etc., to encourage stakeholders to join in taking care of the interests of the Company more efficiently.

Direct channel for whistle blowing or complaint filing to Audit Committee members (independent directors) of the Company are

1. By post: Send to Audit Committee members of Rich Asia Corporation Plc., No. 636 Bangkhunthian-Chaithalay Road, Thakham Subdistrict, Bangkhunthian District, Bangkok 10150

2. By email: [audit@richasiacorp.com](mailto:audit@richasiacorp.com)

#### **Chapter 4 Disclosure and Transparency**

The Board gives importance to complete, timely and transparent disclosure of important information relating to the Company, both financial and non-financial, to the shareholders and investors as well as parties concerned on an equitable and reliable basis.

1. The Company provide dissemination of news and information according to SEC and SET regulation, including other relevant information such as financial statements, operating results, annual disclosure registration (form 56-1), annual report, and other information disclosed to the public via the SET's electronics system for investors on complete, timely and equal access.

2. Besides information disclosure as per regulation via SET channel, the Company has disclosed major information relating to the Company, such as business information, list of Directors and Managements, financial report, shareholding structure, structure of group of companies, details on shareholders' meeting, form 56-1, annual report, news report to the SET, and corporate governance





policy on the Company's website. Investors may read and/or download updated information at [www.richasiacorp.com](http://www.richasiacorp.com).

3. The Board has report of the Board of Directors' responsibility for financial reports accompanied with auditor's report in the annual report to exhibit the accuracy, truthful and reasonably Company's financial reports in compliance with the accounting standards and appropriated policies on a consistency practice.

4. The Board encourage the Company to provide clarification of management discussion and analysis (MD&A) to disclosed in annual financial statements so that investors can better acknowledge information and understand changes occurring in the Company's financial position and operating results in each year which is not solely numeral data in the financial statements.

5. The Board ensures to disclose audit fee and other service fees.

6. The Board ensures to disclose of name-list, roles and responsibilities of the Board and Committees, number of meetings held, and number of meeting attendance by each director in each year, including professional knowledge and training of Board and committee members.

7. The Board ensures to disclose policy on remuneration payment Directors and top Managements, and amount of remuneration paid to top four Directors and Managements from Chairman of Executive Committee downward. The amount disclosed will also include remuneration received by each director in subsidiaries (if any).

8. The Company assigns Company Secretary to take charge of communicating with investors/shareholders as center for disseminating the Company's news and information. For more information, investors/shareholders may contact Company Secretary, telephone: 0 2453 6277 ext. 313, or email: [secretary@richasiacorp.com](mailto:secretary@richasiacorp.com).

## **Chapter 5 Responsibilities of the Board**

The Company recognized the importance of the Board of Directors' roles and responsibilities for the Company and the shareholders, whereby the Board is responsible for overall performance of duties in the best benefits of the Company and the shareholders.

### **1. Board structure**

1.1 The Board is composed of at least five members, and half of them must have domicile in the kingdom. Independent directors shall represent at least one-third of the total number of Board members and be no fewer than three.

1.2 The Board members comprise professionals with leadership, vision, knowledge, capabilities and experience in the fields beneficial to the Company, and possessing qualifications as prescribed by law and articles of association of the Company, as well as dedication of time and efforts in performing duties properly with integrity, prudence and due care for the best benefits to the Company and fairness to the shareholders.



1.3 The Board requires qualifications of independent directors to be more strictly than those prescribed by the notification of the Capital Market Supervisory Board as follows.

1) Not hold shares of the Company in excess of 0.5% of the total number of voting shares of the Company, or the Company's parent, subsidiary or associated company, or the Company's major shareholder, or the person having controlling power over the Company, while the number of shares held by any person related to the independent director must also be counted.

2) Not be and have not been a director participating in management role, an employee, an officer, an advisor who receives regular salary, or a person having controlling power over the Company, the Company's parent company, subsidiary, associated company, subsidiary at the same level, or major shareholder, or a person having controlling power over the Company, unless such independent director has not been a person referred to above for at least two years, excluding independent director who has been a government official or advisor to a government agency which is the Company's major shareholder or a person having controlling power over the Company.

3) Not be a person having relationship either through bloodline or legal registration as the father, mother, spouse, sibling and child, as well as the spouse of a child of an Management, major shareholder, a person having controlling power, or a person to be nominated as the Management or that who has controlling power over the Company or its subsidiary.

4) Have no or have had no any business relationship with the Company or its parent company, subsidiary, associated company, major shareholder, or person having controlling power over the Company, in a manner that may prevent his/her due and independent use of discretion; and also not be and have not been a shareholder in material respect or a person who has controlling power over the person with business relationship with the Company, its parent company, subsidiary, associated company, major shareholder, or a person having controlling power over the Company, unless such independent director has not been a person referred to above for at least two years.

Business relationship in the above paragraph shall cover any ordinary course of business or trade for business engagement purpose, property rent or lease, transaction relevant to asset or service, giving or receiving financial assistance in form of loan or guarantee, offering assets as collateral, and any other similar conduct, which causes the Company or its counterparty to be liable for debt settlement to another party in an amount equivalent to 3% or more of the net tangible assets of the Company or 20 million baht or more, whichever is lower. The calculation of the said debt shall accord with the calculation of a connected transaction prescribed in the Capital Market Supervisory Board's notification regarding criteria on connected transactions mutatis mutandis. However, consideration of the said debt shall include the debt incurred during the 1 year period prior to the date on which such business relationship takes place.



5) Not be and have not been an auditor of the Company, its parent company, subsidiary, associated company, major shareholder, or a person having controlling power; and not be and have not been a shareholder in material respect, a person having controlling power, a partner of an auditing firm for which the auditor of the Company, or that of its parent company, subsidiary, major shareholder, or a person with controlling power over the Company has been working, unless such independent director has not been a person referred to above for at least two years.

6) Not be and have not been a professional advisor, including legal or financial advisor, who obtains fee more than two million baht a year from the Company, its parent company, subsidiary, associated company, major shareholder, or a person having controlling power over the Company; and not be and have not been a shareholder in material respect, a person with controlling power, or a partner of such professional service provider, unless the independent director has not been a person referred to above for at least two years.

7) Not be a director who has been appointed as a representative of the Company's director, the major shareholder, or the shareholder related to the Company's major shareholder.

8) Not engage in the business of the same nature as or competing with that of the Company or its subsidiary; or not be a partner in material respect in a partnership, or director participating in management role, an employee, officer, or advisor obtaining regular salary, or a shareholder holding more than 1% of total voting shares of any other company which engages in the business of the same nature as or competing with that of the Company or its subsidiary.

9) Not have any characteristics that prevent the director from giving independent opinions on the Company's operations.

1.4 The Company has segregated responsibilities between the Board of Directors and top Managements. Chairman of the Board shall be an independent director, not being the same person as the top Management and having no relationship with the management. The Board shall take the lead and play a vital role in deciding on policies, supporting and giving suggestions on business operations, and not being involved in normal daily operation which is under the management's responsibilities. Particularly, the independent director has a significant role of giving opinions to the Company. This will help balance the power of reviewing the Company's business administration.

1.5 The Board has appointed a qualified person as Company Secretary to perform as below:

1) Arrange shareholders' meetings and Board meetings in accordance with the applicable law, articles of association of the Company, and other relevant procedures.

2) Prepare and retain directors register, invitation notice and minutes of Board meetings, invitation notice and minutes of shareholders' meetings, and annual report.

3) Maintain reports of beneficial interests of directors and Managements for submission as required by law.



4) Ensure disclosure of news and information in the part under responsibility to the relevant regulatory bodies.

5) Provide preliminary advice and recommendations pertaining to legal, regulatory and governance issues and practices to the Board.

6) Follow up activity and support performance of duties of the Board and the Company to conform to the applicable law, the Board resolutions, the resolutions of the shareholders' meetings, and relevant rules and regulations.

## 2. Term of directorship

2.1 At every annual general meeting of shareholders, at least one-third of the directors shall retire by rotation. If the number of directors is not a multiple of three, the number of directors closest to one-third shall vacate. The director to vacate in the first year and the second year after the Company's establishment registration shall be determined by drawing lots, and in the years afterward, the director who has held office longest shall vacate. A retiring director is eligible for re-election.

The Company has not stipulated the number of term of directorship each director is entitled to, viewing that its directors knowledgeable and competent, having set policies and given advice on solutions of problems in the business operations at the standards expected by the Company. Therefore, to ensure consistency in the business management and for the benefits of the Company, election of qualified persons to assume directorship is the right of the shareholders to decide on the persons to perform duties on their behalf in formulating policies and overseeing the Company owned by the shareholders.

Besides retiring by rotation, a director shall vacate in any of the following cases:

- (1) death
- (2) resign
- (3) disqualified or prohibited as prescribed by public company law
- (4) resolution of the shareholders' meeting
- (5) the court's order

2.2 Any vacancy among Board members occurring otherwise than by rotation, the Board may elect any person having qualifications and not prohibited as prescribed by the public company law as director to fill the vacancy at the next meeting, unless the remaining duration of the director's term of office is less than two months. Any person who be appointed on substitution shall retain the remaining term of the vacating director.

2.3 Each director may hold directorship not more than five listed companies.

2.4 Directorship of Chairman of the Executive Committee and top Managements of the Company in other companies shall be subject to approval by the Board.



### 3. Roles, duties and responsibilities of the Board

3.1 Perform duty in conformity to the law, and the objectives and articles of association of the Company, as well as the resolutions of the general shareholders' meetings; and have the power to perform as specified in the memorandum of association or those related thereto. The Board may assign any one or several persons to perform on the Board's behalf. By such assignment, the assignee shall have no power to approve the transaction in which he/she or a person that may have conflict ("person that may have conflict" shall be defined as prescribed in the notification of the SEC) has beneficial interests or may have conflict of interest in any other nature with the Company or subsidiary.

3.2 Oversee and determine the Company's significant policies regarding principles in business operations, finance, fund raising, capital management, and risk management.

3.3 Consider investment matters, by approving budgets for investment projects of the Company, and monitoring the implementation of such projects in line with the plans set out.

3.4 Oversee the Company's business operation to make sure it meets or exceeds the targets set forth, and lay down solution guidelines to cope with any problems and obstacles in order to meet or exceed the targets set forth.

3.5 Ensure the Company prepares reports on general and financial information to be submitted to the shareholders and stakeholders or investors in general in an accurate and timely manner and as prescribed by the law.

3.6 Acknowledge significant audit reports of Audit Committee or Internal Audit Department as well as the external auditor and advisors of the Company, and have the duty to establish guidelines for improvement or remedy in case of finding any material deficiencies.

3.7 Review and opine on adequacy and appropriateness of the Company's internal control and risk management systems.

3.8 Put in place a succession plan for human resource management.

3.9 Appoint Audit Committee members and endorse scope of power, duties and responsibilities of Audit Committee

3.10 Appoint Executive Committee and endorse scope of power, duties and responsibilities of Executive Committee.

3.11 Consider matters with conflict of interests with prudence, with clear guidelines and in the best interests of the Company and the shareholders as a whole, as well as ensuring persons with beneficial interests not participating in the decision making process; and monitor to ensure performance conforms to the criteria and procedure in place and disclosure of such transactions is accurate and complete.

3.12 Establish written corporate governance policy and ensure review of the policy and the implementation of which is carried out at least once a year.



3.13 Draw up written code of business ethics for all Directors, Managements and employees to understand the business framework and work procedure and practice; and ensure review of the code and the implementation of which is carried out at least once a year as well as there is strict compliance with which regularly.

3.14 Institute an internal audit work unit to take charge of examining the internal control system and significant transactions on a regular basis, to make sure the system is efficient which will enhance reliability of the Company's financial statements. Audit Committee shall be tasked with supervising the internal audit work unit, covering operation, compliance, dealing with irregularities, and appropriate risk management for the maximum benefits of the Company.

3.15 Make available whistle blowing channel to Audit Committee members via the Company's website.

3.16 Put in place a governance mechanism on subsidiaries to protect the Company's investment benefits, thereby the Company will consider candidates qualified for charging on the boards of subsidiaries to control subsidiaries' operations in line with the Company's policy and to ensure their transactions are carried out with adherence to the law, and the SET and the SEC criteria.

#### **4. Nomination and appointment Directors and top Management**

Currently, the Company has not yet appointed the Nomination Committee to take charge of its director and top Management nomination process. However, the Board has considered qualified persons using the nomination criteria and method in place based on the qualification criteria pursuant to Section 68 of the Public Limited Companies Act, B.E. 2535 (1992) and other relevant laws, and focusing on persons with capabilities, knowledge, competence, experience and expertise from diverse fields.

#### **5. Board meeting**

5.1 Meeting schedule for each year is planned and sent to each director in advance.

5.2 Board meeting is held at least four times a year.

5.3 Chairman of the Board and Chairman of the Executive Committee will jointly consider issues to be put on the agenda, and also allow directors to propose issues considered beneficial to the Company for the agenda.

5.4 Invitation notice and meeting documents are sent to all directors at least five business days in advance so that directors will have enough time to consider and study the details, except in urgent case where the document may have to be sent less than five business days in advance.

5.5 Each director should attend the meeting at least 75% of the total number of meetings held in each year.

5.6 Chairman of the Board will allocate adequate time for the management to present information and discuss major problems, and promote prudent exercise of discretion and adherence to good corporate governance.



5.7 The Board encourages top Managements to attend the meeting to give additional details of the issues under consideration as they are related directly to such issues.

5.8 The Board can acquire additional information as required from the management and company secretary, and if necessary, the Board may seek independent opinions from external advisors or professionals at the Company's expense.

#### **6. Assessment of Board's performance**

The Board has laid down criteria and made available assessment of the whole Board's performance once a year using the assessment form according to the SET guidelines and adjusted to be appropriate for the Company. The assessment form covers six topics, i.e. Board structure and qualifications; roles, duties and responsibilities of the Board; Board meeting; Board's performance of duties; relationship with the management; and Board's self-development and development of Managements. The assessment is not on an individual basis. It aims to allow all Board members to jointly consider and review their performance, problems and obstacles facing throughout the past year, in order to work out improvement and rectification. Result of the assessment will be concluded by the management and proposed for the Board's information. In 2016, the assessment of Board's performance is 98.67%.

#### **7. Director remuneration**

In 2016, the Company has not yet appointed the Remuneration Committee to consider and determine director remuneration (Currently, the Company has appointed the Nomination and Remuneration Committee on November 11, 2016). However, the Board has considered and determined director remuneration based on the Company's operating result, level of responsibility assigned, and comparison with that of other companies of the same or similar type and size of business, before submission to the annual general meeting of shareholders for consideration and approval.

Director remuneration is composed of meeting allowance and performance bonus, payable at 10% of dividend, but not exceeding 7 million baht.

Committee members whose assigned duties are additional duties from normal Board duties, i.e. Audit Committee members, are entitled to receive meeting allowance.

Managements receive remuneration in form of monthly salaries and annual bonus, mainly performance-based.

The Company's annual payment of remuneration for Board and committee members and Managements shall not be too high when compared with average remuneration of listed companies on the SET and with maximum benefits of the Company taken into account.

The details of Director and Management remuneration have shown in item 8. Management Structure.



## 8. Development of directors and Managements

8.1 The Board encourages and supports training and provision of knowledge to Board members, Audit Committee members, and company secretary to ensure consistent improvement of their performance.

8.2 When a new director is appointed, the management or the persons assigned will prepare and make available documents and information beneficial to performance of duty of the new director, including introduction of the Company's nature of business and business direction to the new director.

8.3 The Board ensures the Company has drawn up a Management development and succession plan to cope with the situation when any of the top Managements cannot perform duty.

## 9. Committees

The Board has set up the Committee to assist in monitoring and scrutinizing significant issues. Currently, there are 4 committees consisting of Audit Committee, Executive Committee, Nomination and Remuneration Committee, and Risk Management Committee.

### 9.1 Audit Committee

Audit Committee is composed of at least three independent directors, with the term of office 3 years, who are not directors assigned by the Board to decide on the business operations of the Company, the Company's parent company, subsidiary, associated company, subsidiary at the same level, or major shareholder, or a person having controlling power over the Company, and not directors of the parent company, subsidiary, or subsidiary at the same level that is a listed company, and appointment of whom shall be made by the Board. At least one of the appointed Audit Committee members shall have adequate knowledge and experience in reviewing the reliability of the financial statements. Duties and responsibilities shall be as assigned by the Board and meeting shall be held at least quarterly.

Currently, Audit Committee consists of 3 members, all of whom are Independent Directors.

In 2016, Audit Committee's named and attending meeting as follow:

Name	Position	Attending Meeting / Total Meeting (Times)
1. Mr. Surapong Churangsarit	Chairman of Audit Committee	3/4
2. Asst.Prof.Dr. Nakhun Thoraneenitiyan	Audit Committee	4/4
3. Pol.Lt.Gen. Mongkol Kamolbutra	Audit Committee	4/4

Members of the Audit Committee No.1 and 2 have sufficient knowledge and experience to review the reliability of financial statements.





**Scope of power, duties and responsibilities of Audit Committee**

- 1) Review the Company's financial statements to ensure accuracy and adequacy.
- 2) Review and ensure that the Company has suitable and efficient internal control system and internal audit system, and review to ascertain that internal audit function is independent, as well as concur appointment, transfer or removal of head and/or officers of internal audit work unit or any other unit with task related to internal audit.
- 3) Review to ensure compliance with the laws on securities and exchange, the SET regulations, and other applicable laws relevant to the Company's business.
- 4) Select, nominate and recommend appointment of a person with independence as the Company's external auditor and fixing of the audit fee, as well as attend the meeting with the external auditor without participation by the management at least once a year.
- 5) Review connected transactions or transactions that may lead to conflict of interest to ensure transactions are conducted in compliance with the law and regulations of the SET and that transactions are entered with reasonableness for the maximum benefits to the Company.
- 6) Prepare Audit Committee report, signed by the Audit Committee Chairman, and disclose it in the annual report of the Company, containing at least the following information:
  - (a) Opinion on the accuracy, completeness and integrity of the Company's financial statements.
  - (b) Opinion on the adequacy of the Company's internal controls.
  - (c) Opinion on compliance with the laws on securities and exchange, the SET regulations, and other applicable laws relevant to the Company's business.
  - (d) Opinion on suitability of the Company's external auditor.
  - (e) Opinion on transactions that may lead to conflict of interest.
  - (f) Number of meeting held during the year and number of each member's attendance.
  - (g) Overall opinion and remark from performance of duties according to the charter.
  - (h) Other information, within the scope of the roles and responsibilities assigned by the Board, which is deemed necessary for the shareholders and general investors.
- 7) Other functions as assigned by the Board and with the consent of the Audit Committee.

**9.2 Executive Committee**

Executive Committee is prescribed by the Board to be composed of at least three members, but not exceeding five members, selection of whom is made from among Board members or employees or persons with knowledge and competence and not being members of Audit Committee. Duties and responsibilities shall be to supervise the Company's business operations as assigned by the Board and with reporting directly made to the Board.



Currently, Executive Committees consist of 3 members as follow:

- |                   |                |                         |
|-------------------|----------------|-------------------------|
| 1. Miss Angkakarn | Tantiviroon    | Chief Executive Officer |
| 2. Mr. Somkiat    | Vongsarojana   | Executive Committee     |
| 3. Mr. Teera      | Phoncharoensuk | Executive Committee     |

**Scope of power, duties and responsibilities of Executive Committee**

1) Have power to decide on the Company's significant operational issues by determining scope, type or size of the business, objectives, business framework and policy within the scope of power delegated, and supervising and monitoring the overall business operations, productivity, and relationship with customers, as well as having accountability for the Board.

2) Consider and approve the Company's procurement and investments for business expansion, including acquisition of fixed assets, for submission to the Board for approval in case such procurement and investments for business expansion, including acquisition of fixed assets, are beyond the scope of power and duties assigned by the Board.

3) Have power to decide on procurement and selling of raw materials in the production and/or the products and/or the component parts of the products, which is in the normal course of business operations, at the weight of not exceeding 30,000 tons per transaction.

4) Have power to approve expenses in the normal course of business operations.

5) Have power to conduct and express oneself as representative of the Company to external parties in the business related to and beneficial to the Company.

6) Consider the Company's fund raising activity for submission to the Board meeting.

7) Approve appointment of advisors in various fields as necessary to the business operations.

8) Conduct activity in relation to general business administration of the Company.

9) Consider and approve action plans of all departments, and requests submitted by them on the issues beyond their scope of authority.

For the purpose, the Executive Committee may authorize each Executive Committee, if any, to conduct any activities within the specified scope of work, duties and responsibilities of the Executive Committee. Therefore, the authorized persons have no authority to approve any transaction which himself or any person who will be beneficiary or conflict of interest to the company or subsidiaries. All this matter must pass the approval of the Board of Director's meeting and/or the shareholder's meeting. Except the matter that is a normal company's business or the matter that already approved to ensure compliance with the securities and exchange law, regulations of the Exchange or laws. (Definition of "The person who may has conflict" means according to the announcement of Securities and Exchange Commission)



#### Establishment of Authority Approval

Executive Committee has authority to approve purchasing and procedure under the scope as specified in Regulations of Executive Committee's Authority which details as following.

1. Executive Committee has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 1,200 million baht per transaction, and can approve to purchase and sell assets including normal business transaction i.e. operating expense and selling and administration expense not over 50 million baht per transaction. In case of beyond authorized limit, must propose to Board of Directors for approval.
2. Chief Executive Officer has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 200 million baht per transaction, and can approve to purchase and sell assets including normal business transaction i.e. operating expense and selling and administration expense not over 20 million baht per transaction. In case of beyond authorized limit, must propose to the Executive Committee for approval.
3. Managing Director has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction within approval limit by Board of Directors, and can approve to purchase and sell assets including normal business transaction i.e. operating expense and selling and administration expense not over 0.5 million baht per transaction. In case of beyond authorized limit, must propose to Chief Executive Officer for approval.

#### **Authorities and responsibilities of Chief Executive Officer**

- 1) Oversee all managerial matters.
- 2) Ensure that all company plans and managements reach the company's policy and the approved budget and/or the company's Executive committee.
- 3) Have authority and delegate to representative approve to purchase and employ for company's benefit. Such approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 200 million baht per transaction and can approve to purchase and sell assets include expenses which is normal business transaction i.e. operating expense, selling and administration expense not over 20 million baht per transaction. In case of beyond the budget or authorized limit, must propose to the Executive Committee for approval.
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.
- 5) Empower to act as the company representative with other person for any transaction which is benefit to the company.
- 6) Assign and approve all counselors for the company.



- 7) Be the authorized person who is charge in manage the company to reach their objective, policy, rules and regulation, and also meet the Board of Director's minute of meeting.

However, this authorization of Director/Chief Executive Officer or other authorized person, are excluded the approval of the matter that will be conflict of interest to the company or subsidiary. All this matter must pass the approval of the Board of Director's meeting and/or the shareholder's meeting. Except the matter that is a normal company's business or the matter that already approved to ensure compliance with the securities and exchange law, regulations of the exchange or laws.

**Authorities and responsibilities of Managing Director**

- 1) Oversee all managerial matters.
- 2) Ensure that all company plans and managements reach the company's policy and the approved budget and/or the company's Executive committee.
- 3) Have authority and delegate to representative approve to purchase and employ for company's benefit. It is approval to purchase and sell raw material and/or finished goods and/or which is normal business transaction within approval limit by Board of Directors and can approve to purchase and sell assets include expenses which is normal business transaction i.e. operating expense and selling and administration expense not over 0.5 million baht per transaction. In case of beyond the budget or authorized limit, must propose to the Chief Executive Officer for approval.
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.
- 5) Empower to act as the company representative with other person for any transaction which is benefit to the company.
- 6) Assign and approve all counselors for the company.
- 7) Be the authorized person who is charge in manage the company to reach their objective, policy, rules and regulation, and also meet the Board of Director's minute of meeting.

However, this authorization of Managing Director or other authorized person, are excluded the approval of the matter that will be conflict of interest to the company or subsidiary. All this matter must pass the approval of the Board of Director's meeting and/or the shareholder's meeting. Except the matter that is a normal company's business or the matter that already approved to ensure compliance with the securities and exchange law, regulations of the exchange or laws.



### 9.3 Nomination and Remuneration Committee

Nomination and Remuneration Committee consists of at least three directors, and 1 of the 3 members must be an independent director with duration term of 3 years, whereby the director of The Nomination and Remuneration Committee who has vacated their term may be reappointed by the Company's Board of Directors. The Nomination and Remuneration Committee is directly responsible to the Board of Directors for their duties and responsibilities and shall hold meetings at least once per year.

Currently, Nomination and Remuneration Committee consist of 3 members as follow:

Name	Position
1. Dr. Rittirong Intarajinda	Chairman of Nomination and Remuneration Committee
2. Mr. Surapong Churangsarit	Nomination and Remuneration Committee
3. Miss Angkakarnt Tantiviroon	Nomination and Remuneration Committee

Remark: Appointed by Board of Directors' meeting no. 7/2016 held on November 11, 2016.

#### Scope of power, duties and responsibilities of Nomination and Remuneration Committee

##### 1. Recruitment

- 1.1 Consider the suitability of the structure and composition of the company's Board of Directors
- 1.2 Defining the suitable characteristics of the Directors, Managing Directors, and Chief Executive Officer, as well as the methods for recruitment to fill the position of Director, Managing Director, and Chief Executive Officer. In addition to a review of the qualifications of the Directors, Managing Directors, and Chief Executive Officer and evaluate performance of Director, Managing Director, and Chief Executive Officer whose term has been due.
- 1.3 Determine the methods and procedures for the preparation of suitable personnel to serve as Directors, Managing Directors, and Chairman

##### 2. Remuneration

- 2.1 To set a fair and reasonable remuneration policy for Directors, Chief Executive Officer, Managing Directors and other Committees who have been appointed by the Company's Board of Directors.
- 2.2 Determine the remuneration, reward, meeting allowance, bonuses and other benefits for the Board of Directors and other Committees who have been appointed by the Board of Directors and submit to the Board of Directors for approval consideration by shareholders' meeting.



- 2.3 Performance evaluation, as well as consideration for remuneration and other benefits for Chief Executive Officer.
- 2.4 The Board of Directors may also assign the Remuneration Committee to deal with matters relating to the remuneration and other benefits of senior executives, in order to achieve the objectives of the company on the following matters:
- 1) To define and implement policies, including Human Resources plans for top executives to be in accordance with the company's business goals.
  - 2) To ensure that the remuneration and benefits for top executives are competitive level compared to other business in the same industry.
  - 3) To maintain qualified top executives with the company

#### 9.4 Risk Management Committee

The Risk Management Committee consists of at least 3 members, whereby at least 1 of 3 must be an expert in Finance, Accounting, or Risk Management. The Risk Management Committee may not be a director of the Company. Duration term of is 3 years, and being in accordance with the term of Directorship (In the event that the member of The Risk Management Committee is also a member of the Board of Directors). Risk Management Committee who has vacated their term may be reappointed as a member of the Risk Management Committee. The meeting must be held at least once quarterly.

Currently, Risk Management Committees consist of 3 members as follow:

Name	Position
1. Asst.Prof.Dr. Nakhun Thoraneenitiyan	Chairman of Risk Management Committee
2. Pol.Lt.Gen. Mongkol Kamolbutra	Risk Management Committee
3. Mr. Somkiat Vongsarojana	Risk Management Committee

Remark: Appointed by Board of Directors' meeting no. 7/2016 held on November 11, 2016.

#### Scope of power, duties and responsibilities of Risk Management Committee

1. Reviewing Risk that the company is currently experiencing or anticipate future risks that may have affects to the Company, as well as define policies and comments on risk management both outside and within the organization, to include the following 4 items.
  - 1) Financial Risk
  - 2) Operational Risk
  - 3) Strategic Risk
  - 4) Compliance Risk
2. Determine the strategies, structures, and resources for risk management to be in accordance with risk management policies and business' strategies and directions.



3. Set limits or types of risk-based activities, in which would be a criteria to perform according to each type of risk, situation to be proposed for Board of Directors' approval.
4. Monitor and review policies, strategies, and practices to ensure that the risk management strategy is properly implemented.
5. Has authority to appoint a working group to assess and monitor risk throughout the organization.
6. Perform any other duties as assigned by the Board of Directors.

#### **Overseeing the operations of its subsidiaries**

The Board of Directors has oversight mechanisms that enable to manage and responsible for the subsidiaries' operations in order to maintain interest in the company's investment by nominated Directors and Managements to be directors in Subsidiaries and such nomination has been approved by the Board of Directors.

In addition, the Directors and Managements who have been appointed by the subsidiaries must monitor its subsidiaries to have regulations regarding the related transaction, the acquisition or disposition of assets, or any other major transaction of subsidiaries to be complete and correct and apply the rules relating to the disclosure and the above transaction in the same manner as the Company's criteria including monitoring the information storage and accounting system of the subsidiaries that can be audited and gathered for consolidation the financial statements in due time.

#### **Use of inside information policy**

The Company has instituted a policy on securities trading and use of inside information not yet disclosed to the public for personal or others' benefits and pass consent from Board of Directors as follows.

1. The Company has informed the Board members and the management of their duties to report their securities holding in the Company and that by spouse and underage children, to the Office of the Securities and Exchange Commission pursuant to Section 59 and penal provision pursuant to Section 275 of the Securities and Exchange Act, B.E. 2535 (1992), including the change in their securities holding in the Company and that by spouse and underage children, and to send a copy of the report to the Company on the same day as that of sending the report to the Office of the Securities and Exchange Commission.

2. The Board members, the management, and the employees are forbidden from using inside information not yet disclosed to the public and that of material respect in the way that may impact the Company's securities price for his/her own benefit; and from trading securities of the Company in the period of one month before the Company's financial statement or such inside information is disclosed to the public; as well as from disclosing material information to other persons.



The Company has imposed disciplinary penalty on the person seeking gains from using or disclosing inside information that may cause damage to the Company by penalizing that person as reasonable for the case, including verbal warning, written warning, probation, and termination of employment by way of dismissal, removal, or discharging, as the case may be.



**Corporate Social Responsibility : CSR****1. Overall Policy**

The Company and Subsidiaries have policies to process the corporate social responsibility (CSR) projects continually and efficiency for corporate social responsibility management and corporate social responsibility monitoring by focus on CSR in process that concerned to the stability of economics, social, and environment under social responsibility which benefits to organization development and strengthen the business operation to grow stability.

**2. Guidelines of operate in Corporate Social Responsibility**

The Company operates under the governance and ethical principles coupled with attentive care, environment and society, regardless to stakeholders involving both internal and external organization. In order to, contribute sustainable business development. Currently, the Company has implemented CSR, as follows:

**Fair Business Operation**

The Company Carries on its business in line with fair and equitable trading framework under business laws and ethics; adheres to the work guidelines in the honest, virtual, transparent, and examinable manner. The Company recognized the importance of stakeholders' rights, engages in no conduct that violates the stakeholders' rights and promotes the cooperation between the Company and stakeholders concerned which will enhance ensure the Company's sustainable stability. Stakeholders of the Company comprise shareholders, customers, trade partners/creditors, competitors, employees, the government sector, the community/society and the environment, by having process and guidelines for creating the participation, as follows:

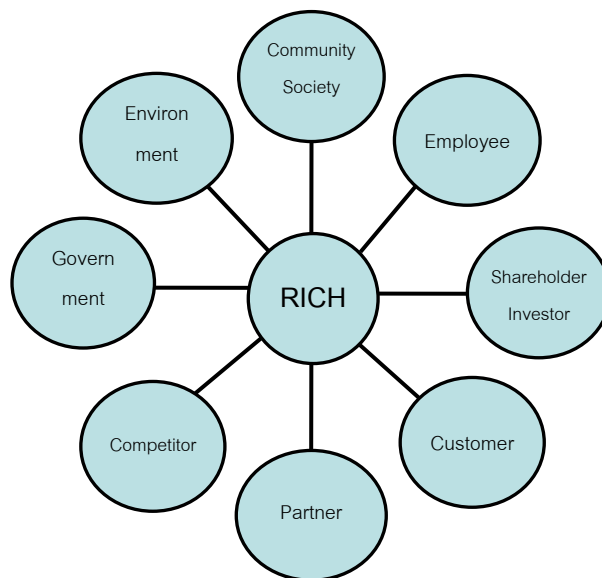
Stakeholders	Participation Channel	Anticipation	Guidelines
Community / Society	- Participate with community in accordance with the activities	- Operate with will not affect to life quality of community, environment and society - Support activities of community	- Conduct project for community, support occupation, education, etc. when have a chance
Employee	- Activities of the Company	- Good remuneration - Good career, be developed knowledge and ability to comply with	- Pay proper remuneration and welfare - Encourage with the progress according to knowledge and capability of employee



Stakeholders	Participation Channel	Anticipation	Guidelines
		<ul style="list-style-type: none"> <li>career progress</li> <li>- Good quality of working life</li> </ul>	<ul style="list-style-type: none"> <li>- Provide an opportunity for employee to participate in management of quality of working life such as Occupational Health and Safety Committee</li> </ul>
Shareholder / Investor	<ul style="list-style-type: none"> <li>- Annual General Meeting</li> <li>- Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>- Good Corporate Governance</li> <li>- Sufficient information disclosure for investment decision</li> <li>- Good return on investment</li> </ul>	<ul style="list-style-type: none"> <li>- Treat shareholder according to Code of Business Ethics with adherence to fair and equitable treatment of shareholders as specified by the Stock Exchange of Thailand (SET) and Securities Exchange and Commission (SEC)</li> </ul>
Customer	<ul style="list-style-type: none"> <li>- Communicate via electronic media and telephone</li> <li>- Meeting with customer on various occasions</li> </ul>	<ul style="list-style-type: none"> <li>- Quality product, delivery on time, with proper price</li> <li>- Supplying products to a wide range and intact (One-Stop-Service)</li> </ul>	<ul style="list-style-type: none"> <li>- Deliver safely quality products with fair prices that can timely and consistently meet demand of customers and are of the standard proper for application by customers.</li> <li>- Customer service center on the Company's website.</li> </ul>
Partner	<ul style="list-style-type: none"> <li>- Meeting with partner</li> <li>- Communicate via electronic media and telephone</li> </ul>	<ul style="list-style-type: none"> <li>- Fair and transparency selection</li> <li>- Acceptable payment term</li> </ul>	<ul style="list-style-type: none"> <li>- treat partners equitably and fairly, giving truth and timely information, and strictly performing the contractual obligations in relation for maintain good relationship</li> </ul>
Competitor	<ul style="list-style-type: none"> <li>- Operating for business</li> </ul>	<ul style="list-style-type: none"> <li>- Perform under the rules of fair competition</li> </ul>	<ul style="list-style-type: none"> <li>- Encourage free and fair competition policy</li> <li>- Not unethically or inappropriately seek its partner's confidential information such as bribing the</li> </ul>



Stakeholders	Participation Channel	Anticipation	Guidelines
			<p>directors and staffs of its competitors, etc.</p> <ul style="list-style-type: none"> <li>- Not destroy competitor's reputation by negative accusing</li> </ul>
Government	<ul style="list-style-type: none"> <li>- Submit report to government</li> <li>- Participate in activity and project of government</li> </ul>	<ul style="list-style-type: none"> <li>- Perform under related laws</li> </ul>	<ul style="list-style-type: none"> <li>- Legal compliance and strictly reporting result</li> <li>- Pay taxes and other expenses according to regulations as specified by government</li> </ul>
Environment	<ul style="list-style-type: none"> <li>- Participate in the environmental activities of the relevant authorities</li> </ul>	<ul style="list-style-type: none"> <li>- Practice and realize to resource and environmental sustainability</li> </ul>	<ul style="list-style-type: none"> <li>- Develop and seek for knowledge necessary for management and prevention of pollution</li> <li>- Realize the significance of sustainable resource consumption</li> <li>- Promote activities aimed at reducing and improving global warming crisis</li> </ul>



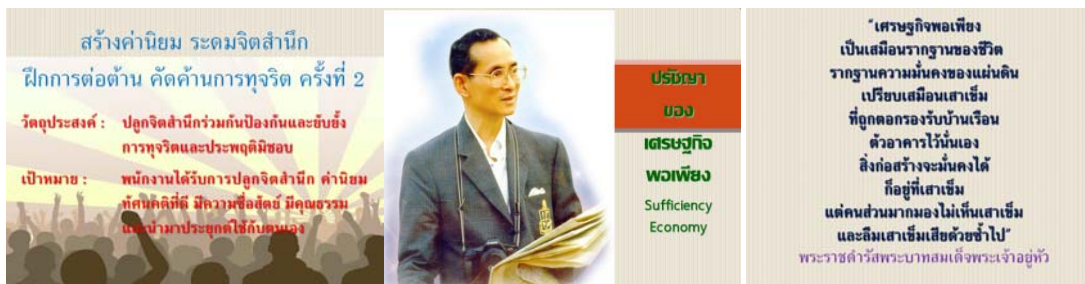
### Anti-Corruption

The Company gives importance to an anti-bribery and anti-corruption, and supported activities that promote and encourage all employees to perform in conformity to the relevant rules and laws, with the following guidelines:

1. Employee, his/her family members, and friends have no direct or hidden beneficial interests with the Company, such as any conduct to sell goods and services to the Company or in competition with the Company.
2. Refrain from being entertained by parties with business relations with the Company or by others who may benefit from employee's performance of duty or performing duty in the Company's name.
3. Demand or obtain no wrongful gains, either directly or indirectly, or any other gains in return for acquisition of business benefits; and make no use of gains from bribe or fraud in business operations.
4. In case where giving or receiving gifts or is in a manner of festive or customary practice, such gifts or other benefit should not be in a too high value, be illegal, impact decision in performing duty, and cause the Company to lose any business gains.

#### Training of Creating the values, raising awareness, practicing against and Anti-Corruption

The Company is educating employees by providing training to raise awareness the values of life by follow up initiative of His Majesty King Bhumibol Adulyadej - the King's Sufficiency Economy. Encouraging employees to creating the values which sufficiently way in life and prevent misconduct by observing their responsibly works; what is risk behavior that may entail the scope of corruption in the organization. Thus, this is concept of training name's "Creating the values, raising awareness, practicing against and Anti-Corruption."



In addition to the awareness training for the whole staff, The Company recognizes the importance of cultivating honesty in new employees from the first day of operation. The Company provides content related to creating good attitudes and work ethic, included in the new employee orientation guide by training before commencing work with the Company.

The Company has indicated Policy of anti-corruption in Code of Ethics in Business which has been approved by the Board of Directors and announced to the Directors, Management and Employees to aware of and adhere to the guidelines in their operation. The audit committee and the auditors have also reviewed the adequacy of internal control systems. The Company provides the channel for reporting



if anyone notice the inappropriate behavior, fraud, non-compliance with laws or regulations issued by government agencies which has been posted on the Company's website: "[www.richasiacorp.com](http://www.richasiacorp.com)" under the topic of "business ethics" and the Board of Directors has determined to review the appropriateness of policy annually. The Board of Directors' Meeting No. 7/2016 held on November 11, 2015 has reviewed the policy and approved to continue using the existing policy.

#### **Respect of Human Rights**

The Company gives importance to respect for and adherence to relevant laws, rules, and regulations, with the following practice put in place:

1. Comply with laws, rules and regulations, and observe customary practice relevant to its business.
2. Comply with regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.
3. Comply with good corporate governance principles as prescribed by the Stock Exchange of Thailand.
4. Give no support to any conduct in breach of the laws and regulatory criteria.
5. Treat all persons without discrimination on the grounds of race, religion, gender, or status.

#### Exercise of social and political rights:

Employee has rights and freedom to participate in any social activity, with avoidance of any impropriety that violates the law or morality, or causes social disorder, and with maintaining of individual honor and dignity, as appropriate for the status in the society and community where the Company is situated, with the following guidelines to be observed:

1. Not engage in any conduct that may lead to understanding that the Company takes part in or gives support to any particular political party.
2. Not engage in any conduct that may cause or lead to disunity among employees or with the community where the Company is situated.

#### **Labor Treatment with Fairness**

The Company recognizes the employees as a vital resource that will support and push for its achievement of targets. The Company thus has a policy to take care of the employees to ensure good quality of life, fair employment conditions, appropriate welfare, and career development opportunities. The following practice guidelines are in place:

1. Determine remuneration for employees of all levels at fair and appropriate rates, mainly giving importance to welfare, security, and advancement in career path of employees.
2. Make available tools and equipment, and prepare operational control and training procedure with due regard for security in life and property of employees.



3. Adhere strictly to laws, bylaws, and provisions in relation to employees, and aim to adopt international management standards in case of no laws, bylaws, and provisions applicable at present.

4. Appoint and rotate, as well as give reward and impose penalty to employees, in a fair and sincere way, and on the basis of their knowledge, competence and appropriateness.

5. Support, promote, and give importance to development of knowledge, competence and skills of employees, with opportunities opened for all levels organization-wide and on a regular basis.

6. Make available provident fund for employees to apply as members from which employees are guaranteed to receive welfare remuneration upon their termination of employment for whatever reason unless the termination results from conduct causing damage to the Company.

7. Allow employees who face work problems, whether regarding work conditions, employment conditions or work command, and cannot work out solutions by themselves, to file complaints through the channel, system and procedure in place.

8. Be open for comments and suggestions from employees of all levels fairly and equitably.

#### Training and Development in 2016

To increase staff's general knowledge, the Company has set up in-house training and development according to the following:

1. Safety awareness in the workplace
2. The New Social Securities Act
3. Basic Computer Troubleshooting 2
4. Work attitude Communication and Coordination
5. Rich Company Motto: The 9 Rules (Activities)
6. CSR Activities for Sustainable Social Development
7. Strengthen skills and income through Artificial Floral Crafting 2
8. Fire protection and Fire Escape Practice
9. The light of Dharma in the workplace and family

Furthermore, in 2016, the Company has consistently supported long-term weekly programs to enhance skills in learning, meditation, and intelligence for the second year consecutively. The programs are led by knowledgeable, skilful experts within the Company. The 2 programs are "English for Business" and "Meditation: Discussions and Exchanging of Knowledge". The aforementioned programs are long term staff development programs, in which the skills attained from the program can be adopted and utilised for staff's sustainable work efficiency.

Moreover, the Company also encourages staff to gain training knowledge outside of the office according to each department's roles in order to adapt the skills gained to enhance the quality and capability of employees in their roles. Whereby, the outside training programs include:

1. Shareholders Meeting in accordance with good corporate governance



2. Success factors in purchasing and supply chain management.
3. International Steel Trade Session
4. Pathways to Excellence in Purchasing and Supply Chain Management in the Industrial Age 4.0
5. Financing for Sustainable Business Value With Capital Market Instruments
6. Basic Finance for IR
7. Corruption in the organization; the dangers that can be controlled and prevented
8. Principles of Good Corporate Governance
9. 38 adjusted transaction, in accordance with financial reporting standards that requires special attention.
10. Dealing with Withholding Tax; the most common mistakes made
11. Electronic transaction documents with income tax
12. Experiencing real life through social media.
13. Set up stock card that is efficient for work
14. Tfrs for SMEs; the changes that affect every business
15. Preparation of 2016 Financial Statements, to submit Financial Statements in year 2017.

#### Occupational Health and Safety

1. All work units concerned in the organization shall perform in compliance with the laws and regulations in relation to occupational safety, sanitation and environment in a concrete manner.
2. In case of witnessing any damage risk or incident in the factory or office premises, whether such incident is caused by employees, machines, or any other factors, including any accidental incident, and whether there are any casualties from which or not, it shall be the duty of the witnessing employee to immediately report to the supervisor, or safety committee members, or any party concerned.
3. Work systems in place give importance to workplace safety and sanitation, i.e. work stations are kept clean and in sanitary conditions in line with the 5S principles, to ensure employees and visitors are safe from accidents and diseases at the workplace and the surrounding areas.
4. Executives and employees pay serious attention to activities in promotion of occupational safety, sanitation and environment, by performing duties with safety consciousness and awareness of environmental protection on a consistent basis.

#### Fire prevention and protection in the workplace

The Company has set up a fire prevention and protection program (fire crisis management plan manual), which is in line with the announcement from the Ministry of Interior on “fire prevention and protection in the workplace, for work safety of employees”. This is so employees can use as guideline in case of a fire crisis. The program invited lecturers and speakers accepted or approved by the government to educate and train no less than 40% of employees in basic fire



protection and prevention. This program is conducted annually, by which in 2016 the program was set and carried out on December 8, 2016.



### 5S objects

The Company's' employee have joined CSR activity under 5S objects which are SEIRI, SEITON, SEISO, SEIKETSU and SHITSUKE in order to manage and improve office and factory work place for convenience, tidiness and cleanness that can create a good environment and conducive to good performance, safety and work quality as a basis for increase productivity. Whereby, in 2016 the Company has continuously upheld the 5S guidelines, until it has become engrained into each employee's daily routine, according to the fifth S - SHITSUKE. To further spread the awareness, gain cooperation, and promote the disciplines in a clear and substantial manner. Rewards have been given towards the department that best follows the 5S objects practices with the best intentions and most sustainable discipline.



### **Consumer Responsibility**

The Company focuses to satisfy customer, therefore, the Company has set up policy on customer treatment as follows:

1. Deliver safely quality products with fair prices that can timely and consistently meet demand of customers and are of the standard proper for application by customers.
2. Make no distortion, cheating, nor misleading of the details on the products, and conduct survey of customers' satisfaction for use to improve service and develop products on a regular basis.
3. Give importance to and maintain confidential information of customers and use no information of customers for personal and others' benefits.
4. Set up a complaint dealing center where customers can complain about the products and service.



## Operation

### License TIS . 24-2548 steel bars for concrete reinforcement : deformed bar.

Steel Bars for concrete reinforcement (deformed bars) of the Company is a product that has passed the standard the requirements of the Thai Industrial Standards Institutes (TISI) i.e. passes all technical requirements, including effectiveness of usage, quality of raw materials to produce, and the testing methods according to the TISI standards. The result has been achieved standard of TIS. 24-2548 steel bars for concrete reinforcement: deformed bar No. T 2585-1218/24 on October 26, 2015 which can ensure the quality of the Company's product and the safety of the consumers, as well as fairness of consumption of our products.



## **Participation in Community and Social Development**

The Company projects to develop the community and society, with the following practice put in place:

1. The Company assists in developing personnel in various occupations to accommodate shortage of labor force and promotes occupational skills and potential as well as knowledge for people in the community and society, by employing qualified staff whom reside nearby the office, in order to support and generate income within the nearby community.
2. Personnel of all levels are responsible for and committed to taking care of the community nearby and stakeholders as a whole, with CSR training courses arranged for them by the Company.
3. The Company organizes activities that foster the nearby community and society to promote better quality of life.
4. The Company responds quickly and efficiently to incidents that may affect the community and society as a result of its business operations with full cooperation given to relevant government authorities and agencies.
5. The Company participates in religious activities by offering necessities and making donation to temples in nearby community and other areas in such occasions as Buddhist Lent Candle procession, Kathin ceremony, Phapa ceremony, etc.
6. The Company participates in making merit and donations, both money and necessities, including the used ones that are still usable and beneficial to others and steel products of the Company,



to both public and private agencies, foundations, associations, or victims of natural disasters, to help relieve hardship and for use as necessary for the particular place and situation.

Operation

Royal Intentions Don Khun Huay Sustainable Development Project

The Company arranged CSR activities "Royal Intentions Don Khun Huay Sustainable Development Project" on Saturday 6<sup>th</sup> August, 2016 in the Royal Intentions Don Khun Huay Sustainable Development Project, Don Khun Huay Sub-District, Cha-Am District, Petchaburi Province.

The Company took the opportunity in 2016 being the Auspicious Year to pay tribute to Their Majesties the King and Queen on the dual occasion of the 70th anniversary celebrations of His Majesty the King's accession to the throne and the seventh-cycle, or 84th birthday anniversary celebrations of Her Majesty the Queen, by organizing activities that coincides with the Sustainable Royal Projects and honouring Their Majesties the Father and Mother of The Thai Nation.



Activity Details

1.1 Planting trees in the forest and along roadside.

1.2 Renovation of the project's road curbs using Company's materials and products.

1.3 Renovation and decoration of the Floral Garden surrounding the pavilion and nearby area, as well as the project signage.

1.4 Clean up branches and weeds in the forest, lawn, and surrounding areas.



### Donation and support programs for the underprivileged

Join the "Donation of Computer Accessories and Non-Used Peripherals" to the "Association of Persons with Physical Disability International" for the Association to recycle and convert into donations used to organize activities for people with disabilities. This is 1 of the projects in cooperation with outside organizations helping the underprivileged and lacking, in accordance with Company's objectives.



### Religion

The Company engages in the Religious activities and supports the basic needs of the nearby temples, especially on Religious Holidays, e.g., offering Phansa candles at Pathip Pleephol Temple, Tharkham, Bangkhuntien, Bangkok. Whereby Prathip Pleepol Temple is a temple situated nearby the Head Quarters.



### **Environmental Management**

The Company awareness of duties and responsibilities to environment with the following practices:

1. Emphasis is placed on optimizing the use of resources, and preserving the environment by safeguarding against any environmental impacts.
2. Promote and instill in all employees awareness of the value of natural resources, energy saving, and environmental protection, and encourage promotion of the reuse of resources.
3. Employees shall strictly comply with work safety rules; supervisors and safety committee members in direct charge shall also ensure employees do not violate the rules; and employees who witness any breaching incidents shall report such incidents to the parties concerned without delay.
4. The Company shall give cooperation to government agencies and organizations in solving environmental problems and developing good environment to the society, as well as dealing with emergency cases or accidents at work in a quick and efficient manner.

5. The Company shall put in place measures to prevent accidents and control disposal of factory waste within the limit prescribed by law.

6. Personnel of all levels are responsible for and committed to taking care of the community nearby and stakeholders as a whole, with CSR training courses arranged for them by the Company.

7. The Company organizes activities that foster the nearby community and society to promote better quality of life.

8. The Company responds quickly and efficiently to incidents that may affect the community and society as a result of its business operations with full cooperation given to relevant government authorities and agencies.

#### Operation

##### Conservation of Nypa palms' forest in areas outside the factory

The Company has engaged in Nypa palms' forest conservation in area nearby the factory, situated at Bhang Phrong sub-district, Muang Samut Prakhan district, Samut Prakhan. There are homes and communities that live nearby, therefore the Nypa palms' forest helps to sustain the natural balance, and to also filter noise and dust from steel production. Besides this, the Company has planted Horse radish trees, Coconut trees, to further filter noise and dust. Furthermore, employees are able to use the product e.g., the sheath of the Horse radish plant and the Coconut plant can be cooked as food and medicine, for instance. Also, in the past year 2015, the Company notices allow employees to plant homegrown vegetables e.g., tomatoes, eggplant, morning glory, bog choy, corn in the land space of the Company. This project can support the employee's free time to create benefit and they can take the products from farm to cook for their foods.



#### Sedimentation

In the process of steel production, when going through the rolled steel process, the water used in the steel rolling process will be transferred to the sedimentation tank, until the steel scale leftover. Steel from sediment (Scale) is able to be utilized in road repairs of potholes. Such sedimentation is one methodology to reduce water pollution because it can filter steel scale separately from water before being recycled to be used once again.



## Internal Audit and Risk Management

Board of Director's Meeting No. 1/2017 on February 27, 2017 which all 3 Audit Committees were in the meeting. They evaluated the adequacy of Internal Audit System of Rich Asia Corporation Public Company Limited in 5 areas of Internal Audit System which are organization and environment, risk management, controlling management performance, information system and follow up system. The meeting has an opinion that the company has adequate internal control system as follow:

### 1. Organization and Environment

The company has set up appropriate business goals, explicit and measurable investment plan to be operation criterion for employees. The operation goals are determined by assessment of possibility expectation which being careful consideration by Board of Directors prior to determine targets including monthly performance evaluation. The company has concise structured organization which can be manage effectively and also have written policy, regulations and procedure of work for operation.

### 2. Risk Management

The Management all time assess business and economic circumstances and analyze internal and external risk factors, opportunity and possible effects to the company in order to define measurement to reduce risk levels. Providing that there also be risk assessment by internal audit department, who presented to Audit Committee and Management for seeking the methodology of preventive and reduction risk including follow up the assessment review and information update periodically.

### 3. Controlling Management Performance

The company has clearly and in written set authority and approval limits for each level of management and divide important responsibilities separately for instance approval authority, accounting records and information, and assets controlling. For transactions with major shareholders, directors or Managements and related company are based on normal business transactions and treated similar to other parties which be optimized benefits to the company. The Audit Committee has considered such transactions quarterly and assigned internal auditor to verify such transactions and report to the Audit Committee including company's disclosure of details and conditions of such transaction in Notes to financial statements which reviewed by the external auditor. The company has arranged supervisors meeting in order to follow up the operation result thru Key Performance Indicator, analyze and consult inter department which would be a channel to exchange information and efficiency of controlling.



4. Information System & Communication

The Company realized on information technology systems and focused to develop organization's network for efficient management which can be served information storage, the efficient and real time reporting. The company has contacted consultants to study and analyze workflow system for information systems assessment including propose and select the most appropriate information system which result to Enterprise Resources Planning (ERP) selection for replacement previous system. This ERP system can be served current and future necessity of the company and there are new functions that can be developed continually.

5. Follow up System

The company provides meeting between the Audit Committee and top executive quarterly. In 2016 there are four times meeting to summarize internal audit report and monitoring report with Management.

The company has established the Internal Audit Department on 3 October 2005 to assess, analyze risk factors and provide feedback of internal control system which is including the financial audit, operation audit, compliance audit, reviewing related transactions, and arrange audit report presented to the Audit Committee. The recommendation of the Audit Committee regarding credit term approval is in accordance. There is also a meeting with management to consider about the observations and recommendations from the review of financial statement by external auditor regarding the transaction of extension of deposit for investment.

Board of Directors conclude that the company conform good corporate governance and adequate Internal control system according to SEC'S evaluation form especially the internal control of related transaction with major shareholders, directors, management and related to such person.

**Head of internal audit**

In the meeting of Audit Committee No.6/2007 which was held on 13 November 2007 endorse that Mr. Vorapoj Chaisantana was in the position head of internal audit since November 2007, Mr. Vorapoj has experienced in internal audit for 20 years and has trained in Internal Audit Course at Internal Auditors of Thailand. So, he is appropriate to perform in this position because he understands in all activities and operations of the company.

Thus, the consideration to appoint, rotate, lay off head of Internal Audit should be consent from Audit Committee.



**Related Parties Transactions**

The transactions between the Company and any person who may have conflicts of interest that occurred in 2015 and the year 2016, are as follows:

Company / People	Relationship	Transaction Account	2015 (Million Baht)	2016 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Rich Asia Industry Co., Ltd.*  Nature of business: production and distribution of steel pipes, structural Steel, and manufacturing various types of steel pipe products.	The Company holds 51.88% shares and some directors are also directors of Rich Asia Industry Co., Ltd.  The Company holds shares since beginning of 2011	1. Trade Receivable  2. Other receivables  3 Receivables Stock  4. Allowance for doubtful accounts.  5. Loans  6. Interest receivable  7. Income from products  8. Income from raw material  9. Other Income	53.755  0.001  5.296  (5.296)  389.200  2.644  0.068  270.401  0.013	-  -  5.296  (5.296)  389.200  2.637  0.815  381.695  0.003	- The 1 <sup>st</sup> , 7 <sup>th</sup> , 8 <sup>th</sup> and 15 <sup>th</sup> items occurred through Rich Asia Industry Co., Ltd. ordering products to manufacture and trade, whereby the commercial terms, prices, and conditions of the contract are in accordance with normal business operation when compared with other non-related parties.  - The 2 <sup>nd</sup> and 9 <sup>th</sup> items occurred by the company charged mobile phone service which is used by Rich Asia Industry Co., Ltd.*  - The 3 <sup>rd</sup> and 4 <sup>th</sup> items of Rich Asia Industry Co., Ltd. diluted share value by the Extraordinary General Meeting of Shareholders No. 1/2011 of the original par value 100 baht per share outstanding par value of 31 baht per share.  - The 5 <sup>th</sup> , 6 <sup>th</sup> and 10 <sup>th</sup> items occurred by The Company provided loans to Rich Asia Industry Co., Ltd. for working capital in business

Note \* Siam Ferro Industry Co., Ltd. changed its name to Rich Asia Industries Co., Ltd. on September 17, 2015.



Company / People	Relationship	Transaction Account	2015 (Million Baht)	2016 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Rich Asia Industry Co., Ltd.* (continue)		10. Interest	31.136	31.136	operations.
		11. Buy	25.519	32.115	- The 11 <sup>st</sup> , 12 <sup>nd</sup> and 14 <sup>th</sup> items occurred by The Company engaged Rich Asia Industry Co., Ltd. to manufacture products according to The Company's policy, to achieve maximum efficiency, whereby the commercial terms, prices, and conditions of the contract are in accordance with normal business operation when compared with other non-related parties.
		12. cuts and productivity	0.006	-	
		13. Other expenses	0.029	0.223	
		14. Advance payment for goods	-	3.271	
		15. Advance receive for goods	-	6.282	- The 13 <sup>th</sup> item occurred by The Company buying products from Rich Asia Industry Co., Ltd. for renovating the Bangprong (Suansom) Factory, whereby the commercial terms and price, are in accordance with normal business operations when compared to transactions with non-related parties.
					<b><u>Audit Committee's Opinion</u></b> These related parties transactions are reasonable and benefit to the company. Terms and conditions are normal business transactions





Company / People	Relationship	Transaction Account	2015 (Million Baht)	2016 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Rich Asia Engineering Co., Ltd.  Nature of Business: Procurement of equipment and technology, including co-investment in utilities and infrastructure.	The Company holds shares in the proportion of 90,000 shares, as 90% shares and some directors holds shares of 1.5% (Established on February 2015).	1. Other receivables  2. Other Income  3. Loans  4. Accrued interest  5. Interest Paid	0.020  0.207  -  -  -	0.020  0.240  -  -  0.114	- The 1 <sup>st</sup> and 2 <sup>nd</sup> items occurred by The Company Charging office leasing from Rich Asia Engineering Co., Ltd.  - The 3 <sup>rd</sup> , 4 <sup>th</sup> and 5 <sup>th</sup> items are from The Company receiving loans from Rich Asia Engineering Co., Ltd. for use in its business operations.  <b><u>Audit Committee's Opinion</u></b> These related parties transactions are reasonable and benefit to the company. Terms and conditions are normal business transactions.
Rich Asia Utility Co., Ltd.  Nature of Business: Mainly dealing in water resources services and other utilities.	The Company holds 499,997 shares, representing 99.99 per cent and some of The Company's director. together hold 2 shares (Established March 2016).	- No Item -			



Company / People	Relationship	Transaction Account	2015 (Million Baht)	2016 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Thai National Product Co., Ltd.  Nature of Business: Spun pile manufacturer and distributor with transportation services and piling rigs. Selling prefabrication of concrete products.	The Company holds 29.89% shares. Some directors of The Company are also shareholders.  (The Company holds shares from midyear of 2010)	1. Trade Receivable  2. Other creditors  3. Income from products  4. Other Income  5. Income - Sale of assets  6. Interest  7. Interest expense  8. Other expenses  9. Buying products	-  0.010  5.062  0.004  0.046  0.559  3.902  0.153  -	-  -  2.946  -  -  -  0.019  0.073	- The 1 <sup>st</sup> and 3 <sup>rd</sup> items are occurred by Thai National Product Co., Ltd. purchase of raw materials for production, whereby the commercial terms, prices, and conditions of the contract are in accordance with normal business operation when compared with other non-related parties.  - The 2 <sup>nd</sup> item The Company requested use of trade credit (LC, TR) that Thai National Product Co., Ltd. had with TMB Bank Public Co., Ltd. Whereby, The Company made payment for the use of the credit facility at 0.25 percent.  - The 4 <sup>th</sup> item The Company charged for delivery services of documents from the Thai National Product Co., Ltd.  - The 5 <sup>th</sup> item The Company sold a truck, handheld transceiver, and computers to Thai National Product Co., Ltd. for business operations.



Company / People	Relationship	Transaction Account	2015 (Million Baht)	2016 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Thai National Product Co., Ltd. (continue)					<ul style="list-style-type: none"><li>- The 6<sup>th</sup> item occurred by Thai National Product Co., Ltd., a short-term loan from the Company.</li> <li>- The 7<sup>th</sup> item is occurred by The Company, borrowed short term loan from Thai National Product Co., Ltd. for use in its business operations.</li> <li>- The 8<sup>th</sup> item occurred by The Company rented a crane from Thai National Product Co., Ltd. to maintenance its factory.</li> <li>- The 9<sup>th</sup> item occurred by the Company bought spun pile from Thai National Product Co., Ltd. for distribution to customers.</li></ul> <p><b><u>Audit Committee's Opinion</u></b> These related parties transactions are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>



Company / People	Relationship	Transaction Account	2015 (Million Baht)	2016 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
G. T. Steelwork Co., Ltd.  Nature of Business: Manufacturer and distributor of steel bar and scrap iron.	Miss Angkarn Tantiviroon, director and shareholder of The Company, and family held 34.81% shares in G.T. Steel Work Co., Ltd.	1. Payable  2. Other creditors	8.647  3.100	8.647  3.100	<p>- The 1<sup>st</sup> item occurred by The Company purchased round bars from G.T. Steel Co., Ltd. for distribution to its customers during the period that Bangprong (Suansom) Factory had not yet started its production line. the commercial terms, prices, and conditions of the contract are in accordance with normal business operation when compared with other non-related parties.</p> <p>- The 2<sup>nd</sup> item occurred by The Company purchased materials from G.T. Steel Co., Ltd. the commercial terms, prices, and conditions are in accordance with normal business operation when compared with other non-related parties.</p> <p><b><u>Audit Committee's Opinion</u></b> These related parties transactions are reasonable and benefit the Company. Terms and conditions are normal business transactions.</p>



Company / People	Relationship	Transaction Account	2015 (Million Baht)	2016 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
PNB INTER GROUP Co., Ltd.  Nature of Business: Distributor of marble, granite and steel.	A client of The Company.  Mr. Kamol Wantanakanin as a director of PNB INTER GROUP Co., Ltd. and shareholder of Thai National Product Co., Ltd. amount of 1,000,001 shares, representing 3.69% shares.	1. Revenue from the sale of FG	16.823	-	- The 1 <sup>st</sup> item in 2015 occurred by the Company trading finished goods, whereby the commercial terms, prices, and conditions are in accordance with normal business operation when compared with other non-related parties.  In 2016, there are no items related to such person.  <b><u>Audit Committee's Opinion</u></b>  These related parties transactions are reasonable and benefit to the company. Terms and conditions are normal business transactions.
STAR DECOR & DESIGN. Co., Ltd.  Nature of Business: Distributor of marble, granite and steel.	A client of The Company.  Mr. Kamol Wantanakanin as a director of PNB INTER GROUP Co., Ltd. and shareholder of Thai National Product Co., Ltd. amount of	1. Trade Receivable  2. Revenue from the sale of FG	0.118  11.246	-  -	- In 2015, The 1 <sup>st</sup> and 2 <sup>nd</sup> items the Company sold finished goods. Terms and conditions are normal business transactions comparable to non-related customers.  In 2016, there are no items related to such person.



Company / People	Relationship	Transaction Account	2015 (Million Baht)	2016 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
STAR DECOR & DESIGN. Co., Ltd. (continue)	1,000,001 shares, representing 3.69% shares.				<u>Audit Committee's Opinion</u> These related parties transactions are reasonable and benefit to the company. Terms and conditions are normal business transactions.
Miss Angkakarn Tantiviroon	Chief Executive Officer, director and shareholder of Rich Asia Corporation PCL. representing 1.49% shares.	1. Other creditors  2. Other expenses  agreement	0.039  0.262	0.013  0.137  No charges	- The 1 <sup>st</sup> and 2 <sup>nd</sup> items are transportation and overseas visiting expenses paid for director of the Company.  - Ms. Angkakarn Tantiviroon enter agreement as guarantor with a financial institution for The Company, without charging any compensation from the company.  <u>Audit Committee's Opinion</u> Such transaction is beneficial to company's operation and reasonable.



Company / People	Relationship	Transaction Account	2015 (Million Baht)	2016 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Mr. Somkiat Vongsarojana	Managing Director and Director	1. Other creditors	0.008	0.007	- The 1 <sup>st</sup> and 2 <sup>nd</sup> items are transportation costs paid for director of the Company.  <u>Audit Committee's Opinion</u> Such transaction is beneficial to company's operation and reasonable.
		2. Other expenses	0.116	0.116	
Mr. Teera Phoncharoensuk	Directors And Production Director	1. Other creditors	0.007	0.009	- The 1 <sup>st</sup> and 2 <sup>nd</sup> items are transportation costs paid for director of the Company.  <u>Audit Committee's Opinion</u> Such transaction is beneficial to company's operation and reasonable.
		2. Other expenses	0.081	0.121	



### The measures or steps for approval of the related transactions

At present, the company has set the measures and procedures - for approval of the related transactions, which will take the company's benefit into consideration, with the utmost importance. The company also compared such transactions with transactions to the non-related parties by prohibiting related executives to participate in the approval of such transactions. The company also allows The Audit Committee to check and offer opinions for the suitability of such transactions.

### Policy and tendencies of future related transaction

#### 1. Related transaction between the company and the related persons

1.1 Other companies in the related parties transactions section: The Company will continuously trade with other company by having referable market price.

1.2 Ms. Angkarn Tantiviroon: the securing of loan of the company in the director's name for the company by using director's own asset will be carried on.

#### 2 Policy for the future other related parties transactions

In the future, if the company has the necessity to make transactions with related parties including companies that used to be related with the company (presently, not related to the company as disclosed in the related transaction table) or if the company has to make the related transaction with persons who might have conflict of interest or might have the conflict of interest in the future, such transactions will be made in case the company has the necessity. The company also has the policy to set any condition according to normal business term and market price which can be compared with the price of non-related parties. The Audit Committee will be the one who gives opinion about the necessity and suitability of such transaction. In the case where The Audit Committee has no expertise to inspect the related transaction that might happen, the company will ask for the opinion about such related transaction from the company's auditor or independent experts in order to use such opinion for the consideration of the board of directors or the share holders depending on the case.

The board of directors will act in accordance with the law concerning the securities and stock exchange rules, notifications, orders, or the regulations of the Stock Exchange of Thailand including to practice of related transactions and the acquisition or sale of the important assets of the company or its subsidiary in order to make the decision to make such transaction unable to create conflict of interest and create the utmost benefit to all the share holders. The company will disclose such related transactions in the annual information disclosure (form 56-1), companies' annual report, and notes to financial statements which have already been inspected by the auditor of the company.





## Financial Highlights

(Unit : Million Baht)

STATEMENTS OF INCOME (CONSOLIDATED)	2016	2015	2014
Revenue from sales and services	3,215.28	3,759.12	3,035.36
Cost of goods sold and services	3,092.70	3,744.23	3,046.38
Gross Profit (Loss)	122.58	14.90	(11.02)
Gain on sales of investments in subsidiary	-	-	94.25
Gain on fair value of equity interest	-	-	4.52
Gain on debt restructuring	-	8.51	478.42
Gain on sales of fixed assets	-	2.09	24.08
Other incomes	13.51	33.00	30.27
Profit (Loss) before share of profit on investment in associate before financial cost and income tax	(1,038.48)	(33.16)	489.15
Finance costs	156.14	155.52	183.49
Profit (Loss) before share of profit on investment in associate and income tax	(1,194.62)	(188.68)	305.66
Share of loss on investment in associate	(11.92)	(15.10)	1.74
Profit (Loss) for the year	(1,200.99)	(198.28)	307.66
Profit for equity holders of the parent company	(1,144.83)	(165.15)	306.82

(Unit : Million Baht)

STATEMENTS OF FINANCIAL POSITION (CONSOLIDATED)	2016	2015	2014
Total assets	2,782.22	4,286.02	3,578.47
Total liabilities	2,656.30	3,172.87	2,267.14
Share capital-common shares			
Authorize share capital, par 1.00 Baht	9,600.00	2,400.00	2,400.00
Issued and fully paid-up share capital, par 1.00 Baht	3,115.27	2,400.00	2,400.00
Total equity attributable to equity holders of the parent company	(53.92)	877.62	1,042.77
Non - controlling interests	179.85	235.53	268.56
Total shareholders' equity	125.93	1,113.15	1,311.33
Financial Ratio	2016	2015	2014
Liquidity Ratio (times)	0.72	7.10	3.08
Gross Profit Ratio (%)	3.81	0.40	(0.36)
Net Profit Ratio (%)	(35.46)	(4.34)	8.37
Return on Equity Ratio (%)	(277.97)	(17.20)	45.27
Debt to Equity Ratio (times)	21.09	2.85	1.73



## Management's Discussion and Analysis (MD&amp;A)

## 1. Analysis of past performance

STATEMENTS OF INCOME (CONSOLIDATED)	2016		2015		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales and services	3,215.28	100.00	3,759.12	100.00	3,035.36	100.00
Cost of goods sold and services	3,092.70	82.27	3,744.23	99.60	3,046.38	100.36
Gross Profit (Loss)	122.58	17.73	14.90	0.40	(11.02)	(0.36)
Gain on sales of investments in subsidiary	-	-	-	-	94.25	3.11
Gain on fair value of equity interest	-	-	-	-	4.52	0.15
Gain on debt restructuring	-	-	8.51	-	478.42	15.76
Gain on sales of fixed assets	-	-	2.09	-	24.08	0.79
Other incomes	13.51	0.36	33.00	0.88	30.27	1.00
Profit before expenses	136.10	18.09	58.50	1.28	620.52	20.45
Expenses	1,174.57	2.44	91.66	2.44	131.38	4.33
Profit (Loss) before share of profit on investment in associate before financial cost and income tax	(1,038.48)	16	(33.16)	(1.16)	489.14	16.12
Financial cost	156.14	4.15	155.52	4.14	183.49	6.05
Share of profit (loss) on investment in associate	(11.92)	(0.32)	(15.10)	(0.40)	1.74	0.06
Profit (loss) before income tax	(1,206.54)	11	(203.78)	(5.70)	307.39	10.13
Income tax revenue	5.54	0.15	5.50	0.15	0.26	0.01
Profit (loss) for the years	(1,200.99)	11	(198.28)	(5.55)	307.65	10.14
<b>Profit for equity holders of the parent company</b>	<b>(1,144.83)</b>	<b>(30.45)</b>	<b>(165.15)</b>	<b>(4.39)</b>	<b>306.82</b>	<b>10.11</b>

Remark : Expense \* In 2016, the amount of Baht 1,174.57 million, of which Baht 1,100.75 million was doubtful account.

### Overview of Operating Performance

Company and its subsidiaries had revenue classified by product category consist revenue from the distribution of round bar, steel products and structural steel products. Associated company had revenue from the distribution of spun piles, concrete square pile include delivering and pile driving and revenue from sale of concrete railway sleepers.

Operating performance in 2016 with revenue from sales and services amount of 3,215.28 million Baht, revenue in 2015 amount of 3,759.12 million Baht. In 2019 revenue decreased 543.84 million Baht or 14.47% of the last year due to the Company and its subsidiaries received decrease orders from customers. Other revenue decreased 30.09 million Baht or 69.01% compared to the same period of last year due to the revenue of other services decreased.



The main cost of products such as steel, which is the main raw material in steel. In 2016, the steel price remained fluctuation, uncertain. Therefore, the Company has planned stock procurement to manage the changing of steel price in order to no loss from procurement and stock inventory

The company had sales volume decrease in 2016 as result to the costs of goods and services decreased amount of 651.52 million Baht or decreased 17.40 % compared with the same period last year. With the administration in the product procurement and plan to order, thus as result to the cost of sales of year 2016 decreased, which results to year 2016 the Company has gross profit 122.58 million Baht.

The Company had selling and administrative and other expenses amount of 73.82 million Baht, decreased from the same period of last year amount of 20.43 million Baht or decreased 21.67% due to the company has managed to reduce administrative cost, in order to increase company's financial liquidity.

In 2016 the Company has estimated for doubtful accounts increased to 1,100.75 million Baht from the same period last year 1,103.34 million Baht or increased 42,693.87%, which the estimate from the receivable accounts which have not been paid and the estimate from advances for goods that the Company has not received goods as contract. Such estimation is based on the company's procedures which is generally accepted accounting principles.

The Company and its subsidiaries had financial cost in year 2016 amount of 156.14 million Baht, which increased from the same period of last year amount of 0.62 million Baht or increased 0.40% due to the company's financial costs of bond issuance has increased from the same period last period.

Therefore from the company's sale revenue and service was decreased, whereas expenses was increased from financial cost and the estimation for doubtful accounts which result to the Company's sale revenue was not sufficient to support the Company's expenses which effect to the company's net loss for this period amount of 1,144.83 million Baht that represented increased loss 979.68 million Baht or 593.21% comparing to the same period of last year.

Operating performance of the company and its subsidiaries for the periods as of December 31, 2016 as summarizes the follows:

**1) Operating performance**

**Revenue**

For the year ended 31 December 2014, 2015 and 2016, the company had sales and service revenue amount of 3,035.36 million Baht, 3,759.12 million Baht and 3,215.28 million Baht, respectively. For the year 2014 revenue decreased 14.98%. For the year 2015 the revenue increased 23.84% and year 2016 the company had sales and service revenue decreased 14.47% from the same period of the last year due to decreased orders from customers.



### Cost of sales and services

For the year ended 31 December 2014, 2015 and 2016, the company and its subsidiaries had the cost of sale and service amount of 3,046.38 million Baht, 3,744.23 million Baht and 3,092.70 million Baht or 100.36%, 99.60% and 96.19% of the revenue of sale and services, respectively.

In 2016 the proportion of the cost of sales and service to sales and services revenue decreased from the same period last year due to the purchase price. The company could purchase goods at the lower cost due to the company planned to purchase goods from suppliers. The company could control the cost of purchasing one. And partly due to the sale price, with prices rising from the year 2015 as result to the company had cost of sales and serviced decreased.

### Expenses

For the year ended 31 December 2014, 2015 and 2016, the company had selling and administrative expenses amount of 131.37 million Baht, 91.66 million Baht and 73.82 million Baht, respectively (this expense included management benefit expenses).

For the year 2016, the company had proportion in selling and administrative expenses as mentioned above decreased amount of 20.43 million Baht or 21.67% from the same period of the last year due to the company had the management expenses to reduced for the Company's liquidity increased.

### Doubtful accounts

For the year 2016, the company estimated for doubtful accounts amount of 1,100.75 million Baht consist of 1) allowance of doubtful of trade receivables amount of 741.53 million Baht and 2) allowance doubtful of advance payment for goods that the Company has not received goods as contract amount of 359.23 million Baht, which is in accordance with the rules of the Company which has been applied since 2015. Considering both accounts receivable and other receivables, expected to be unpaid or overdue which is in accordance with the Company's allowance for doubtful accounts based on previous experience from debt collection and aging analysis, classified by age of debtors as follows:

1) Debtors with outstanding overdue but not exceeding 180 days	Not yet within the criteria for determining allowance for doubtful accounts.
2) Debtors with overdue debt more than 180 days, but not exceeding 365 days	Consider estimation allowance for doubtful accounts of 50%, depending on the suitability and individual considerations.
3) Debtors overdue debt more than 365 days	Consider 100% allowance for doubtful accounts depending on the suitability and individual considerations.



In the case of unusual occurrences, where the debtor is expected to be unable to repay debt to the Company. The Company will make an allowance for doubtful accounts as is appropriate and actual, without waiting for the overdue term as classified by debtor's aging.

The Company has tracked payments from the receivables, which estimated the allowance for doubtful accounts by strictly following the accounting procedure and practices of the Company. In the event, there is no response from the customers or is unable to be contacted or the debtor has defaulted twice for more the Company has submit to legal department to proceed debt collection and claim payment in order for the Company not to lose its benefits.

According to Company procedure, In case the Company has prepaid for the goods and not received the product according to the contract, the Company will proceed to collect the outstanding payment in full as well as a fine at the rate of 7.50%, which is interest rate for missed debt repayment in accordance to civil and commercial law section 224, paragraph one. The refund is considered the status of the counterparty as a debtor of the Company. Therefore, the Company will pursue the claim and follow the same procedure as the debtor. If the Company has pursued payment request to the end and received no response from the customer or cannot contact debtor or the debtor has defaulted payment after extension more than twice, the Company will submit the case to the legal department to pursue debt and claim the rights to receive payment in order for the Company not to lose its benefits.

#### **Financial costs**

For the year ended 31 December 2014, 2015 and 2016, the company had financial costs amount of 183.49 million Baht, 155.52 million Baht and 156.14 million Baht, respectively. In 2016 the financial cost increased from the same period of the last year amount of 0.62 million Baht or 0.40%. Due to the Company's financial costs of bond issuance has increased from the same period last period.

#### **Gross Profit**

For the year ended 31 December 2014, the company and its subsidiaries had gross loss amount of 11.02 million Baht. For the year 2015 and 2016 the company had gross profit 14.90 million Baht and 122.58 million Baht, respectively or loss 0.36%, profit 0.40% and profit 3.81% of revenue from selling and service, respectively. Year 2016, the company had gross profit ratio increased due to selling prices has increased and the Company could manage a lower cost of purchasing, selling and administrative expenses as a result to the Company's gross profit increased.



### Net profit

For the year ended 31 December 2014, the company and its subsidiaries had profit for the year amount of 307.66 million Baht, which were loss attributable to equity holder of the parent amount of 306.82 million Baht. In 2015 loss for the year 198.28 million Baht, which were loss attributable to equity holder of the parent amount of 165.15 million Baht. In 2016, the company had loss for the year 1,200.99 million Baht, which were loss attributable to equity holder of the parent amount of 1,144.83 million Baht, which was attributable to non - controlling interests equity holders' amount of 56.16 million Baht

In 2014, 2015 and 2016, the company had net profit ratio, which is the ratio of net profit and loss for the year attributable to equity holders of the Company ratio to total revenue 8.37%, (4.34)% and (35.46)%, respectively.

In consideration profit and loss for 2016, attributable to equity holder of the Company was loss amount of 1,144.83 million Baht, which increased from the same period of the last year amount of 979.68 million Baht or 593.21% due to gross profit were insufficient for the company's expenses, including financial cost and doubtful accounts as result to the operating performance still continued loss.



2) Financial position of company

	2016		2015		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Total current assets	1,837.83	76.03	3,258.92	76.03	2,469.31	69.01
Total non - current assets	944.39	23.97	1,027.10	23.97	1,109.16	30.99
Total assets	2,782.22	100.00	4,286.02	100.00	3,578.47	100.00
Total current liabilities	2,565.05	10.70	458.82	10.70	800.77	22.37
Total non - current liabilities	91.25	63.32	2,714.05	63.32	1,466.37	40.98
Total liabilities	2,656.30	74.02	3,172.87	74.02	2,267.14	63.35
Share capital						
- 2,400,000,000 shares, Baht 1.00 par value in 2014 and 2015						
- 9,600,000,000 shares, Baht 1.00 par value in 2016	9,600.00		2,400.00		2,400.00	
Issued and fully paid - up share capital						
- 2,400,000,000 shares, Baht 1.00 par value in 2014 and 2015						
- 3,115,268,236 shares, Baht 1.00 par value in 2016	3,115.27	56.00	2,400.00	56.00	2,400.00	67.07
Premium (Discount) on share capital	(1,062.82)	(13.12)	(562.14)	(13.12)	(562.14)	(15.71)
Deficit	(2,180.05)	(24.12)	(1,033.97)	(24.12)	(868.82)	(24.28)
Other component of equity	73.69	1.72	73.72	1.72	73.72	2.06
Total equity attributable to equity holders of the parent company	(53.92)	20.48	877.62	20.48	1,042.77	29.15
Non - controlling interests	179.85	5.50	235.53	5.50	268.56	7.50
Total Shareholders' equity	125.93	25.98	1,113.15	25.98	1,311.33	36.65



## 2.1) Asset Components

For the period ended 31 December 2016, the company and its subsidiaries had total assets 2,782.22 million Baht decreased from end of the year 2015 amount of 1,503.79 million Baht, or decreased 35.09 %, main transaction of decreased assets were the trade and other receivable decreased 661.07 million Baht, which due to the allowance for doubtful accounts, cash and cash equivalents items decreased 344.60 million Baht from debt payments according to the terms of the debt restructuring contracts, advance payment for goods decreased 262.34 million Baht from receiving of goods as per contract , inventory decreased 153.07 million Baht, Property, Plant and Equipment decreased 67.45 million Baht, Deposit for investment decreased 30 million Baht due to conversion such deposits to short-term loans to other person, investment in associate decreased 12.05 million Baht, other non-current assets decreased 2.30 million Baht and investment in property decreased 0.93 million Baht.

The major items of increased assets consist of short-term loans to other person increased 30 million Baht due to conversion deposits into short-term loans mentioned above and bank deposit pledged as collateral increased 0.02 million Baht from interest on depositing. The significant of increased and decreased assets are as follows:

### Trade accounts receivable

As end of 2014, 2015 and 2016 the company and subsidiaries had trade and other receivables-others 1,302.64 million Baht, 1,966.90 million Baht, (financial statement of 2015 have been reclassified in trade accounts receivable and other receivable of the year 2014 for comparing to financial statement of 2015) and 1,305.83 million Baht respectively of which such amount were trade accounts receivable to related parties in 2014 and 2015 amount of 10.58 million Baht and 0.003 million Baht respectively. In 2016, no accounts receivable to related parties.

Trade account receivable in 2014, 2015 and 2016 were 1,275.11 million Baht, 1,934.01 million Baht and 1,289.51 million Baht respectively, which represented aging of trade accounts receivable as follows:





## Aging of trading accounts receivable

(Unit : Million Baht)

	2016	2015	2014
Within credit term	492.40	709.61	757.79
Over due 1 to 90 days	783.08	379.30	379.54
Over due 91 to 180 days	543.19	521.18	78.80
Over due 181 to 365 days	203.44	323.92	58.98
Over due over 1 year	8.93	-	2.58
Total	2,031.04	1,934.01	1,277.69
Less : Allowance for doubtful	(741.53)	-	(2.58)
<b>Total</b>	<b>1,289.51</b>	<b>1,934.01</b>	<b>1,275.11</b>

As at 31 December 2016, trade accounts receivable of the company and its subsidiaries were within credit term amount of 492.40 million Baht, over due 1-90 days amount of 783.08 million Baht and over due 91 days to over due over 1 year total amount of 755.56 million Baht. In 2016 had estimated for doubtful accounts receivable of 741.53 million Baht.

The over due 1-90 days account receivable has been increased comparing to account receivable end of 2015 and 2014. The over due 91 days to over 1 year account receivable at end of 2016 is lower than end of 2015 but higher than end of 2014 due to in 2016 the company's receivables are affected from economic conditions and steel demand as result to revenue on sales decreased and some account receivable faced liquidity problem. The company has closely tracked the payment of accounts receivable and strictly in consideration credit to account receivable.

## Inventories (Net)

## Component of Inventories

(Unit : Million Baht)

	2016	2015	2014
Finished goods	85.72	34.70	5.82
Raw materials	33.68	239.44	2.18
Goods in transit	-	-	-
Work in process	0.00	0.02	-
Supplies	4.90	4.52	4.60
Less : Allowance for declining in value of inventories	(7.55)	(8.86)	(4.30)
<b>Total</b>	<b>116.75</b>	<b>269.82</b>	<b>8.30</b>



As at 31 December 2016, the Company and its subsidiaries have inventories amount of 116.75 million Baht decreased from end of 2015 amount of 153.07 million Baht or decreased 56.73 % due to the Company has sold goods and raw material and delivery as per customer's order could be done faster than 2015.

#### Property, plant and equipment

As December 31, 2016, Property, plant and equipment amount of 752.42 million Baht, decreased from end of 2015 amount of 67.45 million Baht due to some assets are disposed and written-off, which the value decreased mainly due to the depreciation of assets.

## 2.2) Liquidity

### Cash Flow

(Unit : Million Baht)

Statement of Cash Flow	2016	2015	2014
Profit (loss) from operating activities before change in operating assets and liabilities	119.16	22.06	44.83
Net cash receive (payment) from operating activities	5.04	(573.81)	(535.29)
Net cash provided by (used in) from operating activities	124.20	(551.75)	(490.46)
Net cash provided by (used in) from investing activities	1.15	(31.79)	458.39
Net cash provided by (used in) from financing activities	(469.95)	812.94	324.23
<b>Net increase or (decreased) in cash and cash equivalents</b>	<b>(344.60)</b>	<b>229.40</b>	<b>292.16</b>
Cash and cash equivalents-Beginning of year	526.46	297.06	4.90
<b>Cash and cash equivalents-End of period</b>	<b>181.86</b>	<b>526.46</b>	<b>297.06</b>

**Remark:** Cash flow statement from the consolidated financial statement

In 2016 the company had cash flow balance 181.86 million Baht. In the year 2016 used cash flow, which received funds from debentures issuance in 2015 and cash received from working capital to be used in business in 2016 as details below:

Statement of cash flows of the Company and its subsidiaries for 2016, the company received and used cash flow in the following activity.

The Company had profit from operating activities before changes in operating assets and liabilities amount of 119.16 million Baht and net cash received in assets and liabilities from operating activities amount of 5.04 million Baht as following details

- Net cash items in operating assets and liabilities amount of 179.96 million Baht, net cash flow received from inventories amount of 154.38 million Baht, non-current assets amount of 2.30 million Baht and from trade and other payable amount of 23.28 million Baht.



- Net cash paid from operating assets and liabilities amount of 174.92 million Baht, the major items such as advance payment for goods 94.94 million Baht, trade and other receivable 79.59 million Baht and cash payment for tax 0.39 million Baht.

The company has net cash received in investing activities amount of 1.15 million Baht, the major items as the following

- Net cash received from interest income 1.93 million Baht and cash received from sale of property, plant and equipment 0.01 million Baht.

- The company paid cash from buying the property, plant and equipment 0.78 million Baht and cash paid from bank deposit pledged as collateral 0.01 million Baht.

The company has net cash paid in financing activities amount of 469.95 million Baht, the major items as the following

- Net cash received from issuance of debentures 214.58 million Baht, cash increased from short-term loans from other parties 48.69 million Baht, short-term loans from financial institutions increased 4.00 million Baht and non-controlling interests equity increased 0.98 million Baht.

- Net cash paid from liabilities under debt restructuring agreement 493.61 million Baht, interest expenses 190.02 million Baht and cash payment in short-term loans from other persons and parties 54.56 million Baht.

#### **Liquidity Ratio**

For the year 2014, 2015 and 2016, the Company and its subsidiaries had current asset to current liability ratio equal 3.08 times, 7.10 times and 0.72 times. The Company's liquidity in 2016 decreased from end of 2015 due to the Company did not completely repay debt in accordance with debt restructuring agreement, the Company reclassified all debts as current portion of liabilities under debt restructuring agreement as a result to current liabilities increased, which affected to liquidity ratio of the company and the company had receivables and advance payment for goods decreased from the estimated allowance for doubtful accounts as a result to the company's current assets in this portion decreased. This main reason mentioned above result to the company's financial liquidity decreased from the last year.

### **2.3) The source of fund**

#### **Liability**

As of December 31, 2016 the Company and subsidiaries had liabilities amount of 2,656.30 million Baht, decreased from end of the year 2015 amount of 516.57 million Baht or decreased 16.28% due to the Company paid to the debt of financial institute under the terms of the restructuring agreement. The major debts of the Company in 2016 were debentures which will due within one year



amount of 1,224.92 million Baht and the current portion of liabilities under debt restructuring agreement amount of 910.89 million Baht.

Debt to equity ratio as of December 31, 2016 equal 21.09 times increased from end of 2015, which had debt to equity ratio 2.85 times.

#### Shareholder's Equity

As of December 31, 2016 the Company and subsidiaries had shareholder's equity amount of 125.93 million Baht, decreased 987.22 million Baht from end of the year 2015 or decreased 88.69%, which equity holders of the parent amount of (53.92) million Baht, decreased from end of year 2015 amount of 931.54 million Baht or decreased 106.14% due to the Company had loss for the year 2016 amount of 1,200.99 million Baht, which was loss for equity holders of the parent amount of 1,144.83 million Baht that result to as at 31 December 2016 the Company had return on equity ratio (277.97%), which decreased from end of the year 2015 that return on equity ratio was (17.20%).

From such above the performance, the company's liquidity in 2016 remain decreased, which current assets' worth less than current liabilities. Due to the postponement of the payment of trade receivables and the allowance for doubtful accounts and advance payment for goods. The turnover of inventories ratio in 2016 had turnover rate less than 2015 and the Company's current liabilities increased from reclassifying all amount of the liabilities under debt restructuring agreement to current liabilities. The overall mentioned above had affected to the Company's liquidity decreased.

Debt to Equity ratio in 2016 was 21.09 times, which increased from 2014 and 2015 quite huge, due to in 2016, the Company had loss amount of 1,200.99 million Baht, which had loss for the year attributable to equity holders of the company amount of 1,144.83 million Baht, thus affected to decreasing of shareholders' equity as result to the company had debt to equity ratio huge increased.

In 2016, the Company had net profit ratio (35.46%), which rate of return decreased from 2014 and 2015 due to the Company had high loss. The main cost items, which affected to net loss this year, were doubtful account and financial costs. In case of the Company receives payment from the account receivable, doubtful accounts mentioned above will be reversed to be revenue in the period of receiving payment. In addition, in case of the company could find new sources of fund, the company could reduce the burden of current financial costs, which as result to the company's net profit ratio could be increased.

Net profit in 2016 that a lot of loss as mentioned above as a result to return on equity ratio in 2016 as (277.97), which decreased from the year 2014 and 2015

The Company's Management recognized to the operating problem both of loss from financial costs and the estimation for doubtful debts of the company include financial liquidity and liability problems. The company is in process of acceleration to resolve the above problems for the



administration, controlling and monitoring of payments from account receivables. Management in controlling and procurement of raw materials including searching new investors, business partners, source of fund and opportunity to expand the business. In order to the company have more liquidity to repay debt and reduce financial cost of the Company as a result to the company's profitability and strengthen financial structure.

## 2. Factors affecting the performance in future

The Company and subsidiaries have analyzed factors that will affect the future operations of the group companies, which conduct business in the construction industry as follows:

### 1. The investment policy of the Government

According to the government policies to invest in construction project in 2016 which approximated investment value of 6.6 billion Baht, which increased 3% from previous year. The major projects that the government has drive onward is 3 mega projects as follows:

- 1) Mega project for construction transportation infrastructure, budget amount of 8 billion Baht i.e motorways (Pattaya-Maptapud) project: ongoing project, motorway project (Bang Pa In-Korat and Bang Yai-Kanchanaburi) and skytrain project: orange line, pink line and red line including double track railway (Chachoengsao-Khang Koi and Jira-Khon kaen)
- 2) The infrastructure energy projects, budget 100,000 million Baht:  
construction in small private power plant including power plant and discharge port for coal in Krabi Province which continue operate from 2016.
- 3) Highway and road investment project, which is annually investments, budget 1,200,000 million Baht.

Therefore, the Management confident that government investment projects in 2016 will be the key factor that encourages investment in private sector to be grown and expanded as well which will lead to investment in both construction for commercial and residence, and expected that such construction projects will expand in next 3-5 years from 2016 various projects will cause to increase the demand for various types of construction materials including steel used in construction, particularly round bars, wire rods, steel pipes, and structural steel and railway steel including concrete pile, concrete sleeper and other concrete products, which is the opportunity to increase sales volume and profitability of the group.



## 2. Change in law

From the steel price situation during 2014-2015, domestic steel prices in down trend due to import steel dumping from overseas that rather affecting domestic steel manufacturer. Therefore the government accelerates to issue measures for helping domestic manufacturing. At the end of 2016, the Ministry of Commerce has issued the temporary measures of anti-dumping (AD) for the tube product and tube, originated from Republic of China and the Republic of Korea under 26 tariffs for 4 months (mid November 2016- mid March 2017) and issued the temporary measures in case the investigation of dumping products, tubes and pipes of iron or steel by origin from Republic of China and the Republic of Korea by collecting duties temporarily and submit collateral for duty payment temporarily at the rate 3.22-66.01% of CIF price.

Changes in such laws is an important factor which will contribute to the domestic manufacturers increase production volumes and reduce competition from manufacturers. Thus, the suppliers who import from abroad will have additional import cost.

Therefore, the Managements have to follow the changes in the laws relating about import steel and steel production in order to prepare and plan business operation to avoid the problems in procurement of products or raw materials including manage the products and raw materials price which may be in uptrend.

## 3. Change of exchange rate

The trend of Thai Baht in first half of 2017 forecasted to be strengthening which may affect to the lower cost for imported raw material and goods.

The company has imported raw materials, products and equipment from abroad. The change of exchange rate is important factors for the company's purchasing. Therefore, in case of strengthen Baht will benefit the company for import of equipment from abroad, but in case of import raw materials or product the company has to consider changes in related laws: anti-dumping measure laws, which the government issued the new law parallel that the overall import costs will beneficial to the company. In addition, the company has recognized and planning for hedging the risks from import goods in advance with financial institution to reduce loss on exchange which may occurred.

## 4. Oil price

In steel production, there is necessity to consume gas or oil in production, including delivery to customer. Therefore, fuel cost is one of major factor of steel business operation.

Trend of oil price in 2017 still fluctuate which affected to cost of production and transportation costs. Therefore, the management has to plan for control production cost including selling price offer and transportation cost closely in order to manage business operation efficiency.

**Audit Fee**1. Audit fee

The company and subsidiaries had the audit fee in 2016 to office of the auditor was Sam Nak-Ngan A.M.C Co., Ltd. total amount of 1.931 million Baht as detail follows:

Item	Name of Company Payer	Auditor Name	Audit Fee (Baht)
1	Rich Asia Corporation Public Company Limited	Miss Praphasri Leelasupha	1,250,000.00
2	Rich Asia Industry Company Limited	Miss Praphasri Leelasupha	460,000.00
3	Rich Asia Engineering Company Limited	Miss Praphasri Leelasupha	120,000.00
4	Rich Asia Utilities Company Limited	Miss Praphasri Leelasupha	101,000.00
Total audit fee			1,931,000.00

2. Non-audit fee

The company and subsidiaries had the other compensation in 2016, such as due diligence audit, transportation, allowances when working outside normal working hours and legal expenses as the actual expenses (if any) as detail follows:

Item	Name of Company Payer	Type of other service	Other service fee (Baht)	
			Payment during the fiscal year	Payment in the future
1	Rich Asia Corporation Public Company Limited	Audit Expenses	27,908.00	2,304.00
		Due diligence	157,747.00	-
2	Rich Asia Industry Company Limited	Audit Expenses	10,088.00	4,190.00
3	Rich Asia Engineering Company Limited	Audit Expenses	3,096.00	852.00
4	Rich Asia Utilities Company Limited	Audit Expenses	2,314.00	789.00
Total non-audit fee			201,153.00	8,135.00

Auditor, Miss Praphasri Leelasupha and Sam Nak-Ngan A.M.C Co., Ltd., who are not related or there are conflicts of interest with the Company and subsidiaries, executive directors, the major shareholders, or related to such person.



Resume of Directors and Managements as of December 31, 2016

Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Dec. 31, 2016	Experience	
General Watanachai Chaimuanwong Age : 73 Chairman (Independent Director)	Bachelor of Science Chulachomklao Royal Military Academy Command and Staff College#51 Royal Thai Army War College#28 National Defence College of Thailand#399 Director Accreditation Program (DAP) 89/2011	-None-	-None-	18 Mar. 2011- Present 2010 – Present 2002 – 2003 2001 – 2002 1999 - 2001	- Chairman Rich Asia Corporation Public Company Limited - Chairman Royal Turf Club of Thailand under Royal Patronage - Deputy Commander in Chief, Royal Thai Army - Assistant Commander in Chief, Royal Thai Army - Army Area Commander
Mr. Surapong Churangsarit Age : 61 Vice Chairman / Chairman of Audit Committee (Independent Director) / Nomination and Remuneration Committee	Master Degree Business Administration Ramkhamhaeng University Bachelor Degree Business Administration Ramkhamhaeng University Certified Internal Auditor (CIA) Director Accreditation Program (DAP) 52/2006	-None-	-None-	2 Apr. 2010 - Present 27 Jan. 2006 - 2010 Nov. 11 2016 - Present 2016 – Present 2016 – Present 2016 – Present 2014 - 2015 2002 - 2011 1999 - 2001	- Vice Chairman / Chairman of Audit Committee Rich Asia Corporation Public Company Limited - Independent Director / Audit Committee Rich Asia Corporation Public Company Limited - Nomination and Remuneration Committee Rich Asia Corporation Public Company Limited - Independent Director Chaopraya Mahanakom Public Company Limited - CAC Certification Committee Thai Institute of Directors - Advisor The Institute of Internal Audit of Thailand - Chairman of the Board The Institute of Internal Audit of Thailand (Agenda year 2014 - 2015) - First Vice President Internal Audit Department Siam City Bank PLC. - AVP. Internal Audit DBS Thai Danu Bank PLC.





Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Dec. 31, 2016	Experience	
Mrs. Pimsiri Keeratitiensiri Age : 66 Director	Diploma Degree Accounting Bangkok Business College  Director Accreditation Program (DAP) 51/2006	Aunt of Ms. Angkakam Tantiviroon	2.15%	27 Jan. 2006 - Present  2000 – 2003  1992 - 1999	- Director Rich Asia Corporation Public Company Limited  - Accounting Manager Thanasarn Import-Export Ltd. (Agricultural)  - Auditor Assistant GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap)
Dr. Rittirong Intarajinda Age : 53 Director / Chairman of Nomination and Remuneration Committee	- Ph.D. Electrical Engineering Thammasat University  - Master Degree Engineering King Mongkut's institute of Technology North Bangkok  - Bachelor Degree Electrical Engineering Rajamangala University of Technology Phra Nakhon Chotiwet Campus  - Advanced Certificate Course in Politics and Governance in Democratic Systems for Executives  - Diploma, National Defence College, The State , Private Sector and Political Sectors Course Class 5  Director Accreditation Program (DAP) 52/2006	-None-	-None-	27 Jan. 2006 - Present  Nov. 11 2016 - Present  2014  2013 - Present  2013 - Present  2010 - Present  2007 - Present    1994 – Present  1991 – Present	- Director Rich Asia Corporation Public Company Limited  - Chairman of Nomination and Remuneration Committee Rich Asia Corporation Public Company Limited  - Secretary of Transportation Senate Committee  - Lecturer, Faculty of Science and Technology Bangkokthonburi University  - Managing Director Ban-non Co., Ltd. (Housing business)  - Managing Director Cmac Esco Thailand Co., Ltd (LED Lamp business)  - Managing Director Team Service System Co., Ltd. (Management Electrical system, water system and Air-condition system)  - Managing Director Team Vis Construction Co.,Ltd.  - Managing Partner Team Electric Engineering Partnership (Install Electrical system, Air-condition system and Communication system)



Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Dec. 31, 2016	Experience	
<p>Ms. Angkarn Tantiviroon Age : 52 Director / Chief Executive Officer / Nomination and Remuneration Committee</p>	<p>Bachelor Degree Economics Ramkhamhaeng University Bachelor Degree Business and Finance Hasting College UK. University  Director Accreditation Program (DAP) 51/2006</p>	<p>Granddaughter of Mrs. Phimsiri Keeratithiansiri</p>	<p>1.49%</p>	<p>17 Apr. 2015 - Present 1 Feb. 2015 - Present 11 Nov. 2016 - Present Mar. 2016 - Present Feb. 2015 - Present Oct. 2005 - May 2014 2011 - May 2014  2010 - May 2014  10 May 1999 - 30 Sep. 2005 2003 - 21 Jun. 2010 1989 - 2001</p>	<p>- Director Rich Asia Corporation Public Company Limited  - Chief Executive Officer Rich Asia Corporation Public Company Limited  - Nomination and Remuneration Committee Rich Asia Corporation Public Company Limited  - Director Rich Asia Utilities Co., Ltd.  - Director Rich Asia Engineering Co., Ltd.  - Director / Chief Executive Officer Rich Asia Corporation Public Company Limited  - Director Rich Asia Industry Co., Ltd.***  - Director Thai National Product Co., Ltd.  - Director Rich Asia Trading (Thailand) Co., Ltd.  - Planner Administrator Rich Asia Industry Co., Ltd.***  - Manufacturing Director GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap)</p>
<p>Mr. Somkiat Vongsarajana Age : 54 Director / Managing Director / Risk Management Committee</p>	<p>Bachelor Degree Business Administration (First Honor) Bangkok University  Director Accreditation Program (DAP) 51/2006</p>	<p>-None-</p>	<p>0.13%</p>	<p>27 Jan. 2006 - Present 1 Oct. 2005 - Present 11 Nov. 2016 - Present 2011 - Present</p>	<p>- Director Rich Asia Corporation Public Company Limited  - Managing Director Rich Asia Corporation Public Company Limited  - Risk Management Committee Rich Asia Corporation Public Company Limited  - Director Rich Asia Industry Co., Ltd.***</p>



Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Dec. 31, 2016	Experience	
Mr. Somkiat Vongsarojana (Continue)				2010 - Present  1 Mar. - 30 Sep. 2005  2001 - 2005  1993 - 2001	- Director Thai National Product Co., Ltd.  - Asst. Managing Director Rich Asia Corporation Public Company Limited  - Project Finance Manager Felix Hotel Management Co., Ltd.  - Project Finance Manager Rich Asia Industry Co., Ltd.***
Mr. Teera Phoncharoensuk Age : 46 Director / Production Director	- Bachelor Degree Engineering King Mongkut's University of Technology Thonburi  Director Accreditation Program (DAP) 51/2006	-None-	0.10%	27 Jan. 2006 - Present  Feb. 2015 - Present  1 Oct. 2005 - Present  2011 - Present  2010 - Present  1 Apr. - 30 Sep. 2005  1999 - 2004	- Director Rich Asia Corporation Public Company Limited  - Director Rich Asia Engineering Co., Ltd.  - Production Director Rich Asia Corporation Public Company Limited  - Director Rich Asia Industry Co., Ltd.***  - Director Thai National Product Co., Ltd.  - Production Manager Rich Asia Corporation Public Company Limited  - Factory Manager GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap)
Asst.Prof.Dr. Nakhun Thoraneenitayan Age : 41 Director / Audit Committee (Independent Director) / Chairman of Risk Management Committee	- Doctoral Degree Banking and Finance The University of Queensland, Australia  - Master Degree Banking and Finance Sripatum University	-None-	-None-	30 Apr. 2010 - Present  11 Nov. 2016 - Present  2015 - Present	- Independent Director / Audit Committee Rich Asia Corporation Public Company Limited  - Chairman of Risk Management Committee Rich Asia Corporation Public Company Limited  - Director, Sripatum Business Incubator, Sripatum University





Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Dec. 31, 2016	Experience	
Pol.Lt.Gen. Mongkol Kamolbutra (Continue)				2016 - Present  2012 - Present  2007 - Present  2007 - 2008 2005 - 2008  2006 - 2007 2004 - 2006	- Vice Chairman The Federation of Savings and Credit Cooperatives of Thailand Limited  - Instructor, Advanced Power Management Program, Ministry of Energy  - Advisor, Chairman, Royal Turf Club of Thailand under Royal Patronage  - Chairman, Police Printing Bureau  - Lecturer, Master of Public Administration Program, Bansomdejchaopraya Rajabhat University  - Advisor, Advisor of the Prime Minister's Office  - Chief Inspector, SME Bank
Ms. Nongluck Sarochsuwan Age : 49 Company Secretary** / Manager of CEO. Office	Bachelor Degree Business Administration (Accounting) Rajamangkala University of Technology Thanyaburi  Bachelor Degree Business Administration (General Management) Sukhothai Thammathirat Open University  - passed the training course "Law and regulation for new secretary of the Securities and Exchange Law" from Research of Law and Development Center, the Faculty of Law of Chulalongkorn University  - passed the training course " Anti-Corruption: The Practical Guide" from IOD	-None-	-None-	1 Feb. 2008 - Present  1 Jan. 2008 - Present  1997 - 2007	- Company Secretary Rich Asia Corporation Public Company Limited  - Manager of CEO. Office Rich Asia Corporation Public Company Limited  - Project Finance Manager Rich Asia Industry Co., Ltd.***

Remark \* Including share of related person under section 258 of SET Law

\*\* Duty of company secretary show in title "Corporate Governance"

\*\*\* Siam Ferro Industry Co., Ltd. changed its name to Rich Asia Industry Co., Ltd. on September 17, 2015.



## Authority Details of Director and Management of Rich Asia Corporation Public Company Limited at the present.

Name	Position in the Company	Position in subsidiary and affiliate			
		Rich Asia Industry Co., Ltd.* The company owns 51.88%	Rich Asia Engineering Co., Ltd. The company owns 95%	Rich Asia Utilities Co., Ltd. The company owns 99.9994%	Thai National Product Co., Ltd. The company owns 29.89%
1. Gen. Watanachai Chaimuanwong	W	-	-	-	-
2. Mr. Surapong Churangsarit	X, N	-	-	-	-
3. Mrs. Pimsiri Keeratitensiri	/	-	-	-	-
4. Dr. Rittirong Intarajinda	/	-	-	-	-
5. Ms. Angkakarn Tantiviroon *	/, V, //, U	-	/	/	-
6. Mr. Somkiat Vongsarojana	/, //, ///, U	/	-	-	/
7. Mr. Teera Phoncharoensuk	/, //, U	/	/	-	/
8. Asst.Prof.Dr. Nakhun Thoraneenitiyan	/, Z	-	-	-	-
9. Pol.Lt.Gen. Mongkol Kamolbutra	/, Z	-	-	-	-

\* Siam Ferro Industry Co., Ltd. changed its name to Rich Asia Industries Co., Ltd. on September 17, 2015.

## Remark:

W = Chairman

X = Vice Chairman

/ = Director

V = Chief Executive Officer

U = Management

N = Chairman of Audit Committee

Z = Audit Committee

// = Executive Committee

/// = Managing Director



## Authority Details of Director of Subsidiaries and affiliate as of December 31, 2016

Name	Position in subsidiaries and affiliate			
	Rich Asia Industry Co., Ltd.	Rich Asia Engineering Co., Ltd.	Rich Asia Utilities Co., Ltd.	Thai National Product Co., Ltd.
	The company owns 51.88%	The company owns 95%	The company owns 99.9994%	The company owns 29.89%
1. Ms. Angkakarnt Tantiviroon	/	/	/	-
2. Mr. Somkiat Vongsarojana	/	-	-	/
3. Mr. Teera Phoncharoensuk	/	/	-	/

\* Siam Ferro Industry Co., Ltd. changed its name to Rich Asia Industries Co., Ltd. on September 17, 2015.

Remark: / = Director




## Report of Board of Director's Responsibilities to Financial Statements

Board of Directors recognizes the importance and responsibility for the financial statement of Rich Asia Corporation Public Company Limited and the consolidated financial statement of the Company and its subsidiaries. These financial statements are prepared in accordance with generally accepted accounting standards using appropriate accounting policies that are applied on a consistent basis. The financial statements are also prepared after careful consideration and, when applicable, use of appropriate estimates and judgments. Adequate significant information has been disclosed in the notes to these financial statements for transparent use by shareholders and investors.

Board of Directors has assigned the Managements to provide and maintain an effective internal control system to ensure that the accounting records are accurate, complete and sufficient to safeguard the assets of the Company and prevent corruption or abnormal operation significantly.

The Audit Committee, comprising independent directors, has responsibility for monitoring and reviewing the quality of the financial reports and internal control system. In this respect, the Audit Committee's view regarding such matters is stated in the Annual Report under the Audit Committee's Report.

Board of Directors opine that the Company has an adequate internal control system and internal audit and confidence that separated financial statement and consolidated financial statement of the Company and its subsidiaries as of December 31, 2016 are reliable under generally accepted accounting standards, legally and related regulations.

General   
(Watanachai Chaimuanwong)  
Chairman

  
(Miss Angkakarn Tantiviroon)  
Chief Executive Officer



## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of RICH ASIA CORPORATION PUBLIC COMPANY LIMITED  
(Formerly RICH ASIA STEEL PUBLIC COMPANY LIMITED)

### **Opinion**

I have audited the accompanying consolidated and separate financial statements of RICH ASIA CORPORATION PUBLIC COMPANY LIMITED and its subsidiary companies (“Group Companies”) and also of RICH ASIA CORPORATION PUBLIC COMPANY LIMITED only (“the Company”), respectively, which comprise the consolidated and separate statements of financial positions as at December 31, 2016, and the related consolidated and separate statements of comprehensive income, changes in shareholders’ equity and cash flows for the year then ended and the consolidated and separate notes to financial statements, including a summary of significant accounting policies and other explanatory notes.

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial position of RICH ASIA CORPORATION PUBLIC COMPANY LIMITED and its subsidiary companies and also of RICH ASIA CORPORATION PUBLIC COMPANY LIMITED only, respectively, as at December 31, 2016, and of their consolidated and separate financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for opinion**

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

### **Emphasis of matter and event**

I would like to draw attention to the matter as explained in note to financial statement No. 21, the Company failed to comply with the debt restructuring agreement, and note to financial statement No. 36 the Company received a notice from the bank creditor informing of the Company's default payment the debt restructuring agreement and a cross default to outstanding debentures, which the Company was negotiating restructuring plan with bank creditor and solutions debentures defaulted with representatives of debenture holders. In addition, the consolidated and separate financial statements the Group Companies and the Company had total comprehensive loss for the year ended December 31, 2016 of Baht 1,202.77 million and Baht 1,138.22 million respectively. And the same date, the Group Company's and the Company's accumulated loss of Baht 2,180.05 million and Baht 1,994.41 million respectively, current liabilities exceeded current assets of Baht 727.21 million and Baht 515.01 million respectively. These indicate that a material uncertainty exists that may cast significant doubt about their ability to continue as a going concern. My opinion is not modified in respect of this matter.

### **Key audit matters**

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

#### **1. Allowance for doubtful accounts-trade and other receivable**

As at December 31, 2016, the Group Company's trade and other receivables amounted of Baht 1,305.83 million and allowance for doubtful accounts in amount of Baht 741.53 million as in note to financial statement No. 7. Trade and other receivables were shown at cost net of allowance for doubtful accounts, which the management had to exercise the appropriate judgment in determining the amount of the allowance for doubtful accounts. The receivables were expected to be paid based on payment historing, aging overdue, the payments after the reporting period, the dunning results, the legal proceeding results. And the debtor's ability to pay off debt after the reporting period which were expected to occur.

The responses to the risk by the auditor

I had been convinced about the appropriateness of the assumptions the management used to calculate the allowance for doubtful accounts by testing the calculation of the accounts receivable analysis aging report, by inquiring the management and checking of relevant documents, by considering the causes of debtors behind in payment, by the results of dunning and related legal proceedings, by examining payment received after the reporting period, by examining the comparison between risks of a number of receivables not paying off and the Group Companies recorded an allowance for doubtful whether it was appropriate.

2. Allowance for doubtful accounts and allowance for decline in value of inventories of advance payment for goods

As at December 31, 2016, the Group Company's advances payment for goods were in the amount of Baht 203.39 million and recorded allowance for doubtful accounts of Baht 364.89 million, as in note to financial statement No. 10. The advances were presented at cost net of allowance for doubtful accounts and allowance for decline in value of inventories which the management had to exercise an appropriate judgment in determining the allowance for doubtful accounts. For the advances that were expected to get paid in net amount were determined by inventory delivery histories and compliance with the advance purchase contract, by legal proceedings results and the ability to deliver or pay back after the reporting period. The allowance for decline in value of inventories of advance payment for goods that was expected to be delivered as agreed, therein the management determined the appropriate allowance for decline in value of inventories by employing the selling price after the reporting period and was expected to occur.

### The responses to the risk by the auditor

I had been convinced about the appropriateness of the assumptions the management used to calculate the allowance for doubtful accounts and allowance for decline in value of inventories of advance payment for goods by reading the advance purchase contract, by randomly testing the costs of advances to ensure the recording of their costs was correctly matched the advance purchase contract and the payment document. The allowance for doubtful accounts were determined by inquiring the management after checking the related document, reviewing the causes of failing to deliver by the seller, reviewing the goods follow-ups and refund according to the contract, reviewing the dunning results from the legal proceedings and checking the goods receipt and refund after the reporting period. For the advance payment for goods which was thoroughly complied with, I had been convinced about the appropriateness of the assumptions the management used to calculate the allowance for decline in value of inventories by examining the comparison between the costs of inventories and their net realizable value which were calculated from the selling price after the reporting period, for goods with orders would be calculated by the price stated in the order, and goods without would be calculated on the management approval basis.

### 3. Compliance with covenants stipulated in debt restructuring/debenture agreements

As at December 31, 2016, the Group Companies had liabilities under debt restructuring/debenture agreements totaling Baht 2,135.81 million, according to the debt restructuring/debenture agreements. The Company had to comply with certain covenants as in notes to financial statements No. 21 and 20. If the Company was unable to comply with those covenants, it might result in the debt restructuring/debentures agreements being called by the lenders/debenture holders, the reclassification of the liabilities from non-current to current liabilities and the record of interest and accrued interest which would affect the going concern of the Company.

### The responses to the risk by the auditor

I read the debt restructuring/debenture agreements. I comprehended and assessed the process that the management complied with details stated in the agreement. I also checked the confirmation letter from the creditor, checked related payment document during each period, checked the covenants compliance both general regulations and their consequences of failing to pay, checked the payment after the reporting period, checked the classification of liabilities, checked the thorough records of interest and accrued interest, and reviewed the sufficient disclosure of information in the agreements in the notes to the financial statements.

### **Other information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon the annual report, is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

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

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

### **Responsibilities of management and those charged with governance for the financial statements**

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

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group Company's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group Companies and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group Companies and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Companies to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group Companies audit. I remain solely responsible for my audit opinion.

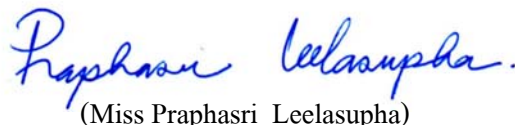
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is

SAM NAK-NGAN A.M.C. Co., Ltd.

  
(Miss Praphasri Leelasupha)

Certified Public Accountant (Thailand) Registration No. 4664

Bangkok,

February 27, 2017



**RICH ASIA CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2016

(Unit : Baht)

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Assets</b>					
Current assets					
Cash and cash equivalents items		181,863,110.25	526,460,345.68	179,559,676.23	525,350,073.40
Temporary investment	6	-	-	-	-
Trade and other receivable	5.1 and 7	1,305,828,916.66	1,966,897,849.29	1,160,250,944.83	1,846,134,077.15
Short-term loans to related parties	5.1	-	-	389,200,000.00	389,200,000.00
Short-term loans to other person	8	30,000,000.00	-	30,000,000.00	-
Inventories	9	116,750,215.53	269,821,652.74	79,029,322.84	234,253,163.76
Advance payment for goods	5.1 and 10	203,393,689.19	465,736,827.89	206,664,717.23	398,839,458.01
Deposit for investment	11	-	30,000,000.00	-	30,000,000.00
Total current assets		1,837,835,931.63	3,258,916,675.60	2,044,704,661.13	3,423,776,772.32
Non-current assets					
Bank deposit pledged as collateral		3,799,060.52	3,782,860.33	1,913,626.37	1,917,371.40
Investment in subsidiaries	12	-	-	305,073,920.84	346,111,258.64
Investment in associate	13	177,360,420.69	189,414,345.81	198,477,611.48	198,477,611.48
Investment property	14	7,926,449.18	8,849,279.31	7,926,449.18	8,849,279.31
Property, plant and equipment	15	752,415,067.13	819,868,904.16	60,994,601.81	69,657,152.06
Other non-current assets		2,887,699.54	5,184,062.73	260,836.70	2,530,950.00
Total non-current assets		944,388,697.06	1,027,099,452.34	574,647,046.38	627,543,622.89
Total assets		2,782,224,628.69	4,286,016,127.94	2,619,351,707.51	4,051,320,395.21

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

**RICH ASIA CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENT OF FINANCIAL POSITION**

**As at December 31, 2016**

**(Unit : Baht)**

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b><u>Liabilities and shareholders' equity</u></b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	17	20,000,000.00	16,000,000.00	20,000,000.00	16,000,000.00
Trade and other payable	5.1 and 18	275,760,992.97	258,914,597.66	270,422,933.52	249,719,763.69
Short-term loans from other persons and parties	19	133,481,503.27	135,910,676.72	133,481,503.27	135,910,676.72
Current portion of debentures	20	1,224,917,030.54	-	1,224,917,030.54	-
<b>Current portion of liabilities under debt</b>					
restructuring agreement	21	910,888,464.90	48,000,000.00	910,888,464.90	48,000,000.00
<b>Total current liabilities</b>		<b>2,565,047,991.68</b>	<b>458,825,274.38</b>	<b>2,559,709,932.23</b>	<b>449,630,440.41</b>
<b>Non-current liabilities</b>					
Debentures	20	-	1,211,811,035.89	-	1,211,811,035.89
Liabilities under debt restructuring agreement	21	-	1,406,968,665.05	-	1,406,968,665.05
Employee benefit obligations	22	3,289,024.72	1,762,993.79	1,604,087.00	1,229,146.07
Deferred tax liabilities	23	87,958,623.58	93,503,161.40	-	-
<b>Total non-current liabilities</b>		<b>91,247,648.30</b>	<b>2,714,045,856.13</b>	<b>1,604,087.00</b>	<b>2,620,008,847.01</b>
<b>Total liabilities</b>		<b>2,656,295,639.98</b>	<b>3,172,871,130.51</b>	<b>2,561,314,019.23</b>	<b>3,069,639,287.42</b>
<b>Shareholders' equity</b>					
<b>Share capital</b>					
<b>Authorized share capital</b>					
9,600,000,000 ordinary shares @ Baht 1.00		9,600,000,000.00	-	9,600,000,000.00	-
2,400,000,000 ordinary shares @ Baht 1.00		-	2,400,000,000.00	-	2,400,000,000.00
<b>Issued and paid-up share capital</b>					
3,115,268,236 ordinary shares @ Baht 1.00		3,115,268,236.00	-	3,115,268,236.00	-
2,400,000,000 ordinary shares @ Baht 1.00		-	2,400,000,000.00	-	2,400,000,000.00
Discount on share capital		(1,062,822,976.61)	(562,135,211.41)	(1,062,822,976.61)	(562,135,211.41)
Deficit		(2,180,053,623.75)	(1,033,968,180.94)	(1,994,407,571.11)	(856,183,680.80)
Other component of shareholders' equity		73,689,101.23	73,720,978.69	-	-
<b>Total shareholders' equity of the Company</b>		<b>(53,919,263.13)</b>	<b>877,617,586.34</b>	<b>58,037,688.28</b>	<b>981,681,107.79</b>
Non-controlling interests		179,848,251.84	235,527,411.09	-	-
<b>Total shareholders' equity</b>		<b>125,928,988.71</b>	<b>1,113,144,997.43</b>	<b>58,037,688.28</b>	<b>981,681,107.79</b>
<b>Total liabilities and shareholder's equity</b>		<b>2,782,224,628.69</b>	<b>4,286,016,127.94</b>	<b>2,619,351,707.51</b>	<b>4,051,320,395.21</b>

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

## RICH ASIA CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

(Unit : Baht)

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Revenue					
Revenue from sales		3,215,283,641.24	3,759,122,731.31	2,940,887,475.92	3,399,211,740.73
Other incomes		13,514,957.27	43,605,072.55	44,679,886.45	62,038,862.46
Total revenues		3,228,798,598.51	3,802,727,803.86	2,985,567,362.37	3,461,250,603.19
Expenses					
Cost of sales	9	3,092,703,478.79	3,744,226,402.31	2,787,831,564.39	3,345,124,800.28
Selling expenses		4,315,345.20	4,326,339.62	1,592,343.65	1,147,839.44
Administrative expenses		59,342,786.81	77,674,520.88	48,136,961.20	66,371,551.68
Loss on impairment of investment in subsidiary		-	-	61,062,330.30	-
Doubtful accounts (reversal)		1,100,753,734.91	(2,584,300.99)	1,058,445,892.19	-
Management benefit expenses	5.3 and 27	10,162,475.90	12,245,308.35	10,162,475.90	12,245,308.35
Financial cost		156,137,953.13	155,520,629.32	156,226,578.12	155,497,543.31
Total expenses		4,423,415,774.74	3,991,408,899.49	4,123,458,145.75	3,580,387,043.06
Loss before share of loss on investment in associate and income tax		(1,194,617,176.23)	(188,681,095.63)	(1,137,890,783.38)	(119,136,439.87)
Share of loss on investment in associate		(11,920,930.51)	(15,103,588.14)	-	-
Loss before income tax		(1,206,538,106.74)	(203,784,683.77)	(1,137,890,783.38)	(119,136,439.87)
Income tax revenue	28	5,544,537.82	5,501,744.06	-	-
Loss for the year		(1,200,993,568.92)	(198,282,939.71)	(1,137,890,783.38)	(119,136,439.87)
Other comprehensive income					
Item that will not be reclassified to profit or loss					
Actuarial losses arising from defined benefit plan		(1,418,673.93)	-	(333,106.93)	-
Income tax on other comprehensive income		-	-	-	-
Share of other comprehensive loss of associate		(359,244.17)	-	-	-
Other comprehensive loss for the year		(1,777,918.10)	-	(333,106.93)	-
Total comprehensive loss for the year		(1,202,771,487.02)	(198,282,939.71)	(1,138,223,890.31)	(119,136,439.87)

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

**RICH ASIA CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended December 31, 2016**

**(Unit : Baht)**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>		
	<b>Note</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Loss for the year attributable to :					
Equity holders of the Company		(1,144,829,748.20)	(165,149,952.31)	(1,137,890,783.38)	(119,136,439.87)
Non-controlling interests of the subsidiaries		(56,163,820.72)	(33,132,987.40)	-	-
		<u>(1,200,993,568.92)</u>	<u>(198,282,939.71)</u>	<u>(1,137,890,783.38)</u>	<u>(119,136,439.87)</u>
Total comprehensive loss attributable to :					
Equity holders of the Company		(1,146,085,442.81)	(165,149,952.31)	(1,138,223,890.31)	(119,136,439.87)
Non-controlling interests of the subsidiaries		(56,686,044.21)	(33,132,987.40)	-	-
		<u>(1,202,771,487.02)</u>	<u>(198,282,939.71)</u>	<u>(1,138,223,890.31)</u>	<u>(119,136,439.87)</u>
<b>Basic loss per share</b>					
Equity holders of the Company	29	(0.466)	(0.069)	(0.463)	(0.050)

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

**RICH ASIA CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the year ended December 31, 2016

(Unit : Baht)

	Note	Other component of equity							Total shareholders' equity
		Issued and paid - up share capital	Discount on share capital	Deficit	Other Changes resulting from shareholders		Total equity attributable to owners of the Company	Non - controlling interests	
					Surplus from change in equity interest	Total Other component of equity			
Balance as at January 1, 2015		2,400,000,000.00	(562,135,211.41)	(868,818,228.63)	73,720,978.69	73,720,978.69	1,042,767,538.65	268,560,398.49	1,311,327,937.14
Loss for the year		-	-	(165,149,952.31)	-	-	(165,149,952.31)	(33,132,987.40)	(198,282,939.71)
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive loss for the year		-	-	(165,149,952.31)	-	-	(165,149,952.31)	(33,132,987.40)	(198,282,939.71)
Increase on non-controlling interests		-	-	-	-	-	-	100,000.00	100,000.00
Ending balance as at December 31, 2015		2,400,000,000.00	(562,135,211.41)	(1,033,968,180.94)	73,720,978.69	73,720,978.69	877,617,586.34	235,527,411.09	1,113,144,997.43
Loss for the year		-	-	(1,144,829,748.20)	-	-	(1,144,829,748.20)	(56,163,820.72)	(1,200,993,568.92)
Other comprehensive income		-	-	(1,255,694.61)	-	-	(1,255,694.61)	(522,223.49)	(1,777,918.10)
Total comprehensive loss for the year		-	-	(1,146,085,442.81)	-	-	(1,146,085,442.81)	(56,686,044.21)	(1,202,771,487.02)
Increased ordinary capital shares	24	715,268,236.00	(500,687,765.20)	-	-	-	214,580,470.80	-	214,580,470.80
Increase on non-controlling interests		-	-	-	-	-	-	975,007.50	975,007.50
Discount from changed in shareholding in the subsidiary		-	-	-	(31,877.46)	(31,877.46)	(31,877.46)	31,877.46	-
Ending balance as at December 31, 2016		3,115,268,236.00	(1,062,822,976.61)	(2,180,053,623.75)	73,689,101.23	73,689,101.23	(53,919,263.13)	179,848,251.84	125,928,988.71

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

**RICH ASIA CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the year ended December 31, 2016**

**(Unit : Baht)**

	<b>Note</b>	<b>Issued and paid-up share capital</b>	<b>Discount on share capital</b>	<b>Deficit</b>	<b>Total</b>
Balance as at January 1, 2015		2,400,000,000.00	(562,135,211.41)	(737,047,240.93)	1,100,817,547.66
Loss for the year		-	-	(119,136,439.87)	(119,136,439.87)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(119,136,439.87)	(119,136,439.87)
Ending balance as at December 31, 2015		2,400,000,000.00	(562,135,211.41)	(856,183,680.80)	981,681,107.79
Loss for the year		-	-	(1,137,890,783.38)	(1,137,890,783.38)
Other comprehensive loss		-	-	(333,106.93)	(333,106.93)
Total comprehensive loss for the year		-	-	(1,138,223,890.31)	(1,138,223,890.31)
Increased ordinary capital shares	24	715,268,236.00	(500,687,765.20)	-	214,580,470.80
Ending balance as at December 31, 2016		3,115,268,236.00	(1,062,822,976.61)	(1,994,407,571.11)	58,037,688.28

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

**RICH ASIA CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENT OF CASH FLOWS**

**For the year ended December 31, 2016**

**(Unit : Baht)**

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash flows from operating activities				
Loss before income tax	(1,206,538,106.74)	(203,784,683.77)	(1,137,890,783.38)	(119,136,439.87)
Adjustments to reconcile loss before income tax for cash received (paid) from operation				
Depreciation	67,978,091.18	72,748,130.19	8,620,108.69	8,794,085.24
Depreciation for investment property	922,830.13	920,308.73	922,830.13	920,308.73
Doubtful accounts (reversal)	1,100,753,734.91	(2,584,300.99)	1,058,445,892.19	-
Loss from declining in value of inventories (reversal)	(3,243,099.21)	3,761,249.36	(4,073,598.34)	4,441,615.27
Impairment loss on investment in subsidiary	-	-	61,062,330.30	-
Share of loss on investment in associates	11,694,680.95	15,329,837.70	-	-
Unrealized (gain) loss on exchange rate	(646,573.27)	7,849,398.82	(646,573.27)	7,849,398.82
(Gain) loss from disposed and written-off assets	286,844.82	(2,090,027.96)	286,844.82	(860,029.96)
Gain from compromise settlement	(5,833,091.60)	(8,512,773.46)	(5,833,091.60)	-
Employee benefits expense	69,228.00	61,688.00	29,580.00	28,304.00
Interest income	(2,419,231.66)	(3,495,040.04)	(33,535,896.05)	(34,603,939.22)
Interest expenses	156,099,824.13	155,253,918.43	156,214,324.12	155,253,918.43
Interest expenses of employee benefits	38,129.00	33,534.00	12,254.00	10,448.00
Profit from operation before changes in operating assets and liabilities	119,163,260.64	35,491,239.01	103,614,221.61	22,697,669.44
Operating assets (increase) decrease				
Trade and other receivable	(79,591,730.72)	(660,806,027.62)	(12,477,805.20)	(673,685,128.11)
Inventories	154,376,348.80	(266,079,117.38)	157,359,251.64	(234,771,903.49)
Advance payments for goods	(94,942,972.77)	396,370,923.71	(165,111,370.69)	346,464,555.28
Other non-current assets	2,302,325.49	(1,913,229.24)	2,270,113.30	(2,112,476.17)
Operating liabilities increase (decrease)				
Trade and other payable	23,277,840.16	(56,783,848.30)	27,182,834.68	(43,554,610.99)
Other non-current liabilities	-	(80,706.38)	-	-
Cash received (paid) from operation	124,585,071.60	(553,800,766.20)	112,837,245.34	(584,961,894.04)
Cash paid for income tax	(385,085.01)	(891,389.60)	(377,711.74)	(875,204.90)
Net cash received from (used in) operating activities	124,199,986.59	(554,692,155.80)	112,459,533.60	(585,837,098.94)

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

**RICH ASIA CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENT OF CASH FLOWS**

**For the year ended December 31, 2016**

**(Unit : Baht)**

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from investing activities</b>				
Cash payment for deposit investment	-	(30,000,000.00)	-	(30,000,000.00)
Increase in bank deposits pledged as collateral	(16,200.19)	(86,628.47)	3,745.03	(61,924.18)
Cash received from short-term loans from related parties	-	-	-	120,000,000.00
Cash payment for short-term loans from related parties	-	-	-	(120,000,000.00)
Cash received from interest	1,929,581.90	3,498,171.66	33,052,952.21	33,084,903.60
Cash payment for purchase of investment in subsidiary	-	-	(20,024,992.50)	(900,000.00)
Cash payment for purchase of property, plant and equipment	(777,832.24)	(4,414,831.77)	(259,356.53)	(718,070.25)
Cash received from sale of property, plant and equipment	14,953.27	2,154,244.86	14,953.27	924,244.86
<b>Net cash received from (used in) investing activities</b>	<b>1,150,502.74</b>	<b>(28,849,043.72)</b>	<b>12,787,301.48</b>	<b>2,329,154.03</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans from financial institutions	4,000,000.00	(26,756,178.00)	4,000,000.00	(26,756,178.00)
Cash received from short-term loans from other persons and parties	48,689,423.64	159,206,272.01	48,689,423.64	159,206,272.01
Cash payment for short-term loans from other persons and parties	(54,556,785.06)	(260,000,000.00)	(54,556,785.06)	(260,000,000.00)
Cash received from short-term loans from related parties	-	114,000,000.00	23,000,000.00	114,000,000.00
Cash payment for short-term loans from related parties	-	(301,377,422.78)	(23,000,000.00)	(301,377,422.78)
Cash received from issuance of debentures	-	1,205,210,000.00	-	1,205,210,000.00
Cash payment for debt under restructuring agreement	(493,611,397.83)	-	(493,611,397.83)	-
Cash paid for interest expenses	(190,024,443.81)	(77,442,589.79)	(190,138,943.80)	(77,442,589.79)
Cash received from increased ordinary capital shares	214,580,470.80	-	214,580,470.80	-
Cash received from increase on non-controlling interests	975,007.50	100,000.00	-	-
<b>Net cash received from (used in) financing activities</b>	<b>(469,947,724.76)</b>	<b>812,940,081.44</b>	<b>(471,037,232.25)</b>	<b>812,840,081.44</b>
Cash and cash equivalent items increase (decrease)-net	(344,597,235.43)	229,398,881.92	(345,790,397.17)	229,332,136.53
Cash and cash equivalent items at the beginning of the years	526,460,345.68	297,061,463.76	525,350,073.40	296,017,936.87
<b>Cash and cash equivalent items at the end of the years</b>	<b>181,863,110.25</b>	<b>526,460,345.68</b>	<b>179,559,676.23</b>	<b>525,350,073.40</b>
<b>1. Supplementary disclosure of cash flow information - non cash items</b>				
- Purchase fixed assets by credit	48,220.00	574,206.18	-	-
- Transfer deposit for investment become short-term loans to other person	30,000,000.00	-	30,000,000.00	-
- Defined benefit plan actuarial loss	1,418,673.93	-	333,106.93	-
<b>2. Cash and cash equivalent items consisted of :-</b>				
- Cash	124,494.35	77,799.63	68,116.35	58,780.63
- Banks, savings and current accounts	181,738,615.90	526,382,546.05	179,491,559.88	525,291,292.77
<b>Total</b>	<b>181,863,110.25</b>	<b>526,460,345.68</b>	<b>179,559,676.23</b>	<b>525,350,073.40</b>

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



**RICH ASIA CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****NOTES TO FINANCIAL STATEMENTS****For the year ended December 31, 2016**

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**1. General information**

RICH ASIA CORPORATION PUBLIC COMPANY LIMITED (formerly RICH ASIA STEEL PUBLIC COMPANY LIMITED which the name has been changed according to the resolution of the Annual General Meeting of Shareholders of 2016 held on April 29, 2016) (“The Company”) was registered as a Company Limited in accordance with the Civil and Commercial Law Code on May 10, 1999, with the registered number 0107549000050, and registered as the Public Company Limited on March 27, 2006, with its registered head office at 636 Bangkhuntien-Chaitaley Road, Thakham, Bangkhuntien, Bangkok 10150, Thailand.

The Company and its subsidiaries (collectively called the “Group Companies”) operate in the business of production and distribution of steel pipe, steel products and service of steel production and procurement of material, equipment, and technology as well as investment in utilities and infrastructure, and service of water supply and other utilities.

**2. Basis of financial statement preparation**

2.1 The financial statements are issued for reporting purposes to be used in Thailand 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.

2.2 The consolidated and the separate financial statements were prepared in accordance with the generally accepted accounting principles under the Accounting Act B.E. 2543, which include the already announced accounting standards, financial reporting standards and their interpretation including accounting guidance issued by the Federation of Accounting Professionals (“FAP”) established under the Accounting Professions Act B.E. 2547 and regulations in accordance with the determination of the Office of the Securities and Exchange Commission on the subject of preparation and presentation of the financial reports.

The presentation of financial statements is in accordance with the determination stated in the Notification of the Department of Business Development dated September 28, 2011, issued under the Accounting Act, B.E. 2543.

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand Baht unless otherwise stated.

These financial statements were prepared by using historical cost basis except those disclosed otherwise in the accounting policies.

## 2.3 New financial reporting standards

### 2.3.1 New and revised TFRS that became effective in the current period

During the year, the Group Companies adopted a number of new and revised Thai financial reports standards (TFRS) and interpretations, issued by the FAP, that is effective for fiscal years beginning on or after January 1, 2016, as listed below.

<u>Reference standard No.</u>	<u>Name</u>
The Conceptual financial Reporting Standards (revised 2015)	
<u>Thai Accounting Standards (TAS)</u>	
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 2 (revised 2015)	Inventories
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events after the Reporting Period
TAS 11 (revised 2015)	Construction Contracts
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 20 (revised 2015)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2015)	Borrowing Costs
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2015)	Separate Financial Statements

<u>Reference standard No.</u>	<u>Name</u>
<u>Thai Accounting Standards (TAS) (continuous)</u>	
TAS 28 (revised 2015)	Investments in Associates and Joint Ventures
TAS 29 (revised 2015)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2015)	Earnings per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TAS 40 (revised 2015)	Investment Property
TAS 41	Agriculture
<u>Thai Financial Reporting Standards (TFRS)</u>	
TFRS 2 (revised 2015)	Share-based Payment
TFRS 3 (revised 2015)	Business Combinations
TFRS 4 (revised 2015)	Insurance Contracts
TFRS 5 (revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2015)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2015)	Operating Segments
TFRS 10 (revised 2015)	Consolidated Financial Statements
TFRS 11 (revised 2015)	Joint Arrangements
TFRS 12 (revised 2015)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2015)	Fair Value Measurement
<u>Thai Accounting Standard Interpretations (TSIC)</u>	
TSIC 10 (revised 2015)	Government Assistance-No Specific Relation to Operating Activities
TSIC 15 (revised 2015)	Operating Leases-Incentives
TSIC 25 (revised 2015)	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2015)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2015)	Service Concession Arrangements: Disclosures
TSIC 31 (revised 2015)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (revised 2015)	Intangible Assets-Web Site Costs
<u>Thai Financial Reporting interpretations (TFRIC)</u>	
TFRIC 1 (revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2015)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2015)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

<u>Reference standard No.</u>	<u>Name</u>
<u>Thai Financial Reporting interpretations (TFRIC) (continuous)</u>	
TFRIC 7 (revised 2015)	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies (Revised 2015)
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2015)	Service Concession Arrangements
TFRIC 13 (revised 2015)	Customer Loyalty Programmer
TFRIC 14 (revised 2015)	TAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Revised 2015)
TFRIC 15 (revised 2015)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2015)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2015)	Transfers of Assets from Customers
TFRIC 20 (revised 2015)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21	Levies

### 2.3.2 New and revised financial reporting standards not yet effective

The Federation of Accounting Professions has published new and revised accounting standards, financial reporting standards, interpretations accounting standards, interpretations financial reporting standards and accounting practices that are mandatory for annual periods beginning on or after January 1, 2017. The Group Companies has not yet early adopted these new and revised financial reporting standards which are as follows:

<u>Reference standard No.</u>	<u>Name</u>
<u>Thai Accounting Standards (TAS)</u>	
TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimate and Errors
TAS 10 (revised 2016)	Events After the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 20 (revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance

<u>Reference standard No.</u>	<u>Name</u>
<u>Thai Accounting Standards (TAS) (continuous)</u>	
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 29 (revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 41 (revised 2016)	Agriculture
TAS 104 (revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments Disclosure and Presentation
<u>Thai Financial Reporting Standards (TFRS)</u>	
TFRS 2 (revised 2016)	Share-based Payment
TFRS 3 (revised 2016)	Business Combinations
TFRS 4 (revised 2016)	Insurance Contracts
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discounted Operations
TFRS 6 (revised 2016)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements
TFRS 11 (revised 2016)	Joint Arrangements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
<u>Thai Accounting Standard Interpretations (TSIC)</u>	
TSIC 10 (revised 2016)	Government Assistance-No Specific Relation to Operating Activities
TSIC 15 (revised 2016)	Operating Leases-Incentives
TSIC 25 (revised 2016)	Income Taxes-Changes in the Tax Status of an Enterprise or its Shareholders
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 29 (revised 2016)	Service Concession Arrangements: Disclosures

<u>Reference standard No.</u>	<u>Name</u>
<u>Thai Accounting Standard Interpretations (TSIC) (continuous)</u>	
TSIC 31 (revised 2016)	Revenue-Barter Transactions involving Advertising Services
TSIC 32 (revised 2016)	Intangible Assets-Web Site Costs
<u>Thai Financial Reporting Interpretations (TFRIC)</u>	
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining Whether an Arrangement Contains a Lease
TFRIC 5 (revised 2016)	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2016)	Applying the Restatement Approach under IAS 29 (revised 2016) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2016)	Service Concession Arrangements
TFRIC 13 (revised 2016)	Customer Loyalty Programmer
TFRIC 14 (revised 2016)	TAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction
TFRIC 15 (revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
TFRIC 20 (revised 2016)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2016)	Levies

The management of the Group Companies believes that above financial reporting standards will not have any significant impact on the financial statements in the year of initial application.

- 2.4 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. The estimates and underlying assumptions are resulted from experience and other factors that the management has reasonably assurance under such circumstance. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. The significant estimates and assumptions are as follows:-

#### Lease agreement

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

#### Allowance for doubtful debt

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

#### Reduction of inventories to become net realizable value

In estimating the reduction of inventories to become net realizable value, the management uses the discretion in estimating the net realizable value of inventories. The sum of money expected to receive from inventories is considered from the change in sale price or cost directly related to the events occurring after of report period.

#### Allowances for decline in value of dilapidated inventories and non-movement inventories

Allowances for decline in value of dilapidated inventories and non-movement inventories are estimated from inventories which are subject to dilapidation and non-movement.

#### Impairment of investments

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

#### Property, plant and equipment / Investment property

In determining depreciation of plant and equipment and investment property the management is required to make estimates of the useful lives and residual values of the plant and equipment and investment property and to review estimate useful lives and residual values when there are any changes.

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

Post-employment benefits underdefined benefit plans

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

Deferred tax assets

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

Litigation

The Company and its subsidiaries have contingent liabilities as a result of the litigation. The management has used judgment to assess of the results of the litigation and believes that no significant loss will be resulted. Therefore no contingent liabilities are recorded as at the end of reporting period.

3. Basis of the consolidated financial statements preparation

3.1 The consolidated financial statements have been prepared by consolidating the financial statements of the Company and of three subsidiary companies (collectively called the “Group Companies”)

The detail of structure and shareholding ratio of the Group Companies is as follows:-

<u>Name of subsidiaries</u>	<u>Nature of business</u>	<u>Country of incorporation</u>	<u>Percentage of shareholdings</u>	
			<u>2016</u>	<u>2015</u>
Rich Asia Industry Co., Ltd.	Production and distribution of steel pipe, steel product and service of steel production	Thai	51.88	51.88
Rich Asia Engineering Co., Ltd.	Procurement of material, equipment, and technology as well as investment in utilities and infrastructure	Thai	95.00	90.00
Rich Asia Utilities Co., Ltd.	Service of water supply and other utilities	Thai	99.99	-



- 3.2 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.
- 3.3 The Financial Statement of Rich Asia Utilities Co., Ltd. is included in the consolidated financial statements in the first quarter of the year 2016, the Company invested in the subsidiary company which is established in 2016.
- 3.4 The consolidated financial statements have been prepared using the same accounting policy for the same accounting items and other events in the similar situation.
- 3.5 The accounting periods of subsidiary companies ended the same date as that of Rich Asia Corporation Public Company Limited.
- 3.6 The consolidated financial statements combine the accounts of the Company and subsidiary companies after eliminating inter-company transaction items. The balances between the Company and subsidiary companies, significant intra-group transactions, investments in subsidiary companies and share capital of subsidiary companies have already been eliminated from the consolidated financial statements.
4. Summary of significant accounting policies

The significant accounting policies of the Group Companies can be summarized as follows:

- 4.1 Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.
- 4.2 Trade and other receivables are stated at their invoice value less allowance for doubtful accounts. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging. Bad debts are written off when incurred.
- 4.3 Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method less accumulated impairment losses (if any).

- 4.4 Investment in associate is accounted for in the consolidated financial statements by the equity method and in the separate financial statements by the cost method net of allowance for impairment (if any).
- 4.5 Investments in other debt and other equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in profit or loss.

Debt securities that the Company and its subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity investments, which are stated at amortized cost less any accumulated impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortized using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than accumulated impairment losses are recognized directly in equity. Impairment losses are recognized in profit or loss. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss.

Equity securities which are not marketable are stated at cost less any accumulated impairment losses (if any).

The fair value of financial instruments classified as held-for-trading and available-for-sale is determined as the quoted bid price at the reporting date.

Disposal of investments On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in profit or loss.

If the Company and its subsidiaries dispose of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying amount of the total holding of the investment.

- 4.6 Inventories are stated at the lower of cost and net realizable value. Cost determined by the moving average method. Cost comprises both purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

- 4.7 Non-current assets held for sale (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower end of the carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

- 4.8 Investment property is defined as land or a building or part of a building, or both, held to earn rental or for capital appreciation or both, rather than for use in the production or supply of goods and services, for administrative purposes, or for making sales in the ordinary course of business.

Investment properties of the Company and its subsidiaries are measured initially at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining in profit or loss.

No depreciation is provided on investment properties-land.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period when the asset is derecognized.

- 4.9 Property, plant and equipment are stated at cost less accumulated depreciation and allowance for impairment losses (if any).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income or other expense in profit or loss.

#### Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its subsidiaries, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:-

Land improvements	5	years
Buildings and Improvements	5, 20	years
Machines	5, 10, 20	years
Furniture, fixtures and office equipment	3,5	years
Tools and equipment	5	years
Vehicles	5	years

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

- 4.10 Other intangible assets that are acquired by the Company and its subsidiaries and have finite useful lives are measured at cost less accumulated amortization and allowance for impairment losses (if any).

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset, less its residual value

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Software license	5 years
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Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

- 4.11 Impairment of Assets

The carrying amounts of the Company and its subsidiaries' assets are reviewed at each statements of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as when indicators of impairment are identified.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

#### Calculation of recoverable amount

The recoverable amount of other assets is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

- 4.12 Trade and other payables are stated at cost.
- 4.13 Loan is initially recognized by fair value of the remuneration received deducted by cost of transactions preparation incurred. Later, loan value is measured by amortization of cost price method. The discrepancy between remuneration (deducted by cost of transaction preparation incurred) when compared against the repayable value to repay debt will be recognized in profit or loss. Fee for providing loans is amortized to financial costs by over the period of the borrowings by using the effective rate method.
- 4.14 Provision is recognized in the statements of financial position when the Company and its subsidiaries have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### 4.15 Long-term leases

Leases of property or equipment which substantially transfer all the risks and rewards of ownership to the lessees are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss. When a sale and leaseback results in a finance lease, any gain on the sale is deferred and recognized as income over the lease term. The property or equipment acquired under finance leases is depreciated over the useful life of the asset.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

#### 4.16 Employee benefits

##### Short-term employee benefits

The Company and its subsidiaries Salaries, wages, bonuses and contributions to the social security fund are recognized as expenses when incurred.

##### Share-based payments

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met.

### Post-employment benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (Provident Fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

### Defined benefit plans

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

The obligation under the defined benefit plans is determined by a professionally qualified actuary based on actuarial techniques, using the projected unit credit method on a regular basis. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested.

Actuarial gains and losses arising from post-employment benefits are recognized immediately in other comprehensive income in the period in which they arise and recognized as part of retained earnings.

- 4.17 Revenue excludes value added taxes and is arrived at after deduction of trade discounts.
  - 4.17.1 Revenue from sales is recognized in profit or loss 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 consideration due, associated costs or the probable return of goods.
  - 4.17.2 Service income is recognized as services are provided.
  - 4.17.3 Rental income from operating lease contracts is recognized in profit or loss on a straight line basis over the term of the lease.
  - 4.17.4 Dividend income is recognized in profit or loss on the date the Company and its subsidiaries' right to receive payments is established.
  - 4.17.5 Interest income is recognized in profit or loss on the accrual basis.



#### 4.18 Expenses

- 4.18.1 Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.
- 4.18.2 Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.
- 4.18.3 Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

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

##### Current tax

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

##### Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.20 Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the parent company (excluding other comprehensive income) by the weighted average number of common shares outstanding during the year.

4.21 Foreign currencies transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

4.22 The sectoral business operation is disclosed under the separate business sectors of the Company and its subsidiaries, 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.

4.23 Financial instruments of financial assets and liabilities which were carried on the financial statements 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.

#### 4.24 Fair value measurement

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

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

- Level 1 Use of quoted market prices in an observable active market for such assets or liabilities.
- Level 2 Use of other observable inputs for such assets or liabilities, whether directly or indirectly.
- Level 3 Use of unobservable inputs such as estimates of future cash flows.

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

#### 5. Inter-transaction with related companies

The Company has significant inter-transactions items incurred with its subsidiaries and related person or related companies with common shareholders group and mutual directors and management. The material inter-transaction items and outstanding balance with the subsidiary and related person or related companies could be summarized as follows:-

5.1 Inter-assets and liabilities

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31</u>		<u>As at December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade and other receivable</u>				
Rich Asia Industry Co., Ltd.	-	-	7,934	61,697
Rich Asia Engineering Co., Ltd.	-	-	20	20
Thai National Product Co., Ltd.	-	3	-	-
Total	-	3	7,954	61,717
<u>Less</u> Allowance for doubtful debt	-	-	(5,296)	(5,296)
Trade and other receivable-Net	-	3	2,658	56,421
<u>Short-term loans to related parties</u>				
Rich Asia Industry Co., Ltd.				
Beginning balance	-	-	389,200	389,200
Addition	-	-	-	-
Repayment	-	-	-	-
Ending balance	-	-	389,200	389,200
Thai National Product Co., Ltd.				
Beginning balance	-	-	-	-
Addition	-	120,000	-	120,000
Repayment	-	(120,000)	-	(120,000)
Ending balance	-	-	-	-
Total short-term loans to related parties	-	-	389,200	389,200

As at December 31, 2016 and 2015, the Company had short-term loans to subsidiary company is carried by interest rate of 8.00% per annum for both years.

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31</u>		<u>As at December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Advance payments for goods</u>				
Rich Asia Industry Co., Ltd.	-	-	3,271	-
Total	-	-	3,271	-

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31</u>		<u>As at December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade and other payable</u>				
Rich Asia Industry Co., Ltd.	-	-	6,282	-
Thai National Product Co., Ltd.	-	38	-	11
G.T. Steel Works Co., Ltd.	11,747	11,747	11,747	11,747
Director	628	655	29	55
Total	12,375	12,440	18,058	11,813
<u>Short-term loans from related parties</u>				
Rich Asia Engineering Co., Ltd..				
Beginning balance	-	-	-	-
Addition	-	-	23,000	-
Repayment	-	-	(23,000)	-
Ending balance	-	-	-	-
Thai National Product Co., Ltd				
Beginning balance	-	187,378	-	187,378
Addition	-	114,000	-	114,000
Repayment	-	(301,378)	-	(301,378)
Ending balance	-	-	-	-
Total	-	-	-	-

As at December 31, 2016 and 2015, the Company short-term loans from related parties is carried by interest rate of 1.00-1.15% per annum and 6.63-6.75% per annum respectively.

## 5.2 Inter-revenues and expenses

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>for the years ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Transactions with related person and related companies</u>				
Revenues from sales of goods	2,946	33,168	2,946	33,131
Revenues from sales of raw materials	-	2,766	-	2,766
Return of goods	-	(2,766)	-	(2,766)
Revenues from sales of fixed assets	-	47	-	47
Other income	-	5	-	5
Interest income	-	560	-	560
Purchase of goods	73	-	73	-
Other expenses	393	785	393	756
Interest expense	-	3,902	-	3,902
<u>Transaction with subsidiary companies</u>				
(Eliminated from consolidated financial statements)				
Revenues from sales of good	-	-	815	69
Revenues from sales of raw materials	-	-	381,695	270,402
Others income	-	-	243	221
Interest income	-	-	31,136	31,136
Purchase of goods	-	-	32,115	25,520
Subcontract production cost	-	-	-	7
Other expense	-	-	223	30
Interest expense	-	-	114	-

## 5.3 Management benefit expenses

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>For the years ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	10,153	12,236	10,153	12,236
Post-employment benefits	9	9	9	9
Total	10,162	12,245	10,162	12,245

#### 5.4 Pricing policies

Pricing policies for each transactions are described as follows:

<u>Type of transactions</u>	<u>Pricing policies</u>
Revenues from sale	Price can be comparative against outside parties
Other income	Cost price/Contract price
Purchase assets	Agreement price, reference to market prices/Contract price
Purchases of goods	Price can be comparative against outside parties
Cost of service	Price can be comparative against outside parties
Other expenses	Actual price/Contract price
Interest income	Interest rate 8.00% per annum (2015 : 6.50-8.00% per annum)
Interest expenses	Interest rate 1.00-1.15% per annum (2015 : 6.63-6.75% per annum)

In 2016 and 2015, the Company has guarantee transaction between its associate company and director of the Company without any interest expenses. In the first quarter 2016, the Company had proceed to redeem the mortgaged land, buildings and machinery of associate and obligations guaranteed by the associate.

#### 5.5 Types of relationship of related parties are as follows:

<u>Name of Companies/Persons</u>	<u>Type of business</u>	<u>Type of relationship</u>
Rich Asia Industry Co., Ltd.	Production and distribution of steel pipe, steel product and service of steel production	Subsidiary
Rich Asia Engineering Co., Ltd.	Procurement of material, equipment and technology as well as investment in utilities and infrastructure.	Subsidiary
Rich Asia Utilities Co., Ltd.	Service of water supply and other utilities	Subsidiary
Thai National Product Co., Ltd.	Foundation pile manufacturing, distribution delivery and pile driving and production of concrete product	Associate
G.T. STEEL WORKS Co., Ltd.	Production and distribution of steel	Closed cousin of executive officer are director and shareholders
PNB Inter Group Co., Ltd.	Distribution and installment of Marbles granites and natural stone materials	The management's of Thai National Product Co., Ltd. (Resign on the fourth quarter 2015)
Star Decor & Design Co., Ltd.	Installment contractor of Marbles granites and natural stone materials	The management's of Thai National Product Co., Ltd. (Resign on the fourth quarter 2015)
Ms. Angkarn Tantiviroon		Chief Executive Officer Director
Mr. Somkiat Vongsarajana		Managing Director
Mr. Teera Phoncharoensuk		Director

6. Temporary investment

Consisted of:-

(Unit : Thousand Baht)

	<u>Consolidated/Separate financial statements</u>			
	<u>As at December 31,</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Cost value</u>	<u>Fair value</u>	<u>Cost value</u>	<u>Fair value</u>
Equity security : Listed Company	647	337	647	337
<u>Less</u> Valuation adjustment	(647)	(337)	(647)	(337)
Total	-	-	-	-

7. Trade and other receivable

Consisted of:-

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	Trade receivable-related parties	-	3	-
Trade receivable-other parties	2,018,113	1,921,431	1,827,666	1,751,209
Post dated cheques-other parties	12,930	12,577	12,930	11,900
Total Trade receivable	2,031,043	1,934,011	1,840,596	1,816,864
<u>Less</u> Allowance for doubtful accounts	(741,529)	-	(699,222)	-
Total Trade receivable-net	1,489,514	1,934,011	1,141,374	1,816,864
Other receivable-related parties	-	-	7,954	7,962
Other receivable-other parties	3,376	1,584	3,318	1,501
Revenue department receivable	9,980	25,322	9,975	19,240
Others	2,959	5,981	2,926	5,863
Total Other receivable	16,315	32,887	24,173	34,566
<u>Less</u> Allowance for doubtful accounts	-	-	(5,296)	(5,296)
Total Trade other receivable-net	16,315	32,887	18,877	29,270
Total Trade and other receivable	1,305,829	1,966,898	1,160,251	1,846,134



Trade and notes receivables were classified by aging as follows:-

#### 7.1 Trade receivable-related parties

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Within credit term	-	-	-	40,464
Over due 1 to .90 days	-	3	-	4,766
Over due 91 to 180 days	-	-	-	8,525
<b>Total</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>53,755</b>

The normal credit term granted by the Group Companies is 30-120 days.

#### 7.2 Trade receivable-other parties

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Within credit term	492,402	709,616	445,091	642,325
Over due 1 to 90 days	783,083	379,296	703,427	366,365
Over due 91 to 180 days	543,190	521,178	479,710	450,050
Over due 181 to 365 days	203,438	323,918	203,438	304,369
Over due over 1 year	8,930	-	8,930	-
<b>Total</b>	<b>2,031,043</b>	<b>1,934,008</b>	<b>1,840,596</b>	<b>1,763,109</b>
<u>Less</u> Allowance for doubtful debts	(741,529)	-	(699,222)	-
<b>Net</b>	<b>1,289,514</b>	<b>1,934,008</b>	<b>1,141,374</b>	<b>1,763,109</b>

The normal credit term granted by the Group Companies is approximately from 7-120 days.

The movement of allowance for doubtful debts-trade and receivable-other parties for the year ended December 31, 2016 are as follow:-

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>	<u>Separate financial statements</u>
Beginning balance	-	(5,296)
Increase during the year	(741,529)	(699,222)
<b>Ending balance</b>	<b>(741,529)</b>	<b>(704,518)</b>

The management of the Company believe that the setting up of the allowance for doubtful debts have been sufficiently recorded for the present situation.

As at December 31, 2016, the consolidated and separate financial statement, the Company factored some post dated cheques in the amount of Baht 4.00 million to discount with the financial institution to the note to financial statements No. 17. The Company still have to take responsibility in the post dated cheques if financial institution cannot collect debt repayment from such notes receivable.

8. Short-term loans to other person

As of December 31, 2016, the whole amount of short-term loans to other person was transferred deposit for investment as mentioned to the note to financial statements No. 11, was in the form of loans agreements with 1 year and interest rates of 6.50% per annum. The borrower presented Yala Green Energy Company Limited's common stock of 1,144,950 shares and a post dated cheques amount of Baht 30.00 million as collaterals.

9. Inventories

Consisted of:-

	(Unit : Thousand Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Finished goods	85,723	34,704	47,305	26,007
Work in process	2	16	-	-
Raw materials	33,681	239,444	31,250	210,607
Supplies	4,902	4,521	1,604	904
Total	124,308	278,685	80,159	237,518
<u>Less Allowance for declining in value of inventories</u>	(7,558)	(8,863)	(1,130)	(3,265)
Net	116,750	269,822	79,029	234,253

A movement of allowance for diminution in value of inventories for the year ended December 31, 2016 are as follow:-

	(Unit : Thousand Baht)	
	<u>Consolidated financial statements</u>	<u>Separate financial statements</u>
Beginning balance	(8,863)	(3,265)
Reversal during the year	1,305	2,135
Ending balance	<u>(7,558)</u>	<u>(1,130)</u>

	(Unit : Thousand Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>For the years ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cost of inventory record as expense and include in the cost of goods sold				
- Cost of goods sold	3,095,946	3,740,465	2,791,905	3,340,684
- Loss from allowance for decline in value of inventories (reversal)	(1,305)	4,562	(2,135)	3,028
- Loss from allowance for decline in value of advance payment for goods(reversal)	(1,938)	(801)	(1,938)	1,413
Net	<u>3,092,703</u>	<u>3,744,226</u>	<u>2,787,832</u>	<u>3,345,125</u>

#### 10. Advance payment for goods

Consisted of:-

	(Unit : Thousand Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Advance payments for goods-related parties	-	-	3,271	-
Advance payments for goods-other parties	568,286	473,343	568,286	406,446
Total	<u>568,286</u>	<u>473,343</u>	<u>571,557</u>	<u>406,446</u>
<u>Less</u> Allowance for decline in value of inventories	-	(1,938)	-	(1,938)
Allowance for doubtful accounts	(364,892)	(5,668)	(364,892)	(5,668)
Net	<u>203,394</u>	<u>465,737</u>	<u>206,665</u>	<u>398,840</u>

A movement of allowance for diminution in value of inventories and allowance for doubtful for year ended December 31, 2016 are as follow:-

(Unit : Thousand Baht)

	<u>Consolidated/Separate financial statements</u>	
	<u>Allowance for diminution</u>	
	<u>in value of inventories</u>	<u>Allowance for doubtful accounts</u>
Beginning balance	(1,938)	(5,668)
Increase during the year	1,938	(359,224)
Ending balance	-	(364,892)

As at December 31, 2016, the consolidated and separate financial statements, after the reporting period the Group Companies has received goods from an advance payment in amount of Baht 110.44 million and Baht 104.16 million respectively.

#### 11. Deposit for investment

In accordance with the minute of the Company's board of directors' meeting No. 6/2015 held on June 25, 2015, the Company has reached the approval for an investment in Yala Green Energy Company Limited of amount 7,497,000 shares; 51% of total shares. As at December 31, 2015, the Company paid deposits for investment totaling Baht 30.00 million. The value and conditions of investment are based on the results of the Company's due diligence on both legal and accounting and financial of this power plant. If the due diligence results are concluded, the Company will draft a share purchase investment agreement in the aforementioned power plant. Later, At the minute of the Company's board of executive committee meeting No. 17/2016 held on June 15, 2016, the Board resolved to cancel the investment in Yala Green Energy Company Limited due to the result of the due diligence has not yet passed agreed criteria. The Board instructed to change the Baht 30.00 million deposit for investment to a short-term loan to other person, mentioned to the note to financial statements No. 8.

12. Investment in subsidiaries

Consisted of:-

(Unit : Thousand Baht)

<u>Name of companies</u>	<u>Paid-up</u>		<u>Percentage of</u>		<u>Separate financial statements</u>			
	<u>share capital</u>		<u>Shareholding(%)</u>		<u>Investment</u>		<u>Dividend For the</u>	
					<u>cost method</u>		<u>For the years ended</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>As at December 31,</u>		<u>December 31,</u>	
Rich Asia Industry Co., Ltd.	441,701	441,701	51.88	51.88	536,062	536,062	-	-
Rich Asia Engineering Co., Ltd.	20,750	1,000	95.00	90.00	19,675	900	-	-
Rich Asia Utilities Co., Ltd.	1,250	-	99.99	-	1,250	-	-	-
Total					556,987	536,962		
<u>Less Allowance for impairment loss</u>					(251,913)	(190,851)		
Net					305,074	346,111		

In the first quarter 2016, the Company made additional investment in ordinary shares of Rich Asia Engineering Co., Ltd. and Rich Asia Utilities Co., Ltd., for the value of Baht 18.78 million and Baht 1.25 million respectively.

13. Investment in associate

Consisted of:-

(Unit : Thousand Baht)

<u>Name of companies</u>	<u>Percentage of Shareholding(%)</u>		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
			<u>At book value</u>		<u>Investment</u>	
			<u>equity method</u>		<u>cost method</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Thai National Product Co., Ltd.	29.89	29.89	177,360	189,414	198,478	198,478

Financial information of associate company

The financial information as presented in the financial statements of the Thai National Product Co., Ltd. were as follows:-

(Unit : Thousand Baht)

	<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current assets	218,025	135,914
Non-current assets	319,037	325,448
Total assets	537,062	461,362

(Unit : Thousand Baht)		
As at December 31,		
	<u>2016</u>	<u>2015</u>
Current liabilities	(144,902)	(68,195)
Non-current liabilities	(6,222)	(6,068)
Total liabilities	<u>(151,124)</u>	<u>(74,263)</u>
Net assets	<u>385,938</u>	<u>387,099</u>

(Unit : Thousand Baht)		
<u>For the years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>
Revenue	262,351	187,082
Profit (loss) from continuing operations	40	(16,284)
Profit before income tax from discontinued operations	-	-
Profit (loss) for the year	<u>40</u>	<u>(16,284)</u>
Other Comprehensive income for the year	(1,202)	-
Comprehensive loss for the year	<u>(1,162)</u>	<u>(16,284)</u>
Dividend received from associate for the year	-	-

Reconciliation of financial based on the above information the carrying amount of the equity of the Thai National Product Co., Ltd. recognize them gradually in the consolidated financial statements.

(Unit: Thousand Baht)		
<u>As at December 31,</u>		
	<u>2016</u>	<u>2015</u>
Net assets of the associate	385,938	387,099
Shareholding of the Companies (%)	29.89	29.89
	<u>115,357</u>	<u>115,704</u>
The reduction in the fair value acquisition date	62,003	73,936
Other adjustments	-	(226)
Book value of the Company in associates	<u>177,360</u>	<u>189,414</u>

As at December 31, 2016 and 2015, the Company has pledge its shares of investment in associate 4,681,666 shares and 3,680,000 shares, equivalent to 17.28% and 13.58% respectively of shareholdings as collateral of short-term loan from other persons and parties in the notes to financial statements No. 19.

14. Investment property

The movement of investment property for the year ended December 31, 2016 and 2015, were as follow:-

(Unit : Thousand Baht)

	Consolidated/Separate financial statements		
	Land	Buildings	Total
<b>Cost :</b>			
As at January 1, 2015	1,878	18,406	20,284
As at December 31, 2015	1,878	18,406	20,284
As at December 31, 2016	1,878	18,406	20,284
<b>Accumulated depreciation :</b>			
As at January 1, 2015	-	(10,514)	(10,514)
Depreciation for the year	-	(921)	(921)
As at December 31, 2015	-	(11,435)	(11,435)
Depreciation for the year	-	(923)	(923)
As at December 31, 2016	-	(12,358)	(12,358)
<b>Book Value :</b>			
As at December 31, 2015	1,878	6,971	8,849
As at December 31, 2016	1,878	6,048	7,926
<b>The depreciation in the statement of comprehensive income</b>			
For the year ended December 31, 2015			921
For the year ended December 31, 2016			923

As at December 31, 2016 and 2015, the consolidated and separate financial statements, the whole amount of investment property are pledged for loans granted by financial institutions in the notes to financial statements No. 16.

As at December 31, 2016 and 2015, the consolidated financial statement and separate financial statements, investment property on the Company's land and property held to has not identify objectives for future applications and intended to benefit from the rental income. The investment property at fair value as appraised by an independent appraiser. The estimated fair value based on market approach for land and the cost method for the property. The total fair value based on the appraisal report on November 2014 was Baht 22.03 million.





(Unit : Thousand Baht)

	Separate financial statements								Total
	Land and land improvement	Buildings	Building improvement	Machinery	Machinery improvement	Tools and equipment and office equipment	Vehicle	Machinery and equipment in process	
<b>Cost :</b>									
As at January 1, 2015	41,538	13,000	5,411	79,776	11,457	20,668	14,514	510	186,874
Purchase	-	-	-	-	264	367	-	87	718
Sale/Written-off	-	-	-	(669)	-	(2,930)	(362)	-	(3,961)
As at December 31, 2015	41,538	13,000	5,411	79,107	11,721	18,105	14,152	597	183,631
Purchase	-	-	-	-	-	119	-	12,140	12,259
Transfer in	-	-	-	-	438	-	-	-	438
Sale/Written-off	-	-	-	-	-	(157)	-	(299)	(456)
Return	-	-	-	-	-	-	-	(12,000)	(12,000)
Transfer out	-	-	-	-	-	-	-	(438)	(438)
As at December 31, 2016	41,538	13,000	5,411	79,107	12,159	18,068	14,152	-	183,434
<b>Accumulated depreciation :</b>									
As at January 1, 2015	-	(4,474)	(1,860)	(59,018)	(9,969)	(19,965)	(13,791)	-	(109,077)
Depreciation for the year	-	(650)	(271)	(6,741)	(427)	(373)	(332)	-	(8,794)
Sale/Written-off	-	-	-	670	-	2,929	298	-	3,897
As at December 31, 2015	-	(5,124)	(2,131)	(65,089)	(10,396)	(17,409)	(13,825)	-	(113,974)
Depreciation for the year	-	(652)	(271)	(6,760)	(543)	(293)	(101)	-	(8,620)
Sale/Written-off	-	-	-	-	-	154	-	-	154
As at December 31, 2016	-	(5,776)	(2,402)	(71,849)	(10,939)	(17,548)	(13,926)	-	(122,440)
<b>Net book value :</b>									
As at December 31, 2015	41,538	7,876	3,280	14,018	1,325	696	327	597	69,657
As at December 31, 2016	41,538	7,224	3,009	7,258	1,220	519	226	-	60,994
<b>The depreciation in the statement of comprehensive income :</b>									
For the year ended December 31, 2015									8,794
For the year ended December 31, 2016									8,620

As at December 31, 2016 and 2015, The Group Companies has pledged the part of land, property and machinery with the book value stated in the consolidated and separate financial statements of Baht 56.65 million and Baht 62.36 million respectively, to guarantee against credit facility of the Company that receives from commercial banks and financial institutions according to the note to financial statement No. 16.

As at December 31, 2016 and 2015, in the consolidated financial statements the Group Companies had the assets which had not the depreciation but they still used. The cost price was Baht 133.72 million, the book value was Baht 2,631 and the cost price was Baht 130.61 million, the book value was Baht 2,623 respectively.

As at December 31, 2016 and 2015, in the separate financial statements the Company had the assets which had not the depreciation but they still used. The cost price was Baht 51.52 million, the book value was Baht 622.01 and the cost price was Baht 51.35 million, the book value was Baht 629.01 respectively.

#### 16. Credit Facilities and guarantee

The Company have credit line from commercial bank and several financial institutions in form overdraft, trust receipts, short-term and long-term loan, the letter of guarantee, note receivable discount and factoring by granted the total credit line as at December 31, 2016 and 2015, in amount of Baht 1,172.85 million for both years, It is pledged by the Company's mortgage of land and buildings and certain machinery of the Company, according to the note to financial statement No. 14 and 15, some land, buildings and machinery of associate, land and buildings of other company, land and buildings of director of the Company, notes receivable, a part of deposit at bank and guaranteed of the Company and subsidiary by associate, other company and director of the Company, and beneficiary from insurance in buildings, machinery and equipment to commercial bank and financial institutions. In the first quarter 2016, the Company compliance with the term of debt restructuring agreement according to the note to financial statement No. 21 and then proceed to redeem the mortgaged land, buildings and machinery of associate and obligations guaranteed by the associate.

17. Short-term loans from financial institutions

Consisted of:-

(Unit : Thousand Baht)

	<u>Consolidated/Separate financial statements</u>	
	<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>
Discount post dated cheques	4,000	-
Promissory notes	16,000	16,000
<b>Total</b>	<b>20,000</b>	<b>16,000</b>

As at December 31, 2016 and 2015, loan from discount post dated cheques, factoring and promissory note are carried by interest rates of 6.25% per annum and 6.50% per annum respectively.

Promissory notes constitutes collaterals according to notes to the financial statements No. 16.

18. Trade and other payable

Consisted of:-

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Trade payable-related parties	8,647	8,674	8,647	8,647
Trade payable-other parties	225,759	188,633	222,551	188,151
Other payable-related parties	3,129	3,167	3,129	3,166
Other payable-other parties	8,582	28,977	6,132	25,838
Advance received for goods related parties	-	-	6,282	-
Advance received for goods other parties	7,506	7,142	7,142	7,142
Accrued expenses related parties	599	599	-	-
Accrued expenses other parties	21,484	21,692	16,510	16,745
Post dated cheques-other parties	25	-	-	-
Others	30	30	30	30
<b>Total</b>	<b>275,761</b>	<b>258,914</b>	<b>270,423</b>	<b>249,719</b>

In the first quarter 2016, the Company entered into a compromise agreement with a other payable to extend the debt repayment to be monthly repaid in five installments at Baht 0.64 million per installment beginning at the end of February 2016. The Company has book value of other payable amount of Baht 10.70 million and the amount of repayment totaling of Baht 3.20 million. The Company can pay the full amount owed under the contract terms and the creditor is willing to compromise forgiven the remaining amount of Baht 7.50 million, which the Company recognized as other income

In the second quarter 2015, the subsidiary entered into a compromise agreement with a trade payable to extend the debt repayment schedule. The Company has book value of trade payable amount of Baht 40.02 million and the amount of repayment totaling of Baht 31.51 million. However in the second quarter of 2015. The subsidiary can pay the full amount owed under the contract terms and the creditor is willing to compromise forgiven the remaining amount of Baht 8.51 million, which the subsidiary recognized as other income.

19. Short-term loans from other persons and parties

As at December 31, 2016 and 2015, the consolidated and separate financial statements, the whole amount is loan from bill of exchange issue to private placement investor through financial institutions whose recommend the investor for the Company. Such loan has maturity term for 6-9 months with financial cost equivalent to interest rate at 7.50% per annum for both years. Such loan has shares of associate pledged as collateral according to the note to financial statements No. 13.

## 20. Debentures

As at December 31, 2016 and 2015, the Company had issued unsubordinated and unsecured debentures, payable quarterly. This to support the operation and investment in 2015, totalling Baht 1,230 million as follows:-

(Unit : Thousand Baht)

<u>Debentures No.</u>	<u>Consolidated/Separate financial statements</u>		<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>
	<u>As at December 31,</u>				
	<u>2016</u>	<u>2015</u>			
1/2015	500,000	500,000	6.50 %	1 year 9 month	30 Jan 2017
2/2015	500,000	500,000	6.50 %	2 year	16 Jul 2017
3/2015	230,000	230,000	6.20 %	1 year 11 month 29 date	27 Oct 2017
<b>Total</b>	<b>1,230,000</b>	<b>1,230,000</b>			
Deferred consulting fee	(2,513)	(9,026)			
Deferred service fee	(2,534)	(9,048)			
Deferred charge	(36)	(115)			
<b>Total debentures</b>	<b>1,224,917</b>	<b>1,211,811</b>			
Current portion	(1,224,917)	-			
<b>Net</b>	<b>-</b>	<b>1,211,811</b>			

As at December 31, 2016 and 2015, the fair value of debentures in amount of Baht 1,230.82 million and Baht 1,228.29 million respectively, which is determined by the last bid price on the Thai Bond Market Association on the last business day of the year.

## 21. Liabilities under debt restructuring agreement

Consisted of:-

(Unit : Thousand Baht)

	<u>Consolidated/Separate financial statements</u>	
	<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>
Principal amount	537,746	1,031,358
Accrued interest expenses	119,975	402,775
Accrued interest pending for waiving	253,167	20,836
<b>Total</b>	<b>910,888</b>	<b>1,454,969</b>
<u>Less</u> Current portion	(910,888)	(48,000)
<b>Net</b>	<b>-</b>	<b>1,406,969</b>

The movements of liabilities under debt restructuring agreement for the year ended December 31, 2016, is as follow:-

	(Unit : Thousand Baht)
	<u>Consolidated/Separate financial statements</u>
Book value at the beginning of the year	1,454,969
Realized pending accrued interest to reduce interest expense	(8,369)
Suspend accrued interest for the year	59,309
Repayment during the year	(595,021)
Book value at the end of the year	<u>910,888</u>

The consolidated and separate financial statements, liabilities under debt restructuring agreement derived from the debt restructuring contract dated on May 30, 2014. In first quarter of the year 2016, the Company and creditor together agreed and signed the new agreement of debt restructure dated March 30, 2016, to adjust the repayment terms and a partial release of collateral. The contract has classified the debt to 4 tranches and details of new repayment term as following:-

1. The Company must pay to creditor at least Baht 560.00 million, which the repayment amount to deduct the principal and accrued interest of each tranches are as follows:-

				(Unit : Thousand Baht)
<u>Tranche</u>	<u>Credit Lines</u>	<u>Principals</u>	<u>Accrued interests</u>	<u>Total</u>
1	Baht 400 million	176,760	24,840	201,600
2	Baht 275 million	132,570	18,630	151,200
3	Baht 250 million	88,380	12,420	100,800
4	Baht 200 million	93,290	13,110	106,400
	Total	<u>491,000</u>	<u>69,000</u>	<u>560,000</u>

In the first quarter 2016, the Company repayment above then proceed to redeem the mortgaged land, buildings and machinery of associate and obligations guaranteed by the associate.

2. The remaining principal repayment in monthly installments including 96 months (8 years) or the maturity date of March 31, 2024 began the first payment date of April 30, 2016, as detailed below:-
- First tranche : The credit line of Baht 400.00 million, as at December 31, 2016, remaining balance amount of Baht 334.34 million comprise principal amount of Baht 195.60 million, accrued interest amount of Baht 49.15 million and accrued interest pending for waiving amount of Baht 89.59 million (December 31, 2015 : remaining balance amount of Baht 531.19 million comprise principal amount of Baht 373.73 million and accrued interest amount of Baht 157.46 million), with interest rate at SPRL+1.00% per annum.
  - Second tranche : The credit line of Baht 275.00 million, as at December 31, 2016, remaining balance amount of Baht 254.85 million comprise principal amount of Baht 141.00 million, accrued interest amount of Baht 39.37 million and accrued interest pending for waiving amount of Baht 74.48 million (December 31, 2015 : remaining balance amount of Baht 402.04 million comprise principal amount of Baht 274.04 million and accrued interest amount of Baht 128.00 million), with interest rate at SPR+1.25% per annum.
  - Third tranche : The credit line of Baht 250.00 million, as at December 31, 2016, remaining balance amount of Baht 143.26 million comprise principal amount of Baht 99.46 million, accrued interest amount of Baht 3.13 million and accrued interest pending for waiving amount of Baht 40.67 million (December 31, 2015 : remaining balance amount of Baht 239.37 million comprise principal amount of Baht 188.09 million and accrued interest amount of Baht 51.28 million), with interest rate at SPR+1.25% per annum.
  - Fourth tranche : The credit line of Baht 200.00 million, as at December 31, 2016, remaining balance amount of Baht 178.44 million comprise principal amount of Baht 101.68 million, accrued interest amount of Baht 28.33 million and accrued interest pending for waiving amount of Baht 48.43 million (December 31, 2015 : remaining balance amount of Baht 282.37 million comprise principal amount of Baht 195.50 million and accrued interest amount of Baht 86.87 million), with interest rate at SPR+1.00% per annum.

Table of principal and interest repayment per installment (Unit : Million Baht)

<u>Installment periods</u>	<u>First tranche</u>	<u>Second tranche</u>	<u>Third tranche</u>	<u>Fourth tranche</u>	<u>Total</u>
Periods 1-12 (Apr 16-Mar 17)	1.665	1.17	0.81	0.855	4.50
Periods 13-24 (Apr 17-Mar 18)	1.850	1.30	0.90	0.950	5.00
Periods 25-36 (Apr 18-Mar 19)	2.220	1.56	1.08	1.140	6.00
Periods 37-48 (Apr 19-Mar 20)	2.405	1.69	1.17	1.235	6.50
Periods 49-60 (Apr 20-Mar 21)	3.145	2.21	1.53	1.615	8.50
Periods 61-72 (Apr 21-Mar 22)	3.330	2.34	1.62	1.710	9.00
Periods 73-84 (Apr 22-Mar 23)	4.070	2.86	1.98	2.090	11.00
Periods 85-95 (Apr 23-Feb 24)	4.995	3.51	2.43	2.565	13.50
Periods 96 (Mar 24)			Outstanding		

If the Company can perform the terms of the debt restructuring, the creditors willing to compromise forgiven accrued interest pending for waiving of all group amount of Baht 253.16 million.

Liabilities under debt restructuring agreement constitutes collaterals according to notes to the financial statements No. 16.

In the October 2016, the Company did not completely repay the debt in accordance with debt restructuring agreement, the Company reclassified all debts as current portion of liabilities under debt restructuring agreement and recognized the default accrued interest expenses amount of Baht 0.25 million.

## 22. Employee benefit obligations

Changes in the present value of the employee benefit obligations as follows:-

	(Unit : Thousand Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Employee benefit obligations as at January 1,	1,763	1,668	1,229	1,190
Current service cost	69	61	30	28
Interest cost	38	34	12	11
Actuarial losses arising from defined benefit plan	1,419	-	333	-
Employee benefit obligations as at December 31,	<u>3,289</u>	<u>1,763</u>	<u>1,604</u>	<u>1,229</u>



## Expenses recognized in statements of comprehensive income as follows:-

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>For the years ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Recognized in profit or loss</u>				
Cost of goods sold	25	24	-	-
Selling expenses	1	1	-	-
Administrative expenses	34	27	21	19
Management benefits expense	9	9	9	9
Finance cost	38	34	12	11
Total	107	95	42	39
<u>Recognized in other comprehensive income</u>				
Actuarial loss arising from defined benefit plan	1,419	-	333	-

## Principal actuarial assumptions at the reporting date are as follows:-

(% per annum)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Discount rate	1.68-3.48	4.30-4.52	1.68-2.68	4.30-4.52
Salary increase rate	1.93-3.10	0.44-8.58	1.93-2.26	0.44-2.87
Employee turnover rate	0-54	0-63	17-47	26-46
Mortality rate (Thai Mortality Ordinary Table 2008)	100 of mortality	100 of mortality	100 of mortality	100 of mortality
Disability rate	10 of mortality	10 of mortality	10 of mortality	10 of mortality

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts for the year ended December 31, 2016, were as follows:-

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>	<u>Separate financial statements</u>
Discount Increase rate (0.50% movement)	(120)	(49)
Discount Decrease rate (0.50% movement)	127	51
Future salary growth Increase(0.50% movement)	120	44
Future salary growth Decrease (0.50% movement)	(114)	(42)
Employee turnover Increase rate (0.50% movement)	(138)	(61)
Employee turnover Decrease rate (0.50% movement)	91	64

23. Deferred tax liabilities

Deferred tax liabilities as at December 31, 2016 and 2015, were as follows:-

	(Unit : Thousand Baht)	
	<u>Consolidated financial statement</u>	
	<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>
Deferred tax liabilities	(87,959)	(93,503)
Net	<u>(87,959)</u>	<u>(93,503)</u>

The movement of deferred tax liabilities for the year ended December 31, 2016 and 2015, were as follows:-

	)Unit : Thousand Baht(		
	<u>Consolidated financial statement</u>		
	<u>As at</u>	<u>(Charged)/credited to statements</u>	<u>As at</u>
	<u>January 1, 2016</u>	<u>of comprehensive income</u>	<u>December 31, 2016</u>
		(Note 28)	
Deferred tax liabilities			
Property, plant and equipment	(93,503)	5,544	(87,959)
Total	<u>(93,503)</u>	<u>5,544</u>	<u>(87,959)</u>

	)Unit : Thousand Baht(		
	<u>Consolidated financial statement</u>		
	<u>As at</u>	<u>(Charged)/credited to statements</u>	<u>As at</u>
	<u>January 1, 2015</u>	<u>of comprehensive income</u>	<u>December 31, 2015</u>
		(Note 28)	
Deferred tax liabilities			
Property, plant and equipment	(99,005)	5,502	(93,503)
Total	<u>(99,005)</u>	<u>5,502</u>	<u>(93,503)</u>

As at December 31, 2016 and 2015, the Group Companies had temporary differences mainly arising from the unutilized tax losses carry forward and allowance for doubtful accounts in consolidated financial statement totaling Baht 2,233.13 million and Baht 1,142.64 million respectively and separate financial statement totaling Baht 2,038.58 million and Baht 931.58 million respectively which have not been recognized as deferred tax assets in the statement of financial position. (because it is not probable that it will be able to utilize the tax benefit in the foreseeable future)

## 24. Share capital

The movement of share capital for the year ended December 31, 2016 and 2015, were as follow:-

	Consolidated/Separate financial statements				
	Par Value (Baht)	2016		2015	
		Number of share (Thousand shares)	Amount (Thousand baht)	Number of share (Thousand shares)	Amount (Thousand baht)
<b>Authorized share capital</b>					
Ordinary shares at beginning of the year	1.00	2,400,000	2,400,000	2,400,000	2,400,000
<u>Add</u> Increase ordinary shares	1.00	7,200,000	7,200,000	-	-
Ordinary shares at end of the year	1.00	9,600,000	9,600,000	2,400,000	2,400,000
<b>Issue and paid-up share capital</b>					
Ordinary shares at beginning of the year	1.00	2,400,000	2,400,000	2,400,000	2,400,000
<u>Add</u> Increase ordinary shares	1.00	715,268	715,268	-	-
Ordinary shares at end of the year	1.00	3,115,268	3,115,268	2,400,000	2,400,000

According the resolution of Extraordinary meeting No. 1/2016, dated October 20, 2016, which could be summarized a significant resolution as follows:

1. Approved to increase of registered capital of the Company at the amount of Baht 7,200,000,000 from the existing registered capital of Baht 2,400,000,000 to Baht 9,600,000,000 by issuing 7,200,000,000 newly issued ordinary shares with a par value of Baht 1.00, for offering to the existing shareholders (Right Offering) and reserve for the exercise the first series of warrants (RICH-W1).
2. Approved to amendment of the Company's Memorandum of Association to be in line with the capital increase.
3. Approved to allocation of 7,200,000,000 newly ordinary shares at the par value of Baht 1.00 with the details as follows:-
  - 3.1 The newly issued ordinary shares in the number of not exceeding 4,800,000,000 shares shall be allotted for the existing shareholders of the Company, at ratio of 1 existing shares to 2 new ordinary shares, at the offering price of Baht 0.30 per share. The Company received proceeds from the increasing in share capital of Baht 214.58 million. As a result, authorized share capital increasing of Baht 715.27 million and discount on share capital increasing of Baht 500.69 million.

- 3.2 The newly issued shares in the number of not exceeding 2,400,000,000 shares, shall be allotted to reserved for the exercise of the first series of warrant (RICH-W1) which offers to the existing shareholders who subscribed for increased shares at the ratio of 2 increased ordinary shares for 1 unit of RICH-W1 without charge. Exercise price is Baht 1.00 per share. 1 unit of warrants has right to purchase 1 new ordinary share.
4. Approved to the issuance of the first series warrants of Rich Asia Corporation Public Company Limited (RICH-W1) of 2,400,000,000 units. Offering to the existing shareholders of the Company who subscribed for new ordinary shares at a ratio of 2 new ordinary shares to 1 unit of warrant RICH-W1 without charge.

The Company has already registered the increase registered capital and paid-up share with the Department of Business Development, Ministry of Commerce on November 3, 2016 and December 2, 2016 respectively.

#### Capital management

The objectives of the Company and its subsidiaries' capital management are arrangement of appropriated financial structure and maintenance of ability in continuously business operation whereas there is policy of debt to equity ratio maintenance to hold in the rate that the Company and its subsidiaries can operate business while there is appropriated capital cost burden including policy of debt to equity ratio maintenance to comply with term in the loan contract that there are related financial institutes.

As at December 31, 2016 and 2015, in the consolidated financial statements, debt to equity ratio is 21.10 : 1.00 and 2.85 : 1.00 respectively and the separate financial statements, debt to equity ratio is 44.13 : 1.00 and 3.13 : 1.00 respectively.

#### 25. Warrants

Type of warrants	:	Warrants No. 1 appropriated for the former shareholders of the Company (Warrants No. 1 or "RICH-W1")
Number of warrants	:	357,634,117 units
Term of warrants	:	2 years from the issuance date. (Date of issuance is on December 16, 2016 and the Maturity Date is on December 14, 2018)
Exercise Price	:	At Baht 1.00 per share (par value at Baht 1.00)
First exercise date	:	December 15, 2017
Last exercise date	:	December 14, 2018

Outstanding unit as at December 31, 2016 : 357,634,117 units

26. Expenses by nature

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>For the years ended December 31,</u>		<u>For the years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Changing within finished goods and work in process	128,125	(238,889)	158,058	(235,001)
Raw material used	507,132	231,764	98,568	2,147
Value of purchase inventory for sale	2,370,877	3,673,840	2,515,998	3,570,923
Loss from declining in value of inventories (reversal)	(3,243)	3,761	(4,074)	4,442
Employee expenses	32,972	30,394	20,385	20,214
Depreciation	68,901	73,668	9,543	9,714
Doubtful accounts (reversal)	1,100,734	(2,584)	1,058,446	-
Impairment loss on investment in subsidiary	-	-	61,062	-
Unrealized loss from exchange rate	-	8,103	-	8,103
Other expenses	61,600	55,831	49,245	44,348
Finance costs	156,318	155,521	156,227	155,497
Total	4,423,416	3,991,409	4,123,458	3,580,387

27. Management benefit expense

The management benefit expense in consolidated and separate financial statements included the directors' remuneration benefits paid to the directors of the Company as per Section 90 of the Public Limited Company Act excluding salaries and related fringe benefits paid to directors who are the executives of the Company for the year ended December 31, 2016 and 2015, amount of Baht 0.63 million and Baht 0.65 million respectively.

28. Income tax revenue

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>For the years ended December 31,</u>		<u>For the years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax expenses:	-	-	-	-
Deferred tax expense (Note 23)				
Movements in temporary differences	(5,545)	(5,502)	-	-

Total	(5,545)	(5,502)	-	-
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Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended December 31, 2016 and 2015, as follows:-

(Unit : Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>For the year ended December 31,</u>		<u>For the year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting loss before tax	(1,206,932)	(203,785)	(1,137,891)	(119,136)
Applicable tax rate	20%	20%	20%	20%
Accounting loss before tax multiplied by applicable tax rate	(241,386)	(40,757)	(227,578)	(23,827)
Effect from change of deferred tax	(5,544)	(5,502)	-	-
Loss carry forward	-	-	-	-
Effect of income exempt from tax and non-deductible expenses for tax purposes	239,411	901	230,475	1,480
Current year (profit) losses for which no deferred tax asset was recognised	6,464	31,274	(2,897)	22,347
Effect of elimination entry on the consolidated financial statements	(4,489)	8,582	-	-
Income tax revenues reported in comprehensive income statement	(5,544)	(5,502)	-	-

## 29. Basic loss per share and diluted loss per share

Basic loss per share is calculated by dividing loss for the years attributable to equity holders of the Company by weighted-average of issued and paid-up ordinary shares during the year as follows:-

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>For the years ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Loss for the year (Unit : Thousand Baht)	(1,144,830)	(165,150)	(1,137,891)	(119,136)
The weighted-average number of ordinary shares (Unit : Thousand shares)	2,458,628	2,400,000	2,458,628	2,400,000
Basic loss per share (Baht/share)	(0.466)	(0.069)	(0.463)	(0.050)

The Company calculates the weighted-average of number of issued and paid-up ordinary shares during for the year ended December 31, 2016, is as follow:-

<u>Date</u>	<u>Ordinary shares</u>				
	<u>Number of shares</u>	<u>Payment proportions</u>	<u>Equivalent</u>	<u>Period</u>	<u>Number of share for days</u>
	<u>(Unit : Thousand share)</u>	<u>(Percentage)</u>	<u>(Thousand share)</u>	<u>(Days)</u>	<u>(Thousand share)</u>
Jan 1-Dec 31, 16	2,400,000	100.00	2,400,000	366/366	2,400,000

Dec 2-Dec 31, 16	715,268	100.00	7,152,680	30/366	58,628
Total					<u>2,458,628</u>

For the diluted loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue and paid-up is adjusted to assume conversion of all dilutive potential ordinary shares, which is calculated by the weighted average number of ordinary shares which would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The assumed proceeds from the exercise of warrant would be considered to have been received from the issue of shares at fair value. The company has not show diluted loss per share for the years ended December 31, 2016, because the average fair price of the ordinary share, is lower than the exercise price of the warrant.

### 30. Segment information

Segment information is presented in respect of the Group Companies business segments.

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

Segment results and operating assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### Business segments

For the years ended December 31, 2016 and 2015, the Group Companies has only one major geographic segment is a produce and distribution of steel product business

#### Geographic segments

Management considers that the Company and its subsidiaries operate in a single geographic area, mainly in Thailand, and has, therefore, only one major geographic segment.

#### Major customers

For the years ended December 31, 2016, revenues from 4 customer of the produce and distribution of steel product business segment represent approximately Baht 3,215.20 million of the Group

Company total revenues. (2015 : revenues from 5 customer of the produce and distribution of steel product business segment represent approximately Baht 2,515.01 million.)

### 31. Obligations and contingent liabilities

Certain liabilities shown on the financial statements, the Group Companies still remains contingent liabilities with commercial banks and third party as follows:-

31.1 The Group Companies had letter of guarantee has bank as follows:-

(Unit: Million Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at December 31</u>		<u>As at December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
- Letter of guarantee has bank deposit of the Company and its subsidiary pledge for collateral	3.50	3.50	1.85	1.85

31.2 The Group Companies entered into agreements to property, plant and equipment, have remaining obligations under several subcontractors as follow:-

<u>Currency</u>	<u>Consolidated/Separate financial statements</u>					
	<u>As at December 31, 2016</u>			<u>As at December 31, 2015</u>		
	<u>Contractual amount</u>	<u>Paid</u>	<u>Outstanding contractual obligation</u>	<u>Contractual amount</u>	<u>Outstanding contractual obligation</u>	
(Unit : Million) Baht	-	-	-	12.00	2.40	9.60

### 32. Financial instruments

32.1 Policy to manage financial risks

The Company and its subsidiaries are exposed to normal business risks from changes in market interest rates and currency exchange rate and from non-performance of contractual obligations by counterparties. The Company and its subsidiaries do not hold or issue derivative financial instruments for speculative or trading purposes.



### 32.2 Interest rate risks

Interest rate risks is derived from fluctuation of interest rates in the future which affects upon operation result and the cash flow. The Company and its subsidiaries constitute risk from rate of interest in deposits at financial institutions, loan to related company, bank overdrafts, loan from the financial institutions, loan from others person and companies, loans from related company and liabilities under finance lease agreement.

(Unit: Million Baht)

	<u>Consolidated financial statements</u>			
	<u>Amount</u>		<u>Interest rate per annum(%)</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Saving deposit	0.98	186.10	0.10 - 0.75	0.10 - 0.75
Restriction bank deposit of interest	174.67	337.25	1.00	1.00
Short-term loans from to other person	30.00	-	6.50	-
Restriction bank deposit	3.80	3.78	0.40 – 0.88	0.50 - 1.30
Short-term loans from financial institutions	20.00	16.00	6.25	6.50
Short-term loan from other person and parties	133.48	135.91	7.50	7.50
Debentures	1,230.00	1,230.00	6.20 - 6.50	6.20 - 6.50
Debt under restructuring agreement	537.75	1,031.36	8.75 - 9.25	8.75 - 9.25

(Unit: Million Baht)

	<u>Separate financial statements</u>			
	<u>Amount</u>		<u>Interest rate per annum(%)</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Saving deposit	0.43	185.85	0.10 - 0.75	0.12 - 0.75
Restriction bank deposit interest	174.67	337.25	1.00	1.00
Short-term loans to subsidiary company	389.20	389.20	8.00	8.00
Short-term loan to other person	30.00	-	6.50	-
Restriction bank deposit	1.91	1.92	0.40 - 0.88	0.50 - 0.88
Short-term loans from financial institutions	20.00	16.00	6.25	6.50
Short-term loan from other person and parties	133.48	135.91	7.50	7.50
Debentures	1,230.00	1,230.00	6.20 - 6.50	6.20 - 6.50

(Unit: Million Baht)

	<u>Consolidated financial statements</u>			
	<u>Amount</u>		<u>Interest rate per annum(%)</u>	
	<u>As at December 31,</u>		<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Debt under restructuring agreement	537.75	1,031.36	8.75 - 9.25	8.75 - 9.25

### 32.3 Exchange rate risks

The Group companies had Exchange rate risks is derived from raw material purchased and imported from overseas; as a result, the Group companies constitute risk with respect to the change of exchange rate. However, the Group companies will consider using appropriately financial derivative so as to hedge against such risk when the exchange rate situation holds unstable trend. The Group Companies obtained liabilities in foreign currencies over which the contract to hedge against risk of exchange rates has not been conducted as follows:-

	<u>Consolidated/Separate financial statements</u>	
	<u>As at December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>Currency</u>		
Million US Dollor	2.57	2.63

### 32.4 Credit risks

The Company and its subsidiaries obtain credit risk to trade debts. However, the mainly customers of the Company and its subsidiaries were capability repayment. As result, the Company and its subsidiaries do not anticipate material losses from their debt collection outside those for which provision has already been set aside.

## 33. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group Companies use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

#### Fair value hierarchy

As of December 31, 2016 and 2015, the Group Companies had the assets and liabilities that were measured at fair value or fair value disclosures using different levels of inputs to be used in fair value measurement as follows:-

(Unit : Million Baht)

	<u>Consolidated/Separate financial statements</u>							
	<u>As at December 31, 2016</u>				<u>As at December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets disclosed at fair value</u>								
Investment properties (Note 14)	-	-	22.03	22.03	-	-	22.03	22.03
<u>Liabilities disclosed at fair value</u>								
Debentures (Note 20)	-	1,230.82	-	1,230.82	-	1,228.29	-	1,228.29

#### 34. Provident fund

The Company had provident fund covering substantially all employees. This fund was registered with the Ministry of Finance under the Provident Fund Act B.E.2530, in the name of “TISCO 2 Registered Provident Fund”. The fund is contributed to by the Company and its employees at rates ranging from 2% of the employees’ salaries the Fund is managed by Tisco Securities Company Limited and will be paid to the employees upon termination in accordance with the rules of fund. The contributions are recognized as expenses in the year in when they are incurred. For the year ended 2016 and 2015, the Company has provident fund expense in amount of Baht 0.27 million and Baht 0.23 million respectively.

### 35. Litigation

A lawsuit had been filed against the Company claiming in the amount Baht 25.35 million. This comprised debt of Baht 24.61 million arising from the purchase of goods and interest charges of Baht 0.74 million and interest rate at 12.00% per annum until the payment is settled. The civil court ordered the Company to pay the creditor. The remaining interest expenses of Bath 0.84 million, the Company has negotiated with creditor to reduce debt.

### 36. Events after the reporting period

36.1 On January 11, 2017 the Company received a notice from the bank creditor informing of default payments, and called The Company to repay the principal amount of Bath 537.75 million, accrued interest as of January 10, 2017 amount of Bath 272.63 million which is total outstanding of 810.38 million, within 15 days from the date of receipt of this letter (which on January 26, 2017). By inform that the impact of the aforementioned call repayment of all outstanding debts, has resulted a cross default to all outstanding debentures according to the right terms of debentures. In which, The Board of Directors have held meeting No. 1/2017 on January 12, 2017, which could be summarized a significant resolution as follows:-

1. Approved the company to negotiate and implement the financial restructuring plan and the Company existing debt efficiently. Whereby, authorized the Executive Directors of the Company and/or an authorized person who has been appointed by the Board of Directors of the Company or Executive Director to represent the Company in negotiations and entering into agreements with the banks, representatives of bondholders, and creditors regarding financial restructuring and debt management by all means, as well as negotiations and entering into contracts or carrying out legal proceedings deemed necessary for the purpose of financial restructuring and debt management, and to be authorized to prepare, execute, and amend documents and/or contracts in connection therewith and undertake any necessary action in order to complete the financial restructuring and debt management until completion.
2. Approved to appoint Phoenix Advisory Services Co., Ltd. as financial advisor and legal counsel to resolve the Company debt.

3. The Company expects to inform the progress regarding the financial restructuring and debt management to The Stock Exchange of Thailand by March 31, 2017 accordingly.

In addition, Bill of Exchange was due On January 13, 2017 amount of Bath 20.00 million the Company did not make payment on due date.

36.2 At the Debenture holder's Meeting of No. 1/2017, for Company's Debenture Holders No. 1/2015, No. 2/2015 and No. 3/2015 which has been held on February 7, 2017, which could be summarized a significant resolution as follows:-

1. Acknowledgement the Company Event of Default.
2. Acknowledgement preliminary guidelines to dissolve the Company Event of Default.
3. Consider the immediately due of Debenture. Debenture No. 1/2015 amount of Baht 500 million, and Debentures No. 2/2015 amount of Baht 500 million which is total outstanding of Baht 1,000 million, has been voted to be immediately due for payment. The Company is required to immediately pay all principal amounts of the Debentures No. 1/2015 and No. 2/2015 with interest calculated from the date of default to the Debenture Holders. For Debentures No. 3/2015 amount of Baht 230 million, is not immediately due, the Company will comply with the Right Terms and Condition of Debentures Issuer and Debentures Holder until maturity.
4. Approved the resolution to appoint ES Counsel Co., Ltd. be the Debenture Holder's Representative for debenture No. 1/2015, No. 2/2015 and No. 3/2015.

For the default Debentures of the aforementioned, the Company and Debenture Holder's Representative will accelerate the process and inform the progress of action plan within March 7, 2017 and inform the negotiation solution to public accordingly.

In addition, the Company is preparing debt restructuring plan, therefore, the Company has not made repayment to Bill of Exchange creditors which will be due on February 27 and 28, 2017 March 2, 2017 including April 24, 2017 which is total unpaid amount of 105.00 million Baht. The Company will prepare debt restructuring plan and report to The Stock Exchange of Thailand within March 13, 2017 accordingly.

37. Approval of financial statements

These consolidated and separated financial statements were authorized for issue by the Company's authorized director on February 27, 2017.

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