



# Annual Report 2016



Thailand Carpet Manufacturing Public Company Limited

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## GENERAL INFORMATION / OTHER REFERENCE

### Company Profile

Company Name	:	Thailand Carpet Manufacturing Public Company Limited
Location	:	238 Vipavadee Rangsit Road, Kwang Sanambin, Khet Don Muang, Bangkok 10210 Tel. 02-533 6393-400 Fax. 02-533 6850
Type of Business	:	Manufacturer and distributor of carpets to domestic and international markets.
Company registration number	:	0107537001021
Registered Capital	:	Baht 564,691,446
Paid-up Share Capital	:	Baht 376,474,777
Per Value per Share	:	Baht 1.10
Home page	:	<a href="http://www.royalthai.com">www.royalthai.com</a>

### Juristic person's shares of which the company holds more than 10%

Company Name	:	United Carpet Manufacturing Ltd. (UCM)
Location	:	1/4 Moo.3 Ladsawai, Lumlukka, Pathumthani
Type of Business	:	Manufacturer and distributor of carpets
Registered Share Capital	:	20,000,000 baht
Par Value Per Share	:	100 baht
Paid-up Share Capital	:	20,000,000 baht
Number of Share held by The Company	:	102,000
Percentage Equity Stake	:	51%

Company Name	:	Royal Thai International Co., Ltd. (RTI)
Location	:	238 Vipavadee Rangsit Road, Kwang Sanambin, Khet Don Muang, Bangkok 10210 Tel. 02-533 6393-400 Fax. 02-533 6850
Type of Business	:	Distributor of carpets and flooring covering
Registered Share Capital	:	1,000,000 baht
Par Value Per Share	:	100 baht
Paid-up Share Capital	:	1,000,000 baht
Number of Share held by The Company	:	9,997
Percentage Equity Stake	:	100%

## GENERAL INFORMATION / OTHER REFERENCE

Company Name : T.C.H. SUMINOE Co., Ltd. (TCHS)  
 Location : 157 Moo 16, Bangpa-in Industrial Estate, Bangkrasarn,  
 Bangpa-in, Phranakhonsi-Ayutthaya  
 Type of Business : Auto Parts Manufacturer and Distributor  
 Registered Share Capital : 250,000,000 baht  
 Par Value Per Share : 10 baht  
 Paid-up Share Capital : 250,000,000 baht  
 Number of Share held by  
 The Company : 12,475,000  
 Percentage Equity Stake : 49.90%

Company Name : TCMC Furniture Limited (TCMC-F)  
 Location : 6th Floor, 25 Farringdon Street, London, United Kingdom,  
 EC4A 4AB  
 Type of Business : Manufacturer and distributor of Furniture  
 Registered Share Capital : 1,000,000 pound  
 Par Value Per Share : 1.00 pound  
 Paid-up Share Capital : 1,000,000 pound  
 Number of Share held by  
 The Company : 760,000  
 Percentage Equity Stake : 76%

Company Name : Manor(2016) Holdings Limited (“Manor”)  
 Location : 82c East Hill, Colchester Essex, United Kingdom,  
 CO1 2QW  
 Type of Business : Investment in other companies  
 Registered Share Capital : 6,250,000 pound  
 Par Value Per Share : 0.10 pound  
 Paid-up Share Capital : 6,250,000 pound  
 Number of Share held by  
 The Company : 62,500,000  
 Percentage Equity Stake : 100 %

## GENERAL INFORMATION / OTHER REFERENCE

Company Name	:	DM Midlands Holdings Limited (“DMMH”)
Location	:	Unit 1 Woodside Industrial Estate, Pedmore Road, Dudley, West Midlands, United Kingdom, DY2 0RL
Type of Business	:	Investment in other companies
Registered Share Capital	:	1,000,000 pound
Par Value Per Share	:	0.10 pound
Paid-up Share Capital	:	1,000,000 pound
Number of Share held by The Company	:	10,000,000
Percentage Equity Stake	:	75% (after purchasing shares of DM Midlands Limited, Manor which is a subsidiary of the Company holds shares in DMMH at the ratio of 75%)

\*\*The Company has established two more subsidiaries including Manor and DMMH in order to invest in ordinary shares of DM Midlands Limited (“DMM”) which is registered in England and Wales at the ratio of 100% of total issued shares of DMM, and after purchasing DMM’s shares with former shareholders, Manor then holds shares in DMMH at the ratio of 75%.

### OTHERS REFERENCE

Share Register	:	Thailand Securities Depository Co., Ltd. 4th Floor, The Stock Exchange of Thailand Building, 62 Ratchadapisek Road, Klongtoey, Bangkok 10110 Tel: 02-229-2888
Auditor	:	Miss Sulalit Ardsawang Certified Public Accountant Registration No. 7517 DHARMNITI AUDITING Co., Ltd. 178 Dharmniti Building 6-7th Floor, Soi Permsap (Pracha Chuen 20), Pracha Chuen Road, Bangsue, Bangkok, 10800 Tel: 02-555-0651
Accounting Period	:	January 1 <sup>st</sup> to December 31 <sup>st</sup>
Legal Councilor	:	Bunchong and Vidhya Law Office Limited Wall Street Tower Bldg., 9th Fl., 33/35, 33/39-40 Surawongse Road, Kweng Suriyawongse, Khet Bangrak, Bangkok 10500, Thailand Tel: +66 (0) 2236-2334 Ext. 3910-1 Fax: +66 (0) 2236-3916
Financial Advisory	:	None



## MESSAGE FROM THE CHAIRMAN

### Dear Shareholders,

In 2017, it will be another year that Thailand Carpet Manufacturing PLC. has to encounter unstable global economy, which is still fragile due to several factors. For example, the US economic policy; the change of economic and political policy of EU countries, i.e. the impact of Brexit; the risks of other EU countries which are considering separating from the economic grouping; the continual policy adaptation of Chinese economy; the gradual recovery of developing countries, such as Thailand, etc.

In 2016, the Company acquired DM Midlands, a sofa manufacturer and distributor in England. The acquisition of DM Midlands and Alstons, which was previously acquired in 2015, has allowed us to soar as England's No.1 in the sales of sofa. Even though the Brexit has affected England's economy, these two companies have continued to make profits. Meanwhile, TCH Suminoe, our automotive carpet a

nd seat coverings business, has seen the increase of net profit by 19% from the growing automobile market. In addition, internal management has been highly efficient for hand-woven carpets, while machine-woven carpets have suffered from stagnated market and price competition as previously experienced in the past year. Therefore, the Company emphasizes the seeking of new markets, the reduction of production cost and efficient cost management.

Eventually, I would like to thank all directors, shareholders, business partners and customers for the trust you have provided through the years. On behalf of the Company, I would like to thank the executives and employees for the cooperation and dedication at your fullest attempt to achieve seamless operations of the Company.



**Pimol Srivikorn**  
Chairman of the Board

## POLICY AND OVERALL BUSINESS OPERATION

Thailand Carpet Manufacturing PLC. was established on 21 February 1967 by founded shareholders, Mr. Chalermphan Srivikorn, Hong Kong Carpet Manufacturers Company Limited, and Philippine Carpet Manufacturing Company Limited, with an initial registered capital of THB 5 million, to manufacture and sell carpets both domestically and overseas. Thailand's first carpet manufactory located at KM 27 of Vibhavadi-Rangsit Road, close to Don Muang Airport, covering an area of 29 rai, was completed and ready for manufacturing of carpets under 'Tai Ping' brand on 10 March 1968.

The Company began exporting its carpets under the trademark of "Royal Thai" in 1972. On 30 June 1978, the Company was approved as a listed company in the Stock Exchange of Thailand and could offer shares for sale to the general public.

In 1984, the Company expanded its factory and installed a new machine for production of Axminster woven pattern carpets and also received a promotion certificate from the Board of Investment of Thailand. Since then, the Company has gradually increased its production capacity.

In March 1994, the Company was converted into a public limited company and expanded its investment to cover other business fields, such as real estate and textiles and carpets for automotive industry.

In 1997, the Company was affected by the domestic financial crisis and Thai Baht float and had large losses in operating performance due to the devaluation of Thai Baht. As a result, it had to enter into the debt restructuring process with DBS Thai Danu Bank Public Co., Ltd. ("DBS"), which was its major creditor. In February 1999, its authorized share capital decreased from THB 500 million to THB 300 million and the Company increased its authorized share capital by issuing 25.56 million shares at the par value of THB 10 per share and selling the same to DBS at THB 6 per share. The Company had repaid the loan from DBS with the mentioned fund from the capital increase. Then, in March 1999, the Company executed a debt restructuring contract with DBS. The Company earned a profit of THB 40.93 million from transfer of assets for restructuring the debt arisen during 1999 and had no profit or loss from debt restructuring. During 1998 and 1999, the Company stopped investing in businesses that were not its primary business and sold its assets and investments in businesses other than its primary business, including its investments in TCH, to pay back the loan from DBS according to the debt restructuring contract.

In September 2003, the Company entered into a contract to change its creditor from the old bank to a new one, which resulted in a reduction in its financial burdens.

In March 2007, the Company increased its authorized share capital from THB 555.56 million to THB 714.29 million with the paid-up capital of THB 684.47 million. The Company invested the funds raised from the equity injection in the production expansion, efficiency and work environment improvement of the plants.

On 3 July 2008, the board meeting passed a resolution to joint-invest in United Carpet Manufacturing Co., Ltd., a company with similar nature focusing on exporting the hand-tufted carpet, holding 51% of shares. The Company and its subsidiaries have made an agreement on not to compete in price dealing with the same clients.

In May 2009, the Company reduced its authorized share capital from THB 714.29 million to THB 684.47 million by cutting off registered ordinary shares not yet sold.

In September 2009, the Company reduced its authorized share capital from THB 684.47 million to THB 376.46 million by reducing the par value from THB 10 baht to THB 5.50 per share.

On 14 September 2011, the Company founded Royal Thai International Co., Ltd., a wholly owned subsidiary, to perform business activities in sale and distribution of carpets and flooring materials. The products were supplied by the Company to make sure that the business would run smoothly. The Company was also responsible for management and place of business of Royal Thai International Co., Ltd. In October 2011, the Company was affected by flood crisis, but was able to resume normal operation in the second quarter of 2012.

On 2 May 2013, the Company registered change in par value by splitting one ordinary share at par value of 5.50 baht per share to five ordinary shares at par value of 1.10 baht per share. Thus, the Company had paid-up shares of 342.24 million shares.

On 9 August 2013, the resolution of the shareholders at Extraordinary General Meeting No. 1/2556 granted the Company to raise the registered capital by 188.23 million baht from 376.46 million baht to 564.69 million baht by issuing the common stock of 171.12 million shares with the par value of 1.10 baht per share to support the warrant that granted by right offering to the Company's existing shareholders.

On 2 January 2014, the Company purchased 12,475,000 shares or 49.90% of the total shares sold of T.C.H. Suminoe Co., Ltd. ("TCH") from the existing shareholders (who were directors of or shared the same directors with the Company) at 13 baht per share, totaling 162,175,000 baht. The Company appointed a board of directors and executives to run such company. Thus, TCH became a subsidiary of the Company and was included in the consolidated financial statements of the Company. Purchase of TCH shares was carried out in accordance with resolution of the 2/2556 Extraordinary General Meeting of Shareholders held on 14 November 2013 with a purpose to invest in a competitive business since TCH was a large and well-known manufacturer and distributor of textiles and carpets for automotive industry.

On 28 April 2015, the 2/2558 Board Meeting passed a resolution for the Company to form a subsidiary named TCMC Furniture Limited, a company incorporated in England and Wales, to invest in ordinary shares of DM Midlands Limited ("DMM"), a company incorporated in England and Wales, in proportion of 100 per cent of the total shares. The Company held 760,000 ordinary shares at the par value of 1.00 British Pound, totaling 0.76 million British Pound, accounting for 76.00% of the total shares of TCMC Furniture Limited. The objective of establishment of TCMC Furniture Limited was to invest in Alstons Furniture Group Limited ("ALSTONS GROUP"), a company incorporated in England. The Company and TCMC Furniture Limited executed an agreement for sale and purchase of shares with Alstons Furniture

Group Limited, a company investing, both directly and indirectly, in ordinary shares in a proportion of 100% of the total ordinary shares of Alstons (Upholstery) Limited, Alstons (Cabinets) Limited, and Necton Road Developments Limited (collectively referred to as “ALSTONS GROUP”). The 5,133,000 ordinary shares of Alstons Furniture Group Limited purchased from existing shareholders accounted for 100% of the total shares sold of Alstons Furniture Group Limited. The total investment value was 24.50 million British Pounds. The purpose of purchase of Alstons Furniture Group Limited’s shares was to invest in business similar to or supporting that of the Company. Moreover, the current customer base and/or distribution channels of ALSTONS might also help increase the channels for exporting the Company’s carpets and decorative materials to England and Ireland. On 12 June 2015, the 1/2558 Extraordinary General Meeting of Shareholders pass a resolution approving TCMC Furniture Limited, a subsidiary incorporated in England, to invest in ordinary shares of Alstons Furniture Group Limited in proportion of 100 per cent of the total shares. On 19 June 2015 (purchase date), TCMC Furniture Limited made complete payment for purchase of the business of ALSTONS GROUP; therefore, ALSTONS GROUP became an indirect subsidiary of the Company and has been included in the consolidated financial statements of the group since 19 June 2015.

On 1 September 2016, the Board Meeting No. 4/2559 passed a resolution granting approval for the Company to form two subsidiaries, incorporated in United Kingdom and Wales: (1) Manor (2016) Holdings Limited and DM Midlands Holdings Limited. Then, the Extraordinary General Meeting of Shareholders No. 1/2559, held on 25 October 2016, passed a resolution approving DM Midlands Holdings Limited (“DMMH”), an indirect subsidiary of the Company (in England and Wales), to invest in ordinary shares of DM Midlands Limited (“DMM”), a company incorporated in England and Wales, in proportion of 100% of the total shares. DMM engaged in the business of investing in other businesses and held 100 per cent of shares in 4 companies, including (1) Ashley Manor Upholstery Limited, (2) AMX Design Limited, (3) Alexander and James Limited and (4) James Alexander Company Limited, with the first 3 companies incorporated in England and Wales and the last in Thailand (collectively referred to as “DMM GROUP”). DMM Group engaged mainly in manufacturing and selling sofa chairs to customers in the UK. The total value of such investment was GBP 35 million, or equivalent to THB 1,608.11 million. Shares were purchased from the Group of Existing Shareholders, who were not related parties with the Company. On the completion date, DMMH increased the capital by issuing 2,500,000 new shares with the par value of GBP 0.10 per share. Then DMMH purchased 1,900,562 shares of DMM, accounting for 100% of the total shares of the Group of Existing Shareholders with the total investment value of GBP 35 million. The payment was made in cash valuing GBP 26,250,000 and in DMMH shares amounting 2,500,000 shares with the par value of GBP 0.10 per share, with premium on share of GBP 8,500,000, total valuing of GBP 8,750,000. After the transaction, the ratio of shareholding in DMMH of Manor (2016) Holdings Limited, a subsidiary of the Company, and the Group of Existing Shareholders, the seller, was 75:25. Moreover, DMMH held 100% of shares in DMM. On 1 November 2016, DM Midlands Holdings Limited (“DMMH”) had invested in DM Midlands Limited (“DMM”) as mentioned above so DMM GROUP became an indirect subsidiary of the Company. Financial information of DMM GROUP on the acquisition date has been included in the preparation of the Company’s consolidated financial statements since 1 November 2016.

The Company sells carpets domestically under the trademark of “Tai Ping”. For its foreign customers, the Company has created the trademark of “Royal Thai”, which is very popular among international market. Products exported overseas are premium quality hand-woven carpets made to order of the customers who can choose whether they want to design their own carpets or have our team design for them. Our carpets are in beautiful and delicate patterns. New designs are constantly developed and launched to the market.

## VISION, MISSION, AND CORE VALUES

### Vision

The Company is determined to become the world's leading carpet manufacturer and to supply high-quality interior decorating products to achieve customer satisfaction.

### Mission

The Company operates business with a focus on sustainable development for maximum satisfaction of all groups of stakeholders as follows:

#### (1) Shareholders

The Company puts an emphasis on development of performance and profitability for the best interest of the shareholders.

#### (2) Customers

The Company is determined to produce and offer products of excellent quality at reasonable prices.

#### (3) Personnel

The Company is determined to improve its personnel's expertise and quality of life.

#### (4) Environment

The Company contributes to social development with beneficial activities that cause no negative impacts on the environment and meet international standards.

### Core Values

The Company trusts that "TCMC" values are keys to the Company's success and must be embedded in the Company's culture. TCMC stands for:

#### **T : Team Work**

Employees should be able to work as a team, understand their roles and duties, be open-minded, listen to and respect other people's opinions, and be able to communicate and work with others effectively.

#### **C : Customer Focus**

The Company places importance on customers and is determined to meet customers' needs and achieve customer satisfaction by producing high-quality products at reasonable prices and delivering products in a timely manner.

#### **M : Moral and Integrity**

Employees are required to adhere to moral principles, comply with laws, follow anti-corruption guidelines, and perform their duties with honesty, openness, transparency, and accountability.

**C : Commitment to Excellence**

Company is committed to achieving the goal with an emphasis on every aspect affecting the quality of work. Excellence reflects professionalism and expertise. Employees should continue to improve their skills to add value and contribute to the organization and to ensure sustainable success.

**Objectives and Strategies**

The Board of Directors requires that vision, mission, and core values are reviewed on a regular basis at least every five years. Executives and employees of the Company share the same goal. Management team's performance is evaluated to determine the effectiveness of their implementation of plans and strategies. To promote sustainable growth, the following objectives and strategies are set:

**1. Sales Strategy**

The Company is committed to continuous growth in sales and pays close attention to both domestic and overseas customers in order to retain the existing customers and generate the new ones. The Company and the employees agree on fair benefits and incomes. Product development is carried out continuously to increase the Company's competitiveness and contribute to sustainable business growth.

**2. Production Strategy**

The Company focuses on preparation of production plans that are effective and in line with sales plans. New products, such as laminate flooring, engineered wood, and vinyl tile, are offered to give the customers more alternatives and improve sales. Existing products are improved for diversity in terms of patterns and colors to meet customers' needs. Costs are maintained at a competitive level.

**3. Human Resource Strategy**

The Company attempts to get the personnel ready to perform their duties effectively and encourages them to work with honesty and transparency. All employees should have improved quality of life and be safe. There are programs to improve the employees' knowledge and skills in production and sales so that they are ready to drive the organization to success and excellence to support sustainable growth both domestically and overseas.

## NATURE OF BUSINESS

**Thailand Carpet Manufacturing Public Company Limited** (TCMC) has been manufacturing and distributing customized carpets under the brand “**Tai Ping**” for the domestic and “**Royal Thai**” for international market respectively. In addition to the custom carpets, the company also imported variety of carpets lines complimenting to the company’s existing line.

	2016		2015		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic Sales Revenue	318.36	59.94	265.49	47.96	301.20	47.42
Export Sales Revenue	212.74	40.06	288.11	52.04	334.02	52.58
<b>TOTAL</b>	<b>531.10</b>	<b>100.00</b>	<b>553.60</b>	<b>100.00</b>	<b>635.22</b>	<b>100.00</b>

### Nature of Products or Services

Company Product Category

1. Hand Tufted Carpet
2. Axminster Woven Pattern Carpets
3. Pass-tufted (as plan)
4. Imported flooring materials
  - 4.1 Roll Import
  - 4.2 Carpet Tile
  - 4.3 Laminate Flooring
  - 4.4 Needle Punch
5. Carpet Underlay

### SEASONING EFFECTS

TCMC always plan to distribute carpet evenly throughout the year. However, 4th quarter sales has always been our best quarters. Requirement for renovations and grand-opening of projects usually coincide with the year-end celebration. Thus, it leads to sluggish sales in the first quarter. In the past few years, TCMC has pushed the promotion program to increase the first quarter target. It has shown to be quite successful. We are confident with our marketing program the seasonal effects will be minimized.

In the export market, long holidays in Europe (Mid July-August) and Middle-East’s Ramadan have considerable effect on our capacity/target plan.

### IMPACT TO ENVIRONMENT

As a manufacturing facility, TCMC has the responsibility to the environment and society to perform safety and environmental duty to ensure proper treatment of our waste. All of our raw materials are

carefully reviewed and evaluate to determine possible negative impact to the environment. In 2006, we have not found any raw materials to be dangerous to the environment or society. With our dye facility, we recognize the importance of its water treatment. We have installed program to always update the treatment system and to assure proper environment protection. We have authorized personnel to monitor, analyzed and control water quality in accordance to the industry standard waste treatment is properly disposed at specified location.

## Market and Competition

### Domestic Market

In 2016, domestic economy remained stagnant by which has persisted from the previous year. Spending power for floor decorating materials has been affected by the perception that flooring replacement is not an urgent matter. Defected floors have been used for longer, while decisions in the changing of flooring materials delayed or curbed, thus making sales volume remain unchanged and slightly grew. Additionally, the increased discretion of home loan approvals of financial institutions has posed significant impact on the sales volume of the Company's product lines.

Nevertheless, certain major clients in the category of hotel industry, who delayed their purchases before, had placed their orders. These large purchases had enabled the 2016 sales to grow near our sales target.

### Export Market

In 2016, the export of carpet under the Royal Thai brand by Thailand Carpet Manufacturing PLC. reduced from 2015 due to the economic slowdown of the US and Asian markets, as well as the increasing competition in the global market.

Nevertheless, Royal Thai has continued expansion in USA, Europe and Middle East regarding confidence in premium quality products and service still place order respectively especially in last quarter, which cause result of overall actual sale income of Year 2015 become slightly lower than sales target.

## DISTRIBUTION AND CHANNEL

Domestic : In order to support the requirement for quality customized carpet for large projects such as hotel, Cineplex or condominium, TCMC concentrates its direct selling efforts by having corporate salesman.

They are joined into 4 groups; with 3 out of 4 divisions concentrate their selling in Bangkok and suburban areas. This strategy is aimed to serve the customers that are considered to be **“contract sale”**. TCMC has organized the team to support the documentation, contract agreement and payment terms. Our other distribution channels are agents / representative and showroom.

### Domestic Distribution Channel

Direct sales	93 %
Sales through distributors	7 %

## Type of Customers

Higher percentages of customers are hotels, government bureau, commercial buildings and residential buildings while the remaining are private residence and small commercial offices.

Export : TCMC has reduced the numbers of international agents and representative over the past year. The communications via Internet has changed the approach for international distribution. Customers prefer to deal directly with the factory. The Company has continued its expansion plan in the area of customer service, design assistance, planning estimation and collections. The human resources needed are higher profile in background and experience. They are capable of handling the communications directly with the customers. This direct approach has opened the doors to countries that we have not approach in the past.

## International Distribution Channel

Direct sales	80 %
Distributors / Agents	20 %

## UNDILIVERED JOBS

The undelivered jobs, which are the projects, are valued up to 10% of total revenues according to the latest financial statement. (None)

## PRIVILEGES AND BUSINESS RESTRICTION

- |                          |        |
|--------------------------|--------|
| 1. Promotional privilege | (None) |
| 2. Other privilege       | (None) |
| 3. Business restriction  | (None) |

## REPORT OF RISK MANAGEMENT COMMITTEE

The Board of Directors has appointed Risk Management Committee which consists of 9 executives from all units, with power to consider potential risk factors against business operation of the Company and its subsidiaries that the executives and employees in various units must place importance on risk management and have understanding in their duties and responsibilities relating to risk management of the Company, establish effective risk management procedures in accordance with good corporate governance in order to minimize impact from any potential risk, minimize uncertainty of overall business operation and increase opportunity of success by identifying, assessing and managing risks of the Company appropriately and in accordance with changing situation and reporting the operation to the Audit Committee and Board of Directors at least once every quarter.

In 2016, the Risk Management Committee has convened four meetings aiming to perform duties under the responsibilities as assigned by the Board of Directors for the consideration and assessment of both internal and external risk factors that may pose significant impact on the Company's business operation in a comprehensive manner in order to establish preventive measures and minimize risks by emphasizing on risk management that is effective and suitable for economic and social conditions and the Company's business environment, whereby Risk Management Committee's report can be summarized as follows:

(1) Risk management procedures and plans have been considered to ensure that risk management is effective and sufficient for and in accord with acceptable level of risk and the Company's operation

(2) Risk factors have been considered and risk management has been monitored for the Company as a whole by convening Risk Management Committee once every quarter in order to support risk management procedures more effectively, and offer recommendation that is beneficial to risk management at present and in the future

(3) Overall operation of Risk Management Committee has been summarized for Audit Committee and Board of Directors to acknowledge at least once every quarter

(4) Significant risk management of the Company has been disclosed in annual report of 2016

With regard to the operation of Risk Management Committee in 2016, risks have been controlled in the level that does not pose significant impact on the Company's business operation, and the Risk Management Committee has monitored risk management and performed duties in responsible and cautious manners for maximum benefit of the Company, shareholders and all stakeholders.

28 February 2017

On behalf of Risk Management Committee



(Charlie Jangvijitkul, Ph.D.)

Chairman of Risk Management Committee

## RISK FACTORS

Risk Management Committee is responsible for managing and reducing risks, conducting risk assessment on a regular basis, and monitoring unacceptable risk as well as ensuring sufficient and suitable risk management system to prevent and minimize potential impacts in accordance with good corporate governance principles. The Risk Management Committee, consisting of nine executives from all functions of the Company, met four times in 2016 to discuss a number of different matters, which can be summarized as follows:

### **(3.1) Raw Material Risk**

For main raw materials, especially wool, if the Company relies on a major supplier and if the supplier increases raw material prices, there will be problems with production process and production costs since the Company has a slight bargaining power, both in terms of prices and time of delivery. If a certain raw material is needed urgently, the Company may not be able to ask the supplier to deliver such raw material in a timely manner. At present, the Company has more than one supplier for supply of major raw materials. Purchase orders are made to all suppliers for the purpose of balance of power. In the case where any one supplier increases raw material prices, the Company will be able to check the market prices from other suppliers. The prices of main raw materials usually do not fluctuate. However, if the prices change greatly, the Company will be aware of such change for quite a long time in advance. It is unavoidable that suppliers increase the prices at the same time, but such increase must be within an acceptable range. To prevent any problems with main raw materials, the Company opts to enter into future contracts with suppliers, specifying the quantities of raw materials that the Company wants to buy and delivery schedule at least six months or if possible one year in advance. If the Company does not receive purchase orders from its customers as expected, shipment of the raw materials can be postponed.

### **(3.2) Substitute Goods Ri**

There are now many kinds of flooring materials, each of which has different qualifications. Consumers have more choices. However, a decision to buy a product is usually made from the need of the buyer and utility of the goods. The Company has developed a number of methods to deal with risk from substitute goods. Some activities that have been carried out to control such risk include: (1) studying the market needs and types of substitute goods to consider what goods the Company should launch; (2) engaging suitable suppliers; (3) preparing distribution plans; (4) training and educating sales staff; and (5) monitoring change in substitute goods from time to time to adjust the goods to be sold to customers.

### **(3.3) Risk Regarding Development of Carpet Manufacturing Technology**

Currently, industrial plants have kept modernizing their technologies. Thus, the Company should manage risk from development of carpet manufacturing technology. Initially, the Company has encouraged and supported its employees to participate in training or seminars to obtain and apply new knowledge to their jobs. Moreover, the Company is now in the process of preparing a plan on a competition project to improve the production, enhance employees' capabilities, and search for new production technology.

### **(3.4) Compliance Risk**

The Company is aware of risks from changes in related laws, policies, regulations, and requirements, which directly impact the Company and the employees. Thus, the Company manages to keep such risk within an acceptable level. Risks are controlled by monitoring changes in laws and regulations of the public sector, receiving correct, timely, and updated news and information, and notifying all employees in the event of changes in regulatory requirements

### **(3.5) Labor Shortage Risk**

The Company is currently engaging in the business of manufacture and distribution of hand tufted carpet, which is the main source of revenue of the Company. Skilled labor is required for making hand-tufted carpet. It takes quite a long time to train new workers to replace the skilled ones so the Company places importance on carpet makers and tries to motivate them to work for the Company as long as possible by offering them higher remuneration than other kinds of workers. At present, shortage of labor causes a high level of production risk. It is found that the Company has a high employee turnover rate. Some positions are very difficult to replace. However, the Company has managed to keep labor risk within an acceptable level by conducting a labor force survey at least once a year. Recruitment of employees will not focus on merit system. The Company emphasizes more on application of the coaching system by assigning mentors to train and improve the skills of new employees for their career progress.

### **(3.6) Environment Risk**

The Company's production has some involvement with environment since the Company has its own wool-dyeing process, which releases a large amount of wastewater a day. Therefore, it is important to oversee the wastewater treatment system to prevent pollution both in and outside the plant. The Company controls environment risk by establishing a procedure for examining wastewater quality before it is released outside. Standard wastewater treatment system is also in place along with the systems to inspect related equipment and control wastewater on a regular basis.

### **(3.7) Occupational Safety, Health, and Environment Risk**

Occupational safety, health, and environment risk concerns the laws, which have direct impacts on the Company and the employees. Therefore, the Company has controlled such risk by setting up Occupational Safety, Health, and Environment Committee and Safety Committee to act as representatives in improving the working environment for all employees.

### **(3.8) Finance Risk Management**

The Company and its subsidiaries manage financial risks that may occur with financial assets and liabilities in the normal course of business operations by using the general internal management and control. The Company does not engage in the business of financial derivatives trading.

#### **3.8.1 Credit Risk**

The Company continues to be very strict in giving customers credit as usual. Credit risk is directly related to accounts receivable and notes receivable. Due to the fact that the Company has a large number and diversity of customers so it does not expect any damage from collection of payment from such accounts receivable. Moreover, the Company's bad debts have been dealt with effectively and, as a result, the number of accounts receivable that may cause trouble to the Company decreases gradually.

The Company has a measure to reduce risk from exporting its goods. Most of the overseas customers are required to pay 50% of total price of goods orders before production of the goods and



the remaining 50% is paid before the goods are exported. For the customers of goods with installation services, most of who are from the Middle East, in order to minimize risk, the Company requires this group of customers to open Letter of Credit (L/C). Credit is provided only to those customers who have continuously purchased goods from the Company and have reliable financial position.

With regard to domestic sales, mostly the Company sells and installs products for domestic customers. Generally, credit term is offered to customers as appropriate on a case by case basis. A deposit amount is collected before commencement of production whereas the remaining amount will be paid after delivery of the goods. The Company tries to collect debt in a timely manner and there are measures to collect debts that have been overdue for a long time. In case of a customer with payment problem against whom the Company has taken legal proceedings, if such customer makes a purchase order again, he/she has to pay 100% of the price of the goods ordered before production. As a result, the Company has a minimal risk of uncollectable debt.

### **3.8.2 Interest Rate Risk**

The Company and its subsidiaries are exposed to interest rate risk because they have bank deposits, overdrafts, short-term loans, and long-term loans. The financial assets and liabilities bear both floating interest rate and fixed interest rate, most of which are close to the current market rates. However, the Group believes that fluctuation in market interest rates in the future will have no significant impact on operating results and cash flows. The Company and its subsidiaries do not use financial derivatives to prevent such risk

### **3.8.3 Exchange Rate Risk**

The Company and its subsidiaries are exposed to foreign exchange rate risk as their revenues from overseas sales are mostly in USD. Therefore, in the course of its business, the Company uses currency future contracts to minimize risk from exchange rate fluctuations that may have impact on the Business when exporting goods and importing raw materials, machinery and equipment. Besides, the Company closely monitors change in foreign exchange rates and considers using suitable financial instruments in a certain situation that may affect the Company at the time being to most effectively reduce risk from exchange rate fluctuations.

In 2016, Britain's vote to leave the European Union or Brexit resulted in vigorous fluctuation of the British Pound. The Pound's depreciation affected long-term loans in the Pound currency and the exchange rate loss recorded at year end was THB 82.51 million. With regard to foreign loans with subsidiaries, which resulted in a large amount of foreign exchange loss, the Company is considering the best solution to reduce foreign exchange loss when fund is actually received.

### **3.8.4 Liquidity Risk**

The Company and its subsidiaries control liquidity risk by maintaining adequate cash flows and cash equivalents necessary for the operations and acquiring short-term credit facilities from financial institutions well in advance to reduce the impact of cash flow fluctuations.

## **Other Factors Affecting Investment Decisions**

Apart from the abovementioned items, the Company and its subsidiaries have no other obligations and there are no irregular or significant events that may have significant impacts on the financial position and operating results of the Company and its subsidiaries in the future.

## ASSETS IN BUSINESS OPERATION

### Land, Building and Machinery as at 31 December 2016 (of the Company)

(Unit: Million baht)

Items	Cost	Surplus on revaluation of assets	Accumulated Depreciation	Net Value	Useful lives (years)
Land and land improvement	43.62	392.09	14.43	421.28	5-10 *
Building and building improvement	142.04	-	122.12	19.92	5-30 *

\* **Note:** Used to secure bank loans totaling THB 558 million

Machinery and equipment	326.86	-	204.49	146.36	3-40
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**Note:** Used to secure bank loans totaling THB 50 million

The Company's land plot with an area of 29 rai, 1 ngan and 7 square wah, located at No. 238, Vibhavadi-Rangsit Road, Sanam Bin Sub-district, Don Mueang District, Bangkok Metropolis.

#### Remarks:

- All assets stated above are owned by the Company and are used to secure bank loans.
- The Company has canceled the valuation of fixed assets, but will continue to have land valuation according to resolution of the Board of Directors' Meeting No. 1/2554.
- In May 2013, the Company had its land revaluated as planned, using the market approach. The reappraised value of the land was THB 410 million, which was THB 12 million more than its fair value previously determined.
- In May 2015, the Company redeemed land and machinery from the banks extending loans to the Company and used them to secure loans from a new bank. Such new bank asked the Company to conduct revaluation of the land and machinery. The revaluation indicated that the value of the land was THB 558 million and that of the machinery was THB 50 million, totaling THB 608 million.

### Land, Building and Machinery as at 31 December 2016 (of the Company and its subsidiaries)

(Unit: Million baht)

Items	Cost	Surplus on revaluation of assets	Accumulated Depreciation	Net Value	Useful lives (years)
Land and land improvement	70.37	406.72	14.43	462.66	5-10
Building and building improvement	374.10	-	216.11	157.99	5-30
Machinery and equipment	1,121.20	-	631.27	489.93	3-40

#### Lands consist of:

1. A land plot of Thailand Carpet Manufacturing PLC.  
Covering an area of 29 rai, 1 ngan and 7 square wah, located at No. 238, Vibhavadi-Rangsit Road, Sanam Bin Sub-district, Don Mueang District, Bangkok Metropolis

2. A land plot of T.C.H. Suminoe Company Limited

Covering an area of 10 rai and 36.4 square wah, located at No. 157, Village No. 16, Bang Pa-in Industrial Estate, Bang Krasan Sub-district, Bang Pa-in District, Phra Nakhon Si Ayutthaya Province

**Intangible Assets as at 31 December 2015 (of the Company)**

(Unit: Million baht)

Items	cost	Accumulated Depreciation	Net Value	Useful lives (years)
Computer software	6.81	5.13	1.68	5
Software for digitalization and archives of carpet	9.16	9.16	-	

**Intangible Assets as at 31 December 2015 (of the Company and its subsidiaries)**

(หน่วย : ล้านบาท)

tems	cost	Accumulated Depreciation	Net Value	Useful lives (years)
Computer software	34.11	22.62	14.16	5
Software for digitalization and archives of carpet	9.16	9.16	-	
List of customers	393.17	56.38	336.79	7-12
Trademark	56.94	8.54	48.40	10
Design	67.68	20.30	47.38	5

**List of Customers**

According to an appraisal to determine fair value of assets at the time of business acquisition by the Company, the value of T.C.H. Suminoe Company Limited's list of customers was THB 23.84 million and that of Alstons Group's list of customers was THB 369.33 million.

**Trademark**

According to an appraisal to determine fair value of assets at the time of business acquisition by the Company, the value of Alstons Group's trademark was THB 56.94 million.

**Design**

According to an appraisal to determine fair value of assets at the time of business acquisition by the Company, the value of Alstons Group's design was THB 67.68 million.

## INFORMATION OF SECURITIES AND SHAREHOLDERS

### Company's Securities

As of 31 December 2016, the Company has registered capital amounting to Baht 564,691,446 which can be divided into 513,355,860 ordinary shares at par value of Baht 1.10 per share, and has paid-up capital amounting to Baht 559,671,915 with record of capital increase/decrease as follows:

Month/Year of Registration of Paid-up Capital	Registered Capital (Million Baht)	Paid-up Capital		Offer for sale to....for .....
		Increased (Decreased) Capital (Million Baht)	After increase or decrease (Million Baht)	
5 February 1999	300	(200)	300	Writing off unissued registered shares totaling 20 million shares
23 July 1999	555.56	255.56	555.56	DBS Thai Danu Bank PCL for debt restructuring
26 March 2007	714.29	128.92	684.47	Shareholders / for the increase of production capacity
4 May 2009	684.47	(29.81)	684.47	Writing off unissued registered shares
21 September 2009	376.46	(308.01)	376.46	Decreasing par value of share from Baht 10.00 to Baht 5.50
2 May 2013	376.46	-	376.46	Changing par value of share from Baht 5.50 to Baht 1.10 by splitting one ordinary shares to 5 ordinary shares
22 August 2013	564.69	-	376.46	Issuing 171,118,620 new ordinary shares at par value of Baht 1.10 to accommodate the exercise of Warrant
10 April 2014	376.46	0.01	376.47	From the first exercise of Warrant TCMC-W1 totaling 12,557 shares at par value of Baht 1.10
8 April 2015	376.47	15.54	392.01	From the third exercise of Warrant TCMC-W1 totaling 14,128,500 shares at par value of Baht 1.10
5 October 2015	392.01	32.63	424.64	From the fourth exercise of Warrant TCMC-W1 totaling 29,657,714 shares at par value of Baht 1.10
5 April 2016	424.64	2.69	427.33	From the fifth exercise of Warrant TCMC-W1 totaling 2,450,000 shares at par value of Baht 1.10
5 September 2016	427.33	132.34	559.67	From the sixth exercise of Warrant TCMC-W1 totaling 120,306,639 shares at par value of Baht 1.10

## Shareholding Structure

Name list of 10 major shareholders when closing the book of shareholder's registration at the date of shareholders' extraordinary meeting No. 1/2559 on 19 September 2016 is as follows:

No.	Name of major shareholders	Number of shares being held	Shareholding ratio
1.	<b>Srivikorn Family</b>		
	Mr. Pimol Srivikorn	47,800,000	9.39%
	Mr. Chaiyut Srivikorn	34,655,743	6.81%
	Khun Ying Sasima Srivikorn	21,289,269	4.18%
	Mr. Wikorn Srivikorn	17,273,000	3.39%
	Total of Srivikorn Family	121,018,012	23.79%
2.	Mrs. Taya Teepsuwan	33,495,293	6.58%
3.	<b>Chiawsakul Family</b>		
	Miss Piraya Chiawsakul	15,977,600	3.14%
	Mr. Suchart Chiawsakul	3,655,000	0.72%
	Total of Chiawsakul Family	19,632,600	3.86%
4.	Mr. Kiattinan Denpaisan	14,564,600	2.86%
5.	Thai NVDR Co., Ltd.	13,078,200	2.57%
6.	<b>Cholsaipan Family</b>		
	Mrs. Nipa Cholsaipan	10,928,400	2.15%
	Mr. Nam Cholsaipan	700,000	0.14%
	Miss Nonthip Cholsaipan	323,850	0.06%
	Miss Namthip Cholsaipan	323,850	0.06%
	Mr. Akarin Cholsaipan	314,000	0.06%
	Mr. Arthapon Cholsaipan	314,000	0.06%
	Total of Cholsaipan Family	12,904,100	2.54%
7.	CHASE NOMINEES LIMITED	11,700,000	2.30%
8.	<b>Bunlikhitchewa Family</b>		
	Mr. Vorakorn Bunlikhitchewa	9,000,000	1.77%
	Miss Winita Bunlikhitchewa	1,510,000	0.30%
	Mrs. Somjit Bunlikhitchewa	500,000	0.10%
	Total of Bunlikhitchewa Family	11,010,000	2.16%
9.	Mr. Jirawut Kuwanan	8,300,000	1.63%
10.	Miss Sasitorn Pong-on	7,128,000	1.40%

## Issuance of Other Securities

The shareholders' extraordinary meeting No. 1/2556 being held on 9 August 2013 has resolved to approve the first issuance and offer of share warrant for the purchase of the Company's ordinary shares by allocating to former shareholders according to the following details.

<b>Category of Securities</b>	Warrant No. 1 representing the right to purchase ordinary shares of Thailand Carpet Manufacturing PLC ("Warrant" or "TCMC-W1")
<b>Type</b>	Shares with name of shareholders being specified and being transferrable
<b>Number</b>	171,118,620 units
<b>Number of ordinary shares being allocated to accommodate the exercise of warrant</b>	171,118,620 shares at par value of Baht 1.10
<b>Offer price</b>	Baht 0.00 (Zero Baht) per unit
<b>Method of Allocation</b>	Allocate to the Company's former shareholders having name listed on the record date, who are entitled to the allocation and offer of warrant on 9 September 2013, and name list of shareholders shall be collected pursuant to Article 225 of the Securities and Exchange Act, B.E. 2535 by using book closing method on 10 September 2013 at the rate of one ordinary share per each warrant (fraction should be rounded off)
<b>Exercise ratio</b>	One warrant will be entitled to purchase one share except exercise ratio is adjusted under adjustment conditions
<b>Exercise price</b>	Baht 2 per share except price is adjusted under adjustment conditions
<b>Term of Validity</b>	3 years from the date of warrant issuance and offer
<b>Exercise period</b>	Warrant holder is able to exercise his right according the warrant on the last business day of March and September of each calendar year throughout the term of validity, provided that the first exercise date shall be the last business day of March 2014, and the last exercise date shall be the date that warrant reaches its term of validity of 3 years from the date of warrant issuance and offer. In the event that the exercise date falls on the Company's non-business day, the exercise date shall be postponed to the last business day prior to each exercise date

## Policy on dividend payment

The Company will maintain policy on dividend payment for shareholders being entitled to receive dividend according to shareholding proportion, at the amount not exceeding 60% of net profit after deducting income tax and legal reserve when the Company gains profit, does not encounter accumulated loss, and has good financial liquidity.

## Dividend payment in the past

### Year 2009

The Company had net profit of Baht 0.49 per share and paid dividend of Baht 0.20 per share from the total of 68,447,448 shares having par value of Baht 5.50 per share.

## **Year 2010**

The Company had net profit of Baht 0.54 per share from the total of 68,447,448 shares having par value of Baht 5.50 per share. The Company did not pay dividend for the overall operation of year 2010 due to the enforcement of Accounting Standard No. 19 regarding employee benefits from 1 January 2011, which required adjustment of financial statements, whereby the Company had requested an actuary from NIDA to calculate long-term employee benefits after adjustment of retained earnings from the beginning of 2011, and as a result, the retained earnings were not sufficient for dividend payment.

## **Year 2011**

The Company had net loss of Baht 2.35 per share from the total of 68,447,448 shares having par value of Baht 5.50 per share because of factory flooding at the end of year 2011.

## **Year 2012**

The Company had net profit of Baht 4.49 per share and paid dividend of Baht 0.30 per share from the total of 68,447,448 shares having par value of Baht 5.50 per share. Net profit was greatly increased because the Company received insurance claim from flood incident, and the Company recognized it as income. Such amount of money was spent to repair machineries and purchase raw materials in replacing materials being damaged by flood.

## **Year 2013**

The Company had net profit of Baht 0.07 per share and paid dividend of Baht 0.04 per share from the total of 342,237,240 shares having par value of Baht 1.10 per share. The Company had changed par value from Baht 5.50 to Baht 1.10 by splitting one share to five ordinary shares.

## **Year 2014**

The Company had net profit of Baht 0.09 per share from a total of 342,249,797 shares having par value of Baht 1.10 per share, and the Company did not pay dividend because the Company needed to set aside reserve fund for its business expansion.

## **Year 2015**

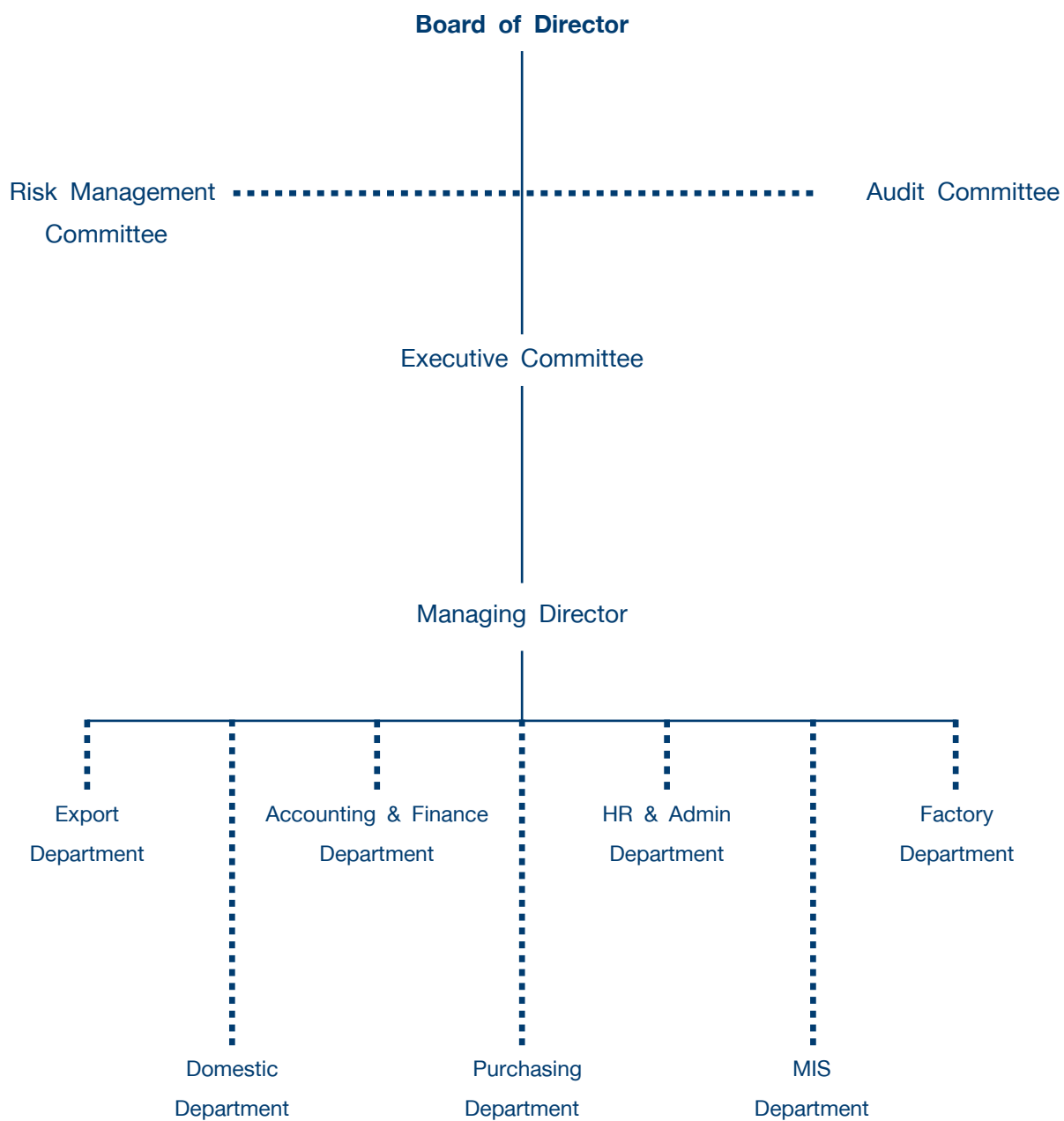
The Company had net profit of Baht 0.33 per share and paid dividend of Baht 0.12 per share from the total of 386,036,011 shares having par value of Baht 1.10 per share.

## **Year 2016**

The Company had net profit of Baht 0.41 per share and will pay dividend of Baht 0.12 per share from the total of 508,792,650 shares having par value of Baht 1.10 per share.

The Company would like to inform that shareholders according to the record date of shareholder name list may not receive dividend if the shareholders' meeting does not approve dividend payment as proposed by the Board of Directors.

## ORGANIZATION STRUCTURE



## Board of Directors

The Board of Directors has power to carry out operation pursuant to the laws, the Company's objectives and articles of association. The Company's articles of association prescribe that the Board shall consist of at least five but not exceeding twelve directors and not less than half of directors shall have a place of domicile located in the Kingdom. To elect a director, each shareholder shall have one vote per share being held by him, and each shareholder may use all votes to elect one or several directors, provided that the votes may not be divided more or less for any particular director. Persons having highest votes will be elected as directors according to the number of directors to be elected for the time being. During each annual meeting, one third of directors serving in the position the longest will vacate the office, and directors vacating office may be re-elected.

### **The Company has a total of nine directors as listed below:**

1.	Mr. Pimol	Srivikorn	Chairman of the Board
2.	Mr. Anun	Louharanoo	Chairman of Audit Committee and Independent Director
3.	Mr. Soravis	Krairiksh	Member of Audit Committee and Independent Director
4.	Mr. Suvitcha	Nativivat	Member of Audit Committee and Independent Director
5.	Mr. Uthayan	Uthayanaka	Independent Director
6.	Mr. Isareit	Chirathivat	Independent Director
7.	M.L. Walliwan	Varavarn	Executive Director
8.	Charlie	Jangvijitkul,Ph.D.	Director and Managing Director
9.	Mr. Sumate	Suwanvongkij	Executive Director

## Signing method in binding the Company

Name and number of directors being authorized to sign on behalf of the Company:

Mr. Pimol Srivikorn jointly signs with one director and affixes the Company's seal.

## Executive Board

In 2016, the Company has four members in its Executive Board as follows:-

1.	Mr. Pimol	Srivikorn	Chairman of Executive Board
2.	M.L. Walliwan	Varavarn	Executive Director
3.	Charlie	Jangvijitkul,Ph.D.	Managing Director
4.	Mr. Sumate	Suwanvongkij	Executive Director

### **Audit Committee consists of three members as follows:**

1.	Mr. Anun	Louharanoo	Chairman of Audit Committee
2.	Mr. Soravis	Krairiksh	Member of Audit Committee
3.	Mr. Suvitcha	Nativivat	Member of Audit Committee

The No.1 and No.2 members of Audit Committee have adequate knowledge and experience to review the credibility of financial statements.

## Risk Management Committee

The Company's Risk Management Committee consists of nine members as follows:

1. Charlie	Jangvijitkul,Ph.D.	Chairman of Risk Management Committee
2. Mr. Sumate	Suwanvongkij	Member of Risk Management Committee
3. Mr. Thamrongchai	Thanawuthikul	Member of Risk Management Committee
4. Mrs. Supinda	Tantiprasut	Member of Risk Management Committee
5. Mr. Jirasak	Yangyuen	Member of Risk Management Committee
6. Miss Monsikarn	Jitkul	Member of Risk Management Committee
7. Mrs. Noppaporn	Apiwattanakul	Member of Risk Management Committee
8. Mr. Somboon	Weeraprasertsuk	Member of Risk Management Committee
9. Mr. Sompong	Prangchaives	Member of Risk Management Committee
By Miss Kitkallaya	Somroumrom	Secretary of Risk Management Committee

## Management Committee

At 31 December 2016, the Company has Management Committee as follows:-

1. Charlie	Jangvijitkul,Ph.D.	Managing Director
2. M.L. Walliwan	Varavarn	Executive Director and Financial Advisor
3. Mr. Sumate	Suwanvongkij	Domestic Sales Manager
4. Mr. Kutchapon	Kongsitti	Business Development Manager
5. Mrs. Noppaporn	Apiwattanakul	Finance & Accounting Department Manager
6. Mr. Thamrongchai	Thanawuthikul	Factory Manager
7. Mr. Jirasak	Yangyuen	Human Resource Manager
8. Mrs. Supinda	Tantiprasut	Purchasing Manager
9. Mr. Somboon	Weeraprasertsuk	Support Product Division Manager

## Company's Secretary

The Board of Directors has appointed Mrs. Noppaporn Apiwattanakul, Manager for Accounting and Finance, as the Company's secretary on 1 June 2010 by determining scope of duties and responsibilities as

1. To provide basic recommendation to directors with regard to legal provisions, rules and regulations, and report any significant change to legal provisions to the directors;
2. To convene shareholders' meeting and Board of Directors' meeting in accordance with applicable laws, regulations and practices;
3. To record minutes of shareholders' meeting and Board of Directors' meeting, maintain minutes of meeting that have been approved by the Board of Directors and concerned parties, and monitor the compliance with shareholders' meeting and Board of Directors' meeting resolution;
4. To ensure that data and information report in the area of responsibility will be disclosed to regulatory agencies and in accordance with government agencies' regulations and requirements;
5. To contact and communicate with general shareholders to ensure that they will acknowledge shareholders' rights and the Company's information; and
6. To monitor the Board of Directors' activities and perform other conducts as prescribed by laws or as assigned by the Board of Directors.

## Remuneration of Directors and Management

The shareholders' ordinary meeting of 2016 has approved the determination of director's remuneration to ensure that it will be in accord with remuneration rate of similar industrial sector. In 2016, the Chairman of the Board of Directors received meeting allowance amounting to Baht 25,000 per meeting, and directors not receiving salary received meeting allowance amounting to Baht 20,000 per person per meeting. In 2016, the Company convened Board of Directors' meetings and paid meeting allowance as follows:

Name of Directors	Position	Number of meeting being attended	Meeting Allowance
1. Mr. Pimol Srivikorn	Chairman of the Board of Directors	5/5	125,000
2. Mr. Anun Louharanoo	Chairman of Audit Committee and Independent Director	5/5	100,000
3. Mr. Soravis Krairiksh	Member of Audit Committee and Independent Director	4/5	80,000
4. Mr. Suvitcha Nativivat	Member of Audit Committee and Independent Director	5/5	100,000
5. Mr. Uthayan Uthayanaka	Independent Director	5/5	100,000
6. Mr. Isareit Chirathivat	Independent Director	4/5	80,000
7. M.L. Walliwan Varavarn	Executive Director	5/5	-
8. Charlie Jangvijitkul, Ph.D.	Managing Director	5/5	-
9. Mr. Sumate Suwanvongkij	Executive Director	5/5	-

## Remuneration of Audit Committee

Since members of Audit Committee are independent and external entities with great duties and responsibilities to monitor and audit financial reports and review to ensure that the Company complies with applicable laws and criteria, the shareholders' ordinary meeting of year 2016 therefore resolved to approve the payment of Audit Committee's remuneration according to the following rate.

Chairman of Audit Committee receives remuneration of Baht 10,000 per month.

Member of Audit Committee receives remuneration of Baht 6,000 per month.

Such rate of remuneration will become effective from the date of approval obtained from the shareholders' ordinary meeting onward until the shareholders' meeting will resolve otherwise. In 2016, meeting of Audit Committee has been convened and remuneration has been paid as follows:

Name of members of Audit Committee	Position	Number of meeting being attended	Remuneration
1. Mr. Anun Louharanoo	Chairman of Audit Committee	5/5	120,000
2. Mr. Soravis Krairiksh	Member of Audit Committee	4/5	72,000
3. Mr. Suvitcha Nativivat	Member of Audit Committee	5/5	72,000

## Remuneration of Management

As of 31 December 2015, the Company has management team comprising of nine members, and the Company has paid salary and bonus for year 2015 and 2014 amounting to Baht 14.89 million and Baht 18.85 million, respectively, and provided vehicles for three members of the management team.

## BOARD OF DIRECTORS DETAILS

**Name and Surname : Mr. Pimol Srivikorn**

Current Position : Chairman of the Board

Nationality : Thai

Age : 52 years

Address : 132/4 Soi Jareen Mit, North Pranakorn, Wattana District,  
Bangkok

Education : Master's Degree Business Administration,  
California University, USA  
Bachelor's Degree Business Administration,  
University of Pennsylvania, USA



Period of Directorship : Holding Positions since 1994 until 2016 for total 23 years

Meeting Attendance of the Past Year : Attended 5 of 5 of Board of Directors' Meetings

Shareholding in the Company : 31 December 2016, 51,489,000 shares

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

Direct and indirect interest in any of business with Company and its subsidiaries : None

Director/Executive Position in other Business :

Listed Company		Other Non-Listed Company	Other Position in Competing Business/ Connected with Company's Business
Total	Type of Directorship		
1 company	(1) Member of Investment Committee - Zmico Securities PLC.	4 companies	None

Work Experience:

2015-Present : Chief Executive Officer - Scomadi Thailand Co.,Ltd

2013-Present : Member of Investment Committee - Zmico Securities PLC.

2010-Present : Executive Director - Srivikorn Group Holding Co., Ltd.

2007-Present : President - Taekwondo Association of Thailand

1989-Present : Director - President Hotel and Tower Co., Ltd.

## BOARD OF DIRECTORS DETAILS

**Name and Surname : Mr. Anun Louharanoo**

Current Position : Independent Director and Chairman of Audit Committee

Nationality : Thai

Age : 63 years

Address : 95/81 Golden Lanna Village, Soi Ramkumhang 92,  
Ramkumhang Road,  
Saparnsoong, Bangkok 10240

Education : B.A. (Accounting), Thammasat University  
B.A. (Law), Thammasat University



Director Accreditation Program : Director Accreditation Program (DAP) Class 1/2003  
: Director Certification Program (DCP) Class 29/2003  
: Audit Committee Program (ACP) Class 2/2004  
: DCP Refresh Course Class 2/2006  
: Improving the Quality of Financial Reporting (QFR) Class 2/2006  
: Monitoring the Internal Audit Function (MIA) Class 1/2007  
: Monitoring the System of Internal Control and Risk Management (MIR) Class 1/2007  
: Role of compensation Committee Program (RCC) 7/2008  
: R-ACF : Audit Committee Forum -1/2016

Period of Directorship : Holding Positions since 2012 until 2016 for total 5 years

Meeting Attendance of the Past Year : Attended 5 of 5 of Board of Directors' Meetings  
Attended 5 of 5 of Audit Committee's Meetings

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

Direct and indirect interest in any of business with Company and its subsidiaries : None

Director/Executive Position in other Business :

Listed Company		Other Non-Listed	Other Position in Competing Business/
Total	Type of Directorship	Company	Connected with Company's Business
3 companies	(1) Director - Lanna Resources Pcl. (2) Director - Thai Agro Energy Pcl. (3) Independent Director, Audit Committee Member and Nomination and Remuneration Committee Member - Diamond Building Products Pcl.	4 companies	None

Work Experience:

2016-Present : Director - Lanna Power Generation Co., Ltd

2008-Present : Director - PT Singlurus Pratama

2006-Present : Commissioner - PT Lanna Mining Services

2005-Present : Independent Director, Audit Committee Member and Nomination and Remuneration Committee Member - Diamond Building Products Pcl.

2003-Present : Director - Thai Agro Energy Pcl.

1998-Present : Director - PT Lanna Harita Indonesia

1985-Present : Director - Lanna Resources Pcl

## BOARD OF DIRECTORS DETAILS

**Name and Surname : Mr. Soravis Krairiksh**

Current Position : Independent Director and Member of the Audit Committee

Nationality : Thai

Age : 44 years

Address : 11/6 Narasiri Bangna Moo14, Bangna Trad Rd.,  
Bangpleeyai Bangplee, Samutprakan

Education : Master in Finance, London Business School  
Bachelor in Economics, London School of Economics



Director Accreditation Program : Director Accreditation Program (DAP) Class 42/2005

Period of Directorship : Holding Positions since 2005 until 2016 for total 12 years

Meeting Attendance of the Past Year : Attended 4 of 5 of Board of Directors' Meetings  
Attended 4 of 5 of Audit Committee's Meetings

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

Direct and indirect interest in any of business with Company and its subsidiaries : None

Director/Executive Position in other Business:

Listed Company		Other Non-Listed Company	Other Position in Competing Business/ Connected with Company's Business
Total	Type of Directorship		
2 Companies	(1) Executive Vice President, Investment Banking Group, Bualuang Securities PCL.	None	None
	(2) Deputy Managing Director, Bualuang Securities PCL.		

Work Experience:

2015-Present : Deputy Managing Director - Bualuang Securities PCL.

2012-Present : Executive Vice President - Investment Banking Group, Bualuang Securities PCL.

2009-2011 : Senior Vice President - Bangkok Bank PCL.

2007-2008 : Senior Vice President - Bualuang Securities PCL.

2004-2006 : First Vice President - Bualuang Securities PCL.

## BOARD OF DIRECTORS DETAILS

**Name and Surname :** Mr. Suvitcha Nativivat

Current Position : Independent Director and Member of the Audit Committee

Nationality : Thai

Age : 36 years

Address : 877/105 Soi Ramkhamhaeng 24 Yeak2, Suanluang,  
Bangkok

Education : Master of Laws, University of Pennsylvania Law School, USA  
Bachelor of Laws (Hons.), University of London, UK  
Bachelor of Laws, Chulalongkorn University, Thailand  
Bachelor of Business Administration, Sukhothai Thammathirat University



Director Accreditation Program : Director Certification Program (DCP) 188/2014

Period of Directorship : Holding Positions since 2013 until 2016 for total 4 years

Meeting Attendance of the Past Year : Attended 5 of 5 of Board of Directors' Meetings  
Attended 5 of 5 of Audit Committee's Meetings

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

Direct and indirect interest in any of business with Company and its subsidiaries : None

Director/Executive Position in other Business:

Listed Company		Other Non-Listed Company	Other Position in Competing Business/ Connected with Company's Business
Total	Type of Directorship		
1 company	Independent Director and Audit Committee Member - Manulife Insurance (Thailand) PCL	4 companies	None

Work Experience:

2016-Present : Managing Director - Vitaboost (Thailand) Co.,Ltd

2014-Present : Director - N-Vest Venture Capital Co.,Ltd

2014-Present : Audit Committee Member - Manulife Asset Management (Thailand) Co., Ltd.

2011-Present : Associate - Bunchong and Vidhya Law Office Limited

2010-2011 : Senior Associate - Timblich and Partners Ltd.

2009-Present : Independent Director and Audit Committee Member - Manulife Insurance (Thailand) PCL.

2008-2010 : Associate - Linklaters (Thailand) Co., Ltd.

## BOARD OF DIRECTORS DETAILS

**Name and Surname** : **Mr. Uthayan Uthayanaka**

Current Position : Independent Director

Nationality : Thai

Age : 81 years

Address : 4 Soi Premier, Srinakarin Rd., Bangbon, Prawet,  
Bangkok

Education : Bachelor Degree in Politic Science,  
Widener University, USA



Director Accreditation Program : Director Accreditation Program (DAP) Class 42/2005  
Audit Committee Program (ACP) Class 2003

Period of Directorship : Holding Positions since 1995 until 2016 for total 22 years

Meeting Attendance of the Past Year : Attended 5 of 5 of Board of Directors' Meetings

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

Direct and indirect interest in any of business with Company and its subsidiaries : None

Director/Executive Position in other Business:

Listed Company		Other Non-Listed Company	Other Position in Competing Business/ Connected with Company's Business
Total	Type of Directorship		
None	-	None	None

Work Experience:

Qualified Director - Office of the Civil Service Commission

Vice President - Suanluang RAMA 9 Foundation

Inspector - Prime Minister's Office

Assistant Secretary - The Office of accelerated Rural Development

## BOARD OF DIRECTORS DETAILS

**Name and Surname** : **Mr. Isareit Chirathivat**

Current Position : Independent Director

Nationality : Thai

Age : 38 years

Address : 22/5 Phaholyothin soi 23 Chatuchak, Bangkok

Education : Master's Degree, Marketing, Real Estate & Entrepreneurship,  
UCLA Anderson School of Management  
Bachelor's Degree, Economics, Boston College



Period of Directorship : Holding Positions since 2013 until 2016 for total 4 years

Meeting Attendance of the Past Year : Attended 4 of 5 of Board of Directors' Meetings

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

Direct and indirect interest in any of business with Company and its subsidiaries: None

Director/Executive Position in other Business:

Listed Company		Other Non-Listed Company	Other Position in Competing Business/ Connected with Company's Business
Total	Type of Directorship		
1 company	Vice President – Central Pattana PCL	None	None

Work Experience:

2014-Present : Vice President-Property Management – Central Pattana PCL  
 2013-2014 : Business Development Assistant Vice President - Central Pattana PCL  
 2010-2013 : Senior Business Development Manager - Central Pattana PCL  
 2005-2010 : Business Development Manager - Central Pattana PCL  
 2002-2003 : Assistant Brand Manager – Central Marketing Group Co.,Ltd  
 2000-2002 : Equity Syndicate Analyst – Goldman, Sachs & Co, New York

## BOARD OF DIRECTORS DETAILS

**Name and Surname : M.L. Walliwan Varavarn**

Current Position : Executive Director

Nationality : Thai

Age : 59 years

Address : 1056/3 Nakorn Chaisri Rd., Thanon Nakornchaisri, Dusit,

Education : Master Degree, Massachusetts Institute of Technology,  
USA



Director Accreditation Program : Director Accreditation Program (DAP) Class 14/2005

Period of Directorship : Holding Positions since 2000 until 2016 for total 17 years

Meeting Attendance of the Past Year : Attended 5 of 5 of Board of Directors' Meetings

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

Direct and indirect interest in any of business with Company and its subsidiaries : None

Director/Executive Position in other Business:

Listed Company		Other Non-Listed Company	Other Position in Competing Business/ Connected with Company's Business
Total	Type of Directorship		
None	-	8 companies	None

Work Experience:

2016-Present : Director - DM Midlands Holdings Limited, UK

2016-Present : Director - Manor (2016) Holdings Limited, UK

2015-Present : Director - TCMC Furniture Limited, UK

2012-Present : Director and Executive Director - President Hotel and Tower Co., Ltd

2011-Present : Director and Executive Director - Serenity Asset Co.,Ltd

2010-Present : Director and Executive Director - T.C.H. Suminoe Co., Ltd

2003-Present : Director - Global Utilities Services Co., Ltd

2001-Present : Chief Executive Officer and Director - Srivikorn Group Holding Co., Ltd

## BOARD OF DIRECTORS DETAILS

**Name and Surname :** Charlie Jangvijitkul, Ph.D.

**Current Position :** Managing Director

**Nationality :** Thai

**Age :** 57 years

**Address :** 199/207 Moo7, Bangchalong, Bangplee, Samutprakan

**Education :** Ph.D. in Business Administration, Bangkok University  
(in Corporate with University of Nebraska Lincoln, USA)  
Master's Degree Marketing, Indiana University of Pennsylvania, USA  
Bachelor's Degree Business Administration, Kasetsart University,  
Bachelor's Degree Law, Ramkhamheang University, Thailand



**Director Accreditation Program :** Director Accreditation Program (DAP) class 33/2005  
Director Accreditation Program (DAP) class 66/2005

**Period of Directorship :** Holding Positions since 2002 until 2016 for total 15 years

**Meeting Attendance of the Past Year :** Attended 5 of 5 of Board of Directors' Meetings  
Attended 4 of 5 of Audit Committee's Meetings

**Shareholding in the Company :** 31 December 2016 - None

**Shareholding for spouse and child in the Company :** 31 December 2016 - None

**Relationship between the board and the management :** None

**Direct and indirect interest in any of business with Company and its subsidiaries :** None

**Director/Executive Position in other Business**

Listed Company		Other Non-Listed	Other Position in Competing Business/
Total	Type of Directorship	Company	Connected with Company's Business
None	-	5 companies	None

**Work Experience:**

2016-Present : Director - DM Midlands Holdings Limited, UK  
2016-Present : Director - Manor (2016) Holdings Limited, UK  
2015-Present : Director - TCMC Furniture Limited, UK  
2014-Present : Director - T.C.H. Suminoe Co., Ltd  
2008-Present : Executive Director - United Carpet Manufacturing Co., Ltd  
1995-2001 : Assistant Managing Director - Bangkok Phaisarn Textile Industry Company Limited  
1994-1995 : Deputy Managing Director - J&D Enterprise (Thailand) Co., Ltd.  
1988-1994 : Management Consultant - Alexander Proudfoot Plc. (USA)  
1982-1985 : Loan Officer - Thai Farmer Bank (Head Office)

## BOARD OF DIRECTORS DETAILS

**Name and Surname : Mr. Sumate Suwanvongkij**

Current Position : Executive Director

Nationality : Thai

Age : 57 years

Address : 88/10 Jakkapong Rd., Taladyad, Pranakorn, Bangkok

Education : Bachelor's Degree, Marketing, Bangkok University

Period of Directorship : Holding Positions since 2013 until 2016 for total 4 years

Meeting Attendance of the Past Year : Attended 5 of 5 Board of Directors' Meetings

Shareholding in the Company : 31 December 2016, 270 shares

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

Direct and indirect interest in any of business with Company and its subsidiaries : None

Director/Executive Position in other Business :



Listed Company		Other Non-Listed Company	Other Position in Competing Business/ Connected with Company's Business
Total	Type of Directorship		
None	-	1 companies	None

Work Experience:

2012-Present : Managing Director - Royal Thai international Co.,Ltd

1983-Present : Domestic Sales Manager - Thailand Carpet Manufacturing PLC.

## MANAGEMENT COMMITTEE DETAILS

### 1. Name and Surname : **Charlie Jangvijitkul,Ph.D.**

Age : 57 Years

Nationality : Thai

Position : Managing Director

Education : Ph.D. in Business Administration, Bangkok University  
(In Corporate with University of Nebraska Lincoln, USA)

Experience : Director - DM Midlands Holdings Limited, UK  
Director - Manor (2016) Holdings Limited, UK  
Director - TCMC Furniture Limited, UK  
Director - T.C.H. Suminoe Co., Ltd  
Executive Director - United Carpet Manufacturing Co., Ltd  
Assistant Managing Director - Bangkok Phaisarn Textile Industry Company Limited  
Deputy Managing Director - J&D Enterprise (Thailand) Co., Ltd.  
Management Consultant - Alexander Proudfoot Plc. (USA)  
Loan Officer - Thai Farmer Bank (Head Office)

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

### 2. Name and Surname : **M.L. Walliwan Varavarn**

Age : 59 Years

Nationality : Thai

Position : Executive Director

Education : Master's Degree, Massachusetts Institute of Technology, USA

Experience : Director – DM Midlands Holdings Limited, UK  
Director – Manor (2016) Holdings Limited, UK  
Director – TCMC Furniture Limited, UK  
Director and Executive Director - President Hotel and Tower Co., Ltd  
Director and Executive Director - Serenity Asset Co.,Ltd  
Director and Executive Director - T.C.H. Suminoe Co., Ltd  
Director - Global Utilities Services Co., Ltd  
Chief Executive Officer and Director - Srivikorn Group Holding Co., Ltd

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

## MANAGEMENT COMMITTEE DETAILS

### 3. Name and Surname : Mr. Sumate Suwanvongkij

Age : 57 Years  
 Nationality : Thai  
 Position : Domestic Sales Manager  
 Education : Bachelor Degree, Major Marketing, Bangkok University  
 Experience : Managing Director - Royal Thai International Co., Ltd.  
 Sales Manager, Thailand Carpet Manufacturing Public Company Limited

Shareholding in the Company : 31 December 2016, 270 shares

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

### 4. Name and Surname : Mr. Kutchapon Kongsitti

Age : 45 Years  
 Nationality : Thai  
 Position : Business Development Manager  
 Education : Master Degree in Business Administration; Oregon State University, USA  
 Experience : Export Sales Manager, Satin Textile Co., Ltd.

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

### 5. Name and Surname : Mrs. Noppaporn Aphiwatthanakul

Age : 57 Years  
 Nationality : Thai  
 Position : Finance & Accounting Department Manager  
 Education : Master Degree in Accounting, Sripatum University  
 Experience : Assistant Finance & Accounting Department Manager  
 Thailand Carpet Manufacturing Public Company Limited

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

### 6. Name and Surname : Mr. Thamrongchai Thanawutikul

Age : 41 Years  
 Nationality : Thai  
 Position : Factory Manager  
 Education : Master Degree in Business Administration, Kasetsart University  
 Experience : Industrial Engineer of Jong Stit Co., Ltd.

Shareholding in the Company : 31 December 2016 - None

Shareholding for spouse and child in the Company : 31 December 2016 - None

Relationship between the board and the management : None

## MANAGEMENT COMMITTEE DETAILS

### 7. Name and Surname : **Mr. Jirasak Yungyuen**

Age : 51 Years  
 Nationality : Thai  
 Position : Human Resource Manager  
 Education : Bachelor Degree in Political Science, Ramkhamhaeng University  
 Experience : Human Resource Manager, Karat Faucet Company Limited  
 Shareholding in the Company : 31 December 2016 - None  
 Shareholding for spouse and child in the Company : 31 December 2016 - None  
 Relationship between the board and the management : None

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### 8. Name and Surname : **Mrs. Supinda Tantiprasutr**

Age : 50 Years  
 Nationality : Thai  
 Position : Purchasing Manager  
 Education : Bachelor Degree in Business Administration Marketing,  
 Assumption University  
 Experience : Purchasing & Warehouse Manager, S. Napa (Thailand) Company Limited  
 Shareholding in the Company : 31 December 2016 - None  
 Shareholding for spouse and child in the Company : 31 December 2016 - None  
 Relationship between the board and the management : None

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### 9. Name and Surname : **Mr. Somboon Weeraprasertsuk**

Age : 51 Years  
 Nationality : Thai  
 Education : Diploma, Textile Chemistry, Bangkok Technical Campus  
 Position : Support Product Division Manager  
 Experience : Support Product Division Manager, Thailand Carpet  
 Manufactory Company Limited  
 Shareholding in the Company : 31 December 2016 - None  
 Shareholding for spouse and child in the Company : 31 December 2016 - None  
 Relationship between the board and the management : None

## CORPORATE GOVERNANCE

### Corporate Governance Policy

The Board of Directors of Thailand Carpet Manufacturing PLC. is aware of and prioritizes good corporate governance, which plays an important role in improving the Company's efficiency. Therefore, the Executive Committee and the Audit Committee are required to follow the Principles of Good Corporate Governance for Listed Companies as follows:

- To require compliance with the laws on securities and the Stock Exchange of Thailand, requirements of the Securities and Exchange Commission (SEC), the Company's articles of association, and laws applicable to business operations;
- To adopt and support adoption of systems to ensure that all shareholders will be treated equally and have equal access to the Company's information;
- To manage the organization by taking the rights of all groups of stakeholders into consideration and to promote balance between and cooperation of all groups to contribute to stability of the business;
- To require the organizational structure and management to clearly define and separate the powers and responsibilities of all committees and the management team;
- To carefully manage conflict of interest with honesty, integrity, reasonability, and independence under an ethical framework;
- To make all relevant parties trust that management and performance of different units within the organization are effective and able to achieve the goals under the balance of power principle and appropriate audit system;
- To make all relevant parties trust that financial reporting and disclosure of information in financial reports are correct, complete, and reliable and that the measures designated for managing risks in business operations are suitable;
- To disclose clear, accurate, and timely information to relevant parties on a regular basis; and
- To require the organization to be responsible for the environment, community, and society when carrying out any activities.

### Rights of Shareholders and Equitable Treatment of Shareholders

1. The Company places importance on and respects the rights of every shareholder. The annual general meeting of shareholders is held at least once a year as required by the law. In 2016, the annual general meeting of shareholder was held on 26 April 2016 at President Room 1-2, Floor 4 of the InterContinental Hotel Bangkok, Ploenchit Road, Lum Phini Sub-district, Pathum Wan District, Bangkok Metropolis.

2. The Board of Directors will consider holding the annual general meeting of shareholders and determining the book closing date for suspension of share transfer as required by the law. All shareholders will be notified immediately after the Board passes a resolution approving the meeting schedule through the electronic system of the Stock Exchange of Thailand.

3. The Company will not deprive the shareholders of their right to study the information of the Company and attend the shareholders' meeting, such as by abruptly not distributing additional documents containing important information at the shareholders' meeting, not adding an agenda item, changing important data without giving the shareholders a prior notice, or not allowing shareholders who arrive late to attend the meeting.

4. The Company will provide minority shareholders with an opportunity to propose agenda items for the shareholders' meeting in advance and nominate qualified candidate(s) to be considered for election as a director of the Company in accordance with criteria recommended by the Stock Exchange of Thailand, which shall be notified to the shareholders through the data dissemination channels of the Stock Exchange of Thailand and the Company's website. The minority shareholders may propose the agenda items or nominate the candidate(s) during December and January of the following year.

5. The Company assigns Thailand Securities Depository Company Limited for Depositors, which is its share registrar, to send the notice of shareholders' meeting along with documents supporting each agenda item to shareholders not less than seven days prior to the meeting date (or as required by the Securities and Exchange Commission and the Stock Exchange of Thailand). The notice and relevant documents are also disseminated on the Company's website to enable the shareholders to have access to the information conveniently and quickly.

6. The Company prepares a notice of meeting, containing details of each agenda item and opinions of the Board as well as meeting documents and determines independent directors to act as representatives of shareholders who want to appoint proxies to attend the meeting on their behalf. The notice of meeting, both in Thai and English versions, containing required details and opinions of the Board, and specifying which agenda items are for acknowledgement, approval, or consideration, as the case may be, is sent to shareholders. The notice of meeting also contains information on directors, who have completed the term of office and are reappointed, background information of independent directors who are appointed as proxies as mentioned above, and the proxy form as determined by the Ministry of Commerce to enable a shareholder who cannot attend the meeting on his/her own to assign a person or independent director to attend the meeting and vote on his/her behalf. The notice of meeting will be sent to shareholders named on the share registrar on the book-closing date 14 days prior to the meeting date. Invitation to meeting is also published in a Thai daily newspaper for three consecutive days not less than three days before the scheduled date of meeting.

7. On the date of general meeting of shareholders, the Company facilitates all shareholders who attend the meeting equally by requiring all shareholders to register before attending the meeting, providing a sufficient number of staff to greet and facilitate the shareholders.

8. At the shareholders' meeting, the Company hires Thailand Securities Depository Company Limited for Depositors to provide services and supervise the counting of votes on each agenda by notifying the shareholders of the procedures for voting and counting the votes before the meeting starts. The voting cards for each agenda are distributed to the shareholders. Regarding election of directors, the director will be elected one by one. Resolutions of the meeting are clearly recorded along with the numbers of approval, disapproval, and abstention votes on every agenda item where voting is conducted.

9. The Board and executives, including Chairman of the Board, Chairman of the Executive Committee, Chairman of the Audit Committee, and the managing director, attend the shareholders' meeting to clarify and answer questions of the shareholder' meeting. Chairman of the meeting gives every shareholder an equal opportunity to examine the Company's performance by asking questions, expressing opinions, or proposing any recommendations. Important questions and opinions are put in the minutes of meeting.

### **Role of Stakeholders**

The Company operates business on the basis of accountability to all stakeholders for mutual and sustainable benefits. The Board of Directors is responsible for ensuring that the Company recognizes the rights of all stakeholders, both stipulated by the laws and written in the good corporate governance

principles, and that such rights are protected and equally respected. The Company has developed the guidelines on practices towards stakeholders, including shareholders, employees, customers, and business partners, which can be summarized as follows:

**1. Shareholders:** the Company respects and recognizes the basic rights of all shareholders, either stipulated by laws or articles of association of the Company, such as the rights to examine the quantity of shares, to receive share certificates, to attend and vote at the shareholders meeting, to voice opinions independently at the shareholders meeting, and to take part in making a decision on important matters relating to the Company's business operations, as the owners of the Company.

**2. Employees:** All employees are treated fairly and equally and given fair remuneration.

**3. Trade Partners:** the Company adheres to the principles of fair trade, strictly follows the requirements of contracts and promises given to the trade partners, and has a policy to deliver goods of high quality on a timely basis.

**4. Customers:** the Company is determined to provide customers with the best products and services in terms of quality and prices and also hopes to maintain sustainable relationship with all customers. The Company is ready to provide suggestions, recommendations, and solutions for customers to ensure maximum satisfaction of customers with the Company's products and services.

**5. Competitors:** the Company behaves according to the code of fair competition principles, conducts business under the principles of morality and requirements of laws, and will not use any dishonest methods to destroy its competitors.

**6. Community and Society:** the Company is responsible for environment of the community and society. The Company needs to comply with relevant laws and regulations to ensure that related parties and all stakeholders will be treated properly. Directors and executives of the Company are notified of their obligation to report their holding of the Company's securities as well as change in their securities holding to the Securities and Exchange Commission in accordance with Section 59 and Section 275 of the Securities and Exchange Act.

### Disclosure and Transparency

1. The Board of Directors realizes that the Company's information, both financial and non-financial, and other reports affect the decision-making process of investors and stakeholders so the management is instructed to disclose information in a complete, accurate, reliable, regular, and timely manner and the management of the Company will adhere to such instruction.

2. The Board of Directors is responsible for preparation of consolidated financial statements of the Company and its subsidiaries as well as financial reports listed in the Annual Registration Statement (Form 56-1) and the Annual Report (Form 56-2), which are prepared in accordance with the generally accepted accounting principles. Accounting policies suitable for the nature of business will be carefully adopted. Important and adequate data will be disclosed in the notes to financial statements. The financial reports will be examined by independent auditors. The Audit Committee will be responsible for quality of such financial reports.

3. The Company discloses shareholder structure by revealing the major shareholders and clearly showing shareholding ratio of minority shareholders. Information on shares held by directors and executives is stated in the Annual Registration Statement (Form 56-1) and the Annual Report (Form 56-2).

4. Information necessary for decision-making of users of the financial statements is disclosed sufficiently, accurately, completely, and appropriately through communication channels that users have



access to. The Company has set up the Investor Relations unit to provide information and news of the Company to investors, shareholders, analysts, and the general public. Investors can contact such unit at:

Mrs. Noppaporn Apiwattanakul (Tel: 0-2533-6393 to 6400)

### **Responsibilities of the Board of Directors**

**Board of Directors** consists of experienced and competent members playing an important role in determining the Company's policies relating to finance, risk management, and the overall operations. The Board of Directors is also responsible for independently supervising, examining, and evaluating the Company's operations and the performance of top executives to ensure compliance with established plans. The current Board of Directors is composed of nine members, four of which are executive directors (accounting for 44.44% of the total directors) and the other five are non-executive directors (accounting for 55.56% of the total directors). Three out of five of the non-executive directors are members of the Audit Committee and are considered representatives of the shareholders to carry out the function of supervising the Company's performance to ensure validity and transparency.

Furthermore, the Board of Directors has appointed a number of sub-committees to assure the shareholders that the Company will conduct business carefully, such as the Executive Committee and Audit Committee, to perform specific tasks and propose certain matters to the Board of Directors for consideration or acknowledgement.

**Executive Committee** consists of four directors of the Company and is responsible for running the Company's affairs as assigned by the Board of Directors in accordance with policies and goals of the Company. The Executive Committee has the power to operate under the laws, objectives, articles of association of the Company, and resolutions of the Board of Directors Meeting.

**Audit Committee** comprises three independent directors all of whom shall have knowledge, understanding, and experience in accounting or finance. The Audit Committee is responsible for reviewing the Company's operations to ensure compliance with policies, regulations, and articles of association of the Company as well as laws, regulations, and requirements or regulatory bodies. The Audit Committee is committed to promoting the advancement of financial and accounting report system to meet international standards and to ensure that the Company has an appropriate, modern and efficient internal control system, internal audit system and risk management system. Members of the Audit Committee carry out their duties and express their opinions independently and discuss with external auditors on a regular basis. Duties and responsibilities of the Audit Committee are as described in the Audit Committee Charter.

Risk Management Committee is composed of at least five members. One top executive is selected as Chairman of the Risk Management Committee. The Risk Management Committee is tasked to determine risk management policy and charter, develop action plans, review and supervise the efficiency of risk management, report risk control matters to the Audit Committee, the Executive Committee, and the Board of Directors, and ensure that existing risk management system is adequate, appropriate, and conforms to the good corporate governance principles. A resolution to approve the Audit Committee Charter shall be passed so there are clear and appropriate guidelines for the Audit Committee to perform its tasks.

To ensure maximum benefits of all stakeholders, the Company requires that not less than 50% of the directors shall be non-executive ones. Therefore, in 2016, five out of a total of nine directors of the Company were independent non-executive directors. The independent directors were outsiders from the private sector who were knowledgeable and competent. All of the Company's directors are fully independently

to express their opinions on operations of the Company under the policies set out each year.

To maximize audit efficiency, the Company has clearly separated and defined the duties and responsibilities of the Chairman of the Board, Chairman of the Executive Committee, managing director, and executive directors for the purpose of supervision, accountability, and balance of power. As a result, the Company's operations are balanced and effective. At each and every board meeting and throughout their term of office, the directors have not been dominated and their roles have not been limited in any way. All directors perform their duties correctly in accordance with laws and are able to protect and safeguard the benefits of the Company and all shareholders.

## **Roles, Duties, and Responsibilities**

### **Leadership and Visions**

The Board of Directors directs the Executive Committee to implement the policies and plans presented to the board meeting. Such policies and plans took account of the current positioning of the Company in Thailand and abroad as a respectable leader in carpet manufacturing in terms of quality, designs and services of international standard on the basis of good corporate governance.

### **Business Ethics**

The Company has placed importance on business ethics and reputation and strictly adhered to the principles of integrity, transparency, and accountability to its stakeholders. The Board of Directors has required executives to implement management policies in a manner that contributes to good corporate governance in which the Company has to be accountable to all groups of stakeholders and treats them equally and fairly. Executives, employees and relevant parties, especially those with power to make a decision, are encouraged to understand and perform their functions in accordance with business ethics.

### **Conflict of Interest**

The Board of Directors puts strong emphasis on conflict of interest so it has established a policy and developed a clear guideline that prevents executives and stakeholders who have knowledge of inside information from disclosing it to the third parties, which may lead to improper personal gain or advantage. Conflict of interest may also involve the executives or any group of stakeholders committing any act in a manner that results in business advantage or personal benefits, but causes disadvantage to the Company and other groups of stakeholders. Where a director has an interest in a given matter, such director has to disclose such interest to the meeting and shall have no right to vote on that matter.

### **Internal Control System**

The Company has placed importance on good and effective internal control system at the administrator and operator levels. Therefore, clear powers and responsibilities of the administrators and operations have been prepared in writing. Functions of the operators and supervisors are clearly separated and assessment is regularly conducted to ensure balance of power and accountability.

Furthermore, the Board of Directors has made a request for establishment of an internal audit unit within the Company, consisting of persons competent and experienced in internal audit to control and supervise the Company's internal control system.

### **Board of Directors Meeting**

The Board of Directors meets once every three months. The date, time, and agenda of meeting are clearly determined. Accompanying documents will be sent to all directors not less than seven days prior to the meeting to allow the directors enough time to study the documents. At the meeting, the directors make and submit recommendations to the executives to improve management efficiency. Minutes



of meetings are prepared in writing and the minutes approved by the Board of Directors are kept available for inspection by the Board of Directors and related parties.

The Company has correct and complete minutes of meetings available for inspection by shareholders. The Company's secretary is responsible for keeping such minutes of meetings readily available for inspection by the Board of Directors and related parties.

#### **Remuneration of Directors**

The Board of Directors has recommended the remuneration of directors to reflect their duties and responsibilities. Information on remunerations of directors of other listed companies in the Stock Exchange of Thailand with total income close to that of the Company is also taken into consideration when determining the directors' remuneration. The recommended remuneration has been submitted to and approved by the shareholders meeting. Remuneration of the executives is in compliance with the principles and policy determined by the Board of Directors and linked with performance of the Company and each of the executives.

At present, the Company has no Remuneration Subcommittee, but there is a process in place for the Board of Directors to specify appropriate remuneration, taking account of the information on remunerations of directors of other companies that are in the same industry and with similar size with the Company as well as the operating results of the Company.

The 2016 Annual General Meeting of Shareholders approved the remunerations for members of the Board of Directors and the Audit Committee for the year 2016. The Chairman of the Board would receive THB 25,000 per meeting and each of the directors who did not receive a salary would receive THB 20,000 per meeting. As regards remunerations of the Audit Committee, the Chairman of the Audit Committee would receive THB 10,000 per month and each member would receive THB 6,000 per month. The Company has determined the remuneration for the directors according the industry standard in order to maintain the qualified directors.

#### **Development of Directors and Management**

The Board of Directors encourages and supports the directors, executives, and secretary to participate in different seminars and training courses organized by the Thai Institute of Directors, the Stock Exchange of Thailand, the Securities and Exchange Commission, or any other independent organizations to improve their knowledge, competency, and performance of duties. All new directors are required to participate in the Director Accreditation Program (DAP) whereas members of the Audit Committee have to attend the Audit Committee Program (ACP). Moreover, directors are encouraged to participate in other training courses on a regular basis to enhance their knowledge, to be prepared for rotation of positions within the organization, and to be ready to succeed the position of chief executive officer. There is also a program to assess the performance of senior executives.

#### **Succession Plan**

The Board of Directors shall ensure that the Company has a system to select qualified staff to hold important managing positions at all levels properly. A succession plan has been developed to prevent shortage of administrative personnel due to inability to replace the existing personnel with knowledgeable and competent ones, which will have a great impact on business operations. Shortage of personnel may be caused by early retirement or promotion. Therefore, the Company has a strategy to recruit qualified persons to success important positions in order to prevent such problem.

## Subcommittees

The Company has the subcommittees as follows:

### Board of Directors

In 2016, the Company had nine directors (names and positions of the directors are shown under the topic of “Organizational Structure”).

### Powers and Responsibilities of the Board of Directors

1. To determine the Company’s visions, missions, and business operation policies and to treat all stakeholders fairly;
2. To monitor the implementation of operating plans and improve the Company’s capabilities to ensure that it can be competitive at the global level;
3. To assess the Company’s performance;
4. To oversee risk management system and improve the Company’s corporate governance to keep it consistent with acceptable standards;
5. To devote their time and efforts to the Company without seeking benefits for themselves or others and not to act in conflict of interest or in competition with the Company;
6. To direct the Company’s operation in compliance with the laws, objectives and Articles of Association of the Company, and resolutions of shareholders meetings in good faith and with care to preserve the maximum interests of the Company;
7. To comply with good corporate governance principles and best practices for directors of listed companies and guidelines developed by SEC and the Stock Exchange of Thailand;
8. To supervise and monitor the performance evaluation and to require regular reporting of performance as well as to determine a policy to develop and improve the performance;
9. To encourage staff at all levels to be conscious of ethics and morality while promoting awareness of the importance of internal control system and internal audits to reduce the risk of fraud and abuse of authority and prevent any illegal act; and
10. To maintain the shareholders’ interests.

## Executive Committee

The Executive Committee is authorized to carry out any acts approved by the Board of Directors and is directly accountable to the Board of Directors. In 2016, the Executive Committee had four members.

### Powers and Responsibilities of the Executive Committee

1. To monitor the Company’s operation and supervise the performances of the Management to ensure that they implement the established policies effectively and efficiently;
2. To perform their duties in accordance with the laws, objectives and Articles of Association of the Company, and resolutions of shareholders meetings in good faith and with care to preserve the maximum interests of the Company;
3. To review the statement of financial position and statement of comprehensive income at the end of the Company’s fiscal year to ensure that they are correct and true, accurately reflect the Company’s position, are prepared in accordance with the generally accepted accounting principles, and have been audited by the Company’s auditors before being submitted to the Meeting of the Board of Directors; and
4. To review the plans for business expansion, capital increase, issuance of debenture, and initial control and acquisition before submitting to the Board of Director for approval.

The powers to carry out the abovementioned functions do not include delegation of authority, which enables the Executive Committee to approve any transaction that they or other person may have any interest in or have conflict of interest of any kind with the Company or a subsidiary, and does not include connected transactions or those transactions involving acquisition or disposition of important assets of the listed companies under the rules of the Stock Exchange of Thailand (SET). The Company is required to comply with other relevant rules, regulations, and requirements of the SET. Moreover, the abovementioned powers shall not cover other matters that the Company's Articles of Association requires approval of the shareholders meeting.

### **Audit Committee**

The Audit Committee consists of three members.

#### **Powers and Responsibilities of the Audit Committee**

The scope of duties and responsibilities of the Audit Committee is as follows:

1. To review and ensure accuracy and sufficiency of the Company's financial reports;
2. To review and ensure that the Company has an appropriate and efficient internal control system and internal audit system, to consider independency of the internal audit unit, and to approve the appointment, transfer, and termination of employment of chief of the internal audit unit or any other unit responsible for internal audit;
3. To review the Company's performance in compliance with securities and exchange laws, SET's regulations, and other laws related to the business;
4. To consider, select, and nominate an independent person to serve as an auditor of the Company, to propose remuneration for such person, and to attend a non-management meeting with an auditor at least once a year;
5. To review connected transactions or transactions that may lead to conflict of interest, to ensure that they are in compliance with laws and regulations of the Stock Exchange of Thailand and that such transactions are reasonable and for the highest benefit of the Company;
6. To prepare, and to disclose in the Company's annual report, an Audit Committee Report, which must be signed by Chairman of the Audit Committee and contain the following data, at a minimum:
  - 6.1 An opinion on accuracy, completeness, and creditability of the Company's financial report;
  - 6.2 An opinion on the adequacy of the Company's internal control system;
  - 6.3 An opinion on the compliance with the law on securities and exchange, regulations of the Stock Exchange of Thailand, or the laws relating to the Company's business;
  - 6.4 An opinion on the suitability of an auditor;
  - 6.5 An opinion on the transactions that may lead to conflicts of interests;
  - 6.6 The number of the audit committee meeting, and the attendance of such meetings by each committee member;
  - 6.7 An opinion or overview comment received by the Audit Committee from its performance of duties in accordance with the charter; and
  - 6.8 Other transactions which according to the Audit Committee's opinion should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's Board of Directors; and
7. To perform other duties as assigned by the Board of Directors with consent of the Audit Committee.

## **Risk Management Committee**

The Risk Management Committee consists of nine members.

Powers and Responsibilities of the Risk Management Committee

1. To determine risk management policy and plan that cover all kinds of risks that may be posed to the business of the Company;
2. To control and monitor the results of management of unacceptable risk to see how to prevent and correct potential risks by preparing a risk management report;
3. To review risk management policy, risk analysis and evaluation system, and risk control system as well as inspection and reporting processes to assure that the Company has a sufficient and effective risk management system;
4. To monitor relevant units' compliance with the established risk management policy and practices and to review disclosure of risk data to regulatory bodies; and
5. To perform other duties in relation to risk management of the Company as assigned by the Audit Committee, the Executive Committee, or the Board of Directors.

## **Recruitment and Appointment of Directors and Top Executives**

### **1. Recruitment of Independent Directors**

The Meeting of the Board of Directors will consider recruiting independent directors who fit the Definition of Independent Director of the Company and have knowledge and competency helpful to the Company's business. Then, the Board of Directors will present qualified candidates to the shareholders meeting for consideration and appointment as directors of the Company in accordance with the recruitment process described under the topic of 'Recruitment of Directors and Executives.'

#### **Qualifications of Independent Directors**

1. Holding shares not exceeding one percent of the total number of shares with voting rights of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, including shares held by related persons of such independent director;
2. Neither being nor used to be an executive director, employee, staff, advisor who receives salary, or controlling person of the Company, its parent company, subsidiary, affiliate, same-level subsidiary, or a person that may have a conflict of interest, unless the foregoing status has ended more than two years prior to the filing of registration statement to the SEC;
3. Not being a person related by blood or legal registration as father, mother, spouse, sibling, and child, including spouse of the child of a director, executive, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Company or its subsidiary;
4. Neither having nor used to have a business relationship with the Company, its parent company, subsidiary, affiliate, or a juristic person that may have conflict of interest, in the manner which may interfere with his/her independent judgment, and neither being nor used to be a major shareholder, director rather than an independent director, or executive of any person having a business relationship with the Company, its parent company, subsidiary, affiliate, or a juristic person that may have conflict of interest, unless the foregoing relationship has ended for more than two years;

The term 'business relationship' under the above paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, and any other similar actions, which result in the Company or its counterparty being subject to

indebtedness payable to the other party in the amount of 3% or more of the net tangible assets of the Company or THB 20 million or more, whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the SET's Board of Governors governing disclosure and practices of listed companies with respect to connected transactions mutatis mutandis. The consideration of such indebtedness shall include indebtedness occurred during the period of one year prior to the date on which the business relationship with the person commences;

5. Neither being nor used to be an auditor of the Company, its parent company, subsidiary, affiliate, a juristic person with potential conflict of interest, major shareholder, director rather than an independent director, executive, partner or manager of an audit firm which employs auditors of the Company, its parent company, subsidiary, affiliate, a juristic person with potential conflict of interest, unless the foregoing relationship has ended for more than two years;

6. Neither being nor used to be a provider of any professional services including those as legal advisor or financial advisor who receives service fees exceeding THB 2 million per year from the Company, its parent company, subsidiary, affiliate, a juristic person with potential conflict of interest. Where the provider of professional services is a juristic person, it shall also include major shareholder, director rather than an independent director, executive, or managing partner of such provider of professional services, unless the foregoing relationship has ended for more than two years;

7. Not being a director appointed as representative of directors of the Company, major shareholder or shareholder who is related to major shareholder of the Company;

8. Not undertaking any business in the same nature and significantly in competition with the business of the Company or its subsidiary company or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary, or holding shares exceeding one percent of the total number of shares with voting rights of other company which undertakes business in the same nature and significantly in competition with the business of the Company or its subsidiaries; and

9. Not having any other characteristics which cause the inability to express independent opinions with regard to the Company's business operations.

## **2. Recruitment of Directors and Top Executives**

Recruitment of directors of the Company shall be as provided in the Articles of Association of the Company, which is by means of voting. One shareholder shall have one vote for each share. Each shareholder shall exercise all the votes he/she has to elect one or several person(s) to be directors, but cannot divide the votes for any person to any extent. Persons receiving the most votes, in descending order, are those who are elected directors, to the number of directors who are to be elected. If there is a tie in the last to be elected and this would exceed the said number of directors, the Chairman of the meeting shall have a casting vote.

At every annual general meeting, one-third of directors, or, if their number is not a multiple of three, then the number nearest to one-third shall retire from office.

The directors retiring in the first and second years following the establishment of the Company shall be drawn by lots. In subsequent years, the directors who have been longest in office shall retire. A retiring director is eligible for re-election.

Apart from retirement by rotation, a director shall vacate his/her office upon:

1. Death;
2. Resignation;

3. Lack of qualifications, or possession of prohibited characteristics as specified by law;
4. Removal by a resolution of the shareholders' meeting by voting of not less than three-fourths of the number of shareholders present and entitled to vote and having shares in aggregate not less than one-half of the number of shares held by the shareholders present and entitled to vote; or
5. Removal by a court order.

In case of vacancy in the number of directors other than a retirement by rotation, the Board of Directors shall elect a person who is qualified and does not possess prohibited characteristics as specified by law to fill the vacancy at the next Board of Directors' meeting, except that the remaining term of the former director is less than two (2) months. The replacement director shall retain his/her office only during the period for which the former director was entitled to retain the same.

The resolution of the Board of Directors under paragraph one must be passed by a vote of not less than three-fourths of the number of the remaining directors.

### **Supervision of the Operation of Subsidiaries**

The Company has a policy to invest in subsidiaries having similar nature or objectives of business operations with the Company or supporting the Company's business, which will enable the Company to have better operating results or profits. The Company has six subsidiaries as follows:

1. United Carpet Manufacturing Co., Ltd., a company engaging in manufacturing and sale of carpets (holding 51% of shares);
2. Royal Thai International Co., Ltd., a company engaging in sale and distribution of carpets and flooring materials overseas (holding 100% of shares);
3. T.C.H. Suminoe Co., Ltd. ("TCH"), a company engaging in manufacturing and sale of textiles and carpets used as materials for seat covering and interior decoration for cars, (holding 49.90% of shares);
4. TCMC Furniture Limited, a company engaging in manufacturing and sale of furniture, (holding 76% of shares);
5. Manor (2016) Holdings Limited, a company investing in other companies, (holding 100% of shares); and
6. DM Midlands Holdings Limited, a company investing in other companies. Shares are held by Manor (2016) Holdings Limited in the proportion of 100%. After purchasing the shares of DM Midlands Limited, the ratio of shareholding of Manor (2016) Holdings Limited and the existing shareholders was 75:25 of the total shares.

The Company's Board of Directors has established a mechanism for the Company's supervision that enables it to oversee the management and take responsibility for the operation of its subsidiaries in order to maintain the Company's investment benefit. Such mechanism includes the followings:

- (1) The Company has appointed or nominated persons as directors or executives of its subsidiaries in proportion to its shareholding in each respective subsidiary through resolution of the Company's Board of Directors;
- (2) Those directors and executives nominated or appointed by the Company shall be able to take part in determining policies essential to business operation;
- (3) The Company's Board of Directors shall oversee and supervise the subsidiaries to ensure complete and correct disclosure of financial position, transactions with related parties, acquisition or disposition of assets, or any other important transactions, by adhering to the same practices as are used by the Company in all respects; and



(4) The Company's Board of Directors shall specify a suitable and effective internal control system within a subsidiary that is a company engaging in a main business and other mechanisms to supervise such subsidiary.

### **Supervision of the Use of Inside Information**

The Company has a measure and methods to supervise the directors or executives' use of inside information that has not been disclosed to the public to seek personal gain, including securities trading, as follows:

(1) The Company has informed directors and executives of their duty to report their securities holdings in the Company as well as those of their spouses, children who are minors, and persons holding securities on their behalf and the change in their securities holding to the Securities and Exchange Commission. The Company has also notified the directors and executives of penalties under Section 59 and Section 275 of the Securities and Exchange Act, B.E. 2535 (A.D. 1992).

(2) The Company requires directors and executives to report their trading of the Company's securities to the Securities and Exchange Commission according to Section 59 of the Securities and Exchange Act, B.E. 2535 (A.D. 1992) within the business day following the date of trading and send a copy of such report to the Company by the same day the report is submitted to the Securities and Exchange Commission.

(3) The Company prohibits its directors, executives, and relevant employees who are aware of essential inside information from disclosing such information to third parties or unauthorized persons and from trading the Company's securities during the month before the Company's financial statements are disseminated to the general public.

(4) The Company will impose disciplinary penalties if inside information is used to seek personal gains. Such penalties include written warning, reduction of wage, suspension from work without pay, or termination of employment. Imposition of penalties will be considered on the basis of intent of the act and severity of the offence.

### **Remuneration of Auditors**

(1) During the year 2016, the Company and its subsidiaries have paid the audit fees as follows:

<b>Company</b>	<b>Audit Firm</b>	<b>Audit Fee</b>
(1) Thailand Carpet Manufacturing PLC.	Dharmniti Auditing Co., Ltd.	THB 2,130,000
(2) United Carpet Manufacturing Co., Ltd.	Dharmniti Auditing Co., Ltd.	THB 267,000
(3) Royal Thai International Co., Ltd.	Dharmniti Auditing Co., Ltd.	THB 156,000
(4) T.C.H. Suminoe Co., Ltd.	EY Office Limited	THB 980,000
(5) TCMC Furniture Limited	BDO Richfield Limited	THB 2,627,250 (GBP 56,500)

The above audit fees did not include expenses actually incurred and reimbursed by the auditors, such as transportation, photocopying, facsimile services, and etc.

(2) The Company and its subsidiaries did not pay non-audit fees to the auditors during the fiscal year of 2016.

## **Ethical Treatment of Stakeholders**

### **(1) Shareholders**

The Company respects and recognizes the basic rights of all shareholders, either stipulated by laws or Articles of Association of the Company, such as the right to examine the quantity of shares, the right to receive share certificates, the right to attend, vote, and express opinions independently at the shareholders' meeting, and the right to take part in making a decision on important matters relating to the Company's business operations, as the owners of the Company. All shareholders will be treated equally. Data will be disclosed transparently and reliably to the shareholders.

### **(2) Creditors and Trade Partners**

The Company conducts business with any creditors and trade partners on the basis of morality and honesty and will not act in a manner that ruin the Company's reputation or is in violation of the laws. The Company will take equality in business operations and mutual benefits into consideration. Selection of trade partners will be conducted fairly. The Company considers that trade partners are an important factor to contribute to value addition for customers. The Company will uphold the conditions of contracts executed and comply with all obligations it has towards its creditors and trade partners.

### **(3) Customers**

The Company is devoted to satisfaction and confidence of customers and will ensure that they receive products and services of the best quality. The Company is determined to maintain good relationship with its customers by adhering to the following principles:

(3.1) To manufacture and render standard products and services, to be determined to continuously upgrade the standard of its products and services, and to provide the customers with complete and accurate information; and

(3.2) Not to disclose any customer's information without permission of the customer, except where it is required by laws to disclose such information to another person.

### **(4) Employees**

Employees are the most valuable resource and key to the Company's success. Therefore, the Company is committed to continuously enhance corporate culture and good working environment, to promote teamwork. The Company discourages power abuse and strongly prohibits sexual harassment.

(4.1) Employees will be treated with politeness and respect.

(4.2) Employment, appointment, and transfer will be on the ethical basis and the human resources will be engaged to the best advantage of the Company.

(4.3) The Company takes responsibility in maintaining the safe working environment for both employees and their properties. Labor laws are strictly followed as well.

### **(5) Competitors**

TCMC has a policy to promote and support fair and open competition. The Company does not seek its competitors' information through illegal or unethical means.

### **(6) Society and Environment**

The Company is well aware that it is a part of the society and has social obligation to support the society and community in which it is operating. TCMC has a policy to promote activities relating to conservation of natural resources and environment. It is also the Company's policy to select and promote the use of environmentally friendly products.

## **(7) Human Rights**

(7.1) The Company respects human dignity, privacy, and personal rights of every person it comes into contact with during the course of work. The Company will not engage in or promote any act that violates human rights.

### **(7.2) Working Environment**

(a) The Company will promote employment equality, not support discrimination, either direct or indirect, whether on the basis of race, color, gender, sexual orientation, age, disability, religion, and legal expression of political and other views. The Company will provide benefits and welfare that all employees are entitled to, such as holidays, overtime pay, medical treatment expenses, various kinds of loans, and etc.

(b) The Company has put in place procedure and process to file complaints and will consider settling complaints in a suitable and fair manner.

(c) In case of violation of regulations or disciplines, an investigation should be conducted and penalties may be imposed, as the case may be. Investigation of a disciplinary offence will be conducted by the Investigation Committee only for fairness.

### **(7.3) Occupational Health and Safety of Employees**

The Company will support and promote occupational health and safety activities to ensure good health and safe working environment where all hazards are effectively controlled and work-related injury and illness are prevented.

## **(8) Non-infringement of Intellectual Property**

(8.1) Employees are prohibited from using information, documents, computer programs, software, books, articles, video tape, audio tape, and work of another person in a manner that is a violation of such person's intellectual property, whether the legitimate owner has reserved the right to use such property or not.

(8.2) All employees are obliged to safeguard the Company's intellectual property and shall not use or allow another person to use such intellectual property without permission.

(8.3) Any work that is created by an employee as a result of performance of work for the Company shall become the Company's intellectual property. When the employee is no longer an employee of the Company, he/she shall be obliged to handover such intellectual property, including works, inventions, and etc., to the Company no matter what form the intellectual property is kept in.

(8.4) All employees shall follow management order on guidelines for non-infringement of intellectual property.

## CORPORATE SOCIAL RESPONSIBILITY

### Fair Business Operations

In the course of business operations, the Company requires the employees at all levels to treat trade partners and related parties fairly and promote performance of all activities in full compliance with laws and regulations of the Company. The Company does not encourage acceptance or payment of bribes under any circumstance and will not carry out any unfair act or try to damage competitors' reputation. All employees shall be careful with violation of intellectual property. The Company believes that fair business operations will be advantageous to the Company as follows:

- (1) Customers have good opinion of the Company and have trust in quality of its products and services.
- (2) The Company gains trust from creditors. If there is a financial crisis, it will be easier for a company with good history of debt repayment to negotiate with creditors.
- (3) Employees are proud of being a part of the Company.
- (4) When the Company continues to treat every party fairly, it can accumulate the bargaining power, which will eventually encourage other relevant entities to do the same. If any entity does not operate business fairly, it will not be able to demand fairness from others.

### Anti-Corruption

The Company has placed importance on anti-corruption since corruption tends to be more widespread. What seems to be scary about corruption is that a lot of people believe that corruption is a normal practice. As a matter of fact, corruption is a major problem of the society and organizations. Thus, the Company has a policy to encourage employees to be against all forms of corruption in order to operate business fairly and comply with the principles of good corporate governance.

The Board of Directors' Meeting No. 3/2557 held on 27 August 2014 passed a resolution to apply for membership of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC). The Company signed the Declaration of Intent on 1 September 2014 and its status has been approved by Thailand's Private Sector Collective Action Coalition Against Corruption. In 2016, the Company conducted a self-evaluation on anti-corruption measures to get approval for membership of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC). The Company has applied for membership in the third quarter of 2016 and its application has already been approved. The Company has received the Certificate of Membership on 18 October 2016.

The Company is determined to fight against corruption by requiring all directors, executives, and employees to comply with established anti-corruption policy and guidelines. The anti-corruption policy and guidelines are aimed at enabling the Company to conduct business honestly, effectively, and efficiently to prevent, avoid, and minimize corruption. The Company has developed guidelines for treating trade partners or related parties and established channels for reporting of information. The organization has disclosed its anti-corruption intent to third parties. In addition to training activities, the Company has also communicated its anti-corruption guidelines to all employees on a regular basis through different channels to raise the employees' awareness of corruption and anti-corruption measures.

### **Anti-Corruption Practices**

1. Directors, executives and employees of the Company and its affiliates as well as contractors and subcontractors shall not engage in, accept or support corruption of all forms, either directly or indirectly. The Company will review compliance with anti-corruption policy on a regular basis and ensure that established practices are in line with related policies, regulations, requirements, announcements, laws, and business changes.

2. All personnel of the Company should not be negligent when witnessing any acts deemed potential for corruption, and must immediately report to their supervisors or any responsible individuals. He or she must give full cooperation in the investigation process and should there be any doubts or queries, one is advised to consult with their supervisor or responsible persons, through available channels.

3. The Company has arranged for appropriate and sufficient internal control to prevent improper conducts of employees, especially those in the sales, marketing, and procurement units.

4. The Company will not engage in or support all kinds of bribery. All activities under control and supervision of the Company, including donation to a political party, must be transparent and without intention to persuade public or private officers to carry out improper activities.

5. The Company is aware of the importance of disseminating anti-corruption knowledge and ensuring an understanding with other persons whose roles or responsibilities are involved with the Company's business and might possibly cause adverse effects upon the Company, with regards to ways of practicing the anti-corruption policy.

### **Anti-Corruption Duties and Responsibilities**

1. The Board of Directors is responsible for considering and approving the anti-corruption policy, supporting anti-corruption act in the organization to encourage all personnel of the Company to understand and realize the significance of anti-corruption initiatives, and cultivating anti-corruption mindset as the Company's culture.

2. The Audit Committee is responsible for reviewing financial and accounting reporting systems, internal control and audit systems, as well as risk management systems, to ensure that they comply with international standards, and are suitable, modern, and effective.

3. Managing director, management team, and executives are responsible for identifying the systems and providing support to any activities in the anti-corruption policies, ensuring that messages have been thoroughly communicated to all relevant staff members and departments, as well as for reviewing the appropriateness of different systems and practices to make sure they facilitate business changes, rules and legal regulations.

4. Internal Audit Department is responsible for performing duties in accordance with established internal audit plans, and submitting the reports on internal control systems and evaluation of corruption risks to the Audit Committee for acknowledgement.

### **Procedures for Compliance with Anti-Corruption Policy**

1. Not accepting or giving gift in the form of cash, check, bond, stock, gold, or other article of similar nature to any related persons you contact with, both in public and private sectors.

2. Not giving any asset, object, or gift to influence a decision of the recipient or make him/her deviate from normal practices that other trade partners do. If it is necessary to give gifts on different occasions, such gifts should not have excessive value and every process of giving the gifts must be accountable.

3. Not being an intermediary in offering valuable asset, including money, to any officer of a governmental agency or any organizations in exchange for a privilege or to cause such officer to omit his/her duties or not follow any rules, regulations and requirements

4. There shall be transparency and accountability in all procurement activities, which shall be conducted in accordance with established procedures and regulations of the Company.

5. If any fund or asset of the Company are to be provided to support any projects, such fund or asset shall be provided under the name of the Company only. Payment of fund must be made for the purpose of business, good image, and reputation of the Company. Reasons for disbursement of fund must be clearly stated and there shall be evidence for subsequent inspection.

6. Fund or asset donated for charitable purpose must be under the name of the Company only. Donations must be made only to licensed or reliable organizations, temples, and hospitals.

7. Any politically related acts shall not be conducted. No resources of the Company may be used to support any political parties or politicians. The Company has no policy to assist any political parties, either directly or indirectly.

8. The Company will treat with fairness and protect any employees who refuse corruption or any employees or persons who make a report on corruption activities related to the Company by using protection measures established by the Company.

9. This Anti-Corruption Policy shall extend to human resource management activities from recruitment to promotion, performance appraisal, and remuneration. The Board of Directors and all levels of personnel are required to understand and comply with the Anti-Corruption Policy.

10. The Board of Directors and the Executive Committee are aware of the significance of disseminating knowledge and advices to all personnel in order to make them understand and follow the Anti-Corruption Policy, as well as setting an example for the personnel.

#### **Guidelines for Making a Tip-Off or Lodging a Complaint**

The Company has developed the guidelines for making a tip-off or lodging a complaint in full compliance with the Anti-Corruption Policy approved by the Board of Directors as follows:

##### **Objectives**

All directors, executives, and employees are expected to carry out their duties correctly, transparently, and accountably. The Company also expects the directors, executives, and employees to inform the Company in good faith of any acts that are or may be in breach of the principles of good corporate governance, code of business conduct, or related laws in order to ensure that such acts are corrected or conducted properly.

##### **Whistle blowing or Lodging a Complaint**

Employees should report any of the following concerns to the Company:

- Violation of good corporate governance, code of business conduct
- Violation of laws or the Company's regulations or articles of association
- Unfair treatment in workplace
- Corruption
- Commission of unlawful act

A concerned person may report any misconduct or post questions through available and appropriate channels as follows:

1. Suggestion box
2. Direct notification to his/her supervisor (from the level of manager)
3. Notification to the Human Resources Department
4. If an informant is to make a tip-off or file a complaint regarding corruption, he/she may do so through the Audit Committee at:

Address : Chairman of the Audit Committee  
Thailand Carpet Manufacturing Public Company Limited  
238, Vibhavadi-Rangsit Road, Sanam Bin Sub-district  
Don Mueang District, Bangkok Metropolis 10210  
E-mail : auditcom@royalthai.com

### **Complaint Handling Procedure**

#### **1) Receiving a complaint**

- A complaint lodged must be forwarded to the Managing Director for investigation. In a special case, an investigation team may be formed.

- If a complaint is made against the Board of Directors or Managing Director, it shall be sent directly to the Audit Committee who will investigate the complaint and report to the Board of the Director to jointly impose penalties as appropriate.

- In case of any urgent issue, the Company requires the Managing Director report immediately to the Board of Directors and the Audit Committee in case of actual or potential corruption, violation of laws, or any other irregularity that has significant impact on the Company's reputation or financial position, including:

- Conflict of interest
- Corruption or irregularity or defect in the internal control system
- Violation of securities and exchange laws, regulations of the SEC and the SET, and

other laws related to the business of the Company.

The Managing Director, through the Corporate Secretary, reports the complaint to the Board of Directors and the Audit Committee within one day.

#### **2) Data Gathering**

- A person assigned to investigate a complaint is authorized to find facts and advise related persons to behave or do their jobs appropriately. Where any disciplinary punishment is required, Human Resources Department should be consulted to ensure that the punishment is in compliance with the Company's regulations.

- A person assigned to investigate a complaint has no authority to demand an employee to appear in front of him/her for an inquiry for imposing any punishment. Data and facts gathered must be submitted to the Managing Director or above to consider imposing penalties or any other corrective action, as the case may be.

- If an anonymous complaint is received and it is impossible to discover sufficient additional information, the person assigned to investigate such complaint shall submit an investigation report and opinion on such complaint to the Managing Director for proper advice. If the Managing Director deems

that nothing can be done with the complaint, the case should be closed and a report must be sent to the Audit Committee.

- If data gathered suggest that the accused is not found guilty or denies the accusation, or the complaint is caused by a misunderstanding, the accused or related persons are advised to behave well, and it is considered that the case should be closed without any penalty imposed, a report on such complaint must be submitted to the Managing Director for approval for closure of the case.

### **3) Investigation**

Where an investigator or working group and Human Resources Department deem that a disciplinary penalty should be imposed, the Human Resources Department shall propose recommended penalty to the Managing Director for approval. A regulation whereby defect is detected should be improved to make it clearer and practical.

#### **Measures for Protecting the Whistleblower or Complainant**

Whistleblower or person cooperating in the investigation shall be entitled to protection as follows:

1. A whistleblower or person cooperating in the investigation may choose not to disclose himself/herself if he/she believes that such disclosure may result in any unsafely or damage. However, if he/she chooses to disclose him/herself, it will be more convenient and faster for the organization to give him/her a report on progress of the complaint handling, give him/her clarifications, or mitigate the damage suffered.
2. The organization will not disclose the name, address, photo, or any other identification of the whistleblower or person cooperating in the investigation whereby the ground should be sought.
3. Complaint recipient is required to keep related information confidential and may disclose the information as necessary only, taking account of safety of and damage to the whistleblower or the person cooperating in the investigation, source of the information, or related persons.
4. Where the whistleblower or person cooperating in the investigation considers that he/she may not be safe or damage may be caused to him/her, he/she may ask the organization to take proper protection measures or the organization may determine protection measures without request if it deems that the complaint tends to cause damage or unsafely.
5. Proper and fair processes will be used to mitigate damage caused to the victim.

#### **Corrective Measures and Compensation**

Where damage is caused to any employee or stakeholder as a result of violation of lawful rights, the Company will be pleased to listen to his/her opinion or request and to correct any defect or impact caused immediately as well as to take any measures to prevent recurrence of such event. The Company will consider compensating the victim properly and reasonably on a case-by-case basis.

#### **Communication and Disclosure Guidelines**

The Company has developed guidelines for communicating and disclosing its anti-corruption activities. Many channels are provided to enable directors, executives, and employees at all levels as well as trade partners and subsidiaries to contact the Company when witnessing any event or behavior that may involve corruption or cause damage to the Company.



1) General communication and disclosure: the Company will communicate and disseminate this document on its website so that all directors, executives, and employees can study and follow and that all stakeholders are aware of the Company's anti-corruption practices as follows:

- Website of the Company: <http://www.royalthai.com>

2) Internal communication to make its determination to fight against corruption known to the employees will be made as follows:

- The Company will disseminate brochures containing brief anti-corruption practices and guidelines to the employees.

- Anti-corruption training will be organized for existing employees and the anti-corruption topic will be added to the new employee orientation.

- Information will be sent to employees' emails.

- Information will be posted on bulletin board.

3) External communication: to show the Company's intention to fight against corruption in all forms, various channels will be used to communicate with all groups of stakeholders as follows:

- Letters or emails will be sent to customers or trade partners on a regular basis at least once a year.

### **Fair Treatment of Workers**

The Company adheres to three principles of fair treatment of workers as described below.

1. To respect their human rights and comply with ILO Declaration on Fundamental Principles and Rights at Work as follows:

- The Company does not discriminate in employment and does not create bias or favoritism in hiring.

- The Company does not use forced labor, involve in or benefit from compulsory labor, threaten to impose punishment, and force people to work against their will.

- The Company does not hire child labor. It is prescribed by the Company's work regulations that an employee must be over 18 years of age on the commencement date of employment and has completed the compulsory education level.

2. Employees are entitled to social protection, appropriate working conditions, payment of wage and compensation in various forms, reasonable working hours, annual leave, holidays, suitable disciplinary action, termination of employment, and protection of pregnant employees from pregnancy to child delivery as prescribed in the Company's work regulations. Moreover, they are provided with various welfare and benefits, such as safe drinking water, occupational safety, cafeteria, medical services at workplace, and annual health checkup.

3. Health and safety at work: the Company provides work environment that takes into account of health and safety, promotes and maintains standards of employees' well-being, both physically and mentally, and prevents any action that may cause unsafe operation and health risks.

The Company has developed a policy to ensure that employees have good quality of life and appropriate and safe work environment. Manuals on various fields of operations have been prepared, especially work safety manual. A safety committee has been formed to monitor and inspect work practices, give useful advices, and improve work environment and work practices to maximize safety and

suitability. Employees are encouraged to be aware of safety and required to strictly follow work safety manual. Personal protective equipment, such as safety shoes, and noise, dust, and chemical protective equipment and others, is provided to employees engaging in dangerous jobs. The employees are also covered by accident insurance.

### **Accountability to Consumers**

The Company has the following responsibilities towards its consumers or customers:

1. To treat the customers with honesty and fairness and provide them with correct and complete information on products and services;
2. To strictly comply with all conditions and obligations it has towards the customers;
3. To receive customers' complaints and process such complaints fairly and quickly to meet their needs;
4. To keep the customers' secret information confidential and not use such information to seek personal gain for oneself or others;
5. To constantly produce and deliver quality products and services and improve the quality of products or services to add value to them and meet the customers' needs; and
6. To reasonably determine the prices of products and services to ensure that they are not too expensive compared to their quality and avoid setting conditions unfair to the customers.

### **Environmental Protection**

The Company is aware of the characteristics and intensity of environmental impacts caused by its business operations and admits that it has to make improvements to the business processes in order to minimize such impacts as well as to protect or restore the environment. This will add value to and enhance sustainable growth of the Company, society, and community as a whole.

The Company's industrial plant had wool-dyeing process. After the plant was flooded at the end of 2011, wastewater treatment system used to treat wastewater from wool-dyeing was damaged so the Company had to improve the wastewater treatment system in order to prevent environmental impact.

## TRANSACTION WITH RELATED PARTIES

### (A) Purchasing-Selling : Carpets

#### 1. Nature of transaction

Purchase and sell raw materials to manufacture carpets

The parties involved

Seller : Thailand Carpet Manufacturing Public Company Limited(TCMC)

Buyer : United Carpet Manufacturing Company Limited(UCM)

#### Relationship related

\* TCMC hold 51% of issued and fully paid-up share capital of UCM and there are the same director  
3 persons are Mr. Pimol Srivikorn, Mr. Charlie Jangvijitkul, and M.L. Walliwan Varavarn

#### Reasons and necessity

\* The subsidiary do not have to purchase raw materials to be inventories

<u>Transactions occurred in 2016</u>		
The value of raw materials	3,143,100	BAHT
Outstanding as of December 31,2016	-	BAHT
<b>Pricing policies</b>		
According to general trade practice and approximate to market price		

#### 2. Nature of transaction

Purchase and sell carpets and materials for installation

The parties involved

Seller : Thailand Carpet Manufacturing Public Company Limited(TCMC)

Buyer : Royal Thai International Company Limited(RTI)

#### Relationship related

\* TCMC hold 99.99% of issued and fully paid-up share capital of RTI and there are the same director  
4 persons are Mr. Pimol Srivikorn, Mr. Charlie Jangvijitkul, M.L. Walliwan Varavarn, and  
Mr. Sumate Suwanvongkij

#### Reasons and necessity

\* The normal business condition and general trading condition

<u>Transactions occurred in 2016</u>		
The value of carpets and materials for installation	290,147,691	BAHT
Outstanding as of December 31,2016	110,832,008	BAHT
<b>Pricing policies</b>		
According to general trade practice and approximate to market price		

## TRANSACTION WITH RELATED PARTIES

### 3. Nature of transaction

Purchase and sell carpets and fabric

The parties involved

Seller : T.C.H. Suminoe Company Limited(TCH)

Buyer : Suminoe Textile Japan(STJ)

#### Relationship related

\* STJ hold 50.10% of issued and fully paid-up share capital of TCH and there are the same director

#### Reasons and necessity

\* The normal business condition and general trading condition

#### Transactions occurred in 2016

The value of goods	8,092,237	BAHT
Outstanding as of December 31,2016	7,580,568	BAHT

#### Pricing policies

According to general trade practice and approximate to market price

### 4. Nature of transaction

Purchase and sell carpets and fabric

The parties involved

Seller : Suminoe Textile of America(STA)

Buyer : T.C.H. Suminoe Company Limited(TCH)

#### Relationship related

\* To be subsidiary of STJ same as TCH

#### Reasons and necessity

\* The normal business condition and general trading condition

#### Transactions occurred in 2016

The value of goods	48,567	BAHT
Outstanding as of December 31,2016	-	BAHT

#### Pricing policies

According to general trade practice and approximate to market price

## TRANSACTION WITH RELATED PARTIES

**5. Nature of transaction**

Purchase and sell carpets and fabric

The parties involved

Seller : Suminoe Textile Shanghai(STS)

Buyer : T.C.H. Suminoe Company Limited(TCH)

**Relationship related**

\* To be subsidiary of STJ same as TCH

**Reasons and necessity**

\* The normal business condition and general trading condition

Transactions occurred in 2016

The value of goods	13,185,111	BAHT
Outstanding as of December 31,2016	5,466,266	BAHT

**Pricing policies**

According to general trade practice and approximate to market price

**6. Nature of transaction**

Purchase and sell carpets and fabric

The parties involved

Seller : SPM Automotive Textile(SPM)

Buyer : T.C.H. Suminoe Company Limited(TCH)

**Relationship related**

\* To be subsidiary of STJ same as TCH

**Reasons and necessity**

\* The normal business condition and general trading condition

Transactions occurred in 2016

The value of goods	27,479,215	BAHT
Outstanding as of December 31,2016	6,273,806	BAHT

**Pricing policies**

According to general trade practice and approximate to market price

## TRANSACTION WITH RELATED PARTIES

### 7. Nature of transaction

Purchase and sell carpets and fabric

The parties involved

Seller : PT.Suminoe Surya Techno Com.

Buyer : T.C.H. Suminoe Company Limited(TCH)

#### Relationship related

\* To be subsidiary of STJ same as TCH

#### Reasons and necessity

\* The normal business condition and general trading condition

#### Transactions occurred in 2016

The value of goods	4,210,993	BAHT
Outstanding as of December 31,2016	1,446,069	BAHT

#### Pricing policies

According to general trade practice and approximate to market price

### 8. Nature of transaction

Purchase and sell carpets

The parties involved

Seller : United Carpet Manufacturing Company Limited(UCM)

Buyer : Decorative Carpet

#### Relationship related

\* Decorative Carpet hold 19% of issued and fully paid-up share capital of UCM

#### Reasons and necessity

\* The normal business condition and general trading condition

#### Transactions occurred in 2016

The value of goods	15,943,338	BAHT
Outstanding as of December 31,2016	2,055,002	BAHT

#### Pricing policies

According to general trade practice and approximate to market price

## TRANSACTION WITH RELATED PARTIES

### (B) Production Fee

#### 1. Nature of transaction

Commission Tufted

The parties involved

Vendor : Thailand Carpet Manufacturing Public Company Limited(TCMC)

Contractor : United Carpet Manufacturing Company Limited(UCM)

#### Relationship related

\* TCMC hold 51% of issued and fully paid-up share capital of UCM and there are the same director  
3 persons are Mr. Pimol Srivikorn, Mr. Charlie Jangvijitkul, and M.L. Walliwan Varavarn

#### Reasons and necessity

\* In order to deliver products to customers on time

#### Transactions occurred in 2016

The value of production fee	8,178,221	BAHT
Outstanding as of December 31,2016	84,351	BAHT

#### Pricing policies

According to general trade practice and approximate to market price

#### 2. Nature of transaction

The contract to dye yarns

The parties involved

Vendor : United Carpet Manufacturing Company Limited(UCM)

contractor : Thailand Carpet Manufacturing Public Company Limited(TCMC)

#### Relationship related

\* TCMC hold 51% of issued and fully paid-up share capital of UCM and there are the same director  
3 persons are Mr. Pimol Srivikorn, Mr. Charlie Jangvijitkul, and M.L. Walliwan Varavarn

#### Reasons and necessity

\* Service to dye yarns for manufacturing to subsidiary

#### Transactions occurred in 2016

The value of production fee	4,146,577	BAHT
Outstanding as of December 31,2016	1,774,976	BAHT

#### Pricing policies

According to general trade practice and approximate to market price

## TRANSACTION WITH RELATED PARTIES

### (C) Office Rental

#### 1. Nature of transaction

Office rental

The parties involved

Lesser : Thailand Carpet Manufacturing Public Company Limited(TCMC)

Renter : Royal Thai International Company Limited(RTI)

#### Relationship related

\* TCMC hold 99.99% of issued and fully paid-up share capital of RTI and there are the same director 4 persons are Mr. Pimol Srivikorn, Mr. Charlie Jangvijitkul, M.L. Walliwan Varavarn, and Mr. Sumate Suwanvongkij

#### Reasons and necessity

\* The normal business condition

<u>Transactions occurred in 2016</u>		
The value of service fee	1,170,000	BAHT
Outstanding as of December 31,2016	-	BAHT
<b>Pricing policies</b>		
According to general trade practice and approximate to market price		

### (D) Transportation Service

#### 1. Nature of transaction

Transportation service

The parties involved

Service Provider : Decorative Carpet

Service Recipient : United Carpet Manufacturing Company Limited(UCM)

#### Relationship related

\* Decorative Carpet hold 19% of issued and fully paid-up share capital of UCM

#### Reasons and necessity

\* The normal business condition

<u>Transactions occurred in 2016</u>		
The value of service fee	3,704,664	BAHT
Outstanding as of December 31,2016	402,508	BAHT
<b>Pricing policies</b>		
According to general trade practice and approximate to market price		

## TRANSACTION WITH RELATED PARTIES

### 2. Nature of transaction

Purchase and sell equipments for machines to manufacture carpets

The parties involved

Seller : Thai Lee Hong Trading Company Limited(China)

Buyer : United Carpet Manufacturing Company Limited(UCM)

#### Relationship related

\* There is director is the advisor of subsidiary

#### Reasons and necessity

\* The normal business condition

#### Transactions occurred in 2016

The value of goods	998,480	BAHT
Outstanding as of December 31,2016	-	BAHT

#### Pricing policies

According to general trade practice and approximate to market price

### (E) Support administrative and sale support

#### 1. Nature of transaction

Support in operation

The parties involved

Service Provider : Thailand Carpet Manufacturing Public Company Limited(TCMC)

Service Recipient : Royal Thai International Company Limited(RTI)

#### Relationship related

\* TCMC hold 99.99% of issued and fully paid-up share capital of RTI and there are the same director 4 persons are Mr. Pimol Srivikorn, Mr. Charlie Jangvijitkul, M.L. Walliwan Varavarn, and Mr. Sumate Suwanvongkij

#### Reasons and necessity

\* The normal business condition

#### Transactions occurred in 2016

The value of service fee	9,190,794	BAHT
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#### Pricing policies

According to the normal trading rate

## TRANSACTION WITH RELATED PARTIES

### 2. Nature of transaction

Support in sale

The parties involved

Service Provider: Royal Thai LLC.

Service Recipient : Thailand Carpet Manufacturing Public Company Limited(TCMC)

#### Relationship related

\* The shareholder of Royal Thai - Mr. Nataphol Teepsuwan is spouse of Mrs.Taya Teepsuwan who is shareholder of TCMC

#### Reasons and necessity

\* In order to help to take care foreign customers

#### Transactions occurred in 2016

The value of service fee	13,466,812	BAHT
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#### Pricing policies

According to agree upon rate

### 3. Nature of transaction

Support in technician

The parties involved

Service Provider : Suminoe Textile Japan

Service Recipient : T.C.H. Suminoe Company Limited(TCH)

#### Relationship related

\* STJ hold 50.10% of issued and fully paid-up share capital of TCH and there are the same director

#### Reasons and necessity

\* In order to support in technician

#### Transactions occurred in 2016

The value of service fee	37,879,386	BAHT
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Outstanding as of December 31,2016	-	BAHT
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#### Pricing policies

According to agree upon rate

## TRANSACTION WITH RELATED PARTIES

### (F) Support in finance

#### 1. Nature of transaction

Support in finance

Lender : Thailand Carpet Manufacturing Public Company Limited(TCMC)

Borrower : United Carpet Manufacturing Company Limited(UCM)

#### Relationship related

\* TCMC hold 51% of issued and fully paid-up share capital of UCM and there are the same director  
3 persons are Mr. Pimol Srivikorn, Mr. Charlie Jangvijitkul, and M.L. Walliwan Varavarn

#### Reasons and necessity

\* In order to use in operation

#### Transactions occurred in 2016

Loan	2,550,000	BAHT
Interest	29,325	BAHT

#### Interest Rate

According to interest rate on bank deposit

The subsidiary borrowed short-term loan from shareholders was presented in the form of promissory note, maturity on September 15,2016 with the interest of 1.15% per annum and there is change promissory note, maturity on September 15, 2017 with the interest of 1.15% per annum

#### 2. Nature of transaction

Support in finance

The parties involved

Lender : Decorative Carpet

Borrower : United Carpet Manufacturing Company Limited(UCM)

#### Relationship related

\* Decorative Carpet hold 19% of issued and fully paid-up share capital of UCM C254

#### Reasons and necessity

\* In order to use in operation

#### Transactions occurred in 2016

Loan	950,000	BAHT
Interest	8,179	BAHT

#### Interest Rate

According to interest rate on bank deposit (Detail as same as no.1)

## TRANSACTION WITH RELATED PARTIES

### 3. Nature of transaction

The parties involved

Lender : Other Shareholders

Borrower : United Carpet Manufacturing Company Limited(UCM)

#### Relationship related

\* Other shareholder 3 persons hold 30% of issued and fully paid-up share capital of UCM

#### Reasons and necessity

\* In order to use in operation

#### Transactions occurred in 2016

Loan	1,500,000	BAHT
Interest	17,250	BAHT

#### Interest Rate

According to interest rate on bank deposit (Detail as same as no.1)

### 4. Nature of transaction

Support in finance

Lender : Thailand Carpet Manufacturing Public Company Limited(TCMC)

Borrower : TCMC Furniture (TCMC-F)

#### Relationship related

\* TCMC hold 76% of issued and fully paid-up share capital of TCMC-F and there are the same director 3 persons are Mr. Pimol Srivikorn, Mr. Charlie Jangvijitkul, and M.L. Walliwan Varavarn

#### Reasons and necessity

\* In order to use in investment

#### Transactions occurred in 2016

Loan	-	BATH
Outstanding as of December 31,2016	364,443,332	BAHT
Interest	9,485,320	BAHT

#### Interest Rate

Interest according to market rate

## TRANSACTION WITH RELATED PARTIES

### 5. Nature of transaction

Guarantees for loans

The parties involved

Guarantor : Suminoe Textile Japan

Be Guaranteed : T.C.H. Suminoe Company Limited(TCH)

#### Relationship related

\* STJ hold 50.10% of issued and fully paid-up share capital of TCH and there are the same director

#### Reasons and necessity

\* In order to guarantee of loan with bank without collateral

#### Transactions occurred in 2016

Guarantee Fee	274,315	บาท
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### 6. Nature of transaction

Prepaid expenses for operation in Dubai

The parties involved

Provider: Royal Thai LLC.

Recipient : Thailand Carpet Manufacturing Public Company Limited(TCMC)

#### Relationship related

\* The shareholder of Royal Thai - Mr. Nataphol Teepsuwan is spouse of Mrs.Taya Teepsuwan who is shareholder of TCMC

#### Reasons and necessity

\* In order to help to take care foreign customers

#### Transactions occurred in 2016

Prepaid expenses	8,401,815	BAHT
-Expenses to install carpets, office rents, apartment, letter of guarantee		

## TRANSACTION WITH RELATED PARTIES

### 7. Nature of transaction

Advance Payment for subsidiary

The parties involved

Provider : Thailand Carpet Manufacturing Public Company Limited(TCMC)

Recipient : Manor(2016) Holding Limited

#### Relationship related

\* TCMC hold 100% of issued and fully paid-up share capital of Manor(2016) Holding Limited

#### Reasons and necessity

\* Advance payment for subsidiary at the beginning of the company

#### Transactions occurred in 2016

Advance payment	6,323,997	BAHT
-In order to pay expenses of subsidiary at the beginning of the company		

### 8. Nature of transaction

Advance Payment for subsidiary

The parties involved

Provider : Thailand Carpet Manufacturing Public Company Limited(TCMC)

Recipient : DM Midlands Holding Limited

#### Relationship related

\* TCMC hold 100% of issued and fully paid-up share capital of Manor(2016) Holding Limited, and  
Manor(2016) Holding Limited hold 75% of share capital of DM Midlands Holding Limited

#### Reasons and necessity

\* Advance payment for subsidiary at the beginning of the company

#### Transactions occurred in 2016

Advance payment	480,320	BAHT
-In order to pay expenses of subsidiary at the beginning of the company		

# FINANCIAL HIGHLIGHTS

## FINANCIAL POSITION AT YEARS ENDED

(Unit: Thousand Baht)

	2016	2015	2014
Total Revenues	3,911,652	2,396,738	1,704,546
Sales	3,872,073	2,366,047	1,660,943
Gross Profit	1,011,244	639,428	383,656
Net Profit(Loss)	271,644	180,555	128,511
Net Profit(Loss)(The Parent)	175,410	112,212	87,055
Total Assets	4,817,794	3,368,105	1,870,493
Total Liabilities	3,096,035	1,944,579	723,735
Equity	1,721,759	1,423,526	1,146,758
Equity(The Parent)	1,393,884	1,156,377	923,636

### FINANCIAL RATIOS

Earnings per Share (Baht)	0.41	0.31	0.25
Book Value per Share (Baht)	3.38	3.70	3.35

#### Liquidity Ratios

Current ratio	(times)	1.35	1.67	1.44
Quick ratio	(times)	1.00	1.15	0.87
Account receivable turnover	(times)	5.82	5.04	7.13
Average collection period	(days)	62.71	72.42	51.19
Inventory turnover	(times)	7.27	5.56	5.15
Days sales of inventory	(days)	50.21	65.65	70.87
Account payable turnover	(times)	4.68	6.28	7.88
Payment days	(days)	77.99	58.12	46.32

#### Profitability Ratios

Gross profit margin	(%)	26.12	26.94	23.10
Net profit margin	(%)	7.02	7.63	7.74
Return on equity	(%)	12.58	9.70	9.43

#### Efficiency Ratios

Return on assets	(%)	5.64	5.36	6.87
Asset turnover	(times)	0.80	0.70	0.89

#### Financial Policy Ratio

Debt to equity ratio	(times)	1.80	1.37	0.63
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## REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTS

The consolidated financial statements Year 2016 of Thailand Carpet Manufacturing Public company Limited and its subsidiaries have been prepared in accordance with the Notification of the Department of Business Development, regarding to the condensed transactions of the financial statements, effective under the Accounting Act B.E. 2543 (2000) and in compliance with the accounting standard established in the Accounting Profession Act B.E. 2547 (2004).

The Board of Directors is responsible for the preparation of the financial report of Thailand Carpet Manufacturing Public company Limited and its subsidiaries, assuring that the report of the financial status, operating results, and cash flows are presented in truth and fairness by having established a correct and complete keeping of the financial records. These financial statements have been prepared in accordance to the generally accepted accounting standard by using accounting policies that are appropriate and corresponding to the business operation, which are undertaken on a regular basis. The Company also considers and maintains adequate provisions for uncertainty items or items that may have significant effect on future operation, by disclosing important information in the Notes to Financial Statement with certified accountant's opinions in the Report of Independent Auditor.

Accordingly, the Board of Directors has appointed the Audit Committee, comprising of independent and non-executive directors with complete qualifications as established by the Securities and Exchange Commission (SEC), to review the financial statements for compliance with the accounting standard; to review the internal control and internal audit system for appropriateness and efficiency; to review that the business operation has been conducted in accordance with the Company's regulations and relevant laws and regulations; and to oversee that there are no conflict of interest; as well as to consider the propose for the appointment of the Company's auditors. The opinions of the Audit Committee are expressed in the Report of the Audit Committee which has been included within the Annual Report 2016.

28 February 2017

On behalf of the Board of Director of Thailand Carpet  
Manufacturing Public company Limited



(Mr. Pimol Srivikorn)  
Chairman



(Charlie Jangvijitkul, Ph.D.)  
Managing Director



## REPORT FROM THE AUDIT COMMITTEE

The Audit Committee of Thailand Carpet Manufacturing Public Company Limited was appointed by the Board of Directors of the Company, which comprises three independent directors with Mr. Anun Louharanoo as the Chairman of the Audit Committee, Mr. Soravis Krairiksh and Mr. Suvitcha Nativivat as the Members of the Audit Committee.

The Audit Committee has performed the duties and responsibilities as assigned by the Board of Directors of the Company by conferring with the executives and the auditor, including reporting to The Board of Directors of the Company for acknowledgement and consideration once per quarter. We hereby report the performance results for the fiscal year 2016 with the summary of important content as follows:

(1) Reviewed the financial statements quarterly and annually for the fiscal year 2016 by conferring with the auditor and executives in order to verify the correctness of the financial statements and adequacy of information disclosure, including to acknowledge the observations and comments of the auditor, which the Audit Committee is of the opinion that the said financial statements are appropriately correct under the accounting standard as required under generally accepted accounting principles.

(2) Reviewed the adequacy of the internal control system for the fiscal year 2016 whereby the Company has engaged P & L Internal Audit Company Limited to audit the important work system and the internal control system of the Company which no significant mistakes were found by recommending the executives to adjust and change any work system to be more careful and appropriate.

(3) Reviewed the performance under the laws related to the Securities and Exchange, the regulations of the Stock Exchange of Thailand and other laws relevant to the Company's businesses for the fiscal year 2016 by recommending the executives to completely comply as prescribed by such laws.

(4) Reviewed the connected transactions or transactions that may involve conflict of interest and the acquisition and disposition of assets for the fiscal year 2016, and disclosed the information of such transactions in accordance with the regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission which the Audit Committee is of the opinion that the important transactions have been disclosed and showed the particulars adequately in the financial statements and the notes of the financial statements for the fiscal year 2016 already.

(5) Reviewed administration under the principles of corporate governance for the fiscal year 2016. Whereby advised the executive to focus on the administration under the principles of good governance seriously and continuously. Encourage the managements and employees at all levels comply regulations, rules and business ethics to be transparent in order to be accepted and increase the confidence of shareholders, partners, customers and the all relevant parties.

(6) Reviewed self assessment on anti-corruption measures to certify membership of the Private Sector Collective Action Coalition Council. The company had already been certified in 2016.

(7) Considered to select, appoint and fix the remuneration of the auditor for the fiscal year 2017 to propose the Board of Directors considered to request for the approval from the Annual General Meeting of Shareholders for the fiscal year 2017 by considering the performance result, independence and appropriateness of remuneration, and hereby deems appropriate to appoint Miss Sulalit Ardsawang, Certified Public Accountant No. 7517 or Mr. Poj Asavasatichai, Certified Public Accountant No. 4891, or

Miss Thanyaporn Tangthanopajai, Certified Public Accountant No. 9169 the auditors of Dharmniti Auditing Co., Ltd., acting singly, as the Company's auditors for the fiscal year 2017 and fix the remuneration of the Auditors in the amount not exceeding 2,500,000 baht, up from previous year amount 370,000 baht is equal to 17.37%, according to the volume of work increased due to the company has additional invested in acquisition which produce and distribute sofas in England, which was considered to be the appropriate remuneration.

(8) The audit committee had appointed the criteria and self-assessment of the audit committee, both individual and group for the fiscal year 2016. The assessors identified strengths, weaknesses, and the issues that need to be improved. The audit committee will jointly consider the evaluation results and determine ways to improve work more effective in the next year.

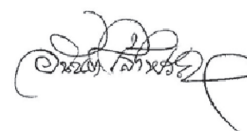
(9) During the fiscal year 2016, the Audit Committee Meeting was held 5 times, there were attendees as follow:-

List of the Audit Committee	Position	No. of times to attend meeting in 2016
(1) Mr. Anun Louharanoo	Chairman of the Audit Committee	5 / 5 times
(2) Mr. Soravis Krairiksh	Audit Committee Member	4 / 5 times
(3) Mr. Suvitcha Nativivat	Audit Committee Member	5 / 5 times

The Audit Committee has the independence in the performance of the work as assigned by the Board of Directors of the Company by conferring with the relevant executives from time to time and meeting with the auditor every quarter in order to review and acknowledge the observations in relation to the financial statements and the internal control system of accounting and finance, which no significant abnormalities were found for the fiscal year 2016

22 February 2017

On behalf of the Audit Committee



Mr. Anun Louharanoo

Chairman of the Audit Committee

## EXPLANATION AND ANALYSIS FINANCIAL STATUS AND PERFORMANCE

Thailand Carpet Manufacturing Public Company Limited (“the company”) would like to inform the operating results and financial position of the Company and its subsidiaries for the year ended 31 December 2016, comparing to the year ended 31 December 2015, as follows

### Overall the operating results

On September 1, 2016 the company’s Board of Directors’ Meeting no. 4/2016 passed a resolution to establish Manor(2016) Holding Limited(“Manor”), which was registered in England and Wales, as a subsidiary of the company by hold the subsidiary’s share capital at 100% of total number of issued shares, and established DM Midlands Holding Limited(“DMMH”), which was registered in England and Wales, by Manor hold the share capital at 100% of total number of issued shared. After the transaction in DM Midlands Limited(“DMM”), Manor, a subsidiary of the company, and the Group of Existing Shareholders, the sellers, hold shares in DMMH as the the proportion of 75:25 and DMMH hold 100% of shares in DMM. On October 25, 2016, the Extraordinary Meeting of Shareholders of the company no.1/2016 approved for DM Midlands Holdings Limited, which is the subsidiary company and was registered in England and Wales, to invest in DM Midlands Limited for the proportion of 100 per cent of the total shares of DM Midlands Limited. The objective of entering into the transactions, which are it is the investment in the business with good potential and possibility to receive good returns from the investment in the future, the company will benefit from the business cooperation. On November 1, 2016 (purchasing date), DMMH had paid for such ordinary shares in full. The company had consolidated the financial statements in the preparation of consolidated financial statements of the group of the subsidiaries from November 1, 2016, onwards.

For the year ended 31 December 2016, the company had the operating loss 13.44 million baht, comparing to the year ended December 2015, there was the operating profit 73.21 million baht. The consolidated financial statements for the year ended 31 December 2016, there was the operating profit 175.41 million baht, comparing to the year ended 31 December 2015, there was the operating profit 112.21 million baht(Restated) that changed over 20%, with the reasons as follows:-

#### 1. Revenue

In the year ended 31 December 2016, the company had sales and services amount 531.11 million baht was lower than the year ended 31 December 2015 amount 22.49 million baht was at 4.06%. The consolidated financial statements in the year ended 31 December 2016 had sales and services amount 3,872.07 million baht, which there were sales of the company(“TCMC”) amount 531.11 million baht, Royal Thai International Co., Ltd(“RTI”) amount 305.60 million baht, United Carpet Manufacturing Co., Ltd(“UCM”) amount 52.91 million baht, T.C.H. Suminoe Co.,Ltd(“TCH”) amount 1,201.94 million baht, TCMC Furniture Limited(“TCMF”) amount 1,365.05 million baht, and Manor(2016) Holding Limited(“Manor”) amount 721.06 million baht. Therefore, the sales of the year ended 31 December 2016 were higher than the year ended 31 December 2015 that there were sales and services amount 2,366.05 million baht was at 63.65%, due to the investment in DM Midlands Limited..

## **2. Sales and Services Cost**

In 2016, the company had sales and services cost amount 419.19 million baht was at 78.92% of revenues, comparing to the year 2015, the company had sales and services cost amount 427.83 million baht was at 77.28% of revenues. The consolidated financial statements in year 2016 had sales and services cost amount 2,860.83 million baht was at 73.88% of revenues, comparing to the year 2015 which there were 1,726.62 million baht was at 72.97% of revenues.

## **3. Other Incomes**

In 2016, the company received dividend from TCH in the amount of 51.50 million baht, and in the year 2015, the company received dividend from TCH in the amount of 37.01 million baht, increased amount 14.49 million baht. The Company had recognized gain from cancelled of financial lease from Couristan's machinery in the amount of 15.23 million baht, due to the lower quantity specified in the agreement continuously. In 2016, the company had other incomes amount 21.78 million baht, comparing to the year 2015 which there was 26.16 million baht, decreased amount 4.38 million baht.

## **4. Selling & Administrative Expenses and Other Expenses**

In 2016, the company had selling expenses and administrative expenses amount 124.19 million baht, comparing to the year 2015 was at 120.14 million baht, increased amount 4.05 million baht was at 3.37%. The consolidated financial statements in year 2016 had selling expenses and administrative expenses amount 695.90 million baht, comparing to the year 2015 amount 432.88 million baht, increased amount 263.02 million baht was at 60.76%, due to the investment in DM Midlands Limited in 2016, and the investment in Alstons Group in 2015.

In 2016, the company had loss on exchange rate amount 83.31 million baht, due to the loan that the company borrowed for TCMF was in UK to the investment in ALSTONS GROUP in the amount of 82.51 million baht, which came from the pound weakened by Brexit event, while in year 2015, there was gain on exchange rate amount 32.93 million baht. The consolidated financial statements in year 2016 had gain on exchange rate amount 1.24 million baht, while in year 2015, there was gain on exchange rate amount 7.01 million baht.

## **5. Financial Cost**

In 2016, the company had financial cost 20.37 million baht, comparing to the year 2015 amount 17.13 million baht increased 3.24 million baht. The consolidated financial statements in year 2016 had financial cost 50.69 million baht, comparing to the year 2015 amount 37.70 million baht increased amount 12.99 million baht.

## **Financial Position**

### **Total Assets**

As at 31 December 2016, the company had total assets 1,874.62 million baht, increased from the statements of financial position as at 31 December 2015 was at 1,692.27 million baht. The consolidated financial statements as at 31 December 2016 had total assets 4,817.79 million baht, comparing to at 31 December 2015 was at 3,368.10 million baht, increased amount 1,449.69 million baht, due to the investment in DM Midlands Limited.

**Total Liabilities**

As at 31 December 2016, the company had total liabilities 652.86 million baht, decreased from at 31 December 2015 was at 659.93 million baht. The consolidated financial statements as at 31 December 2016 had total liabilities 3,096.04 million baht, comparing to at 31 December 2015 was at 1,944.58 million baht, increased amount 1,151.46 million baht, due to the investment in DM Midlands Limited.

**Shareholders' Equity**

As at 31 December 2016, the company had shareholders' equity amount 1,221.76 million baht, comparing to the year 2015 amount 1,032.34 million baht, increased amount 189.42 million baht, because the company had fully paid-up share capital which increased from the exercised warrant amount 122.75 million, equal to 245.50 million baht, and there was payment dividend in 2016 amount 46.32 million baht. The consolidated financial statements as at 31 December 2016 had shareholder's equity amount 1,721.76 million baht, increased from at 31 December 2015 was at 1,423.53 million baht.

## REPORT FROM INDEPENDENT CERTIFIED PUBLIC ACCOUNTS

**To** The Shareholders and Board of Directors of  
Thailand Carpet Manufacturing Public Company Limited

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

In my opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Thailand Carpet Manufacturing Public Company Limited and its subsidiaries as at December 31, 2016, its consolidated financial performance and its consolidated cash flows for the year then ended and the separate financial position of Thailand Carpet Manufacturing Public Company Limited as at December 31, 2016, its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with 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 and the Company in accordance with the Code of Ethics for Professional Accountants that are relevant to my audit of the financial statements and as defined by the Federation of Accounting Professions under the Royal Patronage of his Majesty the King, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matter

I draw your attention to Note 9.3 in the notes to the financial statements. On November 1, 2016, Manor (2016) Holdings Limited, a subsidiary overseas, has invested in DM Midlands Holdings Limited ("DMMH") at 75 percent that acquired the ordinary shares of DM Midland Limited ("DMM") which is registered in the United Kingdom and Wales from the group of existing shareholders at 100 percent of the total ordinary shares of DMM by acquiring the ordinary shares from the existing shareholders of the above company group. At present, the Company is in the process of assessing the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. The measurement process is under the process and shall be completed within the period of 1 year from the business acquisition date pursuant to the period allowed by Thai Financial Reporting Standard No. 3 (revised 2015): Business

combination. During the measurement period, the Company shall retrospectively adjust provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

My opinion to the financial statements is not qualified in respect of the above matters.

### **Key Audit Matters**

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

#### **Business combination**

As described in to Note 32 in the notes to the financial statements, the Company had acquired the ordinary shares of TCMC Furniture Limited (United Kingdom) on June 19, 2015 at the rate of 76 percent of the paid up capital of the above company. The Group regards this transaction as a business combination by completing the fair value measurement of the net identifiable assets as at the business acquisition by an independent appraiser which is already completed during the year 2016. Therefore, the Group had restated the financial statements on the fair value measurement of the previously recorded net identifiable assets as well as goodwill as at the business acquisition date. I have paid special attention on this business acquisition as it has materiality to the overall consolidated financial statements. In addition, the assumptions used as the basis in recording the initial business acquisition and defining the useful life of the acquired intangible assets require the exercise of significant judgment of the management due to the business nature.

I have audited the value of the business acquisition with the acquisition supporting documents and related payments to assess whether it reflected the fair value of the consideration transferred and did not include acquisition-related costs. I have also assessed the fair value of assets acquired and liabilities assumed as specified in the measurement documentation under the acquisition method as prepared by an independent appraiser by considering the methods and significant assumptions used by the independent appraiser in calculating the fair value of assets and liabilities and evaluating the expertise, ability and integrity of the appraiser. I have also assessed the rationale of the goodwill recorded by the group and examined the disclosure of information related to the business combination mentioned in the notes to the financial statements.

#### **Impairment of Goodwill and Intangible Assets**

As described in Notes 9.4 and 11 in the note of financial statements, the goodwill and intangible assets as at December 31, 2016 amounted to Baht 703.69 million or 14.6 percent of the total assets. The Group has to test goodwill and intangible assets from the business acquisition for impairment annually or when there is an indication of impairment. Such matter requires judgment and estimate of the management in measuring the recoverable amount of cash generating assets. Additionally, the assessment process of the management is complex and requires considerable judgment and also depends on the assumptions, especially the assumption used in assessing the impairment that is affected by the future economic condition and market condition, particularly in United Kingdom which is invested by the company, and

estimating the future cash flow in accordance with the business plan, along with the growth rate forecast. In my opinion, such matters are significant.

I have audited the supporting documents to the management consideration with respect to the indication of impairment and assessed the appropriateness of the valuation approach and significant assumptions applied by the management in estimating the allowance for impairment of goodwill and intangible assets by referencing the market circumstances, operating environment, knowledge of the industry and any other information received during the audit. I have considered the adequacy of the information disclosure in accordance with the financial reporting standards as disclosed by the Group 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 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 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 financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance in order for those charged with governance to correct 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 financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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'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 financial statements 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 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 financial statements and separate financial statements.

As part of an audit in accordance with standard 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 financial statements 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'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's 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 financial statements and separate financial statements or, if such disclosures are inadequate, to modify our 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 and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and separate financial statements, including the disclosures, and whether the consolidated financial statements 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 to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

I also provide those charged with governance with a statement that we 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 financial statements 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.



(Miss Sulalit Ardsawang)  
Certified Public Accountant  
Registration No. 7517

Dharmniti Auditing Company Limited  
Bangkok, Thailand  
February 28, 2017

# THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

## ASSETS

		Baht			
		Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Note			(Restated)		
<b>Current assets</b>					
Cash and cash equivalents	4	371,838,122.71	199,011,741.27	20,833,453.95	7,464,793.36
Trade and other receivables	5				
Related parties	24	10,493,562.89	10,298,677.11	128,072,720.06	85,484,922.07
Other companies		901,649,877.48	538,894,571.24	103,411,608.97	125,898,352.64
		<u>912,143,440.37</u>	<u>549,193,248.35</u>	<u>231,484,329.03</u>	<u>211,383,274.71</u>
Current portion of long-term loan to subsidiary	24	-	-	39,960,949.79	49,888,244.00
Short-term loan to subsidiary	7, 24	-	-	2,550,000.00	2,550,000.00
Inventories	6	446,753,285.52	339,961,431.77	119,178,252.99	132,622,182.67
Other current assets	8	16,612,502.33	7,412,799.68	11,292,948.57	5,541,539.92
Total current assets		<u>1,747,347,350.93</u>	<u>1,095,579,221.07</u>	<u>425,299,934.33</u>	<u>409,450,034.66</u>
<b>Non-current assets</b>					
Deposit at bank used for guarantee	13	2,253,525.79	4,773,752.08	613,525.79	3,133,752.08
Long-term loan to subsidiary	24	-	-	324,482,382.21	443,686,936.00
Investments in subsidiaries	9.1	-	-	515,560,850.00	210,132,850.00
Other long-term investment		2,891,157.32	-	-	-
Investment property		6,332,539.46	-	-	-
Property, plant and equipment	10	1,205,048,166.65	1,300,798,096.14	606,070,716.76	622,723,969.38
Goodwill	9.4	1,381,270,433.87	330,267,691.15	-	-
Intangible assets	11	444,048,275.67	601,475,157.57	1,682,847.78	2,236,623.65
Deferred tax assets	12	19,094,651.62	22,964,891.50	-	-
Other non-current assets	14	9,507,843.10	12,246,044.24	907,827.10	907,827.10
Total non-current assets		<u>3,070,446,593.48</u>	<u>2,272,525,632.68</u>	<u>1,449,318,149.64</u>	<u>1,282,821,958.21</u>
Total assets		<u>4,817,793,944.41</u>	<u>3,368,104,853.75</u>	<u>1,874,618,083.97</u>	<u>1,692,271,992.87</u>

# THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENT OF FINANCIAL POSITION (CONT.) AS AT DECEMBER 31, 2016

## LIABILITIES AND SHAREHOLDERS' EQUITY

		Baht			
		Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
	Note		(Restated)		
Current liabilities					
Bank overdraft and short-term loans					
from financial institutions	15	112,417,769.38	115,500,636.00	60,000,000.00	21,557,587.22
Trade and other payables					
Related parties	24	21,202,856.83	8,464,907.27	4,066,045.47	9,202,106.67
Other companies		872,311,461.10	320,172,108.12	79,007,880.39	63,634,398.24
		893,514,317.93	328,637,015.39	83,073,925.86	72,836,504.91
Current portion of long-term liabilities					
Long-term loan from financial institution	17	184,119,250.14	111,653,168.66	64,894,953.95	19,894,666.16
Liabilities under finance lease agreements	18	13,911,384.53	30,497,751.49	3,043,854.53	7,337,740.49
Short-term loans from related parties	24	2,450,000.00	2,450,000.00	-	-
Income tax payable		42,905,309.26	22,864,049.15	-	3,176,237.86
Other current liabilities		49,651,595.27	44,870,502.19	4,151,980.97	-
Total current liabilities		1,298,969,626.51	656,473,122.88	215,164,715.31	124,802,736.64
Non-current liabilities					
Long-term loan from financial institutions	17	1,531,793,017.93	942,271,438.14	335,293,254.36	400,188,208.07
Long-term loan from related persons	24	34,920,230.80	45,231,216.86	-	-
Liabilities under finance lease agreements	18	5,628,344.27	34,244,528.60	2,682,374.27	20,960,979.60
Deferred tax liabilities	12	157,624,065.03	202,083,296.64	53,326,967.93	66,398,199.69
Employee benefit obligation	19	67,099,884.55	64,275,257.77	46,394,726.75	47,580,214.77
Total non-current liabilities		1,797,065,542.58	1,288,105,738.01	437,697,323.31	535,127,602.13
Total liabilities		3,096,035,169.09	1,944,578,860.89	652,862,038.62	659,930,338.77

Notes to the financial statements form an integral part of these statements.

# THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENT OF FINANCIAL POSITION (CONT.) AS AT DECEMBER 31, 2016

## LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

		Baht			
		Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Note		(Restated)			
Shareholders' equity					
Share capital	21				
Authorized share capital					
513,355,860 ordinary shares, Baht 1.10 each		564,691,446.00	564,691,446.00	564,691,446.00	564,691,446.00
Issued and fully paid-up share capital					
508,762,650 ordinary shares, Baht 1.10 each		559,671,915.00		559,671,915.00	
386,036,011 ordinary shares, Baht 1.10 each			424,639,612.10		424,639,612.10
Premium on share capital		149,899,869.00	39,418,893.90	149,899,869.00	39,418,893.90
Retained earnings					
Appropriated					
Legal reserve	22	16,778,369.22	13,117,709.22	16,778,369.22	13,117,709.22
Unappropriated		461,851,700.07	332,939,155.53	181,731,769.73	241,491,316.48
Other components of equity		205,682,404.92	346,261,311.86	313,674,122.40	313,674,122.40
Total equity attributable to owners of the parent		1,393,884,258.21	1,156,376,682.61	1,221,756,045.35	1,032,341,654.10
Non-controlling interest		327,874,517.11	267,149,310.25	-	-
Total shareholders' equity		1,721,758,775.32	1,423,525,992.86	1,221,756,045.35	1,032,341,654.10
Total liabilities and shareholders' equity		4,817,793,944.41	3,368,104,853.75	1,874,618,083.97	1,692,271,992.87

Notes to the financial statements form an integral part of these statements.

**THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND  
ITS SUBSIDIARIES STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31,2016**

		Baht			
		Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
	Note	(Restated)			
Revenues					
Sales	23, 24	3,858,554,863.23	2,366,046,944.81	514,192,886.45	548,993,294.23
Service incomes	23, 24	13,517,864.77	-	16,913,873.62	4,605,190.00
Gain on exchange rate		1,242,170.19	7,011,087.16	-	32,929,907.86
Dividend income		-	-	51,504,433.00	37,008,410.44
Gain from bargain purchase business	18.1	15,234,929.78	-	15,234,929.78	-
Other incomes	24	23,102,252.05	23,680,235.59	21,778,934.08	26,162,758.85
Total revenues		3,911,652,080.02	2,396,738,267.56	619,625,056.93	649,699,561.38
Expenses					
Cost of sales	24	2,851,226,365.90	1,726,618,762.01	407,186,253.93	424,249,957.31
Cost of service	24	9,602,849.98	-	12,005,798.68	3,582,181.49
Selling expenses	24	347,754,518.81	203,171,679.86	72,882,768.67	78,534,010.02
Administrative expenses	24	348,146,996.48	229,704,994.08	51,307,955.36	41,608,438.25
Loss from exchange rate		-	-	83,309,539.17	-
Finance costs	24	50,694,582.52	37,704,210.40	20,365,098.08	17,125,199.84
Total expenses		3,607,425,313.69	2,197,199,646.35	647,057,413.89	565,099,786.91
Profit (loss) before income tax expenses		304,226,766.33	199,538,621.21	(27,432,356.96)	84,599,774.47
Income tax expenses (income)	26	32,582,732.34	18,983,220.88	(13,988,543.71)	11,386,573.78
Profit (loss) for the year		271,644,033.99	180,555,400.33	(13,443,813.25)	73,213,200.69
Other comprehensive income :					
Item that may be reclassified subsequently to profit or loss					
Differences on translating financial statements		(146,825,365.19)	33,464,677.68	-	-
		(146,825,365.19)	33,464,677.68	-	-
Item that will not be reclassified to profit or loss					
Acturial gain arising from post employee benefit	19	4,108,928.77	905,457.27	4,586,559.77	-
Income tax relating to component of other comprehensive income	26	(821,785.55)	(181,091.45)	(917,311.95)	-
		3,287,143.22	724,365.82	3,669,247.82	-
Other comprehensive income (loss) for the year, net of income tax		(143,538,221.97)	34,189,043.50	3,669,247.82	-
Total comprehensive income (loss) for the year		128,105,812.02	214,744,443.83	(9,774,565.43)	73,213,200.69

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

**THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND  
ITS SUBSIDIARIES STATEMENT OF COMPREHENSIVE INCOME (CONT.)  
FOR THE YEAR ENDED DECEMBER 31,2016**

		Baht			
		Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Profit (loss) attributable to	Note		(Restated)		
Owners of the parent		175,409,867.30	112,211,590.43	(13,443,813.25)	73,213,200.69
Non-controlling interests		96,234,166.69	68,343,809.90	-	-
		<u>271,644,033.99</u>	<u>180,555,400.33</u>	<u>(13,443,813.25)</u>	<u>73,213,200.69</u>
Total comprehensive income (loss) attributable to					
Owners of the parent		38,318,618.92	145,168,206.46	(9,774,565.43)	73,213,200.69
Non-controlling interests		89,787,193.10	69,576,237.37	-	-
		<u>128,105,812.02</u>	<u>214,744,443.83</u>	<u>(9,774,565.43)</u>	<u>73,213,200.69</u>
Basic earnings (loss) per share					
Attributable to owners of the parent	27	<u>0.4080</u>	<u>0.3113</u>	<u>(0.0313)</u>	<u>0.2031</u>
Diluted earning (loss) per share					
Attributable to owners of the parent	27	<u>0.4080</u>	<u>0.2636</u>	<u>(0.0313)</u>	<u>0.1720</u>

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

# THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

Baht											
Consolidated financial statements											
	Note	Equity attributable to owners of the parent					Other component of equity		Total	Non-controlling interest	Total shareholders' equity
		Ordinary shares, issued and paid-up	Premium on share capital	Retained earnings		Capital surplus from land revaluation - net of income tax	Differences on translating financial statements	Total other component of equity			
				Appropriated Legal reserve	Unappropriated						
Beginning balance, as at January 1, 2015		376,474,776.70	11,301.30	11,611,291.75	221,864,556.00	313,674,122.40	-	313,674,122.40	923,636,048.15	223,121,979.44	1,146,758,027.59
Non controlling interest on purchase business		-	-	-	-	-	-	-	-	11,607,840.00	11,607,840.00
Increase in share capital		48,164,835.40	39,407,592.60	-	-	-	-	-	87,572,428.00	-	87,572,428.00
Legal reserve		-	-	1,506,417.47	(1,506,417.47)	-	-	-	-	-	-
Dividend		-	-	-	-	-	-	-	-	(37,156,746.56)	(37,156,746.56)
Total comprehensive income for the year		-	-	-	112,211,590.43	-	-	-	112,211,590.43	68,343,809.90	180,555,400.33
Profit for the period (restated)	32	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of income tax		-	-	-	-	-	-	-	-	-	-
- Differences on translating financial statements		-	-	-	-	-	32,587,189.46	32,587,189.46	32,587,189.46	877,488.22	33,464,677.68
- Actuarial gain		-	-	-	369,426.57	-	-	-	369,426.57	354,939.25	724,365.82
Ending balance, as at December 31, 2015, as restated		424,639,612.10	39,418,893.90	13,117,709.22	332,939,155.53	313,674,122.40	32,587,189.46	346,261,311.86	1,156,376,682.61	267,149,310.25	1,423,525,992.86
Non-controlling interest on purchase business		-	-	-	-	-	-	-	-	22,649,137.76	22,649,137.76
Increase in share capital	21	135,032,302.90	110,480,975.10	-	-	-	-	-	245,513,278.00	-	245,513,278.00
Legal reserve	22	-	-	3,660,660.00	(3,660,660.00)	-	-	-	-	-	-
Dividend	9.5, 22	-	-	-	(46,324,321.32)	-	-	-	(46,324,321.32)	(51,711,124.00)	(98,035,445.32)
Total comprehensive income for the year		-	-	-	175,409,867.30	-	-	-	175,409,867.30	96,234,166.69	271,644,033.99
Profit for the year		-	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of income tax		-	-	-	-	-	(140,578,906.94)	(140,578,906.94)	(140,578,906.94)	(6,246,458.25)	(146,825,365.19)
- Differences on translating financial statements		-	-	-	-	-	-	-	-	(200,515.34)	3,287,143.22
- Actuarial gain		-	-	-	3,487,658.56	-	-	-	3,487,658.56	-	3,287,143.22
Ending balance, as at December 31, 2016		559,671,915.00	149,899,869.00	16,778,369.22	461,851,700.07	313,674,122.40	(107,991,717.48)	205,682,404.92	1,393,884,652.21	327,874,517.11	1,721,758,775.32

Notes to the financial statements form an integral part of these statements.

# THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.)

### FOR THE YEAR ENDED DECEMBER 31, 2016

#### THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

##### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.)

###### FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Baht					
		Separate financial statements					Total shareholders' equity
		Ordinary shares, issued and paid-up	Premium on share capital	Retained earnings	Unappropriated	Capital surplus from land revaluation -net of tax	
				Appropriated Legal reserve			
Beginning balance, as at January 1, 2015		376,474,776.70	11,301.30	11,611,291.75	169,784,533.26	313,674,122.40	871,556,025.41
Increase in share capital	21	48,164,835.40	39,407,592.60	-	-	-	87,572,428.00
Legal reserved		-	-	1,506,417.47	(1,506,417.47)	-	-
Total comprehensive income for the year		-	-	-	73,213,200.69	-	73,213,200.69
Ending balance, as at December 31, 2015		424,639,612.10	39,418,893.90	13,117,709.22	241,491,316.48	313,674,122.40	1,032,341,654.10
Increase in share capital		135,032,302.90	110,480,975.10	-	-	-	245,513,278.00
Legal reserved		-	-	3,660,660.00	(3,660,660.00)	-	-
Dividend		-	-	-	(46,324,321.32)	-	(46,324,321.32)
Total comprehensive income for the year		-	-	-	(13,443,813.25)	-	(13,443,813.25)
Profit for the year		-	-	-	-	-	-
Other comprehensive income, net of income tax		-	-	-	-	-	-
-Actuarial gain		-	-	-	3,669,247.82	-	3,669,247.82
Ending balance, as of December 31, 2016		559,671,915.00	149,899,869.00	16,778,369.22	181,731,769.73	313,674,122.40	1,221,756,045.35

Notes to the financial statements form an integral part of these statements.

# THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,2016

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015 (Restated)	2016	2015
<b>Cash flows from operating activities</b>				
Profit (loss) for the year	271,644,033.99	180,555,400.33	(13,443,813.25)	73,213,200.69
Reconciliations of profit (loss) for the year to net cash provided by (used in) operating activities:				
Increase (decrease) in allowance for doubtful accounts	2,679,011.21	(2,147,328.81)	561,566.45	(1,649,288.22)
Increase (decrease) in allowance for obsolete inventories	569,908.84	(3,836,681.25)	(2,005,046.58)	(1,402,117.83)
Increase (decrease) in allowance on impairment of investments in subsidiaries	-	-	5,100,000.00	-
Depreciation	111,434,423.80	94,669,479.58	25,953,237.50	27,625,269.26
Amortization of intangible asset	60,943,312.30	37,739,136.77	553,775.87	733,778.00
Loss from claim on defected goods	-	4,175,331.00	-	-
Increase (decrease) in allowance on impairment of goodwill	845,505.77	-	-	-
Amortization loan fee	5,392,305.20	-	105,334.08	-
(Gains) loss on disposal of fixed assets	6,764,893.54	(974,086.36)	(70,092.46)	(151,147.58)
Unrealized (gain) loss on exchange rate	(392,565.64)	(802,757.81)	79,222,461.15	(23,201,827.65)
(Gain) loss on exchange rate on receipt from long-term loans to subsidiary	-	-	3,261,582.71	(3,620,129.09)
(Gain) loss on exchange rate on payment of liabilities under finance lease agreements	(222,475.61)	(76,850.44)	(222,475.61)	(76,850.44)
Realized loss on exchange rate from interest income received	-	-	903,213.65	-
Dividend income	-	-	(51,504,683.00)	(37,008,410.44)
Interest income	(1,022,808.54)	(482,613.60)	(10,012,397.18)	(9,242,527.89)
Gain from cancelled financial lease	(15,234,929.78)	-	(15,234,929.78)	-
Expense for employee benefit obligation	10,464,636.66	9,249,074.31	6,407,946.00	7,164,592.00
Finance cost	50,694,582.52	37,704,210.40	20,365,098.08	17,125,199.84
(Income) tax expenses	32,582,732.34	18,983,220.88	(13,988,543.71)	11,386,573.78
Profit provided by operating activities before changes in operating assets and liabilities	537,142,566.60	374,755,535.00	35,952,233.92	60,896,314.43
(Increase) decrease in operating assets				
Trade and other receivables	(95,504,463.59)	62,730,823.75	(25,063,324.65)	(40,099,665.41)
Inventories	(26,990,694.44)	27,645,820.55	15,448,976.26	50,823,849.62
Other current assets	(1,537,404.58)	7,277,812.20	(1,068,882.04)	6,677,300.58
Other non-current assets	(190,651.94)	1,295,835.01	-	63,557.99
Increase (decrease) in operating liabilities				
Trade and other payables	(191,199,165.10)	(14,150,342.17)	10,334,263.03	(28,153,138.41)
Other current liabilities	(18,491,307.74)	(1,740,044.81)	4,151,980.97	-
Employee benefit obligation	(4,950,964.25)	(17,732,483.95)	(3,006,874.25)	(17,732,483.95)
Cash received from operations	198,277,914.96	440,082,955.58	36,748,373.24	32,475,734.85
Interest income received	458,699.00	-	-	-
Income tax expense paid	(58,776,303.41)	(32,973,295.23)	(7,858,764.46)	(10,804,168.76)
Net cash provided by operating activities	139,960,310.55	407,109,660.35	28,889,608.78	21,671,566.09

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

# THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENT OF CASH FLOWS (CONT.) FOR THE YEAR ENDED DECEMBER 31,2016

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015 (Restated)	2016	2015
<u>Cash flows from investing activities</u>				
(Increase) decrease in deposit at bank used for guarantee	2,520,226.29	(3,133,752.08)	2,520,226.29	(3,133,752.08)
Cash receipts from long-term loan to subsidiary	-	-	46,626,661.29	51,263,013.81
Cash payments for long-term loans to subsidiary	-	-	-	(519,003,340.00)
Cash payments for investment in subsidiary (net from cash purchase)	(667,631,188.56)	(1,198,792,509.00)	(310,528,000.00)	(36,758,160.00)
Cash receipts from sale of investment property	2,140,985.00	6,681,150.00	-	-
Cash payments for purchase of fixed assets	(54,484,158.55)	(40,222,428.05)	(9,299,985.88)	(3,829,277.50)
Cash receipts from disposal of fixed assets	3,417,940.33	1,807,147.93	70,093.46	187,058.63
Cash payments for purchase of intangible assets	(64,500.00)	(929,423.00)	-	-
Dividend received	-	-	51,504,683.00	40,008,410.44
Interest income received	567,725.18	2,896,116.20	13,726,930.51	4,338,181.71
Net cash used in investing activities	(713,532,970.31)	(1,231,693,698.00)	(205,379,391.33)	(466,927,864.99)
<u>Cash flows from financing activities</u>				
Increase (decrease) in bank overdraft and short-term loan from financial institutions	(3,082,866.62)	(97,627,762.56)	38,442,412.78	(14,358,647.35)
Cash receipts from long-term loan from related persons	-	52,794,074.00	-	-
Cash payments for long-term loan from related person	(2,685,639.39)	(7,865,331.21)	-	-
Cash receipts from long-term loans from financial institution	856,394,000.00	1,248,142,800.00	-	555,761,500.00
Cash payments for long-term loan from financial institution	(106,975,235.00)	(213,708,313.02)	(20,000,000.00)	(164,399,923.02)
Cash payments for liabilities under finance lease agreements	(29,745,146.90)	(28,795,338.52)	(7,115,085.90)	(6,823,820.47)
Cash receipts from increase in share capital	245,513,278.00	99,180,268.00	245,513,278.00	87,572,428.00
Dividend paid	(98,035,445.32)	(37,156,746.56)	(46,324,321.32)	-
Interest expense paid	(62,936,830.65)	(61,659,771.57)	(20,657,840.42)	(17,928,041.80)
Net cash provided by financing activities	798,446,114.12	953,303,878.56	189,858,443.14	439,823,495.36
Net increase (decrease) in cash and cash equivalents	224,873,454.36	128,719,840.91	13,368,660.59	(5,432,803.54)
Cash and cash equivalents - beginning of year	199,011,741.27	33,578,658.27	7,464,793.36	12,897,596.90
Differences on translating financial statements	(52,047,072.92)	36,713,242.09	-	-
Cash and cash equivalents - ending of year	371,838,122.71	199,011,741.27	20,833,453.95	7,464,793.36
<u>Supplementary disclosure for cash flows information:-</u>				
Non-Cash transactions				
During the year, accquired fixed assets by mean of liabilities under finance lease agreements	778,504.67	4,223,410.95	-	1,716,896.16

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

# **THAILAND CARPET MANUFACTURING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

## **1. GENERAL INFORMATION**

### **(a) Legal status and address**

The Company had registered to be a limited company on April 10, 1967. The Company's status had been changed to be the public company limited and registered with the Ministry of Commerce on March 31, 1994.

### **(b) Nature of the business operation**

The Company and its 2 local subsidiaries operate the business of manufacturer, distributor and/or sale various types of rugs and carpeting including the Axminster carpet and hand carpet to decorate hotel, theatre, airport, house, palace, including selling of flooring products.

A local subsidiary operate the business of manufacturer and distributor carpets for internal flooring of the vehicles and upholstery fabrics for vehicles, manufacturing fabrics and carpets for furniture industry and interior decoration the buildings.

A group of 2 overseas subsidiaries are "ALSTONS GROUP" and "DMM Group" operates the business of manufacturer and distributor sofa chair.

## **2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS**

### **2.1 Basis for the preparation of financial statements**

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E.2547 by complying with Thai financial reporting standards. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements presentation for public limited company, issued under the Accounting Act B.E.2543.

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

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

## 2.2 Basis for the preparation of consolidated financial statements

2.2.1 The consolidated financial statements have included the financial statements of Thailand Carpet Manufacturing Public Company Limited and its subsidiaries as follows;

		Percentage of holding (% of share capital)		Head office location
Company name	Type of business	2016	2015	
● Direct subsidiaries held by the Company				
United Carpet Manufacturing Co., Ltd.	Manufacturer and distributor of carpet	51.00	51.00	Thailand
Royal Thai international Co., Ltd.	Sale of carpet	99.99	99.99	Thailand
T.C.H. Suminoe Co., Ltd.	Manufacturer and distributor of carpet	49.90	49.90	Thailand
TCMC Furniture Limited	Holding Company	76.00	76.00	England
Manor (2016) Holdings Limited	Holding Company	100.00	-	England
● Indirect subsidiaries held by				
TCMC Furniture Limited				
Alstons Furniture Group Limited *	Holding Company	-	76.00	England
Alstons (Upholstery) Limited	Manufacturer and distributor of sofa chair	76.00	76.00	England
	Manufacturer of wooden	76.00	76.00	England
Alstons (Carbinets) Limited	flame for sofa chair			
Nacton Road Development Limited	Non-operating	-	76.00	England
● Indirect subsidiaries held by				
Manor (2016) Holdings Limited				
DM Midlands Holdings Limited	Holding Company	75.00	-	England
DM Midlands Limited	Holding Company	75.00	-	England
Asheley Manor Upholstery Limited	Manufacturer and Tributary sofa chair	75.00	-	England
AMX Design Limited	Distributor sofa chair	75.00	-	England
Alexander and James Limited	Distributor sofa chair	75.00	-	England
James Alexander Company Limited	Research and product development center	75.00	-	Thailand

The Company has established its subsidiary, TCMC Furniture Limited (by hold the subsidiary's share capital at 76 percent of total number of issued shares of subsidiary) to invest in Alston Furniture Group Limited at 100 percent of total number of issued shared of Alstons Furniture Group Limited and the Company has consolidated the financial statements in the preparation of consolidated financial statements of the group of the subsidiaries from June 19, 2015, onwards.

\* In 2016, Alstons Furniture Group Limited is formally dissolved and ownership of Alstons (Upholstery) Limited is directly by TCMC Furniture Limited and Nacton Road Development Limited is also formally dissolved.

The company has established of two subsidiary companies which are registered in England and Wales, with the details as follows:

- |  |   |  |
|--|---|--|
| (1) Name of the Subsidiary Company No. 1 | : | Manor (2016) Holdings Limited (“Manor”)  |
| Registered Capital                       | : | 6,250,000 British Pound (or equivalent to Baht 287,161,875), divided into 62,500,000 shares with a par value of Pound 0.10 per share |
| Shareholding proportion                  | : | The Company will hold 100 percent of the shares  |
| Type of Business                         | : | Investing in other businesses  |
| (2) Name of the Subsidiary Company No. 2 | : | DM Midlands Holdings Limited (“DMMH”)  |
| Registered Capital                       | : | Pound 750,000 (or equivalent to Baht 34,459,425) divided into 7,500,000 shares with a par value of Pound 0.10 per share              |
| Shareholding proportion                  | : | Manor (2016) Holdings Limited will hold 100 percent of the shares  |
| Type of Business                         | : | Investing in other businesses  |

The Company has established 2 subsidiaries to invest in the ordinary shares of DM Midlands Limited at 75 percent of total number of issued shares of DM Midlands Limited which is registered in England and Wales and the Company has consolidated the financial statements in the preparation of consolidated financial statements of the group of the subsidiaries from November 1, 2016, on wards.

2.2.2 The consolidated financial statements are prepared by using uniform accounting policies. So that the transaction and the others event which are the same or the similar circumstances have been used the identical policies to record those transaction.

2.2.3 The financial statements of an overseas subsidiary is translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of “Difference on translating financial statements” in shareholders’ equity. During the year 2016, BREXIT occurred in United Kingdom and caused fluctuation in the pound value. The pound depreciates and has an impact on the currency translation of the subsidiary in United Kingdom in the negative way to the financial statements.

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

2.2.5 Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

### **2.3 The new and revised accounting standards are effective in the current year**

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the new and revised accounting standards, financial reporting standards, and interpretations of accounting and financial reporting standards, which are effective for the fiscal year beginning on or after January 1, 2016, are as follows:

Conceptual Framework for Financial Reporting (revised 2015)

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
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	
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
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: Disclosure
TSIC 31 (revised 2015)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (revised 2015)	Intangible Assets - Web Site Costs
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)	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2015)	Applying the Restatement Approach under TAS 29 (revised 2015) Financial Reporting in Hyperinflationary Economics
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2015)	Service Concession Arrangements
TFRIC 13 (revised 2015)	Customer Loyalty Programmes
TFRIC 14 (revised 2015)	TAS 19 (revised 2015)-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
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	

The management of the Company and its subsidiaries evaluated that these new and revised accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations do not have any significant impact on the financial statements in current year

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Revenue and expenses recognition**

The Company and its subsidiaries recognize the revenues on sales when significant risks and rewards of ownership of the goods are transferred to the buyer. The revenues on sales are recorded on invoicing price net of output tax, rebate and discounts.

The Company recognizes the revenues from rendering services when the services are rendered on the basis of percentage of completion.

The Company and its subsidiaries recognized the interest income on the period and accrual basis.

The Company and its subsidiaries recognized other income and expenses on the accrual basis.

### 3.2 Cash and cash equivalents

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

### 3.3 Trade and other receivables

Trade and other receivables (including balances with related parties) are initially recognized by the invoice amount and subsequently measured at the remaining amount less an allowance for doubtful accounts (if any) based on a review of all outstanding amounts at year end. The allowance for doubtful accounts is the difference between the carrying amount of trade accounts receivable and the amount expected to be collectible. Bad debts are immediately recognized in the statements of comprehensive income as part of administrative expenses.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Allowances made are based on historical write-off patterns and the aging of accounts receivable. Bad debts are written off when incurred.

Ages of accounts	Rate of allowance for doubtful accounts (%)
Over due 61 - 90 days	5
Over due 91 - 180 days	20
Over due 181 - 365 days	70
Over due 366 - 730 days	100
Over due more than 731 days	100

### 3.4 Inventories

Inventories are presented at the lower of cost or net realizable value, cost being determined as follow :

Finished goods manufactured by other parties	FIFO
Finished goods manufactured by the company	Average cost
Work in process	Average cost
Raw material	Average cost

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion above include an appropriate share of production overheads based on normal production capacity.

The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties, transportation charges and other direct costs incurred in acquiring the inventories less all trade discounts, allowances or rebates.

The net realizable value of inventory is estimated from the selling price in the ordinary course of business less the estimated costs to complete production and the estimated costs to complete the sale.

Allowance for obsolete stocks is set up based on the outstanding inventories balance at the end of year which estimated from consideration of states and quality of inventories by the management.

### **3.5 Investment in subsidiaries and goodwill**

Subsidiaries are entities over which the Company has the power to control their financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The financial statements of the subsidiaries are consolidated from the date the Company exercises control over the subsidiaries until the date that control power ceases.

#### **Investment in subsidiaries in separate financial statement**

Investment in subsidiary is accounted for under the cost method less allowance for impairment loss on the investment, (if any). The Company recognizes impairment loss (if any) on the investment in the statement of comprehensive income.

#### **Goodwill in consolidated financial statement**

Goodwill represents the excess of the cost of investment over the fair value of investment, which the Company shares in the net identifiable assets of the subsidiary at the date of acquisition. Goodwill on acquisition of a subsidiary is presented as a separate line in the consolidated financial statement.

The goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment of goodwill is determined by calculating the realizable value based on the value-in-use calculation. Such calculation requires the use of estimates made by management. The allowance for impairment loss on goodwill is not reversed.

As for the cost of acquiring an investment that is lower than the fair value of the share of net assets of the subsidiary, the difference is negative goodwill and will be recognized immediately in the statement of comprehensive income.

### **3.6 Investment property**

Investment property is properties which are held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost less accumulated depreciation and impairment losses, (if any).

### **3.7 Property, plant and equipment and depreciation**

Land is stated at cost and adjusted by appraisal values of assets.

Plant and equipment are stated at cost less accumulated depreciation and impairment loss (if any).

Cost is initially recognized upon acquisition of assets along with other direct costs attributing to acquiring such assets in the condition ready to serve the objectives, including the costs of asset demolition, removal and restoration of the asset location, which are the obligations of the company.

Allowance for impairment loss of assets will be made when there is any event or circumstance indicating that the recoverable values of these assets are less than their carrying values.

Expenditure incurred in addition, renewal or betterment are recorded add in involve fixed asset, if it is certainly probable the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Repair and maintenance costs are recognized as an expense when incurred.

For appraisal of land, reappraised value is the fair market value, which is revalued by the



independent appraiser, using the market approach. The Company has a policy to revalue land on a regular basis of five years to ensure that their carrying amounts do not differ materially from their fair values at the statement of financial position date. When an asset's carrying amount is increased as a result of a revaluation, the increase should be recorded as **“capital surplus from land revaluation”** under **“other components of equity”** in the statement of financial position.

Any increase in value of land, on revaluation, is credited to the revaluation reserve unless it offsets a previous decrease in value recognized in the statement of comprehensive income. A decrease in value of land is recognized in the statement of comprehensive income to the extent that it exceeds the increase previously recognized in the revaluation reserve. Upon disposal of previously appraised assets, the revaluation surplus of the fixed asset is transferred directly to the retained earnings, not to the statement of comprehensive income to close off the surplus account of that fixed asset.

Depreciation is calculated by cost less residual value on the straight-line method over the estimated useful life of the assets as follows:

Land improvements	5 - 10	years
Leasehold improvement	10 - 20	years
Building	5 - 30	years
Machinery and equipment	3 - 40	years
Furniture, fixture and office equipment	3 - 10	years
Vehicles	3 - 10	years

The Company and its subsidiaries have reviewed the residual value and useful life of the assets every year.

The depreciation for each asset component is calculated on the separate components when each component has significant cost compared to the total cost of that asset.

Depreciation is included in determining income.

No depreciation is provided on land, construction in progress and equipment under installation.

Property, plant and equipment are written off at disposal. Gains or losses arising from sale or write-off of assets are recognized in the statement of comprehensive income.

### 3.8 Borrowing costs

Borrowing costs directly attributed to the acquisition or construction of an asset that necessarily takes long time to put in ready to use or available for sale state are capitalized as part of the cost of the respective asset until that asset condition is ready for its intended use. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs arising from such borrowing.

### 3.9 Intangible assets and amortization

Intangible assets are stated at cost less accumulated amortization and allowance on impairment (if any). Amortization is calculated by cost on a straight-line method over their estimated useful life. The estimated useful lives are as follows:

Software license	5 - 10	years
Software for digitalization and archives of carpet	10	years
Customer base	7 - 12	years
Trade name	10	years
Design	5	years

### 3.10 Impairment of assets

As at the statement of financial position date, the Company and its subsidiaries assesses whether there is an indication of asset impairment. If any such indication exists, the Company and its subsidiaries will make an estimate of the asset's recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income. In addition, impairment loss is reversed if there is a subsequent increase in the recoverable amount. The reversal shall not exceed the carrying value that would have been determined net of accumulated depreciation or amortization. The recoverable amount of the asset is the asset's value in use or fair value less costs to sell.

### 3.11 Trade and others payables

Trade and other payables (including balances with related parties) are stated at cost.

### 3.12 Financial leased contract

The contract of leased asset carried the risk and owner remuneration is mainly transferred to lesser will be classified as financial leased contract. The contract of financial lease is recorded as capital expenditure by fair value of leased asset or present value of minimum amount which has to repay in accordance with the leased contract whichever amount is lower. The amount which has to repay in each time is divided as liability portion and financial expenditure so that fixed interest rate over outstanding liability obligation burden in accordance with the financial leased contract will be recorded as long term liability. Interest payable will be recorded in the statement of income throughout the leased contract life.

### 3.13 Provisions

A provision is recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event. 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 pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 3.14 Financial instruments

The Company and its subsidiaries have no policy to speculate in and or engage in the trading of any financial derivative instruments.

Details of significant accounting policies and methods adopted, including criteria for recognition of revenues and expenses relating to financial assets and financial liabilities are disclosed in note 28.

### **3.15 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### **3.16 Foreign currency transactions**

Transactions in foreign currencies throughout the years are recorded in Baht at prevailing Bank of Thailand rates at the transaction dates. Outstanding monetary assets and liabilities denominated in foreign currencies at the statement of financial position dates are translated into Baht at the prevailing rates at those dates. Gain or loss arising from translation are credited or charged against current operations.

### **3.17 Employee benefits**

#### **Short-term employment benefits**

The Company and its subsidiaries recognize salary, wage, bonus and contributions to social security fund as expenses when incurred.

#### **Post-employment benefits (Defined benefit plans)**

The Company and its subsidiaries have obligations in respect of the severance payments that it must pay to the employees upon retirement under the Company's and its subsidiaries' article and the 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 plan is calculated based on the actuarial principles by a qualified independent actuary using the projected unit credit method. Such estimates are made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rate.

Actuarial gains and losses for post-employment benefits of the employees will be recognized immediately in other comprehensive income as a part of retained earring.

### **3.18 Operating Lease**

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lesser are classified as operating lease. Lease payments under an operating lease are recognized as expense on a straight-line basis over the lease term.

### **3.19 Income tax**

Income tax comprises current income tax and deferred tax.

### **Current tax**

The Company and its subsidiaries records income tax expense, if any, based on the amount currently payable under the Revenue Code at the income tax rates 20% of net profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exemption or allowable from income tax.

### **Deferred tax**

Deferred tax assets and liabilities are provided on the temporary differences between the carrying amount and the tax bases of assets and liabilities at the end of the reporting period. Changes in deferred tax assets and liabilities are recognized as deferred tax income or deferred tax expenses which are recognized in the profit or loss except to the extent that it relates to items recognized directly in shareholders' equity or in other comprehensive income.

The deductible temporary differences are recognized as deferred tax assets when it is probable that the Company and its subsidiaries will have future taxable profit to be available against which the deferred tax assets can be utilized. The taxable temporary differences on all taxable items are recognized as deferred tax liabilities. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that the Company and its subsidiaries expect to apply to the period when the deferred tax assets are realized or the deferred tax liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

At the end of each reporting period, the carrying amount of deferred tax assets are reviewed and reduced the value when it is probable that the Company and its subsidiaries will have no longer the future taxable profit that is sufficient to be available against which all or some parts of deferred tax assets are utilized.

Deferred tax assets and deferred tax liabilities are offset when there is the legal right to settle on a net basis and they relate to income taxes levied by the same tax authority on the same taxable entity.

## **3.20 Fair value of financial instrument**

The Company and its subsidiaries 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**

- |         |  |
|---------|--|
| Level 1 | Use of quoted prices (unadjusted) in active markets for identical assets or liabilities.   |
| Level 2 | Use of inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices). |
| Level 3 | Use of unobservable inputs such as estimates of future cash flows.   |



### **3.21 Significant accounting judgments and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect amounts reported<sup>8</sup> in the financial statements and disclosures and actual results could differ from these estimates. Significant judgments and estimates are as follows:

#### **3.21.1 Allowance for doubtful accounts**

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.

#### **3.21.2 Allowance for declining in value of inventory**

The determination of allowance for declining in the value of inventory requires management to make judgments and estimates of the loss expected to occur. The allowance for decline in net realizable value is estimated based on the selling price expected in the ordinary course of business less selling expense. The provision for obsolete slow-moving and deteriorated inventory is estimated based on the approximate useful life of each type of inventory. The allowance for diminution in value of inventory as determined is compared with the original balance in the books of account and the increase or decrease in the allowance for diminution in value of inventory will be recognized as cost of sales and service in profit or loss.

#### **3.21.3 Impairment of investment in subsidiary**

The Company reviews the impairment of investment in the subsidiary, which requires management to prepare projections of the cash flows expected to be generated by the investment in the future, and to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### **3.21.4 Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment in evaluating the conditions and details of the agreement whether significant risk and rewards of ownership of the leased asset has been transferred.

#### **3.21.5 Property, plant and equipment/Depreciation**

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

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

#### **3.21.6 Goodwill and intangible assets**

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

### 3.21.7 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 estimated future taxable profits.

### 3.21.8 Post-employment benefits under defined benefit plans

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

## 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash and deposits at financial institutions</b>				
Cash on hand	1,022,928.33	1,470,322.50	519,130.31	412,079.54
Deposits at financial i - current accounts institutions	309,024,517.15	166,266,148.86	1,772,391.09	1,877,098.34
- savings accounts	61,790,677.23	31,275,269.91	18,541,932.55	5,175,615.48
Total	<u>371,838,122.71</u>	<u>199,011,741.27</u>	<u>20,833,453.95</u>	<u>7,464,793.36</u>

## 5. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Note receivable	7,085,690.30	2,848,487.83	-	-
Trade receivable (Note 5.1)	832,254,922.15	497,761,282.35	202,079,902.75	172,026,411.34
Other receivable (Note 5.2)	78,604,952.44	51,865,012.15	31,244,990.42	40,635,861.06
Less allowance for doubtful accounts	<u>(5,802,124.52)</u>	<u>(3,281,533.98)</u>	<u>(1,840,564.14)</u>	<u>(1,278,997.69)</u>
Net	<u>912,143,440.37</u>	<u>549,193,248.35</u>	<u>231,484,329.03</u>	<u>211,383,274.71</u>

Movement of the change in the allowance for doubtful accounts for the years ended December 31, 2016 and 2015 were summarized as follows :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Beginning balance of the year	3,281,533.98	4,497,464.13	1,278,997.69	2,928,285.91
Allowance for doubtful from purchase business	-	921,227.00	-	-
Additional during the year	2,802,580.77	235,828.35	561,566.45	-
Deduction during the year	(123,569.56)	(2,383,157.16)	-	(1,649,288.22)
Difference on translating financial statements	(158,420.67)	10,171.66	-	-
Ending balance at end of year	<u>5,802,124.52</u>	<u>3,281,533.98</u>	<u>1,840,564.14</u>	<u>1,278,997.69</u>

## 5.1 Trade receivable

Trade receivable classified by currency consisted of:

	Consolidated financial statements			
	Foreign currencies		Baht	
	2016	2015	2016	2015
<b>Trade receivable, domestic;</b>				
Baht			276,204,517.44	247,405,449.65
<b>Trade receivable, oversea;</b>				
Baht			421,257.76	1,099,383.00
U.S. Dollars	3,758,111.25	3,515,190.60	134,009,738.49	126,750,980.43
Euro	62,770.35	137,342.98	2,346,299.18	5,367,088.97
Pound	9,521,133.93	2,180,897.76	419,268,845.28	116,685,663.30
Yen	<u>14,000.00</u>	<u>1,527,120.00</u>	<u>4,264.00</u>	<u>452,717.00</u>
Total			<u>832,254,922.15</u>	<u>497,761,282.35</u>

	Separate financial statements			
	Foreign currencies		Baht	
	2016	2015	2016	2015
<b>Trade receivable, domestic;</b>				
Baht	-	-	125,389,328.78	76,258,525.78
<b>Trade receivable, oversea;</b>				
U.S. Dollars	2,084,878.75	2,516,494.70	74,344,274.78	90,400,796.59
Euro	62,770.35	137,342.98	<u>2,346,299.19</u>	<u>5,367,088.97</u>
Total			<u>202,079,902.75</u>	<u>172,026,411.34</u>

Trade receivable classified by ages of accounts consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Not over due	686,806,567.26	349,484,620.46	165,069,943.74	122,043,162.21
Over due not over 1 month	96,578,602.07	118,831,381.66	19,921,031.38	39,739,230.08
Over due 1 months to 2 months	21,082,208.29	24,800,191.55	15,248,363.49	8,818,739.46
Over due 2 months to 3 months	7,041,650.65	1,487,593.21	-	-
Over due 3 months to 6 months	5,057,840.12	1,063,885.33	-	153,285.90
Over due 6 months to 12 months	12,175,977.31	815,517.02	-	893,808.35
Over due 12 months to 24 months	273,984.23	820,204.12	-	-
Over due more than 24 months	3,238,092.22	457,889.00	1,840,564.14	378,185.34
Total	832,254,922.15	497,761,282.35	202,079,902.75	172,026,411.34

## 5.2 Other receivable

Other receivable consisted of :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Prepaid for installation	1,653,692.54	4,284,736.84	1,653,692.54	4,284,736.84
Pom Box	9,770,400.00	10,549,200.00	9,770,400.00	10,549,200.00
Prepaid expenses	47,728,536.48	21,518,878.63	3,311,181.91	4,577,239.71
Accrued interest income	21,312.27	-	268,200.24	4,915,901.52
Advance payment	513,813.75	678,411.93	349,751.75	3,336,769.71
Others	18,917,197.40	14,833,784.75	15,891,763.98	12,972,013.28
Total	78,604,952.44	51,865,012.15	31,244,990.42	40,635,861.06

## 6. INVENTORIES

Inventories consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Finished goods	127,119,323.45	116,437,186.33	34,157,602.61	56,900,983.25
Raw materials	255,756,623.87	168,579,860.20	70,267,827.58	62,911,512.85
Work in process	33,170,742.32	44,001,821.67	6,380,993.35	6,584,860.48
Maintenance and factory supplies	31,972,438.62	28,403,157.03	15,432,955.04	12,803,439.07
Goods in transit	28,480,003.19	12,428,226.43	997,663.62	3,485,222.81
	476,499,131.45	369,850,251.66	127,237,042.20	142,686,018.46
Less allowance for obsolete stock	(29,745,845.93)	(29,888,819.89)	(8,058,789.21)	(10,063,835.79)
Net	446,753,285.52	339,961,431.77	119,178,252.99	132,622,182.67

Movement of the change in the allowance for obsolete stock for the years 2016 and 2015 were as follows :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Beginning balance of the year	29,888,819.89	29,477,403.57	10,063,835.79	11,465,953.62
Allowance for obsolete stock				
From purchase business	-	4,230,091.02	-	-
Additional during the year	8,826,526.72	205,081.93	5,199,760.30	-
Deduction during the year	(8,256,617.88)	(4,041,763.18)	(7,204,806.88)	(1,402,117.83)
Difference on translating financial Statements	(712,882.80)	18,006.55	-	-
Ending balance at end of year	29,745,845.93	29,888,819.89	8,058,789.21	10,063,835.79

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Decline in value of inventory recognized				
as cost of goods sold for the year	8,826,526.72	205,081.93	5,199,760.30	-
Reversal of the decline in values of				
inventory for the year	(8,256,617.88)	(4,041,763.18)	(7,204,806.88)	(1,402,117.83)

## 7. SHORT-TERM LOAN TO SUBSIDIARY

The movement of short-term loan to subsidiary during the year were as follow :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Beginning balance	-	-	2,550,000.00	2,550,000.00
Addition lending during the year	-	-	-	-
Less Receipt of loan during the year	-	-	-	-
Ending balance	-	-	2,550,000.00	2,550,000.00

As at December 31, 2016 and 2015, short-term loan to a subsidiary in promissory note had matured on September 15, 2016 with the interest rate of 1.15% per annum and renewed which will be matures September 15, 2017 with the interest of 1.15% per annum (reference to six-month fixed deposit interest rate)

## 8. OTHER CURRENT ASSETS

Other current assets consisted of :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Value add tax refundable	9,525,585.09	4,873,263.15	6,127,286.98	4,792,467.81
Corporate income tax withhold at source and prepaid income tax	6,517,503.98	1,316,139.86	4,682,526.60	-
Others	569,413.26	1,223,396.67	483,134.99	749,072.11
Total	16,612,502.33	7,412,799.68	11,292,948.57	5,541,539.92

## 9. INVESTMENTS IN SUBSIDIARIES

### 9.1 Investments in subsidiaries consisted of :

		Separate financial statements							
		Percentage of ownership (%)		(Thousand Baht)					
				Paid up shares		At cost method		Dividend	
Type of business	2016	2015	2016	2015	2016	2015	2016	2015	
<u>Local subsidiaries companies</u>									
United Carpet Manufacturing Co., Ltd.	Manufacturing and Sale of carpet	51.00	51.00	20,000	20,000	10,200	10,200	-	-
<u>Less</u> : allowance on impairment of investment						(5,100)	-		
						5,100	10,200		
Royal Thai International Co., Ltd.	Sale of carpet	100.00	100.00	1,000	1,000	1,000	1,000	-	-
T.C.H Suminoe Co., Ltd.	Manufacturing and sale of carpet	49.90	49.90	250,000	250,000	162,175	162,175	51,504	37,008
<u>Overseas subsidiary company</u>									
TCMC Furniture Limited	Holding company in subsidiary (Alston group 76%)	76.00	76.00	48,366 (1 million Pound)	48,366 (1 million Pound)	36,758	36,758	-	-
Manor (2016) Holdings Limited	Holding company in subsidiary (DMM group 75%)	100.00	-	310,528 ( 6.25 million Pound)	-	310,528	-	-	-
Total						515,561	210,133	51,504	37,008

During 2016, the Company has considered the impairment of investment in the subsidiary-United Carpet Manufacturing Co., Ltd. at the rate of 50 percent of such investment or Baht 5.10 million by considering from the future discounted cash flow estimate of the management.

### 9.2 The subsidiaries that have material non-controlling interests

The Company has consolidated T.C.H. Suminoe Limited, TCMC Furniture Limited and Manor (2016) Holdings Limited that have material non-controlling interest:

Name of Company	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Baht			
				Profit(loss) allocated to		Accumulated	
				non-controlling interests		non-controlling interests	
		2016	2015	2016	2015	2016	2015
					(Restated)		(Restated)
T.C.H. Suminoe Limited Thailand	Thailand	51.10	51.10	65,724,340.00	54,180,293.00	250,883,899.16	236,870,679.00
TCMC Furniture Limited	England	24.00	24.00	12,123,148.11	16,899,821.15	39,242,566.12	27,119,418.00
Mano (2016) Holding Limited	England	25.00	-	12,389,968.10	-	35,039,105.86	-
Individually immaterial subsidiaries with non-controlling interests				(450,263.11)	(115,633.64)	2,708,945.97	3,159,213.25
Total				89,787,193.10	70,964,480.51	327,874,517.11	267,149,310.25

Summarized financial information in respect of T.C.H. Suminoe Limited represents amounts before intergroup eliminations.

	Baht	
	2016	2015
Current assets	368,537,033.00	323,872,313.00
Non-current assets	405,218,745.00	451,249,741.00
Current liabilities	230,124,581.00	254,334,144.00
Non-current liabilities	42,895,516.00	47,992,144.00
Non-Controlling interests	250,883,899.16	236,870,679.00
Revenue	1,214,119,930.00	1,017,929,382.00
Profit attributable to the non-controlling interests	66,433,649.00	54,180,293.00
Other comprehensive income (loss) to the non-controlling interests	(709,309.00)	-
Dividends paid to non-controlling interests	37,156,747.00	37,008,410.00
Net cash provided by operating activities	178,364,415.00	198,355,775.00
Net cash used in investing activities	(17,451,526.00)	(11,787,763.00)
Net cash used in financing activities	(164,349,524.00)	(181,619,662.00)
Net cash increase (decrease)	(3,436,635.00)	4,948,349.00

Summarized financial information in respect of TCMC Furniture Limited represents amounts before intragroup eliminations.

	Baht	
	2016	2015 (Restated)
Current assets	306,370,457.23	377,313,448.05
Non-current assets	910,393,343.22	1,179,574,021.72
Current liabilities	201,227,030.73	295,882,469.87
Non-current liabilities	852,026,077.75	1,148,007,424.88
Non-Controlling interests	39,242,566.12	27,119,418.88
Revenue	1,365,440,604.31	749,008,336.34
Profit attributable to the non-controlling interests	18,369,606.36	14,634,089.79
Other comprehensive income (loss) to the non-controlling interests	(6,246,458.25)	877,488.22
Net cash provided by operating activities	175,730,355.68	173,047,787.27
Net cash used in investing activities	(19,469,019.92)	(1,323,059,273.63)
Net cash provided by (used in) financing activities	(172,210,328.43)	1,165,244,353.20
Net cash increase (decrease)	(15,948,992.67)	15,232,866.84
Differences on translating financial statements	(22,417,948.37)	36,190,742.64

Summarized financial information in respect of Manor (2016) Holdings Limited represents amounts before intragroup eliminations.

	Baht	
	2016	2015
Current assets	669,153,924.65	-
Non-current assets	1,134,159,556.34	-
Current liabilities	635,368,138.12	-
Non-current liabilities	828,874,437.48	-
Non-Controlling interests	35,039,105.86	-
Revenue	724,874,569.11	-
Profit (loss) attributable to the non-controlling interests	12,389,968.10	-
Net cash used in operating activities	(251,549,724.27)	-
Net cash used in investing activities	(667,457,361.88)	-
Net cash provided by financing activities	1,150,730,867.03	-
Net cash increase	<u>231,723,780.88</u>	-
Differences on translating financial statements	<u>(33,021,150.36)</u>	-

### 9.3 Acquisition of businesses during the year

On September 1, 2016, the Meeting of the Board of Directors No. 4/2016 passed a resolution to establish 2 subsidiaries, incorporated in England and Welsh. (Note 2.2.1)

On October 25, 2016, the Extraordinary Shareholders' Meeting No. 1/2016 has resolved for DM Midlands Holdings Limited ("DMMH") which is the indirect subsidiary company (England and Wales) of the Company to invest in DM Midland Limited ("DMM") which is registered in England and Wales in proportion of 100 percent of the total shares, DMM invests in other business by investing in shareholding in the proportion of 100% in 4 companies such as (1) Ashley Manor Upholstery Limited, (2) AMX Design Limited, (3) Alexander and James Limited, (4) James Alexander Co., Ltd. The first three companies are registered in England and Wales and the last company is registered in Thailand (hereinafter collectively referred to as "DMM GROUP"). DMM GROUP principally manufactures and sells sofa to customers in United Kingdom. The transaction has total investment value of Pound 35.00 million, or equivalent to Baht 1,608.11 million by purchasing the shares from the Group of Existing Shareholders, who are not related parties with the Company. At the completion date, DMMH will increase the capital by issuing 2,500,000 new shares with the par value of Pound 0.10 per share. Then DMMH will purchase 1,900,562 shares of DMM for the proportion of 100 percent of the total shares from the Group of Existing Shareholders with the total investment value of Pound 35.00 million. The payment will be in cash valuing Pound 26.25 million and in DMMH's shares amounting 2,500,000 shares with the par value of Pound 0.10 per share with premium on share of Pound 8.50 Million, total valuing of Pound 8.75 million.

After the transaction, Manor (2016) Holdings Limited, a subsidiary of the Company and the Group of Existing Shareholders, the seller, will hold shares in DMMH as the proportion of 75:25 and DMMH will hold 100 percent of shares in DMM.

On November 1, 2016, DM Midlands Holdings Limited (“DMMH”) had invested in DM Midland Limited (“DMM”). Presently, the Company is preparing the financial statement information as at the acquisition date and calculates the fair value of the acquired assets and liabilities and the allocation cost of business combination is not finalized. Therefore, the Company still cannot correctly present the transactions necessary for adjustment in accordance with the fair value and the cost allocation for the business combination which is expected to be finished within 12 months.

Therefore, DMM GROUP is indirectly a subsidiary of the Company and is included in the preparation of consolidated financial statements of the Company from November 1, 2016 onwards.

The amounts of assets and liabilities acquired of DMM GROUP as at October 30, 2016 which is the closet to the acquisition date and has been included in the consolidated financial statements of the Company’s group as follows:

	British Pound	Baht
<b>Assets</b>		
Cash and cash equivalents	10,658,317	456,385,936.44
Trade and other receivables	6,916,422	296,159,115.11
Inventories	2,173,361	93,062,666.01
Other current assets	60,875	2,606,649.24
Other long-term investments	65,655	2,811,327.40
Investment property	143,805	6,157,686.96
Property, plant and equipment	319,536	13,682,435.66
Goodwill	546,937	23,419,678.26
<b>Liabilities</b>		
Trade and other payables	17,690,976	757,522,285.02
Income tax payable	342,026	14,645,450.71
Other current liabilities	703,840	30,138,217.65
Employee benefit obligation	32,297	1,382,947.85
Net assets	2,115,769	90,596,593.85
Less Non-controlling interests	(528,942)	(22,649,137.76)
Net assets acquired	1,586,827	67,947,456.09
Total purchase consideration - cash	26,250,000	1,124,017,125.00
Goodwill	24,663,173	1,056,069,668.91
Add Goodwill of subsidiaries	546,937	23,419,678.26
Total goodwill	25,210,110	1,079,489,347.17
Total purchase consideration - cash	26,250,000	1,124,017,125.00
Less cash and cash equivalents in subsidiary acquired	(10,658,317)	(456,385,936.44)
Cash outflow on acquisition of investment, net of cash and cash equivalents acquired	15,591,683	667,631,188.56

At present, the Company is in the process of assessing the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. The assessment process is ongoing and shall be completed within measurement period of one year from the acquisition date pursuant to the period allowed by Thai Financial Reporting Standard No. 3 (revised 2015): Business Combination. During the measurement period, the Company shall retrospectively adjust provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

Acquisition-related costs of Baht 6.32 million had been incurred and recorded as expenses under profit on loss in the consolidated statement of comprehensive income for the period.

#### 9.4 Goodwill from acquisitions of businesses

Good will consisted of :

	Baht	
	Consolidated financial statements	
	2016	2015
		(Restated)
United Carpet Manufacturing Co., Ltd.	-	845,505.77
TCMC Furniture Limited	271,128,113.95	329,422,185.38
Manor (2016) Holdings Limited	1,110,142,319.92	-
Total	1,381,270,433.87	330,267,691.15

Movements of the change in the goodwill were as follows:

- United Carpet Manufacturing Co.,Ltd.

	Baht	
	Consolidated financial statements	
	2016	2015
Goodwill	845,505.77	845,505.77
<u>Less</u> allowance on impairment of goodwill	(845,505.77)	-
Net	-	845,505.77

## TCMC Furniture Limited

	Consolidated financial statements			
	Foreign currency (GBP)		Baht	
	2016	2015	2016	2015
		(Restated)		(Restated)
Balance, beginning of the year	6,157,021.23	-	329,422,185.38	-
Good will from purchase business	-	6,157,021.23	-	329,087,859.12
Differences on translating financial statements	-	-	(58,294,071.43)	334,326.26
Balance, ending of the year	<u>6,157,021.23</u>	<u>6,157,021.23</u>	<u>271,128,113.95</u>	<u>329,422,185.38</u>

## Manor (2016) Holdings Limited

	Consolidated financial statements			
	Foreign currency (GBP)		Baht	
	2016	2015	2016	2015
Balance, beginning of the year	-	-	-	-
Good will from purchase business	25,210,110.00	-	1,079,489,347.17	-
Differences on translating financial statements	-	-	30,652,972.75	-
Balance, ending of the year	<u>25,210,110.00</u>	<u>-</u>	<u>1,110,142,319.92</u>	<u>-</u>

### 9.5 Dividend received during the year

At the Board of Directors Meeting of T.C.H. Suminoe Co., Ltd. No. 1/2016 held on March 15, 2016 and No.2/2016 held on September 16, 2016 the board of directors approved the interim dividend payment from the performance results of the fiscal year 2015, and retained earnings as of June 30, 2016 totaling Baht 51.26 million and Baht 51.95 million, respectively, totaling amount of Baht 103.21 million. This is consisted of the Company's portion in the amount of Baht 51.50 million and non-controlling interests' portion in the amount of Baht 51.71 million.

### 9.6 Guarantee

The share certificates on investment in United Carpet Manufacturing Co., Ltd. of 76,500 shares are used to guarantee the subsidiary's credit line as described in Note 15 to the financial statements.

## 10. PROPERTY PLANT AND EQUIPMENT

Property plant and equipment consisted of:

Baht						
Consolidated financial statements						
Balance per book as at Dec. 31, 2015 (Restated)	Movement during the year					Balance per book as at Dec. 31, 2016
	Additions from purchase business (Note 9.3)	Additions	Deduction	Transferred in (out)	Difference on translating financial statements	
<u>At cost / revaluation</u>						
Land (at revaluation)	-	-	-	-	-	451,373,100.00
Land improvement	-	-	-	-	-	25,717,090.09
Building	-	241,229.18	-	3,693,300.00	(19,882,590.00)	318,381,492.87
Building improvement	-	324,340.00	-	2,871,630.00	(1,893,580.00)	55,720,750.51
Machinery and equipment	25,497,975.22	6,189,472.11	(15,439,950.68)	32,923,337.71	(11,640,848.60)	1,121,200,083.03
Furniture, fixtures and office equipment	32,412,072.18	3,279,607.73	(54,380.00)	7,046,061.00	920,367.07	112,933,267.59
Vehicles	22,204,369.53	20,296,962.41	(10,754,040.11)	-	(12,392,719.39)	124,085,446.29
Construction in progress	-	22,929,651.00	-	(46,534,328.71)	-	2,799,683.98
Total	80,114,416.93	53,261,262.43	(26,248,370.79)	-	(44,889,370.92)	2,212,210,914.36
<u>Accumulated depreciation</u>						
Land improvement	-	(804,744.99)	-	-	-	(14,427,759.47)
Building	-	(9,568,937.43)	-	-	265,262.13	(183,166,147.13)
Building improvement	-	(5,893,102.57)	-	-	314,464.07	(32,940,130.44)
Machinery and equipment	(23,161,603.93)	(65,968,665.66)	6,530,659.53	-	1,144,902.04	(631,268,350.15)
Furniture, fixtures and office equipment	(27,854,257.67)	(5,408,672.43)	54,369.00	-	(788,108.85)	(93,770,627.93)
Vehicles	(15,416,119.67)	(23,790,300.72)	9,584,859.46	-	2,772,130.55	(51,589,732.59)
Total	(66,431,981.27)	(111,434,423.80)	16,169,887.99	-	3,708,649.59	(1,007,162,747.71)
Property plant and equipment, net	13,682,435.66				(41,180,720.98)	1,205,048,166.65

Baht						
Consolidated financial statements						
Balance per book as at Dec. 31, 2014	Movement during the year					Balance per book as at Dec. 31, 2015 (Restated)
	Addition from purchase business	Additions	Deduction	Transferred in (out)	Difference on translating financial statements	
<u>At cost / revaluation</u>						
Land (at revaluation)	-	-	-	-	-	451,373,100.00
Land improvement	-	-	-	10,629,425.70	-	25,717,090.09
Building	112,243,320.00	470,000.00	-	-	114,030.00	334,329,553.69
Building improvement	10,689,840.00	1,616,950.00	(46,800.00)	2,042,195.00	10,860.00	54,418,360.51
Machinery and equipment	86,395,567.49	9,742,202.01	(19,017,372.50)	4,937,395.18	87,757.41	1,083,670,097.27
Furniture, fixtures and office equipment	-	1,591,833.14	(193,087.00)	-	-	69,329,539.61
Vehicles	60,771,740.93	24,441,327.76	(9,422,895.75)	-	61,739.10	104,730,873.85
Machinery in progress	-	5,483,412.35	-	(18,007,265.88)	-	26,404,361.69
Total	270,100,468.42	43,345,725.26	(28,680,155.25)	(398,250.00)	274,386.51	2,149,972,976.71
<u>Accumulated depreciation</u>						
Land improvement	-	(697,057.82)	-	-	-	(13,623,014.48)
Building	-	(9,024,370.68)	33,475.00	-	12,534.85	(173,862,471.83)
Building improvement	-	(5,616,042.17)	-	-	21,765.87	(27,361,491.94)
Machinery and equipment	(18,422,902.34)	(60,705,489.27)	19,134,139.55	-	(256,583.38)	(549,813,642.13)
Furniture, fixtures and office equipment	-	(4,851,031.81)	151,284.00	-	-	(59,773,957.98)
Vehicles	(5,609,569.97)	(13,775,487.83)	8,994,069.96	-	66,146.21	(24,740,302.21)
Total	(24,032,472.31)	(94,669,479.58)	28,312,968.51	-	(156,136.45)	(849,174,880.57)
Property plant and equipment, net	246,067,996.11				118,250.06	1,300,798,096.14

Baht				
Separate financial statements				
Balance per book as at Dec. 31, 2015	Movement during the year			Balance per book as at Dec 31, 2016
	Additions	Deduction	Transferred in (out)	
<u>At cost / revaluation</u>				
Land (at revaluation)	410,000,000.00	-	-	410,000,000.00
Land improvement	25,717,090.09	-	-	25,717,090.09
Building	136,165,503.69	241,229.18	-	136,406,732.87
Building improvement	5,634,306.11	-	-	5,634,306.11
Machinery and equipment	326,858,116.63	1,250,600.00	22,738,720.71	350,847,437.34
Furniture, fixtures and office equipment	50,414,137.51	172,095.70	6,846,061.00	57,432,294.21
Vehicles	17,759,569.40	-	(137,000.00)	17,622,569.40
Construction in progress	22,738,720.69	7,636,061.00	(29,584,781.71)	789,999.98
Total	995,287,444.12	9,299,985.88	(137,000.00)	1,004,450,430.00
<u>Accumulated depreciation</u>				
Land improvement	(13,623,014.48)	(804,744.99)	-	(14,427,759.47)
Building	(112,015,054.24)	(4,547,046.32)	-	(116,562,100.56)
Building improvement	(5,435,125.64)	(128,491.41)	-	(5,563,617.05)
Machinery and equipment	(188,669,108.02)	(15,821,875.00)	-	(204,490,983.02)
Furniture, fixtures and office equipment	(45,270,022.14)	(2,672,574.49)	-	(47,942,596.63)
Vehicles	(7,551,150.22)	(1,978,505.29)	136,999.00	(9,392,656.51)
Total	(372,563,474.74)	(25,953,237.50)	136,999.00	(398,379,713.24)
Property plant and equipment, net	622,723,969.38			606,070,716.76

Baht				
Separate financial statements				
Balance per book as at Dec. 31, 2014	Movement during the year			Balance per book as at Dec. 31, 2015
	Additions	Deduction	Transferred in (out)	
<u>At cost / revaluation</u>				
Land (at revaluation)	410,000,000.00	-	-	410,000,000.00
Land improvement	15,087,664.39	-	10,629,425.70	25,717,090.09
Building	135,695,503.69	470,000.00	-	136,165,503.69
Building improvement	5,634,306.11	-	-	5,634,306.11
Machinery and equipment	322,101,470.02	780,232.79	(285,681.36)	326,858,116.63
Furniture, fixtures and office equipment	49,742,564.15	671,573.36	-	50,414,137.51
Vehicles	15,971,818.68	2,068,330.16	(280,579.44)	17,759,569.40
Machinery in progress	36,074,231.22	1,556,010.35	(14,891,520.88)	22,738,720.69
Total	990,307,558.26	5,546,146.66	(566,260.80)	995,287,444.12
<u>Accumulated depreciation</u>				
Land improvement	(12,925,956.66)	(697,057.82)	-	(13,623,014.48)
Building	(106,743,935.00)	(5,271,119.24)	-	(112,015,054.24)
Building improvement	(5,295,019.14)	(140,106.50)	-	(5,435,125.64)
Machinery and equipment	(172,282,775.98)	(16,641,101.40)	254,769.36	(188,669,108.02)
Furniture, fixtures and office equipment	(42,533,162.55)	(2,736,859.59)	-	(45,270,022.14)
Vehicles	(5,687,705.90)	(2,139,024.71)	275,580.39	(7,551,150.22)
Total	(345,468,555.23)	(27,625,269.26)	530,349.75	(372,563,474.74)
Property plant and equipment, net	644,839,003.03			622,723,969.38

As at December 31, 2016 and 2015, the Company and the subsidiaries had machine and equipment, furniture fixture and office equipment and vehicle, which were the fully depreciated but they are still in use with cost price of Baht 467.63 million and Baht 399.90 million, respectively (for the Company's only amounting to Baht 172.92 million and Baht 161.64 million, respectively).

As at December 31, 2016 and 2015, the Company and its subsidiaries had machinery and vehicles under the finance lease has the net book value of Baht 66.92 million and Baht 119.36 million respectively (for the Company's only amount to Baht 7.15 million and Baht 48.73 million, respectively).

The Company pledged its land together with the construction and machinery total book value amount of Baht 487.38 million to a financial institution for the guarantee of credit facilities as referred to note 15 and 17 and the expectation assets which are not pledged as guaranteed above shall be provided by (Negative Pledge) of credit facilities as discussed in Notes 15 and 17.

On May 27, 2013, the Company hired a local independent appraiser namely; American Appraisal (Thailand) Co., Ltd. to appraise the value of land again based on fair market value by using the market approach. The land has cost amounting to Baht 17.91 million and the reappraisal value amounting to Baht 410.00 million. The land appraisal above is the fair value measurement hierarchy in level 2.

## 11. INTANGIBLE ASSETS

Intangible assets consisted of :

	Baht					
	Consolidated financial statements					
	Balance per book	Movement during the year			Balance per book	
	as at Dec. 31, 2015 (Restated)	Additions	Deduction	Transferred in (out)	Difference on translating financial statements	as at Dec. 31, 2016
<u>At cost</u>						
Software	33,530,092.60	-	-	582,500.00	-	34,112,592.60
Software for digitalization and archives of carpe	9,155,961.36	-	-	-	-	9,155,961.36
Software in progress	518,000.00	64,500.00	-	(582,500.00)	-	-
Customer base	472,574,877.50	-	-	-	(79,407,277.30)	393,167,600.20
Trademark	69,180,025.50	-	-	-	(12,241,994.70)	56,938,030.80
Design	82,234,879.50	-	-		(14,552,162.30)	67,682,717.20
Total	667,193,836.46	64,500.00	-	-	(106,201,434.30)	561,056,902.16
<u>Amortization</u>						
Software	(19,371,282.20)	(3,252,457.04)	-	-	-	(22,623,739.24)
Software for digitalization and archives of carpe	(915,596.16)	-	-	-	-	(915,596.16)
Customer base	(25,508,946.10)	(36,815,632.61)	-	-	5,941,174.36	(56,383,404.35)
Trademark	(3,459,001.28)	(6,180,824.46)	-	-	1,099,121.12	(8,540,704.62)
Design	(8,223,487.95)	(14,694,398.19)	-	-	2,613,069.22	(20,304,816.92)
Total	(57,478,313.69)	(60,943,312.30)	-	-	9,653,364.70	(108,768,261.29)
Intangible assets	609,715,522.77				(96,548,069.60)	452,288,640.87
Less : Allowance for impairment	(8,240,365.20)				-	(8,240,365.20)
Intangible assets - net	601,475,157.57				(96,548,069.60)	444,048,275.67

Baht						
Consolidated financial statements						
Balance per book as at Dec. 31, 2014	Movement during the year					Balance per book as at Dec. 31, 2015 (Restated)
	Addition from purchase business	Additions	Deduction	Transferred in (out)	Difference on translating financial statements	
<u>At cost</u>						
Software	32,720,419.60	-	353,923.00	-	455,750.00	33,530,092.60
Software for digitalization and archives of carpet	9,155,961.36	-	-	-	-	9,155,961.36
Software in progress	-	-	575,500.00	-	(57,500.00)	518,000.00
Customer base	23,841,023.00	448,278,440.40	-	-	455,414.10	472,574,877.50
Trademark	-	69,109,815.60	-	-	70,209.90	69,180,025.50
Design	-	82,151,420.40	-	-	83,459.10	82,234,879.50
Total	65,717,403.96	599,539,676.40	929,423.00	-	398,250.00	667,193,836.46
<u>Amortization</u>						
Software	(15,982,065.13)	-	(3,389,217.07)	-	-	(19,371,282.20)
Software for digitalization and archives of carpet	(915,596.16)	-	-	-	-	(915,596.16)
Customer base	(3,405,860.00)	-	(22,450,412.41)	-	347,326.31	(25,508,946.10)
Trademark	-	-	(3,523,256.91)	-	64,255.63	(3,459,001.28)
Design	-	-	(8,376,250.38)	-	152,762.43	(8,223,487.95)
Total	(20,303,521.29)	-	(37,739,136.77)	-	564,344.37	(57,478,313.69)
Intangible assets	45,413,882.67	599,539,676.40			1,173,427.47	609,715,522.77
Less : Allowance for impairment	(8,240,365.20)	-			-	(8,240,365.20)
Intangible assets - net	37,173,517.47	599,539,676.40			1,173,427.47	601,475,157.57

Baht				
Separate financial statements				
	Balance per book as at Dec. 31, 2015	Movement during the year		Balance per book as at Dec. 31, 2016
		Additions	Deduction	
<u>At cost</u>				
Software	6,808,283.80	-	-	6,808,283.80
Software for digitalization and archives of carpet	9,155,961.36	-	-	9,155,961.36
Total	15,964,245.16	-	-	15,964,245.16
<u>Amortization</u>				
Software	(4,571,660.15)	(553,775.87)	-	(5,125,436.02)
Software for digitalization and archives of carpet	(915,596.16)	-	-	(915,596.16)
Total	(5,487,256.31)	(553,775.87)	-	(6,041,032.18)
Intangible assets	10,476,988.85			9,923,212.98
<u>Less</u> : Allowance for impairment	(8,240,365.20)			(8,240,365.20)
Intangible assets - net	2,236,623.65			1,682,847.78

	Baht			
	Separate financial statements			
	Balance per book as at Dec. 31, 2014	Movement during the year		Balance per book as at Dec. 31, 2015
		Additions	Deduction	
<u>At cost</u>				
Software	6,808,283.80	-	-	6,808,283.80
Software for digitalization and archives of carpet	9,155,961.36	-	-	9,155,961.36
Total	15,964,245.16	-	-	15,964,245.16
<u>Amortization</u>				
Software	(3,837,882.15)	(733,778.00)	-	(4,571,660.15)
Software for digitalization and archives of carpet	(915,596.16)	-	-	(915,596.16)
Total	(4,753,478.31)	(733,778.00)	-	(5,487,256.31)
Intangible assets	11,210,766.85			10,476,988.85
<u>Less : Allowance for impairment</u>	(8,240,365.20)			(8,240,365.20)
Intangible assets - net	2,970,401.65			2,236,623.65

## 12. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as follows :

	Baht			
	Consolidated financial statement		Separate financial statement	
	2016	2015	2016	2015
		(Restated)		
Deferred tax assets	19,094,651.62	22,964,891.50	25,237,516.14	12,106,310.91
Deferred tax liabilities	(157,624,065.03)	(202,083,296.64)	(78,564,484.07)	(78,504,510.60)
	<u>(138,529,413.41)</u>	<u>(179,118,405.14)</u>	<u>(53,326,967.93)</u>	<u>(66,398,199.69)</u>

Changes in deferred tax assets and deferred tax liabilities for the years 2016 and 2015 were summarized as follows :

	Baht				
	Consolidated financial statements				
	Balance per book	Income(expense)during the year		Difference	Balance per book
	as at Dec. 31, 2015	In profit or loss	In other comprehensive income	on translating financial statement	as at Dec. 31, 2016
	(Restated)				
Deferred tax assets :					
Allowance for doubtful	30,602.12	92,536.36	-	-	123,138.48
Allowance for decline in value of obsolete stocks	5,278,483.94	(125,029.44)	-	-	5,153,454.50
Accrued expenses	577,500.80	235,939.76	-	-	813,440.56
Employee benefit obligation	12,821,993.75	1,011,408.35	(821,785.55)	-	13,011,616.55
Other provision	1,072,653.00	(497,698.00)	-	-	574,955.00
Tax losses	21,872,230.80	13,533,372.38	-	(3,870,477.52)	31,535,125.66
Total	41,653,464.41	14,250,529.41	(821,785.55)	(3,870,477.52)	51,211,730.75
Deferred tax liabilities :					
Finance Lease	6,923,292.00	(2,386,694.47)	-	-	9,309,986.47
Capital surplus from land revaluation	78,418,530.60	-	-	-	78,418,530.60
The difference from the fair value adjustment of assets from business combination	117,885,246.35	13,529,357.87	-	(17,877,032.91)	86,478,855.57
Accumulated depreciation	9,999,309.00	(3,192,269.28)	-	-	13,191,578.28
Other	7,545,491.60	4,198,915.13	-	(1,004,383.23)	2,342,193.24
Total	220,771,869.55	12,149,309.25	-	(18,881,416.14)	189,741,144.16

Baht					
Consolidated financial statements					
Balance per book as at Dec. 31, 2014	Addition from purchase business	Income(expense)during the year			Balance per book as at Dec. 31, 2015 (Restated)
		In profit or loss	In other comprehensive income	Differences on translating financial statements	
Deferred tax assets :					
Allowance for doubtful	122,447.08	-	(91,844.96)	-	30,602.12
Allowance for decline in value of obsolete stocks	5,895,481.12	-	(616,997.18)	-	5,278,483.94
Allowance for impairment of intangible asset	1,648,073.04	-	(1,648,073.04)	-	-
Accrued expenses	451,422.08	-	126,078.72	-	577,500.80
Employee benefit obligation	14,699,766.93	-	(1,696,681.73)	(181,091.45)	12,821,993.75
Other provision	-	-	1,072,653.00	-	1,072,653.00
Tax losses	-	17,039,605.00	4,904,766.00	-	21,872,230.80
Total	22,817,190.25	17,039,605.00	2,049,900.81	(181,091.45)	41,653,464.41
Deferred tax liabilities :					
Finance Lease	4,786,439.50	-	(2,136,852.50)	-	6,923,292.00
Capital surplus from land revaluation	78,418,530.60	-	-	-	78,418,530.60
The difference from the fair value adjustment of assets from business combination	13,784,687.00	119,886,555.10	16,170,648.88	-	117,885,246.35
Accumulated depreciation	6,420,358.00	-	(3,578,951.00)	-	9,999,309.00
Other	-	6,867,902.00	(683,070.41)	-	7,545,491.60
Total	103,410,015.10	126,754,457.10	9,771,774.97	-	220,771,869.55

Baht				
Separate financial statements				
Balance per book as at Dec. 31, 2015	Income(expense)during the year		Balance per book as at Dec.31, 2016	
	In profit or loss	In other comprehensive income		
Deferred tax assets :				
Allowance for decline in value of obsolete stocks	2,012,767.17	(401,009.32)	-	1,611,757.85
Accrued expenses	577,500.79	235,939.76	-	813,440.55
Employee benefit obligation	9,516,042.95	680,214.35	(917,311.95)	9,278,945.35
Tax loss	-	13,533,372.39	-	13,533,372.39
Total	12,106,310.91	14,048,517.18	(917,311.95)	25,237,516.14
Deferred tax liabilities :				
Finance Lease	85,980.00	(59,973.47)	-	145,953.47
Capital surplus from land revaluation	78,418,530.60	-	-	78,418,530.60
Total	78,504,510.60	(59,973.47)	-	78,564,484.07

	Baht		
	Separate financial statements		
	Balance per book	Income(expense)during the year	Balance per book
	as at Dec. 31, 2014	In profit or loss In other comprehensive income	as at Dec. 31, 2015
Deferred tax assets :			
Allowance for decline in value of obsolete stocks	2,293,190.73	(280,423.56)	2,012,767.17
Allowance for impairment of intangible asset	1,648,073.04	(1,648,073.04)	-
Accrued expenses	434,757.48	142,743.31	577,500.79
Employee benefit obligation	11,629,621.34	(2,113,578.39)	9,516,042.95
Total	16,005,642.59	(3,899,331.68)	12,106,310.91
Deferred tax liabilities :			
Finance Lease	53,046.50	(32,933.50)	85,980.00
Capital surplus from land revaluation	78,418,530.60	-	78,418,530.60
Total	78,471,577.10	(32,933.50)	78,504,510.60

### 13. BILL OF EXCHANGE USED FOR GUARANTEE

As at December 31, 2016 and 2015, saving account of the Company and fixed deposit one year of a subsidiary was used to secure bank overdrafts and short-term loans that are under credit facilities with a bank in Note 15.

### 14. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Deposits	2,894,796.11	2,723,982.10	907,827.10	907,827.10
Guarantee	553,000.00	553,000.00	-	-
Corporate income tax with held at source	13,158.96	21,511.32	-	-
Other	6,046,888.03	8,947,550.82	-	-
Total	9,507,843.10	12,246,044.24	907,827.10	907,827.10

## 15. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Bank overdrafts and short-term loans from financial institutions consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Bank overdrafts	-	2,557,587.22	-	2,557,587.22
Packing credit	3,300,000.00	11,200,000.00	-	-
Trust receipts	4,117,769.38	2,743,048.78	-	-
Promissory note	60,000,000.00	59,000,000.00	15,000,000.00	19,000,000.00
Bill of exchange	-	40,000,000.00	-	-
Short - term loan	45,000,000.00	-	45,000,000.00	-
Total	112,417,769.38	115,500,636.00	60,000,000.00	21,557,587.22

Trust receipts classified by currency consisted of:

	Consolidated financial statements			
	Foreign currencies		Baht	
	2016	2015	2016	2015
U.S. Dollars	114,374.54	75,662.38	4,117,769.38	2,743,048.78
			4,117,769.38	2,743,048.78

On October 3, 2016, the Company has signed in the short-term credit line agreement with a local commercial bank in the total limit Baht 322.50 million to be used as working capital, investment, business expansion and the normal course of trade and business. The interest rate is MLR-1.75% per annum. As at December 31, 2016, the Company has already drawn out Baht 45 million.

On April 28, 2015, the Company signed a short-term line of credit and overdraft facility agreement with a local commercial bank with the total credit limit of Baht 310 million to be used for working capital, investment, business expansion, and normal course of the business. Such short-term line of credit consisted of:

Type of short-term credit facilities	Interest rate	Credit amount
	(% per annum)	(Million Baht)
(1) Overdrafts	MOR	20
(2) Letter of credit, trust receipt, and limit for promissory note (for Import Open Account)	Market rate	50
(3) Letter of guarantee	1.00	60
(4) Forward contract	Market rate	100
(5) Limit for promissory note	Market rate	30
(6) Bill receivable, bill receivable under letter of credit, packing credit, and limit for promissory note (for Export Open Account)	Market rate	50

On May 21, 2015, the Company has settled the overdraft and short-term loan, terminated the use of all short-term lines of credit granted by a commercial bank with a total credit limit of Baht 210 million and USD 3 million, and redeemed the collateral for such lines of credit.

As at December 31, 2016, the Company and its subsidiaries have short-term credit facilities, in total amount of Baht 1,001 million and USD 15.75 million (the separate : in total amounting to Baht 665.50 million) as follow :

- The Company

The credit facilities amounting to Baht 310 million and Baht 322.50 million were guaranteed by the Company's land and construction and the credit facilities total amount of Baht 33 million has no guarantee.

- A subsidiary

The subsidiary has short-term credit facilities from a local commercial bank in the total amount of Baht 37 million and USD 0.75 million, which consisted of :

Type of short-term credit facilities	Interest rate	Credit amount
	(% per annum)	(Million Baht)
(1) Overdrafts	MOR	2
(2) Letter of credit / Trust receipt / Packing credit / Discounted export bill	LIBOR+2.00 and MOR	25
(3) Letter of guarantee	1.75	10
		(Million USD)
(4) Forward foreign exchange contract		0.75

The credit facilities amounting to Baht 37 million and USD 0.75 million were guaranteed by the subsidiary's machineries and shareholders and the subsidiary's shares certificate for 76,500 shares in Note 6. From this agreement, Thailand Carpet Manufacturing Co., Ltd. and Erawan Holding L.L.C. will retain their shareholding in the subsidiary's capital not less than 51 percent and 19 percent, respectively, and guaranteed by the 1 year fixed deposit.

- Another subsidiary

The subsidiary has short-term credit facilities from local commercial bank in the total amount of Baht 621 million and USD 15 million, which consisted of :

Type of short-term credit facilities	Credit amount
	(Million Baht)
(1) Overdrafts	46
(2) Short-term loan	433
(3) Letter of credit / Trust receipt / Packing credit / Discounted export bill	103
(4) Letter of guarantee	18
(5) Forward foreign exchange contract	6
	(Million USD)
(6) Forward foreign exchange contract	15

The credit line from the bank amounting to Baht 621 million and USD 15 million specifies a condition that throughout the agreement term the company will not mortgage the existing and future land, building and machinery to guarantee with other creditor before receiving consent from the financial institution and to maintain the shareholders of the subsidiary. If there is a change of shareholders and structure of the operation of the subsidiary, the subsidiary has to inform the bank and receive consent from the bank first.

- Another subsidiary

On January 11, 2016, a subsidiary has entered into a credit facility agreement to issue the letter of guarantee with a local commercial bank amounting to Baht 30 million which is guaranteed by the Company.

## 16. TRADE AND OTHER PAYABLE

Trade and other payable consisted of :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade payable	492,801,598.59	199,675,387.19	36,908,939.44	27,511,909.95
Other payable (Note 16.2)	372,740,153.37	94,671,620.65	27,828,616.53	27,355,396.18
Customers' domestic (Note 16.3)	27,972,565.97	34,290,007.55	18,336,369.89	17,969,198.78
Total	893,514,317.93	328,637,015.39	83,073,925.86	72,836,504.91

### 16.1 Trade and other payables

Trade and other payables classified by currency consisted of :

	Consolidated financial statements			
	Foreign currencies		Baht	
	2016	2015	2016	2015
Trade and other payables, domestic;				
Baht			501,865,765.96	192,103,051.04
Trade and other payables, oversea;				
U.S. Dollars	1,674,989.00	853,421.15	60,059,660.70	30,939,760.51
Euro	12,890.00	11,587.50	491,575.63	461,200.59
Pound sterling	7,528,584.04	1,909,224.16	324,657,450.64	102,156,562.25
Yen	20,684,680.63	9,831,156.00	6,439,865.00	2,976,441.00
			893,514,317.93	328,637,015.39

	Separate financial statements			
	Foreign currencies		Baht	
	2016	2015	2016	2015
Trade and other payables, domestic;				
Baht			46,414,667.05	49,185,060.67
Trade and other payables, oversea;				
U.S. Dollars	996,707.92	617,605.95	35,661,782.75	22,390,563.06
Euro	12,890.00	11,587.50	491,575.63	461,200.59
Pound sterling	11,374.30	14,826.94	505,900.43	799,680.59
			<u>83,073,925.86</u>	<u>72,836,504.91</u>

## 16.2 Other payable

Other payable consisted of :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Accrued expenses	83,660,965.81	78,743,691.91	13,771,914.35	11,276,267.62
Other payable	289,079,187.56	15,927,928.74	14,056,702.18	16,079,128.56
Total	<u>372,740,153.37</u>	<u>94,671,620.65</u>	<u>27,828,616.53</u>	<u>27,355,396.18</u>

## 16.3 Customers' deposit

Customers' deposit consisted of :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Customers' deposit				
Domestic	12,480,456.01	22,607,138.89	4,014,337.76	6,477,332.32
Oversea	15,492,109.96	11,682,868.66	14,322,032.13	11,491,866.46
Total	<u>27,972,565.97</u>	<u>34,290,007.55</u>	<u>18,336,369.89</u>	<u>17,969,198.78</u>

## 17. LONG-TERM LOAN FROM FINANCIAL INSTITUTION

Long-term loans from financial institutions consisted of :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Ending balance	1,735,040,180.00	1,068,153,850.00	400,761,500.00	420,761,500.00
<u>Less</u> : Deferred financial cost	<u>(19,127,911.93)</u>	<u>(14,229,243.20)</u>	<u>(573,291.69)</u>	<u>(678,625.77)</u>
	1,715,912,268.07	1,053,924,606.80	400,188,208.31	420,082,874.23
<u>Less</u> : Current portion due within 1 year	<u>(184,119,250.14)</u>	<u>(111,653,168.66)</u>	<u>(64,894,953.95)</u>	<u>(19,894,666.16)</u>
Long-term loans, net	<u>1,531,793,017.93</u>	<u>942,271,438.14</u>	<u>335,293,254.36</u>	<u>400,188,208.07</u>

Movement of long-term loans from a financial institution for the year ended December 31, 2016 was summarized as follows:

	Consolidated financial statements		Separate financial statement
	Pounds	Baht	Baht
Beginning balance	12,100,000.00	1,068,153,850.00	420,761,500.00
<u>Add</u> : Additional loans during the year - Baht			
- Pound	20,000,000.00	856,394,000.00	-
<u>Less</u> : Repayment during the year - Baht		(20,000,000.00)	(20,000,000.00)
- Pound	(1,800,000.00)	(86,975,235.00)	-
Differences on translating financial statements		(82,532,435.00)	-
Ending balance	30,300,000.00	1,735,040,180.00	400,761,500.00

As at December 31, 2016, the Company and its subsidiaries have a total of five long-term loans with a local commercial bank and overseas branch, totaling Baht 600 million and Pounds 13 million (the separate : amounting to Baht 600 million), of which Baht 556 million and Pounds 13 million have already been drawn down. The abovementioned long-term loans are secured by land with structures, and machinery of the Company whereas the overseas subsidiary company's loan is guaranteed by the Company.

**Long-term loans from financial institutions balance at end of period as follows:**

**The Company**

On April 28, 2015, the Company has entered into a short-term loan agreement with a local commercial bank, totaling Baht 600 million to acquire Alstons Furniture Group Limited. The agreement term of such loan is seven years and the interest rate is equal to MLR - 1.75% per annum. The interest will be paid on a monthly basis with the first interest payment made on the last day of the month of the first withdrawal of the loan. Repayment of the principal is to be made every six months. In total, payment will be made in 14 installments with the first payment made on the last day of the sixth month from the month of the first withdrawal of the loan. Next payment will be made every six months with the following amounts paid:

Installment	Amount per installments (Baht)
1 - 2	5,000,000.00
3 - 4	15,000,000.00
5 - 12	50,000,000.00
13	80,000,000.00
14 (last payment)	All outstanding amount

As at December 31, 2016, the total amount of principal withdrawn is Baht 555.76 million. The Company has to comply with the following conditions stated in the loan agreement as follows :

1) The Company shall proceed to have Srivikorn family members hold aggregate shares in the Company (the debtor) in a proportion of not less than 30 percent of the issued and paid-up share capital.

2) The Company shall keep the debt-to-equity ratio to not exceed 1.75.

On October and December 2015, the Company has paid the bank loan before the due date under the agreement of the bank amounting to Baht 130 million.

The abovementioned loan is secured by land with structures, and machinery owned by the Company.

### **Overseas subsidiary No.1**

On April 28, 2015, the subsidiary company, TCMC Furniture Limited, has entered into a long-term loan agreement with a foreign branch of a Thai commercial bank, amounting to Pounds 13 million, to acquire Alstons Furniture Group Limited. The agreement term is five years with interest rate at LIBOR+margin per annum. An interest for the first period of interest payment will be calculated from the day on which the loan is drawn down to the end of the day on which the first interest payment is to be made. The interest will be paid on a quarterly basis from the date of first drawdown of the loan. Repayment of the principal is to be made on a quarterly basis in a total of 21 periods with the first payment being made on the last day of the third month from the month of the first drawdown of the loan. Next payment will be made every three months in the following amounts:

Period	Amount (Pound)
1 - 20	450,000.00
21 (last payment)	4,000,000.00

The subsidiary company has drawn down the whole amount of the principal.

The subsidiary company shall keep the debt-to-equity ratio to not exceed 2.00.

The abovementioned loan is guaranteed by the parent company.

### **Overseas subsidiary No.2**

On October 4, 2016, the subsidiary company, Manor (2016) Holdings Limited, has entered into a long-term loan agreement with a foreign branch of a Thai commercial bank, amounting to Pounds 20 million, to acquire DM Midlands Limited. The agreement term is five years with interest rate at LIBOR+margin per annum. An interest for the first period of interest payment will be calculated from the day on which the loan is drawn down to the end of the day on which the first interest payment is to be made. The interest will be paid on a quarterly basis from the date of first drawdown of the loan. Repayment of the principal is to be made on a quarterly basis in a total of 26 periods with the first payment being made on the last day of the third month from the month of the first drawdown of the loan. Next payment will be made every three months in the following amounts:

Period	Amount (Pound)
1 - 13	500,000.00
14 - 26	600,000.00
27 (last payment)	5,700,000.00

The subsidiary company has drawn down the whole amount of the principal.

The subsidiary company shall keep the debt-to-equity ratio as follow:

	Ratio not exceed
Before the first anniversary of the drawdown	3.45
Before the second anniversary of the drawdown	2.80
Before the third anniversary of the drawdown	2.20
Before the fourth anniversary of the drawdown	1.70
After the fourth anniversary of the drawdown	1.40

The abovementioned loan is guaranteed by the parent company.

## 18. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

Liabilities under finance lease agreements consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Liabilities under finance lease agreements				
- Axmister and Latex Shearing Machine				
( Note 18.1)	-	20,926,508.38	-	20,926,508.38
- Other machine (Note 18.2)	9,622,245.00	32,706,033.00	-	-
- Vehicle (Note 18.3)	10,903,462.43	14,644,578.45	6,148,950.43	9,019,212.45
Total	20,525,707.43	68,277,119.83	6,148,950.43	29,945,720.83
<u>Less</u> Deferred interest	(804,285.30)	(3,235,990.05)	(241,028.30)	(1,348,151.05)
Undue value added tax	(181,693.33)	(298,849.69)	(181,693.33)	(298,849.69)
	19,539,728.80	64,742,280.09	5,726,228.80	28,298,720.09
<u>Less</u> Portion due within one year	(13,911,384.53)	(30,497,751.49)	(3,043,854.53)	(7,337,740.49)
Net	5,628,344.27	34,244,528.60	2,682,374.27	20,960,979.60

	Baht							
	Consolidated financial statements							
	2016				2015			
	Principal	Deferred interest	Undue value Added tax	Net	Principal	Deferred interest	Undue value Added tax	Net
Due within 1 years	13,911,384.53	544,452.05	153,957.30	14,609,793.88	30,497,750.49	2,027,221.23	117,153.36	32,642,125.08
Due over 1 year but not over 5 years	5,628,344.27	259,833.25	27,736.03	5,915,913.55	34,244,529.60	1,208,768.82	181,696.33	35,634,994.75
Total	19,539,728.80	804,285.30	181,693.33	20,525,707.43	64,742,280.09	3,235,990.05	298,849.69	68,277,119.83

	Baht							
	Separate financial statements							
	2016				2015			
	Principal	Deferred interest	Undue value Added tax	Net	Principal	Deferred interest	Undue value Added tax	Net
Due within 1 years	3,043,854.53	169,905.05	153,957.30	3,367,716.88	7,337,740.49	647,025.23	117,153.36	8,101,919.08
Due over 1 year but not over 5 years	2,682,374.27	71,123.25	27,736.03	2,781,233.55	20,960,979.60	701,125.82	181,696.33	21,843,801.75
Total	5,726,228.80	241,028.30	181,693.33	6,148,950.43	28,298,720.09	1,348,151.05	298,849.69	29,945,720.83

The Company and its subsidiary have finance lease agreements with various leasing companies to rent machines and vehicles for use in their operations, as follows :

### 18.1 Machine lease agreements

According to the Board of Directors' Meeting No. 1/2016 dated February 25, 2016, it has a resolution to adjust account payable machinery from terminating the agreements with the company parties in overseas. The reason is that such company has the volume of orders below the minimum volume that is specified in the agreement for several years (according to the agreement it has specified the orders below the minimum volume over 2 years. The company can cancel the agreement and seize the machinery). The Company has prepared the documentation to cancel the agreement by submitting the Termination Letter on December 11, 2015, the Company has negotiated and prepared the consent letter dated March 15, 2016 to the company party overseas to terminate the agreement and seize the machinery without claim. Such cancellation has resulted in the Company to amortize the account payable for machinery net deferred interest at the amount of GBP 282,472.00 or Baht 15.23 million. However, the Company has recorded as gain from cancelled of financial lease in the statement of comprehensive income for the year ended December 31, 2016.

### 18.2 Other machine lease agreements

As at December 31, 2016 and 2015, the subsidiary has a machinery lease agreements in the form of financial lease with several local leasing companies under 4 lease agreements. The lease payment is paid monthly for 60 installments at Baht 1.92 million (including VAT) per installment. The subsidiary has to comply with the conditions and restrictions as specified in the agreement.

### 18.3 Vehicle lease agreements

As at December 31, 2016 and 2015, the Company and its subsidiary have vehicle lease agreements in the form of financial lease with local leasing companies under 11 and 10 lease agreements, respectively (for the Company only 6 lease agreements). The lease payment is paid monthly for 48 installments at Baht 0.37 million and Baht 0.36 million (including VAT) per installment, respectively (for the Company only at Baht 0.24 million). The Company and its subsidiary have to comply with the conditions and restrictions as specified in the agreement

## 19. EMPLOYEE BENEFIT OBLIGATIONS

### The statements of financial position

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Beginning balance	64,275,257.77	73,664,124.68	47,580,214.77	58,148,106.72
Employee benefit obligations from purchase business	1,382,948.00	-	-	-
Benefits paid by the plan during the year	(4,950,964.25)	(17,732,483.95)	(3,006,874.25)	(17,732,483.95)
Current service costs and interest during the year	10,464,636.66	9,249,074.31	6,407,946.00	7,164,592.00
Actuarial gain (losses)	(4,108,928.77)	(905,457.27)	(4,586,559.77)	-
Differences on translating financial statements	36,935.14	-	-	-
Ending balance	67,099,884.55	64,275,257.77	46,394,726.75	47,580,214.77

### Expense recognized in the statements of comprehensive income:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Current service costs				
Cost of sales	5,799,528.70	5,487,156.09	3,690,811.00	4,356,480.00
Administrative expenses	3,637,783.96	2,626,787.08	1,738,269.00	1,762,363.00
Management and directors' benefit expenses	1,027,324.00	1,135,131.14	978,866.00	1,045,749.00
Total	10,464,636.66	9,249,074.31	6,407,946.00	7,164,592.00

### Principal actuarial assumptions at the reporting date

	Percentage			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Discount rate	2.46 - 3.61	3.25 - 3.61	2.46	3.43
Salary increase rate	3.00 - 5.00	3.00 - 5.00	4.00	4.00
Employee turnover rate	0.00 - 80.00	0.00 - 80.00	0.00 - 36.00	0.00 - 36.00
Disability	4.00 - 5.00	5.00	5.00	5.00

## Sensitivity analysis

A reasonable change in each assumption (assumed other assumption remain unchanged) related to the actuarial basis estimation as at the reporting date will have effects on the employee benefit obligations as at December 31, 2016 as follows:

	Baht			
	Consolidated financial statements		Separate financial statements	
	Increase	Decrease	Increase	Decrease
Discount rate (percentage of change 1)	(3,795,217.00)	4,200,257.00	(2,624,517.00)	2,893,495.00
Future salary increase rate (percentage of change 1)	3,040,315.00	(2,802,360.00)	1,752,854.00	(1,626,155.00)
Staff turnover rate (percentage of change 1)	(2,528,899.00)	1,350,898.00	(1,417,840.00)	701,154.00

## 20. CAPITAL MANAGEMENT

The primary objective of capital management of the Company and its subsidiaries is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern. According to the statement of financial position as at December 31, 2016, the Group's debt to equity ratio was 1.80 : 1 (as at December 31, 2015 was 1.36 : 1) and the Company's was 0.54 : 1 (as at December 31, 2015 was 0.64 : 1).

## 21. SHARE CAPITAL

At the Extraordinary Meeting of Shareholders of the Company, held on August 9, 2013, the shareholders approved the issuance of registered and transferable warrants to purchase new ordinary shares of the Company No.1 to the Company's existing shareholders (TCMC-W1) in a ratio of 2 warrants for every 1 existing ordinary shares, without specifying the offering price. The warrant details are as follows:

Date of grant	August 26, 2013
Date registered	September 17, 2013
Number of grant	171,110,775 units
Warrant maturity	3 years from the issuance and offering date of the warrants
Exercise period	Last business day of March and September. The first exercise date is the last business day of March 2014, which is March 31, 2014 and the last exercise date is 3 years maturity date of the warrants from the date of issuance and offering the warrant, which is August 26, 2016.
Exercise price	2 Baht per ordinary share
Exercise ratio	1:1

The numbers of warrants offered originally were 171,118,620 units. Later, the cancellation were 7,845 units, therefore, the remaining of warrants to the existing shareholders were 171,110,775 units.

**Changes in the Company's warrants for the years ended December 31, 2016 and 2015 were summarized as follows :**

Warrant	Units			
	Number of warrants outstanding as at December 31, 2015	Number of warrants exercised during the year	Number of warrants expired during the year	Number of warrants outstanding as at December 31, 2016
TCMC-W1	127,312,004	(122,756,639)	(4,555,365)	-
Total	127,312,004	(122,756,639)	(4,555,365)	-

Warrant	Units			
	Number of warrants outstanding as at December 31, 2014	Number of warrants exercised during the year	Number of warrants expired during the year	Number of warrants outstanding as at December 31, 2015
TCMC-W1	171,098,218	43,786,214	-	127,312,004
Total	171,098,218	43,786,214	-	127,312,004

Exercise date	Registration of share increasing date	Number of exercised warrant	Baht		
			2016		
			Share capital increase	Share premium account	Amount
March 31, 2016	April 8, 2016	2,450,000	2,695,000.00	2,205,000.00	4,900,000.00
August 26, 2016	September 5, 2016	120,306,639	132,337,302.90	108,275,975.10	240,613,278.00
Total		122,756,639	135,032,302.90	110,480,975.10	245,513,278.00

Exercise date	Registration of share increasing date	Number of exercised warrant	Baht		
			2015		
			Share capital increase	Share premium account	Amount
March 31, 2015	April 8, 2015	14,128,500	15,541,350.00	12,715,650.00	28,257,000.00
September 30, 2015	October 5, 2015	29,657,714	32,623,485.40	26,691,942.60	59,315,428.00
Total		43,786,214	48,164,835.40	39,407,592.60	87,572,428.00

The last exercise warrants date is on August 26, 2016.

## 22. REGAL RESERVE

Under the provision to the Public Limited Companies, the Company is required to set aside as statutory reserve at least 5% of its net income after deduction accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The legal reserve is not available for dividend distribution.

At the Annual General Meeting of Shareholders of the Company No.1/2016, held on April 26, 2016, the shareholders approved the dividend payment to the shareholders for the performance results of the fiscal year 2015, at the rate of Baht 0.12 per share, totaling Baht 46,324,321.32 and the appropriation of profits as a legal reserve in the total amount of Baht 3,660,660.00. The Company fixed the names of shareholders who are entitled to receive dividends, whose names appear in the Register of Shareholders on March 15, 2016, which the Company has paid the dividends on May 25, 2016.

At the Annual General Meeting of Shareholders of the Company No.1/2015, held on April 22, 2015, the shareholders approved the appropriation of profits as a legal reserve in the total amount of Baht 1.51 million.

## 23. OPERATING SEGMENT

The Company and its subsidiaries operate in 3 main report by products operating segments in a main geographical areas, Thailand and England as follows :

Type of operating segment	Nature of operating segment
- Production segments of carpet with hand-woven and machine-woven	- Carpet with hand-woven and machine-woven for indoor decoration including carpet pad materials, which located in Thailand
- Production segment of carpet and upholstery fabrics	- Carpet for the floors inside vehicles, vehicles upholstery fabrics, fabrics and carpets used in making furniture and decoration, which located in Thailand
- Production segment of sofa chair	- Sofa chair for interior decoration, which located in England

The operating segment's performance is regularly reviewed by the chief operating decision maker who is the Executive Directors in order to make decisions about the allocation of resources to the segment and assess its performance. The Company and its subsidiaries assess the performance of the operating segment by using the operating profit or loss as the same basis to assess operating profit or loss in the financial statements.

**Details of financial information by segment operations for the years ended December 31, 2016 and 2015 were as follows :**

	Baht							
	Consolidated financial statements							
	Carpets with hand - woven and machine - woven		Carpet and upholstery fabrics		Sofa chair		Total	
	2016	2015	2016	2015	2016	2015 (Restated)	2016	2015 (Restated)
Revenue from sales and services	584,019,604.22	611,092,084.50	1,201,936,396.00	1,006,337,751.00	2,086,116,727.78	748,617,109.31	3,872,072,728.00	2,366,046,944.81
Cost of sales and services	440,618,194.28	453,071,789.57	927,125,148.00	770,594,317.00	1,493,085,873.60	502,952,655.44	2,860,829,215.88	1,726,618,762.01
Gross profit	143,401,409.94	158,020,294.93	274,811,248.00	235,743,434.00	593,030,854.18	245,664,453.87	1,011,243,512.12	639,428,182.80
Other income	23,197,372.38	18,708,464.72	12,183,534.00	11,591,631.00	4,198,445.64	391,227.03	39,579,352.02	30,691,322.75
Selling expense	81,029,197.14	87,545,601.99	39,043,624.00	33,215,260.00	227,681,697.67	82,410,817.87	347,754,518.81	203,171,679.86
Administrative expenses	65,819,820.28	56,899,900.98	79,990,330.00	73,378,258.00	202,336,846.20	99,426,835.10	348,146,996.48	229,704,994.08
Finance cost	21,140,113.75	18,291,847.13	3,207,453.00	5,433,423.00	26,347,015.77	13,978,940.27	50,694,582.52	37,704,210.40
(Income) tax expenses	13,626,305.18	(11,704,079.21)	(32,151,281.22)	(27,163,826.00)	(14,057,756.30)	19,884,684.33	(32,582,732.34)	(18,983,220.88)
Profit for the year	12,235,956.33	2,287,330.34	132,602,093.78	108,144,298.00	126,805,983.88	70,123,771.99	271,644,033.99	180,555,400.33

**Information about geographical areas**

The Company and its subsidiaries' revenue from sales separated by geographical area for the years ended December 31, 2016 and 2015, were summarized as follows :

	Baht	
	Consolidated financial statements	
	2016	2015
Thailand	1,252,834,462.40	1,103,567,670.74
United Kingdom	2,089,342,424.70	808,158,734.39
Other	529,895,840.90	454,320,539.68
Total	3,872,072,728.00	2,366,046,944.81

Non-current assets of the Company and its subsidiaries separated by geographical area as at December 31, 2016 and 2015 were as follows :

	Baht	
	Consolidated financial statements	
	2016	2015
Thailand	1,252,834,462.40	1,103,567,670.74
United Kingdom	2,089,342,424.70	808,158,734.39
Other	529,895,840.90	454,320,539.68
Total	3,872,072,728.00	2,366,046,944.81

	Baht					
	Consolidated financial statements					
	Thailand				England	
	Carpets with hand-woven and machine-woven		Carpet and upholstery fabrics		Sofa chair	
	2016	2015	2016	2015	2016	2015 (Restated)
Property, plant and equipment	613,978,926.07	631,108,648.59	379,966,902.00	420,126,437.00	211,102,338.58	249,563,010.55
Intangible assets	1,693,420.36	2,297,962.40	23,418,876.00	29,408,151.00	418,935,979.31	569,769,044.17
Total	615,672,346.43	633,406,610.99	403,385,778.00	449,534,588.00	630,038,317.89	819,332,054.72

### Information about major customers

The Company and its subsidiaries' revenue from sales and services from their major customers that has the value from 10 percent of the revenue from sale and service of each Company's Group for the year ended December 31, 2016 and 2015, were summarized as follows

Type of customers	Baht	
	Consolidate financial statement	
	2016	2015
- Carpet and upholstery fabrics		
Automobile	129,267,711.00	118,754,476.00
- Sofa chair		
Show room for trading furniture	419,592,177.44	213,176,662.12

## 24. RELATED PARTIES TRANSACTION

The Company and its subsidiaries have certain transaction with its related parties, such transactions comply with commercial terms and based on the agreed upon between the Company and related parties as an ordinary course of business.

The nature of relationship with related parties can be summarized as follows:

Name of related parties	Type of business	Nature of relationship
<u>Direct subsidiaries</u>		
United Carpet Manufacturing Co., Ltd.	Manufacturing and selling of carpet	The same director
Royal Thai International Co., Ltd.	Selling of carpet	The same director
T C H Suminoe Co., Ltd.	Manufacturing and selling of automotive textile	The same director
TCMC Furniture Limited	Holding company in subsidiary	The same director
Manor (2016) Holdings Limited	Holding company in subsidiary	The same director
<u>Indirect subsidiaries</u>		
Alstons Furniture Group Limited	Holding company in subsidiary (year 2016, formally dissolved)	The same director
Alstons (Upholstery) Limited	Manufacturing and distributing of sofa chair	The same director
Alstons (Cabinets) Limited	Manufacturing of wooden frame for sofa chair	The same director

Name of related parties	Type of business	Nature of relationship
Nacton Road Developments Limited	Non-operating (year 2016, formally dissolved)	The same director
DM Midlands Holdings Limited	Holding company in subsidiary	The same director
DM Midlands Limited	Holding company in subsidiary	The same director
Ashley Manor Upholstery Limited	Manufacturing of wooden frame for sofa chair	The same director
AMX Desing Limited	Distributor sofa chair	The same director
Alexander and James Limited	Distributor sofa chair	The same director
James Alexander Company Limited	Research and product development center	The same director
<u>Related companies</u>		
President Hotel and Tower Co.,Ltd.	Hotel	The Company's Shareholder and Co-director
Philippines Carpet Manufacturing Corp.,	Manufacturing and selling of yarn	The Company's Shareholder
Royal Thai L.L.C. (UAE)	Selling of carpet	The Company's Shareholder
Decorative Carpet, Inc. (USA)	Interior	Co-shareholder with the subsidiary
Erawan Holding L.L.C. (USA)	Interior	Shareholder in the subsidiary
Suminoe Textile Co., Ltd. (Japan)	Manufacturing and selling of automotive textile and interior material for train, bus, ship and aircraft	Shareholder in the subsidiary
Thai Lee Hong Trading Co., Ltd. (China)	Trading	Director (advisor) of subsidiary
Suminoe Textile Shanghai Co., Ltd. (china)	Manufacturing and selling of automotive textile	Co-shareholder with the subsidiary
SPM Automotive Textile Co., Ltd.	Manufacturing and selling of automotive textile	Co-shareholder with the subsidiary
Suminoe Textile of America Corp. (USA)	Manufacturing and selling of automotive textile	Co-shareholder with the subsidiary
P.T. Suminoe Surya Techno (Indonesia)	Manufacturing and selling of automotive textile	Co-shareholder with the subsidiary
Suminoe Teijin Techno Krishna India., Ltd (India)	Manufacturing and selling of automotive textile	Co-shareholder with the subsidiary
<u>Related persons</u>		
Key management personnel		Persons having authority and responsibility for management
Shareholder		Shareholder of the Company

**The Company and its subsidiaries have the policy in pricing for transaction with related parties as follows:**

Transactions	Pricing policies
Revenue from sales of goods	According to general trade practice and approximate to market price
Revenue from hiring and service	According to agree upon rate and approximate to market price
Cost of purchase goods	According to general trade practice and approximate to market price
Service cost	According to agree upon rate and approximate to market price
Marketing expense	According to agree upon rate and approximate to market price
Technical assistance fee	According to agree upon rate and approximate to market price
Interest	According to market interest rate
Compensation to director	According to be approved by director and/or share holders

**Balance with the related parties as at December 31, 2016 and 2015 consisted of :**

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Assets</b>				
Trade and other receivable				
Subsidiaries				
United Carpet Manufacturing Co., Ltd.	-	-	1,774,976.21	3,430,995.94
Royal Thai International Co., Ltd.	-	-	110,832,008.42	73,551,217.12
TCMC Furniture Limited.	-	-	259,603.42	4,907,223.15
Manor (2016) Holding Limited	-	-	6,323,997.27	-
DM Middands Limited	-	-	480,319.84	-
	<u>-</u>	<u>-</u>	<u>119,670,905.16</u>	<u>81,889,436.21</u>
Related parties				
Decorative Carpet Inc.	2,055,001.99	5,074,567.25	-	-
Suminoe Textile Co., Ltd	6,603.00	1,468,345.00	-	-
Royal Thai LLC.	8,401,814.90	3,595,485.86	8,401,814.90	3,595,485.86
PT. Sumione Surya Techno	30,143.00	81,618.00	-	-
Suminoe Teijin Techno Krishna India Pvt., Ltd	-	78,661.00	-	-
	<u>10,493,562.89</u>	<u>10,298,677.11</u>	<u>8,401,814.90</u>	<u>3,595,485.86</u>
	<u>10,493,562.89</u>	<u>10,298,677.11</u>	<u>128,072,720.06</u>	<u>85,484,922.07</u>
Short-term loans				
Subsidiary				
United Carpet Manufacturing Co., Ltd.	<u>-</u>	<u>-</u>	<u>2,550,000.00</u>	<u>2,550,000.00</u>

As at December 31, 2016, short-term loan to subsidiary is presented in the form of promissory note, maturity on September 15, 2017 with the interest of 1.15% per annum (reference for six-month fixed deposit interest rate)

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Long-term loans				
Subsidiary				
TCMC Furniture Limited				
Beginning balance	-	-	493,575,180.00	-
Add : Additional loans during the year	-	-	-	519,003,340.00
Less : Repayment during the year	-	-	(46,626,661.29)	(47,642,884.73)
Add (less) : Exchange rate difference	-	-	(82,505,186.71)	22,214,724.73
Ending balance	-	-	364,443,332.00	493,575,180.00
Less : Current portion within 1 year	-	-	(39,960,949.79)	(49,888,244.00)
Ending balance, net	-	-	324,482,382.21	443,686,936.00

\*During of 2016, BREXIT occurred in United Kingdom and caused fluctuation in the pound value. The pound depreciates and has an impact on pound currency long-term loan to incur loss from exchange rate as at the end of year in the amount of Baht 82.51 million.

On June 19, 2015, the Company has entered into two agreements to provide long-term loans to the subsidiary to acquire Alstons Furniture Group Limited, totaling 10.24 million pounds as follows:

1) A loan amounting to 1.88 million pounds, bearing a fixed interest rate of 8% per annum: payment of the interest is scheduled to be made on an annual basis on the 30th day of June of every year. The principal is repayable on a quarterly basis. As at December 31, 2016 the Company repaid completely the principal Pound 1.88 million.

2) A loan amounting to 8.36 million pounds, bearing a fixed interest rate of 2% per annum: payment of the interest is scheduled to be made on an annual basis on the 30th day of June of every year. Repayment of the principal shall begin after completion of payment of the principal of the 1.88 million pound loan. The principal amount to be paid in each period is not specifically identified in the agreement, but it is agreed on a yearly basis based on the projected cash flows of the subsidiary.

The abovementioned loans are not secured.

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Liabilities</b>				
Trade and other payable				
Subsidiaries				
United Carpet Manufacturing Co., Ltd.	-	-	84,350.75	3,125,402.93
Royal Thai International Co., Ltd.	-	-	3,981,694.72	6,076,703.74
	-	-	4,066,045.47	9,202,106.67
Related parties				
Decorative Carpet Inc.	402,508.31	-	-	-
Suminoe Textile Co., Ltd	7,580,568.00	6,146,959.00	-	-
Suminoe Textile Shanghai Co., Ltd.	5,466,266.00	981,120.00	-	-
SPM Automotive Textile Co., Ltd.	6,273,806.00	578,707.00	-	-
Suminoe Textile of America Corp.	1,446,069.00	735,137.00	-	-
Erawan Holding L.L.C.	28,582.66	17,927.26	-	-
Other shareholders	5,056.86	5,057.01	-	-
	21,202,856.83	8,464,907.27	-	-
	21,202,856.83	8,464,907.27	4,066,045.47	9,202,106.67
Short-term loans *				
Related parties				
Erawan Holding L.L.C.	950,000.00	950,000.00	-	-
Other shareholders	1,500,000.00	1,500,000.00	-	-
	2,450,000.00	2,450,000.00	-	-
Long-term borrowing **				
Related persons				
Beginning balance	45,231,216.86	-	-	-
Add : Additional loans during the year	-	52,794,074.13	-	-
Less : Repayment during the year	(2,685,639.39)	(7,865,331.21)	-	-
Add (less) : Difference on translating financial statements	(7,625,346.67)	302,473.94	-	-
Ending balance	34,920,230.80	45,231,216.86	-	-

\* As at December 31, 2016, short-term loan from shareholders is presented in the form of promissory note, maturity on September 15, 2017 with the interest of 1.15% per annum (reference for six month fixed deposit interest rate).

\*\* On June 19, 2015, the subsidiary company, TCMC Furniture Limited, has entered into an agreement to obtain a long-term loan from a related party, who is a shareholder of such subsidiary company, to acquire Alstons Furniture Group Limited in a total amount of 0.76 million pounds with the fixed interest rate of 2% per annum. The interest is to be paid on an annual basis on the 30th day of June of every year. Repayment of the principal is scheduled to be made every six months and shall begin after completion of payment of the principal of the 1.88 million-pound loan.

As at December 31, 2016, TCMC Furniter Limited has loan from a related party who is the shareholder of the above subsidiary in the amount of 0.23 million pound. The loan is free interest.

The abovementioned loan is not secured.

Revenue and expense transactions with related parties for the years ended December 31, 2016 and 2015 were as follows:

	Baht			
	Consolidated financial statements		Separate financial Statement	
	2016	2015	2016	2015
Sale of goods				
Subsidiaries				
United Carpet Manufacturing Co., Ltd.	-	-	3,143,100.13	10,433,605.73
Royal Thai International Co., Ltd.	-	-	290,147,690.55	233,146,676.29
	-	-	293,290,790.68	243,580,282.02
Related parties				
Decorative Carpet Inc.	15,943,337.77	13,722,435.51	-	-
Suminoe Teijin Techno Krishna India Pvt., Ltd	-	77,863.00	-	-
Suminoe Textile Co.Ltd	981,956.00	3,912,065.00	-	-
SPM Automotive Textile Co., Ltd.	3,189.00	15,995.00	-	-
	16,928,482.77	17,728,358.51	-	-
	16,928,482.77	17,728,358.51	293,290,790.68	243,580,282.02
Service incomes				
Subsidiary				
United Carpet Manufacturing Co., Ltd.	-	-	4,146,577.35	4,605,190.00
Other incomes				
Subsidiaries				
United Carpet Manufacturing Co., Ltd.	-	-	29,325.13	525,452.88
Royal Thai International Co., Ltd.	-	-	9,190,794.33	9,872,218.22
T.C.H Suminoe Co., Ltd.	-	-	51,504,683.00	37,008,410.44
TCMC Furniture Limited.	-	-	9,485,320.13	9,074,808.75
	-	-	70,210,122.59	56,480,890.29
Related parties				
Decorative Carpet Inc.	3,704,664.40	3,422,486.53	-	-
	3,704,664.40	3,422,486.53	70,210,122.59	56,480,890.29

	Baht			
	Consolidated financial statements		Separate financial Statement	
	2016	2015	2016	2015
Cost of sale (purchase of goods)				
Subsidiary				
United Carpet Manufacturing Co., Ltd.	-	-	8,178,221.32	9,004,505.47
Related parties				
Thai Lee hong Trading Co., Ltd.	998,480.00	1,341,070.00	-	-
Suminoe Textiles Co., Ltd.	8,092,237.00	392,053.00	-	-
Suminoe Textile Shanghai Co. Ltd.	13,185,111.00	1,892,424.00	-	-
SPM Automotive Textile Co., Ltd.	27,479,215.00	1,404,129.00	-	-
Suminoe Textile of America Corporation	48,567.00	278,381.00	-	-
PT. Suminoe Surya Techno	4,210,993.00	734,690.00	-	-
	54,014,603.00	6,042,747.00	-	-
	54,014,603.00	6,042,747.00	8,178,221.32	9,004,505.47

	Baht			
	Consolidated financial statements		Separate financial Statement	
	2016	2015	2016	2015
Selling and administrative expenses				
Other related parties				
Royal Thai L.L.C.	13,466,812.24	15,999,086.43	13,466,812.24	15,999,086.43
Suminoe Textile	37,879,386.00	30,742,116.00	-	-
	<u>51,346,198.24</u>	<u>46,741,202.43</u>	<u>13,466,812.24</u>	<u>15,999,086.43</u>
Management benefit expenses ***				
Short-term employee benefits	29,383,905.53	26,365,302.73	20,199,113.25	20,108,703.38
Post-term employee benefits	653,152.00	712,615.14	604,694.00	623,233.00
Other long-term benefits	374,172.00	422,516.00	374,172.00	422,516.00
	<u>30,411,229.53</u>	<u>27,500,433.87</u>	<u>21,177,979.25</u>	<u>21,154,452.38</u>
Interest expenses				
Other related parties				
Erawan Holding L.L.C.	8,178.82	13,611.04	-	-
Suminoe Textile Co., Ltd.	274,315.00	472,093.00	-	-
Other shareholders	17,250.00	24,491.13	-	-
	<u>299,743.82</u>	<u>510,195.17</u>	<u>-</u>	<u>-</u>

### Management benefit expenses

Management benefit expenses represent the benefits paid to the Company's management and directors such as salaries, related benefit and directors' remuneration, including the benefit paid by other means. The Company's management is the persons who are defined under the Securities and Exchange Act. The management is comprised managing director or the managements who have the top position at the management level from the four lists following by the manager level.

## 25. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2016 and 2015 were as follows :

	Baht			
	Consolidated financial statement		Separate financial statement	
	2016	2015	2016	2015
		(Restated)		
Changed in inventories of finished goods and work in process	55,395,600.17	17,794,650.37	21,250,275.03	14,549,708.58
Raw materials and consumables used	2,160,622,393.49	1,228,269,907.73	148,347,004.89	169,186,547.47
Purchase of finished goods	79,205,032.92	124,572,326.21	68,235,240.66	60,810,146.84
Depreciation and amortization	172,377,736.10	103,391,148.75	26,507,013.37	28,359,047.26
Salaries, wage and other employee benefits	438,131,406.65	315,574,247.47	114,071,694.13	112,970,516.08
Management benefit expenses	30,411,229.53	27,500,433.87	21,177,979.25	21,154,452.38

## 26. (INCOME) TAX EXPENSE

### 26.1 Major components of (income) tax expense for the years ended December 31, 2016 and 2015 included :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015 (Restated)	2016	2015
(Income) tax expense shown in profit or loss :				
Current (income) tax expense:				
Income tax expense for the year	58,982,571.00	30,804,896.66	-	7,454,308.60
Deferred (income) tax expense:				
Changes in temporary differences relating to the original recognition and reversal	(26,399,838.66)	(11,821,675.78)	(13,988,543.71)	3,932,265.18
Total	<u>32,582,732.34</u>	<u>18,983,220.88</u>	<u>(13,988,543.71)</u>	<u>1,386,573.78</u>
Income tax relating to components of other comprehensive income:				
Deferred tax relating to:				
Actuarial gain (losses)	(821,785.55)	(181,091.45)	(917,311.95)	-
Total	<u>(821,785.55)</u>	<u>(181,091.45)</u>	<u>(917,311.95)</u>	<u>-</u>

### 26.2 A numerical reconciliation between (income) tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended December 31, 2016 and 2015 which were summarized as follows:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015 (Restated)	2016	2015
Accounting profit (loss) for the year	304,226,766.33	199,538,621.21	(27,432,356.96)	84,599,774.47
The applicable tax rate (%)	20	20	20	20
Tax expense (income) at the applicable tax rate	<u>60,845,353.27</u>	<u>39,907,724.24</u>	<u>(5,486,471.39)</u>	<u>16,919,954.89</u>
Reconciliation items:				
Tax effect of expenses that are not deductible in determining tax profit:				
- Expenses not allowed as expenses in determining taxable profit	2,391,507.32	295,170.51	2,070,814.28	220,227.94
Tax effect of income that are not required in determining taxable profit:				
- Exemption of non - taxable dividend income	-	-	(10,300,886.60)	(7,401,682.00)
The amount of previously unrecognized tax losses for a prior period that is used to reduce current tax expense	-	(8,959.72)	-	-
Unrecognized tax loss on deferred tax asset	206,670.59	-	-	-
Others	(30,860,798.84)	(21,210,714.15)	(272,000.00)	1,648,072.95
Total reconciliation items	<u>(28,262,620.93)</u>	<u>(20,924,503.36)</u>	<u>(8,502,072.32)</u>	<u>(5,533,381.11)</u>
Total (income) tax expense	<u>32,582,732.34</u>	<u>18,983,220.88</u>	<u>(13,988,543.71)</u>	<u>11,386,573.78</u>

## 26.3 A numerical reconciliation between tax average effective tax rate and the application tax rate

A numerical reconciliation between the average effective tax rate and the applicable tax rate for the years ended December 31, 2016 and 2015 were summarized as follows

	Consolidated financial statements			
	2016		2015	
	Tax amount (Baht)	Tax rate (%)	Tax amount (Baht) (Restated)	Tax rate (%)
Accounting profit before tax expense for the year	304,226,766.23		199,538,621.21	
(Income) tax expense at the applicable tax rate	60,845,353.27	20.00	39,907,724.24	20.00
Reconciliation items	(28,262,620.93)	(9.29)	(20,924,503.36)	(10.49)
(Income) tax expense at the average effective tax rate	32,582,732.34	10.71	18,983,220.88	9.51
	Separate financial statements			
	2016		2015	
	Tax amount (Baht)	Tax rate (%)	Tax amount (Baht)	Tax rate (%)
Accounting profit (loss) before tax expense for the year	(27,432,356.96)		84,599,774.47	
(Income) tax expense at the applicable tax rate	(5,486,471.39)	(20.00)	16,919,954.89	20.00
Reconciliation items	(8,502,072.32)	(30.99)	(5,533,381.11)	(6.54)
(Income) tax expense at the average effective tax rate	(13,988,543.71)	(50.99)	11,386,573.78	13.46

## 27. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the parent company for the period by the weighted average number of ordinary shares which are issued during the period and held by outside party.

Diluted earnings per share is computed by dividing profit for the year the aggregate amount of the weighted average number of ordinary shares issued during the year and the weighted average number of ordinary shares which the Company may has to issue for conversion of warrants to ordinary shares for the year ended December 31, 2016 and 2015 as follows :

	Consolidate financial statement		Separate financial statement	
	2016	2015 (Restated)	2016	2015
Profit (loss) for the year of ordinary share (Baht)				
Profit (loss) for the year attributable to equity holders of the parent company	<u>175,409,867.30</u>	<u>112,211,590.43</u>	<u>(13,443,813.25)</u>	<u>73,213,200.69</u>
Weighted average number of ordinary shares (shares)	429,958,005	360,489,889	429,958,005	360,489,889
Weighted average number of ordinary shares under warrants (shares)				
- TCMC-W1	-	152,858,126	-	152,858,126
Number of ordinary shares that would have been issued at fair value (shares)				
- TCMC-W1	<u>-</u>	<u>(87,718,487)</u>	<u>-</u>	<u>(87,718,487)</u>
Weighted average number of ordinary shares plus effect of assumed conversion (shares)	<u>429,958,005</u>	<u>425,629,528</u>	<u>429,958,005</u>	<u>425,629,528</u>
Basic earnings (loss) per share of the parent company				
Profit (loss) for the year (Baht per share)	<u>0.4080</u>	<u>0.3113</u>	<u>(0.0313)</u>	<u>0.2031</u>
Diluted earnings (loss) per share of the parent company				
Profit (loss) for the year (Baht per share)	<u>0.4080</u>	<u>0.2636</u>	<u>(0.0313)</u>	<u>0.1720</u>

## 28. FINANCIAL INSTRUMENTS

### 28.1 Risk management

The Company and its subsidiaries manage their financial risk exposure on financial assets and financial liabilities in the normal business by its internal management and control system, and the Company and its subsidiaries do not hold or issue derivative financial instruments for speculative or trading purposes.

### 28.2 Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk relates primarily to its cash at banks, bank overdrafts, short-term loans and long-term and machine payable. However, most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market. However, the management believed that the future fluctuation on market interest rate would not provided significant effect to their operations and cash flows, therefore; no financial derivative was adopted to manage such risks.

As at December 31, 2016, the significant financial assets and financial liabilities classified by types of interest rates were as follows:

	Baht			
	Consolidated financial statements			
	Floating interest rate	Fixed interest rate	Interest - free	Total
<u>Financial assets</u>				
Cash and cash equivalents	61,790,677.23	-	310,047,445.48	371,838,122.71
Trade and other receivables	-	-	912,143,440.37	912,143,440.37
Bank deposit for using guarantee	2,253,525.79	-	-	2,253,525.79
<u>Financial liabilities</u>				
Bank overdrafts and short-term loan from financial institutions	45,000,000.00	67,417,769.38	-	112,417,769.38
Trade and other payables	-	-	893,514,317.93	893,514,317.93
Long-term loan from financial institutions	1,715,912,268.07	-	-	1,715,912,268.07
Long-term loan from related person	-	34,920,230.80	-	34,920,230.80
Liabilities under finance lease agreements	-	19,593,728.80	-	19,593,728.80

	Baht			
	Separate financial statements			
	Floating interest rate	Fixed interest rate	Interest - free	Total
<u>Financial assets</u>				
Cash and cash equivalents	18,541,932.55	-	2,291,521.40	20,833,453.95
Trade and other receivables	-	-	231,484,329.03	231,484,329.03
Short-term loan to subsidiary	-	2,550,000.00	-	2,550,000.00
Long-term loan to subsidiary	-	364,443,332.00	-	364,443,332.00
Bank deposit for using guarantee	613,525.79	-	-	613,525.79
<u>Financial liabilities</u>				
Bank overdrafts and short-term loan from financial institution	45,000,000.00	15,000,000.00	-	60,000,000.00
Trade and other payables			83,073,925.86	83,073,925.86
Long-term loan from financial institutions	400,188,208.31	-	-	400,188,208.31
Liabilities under finance lease agreement	-	5,726,228.80	-	5,726,228.80

### 28.3 Credit risk

The Company and its subsidiaries are exposed to credit risk primarily relating to trade accounts receivable. The management of the Company and its subsidiaries manage this risk by establishing appropriate credit control policies and procedures. Therefore, it does not expect to incur material losses from debt collection more than the amount already provided in the allowance for doubtful accounts.

### 28.4 Foreign currency risk

The Company and its subsidiary's exposure to foreign currency risk relates to its export sale in US dollars. For the year, the Company and its subsidiary's primarily utilize forward exchange contracts to hedge exchange rate risk relating to the receiving of the export sale.

As at December 31, 2016, two subsidiaries had the forward contract was amount to be received and contractual exchange rates of the outstanding contracts as follows:

Maturity date	Amount	Exchange rates	
		of contracts	Amount
April 17, 2017	5,815.26 USD	35.5185 Baht	206,549.31 Baht
June 21, 2017	75,000.00 USD	35.8200 Baht	2,688,500.00 Baht
Jan 31, 2017 - Nov 29, 2017	8,900,000.00 EUR	1.12-1.30 GBP	7,545,645.24 GBP

As at December 31, 2015, an overseas subsidiary had foreign currency forward contract and option contract to purchase/sell currency as follows:

Maturity date	Amount	Exchange rates	
		of contracts	Amount
January 4, 2016 - May 30, 2016	2,025,000.00 EUR	1.3800 GBP	1,467,391.36 GBP

## 28.5 Liquidity risk

The Company and its subsidiaries' manages its liquidity risk by maintaining adequate level of cash and cash equivalents to support the Company's operations as well as securing short-term credit facilities from financial institutions for reserve as necessary and to reduce the impact of fluctuations in cash flow.

## 28.6 Fair value

The carrying amount of financial assets and financial liabilities as presented in the statement of financial position are mostly bear floating interest rates or fixed interest rates which are close to market rate. The management believes that the fair value of those financial assets and financial liabilities does not materially differ from their carrying amount

## 29. COMMITMENTS

### 29.1 As at December 31, 2016, The Company and its subsidiaries had commitments on the long-term service agreement as follow:

29.1.1 The Company entered into services agreement with the foreign related company. The such related company has to provide service of marketing management in Middle East zone to the Company, as follows :-

- (1) To provide on request reports on the investment potentials.
- (2) To review and report on the identification of potential sale opportunities.
- (3) To arrange for staffs to attend any meeting as the representatives of the Company at meetings on the matters concerning the potential sale opportunities.
- (4) To visit customer and potential customer.

The Company has to pay monthly services fee to such related company in the amount of USD 25,000.00. Term of agreement since January 1, 2015 until the end of contract on December 31, 2015 and it has been renewed automatically once a year.

In year 2016, the Company has to pay monthly service fee in the amount of USD 20,000 since June 1, 2016.

29.1.2 On April 25, 2008, a subsidiary entered into a technical assistance agreement with a foreign related company. The above subsidiary has to pay the technical assistance fee every 3 months at

the agreed percentage of net sales of fabric products and carpet products. The calculation starts from sale since June 1, 2008 and the agreement ends on May 31, 2009 with the option to automatically renew the agreement every year until there is a termination notice.

**29.2 As at December 31, 2016 and 2015, the Company and its subsidiaries had commitments on capital expenditure as follow:**

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
West water treatment system improvement	-	519,034.46	-	-
Machinery and equipment purchase	1,253,391.00	1,131,990.00	-	-
Building construction	1,180,000.00	86,598.00	-	-
Other (software)	22,360.00	307,500.00	-	-
Total	<u>2,455,751.00</u>	<u>2,045,122.46</u>	<u>-</u>	<u>-</u>

**29.3 As at December 31, 2016 and 2015, the Company and its subsidiaries have commitments on operating lease - as a lessee and have minimum future rental payments under the lease and service agreements as follow:**

	Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Within 1 year	24,361,708.00	25,488,712.87	-	229,772.87
Over 1 year but less than 5 year	13,991,756.00	24,102,203.00	-	-
Over 5 year	-	-	-	-
Total	<u>38,353,464.00</u>	<u>49,590,915.87</u>	<u>-</u>	<u>229,772.87</u>

29.3.1 A subsidiary had entered into the building leasing agreement for 3 years contract, since June 1, 2015 until the end of contract on May 31, 2018. The Subsidiary had to pay the rental fee of Baht 488,750.00 monthly.

29.3.2 Another subsidiary has entered into an operating lease agreement relating to the lease of land, building space, vehicle and equipment, with the agreement term of 1 - 4 years.

29.3.3 On August 1, 2015, a subsidiary had entered into lease of office building for a showroom with an individual, for 3 years contract, since October 1, 2015 until the end of contract on October 1, 2018. The Company had to pay the rental fee Baht 80,000.00 monthly

### 30. CONTINGENT LIABILITIES

30.1 As at December 31, 2016, the Company and its subsidiaries had contingent liabilities from letter of guarantee issued by several commercial banks to guarantee of product selling and rental agreement amounting to Baht 19.77 million (the separate : amounting to Baht 4.89 million).

30.2 As at December 31, 2016, the Company has the unused letters of credit of USD 43,150 or approximately Baht 1.54 million.

### 31. INVESTMENT PROMOTION

The subsidiary has received the tax privileges under Investment Promotion Act B.E. 2520 issued by the Board of Investment as follows:

- According to the promotion certificate No. 1759/2001 given on December 6, 2001 for car seat cover manufacturing business, the subsidiary has received various privileges and benefits from tax exemption from the date on which the income is first derived from operation.
- According to the promotion certificate No. 1728(2)/2005 given on August 16, 2005 for carpet manufacturing business, the subsidiary has received various privileges and benefits from tax exemption, including corporate income tax exemption on net profit for 7 years from the date on which the income is first derived from the operation.

As a promoted business, the subsidiary has to comply with the terms and conditions as specified in the investment promotional certificate.

### 32. ADJUSTMENTS OF PRIOR PERIOD ABOUT BUSINESS COMBINATIONS

On June 19, 2015, the Company acquired the common share of TCMC Furniture Limited for 760,000 shares, accounted for 76% of the paid up capital of such company. The transaction is accounted for as a business combination. The Company has assessed the fair value of net identifiable assets at the acquisition date and the assessment process has been completed in the quarter 2/2016 within the period of not exceeding one year from the acquisition date as specified by Thai Financial Reporting Standard No. 3 (revised 2015) "Business Combinations". Therefore, the Company has retrospectively adjusted the measuring of the fair value of net identifiable assets and good will on business acquisition date as previously recorded. The effect to the consolidated financial statements as follows

	Baht		
	Consolidated financial statements		
	As previous reported	Adjustments increase (decrease)	As restated
<u>Statement of financial position</u>			
<u>As at December 31, 2015</u>			
Property, plant and equipment	1,255,616,370.02	45,181,726.12	1,300,798,096.14
Goodwill	845,144,581.53	(514,876,890.38)	330,267,691.15
Intangible assets	31,706,113.40	569,769,044.17	601,475,157.57
Deferred tax liabilities	96,225,070.29	105,858,226.35	202,083,296.64
Retained earnings - Unappropriated	338,082,984.18	(5,143,828.65)	332,939,155.53
Other components of equity	345,513,586.51	747,725.35	346,261,311.86
Non-controlling interests	268,537,553.39	(1,388,243.14)	267,149,310.25

#### Statement of comprehensive income

##### For the year ended December 31, 2015

Cost of sale	1,728,545,354.10	(1,926,592.09)	1,726,618,762.01
Administrative expenses	206,597,224.52	23,107,769.56	229,704,994.08
Income tax expenses	33,396,202.76	(14,412,981.88)	18,983,220.88
Profit for the year	187,328,595.92	(6,768,195.59)	180,555,400.33
Differences on translating financial statements	32,480,828.53	983,849.15	33,464,677.68
Basic earnings per share	0.3255	(0.0142)	0.3113
Diluted earnings per share	0.2757	(0.0121)	0.2636

### **33. THE REVISED ACCOUNTING STANDARDS ARE NOT YET EFFECTIVE IN THE CURRENT YEAR**

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of accounting standards, financial reporting standards, and interpretations of accounting and financial reporting standards that are revised.

These revised accounting standards which are effective for the fiscal year beginning on or after January 1, 2017 are as follows:

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 Estimates 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
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 Trouble Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments Disclosure and Presentation
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 Discontinued Operations
TFRS 6 (revised 2016)	Exploration for and Evaluation of Mineral Resource
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
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 Entity or its Shareholders
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2016)	Service Concession Arrangements: Disclosure
TSIC 31 (revised 2016)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (revised 2016)	Intangible Assets - Web Site Costs
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)	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2016)	Applying the Restatement Approach under TAS 29 (revised 2016) Financial Reporting in Hyperinflationary Economics
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2016)	Service Concession Arrangements
TFRIC 13 (revised 2016)	Customer Loyalty Programmes
TFRIC 14 (revised 2016)	TAS 19 (revised 2016)-The Limit on a Defined Benefit Asset, Minimum Funding Requirements 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 Company and its subsidiaries believe that these accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standards interpretations which are revised will not have any significant impact on the financial statements for the year when they are initially applied.

#### **34. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue by the Company's director on February 28, 2017



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