Padaeng Industry

ENERGY

MATERIALS

NEW BUSINESS
NEW OPPORTUNITY

ECO

In Remembrance of His Majesty
King Bhumibol Adulyadej

Padaeng Industry Public Company Limited

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OUR VISION

**TO BE A LEADER IN DEVELOPING,
DRIVING AND GROWING SUSTAINABLE BUSINESS
IN ENERGY, MATERIALS AND ECO
IN SOUTHEAST ASIA**

**Driven by innovation and balanced concerns,
we maximize added value for our clients,
with respect to our people, our ecosystems and the environment.
We support the communities in which we operate
and give the best possible return to our shareholders.**

ABOUT PDI

PADAENG INDUSTRY PUBLIC COMPANY LIMITED, OR PDI, WAS FOUNDED ON APRIL 10, 1981 AND INTRODUCED AT THE STOCK EXCHANGE OF THAILAND WITH A REGISTERED CAPITAL OF BAHT 2,260 MILLION. THE COMPANY HAS PRODUCED HIGH QUALITY ZINC FOR OVER 30 YEARS. IT HAS SPECIALIZED IN PRODUCING SPECIAL HIGH-GRADE ZINC INGOT AND ZINC ALLOYS USED IN THE GALVANIZING AND DIE-CASTING INDUSTRIES.

2014

PDI reassessed its business structure in anticipation of a shift towards Green Business, with the objective to increase eco - efficiency and to foster sustainable growth. The Company is structured around three businesses: PDI Energy - providing energy from renewable sources; PDI Materials - providing added value materials from recycled metals; and PDI Eco - providing waste management solutions for complex industrial waste.

2016

PDI closed Mae Sod Mine due to depletion and started to cease conventional zinc business by the end of 2017. PDI has marked substantial success with the investment in the first Solar Farm in Japan and Thailand in late of 2016, and also has had progress of the various investment projects in three new businesses: Energy, Materials and Eco.

OVERALL BUSINESS OPERATION OF THE COMPANY

Padaeng Industry Public Company Limited
Registered Capital Baht 2,260,000,000
Paid-up Capital Baht 2,260,000,000
Type of Business Mining and smelting of zinc ore as well as marketing of zinc metal and other by-products.

100%
Padaeng Properties Co., Ltd.
Registered Capital Baht 80,000,000
Paid-up Capital Baht 80,000,000
Type of Business Land development and Real Estate with IEAT

100%
PDI Materials Co., Ltd.
Registered Capital Baht 200,000,000
Paid-up Capital Baht 200,000,000
Type of Business Distribution base metals and other by-products

60%
PDI-CRT Co., Ltd.
Registered Capital Baht 79,000,000
Paid-up Capital Baht 58,750,000
Type of Business Recycle materials

100%
Ton Sangkasi Pte.,Ltd.
(Incorporated in Singapore)
Registered Capital SIN$ 10,000
Paid-up Capital SIN$ 10,000
Type of Business Mineral exploration, prospecting of base metals

100%
PDI Energy Co., Ltd.
Registered Capital Baht 350,000,000
Paid-up Capital Baht 100,050,000
Type of Business Renewable energy operation

100%
J-Solar Co., Ltd.
(formerly PDI Tak Solar One Co.,Ltd.)
Registered Capital Baht 25,000,000
Paid-up Capital Baht 18,750,000
Type of Business Renewable energy operation (Solar)

100%
PDI Asia Solar Co., Ltd.
(formerly PDI Tak Solar Two Co., Ltd.)
Registered Capital Baht 10,000,000
Paid-up Capital Baht 2,500,000
Type of Business Renewable energy operation (Solar)

99.99%
PDI Mae Ramat Co., Ltd.
Registered Capital Baht 105,000,000
Paid-up Capital Baht 105,000,000
Type of Business Renewable energy operation (Solar)

35%
Maesod Clean Energy Co.,Ltd.*
Registered Capital Baht 675,000,000
Paid-up Capital Baht 675,000,000
Type of Business Produce etthanol from sugarcane as an alternative

100%
PDI Eco Co., Ltd.
Registered Capital Baht 50,000,000
Paid-up Capital Baht 12,500,000
Type of Business Waste management operation

51%
PDI Tak Eco Co.,Ltd.
(formerly PDI Tak Solar Three Co., Ltd.)
Registered Capital Baht 30,000,000
Paid-up Capital Baht 30,000,000
Type of Business Waste management operation

* The Company has disposed of all shares in Maesod Clean Energy Co., Ltd. since February 16, 2017

MESSAGE FROM THE BOARD OF DIRECTORS

"PDI enters 2017 with a healthy balance sheet. By making successful inroads into the new areas, we are ready to take our place as a leading sustainable corporation in South East Asia, whilst continuing to uphold our established reputation for openness, transparency and good corporate governance."

Arsa Sarasin
Chairman of the Board

Francis Vanbellen
Managing Director

Padaeng Industry Public Company Limited enjoyed a profitable year in 2016 with better than expected results driven by the dedication and determination of our staff and supported by committed stakeholders, enjoying improved market conditions.

We have initiated a smooth and stable transition from mining to green businesses, as planned in the previous year and started investing in clean energy, recycling materials and waste management.

PDI enters 2017 with a healthy balance sheet. By making successful inroads into the new areas, we are ready to take our place as a leading sustainable corporation in South East Asia, whilst continuing to uphold our established reputation for openness, transparency and good corporate governance.

Much of our accomplishments are due to the professionalism of PDI's teams. In the past 32 years, we have grown a pool of talent, many whom we are able to utilize in our new ventures.

As a recognized industry leader employing competent people in advanced technical fields for mining, smelting and high grade metals production, PDI has a real advantage when it comes to transitioning into green segments. These fields require indeed the same high level of technology and innovative engineering. As such, our switch has turned out to be a natural fit.

Additional expertise remains needed as well as the reorientation of our people. Thus far PDI has been able to deploy a core team of specialists to undertake the tasks ahead.

Management has focused on the workability of new projects to save costs. Where opportunities are compelling, we have moved quickly to secure these new sources of income. Where projects have stalled, such as our biomass and wind projects, we have timely disposed of them and shift resources to areas that show better potentials.

ZINC REMAINS CORE IN 2017

At present, zinc operations will remain core business until the end of 2017. During the transition of businesses in 2016 and 2017, PDI will indeed continue the production and sale of zinc.

In 2016, PDI generated a net profit of Baht 478 million, largely from zinc sales. Our robust financial position is supported from the increase in world zinc prices in the second half of 2016.

The Mae Sod Mine ceased operations mid-2016 after which the last zinc ore and concentrate was sent to Tak for final refining until 2017. Compensated with imported zinc, PDI will continue to trade zinc metal beyond 2017.

At the same time, the Mae Sod Mine will be restored as a natural forest, returning it to a pristine state. About 1,646 rai will be fully rehabilitated.

The Company will return the complete area to the Royal Forestry Department at the end of 2017. On its grounds, PDI plans to construct a pagoda to honor the estate. Also a museum will be built for the public to share our legacy. It will explain the invaluable properties of zinc and other minerals excavated here. It will serve as a helpful educational tool in highlighting the Tak province's contribution to the country's national development.

GOOD REPUTATION

PDI takes pride in its past and respect the foundations on which the Company was built. At present, we make haste to harvest the fruits of our labor. With the cash generated from ceasing zinc operations we are forging ahead to grow our new sustainable businesses.

We have a wealth of experience and a seasoned workforce that weathered several challenges over the decades to appreciate the need to conduct transactions fairly and with accountability.

It has always been PDI's practice to recognize the dedication of our employees. Together, by staying true to our aims and objectives, we have consistently delivered good results even during difficult periods. This is a trait that is worth holding on to if we are to repeat high performance levels in the future.

As we move to build new sustainable platforms, we have to trim headcount. We have done so by making sure departing employees are taken care of. They remain the future ambassadors of PDI. We have retained workers who can be requalified to fill new positions. Those who need to find employment elsewhere joined development programs to widen their future career opportunities.

The closure of the Mae Sod Mine in Tak and our Rayong facility was completed last year. Staff leaving the Company is or will be compensated with legal severance payments and benchmarked separation premium top ups, to demonstrate PDI's appreciation for their contributions.

RESPECTING THE PDI FAMILY

During this transition period we discovered just how much PDI meant to our staff. During a journey to Rayong to say farewell to our colleagues, one employee, came up to us during our final gathering, saying : "Padaeng is my family. When I leave, Padaeng will still be my family. Padaeng will always be my family." We could see she was speaking from her heart. She touched all of us. To our ex-colleagues, we say this bond will always be cherished.

We all share this feeling of closeness. Padaeng shall never forget them. They will always be part of our family, the Padaeng - PDI family.

We highlight this story because it represents what PDI is most proud of: people. The experience strengthens our determination to spread goodwill and ensure the well-being of people and communities we work with. In the end, it is our good name and reputation that carry us forward.

In global business today, investment funds all want to see how companies treat employees. This aspect, so often overlooked, is highly vital when selecting companies for their portfolios. It is now as important to check the balance sheets and financial statements as well as the company happiness of employees.

Any hint of abuse of staff is detrimental to the company's evaluation. Even the most profitable company will be rejected if it was found to treat workers badly. Indeed, PDI is ranked a blue chip listed company on the Stock Exchange of Thailand. We have received several awards over the years for corporate social responsibility. It is important, therefore, that we never lose sight of our obligations to our people and communities.

WORKING TOGETHER FOR SHARED GOALS

PDI's remarkable journey has enabled us to define new business goals for growth in sustainable businesses, enabling us to create a new post-mining life. Our strategic targets are in renewable energy, materials and eco-management. Other fields within the core competences of PDI remain in the scope of potential investments, as well as greenfield projects as mergers & acquisitions.

SOLAR PROJECTS IN THAILAND AND JAPAN

We have moved to secure several strategic solar farm projects, as well locally and overseas.

Nanao Solar Farm

Our solar projects in Japan total about 35 megawatts (MW). PDI completed the Nanao solar farm through the establishment of PDI Asia Solar first investment in Japan. This project marked a substantial milestone for PDI in green business. The Nanao farm with 2.3MW achieved its commercial operation in October, 2016. The investment in the Nogata solar farm with 10.8MW, has started construction and is schedules to start operation in the third quarter of 2017. Potentially a third solar facility with 2.2MW in Ryohashiya will start operations in the second half of 2017.

In Thailand, PDI has acquired a 6.3 MW solar farm called Mae Ramat Solar Plant in Tak. In December, PDI Energy, a wholly owned subsidiary of PDI, bought the shares in IEC Mae Ramat (IECMR) in Tak for Baht 477 million. The plant sells power to the Provincial Electricity Authority since December 2013, under a 25-year power purchase agreement.

Revenues and profits from the IECMR acquisition will be consolidated in PDI's 2017 financial results. The cash flow generated will be used to reinvest in other sustainable business projects. PDI plans to further improve operations by increasing the plant's efficiency and output.

The Company is also establishing partnerships for co-operative solar centers and has prepared an 80MW Solar project investment on its residue ponds in Tak.

AUTHORITY SUPPORT FOR NEW BUSINESSES

PDI and the Industry Ministry's Department of Industrial Works (DIW) signed an MOU to study the feasibility for the creation of industrial waste management centers in Tak and Rayong on April 19th, 2016. This is a crucial cornerstone to develop recycling and industrial waste management businesses based on PDI's advanced and highly innovative technologies. The development is in compliance with the Ministry of Industry's 5-year National Industrial Waste Management Plan to resolve industrial waste problems countrywide.

PDI's objective is to create sustainable eco-business, with emphasis on integrated industrial waste management in Tak and material recycling and metals recovery in Rayong.

Both projects are joint ventures with world's leading companies experienced in recycling and industrial waste management. PDI will deploy advanced, innovative and environmental friendly technologies and processes in both projects.

DIW engages to cooperate and support the projects by providing industrial waste information and legal and policy advice to ensure industrial waste will be managed in compliance with regulations, and in a harmless manner to communities and environment as well as to facilitate smooth project implementation. This support will strongly contribute to PDI's confidence on achieving investment and business operation goals.

MATERIAL DIVISION TAKES SHAPE

The project in Rayong under a 60:40 joint venture with Norwegian CRT (Carbon Reduction Technology), focusses on the recovery of metals from industrial waste such as steel dust and various other metal containing recyclables from the local industry.

The recycling materials will be processed using ultra-high-temperature technology for which PDI has gained exclusive rights from its strategic partner, ScanArc Plasma Technologies AB of Sweden. This innovative technology has been successfully introduced in Europe but has not yet been deployed yet anywhere in Asia. The project construction is set to commence by the end of 2017.

ECO WASTE MANAGEMENT

PDI holds a joint venture 51:49 with Dowa Eco-System of Japan called PDI-Tak Eco to realize a state of the art waste management project in Tak, targeting industrial waste from the Northern and Central regions. The project which will be implemented under the highest environmental and safety standards is located in the Tak area as identified in the Strategic Plan of the Department of Industrial Works.

CSR AND SUSTAINABLE OPERATIONS

In 2016, the Company has achieved another successful year in meeting high CSR standards. PDI's mine and operational sites have received the Green Mining and the CSR - DIW Continuous (Corporate Social Responsibility) awards for many years.

PDI is fully committed to implement the environmental rehabilitation of the Mae Sod Mine, set for completion in 2017. The restoration will serve as a best in class showcase of how mining areas should be rehabilitated. The Company will also evaluate its industrial usage of land in Rayong and Tak, adhering to safety and environmental guidelines stipulated by the authorities.

PDI will strive to address community needs as part of its CSR role in assisting to alleviate hardship and improve the livelihood of rural societies where we are located. PDI will review and introduce environment, health and safety policies in all aspects of operations.

We continue to support the efficient use of all natural resources by applying the 3Rs concept of reduce, reuse and recycle.

PDI will continue to participate in the Private Sector Collective Action against Corruption (CAC).

OUTLOOK FOR 2017

The final allotment of zinc from Mae Sod Mine will be sold this year, bringing in substantial gains at current prices. The Company has 30,000 tons of zinc in stock for production and distribution to customers under the PDI brand.

Additionally under PDI Metals, we will trade zinc, at approximately 30,000 tons due to demand from domestic buyers.

Income in 2017 will therefore come mainly from zinc. Renewable energy such as solar from Japan and Thailand will start to contribute.

The Company will continue studying new projects with strong potential to add successfully to PDI's sustainable business goals, making use of our core-competencies in technology, management and environment.

Arsa Sarasin
Chairman of the Board

Francis Vanbellen
Managing Director

KEY FIGURES

REVENUE STRUCTURE

The Company's total revenue for the consolidated financial statement can be classified by types of product (2014 - 2016)

Product	2014		2015		2016	
	million Baht	% of Total revenue	million Baht	% of Total revenue	million Baht	% of Total revenue
Zinc metal (SHG)	2,543	45	2,166	40	2,860	54
Zinc alloy	2,887	51	2,360	43	2,213	42
Sulfuric acid	96	2	90	1	45	1
Other revenue	98	2	861	16	188	3
Total revenue	5,624	100	5,477	100	5,306	100

DIRECT ECONOMIC VALUE GENERATED

	2014	2015	2016
	million Baht	million Baht	million Baht
Direct economic value generated	5,624.28	5,476.75	5,305.98
- Revenues	5,624.28	5,476.75	5,305.98
Direct economic value distributed	5,015.14	4,967.60	4,551.18
- Operating costs	4,399.79	4,004.49	3,870.88
- Employee wages and benefits	518.46	722.59	529.10
- Payment to providers of capitals	74.59	98.01	49.92
- Payment to government	3.09	113.36	74.71
- Community Investment	19.21	29.15	26.57
Economic value retained	1,080.30	120.17	1,157.77

KEY FIGURES AND RATIOS

Consolidated

End of year		2014	2015	2016
Total revenues	(million Baht)	5,624	5,477	5,306
Gross profit	(million Baht)	852	785	945
Net profit (loss)	(million Baht)	461	151	478
Net profit (loss) per share	(Baht)	2.04	0.67	2.11
Net profit (loss) per total revenue	%	8.20	2.75	9.00
Total asset	(million Baht)	5,550	5,105	5,593
Total liabilities	(million Baht)	2,225	1,524	1,576
Total shareholders' equity	(million Baht)	3,325	3,581	4,017
Return on assets	%	8.55	2.83	8.93
Return on equity	%	13.85	4.24	12.58
Return on capital employed	%	19.27	13.17	18.91
Debt to equity ratio	(Times)	0.67	0.43	0.39
Book value per share	(Baht)	14.71	15.84	17.77
Dividend per share	(Baht)	0.40	0.20	1.00

HIGHLIGHTS OF THE YEAR 2016

2016 HAS BEEN A VERY SUCCESSFUL YEAR, SHOWING THE BEST OPERATIONAL RESULTS IN THE PAST 5 YEARS

- Posted a consolidated net profit of 478MB, an increase of 216% from 151MB in 2015.
- Proposed gross annual dividend of 1.00THB/per share.
- Main result generating contributions:
  - Improved sales revenue by 6% mainly from the increased LME price and local Thai sales premium,
  - Improved operational efficiency and reduced OPEX by 11%,
  - Thai Baht depreciation against the US Dollar.
- Debt to Equity Ratio reached its lowest level in 5 years at 0.39.
- Dispose of all shares in Maesod Clean Energy Co., Ltd., due to sustained losses.
- Cease operations of conventional zinc business by the end of 2017 by the following steps:
  - The Mae Sod Mine completely finished zinc ore & concentrate production mid-2016. The rehabilitation project is ongoing to be finalized in 2017.
  - The Rayong Roaster discontinued operations at the end of 2016. Plant cleaning has started for new future businesses.
  - 288 employees left the Company, in line with the make-over plan. 546 people remain in 2017.
- Significant progress is made in the new sustainable businesses, particularly in energy, with investments in its first solar farms in Japan and Thailand.
- The Company has allied with the Private Sector Collective Action Coalition against Corruption (CAC) to endure the certification process in 2016, and has been certified in Q1-2017.

About the Report

Stakeholders' Expectations and Operations for 2016

Materiality Matrix

PDI's Management Objectives for Sustainability, 2016 - 2017

THE INTEGRATED SUSTAINABILITY REPORT

In 2016, Padaeng Industry Public Company Limited (PDI) reported the continued future sustainability of its original business, which is producing and distributing zinc in Thailand. While PDI enters its new business chapter in 2018, the sustainability report will cover the three new main businesses which are PDI Energy, PDI Materials and PDI Eco.

ABOUT THE REPORT

In the sustainability report of 2016, PDI referred to the guidelines in accordance with the international standards of the Global Reporting Initiatives (GRI-G4), and illustrated the operational performance during the period from January 1st to December 31st, 2016. Additionally, PDI has adjusted the status of its latest data for 2017, along with the changes of its current ongoing activities.

PDI's report on sustainability has been combined into one document together with the annual report. It covers the company's operating performance with regards to the economy, social issues and the environment. The report is produced in both Thai and English language and is available in the following formats: printed book, CD and online. The report can be downloaded at www.padaeng.com. A printed document or CD can be obtained by contacting the Communications Department at the following address: Padaeng Industry Public Company Limited, 191/18-25, 26th-27th Floor, CTI Tower, Ratchadaphisek Road, Khlong Toei, Bangkok, 10110. Telephone 0-2695-9499 Fax: 0-2695-9495.

THE REPORT'S SCOPE

The report presents the performance of PDI although excludes the performance of subsidiaries and related companies. Accordingly, the company will adjust the scope of the report when it has completed integrating its new businesses in 2018.

THE REPORT'S RELIABILITY

The report has been verified by a third party, including information such as the financial statements and environmental data. These parts have been reported to public agencies and have abided by the criteria required by the Stock Exchange of Thailand.

SUSTAINABLE DEVELOPMENT

The guidelines for sustainable development have been firmly embraced by PDI. No matter what business status PDI becomes, the company will honor the commitment it has given to the organization's stakeholders. As is appropriate, the company's business will continue to operate without adding to social, economic and environmental issues. The company will also uphold good ethics and good governance, to ensure our values are in line with society's objectives. This is "The PDI Way".

MATERIALITY MATRIX

PDI's management team has reviewed the main issues of the organization in terms of social, environmental and economic dimensions that may impact the stakeholders during the company's diversification. This is to prevent and reduce any negative effects that might occur. In doing so, the company has identified the major issues that are likely to be important and necessary, for PDI's stakeholders. These issues will be included in our upcoming business plan.

IMPACT TO STAKEHOLDERS

• Enhance stakeholde engagement.	• Comply with EHS regulations. • Enhance good corporate governance.	• Create a better public understanding of the business and the environment. • Guarantee product and service quality.
	• Assure anti-corruption. • Assure mining closure and rehabilitation.	• Assure smooth zinc operations and closure. • Assure new business investments. • Assure community support.
• Assess and review the supply chain.	• Manage EHS using best available technology.	• Manage human resources to support business transformation. • Assure updated business risk management.

IMPACT TO PDI

STAKEHOLDERS' EXPECTATIONS AND OPERATIONS FOR 2016

Groups of Stakeholders	Expectations	Operations
1. Employees	• Wages and benefits. • Job security. • Career opportunity and advancement. • Good and safe workplace. • Human resources development.	• People Information Session meetings twice a year held by the Managing Director (MD) to provide distribution of important news to employees directly. • Increasing communication channels between the CEO and employees via video, messages from the MD, meetings with the CEO and monthly meetings with the office managers. • Meetings between committees overseeing employees' benefits, environment, hygiene and safety, will occur four times a year. • Circulating newsletters, PDI Hotline, every two weeks.
2. Customers	• Delivering products and providing high quality service on time and at a fair cost. • Providing whatever other services are needed to support and develop our customers' potential.	• Visiting customers and providing technical support. • Training and arranging seminars. • Arranging 'Customer Day'. • Communicating with customers via various media including the website COEZinc and social media such as Facebook COEZinc and Line PDI Metals. • Conducting annual customer satisfactory surveys.
3. Trading Partners, Local Communities, Public Agencies, Local Public Sector, NGOs, Press	• Doing business with trading partners fairly and equally. • Revealing factual information. • Participating in developing quality of life within communities. • Protecting what is best for the environment.	• Providing activities in developing quality of life programs within the vicinity of operations, as set out in the plan. • Arranging press conferences more frequent. • Disseminating newsletters and brochures related to news, information and our new ventures. • Circulating EIA report to public agencies, local health centers, and provincial and district health offices.
4. Major shareholders Minor shareholders Financial institutions Analysts	• Fair returns on short-term and long-term investments. • Business growth. • Transparent management with disclosure of information about the business and organizational movements. • Stimulating involvement from minor shareholders.	• Organizing the AGM • Organizing quarterly analyst meetings • Publishing the Annual and Sustainability Report. • Communicating via the company website. • Submitting business result reports to SET.

SUSTAINABILITY PROGRESS UPDATE

Project	Targets	2016 Results	2017 Plan
ECONOMIC PROJECTS			
1. New investments	- To focus on renewable energy, recycling materials and waste management businesses in order to create positive investment returns.	- Achieved COD of 2.27 MW at the Nanao solar farm in Japan.	- Utilize existing zinc assets.
	- To obtain 10 - 15% return on investment and fast revenue recognition.	- Achieved preliminary feasibility study of PDI-CRT and are in the process of basic design with a preliminary positive outcome.	- Realize basic engineering and start construction.
		- Successfully acquired 6.3 MW solar farm at PDI Mae Ramat.	- Achieve excellent performance of new investment operations in Nanao and Mae Ramat.
		- In the process of EHIA at PDI Tak Eco after a positive plant design.	- Acquire additional solar projects in Japan.
			- Be responsible for the surrounding communities' sustainable development and operation of the projects.
			- Complete the engineering design for all processes at PDI Tak Eco. The EHIA process will be ongoing.
			- Acquire new operating projects or introduce new potential projects in line with PDI strategic growth which has justified return and risks.

Project	Targets	2016 Results	2017 Plan
2. Zinc production	- To sustain profitable zinc operations until the ceasing of the conventional zinc business.	- Produced 70,000 tons of zinc metal to sustain positive results.	- Utilize all remaining available raw materials to produce zinc products.
			- Maintain smooth operations and closure of the zinc production.
			- Convert conventional zinc business to metals trading.
3. Mine closure plan	- To complete the "Mine Closure and Environmental Rehabilitation Plan".	- Implemented the closure of the mine according to the plan and kept stakeholders informed of business movements.	- Return the forestry lands at the mine site to the Royal Forestry Department to conduct the Royal Development Project.
		- Implemented the Environmental Rehabilitation Program subsequent to the closure.	
ENVIRONMENTAL PROJECTS			
1. Environment, health, and safety management under the BATNEEC principle	- To implement the best global available environmental supportive technologies.	- Fulfillment of rehabilitation with the best practice for reforestation at the mine area.	- Continue the existing approach.
SOCIAL PROJECTS			
1. Human resource management for business change	- To increase knowledge of new businesses.	- Formulated the human resource development plan to support the business change (started execution in February and achieved as planned).	- Formulate the human resource development plan to support the business change.
	- To adhere to human rights policies.	- Maintained the internal communication momentum whilst further enhancing staff engagement (People Info Session twice a year and management meeting every month).	- Maintain the internal communication momentum whilst further enhancing staff engagement.

Project	Targets	2016 Results	2017 Plan
		- Organized an occupational skills development plan to support redundant staff for their future after the ceasing of zinc operations (established occupational training as planned at every office with budget supporting of 2.6 MB and work completion).	- Analyze, propose and implement an innovative engaging compensation and benefits policy.
2. Community engagement	- To implement community engagement programs for a better environment and to enhance quality of life.	- Improved communication which was integrated in the community engagement programs.	- Obtain community support for Tak and Rayong.
		- Provided the community with information concerning the Mae Sod Mine closure plan.	- Continue providing information of new projects to communities.
		- Provided the community with information concerning the new business.	
		- Lead activities to encourage participation from community members in promoting environmental preservation.	
3. Anti-corruption	- To obtain recognition by Thailand's Private Sector Collective Action Coalition against Corruption (CAC) by April, 2017.	- Applied for certification in Dec 2016.	- Obtain certification by April 2017 at latest.
			- Follow up on anti-corruption control & process.
4. Risk management in new business	- To assure proper risk assessment.	- Drafted Risk Committee Charter for Board approval.	- Set up dedicated Risk Management Committee separate from AC to ensure proper oversight of Risk Management of existing and new business.

Project	Targets	2016 Results	2017 Plan
5. Supply chain management	- To develop PDI's sustainability guidelines with business partners.	- Developed the PDI Supplier Code of Conduct for initial implementation with major partners while rolling out communication programs.	- Keep track of business partners though continuous assessments.

PDI'S MANAGEMENT OBJECTIVES FOR SUSTAINABILITY, 2016 – 2017

ECONOMY

1. To realize new business investments, that generate sustainable revenues.
2. To create revenues and cash flow from the zinc business while preparing to cease operations from the core business in 2017.
3. To implement the mine closure plan.
4. To implement the ceasing of zinc operations in Tak and Rayong.
5. To reorganize the Bangkok office in line with the new operational business level of the company.

ENVIRONMENT

1. To manage EHS based on the BATNEEC principles
2. To comply with the EHS policies, laws, and regulations.
3. To maintain an appropriate attitude towards business conduct and the need for environmental protection and conservation.

SOCIETY

1. To maintain exemplary human resource management during business change.
2. To join with business partners in developing guidelines for sustainable business.
3. To execute an anti-corruption policy.
4. To actively implement guidelines for good corporate governance.
5. To maintain strong engagement with all stakeholders.
6. To secure credible community relations management.

Cease Conventional
Zinc Business

PDI's
New Businesses

Corporate
Strategies in 2017

A NEW CHAPTER IN PDI'S HISTORY

Over the past years, PDI Management has carefully studied how to assure the continuation of its zinc business in a profitable way, after the closure of its only Mae Sod Mine in 2016, assuring acceptable returns for all of its stakeholders.

Once PDI's Mae Sod Mine is fully depleted, the continuation of the conventional zinc business will solely depend on imported ores. These highly expensive imported ores will fully replace Mae Sod's lower cost supply, leading to a sharp increase in operational costs, largely exceeding expected revenues. Hence, PDI might generate continuous losses. Another major consideration is the continued fluctuating world zinc price, making it difficult to maintain sustainable acceptable performance.

Due to these reasons, on February 18th, 2016 the Company's Board of Directors decided to cease its conventional zinc business in 2017. The Board also confirmed to investigate in 3 new investment segments: renewable energy, materials (from metal recycling) and waste management. These decisions mark the end of the conventional zinc business and the beginning of a new chapter for PDI. The Company believes that the strong foundations laid in the past will help sail through all the challenges and succeed in the future.

CEASE CONVENTIONAL ZINC BUSINESS

THE MAE SOD MINE ENDED ITS ZINC ORE PRODUCTION MID–2016

The Mae Sod Mine completed its last zinc ore production in June 2016 after 32 years of operation. In 2016, it produced 279,081 tons of zinc silicate which was 7 % higher than the set target, with a zinc content of 34,500 tons.

After the closure of the Mine, PDI restored the environment and turned it back into its original fertile natural forest, in line with the Company's environmental restoration plan. PDI will hand over the land to the department of royal forestry in 2017, in order to develop it into the Royal initiated project called Educational Promotion Project for Environmental Conservation and Restoration.

In addition, PDI has set up Padaeng Zinc Mine Museum as a learning center for the zinc mining and smelting industry. The Company will also construct the Padaeng Mine Relic Pagoda as a spiritual center for the public.

THE ROASTING PLANT IN RAYONG CLOSED IN 2016

The Roasting Plant in Rayong was established in 1995 to treat the imported zinc sulfide concentrate and transform it into calcine before sending it to the Tak Plant for smelting into zinc metal.

Once PDI decided to close the conventional zinc business, the Roasting Plant discontinued its operation at the end of 2016. The machinery will be partly dismantled to transfer the useful equipment to the PDI-CRT project, which will recycle metals from industrial waste.

In 2016, the Roasting Plant in Rayong produced 38,492 tons of calcine which was sent to the zinc smelting plant in Tak for smelting with silicate zinc.

MANPOWER IN ALL OFFICES REDUCED IN LINE WITH THE COMPLETED MISSION

The change from zinc to the new sustainable business forced PDI to reduce its manpower in every office, including all supporting functions in Bangkok. Only personnel required to support the unfinished activities and the new business projects have been retained.

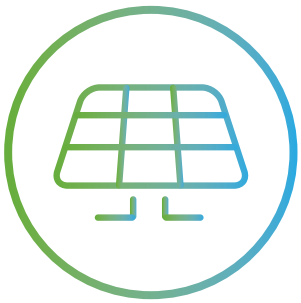
By the end of 2016, PDI reduced 288 staff to 546 people whilst in 2017, PDI will further reduce 461 staff to 85 people.

CONVENTIONAL ZINC PRODUCTION IN TAK TO BE DISCONTINUED IN 2017

The Zinc Smelting Plant in Tak will utilize the last zinc ores from the Mae Sod Mine to produce zinc in 2017. The plant's main production process will be discontinued in the second quarter of 2017, while the zinc casting plant will continue to operate until the third quarter. Once all the zinc production processes are terminated, the plant will be cleaned and the environment will be managed in line with the government's environmental requirements and standards.

PDI'S NEW BUSINESSES

PDI has specified its new direction since 2014 with a plan to introduce 3 main business segments:



PDI ENERGY

PDI MATERIALS

PDI ECO

Significant progress has been made in these 3 business groups, particularly in PDI Energy.

THE PDI ENERGY

business group focuses on producing energy from renewable energy sources including solar, wind, hydro and biomass.

Currently, PDI has its main emphasis on solar energy with a plan to invest in solar farms both in Thailand and overseas. A total of 150 megawatts solar power is aimed for over a period of 3-5 years. The initial investments in the solar farms reach Baht 2,300 million, of which Baht 600 million PDI's equity.

- **IN JAPAN PDI AIMS FOR 4 SOLAR FARM PROJECTS TOTALING 35MW :**

1. 2.3MW Nanao: Started commercial operations in October 2016, producing 10% above the initial target.
2. 10.8MW Nogata: Under construction, with targeted operations in the 3rd quarter of 2017.
3. 2.2MW Ryohashiya: Under development, with targeted operations in the 3rd quarter of 2017.
4. 19.5MW Kazano: Under development, with targeted operations in the 4th quarter of 2018.

- **SOLAR FARMS TARGETS IN THAILAND COMPRISE:**

1. 6.3MW Mae Ramat in Tak: This existing Solar Farm is located in Kha-Ne-Jue District, Mae Ramat Sub-District. PDI Energy holds a 99.99% stake in IEC Mae Ramat Co., Ltd. or IECMR (later changed to PDI Mae Ramat Co., Ltd.) The agreement was signed December 26th, 2016, with a deal value of 477MB. The farm has been producing and selling electricity to the Provincial Electricity Authority (PEA) since December 26th, 2013, under a 25-year purchase agreement with a guaranteed adder of Baht 6.50 for 10 years. The purchase of this plant marks an important milestone in renewable energy for PDI in Thailand.

- 80.0MW farm on PDI's residue pond in Tak: The project is ready to build on PDI's residue ponds in Tak, waiting governmental approval of new appropriate bidding schemes. As the grid capacity and connection are available and the land is not suitable for any other potential uses, this project promises high potential returns.

THE PDI MATERIALS
business group aims to provide high value added materials from recycling.

Jorma Manninen
Project Manager-CRT

THE MOST IMPORTANT PROJECT IN THIS BUSINESS GROUP IS PDI–CRT

A joint venture between PDI Materials holding 60 % and Carbon Reduction Technology AS of Norway holding the remaining 40%. This project aims to create sustainable business from the recovery of metals from industrial waste using innovative ultra-high-temperature (UHT) processes.

PDI-CRT has gained exclusive rights in Thailand to deploy such technology, provided by ScanArc Plasma Technologies AB of Sweden. This technology has the highest operational performance commercially available, and as such contributes to the most efficient, environmentally friendly and commercially effective, hazardous metals waste recycling.

This project is located at PDI's Rayong plant, with an investment of about 1,600 million Baht, of which Baht 600 million equity. It is under the basic engineering design process and is expected to get operational in 2019.

The project has received full support from the Department of Industrial Works, as it will help Thailand efficiently manage its industrial waste and solve the issues of illegal dumping or export of hazardous waste. PDI signed a memorandum of understanding with the Department April 19th, 2016.

Under PDI Materials, the PDI Metals business unit will trade zinc and potentially other metals to maintain its market and respond to the needs of its existing and new customers.

THE PDI ECO
business group focuses on environmental management.

THE MOST IMPORTANT PROJECT UNDER THIS GROUP IS PDI TAK ECO

A joint venture between PDI Tak Eco Co., Ltd. (a 100% PDI subsidiary) and Dowa Eco System Co., Ltd. (a 100% Dowa Holdings Co., Ltd. subsidiary). The venture was formed in 2016 with PDI holding a majority share of 51%. The Company aims to manage 50,000 tons per year of industrial waste from the Northern and Central areas of Thailand.

The feasibility study of this project has been completed, and it is now at the stage of requesting various permissions to run the business. The design of the plant meets with internationally recognized standards, but also maximizes protecting the communities' quality of life and environment. The project is expected to start commercial operations in 2019, with an investment of Baht 600 million, of which Baht 240 million equity.

As this project is located in the target area according to the Department of Industrial Works' strategic plan on industrial waste management, it has received full support from the department in a memorandum of understanding signed April 19th, 2016. Under this memorandum, the Department of Industrial Works will support PDI with information related to industrial waste and advice on policy. This is to ensure that the waste management will be in line with the various laws and regulations and will not create a negative impact on the environment and communities.

PDI strongly believes that all projects under these three business groups will meet their objectives and open a new chapter in PDI's history as a strong foundation for future sustainable growth.

CORPORATE STRATEGIES IN 2017

In 2017 will continue its diversification strategy in sustainable business. PDI aims to realize additional successful projects, balancing mergers, acquisitions and green field projects while carefully considering operational and investment expenses.

PDI will carefully execute the make-over plan for all its sites, based on ceasing the zinc operations and the start-up of new business.

In 2017, PDI will assure successful execution of the critical success factors for all main identified projects:

1. Launch PDI Metals trading business to serve domestic customers after ceasing conventional zinc operations,
2. Revamp the PDI Mae Ramat Solar Farm and build the Solar farms in Japan,
3. Start construction of PDI-CRT in Rayong,
4. Obtain permits for PDI Tak Eco.

Beyond 2017, PDI will transform from a Thai single–focus industrial company into an Asian multi–business holding, with a growing portfolio of industrial investments in Energy, Materials and Eco business.

Society

Environment

Economy

SMOOTH TRANSITION TO NEW BUSINESSES

PDI has encountered a lot of challenges during its business transition in 2016. While the Company continues to operate zinc business in 2017, it has been developing new business projects at the same time. During the 2016–2017 transition period, PDI's main income will still be from zinc business, laying a strong financial foundation for new business investments.

PDI's management has carefully planned every step, to maintain a smooth transition when it finally has to cease the zinc business. Management has communicated with all staff and stakeholders to create better understanding and cooperation. As a result, despite all challenges faced, PDI was able to sail smoothly through and meet its 2016 targets.

SOCIETY

HUMAN RESOURCES

PDI's Human Resources Department has continued to implement its plans to support the zinc mining and smelting business closure in 2016 and 2017. This has led the company to achieve its 3 objectives:

1. to maintain performance standards while zinc business is discontinued;
2. to provide guidelines for employees to plan for their future;
3. to create better understanding among staff and partners about the business strategy and the plan to cease conventional zinc business.

In June 2016, the Company terminated the employment of most of the staff from the Mae Sod Mine, in line with the mine closure plan. Additionally, it ceased the employment of 90 people at the Tak Plant and another 49 at the Rayong Plant in December 2016, in line with the plan to discontinue the zinc business. PDI carried out all these activities with care and consideration of the impact on its employees and external service providing partners. Their personnel includes the plants' doctors and nurses, staff in the canteens, cleaning service contractors and bus service contractors. With clear and consistent information from the Company, they were all able to prepare themselves for the expected changes.

PDI realizes the importance of its employees to the future growth of the Company. Using various communication channels, the Company has listened to the staff's opinions and concerns so that it can find ways to help and take care of them as if they are members of the family. Apart from the compensation specified by the law and the additional financial support, PDI organized vocational training accordingly the needs of each office, with a budget of Baht 2.6 million. Furthermore, many seminars were conducted to offer knowledge and advice to the leaving staff on how to manage their finances, taxes and debts, how to prepare paperwork for their social welfare and benefits, as well as how to fill in the one-time income tax form when they had to leave the Company.

Even though PDI had to cease employment of over one-third of its staff in 2016, all work units maintained their efficiency and achieved their targets without any workplace accidents. The Company's assets were handed over and managed properly.

2016 achievements exceeded targets, reflecting PDI's professionalism and the staff's understanding of the changing business strategy. In particular, the staff that had to leave the company before retirement age performed their work efficiently in full cooperation, although they realized that the work they did would be their last mission. They also expressed their bond with PDI and their wish to support the new sustainable growth businesses.

RESTRUCTURING TO SUPPORT THE ZINC CLOSURE PLAN AND TO WELCOME NEW BUSINESSES

During this period of change, PDI restructured its organization and manpower to support the zinc closure activities and the various new investments. The restructuring process was rigorously managed with emphasis on the highest efficiency. Many employees were asked to take more and different responsibilities. In other cases, jobs were combined to match the remaining work during each period. The commercial department restructured into PDI Metals to support zinc metal trading business. PDI invested in a Business Development Center adding manpower to support projects that will create new business quickly. Highly potential experienced staff was selected from various backgrounds to join the new Business Project Development Team.

Number of Employees by Level of Responsibilities (2014–2016)

Level	2014	2015	2016
Executive	11	12	12
Managerial	47	47	45
Supervisory	314	311	268
Operational	402	387	309
Temporary Worker	82	77	44
Total	856	834	678

Number of Employees in 2016 by Education and Level of Responsibilities

Education	Bachelor up	Certificate–Diploma	Below certificate
Executive	12	0	0
Managerial	41	4	0
Supervisory	57	181	30
Operational	0	83	226
Temporary Worker	0	5	39
Total	110	273	295

Number of Employees in 2016 by Age Group

	PDI–Bangkok	PDI–Tak	PDI–Mae Sod	PDI–Rayong
< 30	1	9	4	5
30 - 50	43	203	45	59
>50	27	252	10	20
Total	71	464	59	84

Number of Incoming and Outgoing Employees in 2016 by Office

Office	Incoming Employees	Outgoing Employees *
PDI-Bangkok	3	9
PDI-Tak	0	90
PDI-Mae Sod	0	140
PDI-Rayong	0	49
Total	3	288

Note: * Included outgoing employees on January 1st, 2017

STAFF'S POTENTIAL DEVELOPMENT TO SUPPORT PDI'S BUSINESSES IN THE FUTURE

In 2016 and 2017, 4 of 11 members of the executive level staff will retire. PDI decided not to replace them but to redistribute their responsibilities at different levels and functions in the organization. Internally recruited personnel has been enrolled in individual development plans to expand their work knowledge and their management skills. Additionally, PDI has prioritized English language skills of its corporate staff at all levels, realizing that most of its future businesses is linked with overseas companies.

PDI has also increased the knowledge of the teams that will be responsible for developing and implementing its new business projects, through seminars and field trips for knowledge sharing with leading companies. Seminar topics included 'Human Resources Management of Holding Companies' and 'Trading Company Business Models'. Moreover, meetings have been held to exchange ideas among the staff of various units. This will finally lead to work integration and more efficiency, required to support PDI's future new businesses.

Average Training Hours per Person in 2014–2016 by Level of Responsibilities

Level	2014	2015	2016
Executive	57	28	22
Managerial	82	100	94
Supervisory	20	53	70
Operational	6	27	44
Temporary Workers	6	0	21
	16	38	56

Note: Including the occupation training for Tak and Rayong employees from ceasing zinc operations

Training Expenses (2014–2016)

Year	million Baht
2014	7
2015	4.3
2016	4.3

Ratio of Employee Promotion in 2016

% of Male Promoted	% of Female Promoted
1.0	1.2

STAFF OCCUPATIONAL HEALTH AND SAFETY

PDI's staff members are all very well informed on the Company's strategy to discontinue conventional zinc business and to invest in new businesses, including the manpower reduction plans at all offices. During the entire make-over period, PDI remained concerned of the impact on its staff and paid increased attention for the staff to work carefully and safely. The Company complied strictly with its policy and guidelines on occupational health and safety standards to prevent, solve, and manage situations, outlined under OSHAS/TIS 18001.

PDI is pleased to report that in 2016 no work accidents or any work related sicknesses occurred. All staff professionally maintained their performance standards, adhering to the occupational health and safety principles. They fully cooperated in implementing the activities laid out in the annual Health & Safety plan:

No. of Staff Working on the Occupational Health, Safety and Work Environment Committees

Level	PDI–Bangkok	PDI–Tak	PDI–Rayong	PDI–Mae Sod
Executive	1	2	0	0
Managerial	0	3	3	1
Supervisory	2	6	2	4
Operational	2	0	4	4
Total	5	11	9	9
Total staff	71	464	84	59
Percentage	7.0	2.4	10.7	15.2

PDI's Occupational Health and Safety Activities in Various Offices

Project/Training	Results	Office
1. Prevention of accidents from vehicles	- Drivers use vehicles according to safety practice. - Zero vehicle accidents.	PDI-Mae Sod PDI-Tak
2. Outstanding management of occupational health and safety in each unit since 2015	- Each unit managed its own occupational health & safety. - Staff took part in the prevention of accidents and sickness from work. - PDI received the National Occupational Safety and Health Award for the 9th consecutive year.	PDI-Mae Sod PDI-Tak PDI-Rayong

Project/Training	Results	Office
3. Campaign to promote safety at work and to implement suggested projects related to quality, occupational health, safety and environment	- Staff and contractors are aware of safety and take part in managing quality, occupational health, safety and environment.	PDI-Mae Sod PDI-Tak PDI-Rayong
4. Training in Basic Fire Fighting and Fire Fighting Teamwork	- Staff members are able to use basic fire-fighting equipment in case of a fire. - They are able to work as a team to handle a fire.	PDI-Mae Sod PDI-Tak
5. Training in Forklift Maintenance and How to Drive Forklifts Safely and Correctly	- Staff members are able to use the forklifts correctly - They can provide basic maintenance reducing possible loss of time and property.	PDI-Tak
6. Training on Life Saving and First Aid	- Staff members are able to provide first aid in case of an incident in their work unit.	PDI-Mae Sod PDI-Tak
7. Training on Occupational Health, Safety, and Environment Committee	- To comply with the laws. - Committee members now understand their roles and responsibilities and can ensure staff works safely.	PDI-Mae Sod
8. Training on Safety from Electricity	- Staff members know how to choose appropriate equipment to protect them self while dealing with electricity. - They are able to help save other person's life and to provide first aid for was electricity related accidents.	PDI-Mae Sod PDI-Tak
9. Training on Work Safety Related to Testing National Skill Standards of Building for Electricians	- Staff members know how to prevent risks for electricity works.	PDI-Mae Sod PDI-Tak PDI-Rayong
10. Fire drills for high rise buildings	- Staff members know what to do in case of a fire in a high rise building. - Staff members can use fire extinguishing equipment correctly in case of emergency.	PDI-Bangkok

Safety Indicators

Indicator	Unit	PDI–Bangkok			PDI–Tak*			PDI–Rayong			PDI–Mae Sod		
		2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Frequency of injuries	Lost time work injuries per 1 million hours worked	0.00	0.00	0.00	0.89	0.90	0.00	3.52	0.00	0.00	0.00	0.00	0.00
Severity of injuries	Days lost per work injury	0.00	0.00	0.00	16.04	36.9	0.00	10.57	0.00	0.00	0.00	0.00	0.00
Total staff	People	76	74	71	532	516	464	94	87	84	200	196	59

Note: * No. of staff means PDI's staff and employees.

COMMUNITY

PDI has continuously communicated with the local communities on the change from zinc operations to the new businesses. Consequently, the communities have a clear understanding and are ready to continue the work jointly initiated by PDI and the communities, for the benefits of the community members, including:

THE 60TH CORONATION ANNIVERSARY FUND FOR THE COMMUNITY'S HEALTH AND WELFARE

In Mae Sot District, Tak Province: Four funds were established in 2006 on the occasion of the 60th anniversary of King Rama IX's coronation: Phra That Padaeng Sub-District Fund, Mae Tao Sub-District Fund, Mae Ku Municipality Sub-District Fund, and Mae Ku Sub-District Fund. PDI provided the initial financial support for each fund so that it could be used to improve the lives of people in the communities. The fund members appointed a committee to manage the funds in line with the objectives and needs of the members. 2016 was the 10th year of the funds, and it shows that the communities were able to strongly manage them independently, making the funds more sustainable.

• Farewell party for the committees of the funds.

KAREN HAND WOVEN CLOTH GROUP

In Mae Sot District, Tak Province: This project was initiated by Padaeng Industry Public Company Limited in cooperation with Padeh and Baan Tham Sua women's groups. These small groups make hand woven cloth products including notebook covers, purses and hand bags. Phra That Padaeng Sub-District Administration Organization, Mae Sot District Community Development Office, and the Industry Promotion Agency provided training to the members so that they could improve the quality of their products to meet the needs of the consumers. In 2016, the distribution channels of these Karen hand-woven cloth products were expanded to cover both the local communities and the central part of the country. Some products have been sold at department stores in Bangkok, such as Siam Paragon and Central. PDI is proud of its initial support and has continued to help improve the groups' potential through cooperation with various parties. As a result, the groups are now strong enough to endure in the future, after PDI completes its zinc business closure mission and moves out of the Mae Sod area.

COMMUNITY DEVELOPMENT

Although the zinc production at the Mae Sod Mine was discontinued in the middle of 2016, PDI still continues to render its assistance to improve the local communities in Tak and Rayong with a total budget exceeding Baht 4 million. The activities it supports involve education, religion, community service and culture.

- Bringing in heavy machinery to dig and clean public canals.

- Presentation of scholarships to youth and education promotion activities.

INVOLVING COMMUNITIES IN THE NEW BUSINESS PROJECTS

PDI's Community Relations Team met and exchanged opinions with the communities surrounding the Tak plant. They joined the villages' monthly meetings and attended community activities as was deemed appropriate. Besides creating good relationships with the communities, this opened up opportunities for the company to hear their comments and concerns. Attending these meetings also showed PDI's sincerity and intention to operate its businesses without impact on the environment or the nearby communities.

PDI involved the communities in its new investment projects, particularly in the Industrial Waste Management Center for Environmental Conservation in Tak. This project belongs to PDI Tak Eco Co., Ltd. and requires reporting on the evaluation of the impact on the environment and health also known as EHIA. The Kor 1 hearing was organized for the public to air their views February 3rd, 2017.

CUSTOMERS

February 24th, 2016, PDI organized 'Customer Day' in order to clearly inform customers about its zinc production ceasing plan and to answer any potential questions. Many customers expressed their concern for PDI to continue to procure and provide zinc products to them. The Company took their request into consideration and committed to find ways to continue to serve its customers. September 15th, 2016, PDI Metals was introduced to the customers as a PDI business that will import and distribute zinc products from overseas suppliers. The company will apply the same high standards as PDI always did. PDI Metals will also provide technical advice to its customers, which has always been PDI's strength.

Through the COEZINC website and Facebook, PDI has disseminated the latest information and technologies related to the zinc industry for the benefits of the Thai operators and the public in general. In 2016 the Company added Line as another communication channel to quickly update its customers on the zinc price. This new channel has been well received by most customers.

SUPPLIERS

PDI has carefully communicated with every supplier about its business direction and the change from zinc production to the aforementioned new businesses. No matter whether they are implemented by PDI itself or in the form of a joint venture, PDI will continue to put emphasis on the supply chain risk management, which covers environmental, social and good governance issues. This action will be in line with PDI's sustainable business operation direction.

SUPPLY CHAIN MANAGEMENT

THE SUPPLIERS' SUSTAINABLE PRACTICE

In 2016, PDI and each supplier entered into agreements called the PDI Supplier Code of Conduct, despite decreasing purchase volumes from the shrinking zinc business. Since then, all purchases have strictly complied with this code of conduct, covering important topics such as business ethics, human rights, the environment and occupational health & safety. With transparency and fairness, PDI has continued to manage purchasing risks from the selection to the evaluation and auditing processes. Accordingly the yearly plan, PDI sets audit targets with all suppliers covering 80% of the total purchase value. All products and services having an impact on the production process, environment and occupational health & safety were also evaluated. In 2016, PDI successfully audited 100% of the suppliers in this group.

FUTURE PLAN

PDI will review and improve its risk management plan and the evaluation process of suppliers. This is to ensure that they support its new businesses and the businesses of its subsidiaries and are consistent with the announced PDI Supplier Code of Conduct. In addition, PDI will expand its anti-corruption policy into the supply chain management.

ENVIRONMENT

PDI comprehends the importance of environmental management to sustainable business. Therefore, it has continues to operate with the highest efficiency using the best available technologies to minimize any potential impact and risks for the communities and environment.

The Company's strategic direction on environment in 2016 remained in line with its strategic plan during the business transition. The strategies included:

- Manage every aspect of environment continuously and efficiently
- Assess possible risks and impact on the environment as a result of the zinc business closure in order to manage these properly and comply with the government's rules and regulations.
- Use the best available technologies in our new business projects to protect the environment and to minimize the impact and risks for the communities.

ENVIRONMENTAL PERFORMANCE

In 2016, PDI executed its plan and met its target in environmental management of all operating sites in compliance with the international standards and the government's requirements. This was to ensure that PDI's operation would not have any impact on the surrounding communities to the benefit of the country. The work included sustainable use of resources, energy conservation, continued monitoring and assessment of soil, water and air quality as well as waste management.

• **Sustainable utilization of resources:** PDI improved the zinc quality of its ores with less than 9% zinc to 46% through the ore floating process. The aim being to maximize the use of the minerals from the mine, as it was the last delivery to the Zinc Smelting Plant.

• **Energy conservation:** In 2016, PDI consumed a total of 1,556,947 gigajoules divided into 1,170,276 gigajoules from electricity and 386,671 gigajoules from fuel. Compared with 2015, this was a decrease of 22,769 gigajoules as a result of the termination of zinc oxide cleaning process at Rayong Plant. Likewise, Tak Plant used less energy because it continued to manage its electricity consumption by reducing the use of electricity during the on-peak rate. This had no impact on the Plant's production efficiency.

• **Continued monitoring and assessment of soil, water and air quality as well as the Green House Gas Release and waste management:** All these followed the specified technical and assessment standards and were in line with the concerned laws and regulations.

Air Quality Measured at the Stacks

Stack	Office	Parameter	Unit	Standard	2016 Monitoring Results
Sulfuric acid production process	PDI-Tak	Sulfur Dioxide gas (SO_2)	ppm	< 500	236[1)]
Calcine production process	PDI-Rayong	Sulfur Dioxide gas (SO_2)	ppm	< 500	155[2)]
Coal fired boiler	PDI-Tak	Sulphur Dioxide gas (SO_2)	ppm	< 700	127[1)]
	PDI-Tak	Total suspended particulate (TSP)	mg/m^3	< 320	211[1)]
Zinc smelter	PDI-Tak	Total suspended particulate (TSP)	mg/m^3	< 400	11.50[1)]

Note: 1) Monitored by SPS Consulting Co., Ltd.
2) Monitored by Eastern Thai Consulting 1992 Co., Ltd.

Ambient Air Quality

Parameter	Office	Unit	Standard	2016
Sulfur Dioxide Gas (SO_2)	PDI-Tak	mg/m^3	< 0.30	<0.01[1)]
Sulfur Dioxide Gas (SO_2)	PDI-Rayong	ppm	< 0.30	0.02[2)]
Total suspended particulate (TSP)	PDI-Tak	mg/m^3	< 0.33	0.059
Total suspended particulate (TSP)	PDI-Rayong	mg/m^3	< 0.33	0.016
Total suspended particulate (TSP)	PDI-Mae Sod	mg/m^3	< 0.33	0.040-0.289
Total suspended particulate (TSP) smaller than 10 micron (PM-10)	PDI-Mae Sod	mg/m^3	< 0.12	0.017-0.098

Note: 1) 24- hour average atmospheric SO_2 standard
2) 1- hour average atmospheric SO_2 standard

CLIMATE CHANGE

The release of most PDI's Green House Gas was from the use of electricity and heat from various fuels in the zinc smelting process. In 2016, PDI released a total of 219,529 carbon dioxide tons equivalent of Green House Gas, a decrease of 2,066 carbon dioxide tons equivalent or 1% from 2015.

WATER

PDI manages water efficiently by reducing waste and recycling it for use both in the buildings and in the production process at Tak and Rayong Plants. Mae Sod Mine mainly manages rain water flowing through its activity area.

PLANT WATER QUALITY

In 2016, PDI's water consumption totaled 1.68 cubic meters of which 47% was recycled for use in the production process and other areas. The quality of treated waste water was tested to ensure it met the specified standard. Details are shown :

Parameter	Unit	Standard	Tak Plant	Rayong Plant
pH value	-	5.5-9.0	7.57	7.74
Zinc (Zn)	mg/l	< 5	0.21	0.43
Cadmium (Cd)	mg/l	< 0.03	0.005	<0.001
Manganese (Mn)	mg/l	< 5	0.39	-
Lead (Pb)	mg/l	< 0.2	0.0005	0.004
Arsenic (As)	mg/l	< 0.25	0.0007	0.125
Mercury (Hg)	mg/l	< 0.005	0.0007	0.0034

MAE SOD MINE'S WATER MANAGEMENT

Mae Sod Mine is an open pit mine and does not use water in the production process. However, PDI focuses on managing natural rain water flowing through the Company's activity areas. Water must go through the sediment process as per the mining standards specified in the mining project plan and the environmental standard. At the same time, PDI follows the waste water quality standard of the Department of Industrial Works to ensure that water was clear before releasing it into the nature.

There are 11 sediment ponds which can collect any amount of rain water in the project area. PDI also uses rain water in its Close System ore floating process without releasing but recycling it. This reflects an efficient water management.

In 2016, the quality of waste water at Mae Sod Mine met the specified standard as shown in the table below:

Parameter	Unit	Standard[1]	Disposal Point			
			Zone A4	Zone B3	Zone C1[2]	Zone D3
pH	-	5.5 – 9	7.37-7.86	7.88-8.41	-	7.83-8.28
Suspended Solids: SS	mg/l	<50	2.4-11.1	2.9-27.4	-	2.0-13.7
Total Dissolved Solid: TDS	mg/l	< 3000	104-160	504-816	-	122-252
Zinc	mg/l	< 5	0.05-0.09	<0.01-0.58	-	0.02-0.33
Cadmium	mg/l	< 0.03	<0.01	<0.01-0.01	-	<0.01-0.01
Lead	mg/l	< 0.2	<0.05	<0.05-0.18	-	<0.05

Note: 1) References the Ministry of Industry's waste water standard.
2) No water was released into the nature.

INDUSTRIAL WASTE MANAGEMENT

PDI manages waste efficiently as per the principles and practices of the concerned units. Through the 3Rs principle, waste is separated for safety and convenience in managing, and is also recycled in order to reduce waste and reduce future use of resources.

In 2016, waste amounted to 613,456 tons of which 99.73% or 611,782 tons were mineral waste. This waste was treated until it had a stable condition as per the specified standard before being buried in the mineral waste pond at Tak Plant designed and constructed according to the requirements of the Department of Industrial Works and the Office of Natural Resources and Environmental Policy and Planning (ONEP).

A total of 1,459 tons or 0.24% of hazardous waste was landfilled by the contractors authorized by the Department of Industrial Works. At the same time, 33 tons of recyclable waste was sold to the Department's authorized buyers, while 164 tons of general waste was buried in the landfill as per the sanitary principle.

ASSESSMENT OF POSSIBLE RISKS AND ENVIRONMENTAL IMPACT FROM THE CLOSURE OF ZINC BUSINESS

PDI is certain that the discontinuation of the conventional zinc production process will not have any impact on the surrounding environment and communities in all of PDI's work sites. This is because the Company has strictly complied with the environmental standards in all areas and has also continuously monitored, audited and evaluated the impact on the environment.

After the closure of mining operations at Mae Sod Mine in mid-2016, PDI has restored the environment of the remaining area. This will help protect the soil from eroding and make it fertile once again. The sediment pond which collects rain water will continue to be used. The land where the tailings sediment was kept will be filled according to the safety standards specified by the government and standing timbers will be grown to cover the whole area. This colorful nature will then be developed for ecological tourism.

After Rayong Plant was closed at the end of 2016, PDI forecasted to spend half a year to remove the machinery, cleaning and restoring the area according to the regulations specified by the government as well as the environmental impact preventive and corrective measures specified in the report on environmental impact analysis.

USING THE BEST TECHNOLOGY TO PROTECT AND REDUCE IMPACT AND RISKS ON THE ENVIRONMENT AND COMMUNITIES IN THE NEW BUSINESS PROJECTS

PDI recognizes the importance of using innovative and clean technologies in its new business projects in order to protect the environment or create minimum impact on it.

In the joint venture PDI-CRT the most efficient, innovative and environmental friendly technology is used. This ultra-high temperature (UHT) submerged plasma process from Sweden, enables to extract zinc and other metals from complex industrial waste and is unmatched in the whole of Asia.

OVERVIEW OF THE ENVIRONMENTAL PERFORMANCE INDICATORS (EPI)

Indicator	Measurement Unit	Tak Plant				Rayong Plant			
		2014	2015	2016		2014	2015	2016	
				Target				Target	
Input Indicators									
Total Materials Used	ton	223,805	227,414	215,000	230,610	66,045	74,769	57,500	53,783
Total Energy Consumption									
• Electricity	gigajoule	1,074,469	1,107,787	1,100,000	1,112,904	53,212	56,288	45,000	47,672
• Electricity/ ton production	gigajoule/tonne production[1]	15.32	14.94	15.00	15.29	0.90	0.84	0.90	1.00
• Fuel	gigajoule	260,681	308,279	302,000	302,773	16,901	18,124	13,500	14,830
• Fuel/ton production	gigajoule/ton production[1]	3.72	4.16	4.10	4.16	0.29	0.27	0.27	0.31
Total Water Consumption									
• Total water consumption	1,000 m^3	1,471	1,403	1,400	1,474	251	263	200	169
• Water consumption/ ton production	m^3/ton production[1]	20.97	18.93	19.00	20.25	4.26	3.93	4.00	3.56
Output Indicators									
Produced Waste									
• Total waste produced	ton (wet weight)	562,448	572,315	575,000	611,992	1,952	1,369	0	1,381
• Disposal [2]	%	99.97	99.97	99.97	99.97	99.25	98.04	98.00	99.61
Effluent									
• Total emitted process water	1,000 m^3	411	1,136	1,115	1,128	120	106	60	28
• Total emitted metals	kg	189	455	450	700	115	61	57	16
Effluent Quality									
• Zinc (<5 mg/l)	mg/l	0.25	0.15	<5	0.21	0.79	0.41	<5	0.43
• Cadmium (<0.03 mg/l)	mg/l	0.008	0.005	<0.03	0.005	0.00	0.00	<0.03	<0.001
• Manganese (<5 mg/l)	mg/l	0.19	0.24	<5	0.39	-	-	<5	-
• Lead (<0.2 mg/l)	mg/l	0.002	0.001	<0.2	0.001	0.079	0.047	<0.2	0.004
Emission									
• Total emitted metals	kg	574	806	800	558	331	53	40	22
• Total emitted SOx	ton	110	194	250	232	36	40	40	91
Air Quality									
1. Air emission									
• SO_2 at Acid Plant (< 500 ppm)	ppm	58	206	<250	236	88	113	<200	155
• SO_2 at Coal Fired Boiler (< 700 ppm)	ppm	148	61	<400	127	-	-	-	-
• Total suspened particulate at Coal Fired Boiler (< 320 mg/m^3)	mg/m^3	205	245	<320	211	-	-	-	-
• Total suspened particulate at Bag Filter (< 400 mg/m^3)	mg/m^3	11.86	11.57	<200	11.50	-	-	-	-
2. Ambient air									
• Total suspended particulate (< 0.33 mg/m^3)	mg/m^3	0.052	0.042	<0.33	0.059	0.105	0.142	<0.33	0.092
• Sulfur dioxide (SO_2)									
(average 24 hr <0.30 mg/m^3)	mg/m^3	0.01	0.01	<0.33	0.01	-	-	-	-
(average 1 hr <0.30 ppm)	ppm	-	-	-	-	0.03	0.02	<0.30	0.01
Greenhouse Gas									
• Total greenhouse gas	ton	203,437	214,746	211,000	214,498	3,492	3,157	2,400	2,863
• Total greenhouse gas/ton production	kg/ton production[1]	2,901	2,897	2,850	2,948	59.21	47.19	50.00	60.35
Recycle									
• Reduce waste									
- Total recyeled waste	ton	171	68	50	9	10	20	15	24
- Recycled waste	%	0.03	0.01	0.01	0.002	0.49	1.49	1.50	1.74
• Reduce water									
- Recycle and reuse water	%	63	46	45	47	9	8	10	11

Remark: 1. ton production means ton of is zinc cathode for Tak Plant, ton of calcine and washed oxide for Rayong Plant
2. % Disposal : % of total waste were treated by landfill (internal and external) and other % of waste were recycled and reused

Indicator	Measurement Unit	Tak Plant				Rayong Plant				Mae Sod Mine			
		2014	2015	2016		2014	2015	2016		2014	2015	2016	
				Target				Target				Target	
Financial Indicators													
Environmental Investment and Operating Costs													
Total environmental investment costs	million Baht	0.40	0.00	0.00	0.00	14.14	18.90	0.00	0.00	0.00	0.00	0.00	0.00
Total environmental operating costs	million Baht	96.00	81.45	85.00	87.00	35.00	16.00	20.00	32.83	2.00	1.59	2.00	2.18

ECONOMY

ZINC PRODUCTION

In 2016, the Tak Plant produced a total of 72,813 tons of zinc, a slight decrease of 2% when compared with 2015. The use of zinc from the Mae Sod Mine increased to 53%, compared with 48% in the previous year. This led to a significant decrease in the raw material costs. 2016 was the last year PDI imported zinc concentrates and 31,530 tons were imported, down 62% from 2015.

PDI efficiently managed its electricity costs by reducing production during peak price periods. This, combined with the decreased Ft, pushed the electricity price per production down by 7% per ton, or an equivalent of about Baht 68 million in reduced electricity expenses. The Tak plant produced 7,350 tons of lead and silver containing residues, as by-products from the mineral extraction process (Padaeng Leached Product: PLP) and 106 tons of copper cathodes.

ZINC SALES ON TARGET

In 2016 – the start of the transition period from conventional zinc to new businesses - PDI continued to rely mainly on the revenues from its core zinc business. The Company was able to achieve its 2016 sales targets. In particular, there was a higher demand in the general galvanizing industry leading to a 9% increase in zinc sales in 2016 compared to 2015. This, combined with the higher world zinc price in the second half of the year, resulted in a 12% increase in the total sales value.

Figure 1 : Zinc Consumption in Thailand from 2012–2016

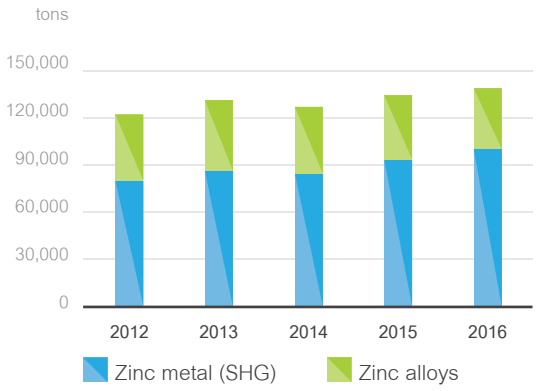


Figure 2 : Sales Value of Zinc Metals and Alloys from 2012–2016

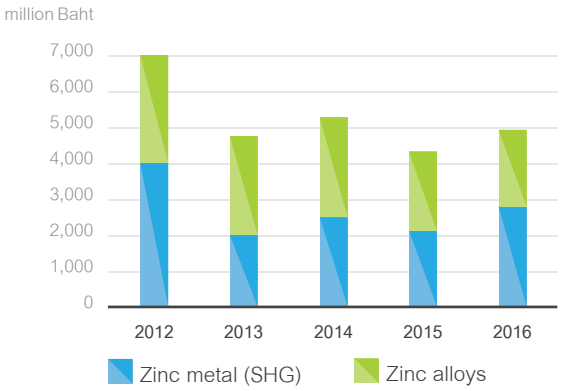
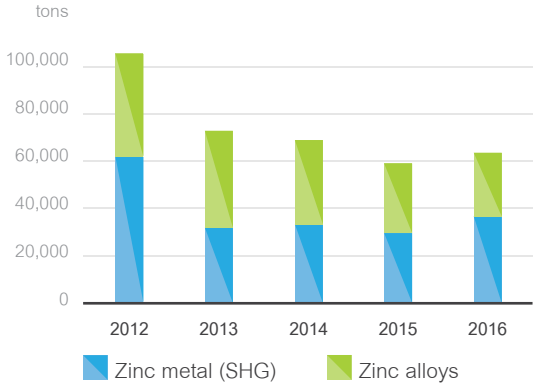
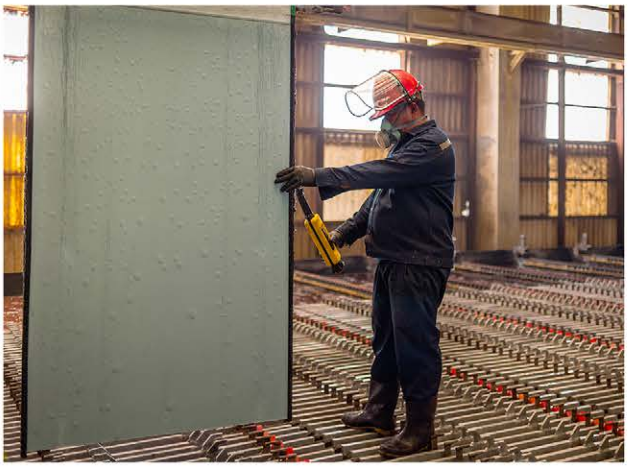


Figure 3 : Sales Volume of Zinc Metals and Alloys from 2012–2016





OVERVIEW OF THE ZINC INDUSTRY IN 2016

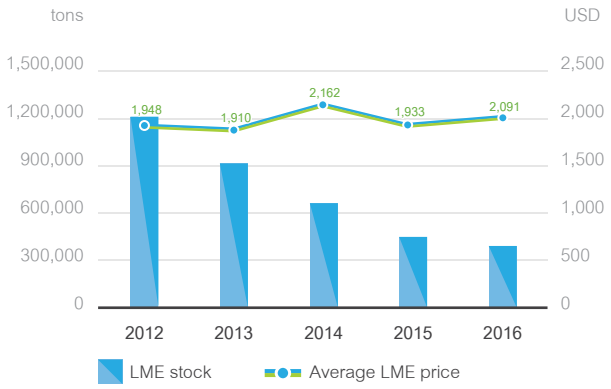
The world zinc industry grew slightly and gradually in 2016. While the economy in China was slowing down, Thailand's zinc industry benefited from the government's speedy investments, particularly in the country's infrastructure, transportation, and the implementation of the Eastern Economic Corridor (EEC) development plan. This resulted in the growth of the general hot dip galvanizing industry, while the steel pipe and steel sheet galvanizing industry was pressured by imported finished products from China. This forced some of the customers in the steel pipe and steel sheet galvanizing industry to reduce their production capacity.

Similarly, the demand from the customers in the zinc die-casting industry was also reduced due to the shrinking domestic automobile industry, amidst Thailand's sluggish economy and reduced export. In addition, zinc die-casting has been replaced by other raw materials such as aluminum and even plastics.

AVERAGE ZINC PRICE IN 2016 INCREASED BY 8% OVER 2015

In the second half of 2016, the world zinc price surpassed USD 2,000 per ton. The annual average price was USD 2,091 per ton, an 8% increase compared to 2015. The zinc stock continued to shrink as a result of the decreasing zinc production volumes. At the end of 2016, the LME stock reached 427,850 tons.

Figure 4 : LME Zinc Price and Stock Levels from 2012 to 2016



SALES TARGET FOR ZINC IN 2017

Even though the conventional zinc production will be discontinued in 2017, PDI has set a similar target for the sale of zinc as in 2016. Part of the zinc for sale is from its warehouse, while the other part is from trading imported zinc, in order to meet the demand of all customers.

MARKETING STRATEGY FOCUSES ON QUALITY AND SERVICE

PDI's emphasis is on importing high quality zinc in line with LME standards and providing technical service support to customers. At the same time, PDI shares its knowledge and new technologies with its customers every year, in order to help improve their potential. Major seminars are held for both zinc die-casting and galvanizing industry customers. The Company also cooperates with various organizations and institutes to promote education and disseminate information on various uses of zinc.

In September 2016, PDI and the Thai Galvanizing Association (TGA) attended the 10th Asia Pacific General Galvanizing Conference held in Bali, Indonesia with the aim to uplift the standard of Thailand's galvanizing work to an international level. During this event, Thailand offered to host the next conference. The meeting voted unanimously for TGA to be the host of the 11th Asia Pacific General Galvanizing Conference. The event is expected to be held in September 2019 and will help improve the country's galvanizing industry as well as the economy in general.

OPERATIONS OF SUBSIDIARIES AND JOINT-VENTURES

MAESOD CLEAN ENERGY CO., LTD.

Maesod Clean Energy Co. Ltd. in which PDI holds 35% of the registered capital, produces ethanol from sugarcane at a capacity close to 230,000 liters per day. In 2016, it produced 54.4 million liters of ethanol, a decrease of 18% from 72.3 million liters in 2015. This was caused by the severely damaged turbine in January 2016 forcing MCE to stop production in order to repair and change the damaged parts. Electricity production resumed in November only. The sugarcane supplied to the plant totaled 316,000 tons, a slight decrease of 3% from the previous year. The Company continued to use molasses to produce ethanol.

In 2016, Maesod Clean Energy produced a total of only 20.5 million kW of electricity, a decrease from 71.0 million kilowatts produced in 2015 due to the above-mentioned damaged turbine. The Company sold 11.2 million kW of the remaining electricity to the Provincial Electricity Authority.

From the above-mentioned incident, in 2016 Maesod Clean Energy recorded a substantial loss of Baht 124 million, compared with the Baht 30 million loss in 2015. Even though the ethanol situation improved in 2016 as a result of the higher market demand, the Company still encountered the problem of insufficient volume of sugarcane for production.

Forced by the continued losses of the company, August 4th, 2016, the Board of Directors of Padaeng Industry Public Company Limited approved the divestment in Maesod Clean Energy. After lengthy negotiations PDI's share in MCE was sold to MP Energy Co., Ltd., one of the other joint venture companies, for a total value of Baht 59 million. The share sales agreement was signed February 16th, 2017.

FINANCIAL REVIEW

2016 COMPANY PERFORMANCE

Note: The following management review is based on a formulation of accounts which may not have been audited. The purpose of presenting the accounts in such a format is to disclose the results in a way more useful to the reader than that of the comprehensively regulated financial statements.

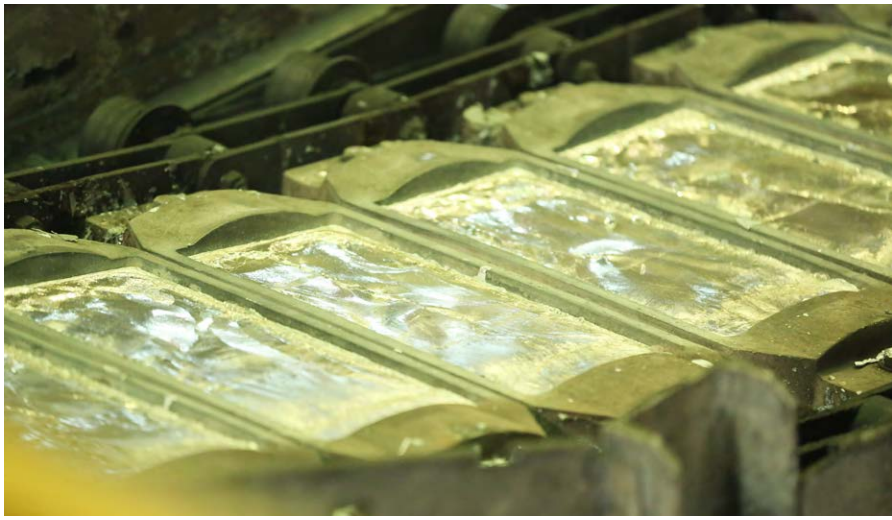
The Company, as a zinc smelter, generates earnings by converting raw materials such as imported concentrates, other feed stock and ore from its own Mae Sod Mine into marketable zinc metal. The revenues of the company are mainly affected by the commodity zinc prices, the exchange rate of the Thai Baht to the US Dollar and the treatment charges (TC) received from the mines to process their zinc concentrates into zinc metal. The company has entered into a period of business transition with reduced zinc-related operating activities and has started diversifying into new business areas.

The London Metal Exchange (LME) average zinc cash settlement price in 2016 was USD 2,091 per ton, an 8% increase compared to the price of USD 1,933 per ton in 2015. This mainly resulted from the price rebound of commodities in the global market since the second half of 2016.

The average exchange rate of the Thai Baht against the US Dollar in 2016 was Baht 35.47 to the dollar, which represents a 3% depreciation from Baht 34.40 in 2015. The Thai Baht weakened against the US Dollar mainly from the impact of the stagnating Thai economy.

In 2016, the Company generated net revenues from zinc sales of Baht 4,945 million, a 7% increase compared to Baht 4,633 million in the previous year. The increase in zinc sales resulted from higher sales volumes and higher zinc prices, while the depreciated Thai Baht against the US Dollar supported the positive results. The 2016 average sales premiums on zinc metal dropped below 2015 premiums due to strong competition.

Due to higher market prices raw material costs increased by 2% from 2015. However, by optimizing the raw material feed mixing and due to a decrease of 11% in total operating expenses, from the lower prices of electricity and fuel, the production costs remained under control, despite the negative impact from the accelerated depreciations and closure cost provisions.



During the year, the group has rearranged its structure by divesting inactive investment in Padaeng Industry (Laos) and the biomass power plant in the South of Thailand. The Group has actively expanded its business by investing over Baht 1 billion into solar farm power plants.

In December 2016, PDI Energy Co, Ltd., a PDI subsidiary, successfully acquired an operating 6.3MW solar farm power plant, PDI Mae Ramat Co. Ltd., in Tak Province. Additionally, the Company also expanded abroad to invest in solar power plants in Japan. The first 2.3MW plant started its operations in October 2016. The second 10.8MW plant's construction is progressing as planned.

The Group announced a consolidated net profit of Baht 478 million, increased from a net profit of Baht 151 million in 2015. The consolidated earnings per share in 2016 reached Baht 2.11, compared with Baht 0.67 in 2015.

The Group's earnings before interest, taxes, depreciation and amortization (EBITDA) in 2016 reached Baht 1,198 million, significantly increased from the EBITDA of Baht 816 million in 2015. This demonstrates the Company's continuous efforts to maintain positive performance during this business transition period.

PDI Materials joint venture PDI-CRT, focusing on the industrial recycling material business in Rayong, obtained formal support from the Department of Industrial Works (DIW) according to the MOU signed on April 19th, 2016. The conceptual design and basic engineering is expected to be completed in mid-2017. The commercial operations are expected to begin in 2019.

On September 16th, 2016, Dowa Eco-system Co., Ltd. became a 49% shareholder in PDI Tak Eco Co., Ltd., to jointly invest in an industrial waste management project for handling at least 50,000 tons yearly of industrial waste from Northern and Central Thailand. The joint venture is in the process of obtaining permits to process industrial waste at PDI's Tak site. The project received firm support from relevant authorities.

STATEMENT OF FINANCIAL POSITION

ASSETS AND LIABILITIES

At the end of 2016, total assets of the PDI Group reached Baht 5,593 million, an increase of Baht 488 million compared to the previous year. The cash and cash equivalent, including short-term deposits, increased to Baht 1,412 million in 2016 from Baht 1,201 million in 2015, from a significant decrease in inventories.

The non-current assets related to zinc operations were decreased with Baht 596 million by accelerated depreciations and impairment provisions on the assets linked to the zinc operations in line with the business transition plan. The Group recognized additional non-current assets of Baht 507 million for its acquired solar farm power plant in Tak province. The investment in the solar power plant in Japan, reaching Baht 512 million, affirms the strong progress of the Group in its diversification plans.

Through the end of 2016, total liabilities slightly increased by Baht 52 million to Baht 1,576 million, from Baht 1,524 million in 2015. Provisions of Baht 639 million are related to restoration, rehabilitation and closing zinc operation commitments.

SHAREHOLDER'S EQUITY

As of December 31st, 2016, the total shareholder's equity of PDI amounted to Baht 4,017 million, a net increase of Baht 436 million compared to the previous year.

On February 22nd, 2017, the Board of Directors approved a dividend payment of Baht 1.00 per share, equivalent to Baht 226 million from the net profit. The dividend payment is subject to approval at the annual shareholders meeting scheduled in April 2017.

CASH FLOW AND CAPITAL EXPENDITURES

The net cash generated from the operating activities for 2016 of the Group was Baht 1,250 million, compared to net cash used of Baht 69 million in 2015. This resulted mostly from higher profitability according to the improved zinc market and decrease of working capital especially inventories.

In 2016, the cash flow used for investing activities mainly for business expansion to solar farm power plants both local and abroad was Baht 988 million. Baht 29 million were invested in jointly controlled entities of PDI-CRT Co., Ltd., and PDI Tak Eco Co., Ltd. The capital expenditure for the maintenance of machinery and equipment reduced to Baht 15 million. Baht 17 million cash was generated from sales of unused machinery and equipment at the depleted Mae Sod Mine.

A net cash flow of Baht 69 million was used in financing activities of 2016, for short-term loan repayments, amounting to Baht 24 million, and dividend payments related to the 2015 net profit, amounting to Baht 45 million.

The PDI Group sustained a healthy financial position with consolidated net cash of Baht 868 million by the end of 2016, excluding short term deposits of Baht 544 million.

DEVELOPMENT IN RELATED COMPANIES

PADAENG INDUSTRY (LAOS) CO., LTD. (PDIL)

In 2012, the Company's management concluded that substantial expenditures and other alternative drilling methods would be required to continue with the zinc exploration project of Padaeng Industry (Laos) Co., Ltd. (PDIL). Therefore, PDIL has ceased all its exploration activities and has recognized a provision of Baht 107 million for impairment with respect to the exploration costs capitalized since 2012.

In 2013, PDIL was approached by a potential investor with interest in further development and possibly taking over the project. This initiated a series of negotiations. As of December 31st, 2015, the negotiations with the buyer have been concluded. The sales process was completed in the course of 2016.

PDI ENERGY CO., LTD. (PDI ENERGY) AND ITS SUBSIDIARIES

In 2016, PDI Energy, a wholly owned subsidiary of PDI, has made significant progress in its objective of being a vehicle for investment and operation in renewable energy.

On April 28th, 2016, PDI Asia Solar Co., Ltd., a wholly owned subsidiary of PDI Energy, has entered into the Tokumei Kumiai (TK) Agreement to provide contribution funding equal to 97% of total investment to Green Brilliant Godo Kaisha (GK), who invests into 13.1MW solar farm power plants in Japan as TK investor. As of December 31st, 2016, total contributed investment amount reached Baht 496 million (JPY 1,629 million). A local independent asset management company controls and monitors the Green Brilliant GK operations, accordingly local regulations. PDI Asia Solar will obtain allocated profit distribution in return. The first 2.3MW solar farm power plant has started commercial operation since October 2016. The second 10.8MW solar farm is under construction.

Whereas J-Solar Co.,Ltd., another wholly owned subsidiary of PDI Energy, has entered into the Equity Interest Transfer Agreement on April 22nd,2016 to invest in Century Asset Management Kabushiki Kaisha (KK) in Japan. Century Asset Management KK has further invested in 3% shares of Green Brilliant GK. As of December 31st, 2016, total investment amount was Baht 15 million (JPY 51 million). The controlling shares in Green Brilliant GK were transferred to ISH Radiant Solar, again to comply with related regulation in Japan.

On December 26th, 2016, PDI Energy has acquired PDI Mae Ramat Co., Ltd. (formerly IEC Mae Ramat Co., Ltd.), an operating 6.3MW solar farm power plant located in Tak province. Total net investment amount was Baht 303 million.

PDI MATERIALS CO., LTD. (PDI MATERIALS)

In line with the Company's strategic plan, PDI Materials Co., Ltd., a wholly owned subsidiary of Padaeng Properties Co., Ltd., has been assigned to accommodate the PDI Group in its actual and future material related business. On September 10th, 2015, PDI Materials established a joint venture with CRT Norway to explore business opportunities to engage in the recycling of complex metal containing industrial waste by using highly innovative technologies. Currently PDI Materials holds 60% of the shares in the Joint Venture.

PDI ECO CO., LTD. (PDI ECO)

PDI Eco Co., Ltd., a wholly owned subsidiary of the Company, was established on June 16th, 2014, as a vehicle to invest and operate recycling and waste treatment operations.

MAESOD CLEAN ENERGY CO., LTD. (MCE)

In 2016, MCE realized an increased net loss of Baht 124 million compared to a net loss of Baht 24 million in 2015. Forced by the continued losses of the company, August 4th, 2016, the Board of Directors of PDI approved to divest from Maesod Clean Energy. After lengthy negotiations PDI's share in MCE was sold to MP Energy Co., Ltd., one of the other joint venture companies, for a total value of Baht 59 million. The share sales agreement was signed February 16th, 2017.

Since October 5th, 2011, Maesod Clean Energy Co., Ltd., (MCE), has been supported with a shareholder loan from PDI of Baht 105 million. The share sales agreement specifies the PDI shareholder loan repayment within 2 years from the agreement date.

PDI–CRT CO., LTD. (PDI–CRT)

On September 10th, 2015, a joint venture between PDI Materials Co., Ltd. and CRT Norway was established and registered, aiming to become industrial recycling material business in Rayong. In 2016, PDI-CRT has increased its registered capital to Baht 79 million to complete its conceptual design and basic engineering by mid of 2017. The project has also obtained formal support from Department of Industrial Works (DIW) according to the MOU signed on April 19th, 2016. The commercial operations are expected to start early 2019.

PDI TAK ECO CO., LTD. (PDI TAK ECO)

On February 23rd, 2016, the Company acquired total shares of PDI Tak Eco from PDI Energy. PDI Tak Eco will manage industrial waste from Northern and Central Thailand. On April 26th, 2016, the Company and Dowa Eco System Co., Ltd, have signed the Share Purchase Agreement and Shareholder Agreement to jointly hold shares in PDI Tak Eco. On September 16th, 2016, Dowa Eco System became 49% shareholder of the joint venture. PDI Tak Eco proceeds with the permitting process for integrated industrial waste management in the Company's Tak Smelter. The project received firm support from relevant authorities.

FINANCIAL STATUS

	Year 2015	Year 2016
Averages		
LME Zn (USD/ton)	1,933	2,091
USD/Baht	34.40	35.47
Zn (Baht/ton)	66,495	74,168

	2015		2016	
	tons	million Baht	tons	million Baht
Net Zinc sales	59,504	4,633	64,676	4,945
Net Acid sales	45,532	90	29,461	45
Net PLP sales	4,580	50	6,391	85
Company revenue		4,773		5,075
Other income		6		63
Expenses				
Zinc purchased		1,566		1,597
PLP purchased		31		43
Alloying metals		65		53
Sulphur		266		267
Total raw materials		1,928		1,960
Personnel expenses		514		499
Energy expenses		820		830
Materials and supplies		37		22
Consumables		156		185
Services (freight, contracts)		323		291
Other expenses		156		178
Depreciation amortisation		487		657
Subtotal		4,421		4,622
Gain (loss) on foreign exchange		-13		12
Financial income (expenses)- net		26		51
Gain from fixed asset sales		2		17
Gain (loss) from provision		-311		14
Gain from bargain purchase		-		45
Net consolidation effect- profit/(loss)		224		-57
Share of loss from joint venture		-8		-49
Operating result		278		549
Corporate income tax		-127		-71
Net operating result		151		478

Note: PLP stands for Padaeng Leached Product (lead-silver residue)

BUSINESS RISK ASSESSMENT

IDENTIFYING AND MITIGATING THE INHERENT RISKS OF NEW BUSINESSES

Driven by the depletion of the Mae Sod Zinc Mine in the course of 2016, the PDI Board of Directors approved to cease its conventional zinc business operations by the end of 2017. PDI aims to mitigate risks of its new business, by balancing between new projects and mergers & acquisitions. This ensures PDI can maintain acceptable revenue and profit generation to ensure a sound financial foundation for future investment growth in its three main business segments: Materials, Eco and Energy. PDI will align its risk assessment for each specific business, with the investment opportunity potential and the risk appetite level for the expected return. Moreover, PDI will always mitigate risks to ensure the lowest impact to the surrounding environment and communities.

MAJOR RISKS FOR THE CONVENTIONAL ZINC BUSINESS

CREDIT RISK

PDI's main credit risks are in the accounts receivable. PDI actively monitors payment performance of all its customers and evaluates their solvency prior to granting any credit. In addition, we use a credit insurance system for less-credit worthy customers in order to cover receivables that are not supported by cash advance, a bank guarantee or a letter of credit. Yearly audits ensure the proper treatment of all our accounts receivable.

COMMODITY PRICE EXPOSURE

Through the nature of the business, PDI is exposed to fluctuations in the market prices of commodities. For day-to-day operations, we apply transactional hedging, meaning that we generally limit hedging transactions to cover the time risks between raw material purchases and the sale of metals, in order to cover any exposure on fixed-price forward sales of metals to our customers.

In 2016 PDI, applying its strategic hedging plan, has sold forward a total of 11,000 tons of zinc, being 65% of the Mae Sod Mine production. This forward selling has protected our income against fluctuations in the LME zinc price and the US dollar to Thai Baht exchange rate. Although these strategic hedging transactions have at times prevented PDI from taking maximal advantage of potential upsides on the zinc metal tonnage hedged, the Company was able to lock-in an acceptable return for its shareholders.

CURRENCY EXPOSURE

PDI incurs foreign currency risk on sales, purchases and borrowings that are made in currencies other than Thai Baht. The primary currency giving rise to this risk is the US dollar. We address this exposure by using foreign-exchange forward contracts and US dollar deposits.

SOCIAL AND ENVIRONMENTAL ISSUES

PDI operates its mine and refinery under licenses and permits issued by governmental authorities which require our emissions to meet regulatory standards. Occupational health and safety risks are also assessed and monitored in accordance with these standards.

After the depletion of the Mae Sod Zinc Mine in 2016, PDI will continue its mine rehabilitation program and will subsequently hand over the Mae Sod Zinc Mine area together with its buildings to the government in 2017. Furthermore, PDI will continue its monitoring program of environmental impact for 5 years until 2021. The rehabilitation fund is approximately Baht 114 million.

In addition to rehabilitation fund, PDI has provided Baht 50 million for an environmental insurance fund and will transfer the management to the communities in 2021. Part of this fund will be used for monitoring environmental impact and improvement in quality of life.

2016 BOARD OF DIRECTORS,
EXECUTIVE COMMITTEE, AUDIT COMMITTEE AND NOMINATION AND REMUNERATION COMMITTEE

Arsa Sarasin
80 Years Old
Position:
- Chairman (Authorized Director)

Education
• Honorary Doctoral Degree in Political Science (International Affair), Thammasat University, Thailand • B.A. (Business Administration), Boston University, USA

Training in Thai Institute of Directors Association
• Director Accreditation Program (DAP), 2003 • Audit Committee Program (ACP), 2007 • Finance for Non-Finance Directors (FND), 2008 • Role of Chairman Program (RCP), 2013

Current Positions in Listed Company
• Chairman, Padaeng Industry Public Company Limited • Chairman, Dusit Thani Public Company Limited • Chairman, Siam Makro Public Company Limited • Director, Chairman of Corporate Social Responsibility Committee for Sustainable Development and Member of the Governance and Nomination Committee, The Siam Cement Public Company Limited

Other Current Positions
• Chairman, Thai Asia Pacific Brewery Company Limited • Chairman, Amata City Company Limited • Chairman of the Board of Governors, Amata Spring Country Club • Chairman of Advisor, Thai-Laos Association • Vice Chairman, Thai Tapioca Development Institute • Director, Thai Pure Drinks Company Limited • Chairman, Mitsubishi Elevator Asia Co., Ltd. • Advisor to the Board of Director, Charoen Pokphand Foods Public Company Limited

Working Experiences
• Chief Executive Officer, Padaeng Industry Public Company Limited • Chairman, Maesod Clean Energy Company Limited • Director-General, Department of Economic Affairs, Ministry of Foreign Affairs • Thai Ambassador to Belgium & Chief of Mission to the European Community • Director-General, Department of Political Affairs, Ministry of Foreign Affairs • The Permanent Secretary of The Ministry of Foreign Affairs • Thai Ambassador to the USA • The Minister of Foreign Affairs • Chairman of the Asia-Europe Business Forum II • Vice Chairman of the Board of Directors and Advisor, Bangkok Bank Public Company Limited • Director, Vinythai Public Company Limited • Chairman of the Thai-Laos Association • His Majesty's Principal Private Secretary • Chairman of Audit Committee, Vice Chairman and Independent Director of Charoen Pokphand Foods Public Company Limited

% Share Possession: None
Family Relation Among the Managers: None
Date of the First Appointment: November 23, 1987

Francis Vanbellen

59 Years Old

Position:

- Director
- Managing Director
- Executive Committee Member (Authorized Director)

Education

• Master's Degree in Chemical Engineering, Catholic University Leuven (KUL), Belgium
• Master of Business Administration, Vlerick Management School,Gent, Belgium

Training in Thai Institute of Directors Association

• Director Certification Program (DCP), 2013, IOD, Bangkok, Thailand

Other Training

• Process Management, Harvard, Cambridge, USA • Strategic Innovation Management, Insead, Fontainebleau, France • Business Excellence Assessment, EFQM, Brussels, Belgium • Multicultural Leadership, Ashridge, London, UK

Current Position in Listed Company

• Managing Director, Padaeng Industry Public Company Limited

Other Current Positions

• Chairman of the Board, PDI Energy Co. Ltd., Bangkok, Thailand • Chairman of the Board, PDI Materials Co. Ltd., Bangkok, Thailand • Chairman of the Board, PDI Eco Co. Ltd., Bangkok, Thailand • Chairman of the Board, PDI-CRT Co. Ltd., Bangkok, Thailand • Chairman of the Board, PDI Tak Eco Co., Ltd., Bangkok, Thailand • Vice-President, Belgian- Luxembourg/Thai Chamber of Commerce, Bangkok, Thailand

Working Experiences

• Director, Maesod Clean Energy Co. Ltd., Bangkok, Thailand • Director, GMM Quartz NV, Antwerp, Belgium• Director, Puthep Co. Ltd., Bangkok, Thailand • Chairman of the Supervisory Board, GMM Quartz, Berlin, Germany • Director, OMM, Aydin, Turkey • Managing Director, GMM Quartz NV, Antwerp, Belgium • Plant Manager, Umicore Precious Metals Refining Operations, Hoboken, Belgium • Head of Department Precious Metals Operations, Umicore, Hoboken, Belgium • Head of Department Knowledge & Supply Chain Management, Umicore, Hoboken, Belgium • Head of Department Human Resources & Business Excellence, Umicore, Brussels, Belgium • Manager Total Quality Management, Umicore, Hoboken, Belgium • Manager Special Metals Refinery, Umicore, Hoboken, Belgium • Manager Precious Metals Refinery, Umicore, Hoboken, Belgium • Manager Raw Materials Sampling, Umicore, Hoboken, Belgium

% Share Possession: None
Family Relation Among the Managers: None
Date of the First Appointment: April 26, 2012

Sadawut Taechaubol

64 Years Old

Position:

- Director
- Executive Committee Chairman (Authorized Director)

Education

• Commerce Diploma, Davis School, Brighton, UK • B.A. (Political Science), Ramkhamhaeng University • Honorable Degree (Business Administration), Kensington University, California, USA

Training in Thai Institute of Directors Association

• Director Accreditation Program (DAP), Class 66/2007 • Corporate Governance for Capital Market Intermediaries (CGI), Class 14/2016

Other Training

• Capital Market Academy Class 12, 2011, The Stock Exchange of Thailand • Energy Literacy for the World Program, Class 7 (TEA 7), 2016, Thailand Energy Academy

Current Positions in Listed Company

• Director and Executive Committee Chairman, Padaeng Industry Public Company Limited • Chairperson & Chairman of the Executive Board of Directors, Country Group Holdings Public Company Limited • Director & Chairman of the Executive Board of Directors, MFC Asset Management Public Company Limited • Vice Chairman of Country Group Development Public Company Limited • Director and Chairman of the Executive Board of Directors, Country Group Securities Public Company Limited

Other Current Positions

• Executive Directors China, Overseas Exchange Association • Chairman of Thai Chamber of Commerce & Industry • Chairman of Sing Sian Yit Pao Company Limited • Director of EDP Enterprise Company Limited • Director of Asia Zone Venture Company Limited • Director of BBT Enterprise Company Limited • Director of Profit Ventures Company Limited • Director of Baan Rai Taechaubol Company Limited • Chairman of Country Group Company Limited

Working Experiences

• Director of Landmark Development Group Company Limited • Director and Executive Director, MFC Asset Management Public Company Limited • Chief Executive Officer and President, Country Group Securities Public Company Limited

% Share Possession: None

Family Relation Among the Managers: Mr. Tommy Taechaubol's father

Date of the First Appointment: November 10, 2015

Tommy Taechaubol

33 Years Old

Position:

- Director
- Executive Committee Member
- Nomination & Remuneration Committee Member

Education

• Master of Business Administration (MBA) (with distinction), Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Commerce, Finance Major (with distinction), The University of New South Wales, Australia • Bachelor of Laws, The University of New South Wales, Australia

Training in Thai Institute of Directors Association

• Director Accreditation Program (DAP), Class 88/2011 • Corporate Governance for Capital Market Intermediaries (CGI), Class 13/2016

Other Training

• Real Estate Development RE-CU, Class 40,The Real Estate Executive Association of Chulalongkorn University

Current Positions in Listed Company

• Director, Investment Committee Member and Chief Executive Officer, Country Group Holdings Public Company Limited • Director, Country Group Securities Public Company Limited • Director, Executive Director and Nomination & Remuneration Committee Member, Padaeng Industry Public Company Limited • Advisor to the Executive Committee, MFC Asset Management Public Company Limited

Other Current Positions

• Chairman of Executive Committee, Sing Sian Yer Pao Company Limited • Director, Bann Rai Taechaubol Company Limited • Director, Country Group Company Limited

Working Experiences

• First Executive Vice President (Business Development Division), MFC Asset Management Public Company Limited • Director, Country State Company Limited

% Share Possession: None

Family Relation Among the Managers: Mr. Sadawut Taechaubol's son

Date of the First Appointment: May 7, 2015

Prapa Puranachote

62 Years Old

Position:

- Director
- Executive Committee Member

Education

• Master of Business Administration (MBA), The National Institute of Development Administration (NIDA) • Bachelor of Arts, Journalism and Mass Communication Program, Thammasat University

Training in Thai Institute of Directors Association

• Director Certification Program (DCP), Class 148/2011

Other Training

• Advanced Certificate Course in Public Economics Management for Executives, Class 7, King Prajadhipok's Institute • Chief Executive Program, Class 14 (CMA 14), Capital Market Academy • Thammasat Leadership Program (TLP 2), Thammasat University Alumni Relations Office • Energy Literacy for the World Program, Class 6 (TEA 6), Thailand Energy Academy

Current Positions in Listed Company

• Director, Executive Director, Member of the Risk Management Committee, Member of the Good Corporate Governance Committee and President, MFC Asset Management Public Company Limited • Independent Director and Audit Committee, Ratchaburi Electricity Generating Holding Public Company Limited • Director and Executive Director, Padaeng Industry Public Company Limited

Working Experiences

• Senior Executive Vice President and Chief of Provident Fund Division, Krung Thai Asset Management Public Company Limited • Senior Executive Vice President and Chief of Business Development & Marketing Division, Krung Thai Asset Management Public Company Limited

% Share Possession: None

Family Relation Among the Managers: None

Date of the First Appointment: June 29, 2015

Wimol Chatameena

57 Years Old

Position:

- Director

Education

• Master's Degree: Development Economics, National Institute of Development Administration (NIDA), Bangkok, Thailand • Bachelor's degree: Economics, Thammasat University, Thailand

Training in Thai Institute of Directors Association

• Director Certification Program (DCP), Class 228/2016

Current Position in Listed Company

• Director, Padaeng Industry Public Company Limited

Current Position

• Deputy Director-General of Fiscal Policy Office, Ministry of Finance

Working Experiences

• Executive Director of Fiscal Policy Bureau, Fiscal Policy Office • Executive Director of Financial Benefit Protection System Bureau, Fiscal Policy Office • Executive Director of Legal Affairs Bureau, Fiscal Policy Office • Senior Expert on Fiscal Policy Instrument, Fiscal Policy Office

% Share Possession: None

Family Relation Among the Managers: None

Date of the First Appointment: February 18, 2016

Karel Vinck

78 Years Old

Position:

- Independent Director
- Audit Committee Member

Education

• Master's Degree in Electrical and Mechanical Engineering, Katholieke Universiteit Leuven (KUL), Belgium • Master of Business Administration, Cornell University, USA

Training in Thai Institute of Directors Association

• None

Current Position in Listed Company

• Independent Director and Audit Committee Member, Padaeng Industry Public Company Limited

Current Positions

• Director, La Monnaie Opera House • Coordinator European Commission ERTMS, for Railway Transport • Director, Tessenderlo Chemicals, Belgium • Senior Advisor, Roland Berger Consultants, Germany

Working Experiences

• Director, Nyrstar N.Y., Belgium • Chairman of BAM (Antwerp Mobility Program), Belgium • CEO, Bekaert, Belgium • Chairman, Umicore, Belgium • Chief Executive Officer, NMBS/SNCB (Belgian Railways), Belgium • Chairman, Sibelco, Belgium • Chief Executive Officer, Umicore, Belgium

% Share Possession: None

Family Relation Among the Managers: None

Date of the First Appointment: July 13, 2000

Vinai Vamvanij

76 Years Old

Position:

- Independent Director
- Executive Committee Member
- Audit Committee Chairman (Authorized Director)

Education

• Professional Accountancy, CPA, Australia

Training in Thai Institute of Directors Association

• Advance Audit Committee Program 2013 • Chartered Director Class 2007 • Audit Committee Program 2007 • DCP Refresher Course • Director Certification Program (DCP), 2001 • Chairman 2000 • Creating a Strategic Direction • Board that Make a Difference (BMD), Class 1/2016 • The Power of Culture: From Performance Culture to Winning Culture, 2016

Current Position in Listed Company

• Independent Director, Executive Committee Member and Audit Committee Chairman, Padaeng Industry Public Company Limited

Current Positions

• Director, Palang Sophon Company Limited • Director, Continental Petrochemical (Thailand) Company Limited • IOD Chartered Directors, Thai Institute of Directors Association

Working Experiences

• Independent Director and Audit Committee, Christiani & Nielsen (Thai) Public Company Limited • Executive Director, Thonburi Automotive Assembly Plant Company Limited • President, Eternal Petrochemical Company Limited • Chief Executive Officer, Aquastar Group

% Share Possession: 0.0035

Family Relation Among the Managers: None

Date of the First Appointment: November 6, 1998

Aswin Kongsiri

71 Years Old

Position:

- Independent Director
- Executive Committee Member
- Audit Committee Member
- Nomination & Remuneration Committee Chairman

Education

• B.A. (Hons.) in Philosophy, Politics and Economics, Oxford University, England

Training in Thai Institute of Directors Association

• Chairman 2000, Class 5/2001 • Director Certification Program (DCP), Class 11/2001

Other Training

• Banff School of Advanced Management, Alberta, Canada • The National Defence Course for the Joint State-Private Sectors, Class 6, National Defence College • CG Forum 1/2016 Ethics: Corporate Governance, The Stock Exchange of Thailand

Current Positions in Listed Company

• Chairman, Ch.Karnchang Public Company Limited • Independent Director, Bangkok Aviation Fuel Services Public Company Limited • Independent Director, OHTL Public Company Limited (Mandarin Oriental Hotel) • Independent Director, Thai Reinsurance Public Company Limited • Independent Director, Executive Committee Member, Audit Committee Member and Nomination and Remuneration Committee Chairman

Other Current Positions

• Chairman, Thai Orix Leasing Company Limited • Chairman, Ton Poh Thailand Fund

Working Experiences

• Member, Monetary Policy Committee, Bank of Thailand • Governor, The Stock Exchange of Thailand • Chairman, Thoresen Thai Agencies Public Company Limited • Vice Chairman, Electricity Generating Public Company Limited • Chairman, Krungthai-AXA Life Insurance Company Limited • Assembly Member, The National Legislative Assembly • Director and Executive Director, Krung Thai Bank Public Company Limited • Independent Director, Thai Rating and Information Service Company Limited • Director and Executive Director, Siam Commercial Bank Public Company Limited • President, the Industrial Finance Corporation of Thailand

% Share Possession: None

Family Relation Among the Managers: None

Date of the First Appointment: April 10, 1981

Pinit Vongmasa

72 Years Old

Position:

- Independent Director
- Nomination & Remuneration Committee Member

Education

• M.S. (Ind. Mgt.), Oklahoma State University, USA • B.Eng. (Electrical Engineering), Chulalongkorn University

Training in Thai Institute of Directors Association

• Director Certification Program (DCP), 2001

Other Training

• Advanced Management Program, Harvard University, USA

Current Position in Listed Company

• Independent Director and Nomination and Remuneration Committee Member, Padaeng Industry Public Company Limited

Working Experiences

• Chief Executive Officer, Padaeng Industry Public Company Limited • President and Chief Executive Officer, Padaeng Industry Public Company Limited • President, The Siam Kubota Industry Company Limited • Managing Director, the CPAC Concrete Products Company Limited

% Share possession: None

Family relation among the managers: None

Date of the first appointment: June 1, 1999

Kurujit Nakornthap

61 Years Old

Position:

- Independent Director

Education

• Ph.D. in Petroleum Engineering, University of Oklahoma, USA • M.S. in Petroleum Engineering, University of Oklahoma, USA • B.S. (with Special Distinction) in Petroleum Engineering, University of Oklahoma, USA

Training in Thai Institute of Directors Association

• Director Accreditation Program (DAP), Class 64/2007 • Audit Committee Program (ACP), Class 32/2010 • Role of Compensation Committee (RCC), Class 12/2011 • R-CF-Chairman Forum (R-CF), Class 2/2013 • Collective Action Against Corruption Conference (C-Conference), Class 1/2014

Other Training

• Senior Executive Programe (SEP 60), 2006, The London Business School, United Kingdom • Civil Service Executive Program: Visionary and Moral Leadership, Class 46, 2005, Office of the Civil Service Commission • National Defence Course Class 51, 2008-2009, National Defence College • Top Executive Program in Commerce and Trade (TEPCoT), Class 3, 2010, Commerce Academy, University of the Thai Chamber of Commerce • Training Course on Leadership for Change, Class 2, 2011, Right Livelihood Foundation, Matichon Publishing Group • The 2nd Training Course on Administrative Justice for Executives, 2011, Office of the Administrative Courts of Thailand • Training Course for Executive Class 13, 2011-2012, Capital Market Academy Energy Literacy for the World Class 1, 2012, Thailand Energy Academy • Systematic Problem Solving and Decision Making (SPSDM), 2012, Office of the Civil Service Commission in cooperation with ACI Consultants Co., Ltd. • Bhumipalung Phandin Course for Executives Class 2, 2013, Chulalongkorn University

Current Positions in Listed Company

• Chairman of the Board of Director, Thai Oil Public Company Limited • Independent Director, Padaeng Industry Public Company Limited

Other Current Positions

• Chairman of The Standing Committee on Energy • Member of The National Reform Steering Assembly, Thailand • Member of The Council of State (Juridical Council) • Co-Chairman (Thailand), Malaysia-Thailand Joint Authority (MTJA) • Member of University Council, Khon Kaen University

Working Experiences

• Member, National Research Council of Thailand • Member of The National Research Council of Thailand (NRCT) • Permanent Secretary, Ministry of Energy • Chairman of the Board of Directors, Electricity Generating Authority of Thailand • Deputy Permanent Secretary, Ministry of Energy • Director-General, Department of Mineral Fuels, Ministry of Energy • Director, Esso (Thailand) Public Company Limited

% Share Possession: None

Family Relation Among the Managers: None

Date of the First Appointment: April 25, 2016

COMPANY EXECUTIVES

Arsa Sarasin

80 Years Old

Position:

- Chairman

Education

• Honorary Doctoral Degree in Political Science (International Affair), Thammasat University, Thailand • B.A. (Business Administration), Boston University, USA

Training in Thai Institute of Directors Association

• Director Accreditation Program (DAP), 2003 • Audit Committee Program (ACP), 2007 • Finance for Non-Finance Directors (FND), 2008 • Role of Chairman Program (RCP), 2013

Current Positions in Listed Company

• Chairman, Padaeng Industry Public Company Limited • Chairman, Dusit Thani Public Company Limited • Chairman, Siam Makro Public Company Limited • Director, Chairman of Corporate Social Responsibility Committee for Sustainable Development and Member of the Governance and Nomination Committee, The Siam Cement Public Company Limited

Other Current Positions

• Chairman, Thai Asia Pacific Brewery Company Limited • Chairman, Amata City Company Limited • Chairman of the Board of Governors, Amata Spring Country Club • Chairman of Advisor, Thai-Laos Association • Vice Chairman, Thai Tapioca Development Institute • Director, Thai Pure Drinks Company Limited • Chairman, Mitsubishi Elevator Asia Co., Ltd. • Advisor to the Board of Director, Charoen Pokphand Foods Public Company Limited

Working Experiences

• Chief Executive Officer, Padaeng Industry Public Company Limited • Chairman, Maesod Clean Energy Company Limited • Director-General, Department of Economic Affairs, Ministry of Foreign Affairs • Thai Ambassador to Belgium & Chief of Mission to the European Community • Director-General, Department of Political Affairs, Ministry of Foreign Affairs • The Permanent Secretary of The Ministry of Foreign Affairs • Thai Ambassador to the USA • The Minister of Foreign Affairs • Chairman of the Asia-Europe Business Forum II • Vice Chairman of the Board of Directors and Advisor, Bangkok Bank Public Company Limited • Director, Vinythai Public Company Limited • Chairman of the Thai-Laos Association • His Majesty's Principal Private Secretary • Chairman of Audit Committee, Vice Chairman and Independent Director of Charoen Pokphand Foods Public Company Limited

Francis Vanbellen

59 Years Old

Position:

- Director
- Managing Director
- Executive Committee Member

Education

• Master's Degree in Chemical Engineering, Catholic University Leuven (KUL), Belgium • Master of Business Administration, Vlerick Management School,Gent, Belgium

Training in Thai Institute of Directors Association

• Director Certification Program (DCP), 2013, IOD, Bangkok, Thailand

Other Training

• Process Management, Harvard, Cambridge, USA • Strategic Innovation Management, Insead, Fontainebleau, France • Business Excellence Assessment, EFQM, Brussels, Belgium • Multicultural Leadership, Ashridge, London, UK

Current Position in Listed Company

• Managing Director, Padaeng Industry Public Company Limited

Other Current Positions

• Chairman of the Board, PDI Energy Co. Ltd., Bangkok, Thailand • Chairman of the Board, PDI Materials Co. Ltd., Bangkok, Thailand • Chairman of the Board, PDI Eco Co. Ltd., Bangkok, Thailand • Chairman of the Board, PDI-CRT Co. Ltd., Bangkok, Thailand • Chairman of the Board, PDI Tak Eco Co., Ltd., Bangkok, Thailand • Vice-President, Belgian- Luxembourg/Thai Chamber of Commerce, Bangkok, Thailand

Working Experiences

• Director, Maesod Clean Energy Co. Ltd., Bangkok, Thailand • Director, GMM Quartz NV, Antwerp, Belgium • Director, Puthep Co. Ltd., Bangkok, Thailand • Chairman of the Supervisory Board, GMM Quartz, Berlin, Germany • Director, OMM, Aydin, Turkey • Managing Director, GMM Quartz NV, Antwerp, Belgium • Plant Manager, Umicore Precious Metals Refining Operations, Hoboken, Belgium • Head of Department Precious Metals Operations, Umicore, Hoboken, Belgium • Head of Department Knowledge & Supply Chain Management, Umicore, Hoboken, Belgium • Head of Department Human Resources & Business Excellence, Umicore, Brussels, Belgium • Manager Total Quality Management, Umicore, Hoboken, Belgium • Manager Special Metals Refinery, Umicore, Hoboken, Belgium • Manager Precious Metals Refinery, Umicore, Hoboken, Belgium • Manager Raw Materials Sampling, Umicore, Hoboken, Belgium

Chitchai Thaveepanich

55 Years Old

Position:

- Corporate Vice President - Human Resources

Education

• Master Degree in Business Administration, Western Michigan University, USA

Training in Thai Institute of Directors Association

• Director Certification Program (DCP), Class 208/2015 • Successful Formulation & Execution the Strategy (SFE), Class 25/2015

Other Training

• CSR for Corporate Sustainability, 2012 • Business Communication Skill, 2013 • Business Excellence Model, Belgium, 2013 • CSR: Global Reporting Initiative (GRI: G4), 2014 • Advanced Communication Skills: Communicating Difficult Messages, 2016

Working Experiences

• Vice President-Human Resources & Corporate Communication, Padaeng Industry Public Company Limited • Vice President - Human Resources & Corporate Administration, Padaeng Industry Public Company Limited • Assistant Vice President - Human Resources & Corporate Administration, Padaeng Industry Public Company Limited

Chaya Hasdiseve

54 Years Old

Position:

- Executive Vice President - Commercial

Education

• Master Degree of Management in Finance, Sasin Graduate Institute of Business Administration, Chulalongkorn University • Master Degree of Agricultural Economics Sciences, Kasetsart University

Training in Thai Institute of Directors Association

• Director Certification Program (DCP), 2014

Other Training

• London Metal Exchange 2001 • Zinc College 2001, Peru • Strategic Procurement Fraud, Singapore, 2012 • Business Communication Skill, 2013 • Business Excellence Model, 2013 • CSR: Global Reporting Initiative (GRI: G4), 2014 • Advanced Communication Skills: Communicating Difficult Messages, 2016

Working Experiences

• Vice President - Commercial, Padaeng Industry Public Company Limited • Vice President - Procurement, Padaeng Industry Public Company Limited • Assistant Vice President - Procurement, Padaeng Industry Public Company Limited

Unnop Tungkananukulchai

59 Years Old

Position:

- Corporate Vice President - Regulatory Affairs

Education

• Master of Public and Private Management, National Institute of Development Administration (NIDA)

Training

• International Conference on Cadmium in Food Human Health, 2010 • Business Excellence Model, 2013 • CSR: Global Reporting Initiative (GRI: G4), 2014 • Advanced Communication Skills: Communicating Difficult Messages, 2016

Working Experiences

• Vice President - Regulatory Affairs, Padaeng Industry Public Company Limited • Senior Manager - Central Personnel, Padaeng Industry Public Company Limited

Manoch Jaroonvuthitham

51 Years Old

Position:

- Executive Vice President - Operations

Education

• Bachelor Degree of Engineering in Metallurgy, Chulalongkorn University

Training

• Training for Zinc Conversion Project, Germany, 1994 • International Symposium on Lead and Zinc Processing, South Africa, 2008 • Zinc College 2010, Canada • Senior Executive Program 2013, Sasin Graduate Institute of Business Administration, Chulalongkorn University • Business Excellence Model, 2013 • CSR: Global Reporting Initiative (GRI: G4), 2014 • Advanced Communication Skills: Communicating Difficult Messages, 2016

Working Experiences

• Executive Vice President - Tak Operations, Padaeng Industry Public Company Limited • Vice President - Production, Padaeng Industry Public Company Limited • Senior Manager - Leaching & Purification, Padaeng Industry Public Company Limited

Woratip Rerkpiboon

51 Years Old

Position:

- Corporate Vice President - Finance

Education

• Master Degree in Business Administration (Financial Management), National Institute of Development Administration (NIDA)

Training in Thai Institute of Directors Association

• Director Certification Program (DCP), 2014

Other Training

• Business Communication Skill, 2013 • Business Excellence Model, 2013 • CSR: Global Reporting Initiative (GRI: G4), 2004 • Accounting & Tax, 2015 • Financial Reporting Update, 2015 • CFO Current Issues, 2015 • Tax and Accounting Update, Tax Auditor Association of Thailand, 2016 • Strategic CFO, Class 2, The Stock Exchange of Thailand, 2016 • Money Laundering, Faculty of Commerce and Accountancy Alumni Association of Chulalongkorn University, 2016 • New Financial Reporting Standard, Federation of Accounting Professions, 2016 • Accounting Standard and 2017 Tax Law, Tax Auditor Association of Thailand, 2016 • Advanced Communication Skills: Communicating Difficult Messages, 2016

Working Experiences

• Vice President - Finance, Accounting & IT, Padaeng Industry Public Company Limited
• Vice President - Finance and Accounting, Padaeng Industry Public Company Limited
• Senior Manager - Treasury, Padaeng Industry Public Company Limited

Surin Tanticharoenkiat

59 Years Old

Position:

- Corporate Vice President - Internal Audit
- Company Secretary

Education

• Ph.D. in Materials Engineering, Auburn University, USA • Master Degree in Business Administration, Auburn University, USA • Master Degree in Metallurgical Engineering, Lehigh University, USA • Master Degree in Mechanical Engineering, Auburn University, USA • Bachelor Degree in Metallurgical Engineering, Chulalongkorn University

Training (Company Secretary)

• Thai Institute of Directors Association - Director Certification Program (DCP), Class 33/2003 - Registration system of listed companies, 2005 -The New SEC. Act, 2006 - Effective Minutes Taking, 2006 - Thai Directors Compensation Survey 2016 • Faculty of Law, Chulalongkorn University -Laws and Practices for Company Secretary, 2000 • Thai Listed Company Association - Advances for Corporate Secretaries, 2015 • Thai Institute of Directors Association and Sasin Graduate Institute of Business Administration of Chulalongkorn University - National Research Alliance Dialogue on Corporate Governance 2016

Training (Internal Audit)

• Thai Institute of Directors Association - Internal Audit and Added for the Company, 2005 - D&O Insurance: Mitigating Directors Liabilities Risk, 2008 - Anti-Corruption Seminar, 1/2012 - Anti-Corruption: Practical Guide, 2013 • Thai Listed Company Association - Audit Committee Roles and Duty, 2000 - Organization Risk Management, 2005 - TLCA Annual Risk Management, 2012 • Thailand Environment Institute - Practical Course on Environmental Management System and Internal Audit, 1999 • Faculty of Commerce and Accountancy Alumni Association of Chulalongkorn University - Money Laundering, 2016

Other Training

• CSR: Global Reporting Initiative (GRI: G4), 2014 • Advanced Communication Skills: Communicating Difficult Messages, 2016

Working Experiences

• Vice President - Internal Audit, Padaeng Industry Public Company Limited • Assistant Vice President - Internal Audit, Padaeng Industry Public Company Limited • Assistant Vice President - Technical Support, Padaeng Industry Public Company Limited

Sakorn Suriyabhivadh

36 Years Old

Position:

- Corporate Vice President - Business Development

Education

• MBA., the University of Texas at Austin, USA • Bachelor, Accounting, Chulalongkorn Business School

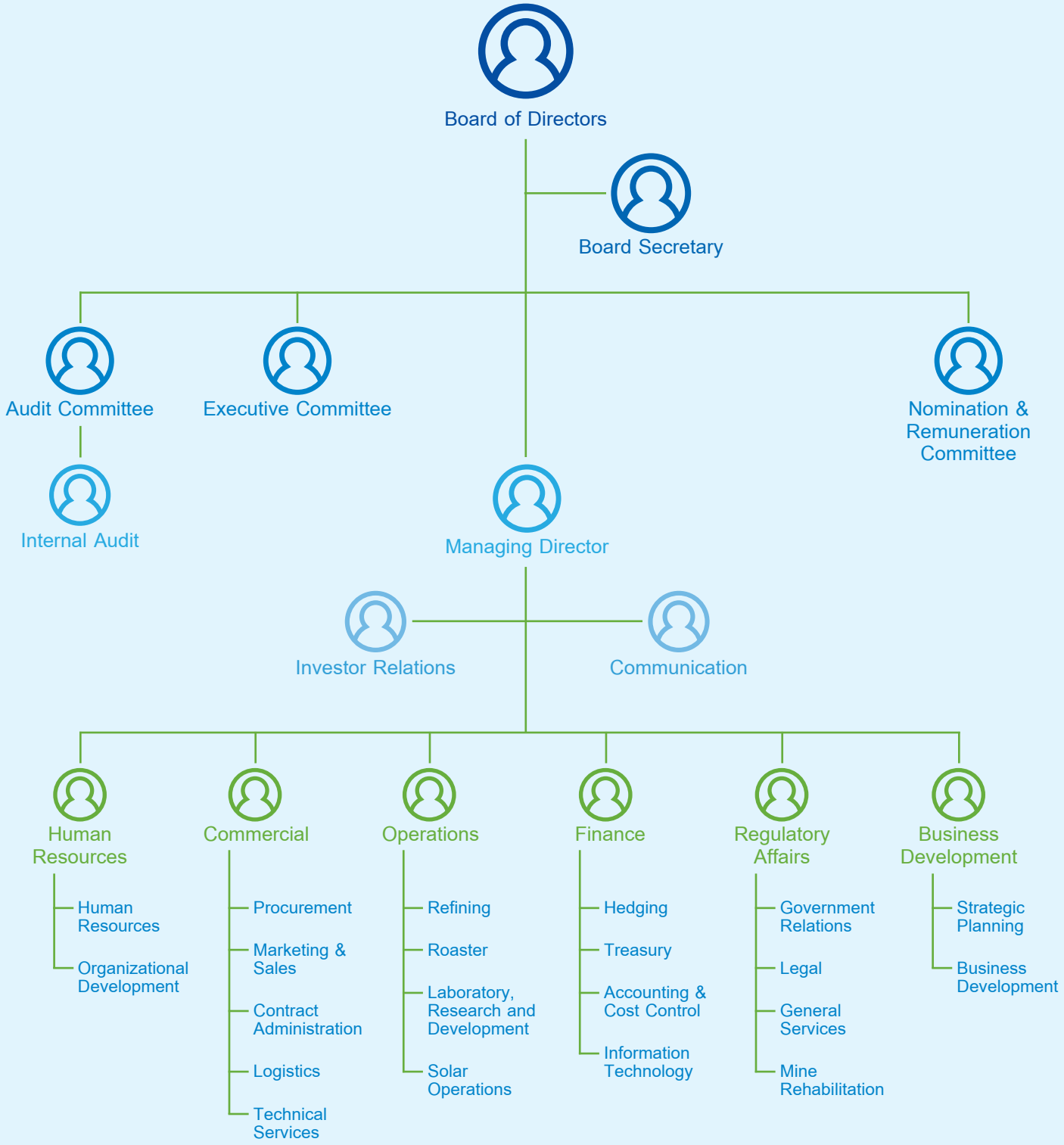
Training

• Key success and experience from MSW to energy project, Solid Waste Management Association (Thailand) • Tax implication under BOI, Federation of Accounting Professions, 2016 • REIT/Infrastructure Fund, 2016 • TFRS 13 (Thai Financial Reporting Standards), Federation of Accounting Professions, 2016 • IFRS (International Financial Reporting Standards), Federation of Accounting Professions, 2016

Working Experiences

• Senior Vice President, JVS Financial Advisory • Deputy Head-Investment Banking, Kasikorn Bank Public Company Limited • Senior Assistant Audit, PricewaterhouseCooper ABAS

PDI ORGANIZATION CHART



AUDIT COMMITTEE'S STATEMENT

DEAR SHAREHOLDERS,

At present, the Audit Committee comprises three independent directors, Mr. Vinai Vamvanij as Chairman, Mr. Aswin Kongsiri, and Mr. Karel Vinck. The Audit Committee performed its duties as assigned by the Board of Directors in accordance with the Audit Committee Charter as well as proposing the appointment of external auditors for the year 2017. In 2016, Audit Committee Charter has been revised regarding objectives and responsibilities in order to monitor compliance with Anti-Corruption Policy.

In 2016, the Audit Committee has met 4 times with the external auditor, the internal auditor and the management to review the consolidated and company financial statements which were prepared in accordance with the Thai Financial Reporting Standards (TFRS) and in compliance with the International Financial Reporting Standards (IFRS) to ensure conformity with laws, the regulations of SEC, SET and with the generally accepted accounting principles of Thailand before submission to the Board. Additional meetings were held with the external auditor without management so as to independently discuss the information of financial statement and of any potential fraudulent action as needed.

In 2016, the auditor's report has been changed according to revision of international standards on auditing 700 by IAASB. The additional change in new auditor's report is "Key Audit Matters" that matters communicated with those charged with governance and management, most significance in the audit of financial statements of the current period and the auditor's professional judgment to select the matters to report as KAM. The new auditor's report is effective for audits of financial statements for periods ending on or after December 31, 2016.

The Audit Committee has discussed with the internal auditor and the management to assess the Company's internal control. Using the result from its internal audit department's recommendation, PDI continues to improve the efficiency and effectiveness of the control systems which the aim to lead to continuous improvement and sustainable development. For year 2016 the areas that benefit from the audit work and improve in internal control include plant security management, concessionary land management and returning, treasury and cash management, fixed asset management, ore procurement, logistics management, corruption risk-based audit and human resources management.

In addition to internal audits and control, up till now the Audit Committee also oversees risk management. In this dynamic environment and in the upcoming year with PDI diverting into new businesses after ceasing its conventional zinc business by 2017, PDI has emphasized risk prevention measurements and risk management, with the anticipation of upcoming changes in internal factors, economic changes, and general external influences and especially the risks that arise from venturing into new green business. For 2016 PDI has also conducted its risk assessment to focus on fraud and corruption and developed measures to cope with the identified risk according to risk assessment as well as performed audit to assess the sufficiency and effectiveness of internal control and compliance with anti-corruption policy for assurance that all employees are strictly comply with the policy.

In all respects, the Audit Committee is of the opinion that the Company's operations have been appropriate and has found no significant weaknesses in its conduct of business. In addition the Audit Committee has also overseen the issue of connected party transaction to prevent any conflict of interest that might arise from such transaction.

The Audit Committee has recommended to the Board of Directors to propose to the shareholders to appoint Mrs. Nattaporn Phan-Udom Certified Public Accountant (Thailand) No. 3430 and/or Mr. Paiboon Tunkoon Certified Public Accountant (Thailand) No. 4298 and/or Miss. Nopanuch Apichatsatien Certified Public Accountant (Thailand) No. 5266 of PricewaterhouseCoopers ABAS Ltd. to conduct the audit of financial statements for the Company and its subsidiaries for the year 2017.

(Vinai Vamvanij)
Chairman of the Audit Committee
February 22, 2017

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF PADAENG INDUSTRY PUBLIC COMPANY LIMITED

MY OPINION

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

WHAT I HAVE AUDITED

I have audited the accompanying consolidated and separate financial statements of the Group and the Company, which comprise the consolidated and separate statements of financial position as at 31 December 2016 , and the related consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of my report. I am independent of the Group and the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the consolidated and separate financial statements, 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.

KEY AUDIT MATTERS

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

KEY AUDIT MATTER	HOW MY AUDIT ADDRESSED THE KEY AUDIT MATTER
LITIGATION CLAIM – CADMIUM COURT CASES Refer to note 33 – litigation. The Company is involved in five cases of litigation that are currently going through the judicial process. The Plaintiffs are demanding that the Company pay damages of Baht 3,949 million as compensation for causing cadmium contamination in Mae Sod district in Tak province. Assessing whether the information should be disclosed and the amount of damages should be recorded in accordance with	I carried out the following procedures to obtain evidence for management's assessment in relation to the provision for claims: - Held discussions with management and Audit Committee to understand the litigation and status of any Court decision. - Read and gained understanding of the Court decision. - Assessed the internal legal advice.

KEY AUDIT MATTER	HOW MY AUDIT ADDRESSED THE KEY AUDIT MATTER
Thai Accounting Standards 37 'Provision, Contingent liabilities and Contingent Assets' (TAS37), which requires management to exercise significant judgement, depending on each case. As at 31 December 2016, the Company had set up a provision for claims plus interest of Baht 74 million, which was based on the latest results from the Appeal Court in each case. If judgement had not been reached by the Appeal Court, damages in similar cases would be applied. Management believes that the liability against these claims are stated prudently and conservatively. I focused on this area because these commitments and contingencies are potentially significant involving management's judgement in determining the appropriate provision for the cases that have not been judged by the Appeal Court. In addition, the assessment process is based on potential future developments.	- Challenged the assumptions included in management's calculation of the potential compensation. - Sent out confirmations and obtained confirmations from two external legal counsels to compare their expert opinions to management's position and disclosure to the financial statements in Note 30. From these procedures, I noted that the litigation meets the criteria to recognise the provision identified in TAS 37. Management's assumption was reasonable. The details and status of the litigation were properly disclosed in the note to the financial statements.
BUSINESS COMBINATION Refer to note 29 - Acquisition. The Group acquired a 99.99% shareholding in a solar farm company incorporated in Thailand, with a total consideration for a transfer of Baht 303 million. The total consideration for the transfer comprised the cash paid of Baht 291 million and contingent consideration of Baht 12 million. Management assessed that the acquisition of the shareholdings qualified as a business combination according to the definition in Thai Financial Reporting Standards no. 3 (TFRS 3) - Business Combination. Management determined that the fair value of net identifiable assets acquired was Baht 348 million, mainly comprising Baht 289 million relating to property, plant and equipment and Baht 222 million relating to intangible assets. The fair value of the total assumed liabilities is Baht 242 million. The Group recognised a gain on bargain purchase of Baht 45 million. The valuations of total identifiable assets acquired and the total assumed liabilities were performed as a part of the purchase price allocation. The valuation of the property, plant and	I performed the following procedures to obtain evidence for management's assessment of business combination and determination of fair value of identifiable assets acquired and liabilities assumed; - Evaluated management's determination whether the acquisitions should be accounted for as business combination and the determination was appropriately performed in accordance with the definition set out in TFRS 3. - Assessed the appropriateness of the identifiable assets acquired and the liabilities assumed at the acquisition date. I also evaluated management's procedures for determining the fair values of the net identifiable assets acquired. - Tested the calculation of fair values of property, plant and equipment and intangible assets. In addition, I challenged management's judgement in relation to:

KEY AUDIT MATTER	HOW MY AUDIT ADDRESSED THE KEY AUDIT MATTER
equipment and intangible assets is calculated using the discounted cash flow method and this is in accordance with TFRS 3. I focused on identifying the fair values of property, plant and equipment and the intangible assets arising from the business combination because their fair values led to the recognition of a gain on bargain purchase. While other assets and liabilities' book value represented the estimated fair value. In addition, the valuation methodology and assumptions used in the model involved significant judgment made by management. Key assumptions used for the valuation of property, plant and equipment included replacement cost, physical life, chronological age, physical deterioration, condition factor, functional obsolescence, economic or external obsolescence and of intangible assets included solar generated electricity price rate, unit of production on peak or off peak period, projected output capacity, growth in electricity price rate, expenditure assumption and capitalised expenditure.	- the assumptions used in the cash flow forecast; for example, replacement cost, physical life for the valuation of property, plant and equipment and solar generated electricity price rate, unit of production on peak or off peak period for the valuation of intangible assets, and - the discount rate used in the model by assessing the cost of capital and other inputs in the model. From these procedures, I determined that the assumptions used in identifying the fair values of property, plant and equipment and the intangible assets, together with a gain on bargain purchase, arising from the business combination were reasonable and supported by the available evidence. I also noted that the accounting method for the business combination for this matter was appropriate.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon.

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

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee assists the directors in discharging their responsibilities for overseeing the Group and the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control if I identify during my audit.

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

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

PricewaterhouseCoopers ABAS Ltd.

Nattaporn Phan-Udom
Certified Public Accountant (Thailand) No. 3430
PricewaterhouseCoopers ABAS Ltd.

Bangkok
22 February 2017

STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	Notes	Consolidated financial statements 31 December 2016 Baht	Consolidated financial statements 31 December 2015 Baht	Separate financial statements 31 December 2016 Baht	Separate financial statements 31 December 2015 Baht
Assets					
Current assets					
Cash and cash equivalents	6	868,028,722	815,944,768	689,515,194	605,188,825
Short-term investments	7	543,703,146	385,079,906	527,983,663	385,079,906
Trade accounts receivable - other parties	8	314,987,104	283,520,393	306,661,125	272,353,280
Trade accounts receivable - related party	30 (iv)	-	-	-	10,211,213
Short-term loan to jointly controlled entity	30 (i)	52,500,000	-	52,500,000	-
Inventories	9	1,854,287,710	2,399,991,357	1,854,287,710	2,399,991,357
Value added tax receivables		12,243,794	38,713,202	10,452,356	37,295,386
Other current assets	10	400,810,646	11,169,124	386,734,139	7,251,906
Investment held for sale	30 (i)	3,660,030	-	59,062,500	-
Total current assets		4,050,221,152	3,934,418,750	3,887,196,687	3,717,371,873
Non-current assets					
Advances to related parties	30 (v)	-	-	1,031,421,210	1,949,342
Advances to jointly controlled entities		313,940	252,520	61,420	-
Investments in subsidiaries	30 (i)	-	-	192,549,925	192,549,925
Investments in jointly controlled entities	30 (i)	43,466,715	66,660,312	15,300,000	236,249,800
Long-term investments	32	511,607,142	-	-	-
Long-term loan to jointly controlled entity	30 (i)	52,500,000	105,000,000	52,500,000	105,000,000
Property, plant and equipment	11	644,864,267	951,760,428	358,843,379	954,891,216
Intangible asset	12	221,382,770	-	-	-
Exploration and acquisition costs	13	-	7,954,833	-	7,954,833
Deferred tax assets	14	31,640,000	-	31,640,000	-
Other non-current assets					
- deferred environmental rehabilitation expenses	15 (i)	-	20,635,953	-	20,635,953
- deferred environmental risk assurance expenses	15 (ii)	-	4,186,444	-	4,186,444
- others	15 (iii)	36,511,790	13,872,438	34,310,545	5,227,437
Total non-current assets		1,542,286,624	1,170,322,928	1,716,626,479	1,528,644,950
Total assets		5,592,507,776	5,104,741,678	5,603,823,166	5,246,016,823

The accompanying notes are an integral part of these consolidated and separate financial statements

Statement of Financial Position (Cont'd)

As at December 31, 2016

	Notes	Consolidated financial statements 31 December 2016 Baht	Consolidated financial statements 31 December 2015 Baht	Separate financial statements 31 December 2016 Baht	Separate financial statements 31 December 2015 Baht
Liabilities and equity					
Current liabilities					
Short-term loans from financial institutions	16	205,006,310	233,194,978	205,006,310	233,194,978
Trade accounts payable		242,390,957	94,900,795	241,525,255	93,671,965
Accrued electricity expenses		143,851,469	87,359,508	143,851,469	87,359,508
Other payable - related party	30 (vi)	-	-	26,768	511,766
Income tax payable		103,575,241	68,596,690	103,248,826	68,176,594
Current portion of provision for restoration and rehabilitation expenses	18	272,681,493	-	272,681,493	-
Other current liabilities	20	301,912,806	166,759,542	286,074,842	162,592,368
Total current liabilities		1,269,418,276	650,811,513	1,252,414,963	645,507,179
Non-current liabilities					
Provision for cadmium legal cases	33	74,225,000	27,000,000	74,225,000	27,000,000
Provision for restoration and rehabilitation expenses	18	65,217,007	428,057,372	65,217,007	428,057,372
Employee benefit obligations	19	166,420,879	220,405,430	166,344,809	220,405,430
Deferred tax liabilities	14	218,234	218,234	218,234	218,234
Other non-current liabilities		-	197,303,164	-	197,303,164
Total non-current liabilities		306,081,120	872,984,200	306,005,050	872,984,200
Total liabilities		1,575,499,396	1,523,795,713	1,558,420,013	1,518,491,379

The accompanying notes are an integral part of these consolidated and separate financial statements

Statement of Financial Position (Cont'd)

As at December 31, 2016

	Notes	Consolidated financial statements 31 December 2016 Baht	Consolidated financial statements 31 December 2015 Baht	Separate financial statements 31 December 2016 Baht	Separate financial statements 31 December 2015 Baht
Liabilities and equity (Cont'd)					
Equity					
Share capital					
Authorised share capital					
Ordinary shares, 226,000,000 shares at par value of Baht 10 each		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Issued and paid-up share capital					
Ordinary shares, 226,000,000 shares paid-up at Baht 10 each	22	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital	22	602,413,600	602,413,600	602,413,600	602,413,600
Cumulative currency differences on translation		(5,183,937)	(5,174,722)	-	-
Retained earnings					
Appropriated legal reserve	23	226,000,000	226,000,000	226,000,000	226,000,000
Unappropriated		933,778,717	497,707,087	956,989,553	639,111,844
Total equity attributable to owner of the parent company		4,017,008,380	3,580,945,965	4,045,403,153	3,727,525,444
Total equity		4,017,008,380	3,580,945,965	4,045,403,153	3,727,525,444
Total liabilities and equity		5,592,507,776	5,104,741,678	5,603,823,166	5,246,016,823

The accompanying notes are an integral part of these consolidated and separate financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

	Notes	Consolidated financial statements 2016 Baht	Consolidated financial statements 2015 Baht	Separate financial statements 2016 Baht	Separate financial statements 2015 Baht
Sales and services	5	5,148,521,990	4,868,143,705	5,134,918,930	4,824,198,046
Cost of sales and services		(4,203,814,342)	(4,083,111,256)	(4,196,246,505)	(4,045,195,823)
Gross profit		944,707,648	785,032,449	938,672,425	779,002,223
Other operating income	25	130,263,593	620,350,990	122,854,688	41,823,999
(Loss) gain on exchange rate		(34,960,932)	(13,428,384)	12,228,967	(13,433,455)
Gain on a bargain purchase	29	44,823,754	-	-	-
Gain on sale of fixed asset		17,331,535	1,834,803	17,331,535	1,834,803
Profit before expenses		1,102,165,598	1,393,789,858	1,091,087,615	809,227,570
Selling expenses		(57,342,879)	(53,267,837)	(57,336,505)	(53,267,837)
Operating and administrative expenses		(442,410,906)	(706,796,616)	(597,536,609)	(685,850,433)
Total expenses		(499,753,785)	(760,064,453)	(654,873,114)	(739,118,270)
Operating profit		602,411,813	633,725,405	436,214,501	70,109,300
Share of loss of investment in jointly controlled entities on equity method	30 (i)	(48,573,567)	(8,226,863)	-	-
Profit before finance costs and corporate income tax		553,838,246	625,498,542	436,214,501	70,109,300
Finance costs		(4,798,214)	(7,686,632)	(4,798,214)	(7,694,590)
Profit before corporate income tax		549,040,032	617,811,910	431,416,287	62,414,710
Corporate income tax expense	26	(71,274,402)	(241,792,203)	(70,771,936)	(126,594,489)
Net profit (loss) for the year		477,765,630	376,019,707	360,644,351	(64,179,779)
Other comprehensive income (expenses)					
Actuarial gain (loss) on defined benefit plan	19	2,418,012	(30,676,174)	2,418,012	(30,676,174)
Currency differences on translation		(9,215)	1,958,829	-	-
Change in value of investment in subsidiary		-	(1,173,553)	-	-
Total comprehensive income (expenses) for the year		480,174,427	346,128,809	363,062,363	(94,855,953)
Net profit (loss) for the year attributable to:					
Owners of the parent		477,765,630	150,760,535	360,644,351	(64,179,779)
Non-controlling interests		-	225,259,172	-	-
		477,765,630	376,019,707	360,644,351	(64,179,779)
Total comprehensive income (expenses) for the year attributable to:					
Owners of the parent		480,174,427	120,869,637	363,062,363	(94,855,953)
Non-controlling interests		-	225,259,172	-	-
		480,174,427	346,128,809	363,062,363	(94,855,953)
Earnings (loss) per share					
Basic earnings (loss) per share	28	2.11	0.67	1.60	(0.28)

The accompanying notes are an integral part of these consolidated and separate financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

		Consolidated financial statements							
		Attributable to owners of the parent							
					Retained earnings				
	Notes	Issued and paid-up share capital Baht	Premium on share capital Baht	Cumulative currency differences on translation Baht	Appropriated legal reserve Baht	Unappropriated Baht	Total owners of the parent Baht	Non-controlling interests Baht	Total equity Baht
Opening balance as at 1 January 2015		2,260,000,000	602,413,600	(7,133,551)	226,000,000	442,295,060	3,523,575,109	(198,361,873)	3,325,213,236
Dissolution effect from a subsidiary		-	-	-	-	26,897,299	26,897,299	(26,897,299)	-
Net profit for the year		-	-	-	-	150,760,535	150,760,535	225,259,172	376,019,707
Dividend paid	27	-	-	-	-	(90,396,080)	(90,396,080)	-	(90,396,080)
Other comprehensive income (expenses)									
Actuarial loss on defined benefit plan	19	-	-	-	-	(30,676,174)	(30,676,174)	-	(30,676,174)
Currency differences on translation		-	-	1,958,829	-	-	1,958,829	-	1,958,829
Change in value of investment in a subsidiary		-	-	-	-	(1,173,553)	(1,173,553)	-	(1,173,553)
Total comprehensive income for the year		-	-	1,958,829	-	55,412,027	57,370,856	198,361,873	255,732,729
Closing balance as at 31 December 2015		2,260,000,000	602,413,600	(5,174,722)	226,000,000	497,707,087	3,580,945,965	-	3,580,945,965
Opening balance as at 1 January 2016		2,260,000,000	602,413,600	(5,174,722)	226,000,000	497,707,087	3,580,945,965	-	3,580,945,965
Effect from change of a subsidiary		-	-	-	-	1,072,642	1,072,642	-	1,072,642
Net profit for the year		-	-	-	-	477,765,630	477,765,630	-	477,765,630
Dividend paid	27	-	-	-	-	(45,184,654)	(45,184,654)	-	(45,184,654)
Other comprehensive income (expenses)									
Actuarial gain on defined benefit plan	19	-	-	-	-	2,418,012	2,418,012	-	2,418,012
Currency differences on translation		-	-	(9,215)	-	-	(9,215)	-	(9,215)
Total comprehensive income (expenses) for the year		-	-	(9,215)	-	436,071,630	436,062,415	-	436,062,415
Closing balance as at 31 December 2016		2,260,000,000	602,413,600	(5,183,937)	226,000,000	933,778,717	4,017,008,380	-	4,017,008,380

The accompanying notes are an integral part of these consolidated and separate financial statements

Statement of Changes in Equity (Cont'd)

For the year ended December 31, 2016

		Separate financial statements				
				Retained earnings		
	Notes	Issued and paid-up share capital Baht	Premium on share capital Baht	Appropriated legal reserve Baht	Unappropriated Baht	Total equity Baht
Opening balance as at 1 January 2015		2,260,000,000	602,413,600	226,000,000	824,363,877	3,912,777,477
Net loss for the year		-	-	-	(64,179,779)	(64,179,779)
Dividend paid	27	-	-	-	(90,396,080)	(90,396,080)
Other comprehensive expense						
Actuarial loss on defined benefit plan	19	-	-	-	(30,676,174)	(30,676,174)
Total comprehensive expense for the year		-	-	-	(185,252,033)	(185,252,033)
Closing balance as at 31 December 2015		2,260,000,000	602,413,600	226,000,000	639,111,844	3,727,525,444
Opening balance as at 1 January 2016		2,260,000,000	602,413,600	226,000,000	639,111,844	3,727,525,444
Net profit for the year		-	-	-	360,644,351	360,644,351
Dividend paid	27	-	-	-	(45,184,654)	(45,184,654)
Other comprehensive income						
Actuarial gain on defined benefit plan	19	-	-	-	2,418,012	2,418,012
Total comprehensive income for the year		-	-	-	317,877,709	317,877,709
Closing balance as at 31 December 2016		2,260,000,000	602,413,600	226,000,000	956,989,553	4,045,403,153

The accompanying notes are an integral part of these consolidated and separate financial statements

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	Notes	Consolidated financial statements 2016 Baht	Consolidated financial statements 2015 Baht	Separate financial statements 2016 Baht	Separate financial statements 2015 Baht
Cash flows from operating activities					
Profit before corporate income tax expense		549,040,032	617,811,910	431,416,287	62,414,710
Adjustments for:					
Unrealised (gain) loss on foreign currency		(5,143,969)	6,827,333	(5,136,805)	6,827,333
Depreciation and amortisation expenses		685,536,543	499,751,888	685,231,823	499,657,470
Gain on loan forgiveness of a subsidiary	25	-	(585,021,374)	-	-
Interest expenses		4,798,214	7,686,632	4,798,214	7,694,590
Interest income		(41,096,114)	(32,822,023)	(38,443,269)	(29,574,509)
Unrealised loss (gain) on short-term investments		(4,765,862)	8,226,863	(4,765,862)	-
Share of loss from jointly controlled entities	30 (i)	48,573,568	-	-	-
Provision for investment in a jointly controlled entity	30 (i)	-	-	177,187,300	-
Allowance for doubtful debts		-	438,283	350,000	438,283
Allowance for slow-moving and obsolete stocks		2,458,935	2,582,764	2,458,935	2,582,764
(Reversal) allowance for diminution of inventories		(15,745,337)	36,316,394	(15,745,337)	36,316,394
Provisions for employee benefits	19	18,231,011	77,104,213	18,154,941	77,104,213
Loss (gain) on disposal of property, plant and equipment		42,640,348	(415,509)	42,640,348	(415,509)
(Reverse) provisions for fixed asset impairment	11	(60,412,918)	62,306,381	(60,412,918)	62,306,381
Provisions for other assets impairment		11,719,982	-	-	-
Effect from change of a subsidiary		1,072,642	-	-	-
Provisions for restoration expenses	18	118,016,509	85,014,025	118,016,509	85,014,025
Exploration costs written-down		-	4,254,804	-	4,254,804
Fixed assets and decommissioning costs written off		147,239	20,615,905	-	20,381,755
Gain on a bargain purchase	29	(44,823,754)	-	-	-
Changes in operating assets and liabilities					
Trade accounts receivable - other parties		(31,597,166)	(2,405,154)	(34,438,300)	8,051,715
Trade accounts receivable - related party		-	-	10,211,213	(10,211,213)
Inventories		558,990,049	(704,701,361)	558,990,049	(704,701,361)
Value added tax receivables		26,469,408	26,460,067	26,843,030	26,899,513
Other receivable - related party		-	-	-	(371,839)
Prepayment to related parties		-	-	(1,029,821,868)	(1,471,712)
Prepayment to joinly controlled entities		(61,420)	(252,520)	(61,420)	-
Other current assets		(391,750,912)	177,048	(379,000,435)	1,138,193
Other non-current assets					
- deferred environmental expenses		(4,663,296)	(11,859,920)	(4,663,296)	(11,859,920)
- others		(67,543,129)	(8,447,995)	(64,819,220)	(8,509,995)
Trade accounts payable		147,490,162	(92,877,890)	147,853,290	(93,059,549)
Accrued electricity expenses		56,491,961	(106,687,898)	56,491,961	(106,687,898)
Royalty payable		400,000	3,630,000	400,000	3,630,000
Other payable - related parties		-	-	(484,998)	137,346
Other current liabilities		146,030,997	7,791,609	123,018,529	8,147,843
Provisions for cadmium legal cases		47,225,000	-	47,225,000	-
Provisions for restoration expenses utilised	18	(208,175,381)	(47,284,509)	(208,175,381)	(47,284,509)
Provisions for employee benefits expenses utilised	19	(69,797,550)	(7,287,140)	(69,797,550)	(7,263,140)
Other non-current liabilities		(197,303,164)	178,378,349	(197,303,164)	178,378,349
Cash generated from operation		1,322,452,628	45,311,175	338,217,606	69,964,527
Interest paid		(4,792,754)	(7,185,454)	(4,792,754)	(7,185,454)
Income tax paid		(68,073,987)	(107,371,176)	(67,439,783)	(106,767,981)
Net cash provided by (used in) operating activities		1,249,585,887	(69,245,455)	265,985,069	(43,988,908)

The accompanying notes are an integral part of these consolidated and separate financial statements

Statement of Cash Flows (Cont'd)

For the year ended December 31, 2016

	Notes	Consolidated financial statements 2016 Baht	Consolidated financial statements 2015 Baht	Separate financial statements 2016 Baht	Separate financial statements 2015 Baht
Cash flows from investing activities					
Cash received from short-term investments		-	421,540,956	-	421,540,956
Cash paid for short-term investments		(124,709,415)	-	(108,989,932)	-
Cash paid for investments in a subsidiary	30 (i)	(477,000,000)	-	-	(75,000,000)
Cash paid for investments in a jointly controlled entities	30 (i)	(29,040,000)	(18,000,000)	(15,300,000)	-
Cash paid for long-term investments	32	(511,607,142)	-	-	-
Interest received		11,115,694	26,631,449	8,774,302	23,043,199
Cash paid for purchases of property, plant and equipment	11	(15,412,682)	(102,167,334)	(15,294,682)	(102,139,733)
Cash received from sales of property, plant and equipment		17,498,189	2,225,184	17,498,189	2,225,184
Net cash (used in) provided by investing activities		(1,129,155,356)	330,230,255	(113,312,123)	269,669,606
Cash flows from financing activities					
Proceeds from short-term loans from financial institutions		(23,771,658)	(272,383,989)	(23,771,658)	(272,383,989)
Proceeds from long-term loan from other party		-	1,649,534	-	-
Dividend payment		(45,127,336)	(90,333,323)	(45,127,336)	(90,333,323)
Net cash used in financing activities		(68,898,994)	(361,067,778)	(68,898,994)	(362,717,312)
Effects from changes in exchange rate for cash and cash equivalents		552,417	1,099,861	552,417	1,099,861
Net increase (decrease) in cash and cash equivalents		52,083,954	(98,983,117)	84,326,369	(135,936,753)
Cash and cash equivalents at beginning of the year		815,944,768	914,927,885	605,188,825	741,125,578
Cash and cash equivalents at end of the year		868,028,722	815,944,768	689,515,194	605,188,825

Non-cash transactions

During the years ended 31 December 2016 and 2015, the following significant non-cash transactions occurred:

Deferred consideration from investments in a subsidiary	11,799,611	-	-	-

The accompanying notes are an integral part of these consolidated and separate financial statements

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. General information

Padaeng Industry Public Company Limited (the "Company") was established on 10 April 1981 and has been listed on the Stock Exchange of Thailand since 21 July 1987.

The Company's registered office is at CTI Tower, 26th-27th floor, 191/18-25 Ratchadaphisek Road, Khlong Toei District, Bangkok. The Company operates a zinc mine and a zinc smelter located in the Tak Province and a roaster plant located in the Rayong Province. The Company is diversifying its business according to depleted zinc mine resources.

The principal business operations of the Company, its subsidiaries and jointly controlled entities (the "Group"), are summarized as follows:

Company	**Principal activities**
Padaeng Industry Public Co., Ltd.	Mining and smelting zinc, the main products are zinc and zinc alloys

Subsidiaries	**Principal activities**
Padaeng Properties Co., Ltd.	Providing property services
PDI Energy Co., Ltd.	Expand and diversify into renewable energy business
PDI Materials Co., Ltd.	Trading of various base metals and their by-products
Ton Sangkasi Pte Ltd.	Dormant
PDI Eco Co., Ltd.	Eco-managed business
J-Solar Co., Ltd. (Formerly name "PDI Tak Solar One Co., Ltd.")	Solar energy business
PDI Asia Solar Co., Ltd. (Formerly name "PDI Tak Solar Two Co., Ltd.")	Solar energy business
PDI Mae Ramat Co., Ltd.	Solar energy business
Century Asset Management KK	Solar energy business

Jointly controlled entities	**Principal activities**
Maesod Clean Energy Co., Ltd.	Production and sales of ethanol and electricity
PDI-CRT Co., Ltd.	Explore opportunity in waste management
PDI Tak Eco Co., Ltd. (Formerly name "PDI Tak Solar Three Co., Ltd.")	Waste Management

These Group consolidated financial statements were authorized for issue by the Board of Directors at its meeting on February 22, 2017.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below:

2.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with Thai generally accepted accounting principles under the accounting Act B.E. 2543, being those Thai financial reporting standards issued under the accounting profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The consolidated and separate financial statements have been prepared under the historical cost convention, except for the accounting of environmental restoration and rehabilitation expenses as disclosed in note 2.12, employee benefits as disclosed in note 2.15 and financial instruments as disclosed in note 2.19.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

An English version of the consolidated and separate financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2.2 New/revised financial reporting standards, and related interpretations

2.2.1 New/revised financial reporting standards and interpretations are effective on January 1, 2016.

a) New/revised financial reporting standards and interpretation which are relevant and have no significant impact to the Group:

TAS 16 (revised 2015)	Property, plant and equipment
TAS 19 (revised 2015)	Employee benefits
TAS 24 (revised 2015)	Related party disclosures
TAS 27 (revised 2015)	Separate financial statements
TAS 36 (revised 2015)	Impairment of assets
TAS 38 (revised 2015)	Intangible assets
TFRS 3 (revised 2015)	Business combinations
TFRS 8 (revised 2015)	Operating segments
TFRS 10 (revised 2015)	Consolidated financial statements
TFRS 12 (revised 2015)	Disclosure of interests in other entities
TFRS 13 (revised 2015)	Fair value measurement

TAS 16 (revised 2015), 'Property, plant and equipment' clarifies how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

TAS 19 (revised 2015), 'Employee benefits' is amended to apply to contributions from employees or third parties to defined benefit plans and to clarify the accounting treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period.

2. Significant accounting policies (Cont'd)

2.2 New/revised financial reporting standards, and related interpretations (Cont'd)

2.2 New/revised financial reporting standards, and related interpretations

2.2.1 New/revised financial reporting standards and interpretations are effective on January 1, 2016.

a) New/revised financial reporting standards and interpretation which are relevant and have no significant impact to the Group:

TAS 24 (revised 2015), 'Related party disclosures' includes as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

TAS 27 (revised 2015) allows an investment entity that is exempted from consolidating its subsidiaries presenting separate financial statements as its only financial statements. It requires the investment entity to measure its investment in subsidiaries at fair value through profit or loss.

TAS 36 (revised 2015), 'Impairment of assets' is amended to provide additional disclosure requirement when the recoverable amount of the assets is measured at fair value less costs of disposal. The disclosures include 1) the level of fair value hierarchy, 2) when fair value measurement categorised within level 2 and level 3, disclosures is required for valuation technique and key assumption.

TAS 38 (revised 2015), 'Intangible assets' is amended to clarify how the gross carrying amount and the accumulated amortisation are treated where an entity uses the revaluation model.

TFRS 3 (revised 2015), 'Business combinations' clarifies i) an obligation to pay contingent consideration which meets the definition of a financial instrument as a financial liability or equity, on the basis of the definitions in TAS 32, 'Financial instruments: Presentation' (when announced) or other applicable standards. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss, and ii) TFRS 3 does not apply to the accounting for the formation of any joint venture under TFRS 11.

TFRS 8 (revised 2015), 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported to chief operating decision maker.

2. Significant accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretations and amendments to accounting standards (Cont'd)

2.2.1 New/revised financial reporting standards and interpretations are effective on January 1, 2016.

a) New/revised financial reporting standards and interpretation which are relevant and have a significant impact to the Group: (Cont'd)

TFRS 10 (revised 2015) 'Consolidated financial statements' is amended to define an investment entity and introduce an exception from consolidation. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss.

TFRS 12 (revised 2015) introduces disclosures that an investment entity needs to disclose.

TFRS 13 (revised 2015), 'Fair value measurement' is amended to clarify that the portfolio exception in TFRS 13 applies to all contracts (including non-financial contracts) within the scope of TAS 39 (when announced) or IFRS 9 (when announced).

b) Revised financial reporting standards and interpretations with minor changes and do not have impact to the Group are as follows:

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 12 (revised 2015)	Income taxes
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 21 (revised 2015)	The effects of changes in foreign exchange rates
TAS 26 (revised 2015)	Accounting and reporting by retirement benefit plans
TAS 28 (revised 2015)	Investments in associates and joint ventures
TAS 33 (revised 2015)	Earnings per share
TAS 34 (revised 2015)	Interim financial reporting
TAS 37 (revised 2015)	Provisions, contingent liabilities and contingent assets
TFRS 6 (revised 2015)	Exploration for and evaluation of mineral resources
TFRS 11 (revised 2015)	Joint arrangements
TSIC 15 (revised 2015)	Operating leases - Incentives
TSIC 25 (revised 2015)	Income taxes - changes in the tax status of an entity or its shareholders
TFRIC 1 (revised 2015)	Changes in existing decommissioning, restoration and similar liabilities
TFRIC 4 (revised 2015)	Determining whether an arrangement contains a lease
TFRIC 5 (revised 2015)	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
TFRIC 10 (revised 2015)	Interim financial reporting and impairment
TFRIC 14 (revised 2015)	TAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after January 1, 2017. The Group has not yet early adopted these revised standards.

a) Financial reporting standards, which have significant changes and are relevant to the Group:

TAS 1 (revised 2016)	Presentation of financial statements
TAS 16 (revised 2016)	Property, plant and equipment
TAS 19 (revised 2016)	Employee benefits
TAS 27 (revised 2016)	Separate financial statements
TAS 28 (revised 2016)	Investments in associates and joint ventures
TAS 34 (revised 2016)	Interim financial reporting
TAS 38 (revised 2016)	Intangible assets

2. Significant accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretations and amendments to accounting standards (Cont'd)

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after January 1, 2017. The Group has not yet early adopted these revised standards (Cont'd)

a) Financial reporting standards, which have significant changes and are relevant to the Group: (Cont'd)

TFRS 5 (revised 2016)	Non-current assets held for sale and discontinued operations
TFRS 10 (revised 2016)	Consolidated financial statements
TFRS 11 (revised 2016)	Joint arrangements
TFRS 12 (revised 2016)	Disclosure of interests in other entities

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

TAS 16 (revised 2016), key amendments are 1) The amendments clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate and 2) The amendments include bearer plants in scope of TAS 16.

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

TAS 27 (revised 2016), the amendments allow an entity a policy choice to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in TAS 28. While current TAS 27 allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value (when announced). The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.

TAS 28 (revised 2016), the significant changes are 1) the amendments allow an entity which is not an investment entity, but has an interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting. The entity may choose to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture and 2) the amendments allow an entity a policy choice to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method.

TAS 34 (revised 2016), the amendments clarify that what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

2. Significant accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretations and amendments to accounting standards (Cont'd)

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after January 1, 2017. The Group has not yet early adopted these revised standards (Cont'd)

a) Financial reporting standards, which have significant changes and are relevant to the Group: (Cont'd)

TAS 38 (revised 2016), the amendments include a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either the intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or it can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

TFRS 5 (revised 2016), the amendments clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

TFRS 10 (revised 2016), the amendments clarify that: 1) the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities and 2) an investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

TFRS 11 (revised 2016), the amendments clarify that 1) the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting and 2) existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained.

TFRS 12 (revised 2016), the amendments clarify the disclosure requirements of an entity which is an investment entity and exception from preparing consolidated financial statement and instead measured its subsidiaries at fair value is required to disclose information of its subsidiaries according to the requirement in TFRS 12.

The management has assessed and considered that the above revised standards will not have a material impact on the Group.

b) Revised financial reporting standards and interpretations with minor changes and do not have impact to the Group are as follows:

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 12 (revised 2016)	Income taxes
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 21 (revised 2016)	The effects of changes in foreign exchange rates
TAS 24 (revised 2016)	Related party disclosures
TAS 26 (revised 2016)	Accounting and reporting by retirement benefit plans
TAS 33 (revised 2016)	Earnings per share
TAS 36 (revised 2016)	Impairment of assets
TAS 37 (revised 2016)	Provisions, contingent liabilities and contingent assets
TFRS 6 (revised 2016)	Exploration for and evaluation of mineral resources
TFRS 8 (revised 2016)	Operating segments
TFRS 13 (revised 2016)	Fair value measurement
TSIC 15 (revised 2016)	Operating leases - Incentives
TSIC 25 (revised 2016)	Income taxes - Changes in the tax status of an entity or Its shareholders

2. Significant accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretations and amendments to accounting standards (Cont'd)

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after January 1, 2017. The Group has not yet early adopted these revised standards (Cont'd)

b) Revised financial reporting standards and interpretations with minor changes and do not have impact to the Group are as follows: (Cont'd)

TFRIC 1 (revised 2016)	Changes in existing decommissioning, restoration and similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an arrangement contains a lease
TFRIC 5 (revised 2016)	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
TFRIC 10 (revised 2016)	Interim financial reporting and impairment
TFRIC 14 (revised 2016)	TAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation

2.3 Group accounting – investments in subsidiaries and interests in jointly controlled entities

(1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns though its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieves in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measured are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognise and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2. Significant accounting policies (Cont'd)

2.3 Group accounting – investments in subsidiaries and interests in jointly controlled entities (Cont'd)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the separated financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

A list of the Group's subsidiaries is given in note 30 (i).

(2) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of the Group's jointly controlled entities is given in note 30 (i).

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Baht, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit and loss, any exchange component of that gain or loss is recognized in profit and loss.

2. Significant accounting policies (Cont'd)

2.5 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.6 Trade accounts receivable

Trade accounts receivable are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year-end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified and recognised in profit or loss within selling expenses.

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials (zinc sulphide, concentrates and zinc silicates), direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Where net realisable value is less than cost, an allowance for the diminution in value of inventories has been provided.

Spare parts and consumables are valued at the weighted average cost basis. Allowances are made, where necessary, for obsolete, slow moving and defective inventories and are based on a review of all outstanding amounts at the year-end.

2.8 Investments

Investments other than investments in subsidiaries, associates and joint ventures are classified into the following four categories: (1) trading investments; (2) held-to-maturity investments; (3) available-for-sale investments; and (4) general investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

1. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets.

2. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the statement of financial position date which are classified as current assets.

3. Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

4. Investments in non-marketable equity securities are classified as general investments.

2. Significant accounting policies (Cont'd)

2.8 Investments (Cont'd)

All categories of investment are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost. General investments are non-marketable securities and are carried at cost less impairment.

Purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the investments. Cost of investment includes transaction costs.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the profit or loss.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss.

2.9 Property, plant and equipment

Property, plant and equipment are recorded at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use. In the case of self-constructed assets, the cost of construction consists of materials, direct labor and other expenses attributable to the construction which are allocated to the assets on a systematic basis. Property, plant and equipment, except land, are presented in statement of financial position at cost less accumulated depreciation.

Depreciation is calculated on the straight line basis to write off the cost or the revalued amount of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life as follows:

	Years
Land improvements	5 - 20
Buildings	20 - 25
Machinery and heavy equipment	8 - 25
Equipment, furniture and fixtures	3 - 5
Vehicles	5

Mine restoration assets/residual ponds are amortized on units of production basis using the capacity volume of the residue ponds. Residual value and the estimated useful life of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to a recoverable amount.

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset and are recognized in the profit or loss.

2. Significant accounting policies (Cont'd)

2.10 Intangible asset

License for Energy Industry

License for Energy Industry acquired in a business acquisition are recognised at fair value at the acquisition date. License for Energy Industry have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the sum-of-year digits method over their estimated useful lives of 25 years.

2.11 Exploration and acquisition costs

Exploration costs are accumulated separately for each area of interest and accounted using the successful efforts basis of accounting for such costs.

Under this basis, accumulated costs of exploration are capitalized and carried forward on statement of financial position where one or both of the following conditions are met:

- costs are expected to be recouped through successful development and exploitation of each area of interest or by sale of the area of interest; and/or

- exploration activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves and exploration activities are continuing in the area of interest.

Expenditures which no longer satisfy the above policy are written-off or a provision is recognized for such expenditure where management is of the opinion that the carried forward net cost may not be recoverable.

Upon commencement of development and production, these exploration costs are amortized by using the straight line basis over the period that they are expected to provide economic benefits. Mining concession fees and acquisition costs have an estimated useful life of 5 to 16 years and are amortized accordingly or over the life of the mine, whichever is shorter.

2.12 Environmental rehabilitation, environmental risk assurance and restoration expenses

Under the terms of the Group's mining and production licenses, it is required to restore mining and production areas to their original conditions. The Group has recognized environmental rehabilitation and risk assurance provisions in respect to these costs as follows:

The Group accounts for environmental restoration and rehabilitation costs by estimating the costs of decommissioning mine properties and mine restoration assets and removal of any related assets and site restoration as part of the cost of restoration assets as at the date the obligation first arises and to the extent that it is first recognized as a provision.

Deferred environmental rehabilitation expenses and environmental risk assurance costs are amortized by the straight-line method over the useful life of mining area. Mine restoration assets are subsequently amortized on a unit-of production basis. The provisions are reviewed regularly and any changes in provisions are recognized as administrative expenses.

The corresponding restoration and rehabilitation provision, of an amount equivalent to the restoration asset created, is reviewed at the end of each reporting period. The provision is measured at the best estimate of the present value amount required to settle the present obligation at the end of the reporting period based on current legal and other requirements and technology, discounted where material using the weighted average cost of capital at the statement of financial position date with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an adjustment is recorded against the carrying value of the provision and any related restoration asset, and the effects are recognized in the profit or loss on a prospective basis over the remaining life of the operation. Accretion expenses recognized due to unwinding of the effect of discounting of the restoration provision is included within administrative expenses in the statement of comprehensive income.

2. Significant accounting policies (Cont'd)

2.13 Impairment of assets

Assets that have an infinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets and intangible assets that have definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Current and deferred income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2. Significant accounting policies (Cont'd)

2.15 Employee Benefits

Retirement benefits

The Group operate various retirement benefits schemes. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group pays contributions to a separate fund which is managed by an external fund manager in accordance with the provident fund Act. B.E. 2530. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a retirement plan that is not a defined contribution plan. Typically defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually depends on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using [market yield of high-quality corporate bonds /market yield of government bonds] that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.16 Provisions

Provisions, excluding the provisions for employee benefits, are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods net of output tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements. Revenue from sales of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer which is at the time when the goods are delivered to the customer or as contractually agreed.

Interest income is recognized on a time proportion basis, taking into account the outstanding principal and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Dividends are recognized when the right to receive payment is established.

2. Significant accounting policies (Cont'd)

2.18 Dividend distribution

Dividends are recorded in the consolidated and separate's financial statements in the period in which they are approved by the shareholders.

2.19 Financial instruments

Financial assets and liabilities carried on the statement of financial position include cash and cash equivalents, trade accounts receivable, related parties receivables and payables, bank overdraft, trade accounts payable, accrued expenses and loans.

The Group enters into derivative financial instruments that reduce its exposure to fluctuations in foreign currency exchange rates. The derivative instruments comprise forward foreign exchange contracts, protecting the Group from movements of foreign currency exchange rates.

Financial instrument contracts relating to foreign currency transactions are not recognized on the statement of financial position at inception. Gains and losses occurring on these contracts are only recognized upon settlement of the contracts.

The Group also enters into forward derivative contracts to protect itself from movements in the zinc metal price changes related to production, and contracted purchases of concentrate and metal and sales of finished products. Those instruments comprise forward contracts for the sale and purchase of zinc metal. Such derivatives are not recognized on statement of financial position at inception, since they relate to future transactions (or underlying) which are not yet reflected in the financial statements. Gains and losses on those derivative contracts are recognized in the financial statements upon settlement of the transactions; their valuation at period end is nevertheless mentioned in note 21.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Management Committee that makes strategic decisions. The Group has only one operating segment, being zinc metal, sold as ingots and alloys.

Segment information is presented in respect of the Group's business segments which are based on the Group's management and internal reporting structure (See more information in note 5).

2.21 Non–current assets (or disposal groups) held–for–sale

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

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions, and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Environmental restoration and rehabilitation costs and environmental risk assurance costs

Deferred environmental restoration and rehabilitation expenses and provision for environmental restoration and rehabilitation expenses are recognized in the statement of financial position using the present value of the management's best estimation of future cash flows to be required to settle the expenditures for rehabilitation activities.

Deferred environmental risk assurance expenses and provision for environmental risk assurance expenses are recognized in the statement of financial position using the present value of the installments plan.

Significant judgment is required in determining the environmental restoration and rehabilitation expenses as there are many transactions and factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability includes future development, changes in technology, commodity price changes and changes in interest rates.

3.2 Property, plant and equipment

Management determines the carrying value of property, plant, and equipment and intangible assets based on estimates, assumptions, and judgments in respect of remaining useful lives and residual values of these assets. These estimates, assumptions, and judgments reflect both historical experience and expectations regarding future operations, utilization and performance.

3.3 Impairment

Assets with a definite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of that unit itself. Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets and using an appropriate discount rate.

Impairment of exploration and acquisition cost

The recoverability of exploration and acquisition expenditure is assessed at the end of each reporting period. Significant judgment is required as to whether an area of activity is to be carried forward on the statement of financial position, or written off through the identification of area of activity which are not yet reached a stage the permits a reasonable assessment of the existence of economically recoverable reserve, where there is no continuing significant activity plan in the relation to the area.

3.4 Income tax

The Group is subject to income taxes in Thailand and the jurisdictions where it has foreign operations. Significant judgment is requirement in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Management has to exercise judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognized.

Deferred tax assets and liabilities are measures at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. When the different tax rates apply, deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the taxable profit or loss if the periods in which the temporary differences are expected to reserve.

4. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

5. Segment information

The Group produces a single product in Thailand for both domestic and export markets, using the same assets. The Group's operations relate primarily to the production and sale of one principle product, zinc products. The following is information relating to this operating segment:

For the years ended 31 December	2016 in million Baht	2016 in million Baht
Revenue domestic		
- zinc ingot	2,714	2,214
- zinc alloy	1,898	2,161
- others	99	139
Revenue export		
- zinc ingot	80	7
- zinc alloy	264	292
- others	94	55
Total sales and services	5,149	4,868
Operating profit	602	634
Net profit for the year	478	376

All assets relating to the production of zinc products are at the Company's facilities in Tak Province and Rayong Province. Total assets are as disclosed in Note 11.

6. Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Cash on hand	410,000	402,132	350,000	350,000
Deposits held at call with banks	867,618,722	815,542,636	689,165,194	604,838,825
Cash and cash equivalents	868,028,722	815,944,768	689,515,194	605,188,825

Average interest rates on bank accounts and deposits are in the range of 0.10% - 2.80% per annum (2015: 0.45% - 1.00% per annum).

7. Short-term investments

Short-term investments

Short-term investments represented the deposit in a private fund which invest in trading of debt and equity securities.

8. Trade accounts receivable – other parties

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Trade accounts receivable	314,987,104	283,520,393	306,661,125	272,353,280
Less Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable, net	314,987,104	283,520,393	306,661,125	272,353,280

Outstanding trade accounts receivable as at 31 December 2016 and 2015 can be analysed as follows:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Up to 3 months	314,987,104	283,520,393	306,661,125	272,353,280
Less Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable, net	314,987,104	283,520,393	306,661,125	272,353,280

9. Inventories

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Raw materials	14,589,957	561,000,189	14,589,957	561,000,189
Spare parts and consumables	64,102,300	112,026,313	64,102,300	112,026,313
Goods in transit	163,040,475	77,630	163,040,475	77,630
Work in process	1,164,197,339	998,927,622	1,164,197,339	998,927,622
Finished goods	462,846,119	739,989,148	462,846,119	739,989,148
	1,868,776,190	2,412,020,902	1,868,776,190	2,412,020,902
Less Allowance for slow moving and obsolete inventories	(14,488,480)	(12,029,545)	(14,488,480)	(12,029,545)
Inventories, net	1,854,287,710	2,399,991,357	1,854,287,710	2,399,991,357

The cost of inventories recognised as expense and included in 'cost of sales' amounted to Baht 4,196 million (2015: Baht 4,045 million) in the consolidated and separate financial statement. Inventories are presented net of allowance for net realisable value.

10. Other current assets

Other current assets as of 31 December comprise:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	Baht	Baht	Baht	Baht
Deposits	320,873,206	-	320,873,206	-
Margin call	55,625,320	-	55,625,320	-
Accrued income	6,200,270	-	-	-
Prepaid insurance	5,251,328	-	-	-
Others	12,860,522	11,169,124	10,235,613	7,251,906
Total	400,810,646	11,169,124	386,734,139	7,251,906

The deposits of Baht 320.87 million have been paid to Sungen Energy Co., Ltd. to reserve right for solar farm business expansion in Japan.

The margin call amount of Baht 55.63 million have been placed with the London Metal Exchange brokers according to conditions of zinc hedging.

11. Property, plant and equipment

	Consolidated financial statements							
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Mine restoration assets Baht	Total Baht
At 1 January 2015								
Cost	853,206,891	1,676,864,720	5,710,359,324	496,382,313	231,872,909	18,853,805	155,723,530	9,143,263,492
Less Accumulated depreciation	(417,269,409)	(1,518,394,862)	(4,930,708,430)	(453,671,252)	(206,693,238)	-	(22,652,671)	(7,549,389,862)
Accumulated provision for impairment	(3,308,745)	(6,306,792)	(164,674,437)	(6,035,109)	(5,594,168)	-	(49,468,167)	(235,387,418)
Net book value	432,628,737	152,163,066	614,976,457	36,675,952	19,585,503	18,853,805	83,602,692	1,358,486,212
Year ended 31 December 2015								
Opening balance	432,628,737	152,163,066	614,976,457	36,675,952	19,585,503	18,853,805	83,602,692	1,358,486,212
Additions	-	-	-	578,256	-	88,405,147	13,183,931	102,167,334
Transfers	226,251	89,350	83,247,799	12,137,888	3,548,706	(99,249,994)	-	-
Disposals	(1,456,939)	(1,250,420)	(6,410)	(234,152)	(552,844)	-	-	(3,500,765)
(Provision)/reversal for impairment	(1,078,942)	(26,780,001)	(35,330,257)	42,601	840,218	-	-	(62,306,381)
Depreciation expense	(73,438,498)	(44,536,990)	(237,015,402)	(8,692,314)	(10,209,458)	-	(69,193,310)	(443,085,972)
Closing net book value	356,880,609	79,685,005	425,872,187	40,508,231	13,212,125	8,008,958	27,593,313	951,760,428
At 31 December 2015								
Cost	851,976,203	1,675,703,650	5,793,600,713	508,864,305	234,868,771	8,008,958	168,907,461	9,241,930,061
Less Accumulated depreciation	(490,707,907)	(1,562,931,852)	(5,167,723,832)	(462,363,566)	(216,902,696)	-	(91,845,981)	(7,992,475,834)
Accumulated provision for impairment	(4,387,687)	(33,086,793)	(200,004,694)	(5,992,508)	(4,753,950)	-	(49,468,167)	(297,693,799)
Net book value	356,880,609	79,685,005	425,872,187	40,508,231	13,212,125	8,008,958	27,593,313	951,760,428

11. Property, plant and equipment (Cont'd)

	Consolidated financial statements							
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Mine restoration assets Baht	Total Baht
Year ended 31 December 2016								
Opening balance	356,880,609	79,685,005	425,872,187	40,508,231	13,212,125	8,008,958	27,593,313	951,760,428
Additions	-	-	-	172,683	-	20,431,202	9,853,795	30,457,680
Acquisition of a subsidiary (note 29)	6,344,461	4,000,000	277,826,352	1,146,968	167,854	-	-	289,485,635
Transfers	-	69,646	23,291,938	1,627,705	3,289,782	(28,279,071)	-	-
Disposals	(49,468,167)	(4,182,677)	(20,653,160)	(705,855)	(320,912)	-	-	(75,330,771)
Reversal for impairment	-	8,348,753	1,978,217	617,781	-	-	49,468,167	60,412,918
Depreciation expense	(81,577,779)	(55,682,806)	(365,799,969)	(16,456,184)	(11,357,888)	-	(81,046,997)	(611,921,623)
Closing net book value	232,179,124	32,237,921	342,515,565	26,911,329	4,990,961	161,089	5,868,278	644,864,267
At 31 December 2016								
Cost	808,852,497	1,675,590,619	6,074,065,843	511,105,806	238,005,495	161,089	178,761,256	9,486,542,605
Less Accumulated depreciation	(572,285,686)	(1,618,614,658)	(5,533,523,801)	(478,819,750)	(228,260,584)	-	(172,892,978)	(8,604,397,457)
Accumulated provision for impairment	(4,387,687)	(24,738,040)	(198,026,477)	(5,374,727)	(4,753,950)	-	-	(237,280,881)
Net book value	232,179,124	32,237,921	342,515,565	26,911,329	4,990,961	161,089	5,868,278	644,864,267

11. Property, plant and equipment (Cont'd)

	Separate financial statements							
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Mine restoration assets Baht	Total Baht
At 1 January 2015								
Cost	851,627,285	1,676,864,720	5,700,822,082	489,525,632	231,852,909	18,853,806	155,723,530	9,125,269,964
Less Accumulated depreciation	(412,179,863)	(1,518,394,862)	(4,920,712,641)	(447,952,742)	(206,673,733)	-	(22,652,671)	(7,528,566,512)
Accumulated provision for impairment	(3,308,745)	(6,306,792)	(164,674,438)	(6,035,108)	(5,594,168)	-	(49,468,167)	(235,387,418)
Net book value	436,138,677	152,163,066	615,435,003	35,537,782	19,585,008	18,853,806	83,602,692	1,361,316,034
Year ended 31 December 2015								
Opening balance	436,138,677	152,163,066	615,435,003	35,537,782	19,585,008	18,853,806	83,602,692	1,361,316,034
Additions	-	-	-	550,656	-	88,405,146	13,183,931	102,139,733
Transfers	226,251	89,350	83,247,799	12,137,888	3,548,706	(99,249,994)	-	-
Disposals	(1,456,939)	(1,250,420)	(6,410)	(4)	(552,844)	-	-	(3,266,617)
(Provision)/reversal for impairment	(1,078,942)	(26,780,001)	(35,330,257)	42,602	840,217	-	-	(62,306,381)
Depreciation expense	(73,438,498)	(44,536,990)	(236,953,461)	(8,659,836)	(10,209,458)	-	(69,193,310)	(442,991,553)
Closing net book value	360,390,549	79,685,005	426,392,674	39,609,088	13,211,629	8,008,958	27,593,313	954,891,216
At 31 December 2015								
Cost	824,102,658	1,674,929,070	5,783,467,218	499,194,923	227,361,415	8,008,958	168,907,461	9,185,971,703
Less Accumulated depreciation	(459,324,422)	(1,562,157,272)	(5,157,069,849)	(453,593,329)	(209,395,835)	-	(91,845,981)	(7,933,386,688)
Accumulated provision for impairment	(4,387,687)	(33,086,793)	(200,004,695)	(5,992,506)	(4,753,951)	-	(49,468,167)	(297,693,799)
Net book value	360,390,549	79,685,005	426,392,674	39,609,088	13,211,629	8,008,958	27,593,313	954,891,216

11. Property, plant and equipment (Cont'd)

	Separate financial statements							
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Mine restoration assets Baht	Total Baht
Year ended 31 December 2016								
Opening balance	360,390,549	79,685,005	426,392,674	39,609,088	13,211,629	8,008,958	27,593,313	954,891,216
Additions	-	-	-	54,682	-	20,431,202	9,853,795	30,339,679
Transfers	-	69,646	23,291,938	1,627,705	3,289,782	(28,279,071)	-	-
Disposals	(49,468,167)	(4,182,677)	(20,653,160)	(558,616)	(320,913)	-	-	(75,183,533)
Reversal for impairment	-	8,348,753	1,978,217	617,781	-	-	49,468,167	60,412,918
Depreciation expense	(81,573,828)	(55,680,315)	(365,565,852)	(16,393,391)	(11,356,518)	-	(81,046,997)	(611,616,901)
Closing net book amount	229,348,554	28,240,412	65,443,817	24,957,249	4,823,980	161,089	5,868,278	358,843,379
At 31 December 2016								
Cost	713,443,462	1,615,449,253	5,676,981,154	463,209,825	222,005,666	161,089	178,761,256	8,870,011,705
Less Accumulated depreciation	(479,707,221)	(1,562,470,801)	(5,413,510,859)	(432,877,851)	(212,427,735)	-	(172,892,978)	(8,273,887,445)
Accumulated provision for impairment	(4,387,687)	(24,738,040)	(198,026,478)	(5,374,725)	(4,753,951)	-	-	(237,280,881)
Net book value	229,348,554	28,240,412	65,443,817	24,957,249	4,823,980	161,089	5,868,278	358,843,379

11. Property, plant and equipment (Cont'd)

Provision for asset impairment

Asset impairment charges represent a write-down in the book value of assets which exceed their estimated recoverable amount based on a review of each asset's fair value less costs to sell and value in use.

Changes in impairment provision movement are shown as follows:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
At 1 January	297,693,799	235,387,418	297,693,799	235,387,418
(Reversal) additions during the year	(60,412,918)	62,306,381	(60,412,918)	62,306,381
At 31 December	237,280,881	297,693,799	237,280,881	297,693,799

12. Intangible asset

	Consolidated financial statements
	License for Energy Industry Baht
For the year ended 31 December 2016	
Opening net book amount	-
Additions during the year	221,646,792
Amortisation charge during the year	(264,022)
Closing net book amount	221,382,770
At 31 December 2016	
Cost	221,646,792
Less Accumulated amortisation	(264,022)
Net book amount	221,382,770

As at 31 December 2016, intangible asset amount of Baht 221.38 million represent the value of Power Purchase Agreement from the acquisition of PDI Mae Ramat Co., Ltd. on 26 December 2016 by PDI Energy Co. Ltd., a 99.99% subsidiary of the Company.

13. Exploration and acquisition costs

Exploration and acquisition costs as at 31 December comprise:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	Baht	Baht	Baht	Baht
Exploration costs				
At 1 January	175,683,167	1,106,221,441	76,039,308	80,294,112
Written-off exploration costs	(99,643,859)	(4,254,804)	-	(4,254,804)
Transfer out provision for impairment of exploration costs	-	(926,283,470)	-	-
Less Provisions for impairment of exploration costs	(76,039,308)	(175,683,167)	(76,039,308)	(76,039,308)
At 31 December	-	-	-	-
Acquisition costs				
Land use compensation-net	-	4,022,177	-	4,022,177
Other capitalised expenditure-net	-	3,932,656	-	3,932,656
At 31 December	-	7,954,833	-	7,954,833
Total	-	7,954,833	-	7,954,833

Exploration costs

Exploration costs consist previously those incurred by the Company and its subsidiaries, Padaeng Industry (Laos) Co., Ltd. ("Padaeng Industry (Laos)"). In accordance with the Group's accounting policy for exploration, these costs will remain capitalized until final determination of whether economically recoverable resource exists. As at 31 December 2016, the Company have ceased all exploration activities according to business diversification schedule.

Padaeng Industry (Laos) Co., Ltd.

In October 2006, the Company through its subsidiary Padaeng Industry (Laos) signed a 5-year exploration agreement with the Department of Mines and Geology of Lao PDR which expired on 27 October 2011 and has been extended to 4 January 2015, for the purposes of exploring and producing resources containing Zinc. As at 31 December 2016, the total amount of exploration costs capitalized amounted to Baht 106.8 million. The Company's management concluded that significant expenditures and alternative expensive drilling methods currently not used by the Company would be required to strengthen the assessment of the project's commercial viability. Consequently, the Company has ceased all exploration activities and has recognised a provision for impairment with respect to the exploration costs capitalized. As at 31 December 2016, and the Company has concluded its negotiation with the buyer and the sales process have been completed.

14. Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	31,640,000	-	31,640,000	-
	31,640,000	-	31,640,000	-
Deferred tax liabilities:				
Deferred tax liabilities to be recovered after 12 months	(218,234)	(218,234)	(218,234)	(218,234)
	(218,234)	(218,234)	(218,234)	(218,234)
Deferred income taxes - net	31,421,766	(218,234)	31,421,766	(218,234)

The movement in deferred tax assets and liabilities during the year is as follows:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
At 1 January	-	129,792,121	-	15,195,515
Charged/(credited) to profit or loss	31,640,000	(129,792,121)	31,640,000	(15,195,515)
At 31 December	31,640,000	-	31,640,000	-

	Consolidated financial statements		
	Exploration Cost Baht	Others Baht	Total Baht
Deferred tax assets			
At 1 January 2016	-	-	-
Charged to profit or loss	-	31,640,000	31,640,000
At 31 December 2016	-	31,640,000	31,640,000
At 1 January 2015	114,596,606	15,413,749	130,010,355
Credited to profit or loss	(114,596,606)	(15,413,749)	(130,010,355)
At 31 December 2015	-	-	-

14. Deferred income taxes (Cont'd)

	Separate financial statements		
	Exploration Cost	Others	Total
	Baht	Baht	Baht
Deferred tax assets			
At 1 January 2016	-	-	-
Charged to profit or loss	-	31,640,000	31,640,000
At 31 December 2016	-	31,640,000	31,640,000
At 1 January 2015	-	15,413,749	15,413,749
Credited to profit or loss	-	(15,413,749)	(15,413,749)
At 31 December 2015	-	-	-

	Consolidated and Separate financial statements	
	Others	Total
	Baht	Baht
Deferred tax liabilities		
At 1 January 2016	(218,234)	(218,234)
Charged/(credited) to profit or loss	-	-
At 31 December 2016	(218,234)	(218,234)
At 1 January 2015	(218,234)	(218,234)
Charged/(credited) to profit or loss	-	-
At 31 December 2015	(218,234)	(218,234)

Deferred income tax assets are recognised for tax loss and carry forwards only to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Company has no any unrecognised tax losses to carry forward against future taxable income.

15. Other non – current assets

Other non-current assets as at 31 December 2016 and 2015 comprise:

i) Deferred environmental rehabilitation expenses

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
At 1 January	20,635,953	48,339,825	20,635,953	48,339,825
Additions during the year	4,492,824	24,729,318	4,492,824	24,729,318
Closing book amount	25,128,777	73,069,143	25,128,777	73,069,143
Less Amortization expense during the year	(25,128,777)	(52,433,190)	(25,128,777)	(52,433,190)
At 31 December	-	20,635,953	-	20,635,953

Deferred environmental rehabilitation expense represents the estimated costs incurred to restore mine sites to their original condition.

ii) Deferred environmental risk assurance expenses

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
At 1 January	4,186,444	8,622,852	4,186,444	8,622,852
Additions during the year	170,472	-	170,472	-
Closing book amount	4,356,916	8,622,852	4,356,916	8,622,852
Less Amortization expense during the year	(4,356,916)	(4,436,408)	(4,356,916)	(4,436,408)
At 31 December	-	4,186,444	-	4,186,444

Deferred risk assurance costs related to payments to be made to the local communities in which the Group operates for future environmental rehabilitation activities and are amortised until completion of mining activities in first half of 2016.

15. Other non – current assets (Cont'd)

iii) Others

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Deposits and installment payments for condominium units	74,932,723	74,932,723	-	-
Less Allowance for doubtful accounts	(74,932,723)	(74,932,723)	-	-
	-	-	-	-
Capitalized software				
At 1 January	100,398	280,318	100,398	280,316
Additions during the year	1,505,050	56,300	149,000	56,300
Disposal	(3,172)	-	(3,172)	-
Less Amortization expense during the year	(104,343)	(236,220)	(95,106)	(236,218)
	1,497,933	100,398	151,120	100,398
Others	35,013,857	13,772,040	34,159,425	5,127,039
At 31 December	36,511,790	13,872,438	34,310,545	5,227,437

A subsidiary has provided an allowance of Baht 74.90 million against deposits and installment payments for certain condominium units whose construction was suspended due to unfavourable economic conditions.

16. Short–term loans from financial institutions

Short-term loans from financial institutions as at 31 December 2016 and 2015 comprise:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Trust receipts	205,006,310	233,194,978	205,006,310	233,194,978
Total	205,006,310	233,194,978	205,006,310	233,194,978

The Company has entered into short-term financing arrangements to fund its operations with financial institutions. The interest rates, the Company is paying on the trust receipts is 1.30% per annum.

Financing arrangements available

	Consolidated financial statements		Separate financial statements	
	2016 in million Baht	**2015 in million Baht**	**2016 in million Baht**	**2015 in million Baht**
Bank overdraft	40	60	40	60
Short-term loans	2,500	1,725	2,500	1,725
Bank guarantees	846	1,079	843	1,076
Total	3,386	2,864	3,383	2,861

17. Bank guarantees

As at 31 December 2016, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 405.23 million (2015: Baht 398.43 million).

18. Provisions for restoration and rehabilitation expenses

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	Baht	Baht	Baht	Baht
At 1 January	428,057,372	390,327,856	428,057,372	390,327,856
Accretion expense during the year	118,016,509	85,014,025	118,016,509	85,014,025
Amounts utilized	(208,175,381)	(47,284,509)	(208,175,381)	(47,284,509)
At 31 December	337,898,500	428,057,372	337,898,500	428,057,372

The provisions for restoration and rehabilitation costs represents amounts provided for 1) the estimated costs of restoration of cadmium and residue ponds at Tak and 2) rehabilitation and environmental risk assurance of the mined area in the Mae Sod in accordance with the government regulations and the Company's commitments. The estimated costs of decommissioning mine properties and residual ponds including removing any related assets and site restoration are included in the cost of restoration and rehabilitation assets as at the date the obligation first arises in conjunction with a related liability recognized in the same amount. This restoration asset is subsequently amortized on a unit-of-production basis. For environmental rehabilitation and environmental risk assurance assets, they are subsequently amortized on a straight-line basis. Accretion expense is recognized to reflect the change in present value of the liability initially recognized using the Company's end of period Weighted Average Cost of Capital ("WACC").

19. Employee benefit obligations

The amounts recognized in the statements of financial position are determined as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	Baht	Baht	Baht	Baht
At 1 January	220,405,430	119,912,183	220,405,430	119,888,183
Current service cost	12,189,727	42,875,296	12,113,657	42,875,296
Interest cost	6,041,284	34,228,917	6,041,284	34,228,917
Benefits paid	(69,797,550)	(7,287,140)	(69,797,550)	(7,263,140)
Actuarial (gain) loss	(2,418,012)	30,676,174	(2,418,012)	30,676,174
At 31 December	166,420,879	220,405,430	166,344,809	220,405,430

The amounts recognised in the statements of comprehensive income are as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	Baht	Baht	Baht	Baht
Current service cost	12,189,727	42,875,296	12,113,657	42,875,296
Interest cost	6,041,284	34,228,917	6,041,284	34,228,917
Actuarial (gain) loss	(2,418,012)	30,676,174	(2,418,012)	30,676,174
Total	15,812,999	107,780,387	15,736,929	107,780,387

19. Employee benefit obligations (Cont'd)

The principal actuarial assumptions used were as follows:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Discount rate	2.05	2.59	2.05	2.59
Salary increase rate	5.00	5.00	5.00	5.00
Turnover rate	0 - 15	0 - 15	0 - 15	0 - 15

The Company recognizes the costs of employee retirement benefits payable in accordance with Thai Labor Law. The amount of retirement benefits are recorded based on the projected unit credit method by an actuarial valuation completed using end of period employee wages, turnover rates, retirement ages, mortality, length of service and other factors. All actuarial gains and losses following changes in actuarial assumptions of post-employment defined benefit plans are recognized through equity in the year of occurrence.

	Impact on defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	2016	2015	2016	2015	2016	2015
Discount rate	0.5%	0.5%	Decrease by 1%	Decrease by 3%	Increase by 1%	Increase by 3%
Salary growth rate	0.5%	0.5%	Increase by 1%	Increase by 3%	Decrease by 1%	Decrease by 3%
Turnover rate	0.5%	0.5%	Decrease by 1%	Decrease by 3%	Increase By 1%	Increase By 3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (Present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and the types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

20. Other current liabilities

Other current liabilities as of 31 December comprise:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Accrued expenses	77,829,195	71,856,347	76,851,469	71,674,042
Social security and other taxes	7,220,790	7,942,837	7,215,738	7,851,950
Current portion of liabilities under early Retirement program	135,022,700	-	135,022,700	-
Others	81,840,121	86,960,358	66,984,935	83,066,376
Total	301,912,806	166,759,542	286,074,842	162,592,368

21. Commitments

21.1) As at 31 December 2016 and 2015, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Not later than 1 year	14,416,538	14,792,238	14,416,538	14,792,238

As at 31 December 2016 and 2015, the Company has the following commitments for the purchase of raw materials that have been contracted but not recorded as liabilities:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Not later than 1 year	96,169,342	218,679,434	96,169,342	218,679,434

In addition, as at 31 December 2016, the Company has contracted for the purchase of raw materials that contained zinc units of approximately 163 tons (2015: 532 tons).

21.2) As at 31 December 2016, the balance of forward foreign exchange contracts outstanding were total sales contracts of USD 2,130,727 and total purchase contracts of USD 11,325,224. The changes in fair value of outstanding are Baht 4,514,989 favorable and unrealized.

As at 31 December 2016, total sales contracts of 18,850 metric tons of zinc and total purchase contracts of 6,475 metric tons of zinc on the London Metal Exchange are outstanding for both transactional hedges and strategic hedges. The change in fair value of these open positions amount to USD 4,314,162 or Baht 154,533,283 and unfavorable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates for similar contracts. These positions will be offset by committed and priced physical purchases and sales contracts. The operations carried out on the future markets for hedging transactional risks as described are not of a speculative nature.

Fair values of financial derivative instruments as at the date of financial position are as follows:

	Consolidated financial statements	
	2016 Baht	2015 Baht
Financial instruments of foreign currency exchange rate		
Unfavorable total sales contracts	(461,413)	(16,828,919)
Favorable total buy contracts	4,976,402	1,938,251
Financial instruments of commodity products		
(Unfavorable) favorable total zinc contracts	(154,533,283)	71,943,107

22. Share capital and premium on share capital

	Number of shares	Ordinary shares Baht	Shares premium Baht	Total Baht
For the year ended 31 December 2016				
At 1 January	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the year	-	-	-	-
At 31 December	226,000,000	2,260,000,000	602,413,600	2,862,413,600

As at 31 December 2016, the total authorized number of ordinary shares is 226,000,000 shares (2015: 226,000,000 shares) with a par value of Baht 10 per share (2015: Baht 10 per share). All issued shares are fully paid.

23. Legal reserve

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
At 1 January	226,000,000	226,000,000	226,000,000	226,000,000
Appropriation during the year	-	-	-	-
At 31 December	226,000,000	226,000,000	226,000,000	226,000,000

Under the Public Companies Act, B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered capital.

24. Expenses by nature

The following expenditures items, classified by nature, have been charged in arriving at the operating profit:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Movement in inventories	130,779,479	(604,083,834)	130,779,479	(604,083,834)
Raw materials, spare parts and consumables used	2,039,005,636	2,460,013,671	2,039,005,636	2,460,013,671
Employee benefits expense	529,104,960	722,588,654	529,059,720	722,079,888
Utility expenses	941,878,608	1,043,920,885	941,658,176	1,037,626,771
Depreciation and amortization expenses	685,536,543	499,751,888	685,231,823	499,657,470
Exploration costs written-down (note 13)	99,643,859	4,254,804	-	4,254,804
Fixed assets and decommissioning costs written off	75,330,711	20,615,905	75,183,533	20,381,755

25. Other operating income

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Gains on loan forgiveness of a subsidiary	-	576,318,956	-	-
Gains from short-term investments	33,913,825	6,620,861	33,913,825	6,620,861
Gains on sales of investments in related - parties	68,933,142	-	59,962,410	-
Interest Income	16,574,095	30,517,263	16,875,187	27,271,890
Others	10,842,531	6,893,910	12,103,266	7,931,248
Total	130,263,593	620,350,990	122,854,688	41,823,999

26. Income tax expense

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Current tax:				
Current tax on profits for the year	103,758,183	112,315,096	103,255,717	111,713,988
Adjustment in respect of prior years	(843,781)	(533,248)	(843,781)	(533,248)
Total current tax	102,914,402	111,781,848	102,411,936	111,180,740
Deferred tax:				
(Reversal) origination of temporary differences	(31,640,000)	130,010,355	(31,640,000)	15,413,749
Total deferred tax	(31,640,000)	130,010,355	(31,640,000)	15,413,749
Total tax expense	71,274,402	241,792,203	70,771,936	126,594,489

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the country of the Company as follows:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Profit before corporate income tax	549,040,032	617,811,910	431,416,287	62,414,710
Tax calculated at a tax rate of 20% (2015: 20%)	109,808,006	123,562,382	86,283,257	12,482,942
Tax effect of:				
Income not subject to tax	(8,964,751)	(2,085,475)	-	-
Expenses not deductible for tax purpose	2,389,724	3,302,449	2,357,152	3,302,449
Deferred tax assets recognised	(31,640,000)	130,010,355	(31,640,000)	15,413,749
Deferred tax assets unrecognised	14,615,308	95,855,614	14,615,308	95,928,597
Tax losses for which no deferred income tax asset was recognized	(14,090,104)	(108,319,874)	-	-
Adjustment in respect of prior years	(843,781)	(533,248)	(843,781)	(533,248)
Total tax expense	71,274,402	241,792,203	70,771,936	126,594,489

The weighted average applicable tax rate was 12.98% (2015: 39.14%).

27. Dividend

At the Annual Ordinary Shareholders' Meeting held on 25 April 2016, shareholders approved the annual dividend payment from retained earnings of the Company of Baht 0.20 per share totaling Baht 45.20 million (2015: Baht 0.40 per share, totaling Baht 90.40 million). The dividend was paid on 19 May 2016.

28. Basic earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net profit (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Earning (Baht)				
Net profit (loss) attributable to ordinary shareholders	477,765,630	150,760,535	360,644,351	(64,179,779)
Weighted average number of ordinary shares outstanding (shares)	226,000,000	226,000,000	226,000,000	226,000,000
Basic earnings (loss) per share (Baht per share)	2.11	0.67	1.60	(0.28)

There are no potential dilutive ordinary shares in issue for the years ended 31 December 2016 and 2015.

29. Acquisition

On 26 December 2016, the Group acquired 99.99% of the share capital of PDI Mae Ramat Co., Ltd. (“PDI Mae Ramat”) for Baht 303.33 million and obtained the control of PDI Mae Ramat, a solar energy business.

The excess of the net Group’s consideration transfer lower than the identifiable assets acquired and liabilities assumed of the Company at the acquisition date is considered as gain on a bargain purchase of Baht 44.82 million. The gain on a bargain purchase recognised in the consolidated statement of comprehensive income for the year ended 31 December 2016 and the consolidated statement of financial position as at 31 December 2016, respectively.

The following table summarizes the consideration paid for acquisition of PDI Mae Ramat and the amounts of the total identifiable assets acquired and the liabilities assumed recognized at the acquisition date including the fair value of the non-controlling interest in PDI Mae Ramat at the acquisition date.

29. Acquisition (Cont'd)

Consideration at 26 December 2016

	in million Baht
Cash	291
Contingent consideration	12
Total consideration transferred	303
Total consideration	303
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalent	54
Property, plant and equipment	289
License	222
Trade and other receivables	8
Other assets	17
Borrowings	(240)
Other liabilities	(2)
Total identifiable net assets	348
Non-controlling interest	-
Gain on a bargain purchase	45

The contingent consideration arrangement requires the Group to pay the former owners of Baht 11.79 million for the net outstanding receivables and payables at the acquisition date.

The revenue of PDI Mae Ramat included in the consolidated statement of comprehensive income for Baht 0.85 million since 26 December 2016.

30. Related parties transactions

i) Investments in related parties

Details of investments in subsidiaries and jointly controlled entities are as follows:

	31 December 2016				31 December 2015			
	Consolidated financial statements	Separate financial statements			Consolidated financial statements	Separate financial statements		
	Equity Baht	Paid-up capital Baht	% ownership investment	Cost Baht	Equity Baht	Paid-up capital Baht	% ownership investment	Cost Baht
Subsidiaries								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Padaeng Industry (Laos) Co., Ltd.	-	-	-	-	-	151,302,520	100	151,302,520
PDI Eco Co., Ltd.	-	12,499,925	100	12,499,925	-	12,499,925	100	12,499,925
PDI Energy Co., Ltd.	-	100,050,000	100	100,050,000	-	100,050,000	100	100,050,000
Ton Sangkasi Pte Ltd.	-	246,700	100	246,700	-	246,700	100	246,700
Total	-			192,796,625	-			344,099,145
Less Diminution								
Padaeng Industry (Laos) Co., Ltd.	-			-	-			(151,302,520)
Ton Sangkasi Pte Ltd.	-			(246,700)	-			(246,700)
Investments in subsidiaries - net	-			192,549,925	-			192,549,925
Jointly controlled entities								
Maesod Clean Energy Co., Ltd.	3,610,030	675,000,000	35	236,249,800	48,965,194	675,000,000	35	236,249,800
PDI-CRT Co., Ltd.	28,224,496	58,750,000	54	-	17,695,118	43,480,000	51	-
PDI Tak Eco Co., Ltd.	15,292,219	30,000,000	51	15,300,000	-	-	-	-
Total	47,126,745			251,549,800	66,660,312			236,249,800
Less Diminution								
Maesod Clean Energy Co., Ltd.	-			(177,187,300)	-			-
Investments in jointly controlled entities - net	47,126,745			74,362,500	66,660,312			236,249,800

30. Related parties transactions (Cont'd)

i) Investments in related parties-net (Cont'd)

Subsidiary undertakings	% Ownership	Principal activities	Country of incorporation
Padaeng Properties Co., Ltd.	100	Providing property services	Thailand
PDI Energy Co., Ltd.	100	Expand and diversify into renewable energy business	Thailand
PDI Materials Co., Ltd.*	100	Trading of various base metals and their by-products	Thailand
Ton Sangkasi Pte Ltd.	100	Dormant	Singapore
PDI Eco Co., Ltd.	100	Eco-managed business	Thailand
J-Solar Co., Ltd.* (Formerly name "PDI Tak Solar One Co., Ltd.")	100	Solar energy business	Thailand
PDI Asia Solar Co., Ltd.* (Formerly name "PDI Tak Solar Two Co., Ltd.")	100	Solar energy business	Thailand
PDI Mae Ramat Co., Ltd.*	99.99	Solar energy business	Thailand
Century Asset Management KK*	100	Solar energy business	Japan

Jointly controlled undertakings	% Ownership	Principal activities	Country of incorporation
Maesod Clean Energy Co., Ltd.	35	Production and sales of ethanol and electricity	Thailand
PDI-CRT Co., Ltd.*	54	Explore opportunity in waste management	Thailand
PDI Tak Eco Co., Ltd. (Formerly name "PDI Tak Solar Three Co., Ltd.")	51	Waste Management	Thailand

* Indirectly owned by the Company

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
At 1 January	66,660,312	56,887,175	428,799,725	353,799,725
Investments in subsidiaries	-	-	-	75,000,000
Investments in jointly controlled entities	29,040,000	18,000,000	15,300,000	-
Share of loss from jointly controlled entities	(48,573,567)	(8,226,863)	-	-
Diminution in value of investment	-	-	(177,187,300)	-
At 31 December	47,126,745	66,660,312	266,912,425	428,799,725

Subsidiaries

PDI Eco Co., Ltd.

PDI Eco Co., Ltd. ("PDI Eco"), registered on 16 June 2014, has a total authorized share capital of 500,000 shares, amount of Baht 50,000,000 of which Baht 12,499,925 has been issued and paid up. The Company purpose is to expand and diversify into eco-managed business.

PDI Energy Co., Ltd.

PDI Energy Co., Ltd. ("PDI Energy"), a subsidiary of the Company, has increased its capital on 23 April 2015 from Baht 50 million to Baht 350 million of which Baht 75 million has been issued and paid up in 2015. The Company purpose is to expand and diversify into renewable energy business. As at 31 December 2016, the paid-up capital become Baht 100.05 million.

30. Related parties transactions (Cont'd)

i) Investments in related parties-net (Cont'd)

Subsidiaries (Cont'd)

PDI Energy Co., Ltd. (Cont'd)

On 24 April 2015, PDI Energy has entered into the Share Purchase Agreement and Shareholders Agreement to invest in Green Nature Surat Co., Ltd. ("Green Nature Surat") (Formerly name "PDI Surat Biomass Co., Ltd. to develop a 9.5 Megawatts biomass power plant located in the South of Thailand. The project investment cost is estimated at Baht 1,200 million.

As at 30 June 2016, the scheduled commercial operation date ("COD") as stated in The Power Purchase Agreement ("PPA") was not extended by the authorities, which results in uncertainty to proceed with the project. All costs related to the project have been impaired. As at 31 December 2016, the investment in Green Nature Surat was sold.

On 26 December 2016, PDI Energy has entered into the Share Purchase Agreement and Shareholders Agreement to invest in PDI Mae Ramat Co., Ltd. ("PDI Mae Ramat") (Formerly name "IEC Mae Ramat Co., Ltd.") to operate a 5.3 Megawatts solar farm power plant located in Tak province. The purchase price is Baht 477 million.

Jointly controlled entities

Maesod Clean Energy Co., Ltd.

Maesod Clean Energy Co., Ltd. ("MCE") which is a jointly controlled entity together with MP Energy Co., Ltd. and Thai Oil Public Company Limited, was established on 9 October 2006 to produce ethanol as an alternative energy source. As at 31 December 2016, MCE has 67,500,000 shares issued and paid-up. The Company has subscribed to a total of 23,625,000 shares in MCE.

Under the terms of a loan agreement dated 9 September 2011, signed by the Company and its partners with MCE, the Company has provided to MCE a Baht 105 million loan on 5 October 2011. The Company is eligible to convert this loan into equity of MCE. The loan carries interest rate of 4.2% per annum.

Due to limitation of economic feed supply to produce ethanol and the consecutive losses since starting operation, the Company's Board of Directors dated August 4, 2016 decided to divest the investment in MCE. As at 31 December 2016, the Company has agreed in principle to sell the Company's 35% interest in MCE to MP Energy Co., Ltd., one of MCE's shareholders with the value of Baht 59.06 million. The Company recognised a provision of investment for the rest amount of Baht 177.18 million. The Company entered into the Share Purchase Agreement ("SPA") on 16 February 2017. The shareholder loan to MCE of Baht 105 million will be repaid within 2 years from the signing date of SPA.

PDI-CRT Co., Ltd.

On 26 August 2015, PDI Material Co., Ltd. ("PDI Material") a subsidiary of Padaeng Properties Co., Ltd., has entered into the Shareholders Agreement to set up a joint venture with CRT Norway to explore business opportunity to engage in the operation for recycling of metal containing waste by using innovative technology.

On 10 September 2015, the joint venture was established and registered under the name PDI-CRT Co., Ltd. ("PDI-CRT") with a registered capital of Baht 100,000 consisting of 10,000 shares at par value of Baht 10 per share and fully paid.

On 12 November 2015, PDI-CRT has increased its registered capital to Baht 52,000,000 with 5,200,000 shares which the 2,553,100 shares have been issued and fully paid. As at 31 December 2016, the rest of 2,646,900 shares have been issued and fully paid.

On 18 November 2016, PDI-CRT has increased its registered capital to Baht 79,000,000 with additional 2,700,000 shares with par value of 10 Baht per share, of which 2.50 Baht per share was paid.

PDI Tak Eco Co., Ltd.

On 23 February 2016, total shares of PDI Tak Eco have been transferred from PDI Energy to be directly owned by the Company. PDI Tak Eco was structured to operate waste management and recycling business.

30. Related parties transactions (Cont'd)

i) Investments in related parties-net (Cont'd)

Jointly controlled entities (Cont'd)

PDI Tak Eco Co., Ltd. (Cont'd)

On 26 April 2016, the Company and Dowa Eco System Co., Ltd. had signed Share Purchase Agreement and Shareholders Agreement to jointly acquire shares of PDI Tak Eco. On 14 September 2016, Dowa Eco System has taken 49% interest in PDI Tak Eco by purchasing 49,000 shares of PDI Tak Eco from the Company. On 6 October 2016, PDI Tak Eco has increased its registered capital to Baht 30,000,000 with 300,000 shares and fully paid

The following amounts represent certain audited financial statements as at and for the years ended 31 December of jointly controlled entities:

	Maesod Clean Energy Co., Ltd.	
	2016	2015
	in million Baht	in million Baht
Property, plant and equipment	995	1,180
Current assets	728	708
Non-current assets	137	15
Total assets	1,860	1,903
Long-term borrowing	535	280
Current liabilities	1,314	1,483
Total liabilities	1,849	1,763
Net assets	11	140
Revenues	1,392	1,914
Expenses	(1,516)	(1,938)
Net loss for the year	(124)	(24)

	PDI–CRT Co., Ltd.	
	2016	2015
	in million Baht	in million Baht
Property, plant and equipment	-	-
Current assets	14	19
Non-current assets	34	38
Total assets	48	57
Long-term borrowing	-	-
Current liabilities	-	6
Total liabilities	-	6
Net assets	48	51
Revenues	-	-
Expenses	(10)	(0.6)
Net loss for the year	(10)	(0.6)

30. Related parties transactions (Cont'd)

i) Investments in related parties-net (Cont'd)

Jointly controlled entities (Cont'd)

The following amounts represent certain audited financial statements as at and for the years ended 31 December of jointly controlled entities: (Cont'd)

	PDI Tak Eco Co., Ltd.	
	2016	2015
	in million Baht	in million Baht
Property, plant and equipment	-	-
Current assets	30	2
Non-current assets	-	-
Total assets	30	2
Long-term borrowing	-	-
Current liabilities	-	-
Total liabilities	-	-
Net assets	30	2
Revenues	-	-
Expenses	-	-
Net loss for the year	-	-

As at 31 December 2016, there are no contingent liabilities relating to the Company's interest in the jointly controlled entities.

ii) Sales of goods and services

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	1,037,520	1,037,520
PDI Materials. Co., Ltd.	-	-	28,145,794	33,290,005

Sales to related parties are based on current industry market practices and prices.

iii) Purchases of goods and service

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	3,294,324	4,696,770

Purchases from related party are based on current industry market practices and prices.

30. Related parties transactions (Cont'd)

iv) Trade accounts receivable - related party

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Sales of goods:				
PDI Materials Co., Ltd.	-	-	-	10,211,213
Less Allowance for doubtful account	-	-	-	-
Total	-	-	-	10,211,213

v) Advances to related parties

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Ton Sangkasi Co., Ltd.	-	-	13,504,358	13,154,358
PDI Eco Co., Ltd.	-	-	307,795	307,795
J-Solar Co., Ltd. (Formerly name "PDI Tak Solar One Co., Ltd.")	-	-	56,705	56,705
PDI Asia Solar Co., Ltd. (Formerly name "PDI Tak Solar Two Co., Ltd.")	-	-	541,056,710	56,710
PDI Tak Eco Co., Ltd.	-	-	-	56,420
PDI Energy Co., Ltd.	-	-	490,000,000	-
Green Nature Surat Co., Ltd. (Formerly name "PDI Surat Biomass Co., Ltd.")	-	-	-	1,471,712
Total	-	-	1,044,925,568	15,103,700
Less Allowance for doubtful accounts	-	-	(13,504,358)	(13,154,358)
Advances to related parties - net	-	-	1,031,421,210	1,949,342

Advance from the Company in the amount of Baht 1,031,113,415 represents an advance to J-Solar Co., Ltd., PDI Asia Solar Co., Ltd and PDI Energy Co., Ltd.. The advances to these companies purpose are to expand and diversify into solar energy business.

vi) Other payable - related party

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Padaeng Properties Co., Ltd.	-	-	26,768	511,766
Total	-	-	26,768	511,766

30. Related parties transactions (Cont'd)

vii) Key management compensation

The compensation paid or payable to key management for employee services for the year ended 31 December is shown below:

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Short-term employee benefits	42,015,000	43,808,600	42,015,000	43,808,600
Post-employee benefits and termination benefits	4,946,525	3,239,718	4,946,525	3,239,718
Total	46,961,525	47,048,318	46,961,525	47,048,318

viii) Gain on loan forgiveness of a subsidiary

Under the terms of a Loan Agreement between Puthep Co., Ltd. ("Puthep") and PNA (Puthep) Pty Ltd. ("PNA (Puthep)") dated 15 August 2008 and executed in March 2009, PNA (Puthep) agreed to advance funds necessary to complete a feasibility study for the Puthep copper project. The loan amount is in addition to equity funding of USD 6,000,000 or Baht 216,492,547 received from PNA (Puthep). Interest on principal amounts advanced under the Loan Agreement are calculated based on best commercial rates available for PNA (Puthep) and are to be capitalized. Under the terms of the loan, interest expense ceased since January 2012. Under the arrangements Puthep is not obliged to make loan repayments until such time as it has generated sufficient profits to commence making repayments at which time it will then commence to be equal to 35% of distributable net profits of the Company.

During 2015, PNA (Puthep) has issued the Loan forgiveness letter to the Company covering part of the loan balance and interest as of 31 March 2015. Consequently, it was recognised as "Other operating income" in amounting to Baht 585.02 million in the Statements of Comprehensive Income. The remaining loan balance repayment was done according to the agreement dated 26 June 2015 regarding funds sharing between the shareholders.

Puthep's dissolution application have been registered to the Department of Business Development on 10 August 2015 and the cancellation of VAT registration have been applied to the Revenue Department on 13 August 2015 respectively.

Puthep's liquidation application have been completed and registered to the Department of Business Development on 26 July 2016.

	Consolidated financial statements		Separate financial statements	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
PNA (Puthep) Pty Ltd.				
At 1 January	-	514,770,588	-	-
Loan increase during the year	-	1,649,534	-	-
Loan decrease during the year	-	(516,420,122)	-	-
At 31 December	-	-	-	-
Accrued interest expenses	-	-	-	-

31. Risk Management policy for assets and liabilities

31.1 Risk Management and hedging instruments

Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in a financial loss to the Company. As a general rule, the Company has a credit risk management policy of obtaining credit insurance or collateral from the customers before commencing trade. The collateral may include bank guarantees or cash guarantees. The remaining Company's credit risk is spread amongst several customers. The maximum exposure to credit risk at the reporting date is the carrying amount of each receivable.

Interest rate risk

Interest rate risk in the statement of financial position from the potential for a change in interest rates to have an adverse effect on the net interest earnings of the Company in the current reporting period and in future years.

31.2 Fair valuesCredit risk

The carrying amounts at the financial statements date of cash and cash equivalents, trade accounts receivable, short-term loans to related parties, other current assets, certain other assets, loans from financial institutions, trade accounts payable, short-term loans and advances from other parties, accrued interest expenses, accrued electricity expenses, royalty payable and other current liabilities approximate their fair values.

32. Long–term investments

PDI Asia Solar Co., Ltd. ("PDI Asia Solar") (Formerly name "PDI Tak Solar Two Co., Ltd."), a subsidiary of PDI Energy Co., Ltd., has entered into the Tokumei Kumiai Agreement ("TK Agreement") dated 28 April 2016 to provide contribution funding equal to 97% of total investment to Green Brilliant Godo Kaisha ("GBGK") who will invest into 11.77 Megawatts solar farms in Japan as a TK investor. As at 31 December 2016, total contributed amount is Baht 496.23 million (JPY 1,629 million). PDI Asia Solar will receive allocated profit distribution as return. A local independent asset management company controls these assets and monitors the return of the investment.

Whereas J-Solar Co., Ltd. ("J-Solar") (formerly name "PDI Tak Solar One Co., Ltd."), a subsidiary of PDI Energy Co., Ltd., has entered into the Equity Interest Transfer Agreement dated, 22 April 2016 to invest in Century Asset Management Kabushiki Kaisha ("CKK") in Japan. CKK has further invested in 3% GBGK's shares as a non-executive member. As at 31 December 2016, total investment amount is Baht 15.37 million (JPY 51 million). The control shares were transferred from CKK to ISH Radiant Solar to comply with the related regulations in Japan.

The profit distribution of this long term investment is based on the GBGK's operation result pay to PDI Asia Solar and J-Solar with the defined period. The profit distribution will reflect the operation result of solar power plant and return of capital investment which shown as reduction of investment value accordingly.

33. Litigation

As of 31 December 2016, the Company has been served notice of five complaints by 1,141 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,969 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of the Tak province. The Company has filed answers to all the claims as ordered by the Court.

<u>Case No. 66/2552</u>

On 20 September 2013, the Bangkok South Civil Court read a judgment on the first case against the Company and Tak Mining Company Limited of the Black Case No. 66/2552, filed by a group of villagers (a total of 207 villagers) in the Mae Tao basin, Mae Sot District, Tak Province. The accusation being that the mining operations of both companies caused cadmium contamination in the area. The villagers have claimed over Baht 726 million as damages to compensate 1) Plaintiffs who obtained a Cadmium patients' card from the Mae Sod Hospital, 2) Plaintiffs who claimed that they were unable to use the land for agriculture, 3) Plaintiffs who claimed of losing their jobs, and 4) Plaintiffs who were scared of cadmium contamination, 5) compensation for loss of culture and traditional living. The Company and Tak Mining have been also requested by the plaintiffs to pay Baht 50 million and 3 percent of the Company's profit to the Risk Insured Fund and to improve quality of lives and environment as well as restore the environment under at the cost of the Company and Tak Mining.

33. Litigation (Cont'd)

The court judgment on the above case ordered the Company and Tak Mining to pay a compensation of Baht 9.20 million only to villagers who hold the cadmium patient's card from the Mae Sod Hospital. The Company and Tak Mining are equally responsible for this compensation. For other Plaintiffs who claimed to have been damaged from the contamination, the Court gives a judgment to dismiss all claims because they were not able to prove that there were such damages claimed. The Company has studied the stated court judgment in detail and appealed the court order accordingly.

On 9 March 2016, the Bangkok South Civil Court read the appeal judgment on this case that the Court of Appeal viewed that cadmium contamination in Mae Tao basin was caused by the Company and Tak Mining, therefore the Court of Appeal rendered the total amount of compensation of Baht 11.09 million each (Padaeng and Tak Mining) for plaintiffs in the case. The Company has studied in the court judgment and appealed it judgment to the Supreme Court. The case is pending for the Supreme Court proceeding.

Case No. 9/2553

On 28 February 2014, the Bangkok South Civil Court ruled judgment in the Black Case No. 9/2553, in the same manner above, which claimed over 230 million Baht as damage compensation. The court judgment orders the Company and Tak Mining to pay a compensation to 20 plaintiffs (villagers) who hold the Cadmium patient's card issued by the Mae Sod Hospital, from the total 84 plaintiffs, at the total amount of Baht 2.48 million, the Company is responsible for Baht 1.24 million. The Company has studied the court judgment and appealed it judgment to the appeal court.

On 12 July 2016, the Bangkok South Civil Court read the appeal judgment on this case that the Court of Appeal viewed that cadmium contamination in Mae Tao basin was caused by the Company and Tak Mining, therefore the Court of Appeal rendered the Company to pay compensation on the amount of Baht 1.09 million for 20 plaintiffs of 84 plaintiffs in the case while Tak Mining did not file the appeal. The Company has studied in the court judgment and will appeal it judgment to the Supreme Court.

Case No. 64/2552

On 29 September 2014, the Bangkok South Civil Court ruled judgment in the Black Case No. 64/2552, in the same manner above, which claimed over 836 million Baht as damage compensation. The court judgment orders the Company and Tak Mining to pay a compensation to 82 plaintiffs (villagers) who hold the Cadmium patient's card issued by the Mae Sod Hospital, from the total 218 plaintiffs, at the total amount of Baht 8.20 million. The Company has studied the court judgment and appealed it judgment to the Appeal Court. The case is pending for the Appeal Court proceeding.

On 24 November 2016, the Bangkok South Civil Court read the appeal judgment on this case that the Court of Appeal viewed that cadmium contamination in Mae Tao basin was caused by the Company and Tak Mining, therefore the Court of Appeal rendered the Company to pay compensation on the amount of Baht 4.10 million for 82 plaintiffs of 218 plaintiffs in the case. The Company has studied in the court judgment and already appeal it judgment to the Supreme Court.

Case No. 63/2552

On 27 May 2015, the Bangkok South Civil Court ruled judgment in the Black Case No. 63/2552, in the same manner above, which claimed over Baht 1,095 million as damage compensation. The court judgment orders the Company and Tak Mining to pay a compensation to 40 plaintiffs (villagers) who hold the Cadmium patient's card issued by the Mae Sod Hospital, from the total 319 plaintiffs, at the total amount of Baht 4 million. The Company has studied the court judgment and appealed it judgment to the Appeal Court. The case is pending for the Appeal Court proceeding.

33. Litigation (Cont'd)

Case 65/2552

On 22 December 2016, the Bangkok South Civil Court ruled judgment in the Black Case No. 65/2552, in the same manner above, which claimed over 1064 million Baht as damage compensation. The court judgment orders the Company and Tak Mining to pay compensation to 186 plaintiffs (villagers) who hold the Cadmium patient's card issued by the Mae Sod Hospital and plaintiffs who claimed for damaged of their land, from the total 313 plaintiffs, at the total amount of Baht 99 million, the Company is responsible for Baht 49.50 million. The Company has studied the court judgment and will appeal it judgment to the Appeal Court.

The Company is confident that its strict environmental measures are in line with the regulations and requirements of the authorities. Management intends to defend the case vigorously. At that stage, the outcome of the proceedings is unknown. However, for prudency purpose, contingent liability amount of Baht 74 million included 7.5% interest per annum from the date of complain has been recorded for these 5 complaints.

34. Events after the reporting period

At the Board of Directors Meeting held on 22 February 2017, Board of Directors approved the annual dividend payment from net profit of the Company of Baht 1.00 per share totaling Baht 226 million. This will be submitted for final approval at the Annual General Shareholders meeting.

As at 16 February 2017, the Company has entered into the Share Purchase Agreement (SPA) with MP Energy Co., Ltd. for sales of the Company's 35% interest in MCE with the sales value of Baht 59.06 million. The Company has received the payment accordingly on the same day.

Category 3
Category 4
Series 1
Series 2
Series 3

leadership
teaching
Anti-Corruption
Securities
and Shareholders
Management
Corporate Governance
Internal Control
and Risk Management

MANAGEMENT AND CORPORATE GOVERNANCE

PDI remains committed to its anti–corruption policy statement announced in early 2015. "PDI is committed to conducting all of its business in an honest and ethical way. The Company has adopted a zero–tolerance approach to bribery and corruption to comply with its good governance principle and to achieve sustainable development. Our success is driven by a sustainable approach without any bribery and corruption," quoted from the Managing Director's Message.

ANTI–CORRUPTION

PDI remains committed to its anti-corruption policy statement announced in early 2015. “PDI is committed to conducting all of its business in an honest and ethical way. The Company has adopted a zero-tolerance approach to bribery and corruption to comply with its good governance principle and to achieve sustainable development. Our success is driven by a sustainable approach without any bribery and corruption,” quoted from the Managing Director’s Message.

TRAINING COUNTER–CORRUPTION MEASURES

PDI conducted training and handed out manuals on counter-corruption measures to the Board of Directors, management and staff. The Company also added anti-corruption orientation to the intake process for new employees, along with on-going communication to all staff about the revised code of business ethics. Through its intranet and website, it also communicates this policy to business partners and stakeholders so that they understand PDI’s vision and render appropriate business support.

COMPLAINT CHANNELS AND AUDIT PROCESS

PDI has created complaint channels together with a response process, with the aim that all employees will work together to ensure compliance with these new standards in corporate governance and business ethics. To ask questions regarding business ethics or to file a complaint against alleged violations of PDI business ethics standards, individuals can contact Internal Auditing, Human Resources or their direct superiors, or even communicate issues through suggestion boxes. All complaint submissions are treated equally, transparently, attentively, fairly and are dealt with within reasonable time frames. Confidentiality is guaranteed, and those who file complaints are duly protected against retribution before or after the investigation. In 2016, no complaints have been collected about corruption and business ethics.

INTERNAL ANTI-CORRUPTION RISK ASSESSMENT

In addition, PDI staged risk assessments for internal corruption practices and developed anti-corruption measures in line with the assessed risks for the management and employees to comply with. It also improved the Audit Committee's by-laws in order to clearly specify the committee's objectives, roles and responsibilities for due conformance. PDI's Internal Audit Department audited the work processes with the assessed risks and examined the appropriateness of the internal control system and the effectiveness of the anti-corruption measures. This helped strongly to ensure that our employees strictly complied with the measures, and to establish sufficient internal control to protect the Company from corruption.

PRIVATE SECTOR COLLECTIVE ACTION COALITION AGAINST CORRUPTION OR CAC

PDI recognizes the value of a joint solution to domestic corruption, which affects the entire population and the economic sector directly. Thus, on October 9th, 2015, to reiterate its firm intention as a private company whose business ideals consist of integrity and righteousness, PDI announced its desire to become an ally of the Private Sector Collective Action Coalition against Corruption (CAC). PDI adheres to CAC's anti-corruption guidelines, while undergoing the certification process starting on December 13th, 2016. As such PDI has set up an internal control system and anti-corruption measures as reported in CAC's individual assessment form. The Company has been certified by CAC in Q1-2017 and is scheduled to receive the certificate in June 2017.

SECURITIES AND SHAREHOLDERS INFORMATION

Number of Registered Capital and Paid-up Capital

The Company's registered and paid-up capital amounts to Baht 2,260,000,000 issued as 226,000,000 ordinary shares at Baht 10 per share.

SHAREHOLDERS

a) First 10 Major Shareholders of Padaeng Industry Public Company Limited as of March 14, 2017 which is the latest date of the close of the Shareholders' Register, are as follows:

No.	Name	No. of Shares	% of Total Shares
1.	Country Group Holding Public Company Limited	56,499,900	25.000
2.	Ministry of Finance	31,200,000	13.805
3.	Thai NVDR Limited	12,872,157	5.696
4.	Bangkok Bank Public Company Limited	7,301,070	3.231
5.	DBS BANK LTD	6,000,000	2.655
6.	Mr. Supachai Veeraborvornpong	4,684,000	2.073
7.	Mr. Kiat Srichomkwan	2,927,800	1.295
8.	Mr. Nurak Mahatana-arnont	2,133,400	0.944
9.	Mrs. Nunta Rungnoppakunsi	2,008,400	0.889
10.	Mr. Nattapong Panjaworayan	2,000,000	0.885

b) Major Shareholders

No.	Name	No. of Shares	% of Total Shares
1.	Country Group Holding Public Company Limited	56,499,900	25.000
2.	Ministry of Finance	31,200,000	13.805

THE ISSUANCES OF OTHER SECURITIES

- None

POLICY FOR PAYMENT OF DIVIDENDS

An amount of at least 5% of profits after corporate income taxes must be put in reserve, until the total amount in reserve equals 10% of the Company's authorized share capital. The Company will normally pay dividends up to 50% of profits after corporate income taxes, unless the Board determines that the near future cash needs of the Company justify reserving part of the profit to cover those needs.

At the 2016 Annual General Meeting of April 25, 2016, after reviewing the financial statements of December 31, 2015, the Company has a net loss for the year 2015 in the amount of Baht 64.18 million which has decreased from the year 2014, the net profit of which was Baht 463.88 million. As such the Board of Directors is of the opinion that the dividend payment for 2015 at Baht 0.20 per share be paid from the retained earnings of the Company. The dividends will be declared to the Shareholders totaling 226 million shares amounting to Baht 45.20 million. The dividend decreases from last year and is not in line with the normal dividend policy because it is to be paid from the retained earnings of the Company.

There is no fixed dividend payment policy for subsidiaries. However a subsidiary will generally follow the policy of the Company.

DIVIDEND PAYMENT FOR THE YEAR 2011–2015

Year	2011	2012	2013	2014	2015
Net (Loss) profit per share	0.02	(2.52)	(1.07)	2.05	(0.28)
Dividend payment per share	0.50	-	0.30	0.40	0.20
Proportion of dividend from net profit (%)	100.00[1)]	-	N.A.[2)]	19.49	N.A.[2)]

Remark: 1) The remaining dividends are paid from retained earnings.
2) Not applicable.

MANAGEMENT

BOARD OF DIRECTORS

The duties and responsibilities of the Company's Board of Directors include:

1. Manage Company operations according to the law, rules and regulations, the mission and vision of the Company and the resolutions of the Company shareholders
2. Propose the level of dividend to be paid to the shareholders
3. Determine the level of compensation or bonus to be awarded to officers, employees or other staff working for the Company (permanent or temporary), not including pension benefits or other remuneration paid to directors
4. Review the Company's strategic action plan and assess the operations as suggested by the Executive Committee

In carrying out its duties and responsibilities, the Board of Directors may assign the Managing Director, any or several directors or any other person(s), to take action on its behalf.

MEETING OF THE BOARD OF DIRECTORS

The Board of Directors meets every 3 months according to the meeting schedule and may call additional dedicated meetings. Clear agenda topics and agenda minutes of the meetings are prepared prior to each meeting and the Company Secretary sends out an invitation letter and relevant documents to Board members at least 5 working days prior to the meetings, enabling sufficient time for review.

The Company's Board of Directors is composed of 11 members. During 2016, the Board of Directors met 6 times with records of attendance as follows:

Directors	Position	Meeting	
		No. of Meeting	Attendence
1. Mr. Arsa Sarasin (Authorized director)	Chairman	6	6
2. Mr. Francis Vanbellen (Authorized director)	Director Managing Director Executive Director	6	6
3. Mr. Sadawut Taechaubol (Authorized director)	Director Executive Director Chairman	6	5
4. Mr.Tommy Taechaubol	Director Executive Director Nomination & Remuneration Committee Member	6	6
5. Ms. Prapa Puranachote	Director Executive Director	6	5
6. Ms. Wimol Chatameena[1)]	Director	5	4

Directors	Position	Meeting	
		No. of Meeting	Attendence
7. Mr. Karel Vinck	Independent Director Audit Committee Member	6	3
8. Mr. Vinai Vamvanij (Authorized director)	Independent Director Executive Director Audit Committee Chairman	6	6
9. Mr. Aswin Kongsiri	Independent Director Executive Director Audit Committee Member Nomination & Remuneration Committee Chairman	6	6
10. Mr. Pinit Vongmasa	Independent Director Nomination & Remuneration Committee Member	6	6
11. Dr. Kurujit Nakornthap[2)]	Independent Director	3	3

Remark: 1) Ms. Wimol Chatameena has been appointed as the director on February 18, 2016.
2) Dr. Kurujit Nakornthap has been appointed as the director on April 25, 2016.

AUTHORIZED DIRECTORS

The names and number of the directors who are authorized to sign on behalf of the Company are Mr. Arsa Sarasin, Mr. Vinai Vamvanij, Mr. Francis Vanbellen and Mr. Sadawut Taechaubol, where Mr. Arsa Sarasin or Mr. Francis Vanbellen jointly signed with one of the remaining three directors for the total of two directors with the Company's seal affixed.

EXECUTIVES

No.	Name	Position
1.	Mr. Arsa Sarasin	Chairman
2.	Mr. Francis Vanbellen	Managing Director
3.	Mr. Chitchai Thaveepanich	Corporate Vice President - Human Resources
4.	Mr. Chaya Hasdiseve	Executive Vice President - Commercial
5.	Mr. Unnop Tungkananukulchai	Corporate Vice President- Regulatory Affairs
6.	Mr. Manoch Jaroonvuthitham	Executive Vice President - Operations
7.	Mrs. Woratip Rerkpiboon	Corporate Vice President - Finance
8.	Dr. Surin Tanticharoenkiat	Corporate Vice President - Internal Audit Company Secretary
9.	Mr. Sakorn Suriyabhivadh	Corporate Vice President - Business Development

Shareholdings of the Board of Directors and Executives as of December 31, 2016

Unit: share

No.	Name	December 31, 2016		December 31, 2015		Change +(-)
		Own	Spouse/ Minor Child	Own	Spouse/ Minor Child	
1.	Mr. Arsa Sarasin	-	-	-	-	-
2.	Mr. Francis Vanbellen	-	-	-	-	-
3.	Mr. Sadawut Taechaubol	-	-	-	-	-
4.	Mr. Tommy Taechaubol	-	-	-	-	-
5.	Ms. Prapa Puranachote	-	-	-	-	-
6.	Ms. Wimol Chatameena	-	-	-	-	-
7.	Mr. Karel Vinck	-	-	-	-	-
8.	Mr. Vinai Vamvanij	8,000	-	8,000	-	-
9.	Mr. Aswin Kongsiri	-	-	-	-	-
10.	Mr. Pinit Vongmasa	-	-	-	-	-
11.	Dr. Kurujit Nakornthap	-	-	-	-	-
12.	Mr. Chitchai Thaveepanich	-	-	-	-	-
13.	Mr. Chaya Hasdiseve	-	-	-	-	-
14.	Mr. Unnop Tungkananukulchai	-	-	-	-	-
15.	Mr. Manoch Jaroonvuthitham	-	-	-	-	-
16.	Mrs. Woratip Rerkpiboon	-	-	-	-	-
17.	Dr. Surin Tanticharoenkiat	-	-	-	-	-
18.	Mr. Sakorn Suriyabhivadh	-	-	-	-	-

THE COMPANY SECRETARY

In the Board meeting No. 04-2008 on May 13, 2008, the Board appointed Dr. Surin Tanticharoenkiat as the Company Secretary responsible for giving advice on regulatory issues for listed company to the Board. The Company Secretary is in charge of organizing board and shareholders' meeting as well as in preparing the minutes of the Board meetings and the minutes of shareholders' meetings, filing documents as stipulated by law. The Company Secretary is also coordinating with different department to ensure that the Board and shareholders' resolution are followed. Credential of the Company Secretary is listed in the executive section.

REMUNERATIONS FOR DIRECTORS AND EXECUTIVES

Remuneration for Directors - Remuneration for Company directors has been determined in a clear manner and is comparable to that of similar companies in the industry. The level of remuneration has been approved by shareholders. Directors who have been selected to participate in the Audit Committee, the Executive Committee and the Nomination and Remuneration Committee receive additional remuneration aligned with the additional responsibilities as stipulated in the Good Corporate Governance guideline for Listed Company 2012.

Remuneration of top executives is aligned with the principles and policies of the Board of Directors and corresponds with overall company and individual performance.

Remuneration of the Board, subcommittees and top executives is reviewed by the Nomination and Remuneration Committee prior submitting to the Board.

1. IN THE FORM OF CASH

a) In the year 2016 the Company paid a total of Baht 5,600,439.56 to 11 Directors, 6 Executive Committee Members, 3 Audit Committee Members and 3 Nomination and Remuneration Committee Members as director's fees, director's remuneration and director's bonus:

Unit: Baht

Name/Position	Retaining Fee		Meeting Fee			Director Bonus For 2016[1]	Total Remu-neration[3]
	Director	Audit Committee	Director	Executive Committee	Nomination and Remuneration Committee		
1. Mr. Arsa Sarasin Chairman	-	-	-	-	-	- [2]	-
2. Mr. Francis Vanbellen Director Managing Director Executive Committee Member	-	-	-	-	-	- [2]	-
3. Mr. Sadawut Taechaubol Director Executive Committee Chairman	200,000.00	-	75,000.00	50,000.00	-	264,184.00	589,184.00
4. Mr. Tommy Taechaubol Director Executive Committee Member Nomination and Remuneration Committee Member	200,000.00	-	90,000.00	40,000.00	60,000.00	264,184.00	654,184.00
5. Ms. Prapa Puranachote Director Executive Committee Member	200,000.00	-	75,000.00	40,000.00	-	264,184.00	579,184.00
6. Ms. Wimol Chatameena Director (Since February 18th, 2016)	173,626.37	-	60,000.00	-	-	229,537.00	463,163.37

Unit: Baht

Name/Position	Retaining Fee		Meeting Fee			Director Bonus For 2016[1]	Total Remu-neration[3]
	Director	Audit Committee	Director	Executive Committee	Nomination and Remuneration Committee		
7. Mr. Karel Vinck Independent Director Audit Committee Member	200,000.00	200,000.00	45,000.00	-	-	264,184.00	709,184.00
8. Mr. Vinai Vamvanij Independent Director Executive Committee Member Audit Committee Chairman	200,000.00	200,000.00	90,000.00	40,000.00	-	264,184.00	794,184.00
9. Mr. Aswin Kongsiri Independent Director Executive Committee Member Audit Committee Member Nomination and Remuneration Committee Chairman	200,000.00	200,000.00	90,000.00	20,000.00	60,000.00	264,184.00	834,184.00
10. Mr. Pinit Vongmasa Independent Director Nomination and Remuneration Committee Member	200,000.00	-	90,000.00	-	60,000.00	264,184.00	614,184.00
11. Dr. Kurujit Nakornthap Independent Director (Since 25 April 2016)	136,813.19	-	45,000.00	-	-	181,175.00	362,988.19
					Total	2,260,000.00	5,600,439.56

Note: 1) Director Bonus will be proposed to the 2017 Shareholders' Meeting for approval.
2) Executive Director's bonus is included in b) the Company bonus paid to the executives.
3) No remuneration payment for the executive directors.

b) The Company paid a total of Baht 69,729,950 to the 12 executives in the year 2016, as salaries and bonuses.

2. IN OTHER FORMS

The Company contributed to employees' provident fund savings, as a percentage of salary and period of time enrolled in the fund, ranging from 5 to 10%.

CORPORATE GOVERNANCE

POLICY OF CORPORATE GOVERNANCE

PDI conducts its business in compliance with "The Principles of Good Corporate Governance," published in 2012, and outlined by the Stock Exchange of Thailand. In doing so, we at PDI have demonstrated our commitment to these accepted standards and have fostered the confidence of our employees, our investors and all stakeholders involved in our operations and business endeavors." Our Audit Committee, by means of the "Internal Audit Department", supervises financial statements, internal control and practices of good corporate governance to ensure compliance with our vision, values and policies. PDI has also endorsed a Code of Conduct including an Anticorruption Policy to which all executives and employees are assumed to comply with, in conducting business and business related affairs. We have installed a Nomination and Remuneration Committee to supervise the process of director nominations and to recommend fair and reasonable annual remuneration for the Board of Directors, the subcommittees and the top executives. To ensure efficient and productive business operations, a Strategic Committee has also been established to oversee our strategic plan, prior to giving recommendations to the Board of Directors.

The Company has proceeded in other areas as well, in an effort to be recognized by all our stakeholders as ensuring good corporate governance as enforced by the Stock Exchange of Thailand.

SUBCOMMITTEES

1) The structure of the Board of Directors consists of three Subcommittees as follows:

1. THE AUDIT COMMITTEE

The Audit Committee was first established on December 22, 1998. At present it consists of three directors:

No.	Name	Title
1.	Mr. Vinai Vamvanij	Chairman
2.	Mr. Aswin Kongsiri	Member
3.	Mr. Karel Vinck	Member
	Dr. Surin Tanticharoenkiat	Secretary to the Audit Committee

In 2016, the committee held four meetings in order to perform its duties as stipulated in the Audit Committee Charter, and the proceedings from each meeting were reported to the Board of Directors. Additionally there were also several additional meetings between the committee members and the external auditors.

In 2016, Audit Committee Charter has been revised regarding objectives and responsibilities in order to monitor compliance with Anti-Corruption Policy and review reported concerns about fraud or corruption that was proposed in the Audit Committee Meeting no.04-2016 and Board of Directors' Meeting no.06-2016 on November 7, 2016.

THE SCOPE OF AUTHORITY OF THE AUDIT COMMITTEE

1. To have the authority to request any information it considers relevant to its activities from the managing director and/or any managers of the Company.
2. To seek independent professional advice as it deems necessary.
3. To abstain from executive powers with regard to its findings and recommendations.

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

1. To review the Company's financial reporting process to ensure that it is accurate and adequate.
2. To review the Company's internal control system and internal audit system to ensure that they are suitable and efficient, and to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit.
3. To review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business.
4. To consider, select, nominate, and dismiss an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-managerial meetings with an external auditor at least once a year.
5. To review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Stock Exchange of Thailand's regulations, and 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's report, which must be signed by the audit committee's chairman and consist of at least the following information:
   (a) Opinion on the accuracy, completeness, and Credibility of the Company's financial report.
   (b) Opinion on the adequacy of the Company's internal control system.
   (c) Opinion on the compliance with the law on securities and exchange, the Stock Exchange of Thailand's regulations, or the laws relating to the Company's business.
   (d) Opinion on the suitability of an auditor.

(e) Opinion on the transactions that may lead to conflicts of interests.
(f) The number of the audit committee meetings, and the attendance of such meetings by each committee member.
(g) Opinion or overview comment received by the audit committee from its performance of duties in accordance with the charter.
(h) 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.

7. To monitor the risk management process.
8. To monitor compliance with Anti-Corruption Policy and review reported concerns about fraud or corruption.
9. To perform any other act as assigned by the Company's board of directors, with the approval of the audit committee.
10. Report any matter to the board that the audit committee considers appropriate.

2. THE EXECUTIVE COMMITTEE

The Executive Committee was established on November 10, 2015 and at present consists of six members:

No.	Name	Title
1.	Mr. Sadawut Tachaubol	Chairman of the Executive Committee
2.	Mr. Tommy Tachaubol	Member
3.	Ms. Prapa Puranachote	Member
4.	Mr. Aswin Kongsiri	Member
5.	Mr. Vinai Vamvanij	Member
6.	Mr. Francis Vanbellen	Member
	Dr. Surin Tanticharoenkiat	Secretary to the Executive Committee

AUTHORITY AND RESPONSIBILITIES

The Committee shall have, and may exercise, the powers of the Board in the management and direction of the business and affairs of the Company in between full meetings of the Board, as determined by the Board, in line with the Company's certificate of incorporation or by-laws, each as amended and in line with applicable law or regulations.

The Committee shall maintain minutes of meetings and activities. It shall provide the Board a summary of the matters discussed and decisions taken at each meeting. The Committee minutes shall be presented to the Board at the next Board meeting for acknowledgement and approval.

The Committee shall have the authority to obtain advice and assistance from internal or external legal, accounting or any other advisors and to approve the fees and other retention terms related to any such external counsel, consultants or advisors.

The Committee may form and delegate authority to subcommittees when appropriate.

The Committee shall annually review its own performance.

In 2016, the Committee held two meetings and reported to the Board of Directors.

3. THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (NRC) was established on February 25, 2005 and at present consists of three members:

No.	Name	Title
1.	Mr. Aswin Kongsiri	Chairman, Independent Director
2.	Mr. Pinit Vongmasa	Member, Independent Director
3.	Mr. Tommy Taechaubol	Member, Director
	Dr. Surin Tanticharoenkiat	Secretary to the Nomination and Remuneration Committee

In 2016 the committee held three meetings and reported to the Board of Directors.

THE SCOPE OF AUTHORITY OF THE NOMINATION AND REMUNERATION COMMITTEE

1. To set the criteria and process of nominating board members and top executives.
2. To set the process to review and assess the performance of the board and top executives.
3. To recommend new nominees to the Board to fill positions made vacant by directors who complete their terms or resign.
4. To review and recommend to the Board on the hiring of advisers to the Board as it deems necessary.
5. To review for the Board the succession plan of the Company's top executives.
6. To recommend fair and reasonable annual remuneration for the Board, the subcommittees, and the top executives.

The Attendance of the Directors on the Subcommittees

Directors (Attendance/ No. of the meeting)	Audit Committee	Executive Committee	Nomination and Remuneration Committee	AGM
1. Mr. Arsa Sarasin	-	-	-	1/1
2. Mr. Francis Vanbellen	-	2/2	-	1/1
3. Mr. Sadawut Tachaubol	-	2/2	-	1/1
4. Mr. Tommy Tachaubol	-	2/2	3/3	1/1
5. Mr. Prapa Puranachote	-	2/2	-	0/1
6. Ms. Wimol Chatameena [1)]	-	-	-	1/1
7. Mr. Karel Vinck	3/4	-	-	0/1
8. Mr. Vinai Vamvanij	4/4	2/2	-	1/1
9. Mr. Aswin Kongsiri	4/4	1/2	3/3	1/1
10. Mr. Pinit Vongmasa	-	-	3/3	1/1
11. Dr. Kurujit Nakornthap [2)]	-	-	-	-

Remark: 1) Ms. Wimol Chatameena has been appointed as the director on February 18, 2016.
2) Dr. Kurujit Nakornthap has been appointed as the director on April 25, 2016.

2) Mr. Vinai Vamvanij is chairman of the Audit Committee. He has knowledge and experience reviewing financial statements of Companies. His background on financial statement reviews are as follows:

Year	Position	Company
1967 - 1968	Senior Auditor	Price Waterhouse & Co., Chartered Accountants
1963 - 1966	Audit & Accounting Clerk	R.J. Oehr & Church, Chartered Accountants, Melbourne, Australia

THE SELECTION AND THE APPOINTMENT OF COMPANY DIRECTORS AND EXECUTIVES

1. INDEPENDENT DIRECTOR

The Nomination and Remuneration Committee will consider from the list of candidates and nominate persons with proper qualification and experiences that can beneficial to the Company.

QUALIFICATION OF COMPANY INDEPENDENT DIRECTORS

1. Holding shares not exceeding five percent of the paid-up capital of the Company, affiliated company, associated company or related company, inclusive of the shares held by any related persons.
2. Not taking part in the management of the Company, affiliated company, associated company, related company or majority shareholders of the Company. Not being an employee, staff member or advisor who receives a regular salary from the Company, affiliated company, associated company, related company or majority shareholders of the Company.
3. Having no direct or indirect benefit or interest in finance and management of the Company, affiliated company, associated company or majority shareholders of the Company. Having no benefit or interest of the said nature during the period of one year before his appointment as a director except where the Board of Directors has carefully considered that such previous benefit or interest does not affect the performance of duties and the giving of independent opinions.
4. Not being a related person or close relative of any management member or majority shareholder of the Company.
5. Not being appointed as a representative to safeguard the interests of the Company's directors, majority shareholders of the Company or those who are related to the Company's majority shareholders.
6. Being capable of performing duties, giving opinions, or reporting the results of performance of work according to the duties delegated by the Board of Directors free and clear of the management or the majority shareholders of the Company, including related persons or close relatives of the said persons.

2. THE SELECTION OF COMPANY DIRECTORS AND EXECUTIVES

The NRC, consisting of three independent directors, is responsible for the selection of a qualified person, not subject to the prohibitive characteristics under the law for nomination, to the Board of Directors prior to submitting for final election in the "Annual General Shareholders' Meeting (AGM)".

The Company has also allowed the shareholders to submit names of qualified candidates to be nominated for selection as PDI Board of Directors in advance of the annual general shareholders' meeting through the Company's website. The Company also refers to the list of qualified candidates released by the Thai Institute of Directors (IOD).

THE SELECTION OF DIRECTORS BY THE ANNUAL GENERAL SHAREHOLDERS' MEETING

The appointment of a director requires a majority vote from the eligible voting shareholders present at the annual general shareholders' meeting. Voting shall be casted according to the following guidelines:

1. Each shareholder shall have one vote for each share.
2. Each shareholder must exercise all the votes he has under item (1) to elect one or several persons to be directors, but cannot divide his votes to any person particularly.
3. The candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be elected as directors equivalent to the number of directors who are to be elected.
4. If there is a tie in the last to be elected and this exceeds the said number of directors, the presiding Chairman shall have an additional casting vote.

In the case of a vacancy on the Board of Directors prior to the expiration of the term of office due to death, resignation, or for reasons other than by rotation, the Board of Directors shall elect any person who is qualified and not subject to the prohibitive characteristics under the law as the substitute director at the subsequent Board of Directors meeting, unless the remaining term of office of the said director is less than two (2) months.

The aforesaid substitute director shall retain his office only for the remaining term of office of the director whom he replaces. The resolution of the Board on this matter must receive no less than three-fourths (¾) of the votes from the remaining directors.

At present, of all the Company's directors, five are independent directors and two are executive directors.

SUPERVISION THE OPERATIONS OF SUBSIDIARY AND AFFILIATED COMPANIES

In the case of a subsidiary company, executives of the Company will be appointed as directors, in proportion of no less than half of the total number of directors, to supervise operations of the subsidiary company so that the subsidiary's activities are under Company policy.

In the case of an affiliated company, executives of the Company will be appointed as members to the Board of Directors, in proportion to the number of shares held by the Company. As a representative of the Company, the director(s) will receive policy mandates from the Company for the control or supervision of the operations of the affiliated company.

CONTROLLING THE USE OF INTERNAL INFORMATION

The Company has established policies and guidelines to prevent executives and related persons from using internal company information for personal gains. Before the announcement of company results, internal data is restricted to related departments including Accounting and Finance, Investor Relations, Internal Audits, and the Company Secretary. Each quarter, a summary of changes of company holdings (if any) by directors and executives is submitted for review to monitor any use of inside information by executives.

Directors, executives, and employees at all levels are forbidden from using internal data containing crucial information that would have a significant impact on the stock price and has not yet been declared to the public or the Stock Exchange of Thailand for trading to the advantage of self or others. Furthermore, in 2017 the Company has established a policy such that aforementioned parties are to avoid or refrain from trading the Company's stock for two (2) weeks prior to the last day as required by the Stock Exchange of Thailand to submit financial statements and for 24 hours after the release of the financial statements to SET. (Blackout Period).

AUDITOR'S FEE

1. AUDIT FEE

The Company and its subsidiaries have paid audit fees to audit companies, individual auditors or other businesses relating to the auditors and auditing companies during the previous fiscal year totaling Baht 4,021,000.

2. NON-AUDIT FEE

The Company and its subsidiaries have a general policy not to hire individual auditors or other businesses relating to its auditor for non-audit services.

COMPLIANCE WITH GOOD CORPORATE GOVERNANCE PRINCIPLES

1. RIGHTS OF SHAREHOLDERS

The Company considers each shareholder equally and stipulates procedures for the shareholders meeting accordingly the law and in compliance with the guidelines of the Stock Exchange of Thailand.

In 2016 the Company organized an annual shareholders' meeting on April 25, 2016 at the Queen Sirikit National Convention Center, Bangkok. An invitation letter with agenda of the meeting and related documents were sent to the shareholders 7 days prior to the meeting. Topics included the views of the Board of Directors and the review of minutes of the previous meeting. As such allowing shareholders ample time and opportunity to review and consider the topics. The Company accommodated shareholders in a convenient location with appropriately sized meeting space. Shareholder proxies' were permitted in the event they were unable to attend the meeting. The Company also posted the information regarding shareholders meeting on the Company's website and shareholders were invited to submit questions related to the Company operations through the website, prior to the meeting.

During the 2016 annual shareholders' meeting, a total of eight directors attended, including the Chairman of the Audit Committee. The Chairman of the meeting allowed equal opportunity for all shareholders to question, comment, and submitted suggestions regarding Company operations. Prominent opinions were recorded in the minutes of the meeting.

In addition to the annual shareholders' meeting, the Company will call additional shareholders' meetings, if necessary, in the event of specific emerging topics, which are pertinent to the shareholders' interests or relate to laws or regulations that require the shareholders' approval.

2. EQUITABLE TREATMENT OF SHAREHOLDERS

The Company treats all shareholders equally and stipulates procedures for the shareholders meeting in accordance to the law and in compliance with guidelines of the Stock Exchange of Thailand. Each shareholder has one vote for each share. Shareholders can send a proxy on their behalf in the event that they are unable to attend.

To prevent conflicts of interest and misuse of inside information for personal gain, the Board of Directors investigates any occasion which may lead to a dispute and has established a policy and guidelines to prevent executives and related persons from using internal company information for personal gains. Company holdings by directors and executives are assessed to screen any use of inside information for gains by executives. In addition, in the Board of Directors meeting no. 01-2017 on February 22, 2017, the company has set a policy that Directors, executives, and employees at all levels are avoid or refrain from trading in the securities of the Company during the two (2) weeks prior to the last day as required by the Stock Exchange of Thailand to submit financial statements and for 24 hours after the release of the financial statement to SET (Blackout Period).

In case of related parties' transactions, the Audit Committee is responsible for reviewing the related transactions to ensure that no conflict of interest will occur in order to maximize the overall company's benefits. The Company discloses all necessary information together with Directors' opinion to the public according to SET regulation.

The Company has established a channel, through the company's website, to allow shareholders to submit names of qualified candidates to be nominated as board members and to propose an agenda for, and in advance of, the annual general shareholders' meeting.

3. ROLE OF STAKEHOLDERS

The Company maximizes added value for its clients, with respect to its people and the environment. PDI supports the communities in which it operates and gives the best possible return to its shareholders.

COMMITMENT TO SHAREHOLDERS

The Company respects the rights of its major and minor shareholders equally. In alignment with PDI's vision, the Company commits to profitable and safe operations yielding the best possible return for the benefit of all its shareholders. More details can be found in "the Corporate Social Responsibility (CSR) report section."

The details of Commitment to Customers & Suppliers, commitment to Employees and commitment to the Community (Local and National) can also be found in the CSR report section.

The Company announced its desire to become an ally of CAC (Private Sector Collective Action Coalition against Corruption) and has adhered to CAC's anti-corruption guidelines, while undergoing the certification process starting on December 13th, 2016. As such PDI has set up an internal control system and anti-corruption measures as reported in CAC's individual assessment form. The company has been certified by CAC in Q1-2017 and is scheduled to receive the certificate in June 2017.

The Company has dedicated an open channel for receiving complaints regarding corporate governance and the Code of Conduct. This can be done through the secretariat of the Audit Committee or the Chairman of the Audit Committee using the following email: surint@padaeng.co.th. All information received will be treated as confidential and properly investigated in a timely manner.

4. DISCLOSURE AND TRANSPARENCY

The Company manages its business with honesty, ethical conduct, and responsibility concerning all stakeholders: customers, employees, shareholders and the general public. The Company issued a Code of Conduct, which gives guidelines for work and employee behavior. All employees use this as a guide for their daily work, along with the influence and inspiration of the vision of the Company. The latest version of Code of Conduct has been revised in 2015.

The Company ensures that important information, both financial and non-financial, as specified in relevant regulations of the SET, is disclosed correctly, accurately, on a timely and transparent basis. In addition to this, the financial report, the annual statement (Form 56-1), and the annual report are available on the PDI website.

The Board of Directors has also called for the disclosure of company information in an accurate, complete, transparent, and widespread manner. As such, all financial information, as well as general information about the Company that might impact the value of company, is readily available. Shareholders and other interested parties can access any such information through the various Stock Exchange of Thailand media outlets or directly from the Company's website. A specific investor relations function has been established and existing and potential investors can obtain information by contacting the Company directly at Tel: 66(0)2695-9499 or at www.padaeng.com or e-mail inquiries to the Investor Relation Manager at woratipr@padaeng.co.th.

The Company recognizes the importance of internal control systems at managerial and operational levels, and has created an authority manual for reference. An independent internal audit department, reporting directly to the Audit Committee, organizes various internal checks and conducts audits as needed.

5. RESPONSIBILITIES OF THE BOARD

The PDI Board of Directors is responsible for acting in compliance with the by-laws, objectives, and guidelines of the Company, as well as the resolutions of the shareholders' meeting, with honesty and prudence and in the best interest of the Company. In addition to this, the Board of Directors also makes contributions towards establishing the vision, mission, strategy, objectives, business plans and the budget of the Company. The Board ensures that the management team conducts operations in accordance with the Company's business plan, in order to add value to its business and ensure sustainability for its shareholders.

The Board of Directors acknowledges that the Company maintains adequate internal controls and that its financial statements as of December 31, 2016 are reliable.

BALANCE OF AUTHORITY FOR NON-EXECUTIVE DIRECTORS

The Company's Board of Directors consists of qualified directors with a broad realm of experience, totaling eleven members at the end of 2016 as follows:

1. Executive Directors : 2 directors
2. Non-Executive Directors : 9 directors;
   - 2.1 Directors major shareholders : 4 directors
     - Country Group Holdings Public Company Limited holds 3 seats
     - Ministry of Finance holds 1 seat
   - 2.2 Independent directors : 5 independent directors; 3 of which are Audit Committee members.

AGGREGATION OR SEGREGATION OF POSITIONS

The function of the Chairman of the Board of Directors and the Managing Director (MD) are separated to ensure a clear distinction between responsibilities in policy making and managing daily operations. The Company has clearly defined the authority and responsibilities of management at every level.

BOARD SELF–ASSESSMENT

The Board of Directors annually engages in self-assessment, which enables all board members to consider their overall performance and resolve any potential problems or issues. This serves as a tool for reviewing performance, as well as a way to identify issues and obstacles that each director faced over the past year. It also helps increase the operational effectiveness of the Board. At present, the performance assessment of the Board is conducted using an overall performance method. To facilitate this, the Company has developed an assessment form consistent with the Statement of Corporate Governance Principles and the duties and responsibilities stated in the Board of Directors Charter. In 2016, the results of the self-assessment will be distributed to all board members for acknowledgment and self-improvement in 2017.

ORIENTATION FOR NEW DIRECTORS AND DIRECTOR PARTICIPATION IN SEMINARS

The Board of Directors secretary division is responsible for preparing general information and briefing newly elected directors on the actions and procedures of the Company to ensure that they are updated on all Company operations, as well as the SEC and SET regulations and requirements. Site visits will also be available for new directors who would like to have a more in-depth knowledge of Company operations.

In order to keep the directors currently informed on new rules, regulations, and requirements, they are encouraged to attend refresher courses and seminars organized by the Thai Institute of Directors and other relevant organizations.

In 2016, directors and executives of the Company who participated in such courses are listed below:

Name	Position	Course
1. Mr. Vinai Vamvanij	Independent Director	1. Board that Make a Difference (BMD), 1/2016 2. The Power of Culture: From Performance Culture to Winning Culture, 2016
2. Mr. Sadawut Taechaubol	Director	1. Corporate Governance for Capital Market Intermediaries (CGI), Class 14/2016
3. Mr. Tommy Taechaubol	Director	1. Corporate Governance for Capital Market Intermediaries (CGI), Class 13/2016
4. Ms. Wimol Chatameena	Director	1. Director Certification Program (DCP), 228/2016
5. Mrs. Woratip Rerkpiboon	Corporate Vice President-Finance	1. Strategic CFO, Class 2/ 2016, The Stock Exchange of Thailand
6. Dr. Surin Tanticharoenkiat	Corporate Vice President - Internal Audit Company Secretary	1. Thai Directors Compensation Survey 2016 2. National Research Alliance Dialogue on Corporate Governance 2016, IOD and Sasin Graduate Institute of Business Adminstration of Chulalongkorn University

INTERNAL CONTROL AND RISK MANAGEMENT

At PDI internal control is a crucial process for achieving our goals and objectives. In this respect, the Audit Committee is tasked with supervising the Internal Audit Office and ensuring that it works independently, with the utmost integrity, and under proper ethics as defined in the Internal Audit charter. The latter clearly prescribes the mission, scope of work, authority, duty, and responsibility; as well as the operating and auditing guidelines. The Audit Committee is also responsible for ensuring a strict and appropriate assessment and review of the internal control systems, the internal audit activities, and risk management in order to mitigate significant risk to be in line with risk appetite level for assurance and helping an organization accomplish its objectives.

Based on recommendations gathered from the Internal Audit Department, PDI has streamlined our working procedures to ensure the efficiency and effectiveness of our control systems, with the aim of continuous improvement and sustainable development. In 2016, our auditing work has improved internal control and enhanced our internal control significantly in the following areas: plant security management, concessionary land management and returning, treasury and cash management, fixed asset management, ore procurement, logistics management, corruption risk-based audit and human resources management.

At present the Audit Committee also oversees risk management. PDI has planned to set up a separate Risk Management Committee to oversight the risk management process in 2017. Draft risk management committee charter has been presented to the audit committee for acknowledgement in 2016. In this dynamic environment, PDI has emphasized risk prevention measurements and risk management, with the anticipation of upcoming changes in internal factors and general external factors such as economic and information technology changes. Moreover, PDI has also conducted its risk assessment to focus on fraud and corruption and developed measures to cope with the identified risk according to risk assessment as well as performed audit to assess the sufficiency and effectiveness of internal control and compliance with anti-corruption policy. For 2017, PDI will continue to conduct its risk management based on the operational risk of new business, and also fraud and corruption risk.

In 2016 and 2017, PDI will continue its strategy to move towards green business for sustainable growth. New projects were studied, with emphasis placed upon PDI Metals, a trading and servicing business for Zn metals and alloys in Thailand, PDI-CRT, a value-added materials from recycling, PDI energy, Solar farm in Japan and Tak and PDI Eco, an industrial waste management at Tak, especially those that are in line with the national agenda. Each feasibility study for all proposed projects included risk assessments that followed standard risk assessment procedures. All inherent risks, including strategic, operations, reporting and compliance, for each project are identified and analyzed, and this information is presented to the Executive Committee and the Board of Directors before any final decisions for the projects are made.

At Board meeting no.01-2017, with all three Audit Committee members present, the Board reviewed the system of internal control, the organization and external influencing factors, risk management, methods of dissemination, communications, and monitoring information. In conclusion, it was confirmed that PDI deploys an adequate system of internal controls regarding transactions with major shareholders, directors, management and related persons, as well as internal controls in other areas.

HEAD OF INTERNAL AUDITOR

In Board meeting no.08-1998, on December 22, 1998, the board appointed Dr. Surin Tanticharoenkiat as head of the Internal Audit Department and secretary to the Audit Committee. Dr. Surin had worked as the technical support manager, and possesses an extensive knowledge of the Company's operations. In addition to this, he has also attended courses in both business management and internal audit fields. As such, the board of directors deems him qualified to lead the internal audit department of the Company. His credential is listed in the executive section.

The independence of the Internal Audit Department is ensured by the fact that the head of the department reports directly to the Audit Committee, and the Audit Committee is responsible for approving the appointment, as well as transferring and dismissing of the chief of the internal audit unit.

Below the judgment of the auditor, Mrs. Nattaporn Phan-Udom, Certified Public Accountant (Thailand) No. 3430, PricewaterhouseCoopers ABAS Ltd.:

"In planning and performing our audit of the financial statements of Padaeng Industry Public Company Limited for the year ended December 31, 2016, we obtained an understanding of the internal control system in order to determine the nature, timing and extent or our audit procedures, for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control system.

The management of Padaeng Industry Public Company Limited are responsible for establishing and maintaining an internal control system to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

Because of inherent limitations in any internal control system, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, after consideration of the internal control system, we noted no matters involving the internal control system and its operation that we consider to are material weaknesses under Thai Auditing Standard 315 (revised) "Identifying and assessing the risks of material misstatement through understanding the entity and its environment."

RELATED PARTIES TRANSACTIONS

The Company's policy on related parties' transactions is based on the principles of fair trade, using global pricing as a reference. It is conducted in the best interest of the Company. The internal audit department has from time to time carried out audits on related party transactions. Details can be found in note 30 of the 2016 financial statement.

GENERAL INFOMATION

COMPANY NAME	**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**
SYMBOL	PDI
REGISTRATION NUMBER	0107537000467
BUSINESS TYPE	Producing and marketing of zinc metal and other by-products, energy from renewable sources, providing added value materials from recycled metals, and providing waste management solutions for complex industrial waste
REGISTERED CAPITAL	Baht 2,260,000,000 with 226,000,000 Shares at Baht 10 per share.
HEAD OFFICE	CTI Tower, 26th-27th Floor, 191/18-25 Ratchadaphisek Road, Khlong Toei, Bangkok 10110, Thailand. Telephone : +66 (0) 2695-9499 Fax : +66 (0) 2695-9495 E-mail : info@padaeng.co.th Website: www.padaeng.com
INVESTOR RELATIONS	Telephone : +66 (0) 2695-9441 Fax : +66 (0) 2695-9495 E-mail : woratipr@padaeng.co.th, supichnans@padaeng.co.th
COMPANY SECRETARY / COMPLAINT	Telephone : +66 (0) 2695-9331 Fax : +66 (0) 2695-9495 E-mail : surint@padaeng.co.th
OTHER REFERENCES	: Registrar Thailand Securities Depository Company Limited 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand. Telephone : +66(0) 2009-9000, Fax. +66(0) 2009-9991 SET Contact Center: +66(0) 2009-9999 Website: http://www.set.or.th/tsd E-mail: SETContactCenter@set.or.th : Auditor Mrs. Nattaporn Phan-Udom, Certified Public Accountant Registration No. 3430, PricewaterhouseCoopers ABAS Ltd. Bangkok City Tower, 15th Floor, 179/74-80 South Sathorn Road, Bangkok 10120, Thailand Telephone : +66(0) 2344-1000, +66(0) 2824-5000, Fax. +66(0) 2824-5050 Website: http://www.pwc.com/th : Legal Advisor - None - : Advisor or Contractor under Management Agreement - None -
MEMBERSHIPS	• International Zinc Association (IZA) • Mining Industry Council • The Thai Chamber of Commerce • Thai Listed Companies Association • Thai Institute of Directors Association • Thailand Management Association (TMA) • Thai Galvanizing Association (TGA) • Community Partnership Association (CPA)

SEC CONTENTS IN ACCORDANCE WITH FORM 56-2

Accordance with the form of Annual Report for a security-issuing company (56-2) issued under notification of the Capital Market Supervisory Board No.Tor Chor.44/2556 regarding Rules, Condition and Procedures for Disclosure of Information Relating to Financial Status and Operating Result of Issuing Company. (Effective on January 1st, 2014)

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For more information, the investor shall study the Company's information from the Annual Registration Statement (Form 56-1) at www.sec.or.th and www.padaeng.com

GRI CONTENT INDEX

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SPECIFIC STANDARD DISCLOSURES

INDICATOR	DISCLOSURES	PAGE	NOTE
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G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	39	
Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	-	There was no incidents of discrimination
Child Labor			
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MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities	-	None
Assessment			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	-	None
Supplier Human Rights Assessment			
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G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	45	
Human Rights Grievance Mechanisms			
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MM8	Number (and percentage) or company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks	-	None
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SPECIFIC STANDARD DISCLOSURES

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G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	-	All significant product and service categories are assess regarding health and safety impact
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-	There was no incidents of non-compliance
G4-PR5	Results of surveys measuring customer satisfaction	44 - 45	
Marketing Communications			
G4-PR6	Sale of banned or disputed products None	-	There was no banned or disputed products
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	-	None
Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-	There was no fines for non-compliance

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Sustainability Report 2016
Use Eco Fiber Paper and
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that are Environment-Friendly

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