

The background features a large, stylized geometric pattern in shades of blue and white, resembling a mountain range or a series of triangles. The RCI Tile logo is positioned in the upper right corner, with 'RCI' in large blue letters and 'TILE' in smaller red and blue letters. The text 'ANNUAL REPORT 2016' is prominently displayed in the center-left.

# ANNUAL REPORT 2016

รายงานประจำปี 2559

WORLD CLASS BEAUTY WORLD CLASS QUALITY

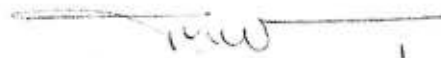
## Message from the Chairman

The year 2559 was another year that entrepreneurs in many sectors have encountered a lot of difficulties with many negative aspects in running business both from the outside and inside. Even though there were government stimulus programs with a large budget investment for various big projects like never before, but it still cannot awake the investment mood of the investors to follow by making enough private investment. In addition the mood of the consumer spending did not increase as accordingly and significantly. Access to funding sources is not as smooth as it should be. The growth of the domestic economy is still concentrated in a limited number of potential investors. However, there are only some businesses in services and others sectors that can also bring the national economy to a surplus. This is an important position to further economic growth in the next round.

The Royal Ceramic Industry Public Company Ltd is in the industry related significantly to the price of oil and gas which it will affect production and transportation cost. The consumption slow down is unavoidable impact which it can be seen from the decrease in sales and profit of the Company with a net loss of 31.20 million Baht. Even though, the Company can reduce the selling expenses down by 20.4 million Baht including sales promotion expense and stop production cost; financial costs decreased by 10.80 million Baht from the principal reduction. However, it is not enough to bring the Company back to profitability and can pay dividends to the investors as expected.

Therefore the Board of Directors has jointly set a key strategy by partnering with a major potential partner which is Dynasty Ceramic Public Company Ltd by hiring as co-management in business administration, manufacturing, research development, distribution channels etc. As the result it will reduce trade competition and strengthen potential that each party has together which will significantly reduce the cost.

The Company is confident that with the potential mentioned above, it will be the important key to effective competitiveness in both domestic and the neighboring countries which will lead to a sustained growth in the near future.



Mr. Viboon Wadcharasurang  
Chairman of the Board of Directors

Chairman

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## 1.The Policy and Target

### 1.The Policy

#### 1.1 Business Goals

The company's target of business operation is to manufacture, import, and distribute ceramic tiles, and clay tile designed for floor and wall cover of high quality in order to meet market demand both domestic and overseas, where the company intends to expand businesses in a continuous and constant manner so that it is equivalence to the market demand growth, including keeping company market shared.

Likewise, the company focuses on maximizing potentials in competing with other ceramic tile manufacturers, both domestic and abroad, through the following development.

1. Expanding customer base, both domestic and abroad; by focusing on international customers with the expansion in Myanmar, Cambodia and Laos and increase potential in competition.
2. Constantly developing product quality, design and its form as well as machinery and equipment technology innovation with the intention of adding values to products, minimizing production cost, and maximizing production efficiency plus enhancing capacity in continuous customer services.
3. Developing expertise in operation towards executives and employees at all levels in accordance with their functional responsibilities, in order to handle the competition that tends to rise and accommodate changes from entering to the ASEAN Economic Community (AEC).
4. Developing new products with higher added value of "Core Value", which was consisted of "Continuous Improvement, Confident in Quality, Updated Technology, and Leading-edge Technology".

Apart from the Company business operation, the company is also determine to preserve the environment with the most minimal impacts on the surroundings, along with maintaining decent relationship with and support to the community in the vicinity of factories.

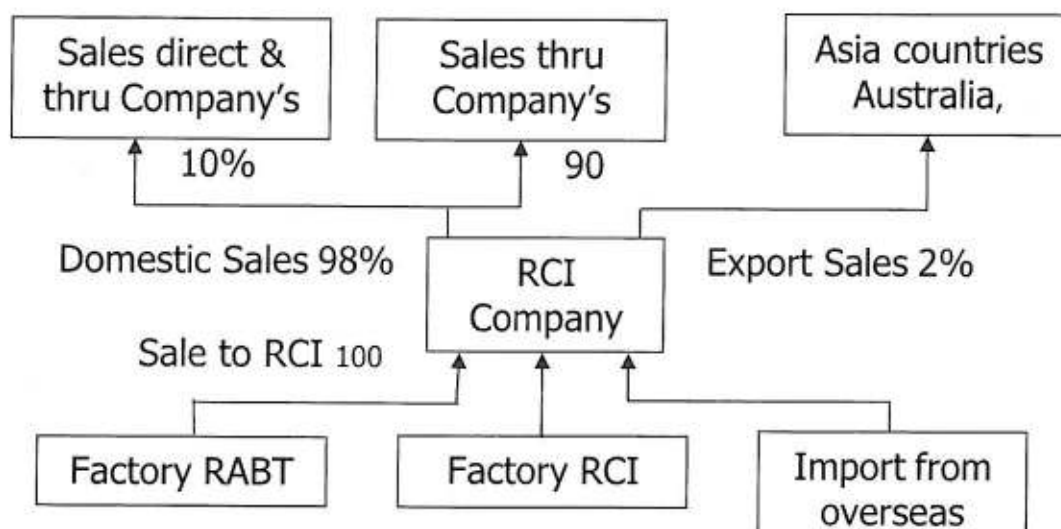
#### 1.2 Business Outlook

The Company is the manufacturer, distribution and importer of ceramic tile, clay tile designed for floor and wall usage. The major income of the company is devoted to internal production of tiles at the approximately 90% proportion, whilst the remaining fraction (10%) involves imported tiles.

The Company accentuates on product trading locally at the approximately 98% portion of the Company sales total, while the remaining sales is focused to exporting to overseas market, of which the majority proceed trading through nationwide sales representatives at roughly 90% of domestic sales. The remaining fraction is from direct distribution through a variety of projects and direct sales from two RCI outlets, currently operating affront the company factory in Saraburi Province, and on Ratchapruek Road in Nonthaburi Province. On exporting to foreign countries, there is the expansion of customer base for example customers in Laos, Cambodia, and Vietnam etc.



### The Company's Business Structure



The overall economy is slowing down both domestic and abroad, so there is an intense competition from the manufacturers of domestic tiles and imported tiles from China and Vietnam which caused the decrease of the Company's sales and the stop production cost. As a result, the operating performance of the Company decreased in 2016 with sales declined by approximately 15.0% from 819.3 million Baht to 696.3 million Baht. The gross margin increase to 27.3% with operating loss before tax of -17.9 million Baht and net loss of -31.2 million Baht. The selling expenses decreased by 4.3 million Baht from cost controlling by the Company and the interest expenses decreased by 10.8 million Baht due to principal reduction.

### Sales of floor and wall ceramic tiles during 2014-2016 (Consolidated F/S)

Channel of Distribution	2014		2015		2016	
	Sales (MB)	(%)	Sales (MB)	(%)	Sales (MB)	(%)
1.Ceramic Tiles: Domestic	965	97.96	794	98.27	651	99.78
2.Ceramic Tiles: Export	20	2.04	14	1.73	8	1.22
Total Sales	985	100	808	100	659	100
% Change	(0.03)		(17.97)		(18.44)	

## 2.Types of Business Operation

### 2.1 Profile, changes and major developments of the Company

- The Company was set up on September 11, 1969 with initial registered capital worth 5 million baht.
- The Company was listed in the Stock Exchange of Thailand on September 28, 1989 with 180 million baht registered capital.
- The Company increased registered capital to 220 million baht on May 23, 1991 and registered as a public company on April 19, 1994.
- The Company increased registered capital to 314.29 million baht on December 28, 2000.
- In 2005, the Company invested 100 Million baht in machineries as to enhance production efficiency and to replace the old ones.
- In 2005, at the Ordinary Shareholders' Meeting No. 1/2005 on December 23, 2005 had the resolution to invest in The Royal Asia Brick & Tile Company Limited as to expand product lines and for the growth of the company.
- In 2006, the shareholders' meeting had endorsed the change of stock value from 10 baht per share into 1 baht per share. The change became effective on May 15, 2006.
- In 2007, the Company expanded distribution channel by opening two new RCI outlets to sell products directly from the factory.
- In 2008, The Company bought the building and machines for producing the decorated tiles in the amount of 22 Million baht and also added the new product lines were grout and adhesive for tile fixing.
- In 2010, The Company decided to cancel the grout and adhesive for tile fixing, because of product is not make profit.
- In 2011, The Company cannot comply with the resolution of The Extraordinary General Meeting of Shareholders 1/2011, due to the company received the notice letter from the shareholders of the VSSL Enterprise Company Limited dated October 5, 2011. They cannot comply to some conditions and desire to cancel to invest in the Company.
- In year 2012, The Royal Ceramic Industry PLC (RCI) has the significant change in the shareholder structure. Since April 4'2012, the company got the approval from the Annual General Shareholder Meeting for the partial tender offer from The Union Mosaic Industry PLC (UMI) in order to support the company operation and technical assistance including the administrative and manufacturing management that effect to the cost reduction and create the business partner in ceramic industry. Since of July 2'2012 that The Union Mosaic Industry PLC (UMI) became the major share of The Royal Ceramic Industry PLC (RCI).
- In the year 2013 the Extraordinary Meeting of Shareholder No.1/2013 held on September 26<sup>th</sup>, 2013 approved a capital increase of the company. The objective is to use as working capital from 314,285,710 Baht to 480,000,000 Baht dividend in to 480,000,000 shares with par value of 1 Baht by the issuance of 165,714,290 new ordinary share at par value of 1 baht per share
- On October 21st, 2013 the Company has informed the Stock Exchange of Thailand (SET) about the amount of capital increase ordinary shares that was offered for sales, was resulted in the actual amount of capital increase ordinary shares of 74,449,652 shares. Therefore, the Company received the approval that the said capital increase



shares started to trade on the SET from November 1st, 2013 onwards. Moreover, the Company has already registered paid-up capital increase with the Ministry of Commerce on October 24<sup>th</sup>, 2013

- In the year 2014, the Annual General Meeting (AGM) of Shareholders No. 1/2014 on April 28, 2014 has passed the resolution to let the Company exercising the right to purchase the capital increase ordinary shares of T.T. Ceramic Public Company Limited (TTC) in the part that the existing shareholders do not exercise their right at some part at the amount of 50,000,000 shares having a par value of Baht 1.00 totally 50,000,000 Baht. The Company appointed AEC Securities Public Company Limited as independent financial advisor which had concluded the advantages and disadvantages of connected transaction and reasonable price by stating its opinion that purchasing of the capital increase ordinary price of TTC was the appropriate price as the appraised price was higher than the transaction price. The AGM of shareholders has also approved the reduction of registered capital of the Company at the amount of 16,814,986 Baht by cutting out ordinary shares remaining unsold in issuing capital increase shares at the amount of 16,814,986 shares at a par value of 1.00 Baht from existing registered capital of 480,000,000 Baht to new registered capital of 463,185,014 Baht.
- On October 22, 2014, the Company reported the result of the exercise of shares subscription rights exercised by warrant holders of RCI-W1 No. 1 as follows: There were 2 warrant holders who exercised their right with total amount of exercised warrants at 2,540 units from the allotment of totally 74,449,652 ordinary shares of the company and amount of remained warrant at 74,447,112 units. The Company had already registered capital increase on October 30, 2014. At present, the paid-up capital of the company consists of 388,737,902 shares with a par value of 1 Baht per share, totaling 388,737,902 Baht.
- In the year 2015, the Company has approved the transfer of legal reserve and capital surplus to compensate for total accumulated losses in the separate financial statements of the Company at the amount of 31.4 million Baht and capital surplus of 141.3 million Baht respectively to compensate for total accumulated losses of the Company as stipulated in financial statements as of December 31st, 2014 at the amount of 172.7 million Baht. After the compensation of such accumulated losses, the capital surplus of the Company at the amount of 17.8 million Baht and the accumulated losses of the Company shall be equal to zero. Finally, this will enable the company to pay a dividend if the company has profit in the future.
- On October 22, 2015, the Company reported the conversion of warrants RCI-W1 No. 2 (the last exercise) as follows: 383 warrant holders of RCI-W1 exercise their rights to convert warrants at the amount of 73,891,622 units and the Company has allocated ordinary shares of 74,447,112 shares with 555,490 remaining un-exercised warrants (expired). The Company has already registered the increase of paid-up capital on November 3, 2015 to 462,629,524 shares at par value of 1 Baht per share at the total amount of 462,629,524 Baht at present.



## **2.2 Business Operation of each type of product**

### **2.2.1 Type of products or services**

Currently, the Company's tile products can be divided into three main categories:

1. Glazed Floor and Wall Tile is glazed ceramic tile with plain color tiles that are Monoporosa tiles and special design tiles or decorative tiles using the so-called Third Firing technology.
2. Porcelain Tile is ceramic tile produced by implementing the world's finest ceramic tile production technology at present, burnt at a high temperature of 1,200 degrees Celsius resulting in more solid and durable tiles than natural stone and other types of ceramic tile; yet delivering the same beauty and appearance as natural stone. Additionally, its water absorption rate is considerably low so it is appropriate for both wall and floor tiling.
3. Clay Tile is ceramic tile made by the extrusion processing technology resulting in tiles with high strength and durability due to the density of tiles rolled out by vacuum system. With this technique, tiles can be produced in a variety of forms which are suitable for indoor or outdoor applications. It is tile produced for job that can underline the heavy load as well as extremely resistant for industrial heavy duty.

### **2.2.2 Marketing and Competitive Situation**

- The Royal Ceramic Industry PLC engages in conducting business of manufacturing and importing ceramic tiles comprising wall tiles and floor tiles; and clay tiles. The Company attaches significance to control and monitor the products quality very strictly and to develop products for a wide variety of styles, patterns and sizes in line with the company's strengths, experience and expertise in producing high quality tiles as to meet the needs of consumers.
- The year 2016 was the year that the property market for both horizontal market of single house, townhouse and vertical market of condominium were faced a challenge, especially the risks of external factors that are highly uncertain such as the slowdown of the world economy and trade including the continuing volatility of the capital markets together with internal negative factors from operational direction of monetary policy of various countries and the economies of major trading partners did not recover well. Such negative factors affected the purchasing power of the consumer, resulted in the household income decline and unemployment problem together with the strict in lending of financial institutions that caused the increase in total rejection in housing loans and there were tends to increase steadily due to the increment in ratio of household debt.

• Although the real estate market conditions from the middle to the bottom level is saturated. But the positive factors of consumer groups with high purchasing power still remained, together with the outlook of the existing real state renovation was on the rise instead of buying the new housing. Especially the southern floods incident made consumers realize that ceramic tiles are durable materials compared to other alternative products for example wallpaper, paint, and laminate etc. The Company would take this opportunity to reinforce its leadership in a variety of wall tiles with designs and outstanding series of decoration. These ceramic wall tiles are a group of products that can generate revenues and profits because their housing will reflect life style of new generations especially the renovation of new kitchen and bathroom which ceramic tiles are used to cover all areas of walls, floors and countertops in kitchens and bathrooms.

The Company was also focused on developing quality products by designing new patterns and manufactured tiles to cover all price levels. The Company also used full HD technology to produce faster and easier new designs. Establishing a good relationship with the existing alliance and trading partners and adding more distribution channels to cover all areas so that tiles can reach customers (end-users) will build potentiality in competitiveness and increase the ability to access and buy the RCI products with easier and faster. When the distribution channels increased, delivery planning will be easier and faster causing the cost per trip of delivery dropped. By adding network of project development and property at all levels will provide the Company's customers with satisfaction in our products and services.

### **Competitive strategy**

- Aims to focus on products and services development to better meet the needs of consumers such as continually developing products properties thru the research and development, and bring in leading-edge technology including developing environmentally friendly products etc.
- Sets up and continues the policy to increase production efficiency and reduce costs such as: the reduction in energy costs, raw material costs, and production process losses.

### **2.2.3 Distribution and Distribution Channels**

The Company puts an emphasis on the domestic distribution channels through more than 380 selling agents all over the country. In year 2013 the Company has conducted joint marketing activities with the selling agents to promote sales and maintain positive and continuous relationships as well as to strengthen our distribution channels. Besides, we also encouraged direct sales to project customers via our project sales in collaboration with the local selling agents in each respective project area. Furthermore, the Company introduced two outlets to provide end users directly from our own factory. The current operation of the two outlet locations include: 1) in front of the factory – Saraburi Province, 2) on Ratchapruek Road - Nonthaburi Province.

For exports, the Company has exported to Asian countries for example Taiwan, Japan, India, Korea and Hong Kong, Laos, Burmese, and Australia, New Zealand etc.

### **2.3 Productions for Distribution**

#### **1) Factory**

1. The Royal Ceramic Industry PLC, Mill location: No. 54/7 Village No. 3 Suwannasorn Road, Khokyaе, Sub-district, Nongkhaе District, Saraburi Province .
2. The Royal Asia Brick and Tiles Co., Ltd , Mill location: No. 54/7 Village No.3 Suwannasorn Road, Khokyaе, Sub-district, Nongkhaе District, Saraburi Province.



## 2) Production Capacity and Production Volume

The Company has manufactured tiles by dividing into groups as follows:

Company	Type of Tiles	Productivity (Million Sq. M. / Year)
The Royal Ceramic Industry PLC	Wall Tile	1.99
	Decorative Tile	0.04
	Porcelain Tile	0.27
	Floor Tile	0.65
The Royal Asia Brick and Tiles Co., Ltd	Clay Tile	0.13
Total		3.09

Note The raw material used is of type such as clay, stone, mineral, color, chemicals etc. Local materials used in manufacturing of tiles by RCI are at approximately 78% and the remaining is ordered from abroad. More than 95 percent of total raw materials used by the Royal Asia Brick and Tiles Co., Ltd are local materials.



### 3. Risk Factors

#### **Risk Management**

Risk management is a key process contributing to the attainment of the Company's objectives and goals. The earlier the risks can be identified in advance, the earlier the actions can be taken to protect the downside impacts. An effective risk management also plays a vital role in making decisions. All of the above will lead to value added for the organization, shareholders, and other stakeholders.

The Board of Directors and the Audit Committee perform their duties to lay out risk management policies and oversees risk management process and practice. They also evaluate the risk management system to ensure that it is efficient, effective, and compliant with the established guidelines.

#### **Risk Management Process**

In order to put the above risk management framework into practice, the Company designated three primary areas to manage risk as follows:

##### **1. Risk Identification**

Facilitating the risk identification by every employee in the organization and covering all risks that could potentially impact the business performance. The risks are categorized into eight categories for easy understanding and practice as follows: (1) Safety, Health and Environment Risk (2) Compliance Risk (3) Reputation and Intellectual Property Risk (4) Hazard Risk (5) Input Risk (6) Process Risk (7) Financial Risk and (8) Business Risk.

##### **2. Risk Assessment**

The Company has set to assess the potential risk and impact of risk including the ability to manage risk, to ensure that risk management is carried out effectively and effectiveness.

##### **3. Risk Response (Establishing measures for management and correction)**

The Company has established the measures in response to risk more carefully and carefully such as: Water shortage in production process is expected in 2016 therefore the Company has set the measures to explore the water resource inside the factory compound and engaged in reserving water; by making water retention area together with the new survey to find water including digging well for emergency use of water etc.

**The risk shall be divided into 8 categories as follows:**

##### **1. Risk from production cost**

The Company may receive an impact from fluctuation of main raw materials price, fuel price, and labor cost which are main production costs. However, the Company has developed efficiency and effectiveness in production to support costs that might increase in the future such as applying new innovations by using dry process to replace present system in producing powder, making joint procurement on the same raw materials that affiliated companies used in order to have bargain power with sellers, reduce gas and electricity consuming in production process, and find new gas and electricity supplier in order to get the lowest price including extension of payment time together with getting discounts for paying electricity bills. As for trends of increasing in labor demand may cause labor shortages and rising in labor cost. Thus, the company has turned to protection measure by using more technology together with continuing to improve and maintain machineries, and reinforcing employees' expertise in production as to minimize the occurred damage rate from production process etc.



## **2. Risk from business competition**

With the highly competition situation and the regional economic of ASEAN Economic Community (AEC) is really integrated in 2016 may affect the Company from imported products with cheaper price when it is the time to enter AEC, more price and quality competition shall also be intensity. The Company has take action in risk management developing products to be high quality and value added by bringing in new modern technology together with the Company has still kept and carried on ISO 9001: 2008 standard and Thai Industrial Standard Institute (TISI) to continuously improve and develop products quality including expanding distribution channels such as increasing in project sales and export sales for example in Myanmar, Laos, and Cambodia.

## **3. Risk from currency exchange**

The uncertainty of currency exchange is one of the factors that will affect the operation of the Company, so the Company has tried to reduce the said risk by using financial tools for example making a forward contract in purchasing products from foreign countries.

## **4. Risk from interests rate**

The Company is under obligation to pay interest for its borrowing from financial institutions. If the loan interest rates increase, the Company will have extra burdens in interest expenses. Consequently, the Company attempts to reduce the liabilities whenever there is cash flow surplus. Furthermore, the Company management is substantially prudent in incurring additional liabilities. In order to reduce interest burden and make debt payment, the Company has issued capital increase ordinary shares to get money to increase liquidity and decrease interest expenses from liabilities etc. Moreover, the company has organized to find new sources of fund that offer the cheaper interest rate in order to efficiently reduce interest.

## **5. Reputational risk**

Corporate image and reputation is important risk. The Company has realized that if social or community cannot stand, business shall also not survive. Therefore, the Company need to have production process that is environmentally friendly and control the release of pollution within criterion or better than those specified by law.

## **6. Risk about health, safety and environment**

The Company has given the important to health and safety of workers and business partners by specifying to have code of practice to prevent what might happen from machinery, factory area, workplace for example specifying that safety is the important indicator which has to follow and report monthly analyzing characteristics of non-safety works, survey and assessment of risk and hazards, monitoring environmental situation in workplace, light, sound, and dust that will have affected on worker health, giving knowledge for better understanding to workers, business partners, and the third persons. In addition, the company realized that environmental problems might cause impact on business operations, the company's reputation, and increased cost of compensation from various damages; therefore, the company has organized to have environmental friendly manufacturing processes and pollution emission control conformity to the criterion or better than the specified law.

**7. Risk from natural disaster**

Disaster is hard to predict but from history and various available information can be used to support the decision making to avoid and to sustain danger that might happen. On probability to happen of disaster or loss that may occur, the Company has arranged to have systematic contingency plan to serve in each case of natural disaster from fire or flood by informing every employee to know what to do when disaster takes place. Tracking and monitoring natural disasters from reliable information source of government sector and various organizations. The updated news and information that are concerned with the situation are communicated and alerted to employees for preparing to promptly face the situation. Moreover, there is an insurance to cover all of the said cases.

**8. Political risk**

Due to the political conflict problem stemming from both domestic and abroad; is more violent so that it might affect products sales, transportation, and safety of employees. The company has prepared by pursuing closely and continuously on political situation; and informs the situation and safety guidelines to every employee including preparing the readiness of IT system and working at home etc. The Company has already organized the management plan of raw materials and materials necessary for production in order to be sufficient and to avoid the stopping of production process that will have affect on the delivery of products to its customers.



#### 4.General Information

##### Company Information

Company's name: The Royal Ceramic Industry PLC., Registered No. BorMorJor. 360  
 Product: Manufacturer, Importer and Distributor of Floor Tiles and Wall Tiles  
 Office location: No. 65/225 ChamnanPhenjatiBusinessCenter27<sup>th</sup>Fl., Rama 9  
 Road ,Huaykwang Bangkok 10320  
 Tel: 0-2643-0222 , 0-2643-0753-9 Fax: 0-2643-0948-9  
 Mill location: No. 54/7 Village No. 3 Suwannasorn Road, Khokyaesub-district,  
 Nongkhae District, Saraburi Province18230  
 Tel: 0-3630-5249-57 Fax: 0-3637-9028  
 Registered capital: 463,185,014 ordinary shares, 1.00 baht per share  
 Paid-up capital: 462,629,524 baht (Change Paid-up capital as of November 11,2015)

##### Company share registrar

Company name: SecuritiesDepositoryCenter (Thailand) Co., Ltd.  
 Office location: No. 93 Stock Exchange of Thailand Building  
 Ratchadaphisek Road, Din Dang Sub-district, Din Dang District,  
 Bangkok 10400 Tel: 0-2009-9999, 0-2003-9378 Fax: 0-2009-9476

##### Company's Auditor

Company Name: Karin Audit Company Limited  
 Office location: 6 F1.,Room B1, Boonmitr Building ,138 Silom Road,  
 Bangrak, Bangkok 10500  
 Tel. 0-2634-2484-6Fax. 0-2634-2668

##### Information of Shareholding of the company in other companies

Security Name: The Royal Asia Brick and Tile Company Limited (Ordinary shares)  
 Office location : No. 65/225 ChamnanPhenjatiBusinessCenter 27<sup>th</sup>Fl., Rama 9  
 Road ,Huaykwang Bangkok 10320  
 Tel: 0-2643-0222 , 0-2643-0753-9 Fax: 0-2643-0948-9  
 Number of shares: 79,994 shares, equal to 99.99 per cent of registered 80,000 shares,  
 value at 1,000 baht per share.

Security Name: Baan SomthavilCo.,Ltd.(Ordinary shares)  
 Office location : No.1 Mahadlekuang 3 Lane,Rajdamri Road, LumpiniSub-district,  
 PathumwanDistrict ,Bangkok 10330  
 Tel : 0-2650-2100-11 Fax : 02-254-0370

Number of shares: 450,000 shares , equal to 45 percent of registered 1,000,000 shares, value at 25 baht per share

Security name: T.T. Ceramic Company Ltd. (TTC)

Product: Manufacturing and distributing of high quality ceramic tile Porcelain type under brand name of "CERGRESS"

Office location: No. 65/224 Chamnan Phenjati Business Center 27<sup>th</sup> Fl., Rama 9 Road , Huaykwang Bangkok 10320

Tel: 036-305-977-8 , 0-2643-0753-9 Fax: 0-2643-0948-9

Mill location: No. 136 Moo No. 13, Koke Yae Sub-district, Nong Khae District, Saraburi Province

Tel: 0-3630-5249-57 Fax: 036-305-128

Registered capital: 600,808,896 ordinary shares, 1.00 baht per share

Number of shares: 50,000,000 shares, equal to 8.32 per cent of 600,808,896 registered shares, value at 1.00 baht per share.

## 5.Shareholders and Securities of the company

### 1. Top twenty major shareholders as of February 1, 2017

No.	Name - Surname	No. of Shares	Percent*
1.	Mr. Chaiwit Arunnetrtong	64,260,000	13.890%
2.	Mrs. Supanee Chaichukiat	26,168,900	5.657%
3.	Mr. Sakorn Deengam	23,100,000	4.993%
4.	Miss. Sunee Anantaprakorn	19,046,000	4.117%
5.	Miss. Boonseng Kodsatan	17,199,200	3.718%
6.	Mr. Nakarin Saengsastra	13,198,100	2.853%
7.	Miss. Supanee Thongplengsri	12,770,300	2.760%
8.	Mr. Viboon Wadcharasurang	9,520,400	2.058%
9.	Mr. Kirt Jaroonsrirat	8,300,000	1.794%
10.	Mr. Narin Pornchivarat	8,250,000	1.783%
11.	Mr. Nawapol Suanjaiyen	8,006,700	1.731%
12.	Thai NVDR Co., Ltd	7,158,050	1.547%
13.	Mr. Thanes Russameesukkanont	5,923,725	1.280%
14.	Mrs. Kanista Markduangthien	5,848,800	1.264%
15.	Mr. Than Plewthienyingthawee	5,241,900	1.133%
16.	Mrs. Penpan Anantaprakorn	4,573,000	0.988%
17.	Mr. Prasarn Prapawong	4,531,025	0.979%
18.	Mr. Sakchai Anantapakorn	4,379,400	0.947%
19.	Wall Street Finance and Securities PCL	3,968,000	0.858%
20.	Mr. Kongkiat Laowiwatwong	3,846,850	0.832%

2. Shareholders who are the Company's directors and executives - None

3. Proportion and shareholding distribution of shareholders in person (not included shares in Thailand Securities Depository Company Limited for depositors)

1. Shareholders with shares more than 0.5 percent amount 29 persons number of shares equal to 280,281,750 shares or 60.58 percent divided as follows:

Juristic Entity			Individual Person		
Amount	No. of Shares	Percent	Amount	No. of Shares	Percent
2	11,126,050	2.4	27	269,155,700	58.18

2. Shareholders with shares not more than 0.5 percent but not less than one\* unit of trading amount 2,756 persons, number of shares equal to 182,344,519 shares or 39.42 percent divided as follows:



Juristic Entity			Individual Person		
Amount	No. of Shares	Percent	Amount	No. of Shares	Percent
13	2,512,450	0.55	2,743	179,832,069	38.87

3. Shareholders with shares less than one unit of trading amount 181 persons, number of shares equal to 3,255 shares or 0.00 percent divided as follows:

Juristic Entity			Individual Person		
Amount	No. of Shares	Percent	Amount	No. of Shares	Percent
2	20	0.00	179	3,235	0.00

Note \*One unit of trading equally 100 shares / Total number of shares 462,629,524 shares

\*From shares distribution report by Thailand Securities Depository Company Limited on February 1, 2017.

## Securities of the company

1. Securities of the Company as at December 31, 2016 are as follows:

1) Registered capital of 463,185,014 Baht (Four hundred and sixty-three million, one hundred and eighty-five thousand, fourteen Baht) consisting of 463,185,014 ordinary shares (Four hundred and sixty-three million, one hundred and eighty-five thousand, fourteen ordinary shares) with par value of 1 Baht per share;

2) Issued and paid-up capital of 462,629,524 Baht (Four hundred and sixty-two million, six hundred and twenty nine thousand, five hundred and twenty four Baht.) consisting of 462,629,524 ordinary shares (Four hundred and sixty-two million, six hundred and twenty nine thousand, five hundred and twenty four ordinary shares) with par value of 1 Baht per share;

3) Location of the company that issued securities; No. 65/225 Chamnan Phenjati Business Center Building, 27<sup>th</sup> floor, Rama 9<sup>th</sup> Road, Huaykwang Sub-district, Huaykwang District, Bangkok 10320 Tel. No. 02-643-0222, 02-643-0753 to 9, Fax. No. 02-643-0948 to 9

2. Securities in subsidiary; the Company has invested in ordinary shares of the Royal Asia Brick and Tiles Co., Ltd at the amount of 79,994 shares, total value of 79,994,000 Baht and details are as follows:

1) Registered capital of 80,000,000 Baht (Eighty million Baht) consisting of 80,000,000 ordinary shares (Eighty million ordinary shares) with par value of 1,000 Baht per share;

2) Issued and paid-up capital of 80,000,000 Baht (Eighty million Baht) consisting of 80,000,000 ordinary shares (Eighty million ordinary shares) with par value of 1,000 Baht per share;

3) Location of the company that issued securities; No. 65/225 Chamnan Phenjati Business Center Building, 27<sup>th</sup> floor, Rama 9<sup>th</sup> Road, Huaykwang Sub-district, Huaykwang District, Bangkok 10320 Tel. No. 02-643-0222, 02-643-0753 to 9, Fax. No. 02-643-0948 to 9;

4) Management in the associated company; the Company has sent representative of the Company to be director or executive of associated company.

3. Securities in associated company: the Company has invested in ordinary shares of Baan Somthavil Co., Ltd at the amount of 450,000 shares with par value of 25 Baht total value of 11,250,000 Baht and details are as follows:

- 1) Registered capital of 25,000,000 Baht (Twenty-five million Baht) consisting of 1,000,000 ordinary shares (One million ordinary shares) with par value of 25 Baht per share;
- 2) Issued and paid-up capital of 25,000,000 Baht (twenty-five million Baht) consisting of 1,000,000 ordinary shares (one million ordinary shares) with par value of 25 Baht per share;
- 3) Location of the company that issued securities; No. 1 Mahadlekluang 3 Lane, Rajdamri Road, Lumpini Sub-district, Prathumwan District, Bangkok 10330 Tel. No. 02-650-2100 to 5, 9.

4. Securities in associated company: the Company has invested in ordinary shares of T.T. Ceramic Public Co., Ltd at the amount of 50,000,000 shares with par value of 1 Baht total value of 50,000,000 Baht and details are as follows:

- 1) Registered capital of 600,808,896 Baht (Six hundred million, eight hundred and eight thousand, eight hundred and ninety-six Baht) consisting of 600,808,896 ordinary shares (Six hundred million, eight hundred and eight thousand, eight hundred and ninety-six ordinary shares) with par value of 1 Baht per share;
- 2) Issued and paid-up capital of 600,808,896 Baht (Six hundred million, eight hundred and eight thousand, eight hundred and ninety-six Baht) consisting of 600,808,896 ordinary shares (Six hundred million, eight hundred and eight thousand, eight hundred and ninety-six ordinary shares) with par value of 1 Baht per share;
- 3) Location of the company that issued securities; Head office: No. 136, Moo 13, Kokyae Sub-district, Nong Khae District, Saraburi Province 18230 Tel. No. 036-305-974.
- 4) Management in the associated company; the Company has sent representative of the Company to be director or executive of associated company.

### **Issuance of other securities**

On September 26, 2013 the resolution of the Extraordinary General Meeting of Shareholders No. 1/ 2556 has approved a capital increase of the company type specifying the purpose of utilizing proceeds as its objective is to use it as working capital of business by increase existing registered capital from 314,285,710 Baht to registered capital of 480,000,000 Baht divided in to 480,000,000 shares at par value of 1 Baht by issuing an amount of 165,714,290 new ordinary shares at par value of 1 Baht per share, issuing capital increase ordinary shares to existing shareholders of the Company at the amount of not more than 82,857,145 shares at par value of 1 Baht and by offering to existing shareholders at the ratio of 4 existing shares to 1 new ordinary share at the exercise price of 2.50 Baht per share and allocating the warrants representing the rights to purchase ordinary shares of the Company No.1 (RCI-W1) allotted to existing shareholders at the amount of not exceeding 82,857,145 unit by allocating to shareholders who subscribe to newly issued ordinary shares at the ratio of 1 newly issued ordinary share to 1 unit of warrant free of charge at the exercise price of 3.00 Baht and 74,449,652 ordinary shares have actually been sold at par value of 1 Baht and the rest that is left from selling totally 16,814,986 shares at par value of 1 Baht.



The warrants' life time is 2 years counted from the date of issuing warrants RCI-W1 (from the issuance date of warrants on October 24, 2013 to the maturity date of warrants on October 22, 2015 which warrants RCI-W1 shall lose the status as the registered securities on the next day).

Exercise date, holders of RCI-W1 can first exercise their rights to purchase the Company's ordinary shares on the last business day of the first year, which is one year counted from the issuance date of RCI-W1 (October 22, 2014). The Last Exercise Date shall be at the maturity date of RCI-W1 on October 22, 2015. If the last exercise date falls on a day when the Warrant Registrar is closed or on the closing day of the Stock Exchange (SET), the last exercise date shall then be the last business day immediately preceding the last exercise date. Any holders of RCI-W1 who wish to exercise the right to purchase ordinary shares of the Company shall give notification of such intention during 9.00 a.m. and 3.00 p.m. within 5 days prior to each exercise date on the Company's business day (except Saturday, Sunday and holidays) during the exercise period.

The Company shall inform about exercise of right, exercise period, and/or exercise rate at least 7 days prior to the first business day of each exercise period through information distribution system (ELCID/SETSMART) of the Stock Exchange of Thailand (SET). For the last exercise period, the Company shall send registered mail to holders of RCI-W1 whose names appear on the register book as at its closing date within 5 business days from the date of closing the register book.

Contact place to exercise right:

Administration Department  
The Royal Ceramic Industry Public Company Limited  
No. 65/225, 27<sup>th</sup> Floor Chamnan Phenjati Business Center Building  
Rama 9<sup>th</sup> Road, Huaykwang Sub-District, Huaykwang District, Bangkok  
Tel No.: 0-2643-0222, 0-2643-0753 to 9  
Fax No.: 0-2643-0948 to 9

On October 22, 2014, warrant holders of RCI-W1 were able to exercise their first rights to purchase the Company's ordinary shares on the last business day of the first year, which was one year counted from the issuance date of RCI-W1 with the amount of 74,449,652 allocated ordinary shares. There were 2 warrant holders who exercised their right with total amount of exercised warrants at 2,540 units and amount of remained warrant at 74,447,112 units. In addition, the result of the exercise of shares subscription rights exercised by warrant holders was reported to SET on October 24, 2014.

On October 22, 2015, the Company reported the conversion of warrants RCI-W1 No. 2 (the last exercise) as follows: 383 warrant holders of RCI-W1 exercise their rights to convert warrants at the amount of 73,891,622 units and the Company has allocated ordinary shares of 74,447,112 shares with 555,490 remaining un-exercised warrants (expired). The Company has already registered the increase of paid-up capital on November 3, 2015 to 462,629,524 shares at par value of 1 Baht per share at the total amount of 462,629,524 Baht at present.

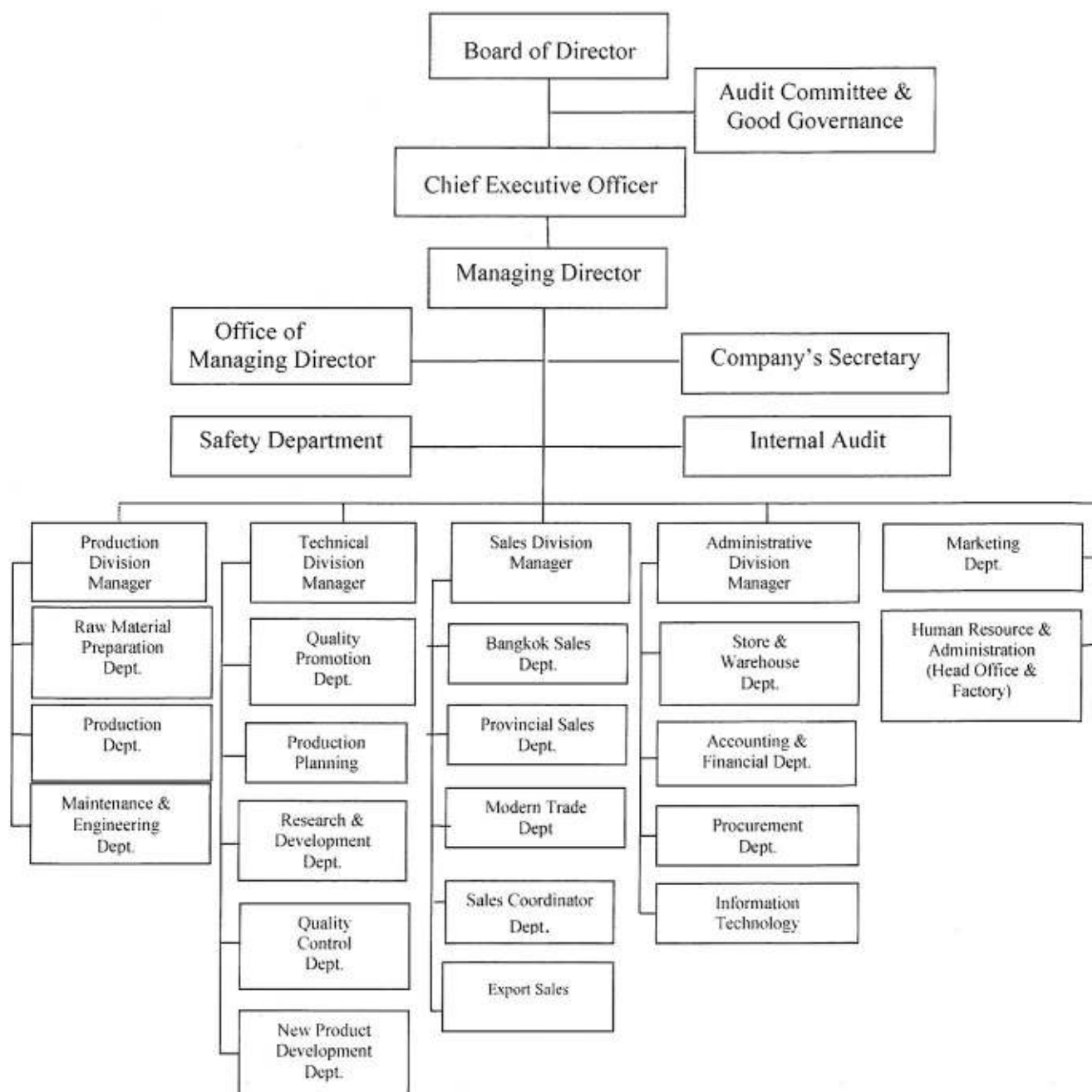
In 2016, the Company did not issue any securities.

## **6.Dividend Policy**

The Board of Directors will announce the dividend payment upon its cash flow position after legal reserve (not less than 10% of registered share capital). Dividend payout depends on the necessity of future expenditure such as debt repayment plan and investment for continued business expansion. Thereafter, it will be proposed to the Shareholders' meeting for considerations on an occasionally basis. This process is also applied to interim dividend payout. Dividend is paid within 1 month from the day of the Shareholders' meeting or the resolution of the Board of Directors is taken place.



## 7. Management Structure Organization and Board of Director



## Board of Directors of the Company

The Company has the Board of Directors consisting of 8 persons. (As at December 31, 2016)

Name	Position	Remark
1. Mr. Surachart Phongsuthana	Director and Managing Director	/
2. Mr. Chaiyos Rungcharoenchai	Director and Executive Director	//
3. Mr. Chokchai Rungcharoenchai	Director and Executive Director	//
4. Jesada Sophonpanich Yangpichit	Director	//
5. Mr. Kamolsut Dapparansi	Director	//
6. Mrs. Sirisook Hoontrakool	Independent Director and Chairman of Audit Committee	///
7. Mrs. Pawanya Kritachart	Independent Director and Audit Committee	///
8. Mr. Santi Piyatat	Independent Director and Audit Committee	///
9. Mr. Teerasit Saengngern	Director	//

Note:

- / = Director who holds position in the chain of command
- // = Director who does not hold position in the chain of command
- /// = Director and Audit Committee who does not hold position in the chain of command

(Details of qualifications and training background of the Company's directors and the executives shall be found in the attached document no. 1)

During the year 2016 the Company has appointed directors to replace directors who resigned as follows:

1. Mr. Chaiyos Rungcharoenchai was appointed to replace Miss. Paweena Laowiwatwong, Resigned from the position on 12 May 2016
2. Mr. Surachart Phongsuthana was appointed to replace Mr. Suthin Youthanavaraporn, Resigned from the position on 31 August 2016
3. Mr. Kamolsut Dabbaransi was appointed to replace Mr. Nattaphong Posakabutra, Resigned from the position on 1 December 2016
4. Mr. Jesada Sophonpanich Yangpichit was appointed to replace Mr. Somboon Uranukul, Resigned from the position on 1 December 2016
5. Mr. Chokchai Rungcharoenchai was appointed to replace Mr. Suphoj Kaewmanee, Resigned from the position on 1 December 2016
6. Mr. Viboon Wadcharasurang was appointed to replace Mr. Teerasit Saengngern, Resigned from the position on 30 December 2016

Note: Director No. 6 was appointed as director by resolution of the Board of Directors Meeting No. 1/2017 held on February 23, 2017.



## Details about Board of Directors and Top executives (As at December 31, 2016)

The Board of Directors of the Company composed of 9 persons as follows:

- 3 Executive Directors
- 3 Directors
- 3 Independent Directors and Audit Committee

### 1. Mr. Surachart Phongsuthana

Position	Managing Director
Birth	1972
Education	<ul style="list-style-type: none"> <li>- Master's Degree in Electronics and Communications , School of Science and Engineering, Teesside University, United Kingdom</li> <li>- Master's Degree in Information Technology, Chulalongkorn University, Thailand</li> <li>- Bachelor's Degree in Engineering, Kasetsart University, Thailand</li> </ul>
Shareholding	None
Experience	<p>2013 – Present: Senior Manager of Total Access Communication PLC (DTAC)</p> <p>2006 – 2011: Senior Manager of Total Access Communication PLC (DTAC)</p> <p>2002 – 2006: Team Lead to design OMC&amp;DCN solution of Motorola (Thailand)</p> <p>2001 Project Manager of XLNC Co., Ltd.</p>
Training	<p>Management: Project Management, ITIL, and Business Negotiation.</p> <p>Telecom Technology: GSM network planning, GPS, GSM Optimization, GSM architecture &amp; GSM, Air interface, GPRS Air interface, ATM, GSM Traffic, Switching Principle, Mobile intelligent network, BSS description, Broadband communication Data communication</p>

### 2. Mr. Chaiyos Rungcharoenchai

Position	Director
Birth	1983
Education	- BBA, Faculty of Business Administration, Assumption University
Shareholding	None
Experience	<p>2014 - Present: President of Thai Textile Merchants Association</p> <p>2009 - Present: Director, The JK group PCL</p> <p>2002 - Present: Director, Braccialini Co., Ltd</p> <p>1999 - Present: Director, 999 Textile Import &amp; Export PCL</p>
Training	Thai- Chinese Young Executive Program

### 3. Mr. Chokchai Rungcharoenchai

Position	Director
Birth	1983
Education	- BBA, Faculty of Business Administration, Assumption University

Shareholding	None
Experience	2014 - Present: Director, Kantana and JK Consulting Management Co., Ltd 2009 - Present: Director, The JK group PCL 2002 - Present: Managing Director, Braccialini Co., Ltd 1999 - Present: Managing Director, 999 Textile Import & Export PCL
Training	Future Entrepreneurs Forum (FEF)

#### 4. Mr. Jesada Sophonpanich Yangpichit

Position	Director
Birth	1976
Education	- BA, University of Westminster - MSc. in International Marketing (PG), University of Surrey
Shareholding	None
Experience	2010 – Present: Deputy MD of Plastissimo film 2008 – 2009: CRM Manager of RS Promotion 2006 – 2007: CRM Manager of Virgin radio 2002 – 2006: Consultant of Ernst & Young
Training	-

#### 5. Mr. Kamolsut Dapparansi

Position	Director
Birth	1977
Education	- Master of Science (M.S) in Actuarial Science, Boston University, Boston, MA, U.S.A. - Bachelor of Science(B.S.) in Industrial Engineering and Operating Research in Mathematics ,University of Massachusetts, Amherst, MA,U.S. A
Shareholding	None
Experience	2016 – Present: Managing Director as House of Truffle Co.,Ltd. 2015 – Present: Director of Thoresen Thai Agencies PLC. 2013 – Present: Chief Business Development Officer of PM Group Co., Ltd. 2010 – Present: CEO / Founder of MUGENDAI Co.,Ltd.
Training	- Director Certification Program (DCP119) by IOD - Pacific Basin Economic Council Thailand (PBEC)-Director General

#### 6.Mrs. Sirisook Hoontrakool

Position	Independent \Director and Chairman of Audit Committee
Birth	1946



Education	Bachelor of Finance and Banking, Thammasat University
Shareholding	None
Experience	Present: Director, Thai Setakij Insurance PLC 1999 - Present: Director and Chairman of Auditing Committee, The Royal Ceramic Industry PLC 1991 - 1993: Administration Manager, Thai Pattana Industrial Factory PLC 1971 - 1991: Personnel Department, Industrial Finance Corporation of Thailand
Training	DAP, ACP

#### 7. Mrs. Pawanya Kritachart

Position	Director, Independent Director and Audit Committee
Birth	1948
Education	- Bachelor of Accountancy (Finance and Banking), Faculty of Commerce and Accountancy, Chulalongkorn University - MBA (Finance), Graduate School of Business Administration, University of Baltimore, Maryland, USA
Shareholding	None
Experience	Present: Director, Green Resources 2013 – Present: Director and Managing Director, Thanapatra Asset Management Co., Ltd 2013 - Present: Independent Director and Audit Committee, The Royal Ceramic Industry PLC
Training	DAP

#### 8. Mr. Santi Piyatat

Position	Director
Birth	1968
Education	- Master of Laws (LL.M. International and Comparative Law), Illinois Institute of Technology's Chicago Kent College of Law, Chicago, Illinois, USA - Master of Laws, Chulalongkorn University - Bachelor of Laws, Thammasart University - Barrister-at-Law, Institution of Legal Education Thai Bar Association
Shareholding	None
Experience	Present: Lawyers and legal consultants working on lawsuits both domestic and abroad for more than 20 years. Present: Sub-Committee for Considering Concession Agreement on the Need of using Broadcasting and Television Frequencies (NBTC)

Experience                      Present: Fact-Finding Sub-committee, Office of the National Anti-Corruption Commission (NACC)  
    Present: Legal Counsel for Sub-Committee on Agriculture and Cooperatives, National Legislative Assembly  
    Present: A Specialist Working for General Chayuth Suwanamas, Member of National Legislative Assembly  
    Present: Director, the Royal Ceramic Industry PLC

Training                         -

**9. Mr. Viboon Wadcharasurang**

Position                         Director  
 Birth                             1950  
 Education                      Junior High School Education, Montfort College, Chiang Mai  
 Shareholding                  63,287,719 shares or 13.68%  
 Experience                      2016 – Present: Managing Director, Panichviboon (1975) Co., Ltd  
    2009 – Present: Chief executive officer, Freeform Design Co., Ltd  
    2006 – Present: Chief executive officer, Ceramic Circle Co., Ltd  
    1998 – Present: Chief executive officer, Ceramic Outlet Co., Ltd  
    1997 – Present: Director, Dynasty Ceramic Public Co., Ltd

Training                         -

**Sub-Committee**

Audit Committee as at December 31, 2016

Name	Position
1. Mrs. Sirisook Hoontrakool	Chairman of Audit Committee
2. Mrs. Pawanya Kritachart	Director of Audit Committee
3. Mr. Santi Piyatat	Director of Audit Committee

Various meetings of directors in 2016 are detailed as follows:

<u>Name of Directors</u>	<u>Board Meeting</u>	<u>Audit Committee Meeting</u>	<u>2016 Annual General Meeting of Shareholders</u>
1. Miss. Paweena* Laowiwatwong	3/6	-	1/1
2. Mr. Somboon* Uranukul	5/6	-	1/1
3. Mr. Sutin* Youthanavaraporn	4/6	-	1/1
4. Mr. Sripop* Sarasas	0/6	-	1/1
5. Mr. Teerasit* Saengngern	3/6	-	1/1
6. Mr. Suphoj* Kaewmanee	5/6	-	1/1
7. Mrs .Sirisook Hoontrakool	6/6	4/4	1/1



<u>Name of Directors</u>	<u>Board Meeting</u>	<u>Audit Committee Meeting</u>	<u>2016 Annual General Meeting of Shareholders</u>
8. Mrs. Pawanya Kritachart	6/6	4/4	1/1
9. Mr. Nattaphong* Posakabutra	5/6	4/4	1/1
10. Mr. Santi Piyatat	0/6	-	1/1
11. Mr. Surachart Phongsuthana	2/6	-	-
12. Mr. Chaiyos Rungcharoenchai	2/6	-	-
13. Mr. Jesada Sophonpanich Yangpichit	1/6	-	-
14. Mr. Chokchai Rungcharoenchai	1/6	-	-
15. Mr. Kamolsut Dapparansi	1/6	-	-

Note: Symbol \* means the director resigned during the year 2016.

### **Qualification and composition of the Board of Directors**

The Board of Directors of the Company consists of persons with knowledge and competent who have the important role in drawing up the Company's policy by collaborating with the top executives in planning the operation both short and long term including setting financial policy, risk management and organizational overview. This Board of Directors has also played the major role in overseeing, monitoring and independently assessing the operation's result of the Company and the performance of top executives according to the plan. All 9 members of the Board of Directors do not have any prohibited qualification as follows:

- 1) No record of criminal offenses in relation to property, which was done by corruption.
- 2) No transactions which may cause conflicts of interest against the Company during the past year.

Directors who have the authorization to bindingly sign for the Company are 2 authorized directors who jointly sign on behalf of the Company, with the common seal of the Company affixed.

Directors who are not the executives of the Company consist of 6 persons.

Directors who are the executives of the Company consist of 3 persons which are 1 Managing Director, 2 Executive Directors.

Directors who are independent directors consist of 3 persons namely Mrs. Sirisook Hoontrakool, Mrs. Pawanya Kritachart, Mr. Santi Piyatat, constituting more than one-third of total number of directors. In addition, 3 independent directors meet all the requirements specified in the Company's list of qualifications of an independent director and comply with the regulations of the Securities and Exchange Commission.

### **The Board of Directors' Meeting**

Directors of the Company must attend the Board of Directors' meetings regularly in order to get informed and share decision making in the Company's business operations. The meeting shall be held at least 4 times per year. The meetings' schedule is planned in advance on an annual basis. Each director will be informed about the schedule from the beginning of the year for the purpose that each director

will be able to arrange their time for attending the meeting. In addition, special meeting might be held to consider the important and urgent matters.

In the meeting Chairman of the Board of Directors, Chief Executive Officer, and Managing Director of the Company jointly determine which agenda items are relevant to the meetings. Every individual member of the Board is entitled to propose agenda items.

In 2016, the Boards held 6 meetings which are scheduled for a year in advance with 95 percent of Board of Directors attending. Individually, each director attended more than 90 percent of total number of meeting. Prior to each meeting, all members received the agenda and supporting documents 5 working days prior to the date of the meeting to allow adequate time for preparation.

When considering the matters presented to the Board, the Chairman of the Board presides over and duly conducts the meetings. All members of the Board are allowed to express their opinions independently. Resolutions are passed with a majority vote, whereby one director is eligible to vote shall be excused and/or abstain from voting. In case of a tied vote, the chairman of the meeting will cast his vote to reach a resolution.

In addition, the Board attaches significance to managing the conflicts of interest of the concerned parties with prudence, fairness and transparency. The information shall be fully disclosed. Any director with a vested interest in the matter under consideration must not be involved in the decision process.

After the Meeting, the secretary to the Board of Directors is responsible for preparing the minutes for all directors. The minutes must then be approved as the first agenda item of the following meeting of the Board, which is duly signed by the Chairman. Directors may make comments, corrections or additions to ensure maximum accuracy and completeness. After approval, minutes of the meeting are stored securely in the corporate secretary's office together with all related documents, which are backed up electronically to facilitate data searches and refer.

### **The Company's secretary**

The Board of Directors appointed Miss. Butsakorn Ngampornsawan as the Company's secretary responsible for providing advice to the Board regarding the performance of duties in compliance with the law, preparing the minutes of the Board's meetings, and attending every Board meeting; preparing the minutes of shareholders' meeting, annual report and keeping documents storage as required by law; including the responsibility for corporate governance of the Company.

The Company constantly supports the company secretary to undergo training and development in the areas of law, accounting, or corporate secretarial work. The qualifications and experience of the company secretary are disclosed in the Company's annual report.



## Remuneration of the Board of Directors

The Company has fixed appropriate remuneration for the Board of Directors and top executives at rate comparable to the remuneration of directors in the same industries. Remuneration for the Board is also considered based on the Company's performance, before being proposed for approval in the shareholders' meeting. Remuneration of top executives: the Board of Directors shall consider the compensation of top executives by taking into account the role, duty, responsibility and performance of each individual; including the Company's performance, implementation of the policy assigned by the Board together with overall economic and social situation by comparison both the current and historical data on the following factors.

1. Performance of business which shall be set forth each year by using the sales and profit before tax for assessment and comparison purposes.
2. Comparison of the Company business performance with those of the other companies in the same industry.
3. The executive's capability to develop and improve operational efficiency to be better each year.

In the Annual General Meeting of Shareholders for the year 2016 held on April 28, 2016, a resolution passed concerning the remuneration of directors by making monthly remuneration in form of entertainment and recreation allowance to Chairman of Board of Directors at 36,000 Baht, audit committee and independent director at 18,000 Baht each per month, director at 15,000 Baht each per month, and meeting allowance for directors was set at 4,000 Baht per person per time of attendance.

### a) Details of remuneration

Remuneration for directors of the Company in 2016 (unit: Baht)

<u>Name of Directors</u>	<u>Remuneration</u>	<u>Meeting Allowance</u>	<u>Total</u>
1. Miss. Paweena* Laowiwatwong	180,000	12,000	192,000
2. Mr. Somboon* Uranukul	165,000	20,000	185,000
3. Mr. Sutin* Youthanavaraporn	120,000	16,000	136,000
4. Mr. Sripop* Sarasas	18,000	-	18,000
5. Mr. Teerasit* Saengngern	180,000	12,000	192,000
6. Mr. Suphoj* Kaewmanee	135,000	20,000	155,000
7. Mrs .Sirisook Hoontrakool	216,000	40,000	256,000
8. Mrs. Pawanya Kritachart	216,000	40,000	256,000
9. Mr. Nattaphong* Posakabutra	198,000	40,000	238,000
10. Mr. Santi Piyatat	183,000	-	183,000
11. Mr. Surachart Phongsothana	60,000	8,000	68,000
12. Mr. Chaiyos Rungcharoenchai	75,000	8,000	83,000
13. Mr. Chokchai Rungcharoenchai	15,000	4,000	19,000
14. Mr. Kamolsut Dapparansi	15,000	4,000	19,000
15. Mr. Jesada Sophonpanich Yangpichit	15,000	4,000	19,000

Note: Symbol \* means the director resigned during the year 2016.

## Human Resources

### a) As at December 31, 2016

The Company has employees (RCI) totally 586 persons, divided into the followings:

- Permanent employees at head office                      116 persons
- Permanent employees at factory                              462 persons

The Company has employees (RABT) totally 2 persons

### b) Remuneration

The employees will receive the remuneration in term of wage, allowance, bonus, and overtime payment including welfare in accidental insurance, health insurance and employee provident fund.

### c) Employee development policy

The Company emphasized the important on the value of employees by improving on human resources management system, developing human resources continuously, and setting human resource management policies as follows:

1. Human resources readiness to support future shortage in workforce by having talent management to take care of employees with high potential and high performance in various aspects including compensation, remuneration, career growth, development as well as the assignment of tasks that are commensurate with employees' talent.
2. Employee competency development and enrichment as employee at each level will be given an opportunity to develop their business knowledge by getting training on suitable courses.

In 2016, the Company set the intention to supporting the development of human resources that will be valuable personals to society. In the meantime, it also aims to promote personals with up to date knowledge by training and continual developing employees as follows:

- Operational support courses to be more effective in working such as basic course on lubrication products which training was on August 25, 2016, course on working with chemicals which training was on October 26, 2016, and safety training course on working in confined spaces which training was on 14-15 November 2016.
- Continuous development courses to promote the quality of the performance and personals for planning policy and setting targets of the operation of the Company each year, monitoring on the performance and working assessment including summary of problem-solving of each department to compare operational results with planned KPI. At present, the Company has 3 systems as follows:

1. Quality Management System ISO 9001: 2008 is the arrangement of management system for quality assurance to assure that different processes can be controlled and monitored. By using specific procedures and working methods to assure that personals in this organization know their duties, responsibilities, and procedures for the operation. There are training to provide knowledge and skills in practice with data recording including monitoring performance and errors correction together with a guide to prevent the same error. The Company has implemented this system since 2001 up to present totally 14 years.



2. Occupational Health and Safety Management System OHSAS 18001: 2007 is the system that prevent employees from being injured and pain in order to comply with the law and relevant standards. In addition, Occupational Health and Safety Management System also open opportunity to conduct business with customers that take into account the safety and health of employees in trading partners, strengthen attitudes of employees, and the improvement of work place within the organization to be more safely.

3. Energy management system ISO 5001: 2011, the Company prepares the documentation system, reports the result of improvements in energy and managing projects related to reducing greenhouse gas emissions throughout the production chain to encourage the efficiently use of energy. This energy management system will assist the Company in reducing costs, increasing production efficiency and supporting the use of new technology on energy efficiency. Therefore, the Company shall have substantial energy operations which are actually implemented and cause continuous improvement.

### **Cultivating corporate culture**

RCI has organized various activities to encourage employees in adhering and abiding respectively with RCI Code of Conduct as a framework of working.

## 8. Good Corporate Governance

The Company is resolved to become a role model in corporate governance, encapsulating it in the Company's Vision with the conviction that the Company's corporate governance will ensure fairness, transparency, and long-term economic value for shareholders whilst creating confidence among all stakeholders and enhancing the Company's competitiveness to achieve sustainable growth.

In 2016, the Board of Directors demanded that 56-1 form, Annual Report, and the booklet RCI's corporate governance policy be updated to reflect changing socioeconomic circumstances as well as the global social context that has pushed forward the international standards of practices and criteria in management in accordance with the principles of corporate governance to create confidence among stakeholders and promote sustainable growth. RCI thereby updated its corporate governance guidelines in compliance with the criteria of the Stock Exchange of Thailand and Thai Institute of Directors (IOD) which have been updated and amended to conform to the ASEAN CG Scorecard aiming to enhance corporate governance standards and practices of ASEAN listed companies up to international standards.

### **8.1 Corporate governance policy shall be divided into 5 sections with details as follows:**

#### **1. The Rights of Shareholders Section**

RCI has the policy to support, promote, and facilitate every shareholder including institutional investors to ensure that shareholders, both as investors and owners of the Company, are entitled to all basic rights meeting widely accepted and reliable standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company, the right to attend Shareholders' Meetings, the right to propose in advance the Meeting agenda, the right to nominate a person to be a director, the right to express opinions independently, and the right to make decisions on important affairs of the Company, e.g., the election of directors, the appointment of auditors and fixing of the audit fee, approval of significant transactions influencing the Company's direction, as well as amendment of Memorandum of Association and Articles of Association of the Company, etc. Each shareholder has the right to vote at meetings according to the number of shares owned whereby one share is entitled to one vote, and no particular shareholder allows privilege over the rights of other shareholders.

Apart from the abovementioned rights of the shareholders, the Company has made additional efforts to encourage and facilitate shareholders to exercise their rights as follows:

1. To provide essential, clear, and up-to-date information for shareholders regarding the Company's business. The Company will notify shareholders of the information through RCI's website and the Stock Exchange of Thailand (SET).
2. To ensure all shareholders receive clear and sufficient detailed information concerning the Shareholders' Meeting, allowing them to have adequate time to study the information before attending the Meeting, the Company will notify shareholders of the venue, date, time, and



proposed agenda items. The information in Thai and English will be posted on the Stock Exchange of Thailand (SET) portal and RCI's website approximately 28 days prior to the Meeting.

For the meeting notice, the Company provides a detailed description of each agenda item together with the opinion of the Board of Directors. A notice of the meeting and attachments including the registration form, documents and evidence required prior to attending the Meeting, proxy procedure, registration, and proxy forms, in Thai and English, will be posted on RCI's website at least 30 days before the Meeting. Such documents are submitted to shareholders no less than 21 days prior to the Meeting.

3. To facilitate shareholders unable to attend a Meeting, the Company provides an opportunity for them to appoint a representative, e.g., an independent director or any other person to act as proxy, using one of the proxy forms attached to the notice of the Meeting. The proxy forms prepared in compliance with the specifications defined by the Department of Business Development at the Ministry of Commerce allow the shareholders to exercise their voting rights as they wish. The Company also attaches documents and evidence required prior to attending the Meeting, proxy procedure, and registration to the notice of the Meeting. Also attached is a profile of independent directors with no conflict of interests on the agenda to elect the directors proposed by the Company to serve as proxies for shareholders. The proxy forms in Thai and English can be downloaded from RCI's website.

For foreign investors who authorize custodians in Thailand to keep and safeguard their shares, the Company will arrange for the documents and evidence required prior to attending the Meeting well in advance to facilitate registration on the date of the Meeting.

4. The Company provides opportunities for the shareholders to submit questions related to items on the agenda or other information prior to the Meeting to the email address [www.rci.co.th](mailto:www.rci.co.th) or to the Company's address. For more information, please contact the Office of the Company's Secretary via the following channels:

The Royal Ceramic Industry PLC

Address: No. 65/225 Chamnan Phenjati Business Center Building 27<sup>th</sup> Floor Rama 9 Road, Huai Khwang District, Huai Khwang Sub-District, Bangkok 10320 Tel: 02-643-0222 Fax: 02-643-0948-9 E-mail: [butsakorn.n@rci.co.th](mailto:butsakorn.n@rci.co.th)

New office location (after April 1, 2017) Address: Dynasty Ceramic PCL Building, No. 37/7 Suthisarnwinijchai Road, Samsennok Sub-District, Huai Khwang District, Bangkok 10310 Telephone No. 0-2276-9275-80 Fax No. 0-2643-0948-9

5. For 2016, the Company held the Annual General Meeting (AGM) of Shareholders on April 28, 2016 with 9 directors attended the Meeting as follows:

1. Miss. Paweena Laowiwatwong	Chairman of Board of Directors
2. Mr. Somboon Uranukul	Chief Executive Officer
3. Mr. Sutin Youthanavaraporn	Managing Director
4. Mr. Teerasit Saengngern	Director
5. Mr. Santi Piyatat	Director
6. Mr. Suphoj Kaewmanee	Director
7. Mrs. Sirisook Hoontrakool	Independent Director and Chairman of Audit Committee
8. Mrs. Pawanya Kritachart	Independent Director and Audit Committee
9. Mr. Nattaphong Posakabutra	Independent Director and Audit Committee

6. The 2016 Annual General Meeting of Shareholders was held by the Company at the Meeting Room on the 28<sup>th</sup> Floor of Chamnan Phenjati Business Center Building Rama 9<sup>th</sup> Road, Huai Khwang District Bangkok to facilitate the increased number of shareholders, allowing them to raise questions and express opinions in the same meeting room, thereby ensuring a smooth, efficient meeting. Moreover, the venue was easily accessible by shareholders as it is located on Rama 9<sup>th</sup> Road and approximately 500 meters from Phra Ram 9 MRT Station.
7. On the date of the Meeting, in the case of the appointment of another person as a proxy, the Company facilitated the affixing of the stamp duty on all proxy forms registering at the document check counter. The Company's officers were available at all times to provide assistance during the registration. Registration for the Meeting started no less than 1 hour prior to the Meeting.
8. Prior to the Meeting, the Moderator explained to the Meeting the procedures of voting, counting of votes, and announcing of voting results, which can be summarized as follows:

8.1 In voting for each agenda item, each Shareholder or a proxy authorized by any Shareholder to vote on his/her behalf was entitled to vote equal to the number of shares held, whereby one share would be equal to one vote. Votes were to be cast by the raising of hands.

8.2 To ensure transparency and verification, the Company provided voting cards for each agenda item. In casting votes, the Chairman requested shareholders or proxies who voted to disapprove or abstain for such agenda item to mark the voting cards accordingly with his/her signature affixed and raise their hands to notify the Company's officers so as to have their voting cards collected. All shareholders who voted to approve needed to mark the voting cards accordingly with his/her signature affixed but were not required to raise their hands. All the voting cards were collected when the meeting adjourned.

As for a large number of shareholders who authorized their proxies to the Independent Directors, the Company needed to cast votes of approval, disapproval, or abstention for each agenda item according to their requisition.



- 8.3 The results of the vote count shall be announced at the Meeting after the completion of the counting of votes for each agenda item. However, vote counting for some agenda items might take longer. In such cases, the Chairman might request the Meeting to proceed with the consideration of the next item on the agenda to avoid disrupting the Meeting. The Meeting is informed of the result as soon as the vote counting has finished.
9. The Company assigned independent representatives from the auditor to check vote counting throughout the Meeting with the shareholders' right protection volunteer from Thai Investors Association serving as an observer.
  10. Shareholders arriving after the Meeting commenced were allowed to vote on the agenda item considered provided that a resolution was not yet made. They constituted part of the quorum starting from the agenda item for which they were in attendance and can exercise their rights. As a consequence, the number of shareholders in each agenda item might vary.
  11. At the Meeting, shareholders were allowed to freely express their opinions, give suggestions and raise questions on any agenda item before casting votes, so that shareholders could obtain sufficiently detailed information on the matter in question. When shareholders had questions or inquiries, specialists in specific fields were available to answer queries under the authority of the Board with representatives from the Auditor of the company as witnesses.
  12. The agenda of the 2016 Annual General Meeting of Shareholders was considered chronologically as it appeared in the invitation letter submitted to shareholders prior to the Meeting, without any changes in order or request the Meeting consider any agenda item other than those specified in the invitation letter.
  13. The Company disclosed the voting results and resolutions for each agenda item at the 2016 Annual General Meeting of Shareholders to the public via SET Portal and RCI website after the Meeting ended.
  14. The Company prepared the minutes of the Shareholders' Meeting completely encompassing all material information: names of Directors and the Management attending the Meeting, voting procedure, resolutions of the Meeting, voting results for each agenda item, key questions, clarification, and shareholders' comments. The Company prepared the Minutes of the 2016 Annual General Meeting of Shareholders' and submitted them to the Stock Exchange of Thailand and the Ministry of Commerce within 14 days from the date of the meeting as stipulated by law. They were disseminated on the Company's website.
  15. Following the Annual General Meeting (AGM) of Shareholders, the Management will consider the questions and suggestions made by shareholders at the Meeting and propose them to the Board of Directors to determine appropriate response measures and improve the next AGM of shareholders. For the suggestions made by the shareholders and the response measures were determined as follows:

Shareholders Suggestion	The Company's Response Measure
1. Suggestion to set Anti-Corruption Policy	At present, the Company has already set Anti Corruption Policy and it was published in the Annual Report
2. Suggestion that the Company join the project management team of Thai Investors Association on Collective Action Coalition Against Corruption (CAC) program	Agree to participate, if there is a chance. The developments in this regard will be proceed gradually

## **2. The Equitable Treatment of Shareholders Section**

The Company is fully aware of its duty to protect the interests of every shareholder, major or minor, individual or institutional as well as Thai or foreign investors to ensure equality and fair treatment for all to further ensure the maximum benefits of shareholders. The efforts are as follows:

### **Provision of opportunities for minor shareholders to propose matters to be included in the Meeting agenda and to nominate candidates for the election of Board members prior to the date of the Shareholders' Meeting**

The Company has prescribed criteria and procedures whereby minority shareholders may propose agenda items for the Meeting and nominate qualified candidate(s) to be considered for election as a director of the Company 3 months prior to the end of the Company's accounting period. Such rules and procedures are posted on SET Portal and the Company's website.

For the 2016 Annual General Meeting of Shareholders, the Company provided an opportunity to shareholders to propose agenda items for the Meeting and nominate qualified candidate(s) to be considered for election as a director of the Company during September 28, 2016 – December 31, 2016. The Agenda Item Proposal Form and/or Nomination for Directors Form along with the required documents must be sent to the Company Secretary or to the independent directors' email at [www.rci.co.th](http://www.rci.co.th). The criteria are as follows:

Prior to the Meeting, one or several shareholders have the right to propose in advance agenda items. The Board of Directors of the Company takes responsibility for consideration which proposed agenda item be included on the Meeting agenda, and the Company shall specify it in the notice of the Meeting that the agenda item was proposed by a shareholder. However, in the event the proposed agenda item is rejected, the Company shall inform shareholders of the reasons at the Annual General Meeting of Shareholders.

For the nomination for directors, any shareholder is entitled to nominate in advance any qualified candidates for the election of Board members. Then the suitable nominees are presented to the Board for consideration before proposing them to the Shareholders' Meeting for approval.

However, during that period, no shareholder proposed any agenda item or candidate prior to the Meeting.



### **Empowering shareholders unable to attend the Meeting to assign proxies to vote in their place**

Shareholders unable to attend the Meeting are entitled to appoint the Independent Director of the Company with no conflict of interests on the agenda to act as a proxy to vote in their place, using one of the two proxy forms prepared in compliance with the specifications defined by the Department of Business Development at the Ministry of Commerce. The Company delivered the 2 proxy forms, the documents and evidence required prior to attending the Meeting, proxy procedure, and registration together with the Notice to Shareholders' Meeting, in Thai and English, to shareholders 21 days prior to the Meeting date. The documents, in Thai and English, were also publicized on the Company's website more than 28 days prior to the Meeting date.

### **Assigning Independent Directors to Take Care of the Interests of the Company and Shareholders**

Independent directors play a key role in overseeing the Company's business operations. Realizing the important role of independent directors in supporting the policies useful for shareholders or objecting to the policies that affect Shareholders' interests, the Company provides channels for shareholders to give suggestions, express opinions, or file complaints to independent directors via email: [www.rci.co.th](mailto:www.rci.co.th). The independent directors are responsible for handling each matter appropriately, for example, investigating and seeking an appropriate solution. On the other hand, if there is a suggestion that is considered to affect the stakeholders or the business, the independent director will report it to the Board of Directors' meeting for consideration and include it on the agenda of the Shareholders' Meeting. In 2016, there were no comments or complaints from shareholders.

### **Preventing Misuse of Internal Information**

The Company attaches significance to preventing the misuse of information that has not yet been disclosed to the public or confidential information that could have any impact on the Company's share price for one's own benefit or others. To that effect, the Company has established measures to prevent misuse of internal information (Insider Trading) in writing to provide guidelines for the concerned persons, namely, the Board of Directors, RCI top executives, and employees responsible for related functions as well as their spouses and children who are minors. They are as follows:

- The Board of Directors, top executives, and employees responsible for related functions as well as their spouses and children who are minors are prohibited from trading Company shares prior to the release of the Company's quarterly and annual financial statements.

The Company has made it imperative to review share trading of the concerned persons on a regular basis and to prevent employees involved with the preparation of the financial statements from disclosing the information to outsiders from the closing date of the financial statements to the public disclosure of the information.

Moreover, the concerned persons who have knowledge of confidential information that could impact the Company's share price are prohibited from trading the Company's shares until 24 hours after the public disclosure.



- Directors and executives (Top Executives) as defined by SEC are required to make an initial reporting of their securities holding in the Company to the SEC within 30 days of the date on which they are appointed (Form 59-1). They are also required to report on any changes in securities holding as a result of the purchase, sale, transfer or acceptance of transfer of securities (Form 59-2) within 3 business days of the date of any changes.

In addition, the Board of Directors will monitor to ensure compliance with such measures. It is stipulated that any changes in their shareholding be reported in the Board of Directors' meeting. The number of shares held by the directors and top executives both directly and indirectly as of the beginning and end of the year as well as those traded during the year shall be reported in the Annual Report.

In 2016, there were no insider trading cases concerning the director, top executives, and employees involved with internal information.

### **Preventing Conflicts of Interests**

The Company realizes the importance of managing the conflicts of interests of related persons, namely, the Board of Directors, RCI management committee, and employees in a prudent, fair, and transparent manner. As a consequence, the Board of Directors has established policies and measures regarding conflicts of interests as follows:

- Directors, top executives, and their related persons must file a report with the Company stating their interests in the management of the Company or a subsidiary when they first take the office. They must also file a report should there be any changes in their interests and at every year end.

The Company Secretary shall deliver a copy of such report to the Chairman and Chairman of the Audit Committee within 7 days upon the receipt of the report in compliance with the Securities and Exchange Act BE 2535 (1992) and to use such information for monitoring and preventing any conflict of interests.

- The Company discloses its shareholder structure in subsidiaries, associates, jointly-controlled entities, and other companies as well as authorized directors to ensure that the Company has a clear and transparent shareholder structure. There is no cross-holding among major shareholders, thereby preventing any conflict of interests with any party.

- At a Board of Directors' meeting, any director or executive who may have a vested interest in any agenda item under consideration must not attend the meeting or must abstain from voting on such agenda item. This is to ensure that the Board and executives make decisions in a fair manner for the utmost benefit of shareholders.

### **3. Role of Stakeholders Section**

The Company has consistently adhered to its philosophy of ethical business conduct and corporate social responsibility as well as carried out its business to jointly create values with all stakeholders for mutual and sustainable benefits. This practice is overseen by the Board of Directors to ensure compliance with laws and regulations and adherence to RCI Corporate Governance Guidelines,



and other relevant policies, as well as protection of such rights and stringent equitable treatment. Stakeholder engagement guidelines are summarized below;

### 3.1) Shareholders

The Company attaches enormous significance to the shareholders, who are the business owners. As a result, the Board of Directors, which represents shareholders, as well as the executives and employees are committed to carrying out business in line with the principles of good corporate governance and RCI business philosophy to ensure maximum benefits and long-term value for shareholders.

The Company respects the rights of its shareholders and recognizes its duty in ensuring equitable treatment of all shareholders as well as the fundamental rights stipulated by laws and Articles of Association of the Company such as the rights to attend the Annual General Meeting of Shareholders, propose agenda items in advance, elect directors, receive fair remunerations, and voice opinions on the Company's business conduct through independent directors, all of which will be compiled and presented to the Board of Directors for review.

### 3.2) Employees

The Company emphasizes on the value of employees as invaluable resources in driving the Company toward success. As a result, the Company is committed to caring and improving the quality of life of its employees to the best of its ability. To this end, the Company has consistently adhered to a number of operational guidelines taken into account cultural diversity and regional values, as well as complied with universally-accepted guidelines in the areas of human rights, labor, the environment and anti-corruption.

Cultivation of Organization Culture – The Company has cultivated its organizational culture by encouraging the audacity to think and preparedness for excellence, in employees at every level through training method on RCI organizational culture by using TRSB course namely; Team: Team work with mutual support, Respect: Respect for each individual's potential, Service: The determination to provide excellent service to customers both inside and outside the organization, Best: To work with the idea to create excellent quality every time.

Knowledge and Competency Enhancement – To foster mutual sustainable growth of both the organization and employees, the Company has promoted the enhancement of its employees' knowledge and competency on business, leadership & co-working, and professional area, a strong generation-to-generation transferable of the organizational culture, and the development of leaders with competency, integrity, and ethics at every level, all of which will help lead RCI to achieve its business goals such as implementing of the courses on the quality management system ISO 9001: 2008, the management of occupational health and safety OHSAS 18001: 2007, the energy Management System ISO 5001: 2001.

Employee Activities – The Company attaches great significance on ensuring employees physical and mental health. To this effect, the Company has initiated activities programs for health care in 2016, such as blood donation, merit making by offering food to monk, and badminton club.



**Employee Remuneration and Benefits** –The Company has put in place appropriate remunerations policies for employees on all level. In the short term, remunerations are made in line with the Company's annual financial performance and the remuneration of other companies in the same industry, the data of which is garnered through surveys of wages and remunerations of employees on all levels with external institutes. In addition, the Consumer Price Index from a governmental agency is also regularly taken into account in adjusting the wages and remunerations. In the long term, an employee performance and potential assessment is clearly prescribed. The Company gives commensurate remunerations to employees with high competence and provides career growth in correspondence with the Company's succession plan. In addition to remuneration, the Company also provides appropriate employee benefits in a number of areas, which are regularly reviewed to stay in alignment with shifting economic and social circumstances, such as medical and dental benefits, annual checkups, allowances, and travel expenses.

Furthermore, the Company has also established provident funds, registered as a juristic person with the Ministry of Finance under the Provident Fund Act B.E. 2530, for RCI employees. Employees who are members are to deposit monthly contributions to the fund at 2 percent of the members' basic salaries, and the Company makes monthly contributions to the fund at 2 percent of the members' basic salaries. In 2015, the government has allowed the employees to contribute more than 2 percent of the employees' basic salaries in order to accumulate money as long term deposit.

**Environment, Health, and Safety** –The Company is committed to promoting employees' environment, health, and safety as well as cultivating a consciousness in its employees and relevant personnel to adhere to RCI Code of Conduct in these areas through regular training and informative sessions. In addition, the Company also attaches great significance to compliance with standard guidelines and measures for international-level efficiency in terms of environment conservation.

As for employee health and safety, the Company has always recognized its importance and considered it another risk of the Company. As a result, the Company has consistently carried out measures in this regard ranging from including it in RCI Code of Conduct, formulating an occupational health and safety policy, promoting an appropriate occupational health and safety management system (OHSAS 18001: 2000) in each operational unit, in the hope of fostering a safety culture.

### **3.3) Customer**

The Company is committed to continuously creating innovations to offer products and services that meet true needs of its customers in terms of both quality and fair prices. RCI products and services must be safe as per international safety standards and environmentally-friendly, as well as promotes sustainable to ensure customer confidence and highest satisfaction. To this end, RCI has established a unit responsible for customer relations management to offer suggestions on the Company's products and services; provide counsel regarding troubleshooting and after-sales services, and handle complaints when problems arise. Suggestions are then used to inform future operation plans to enhance operation efficiency.

Furthermore, the Company has put in place a management system to foster good customer relations. As such, customer satisfaction is surveyed on a yearly basis to gauge the expectation and satisfaction level of customers for the customer feedback process, resulting in a central database of customer information to facilitate sales and service providing. Also invented is a customer consumption behavior analysis system in order to learn customers' needs and create long-term satisfaction for customers.



### **3.4) Suppliers/Business Partners**

The Company adheres to a framework of fair and transparent trade competition and strictly complies with the trading terms and conditions agreed upon, RCI Code of Conduct, and pledges given to its suppliers. To this effect, the Company determines appropriate and fair sale prices, taking into account the reasonableness, the quality, and the entailed services. In addition, regulations regarding procurement and operations are clearly established. These include refraining from demanding or accepting benefits from suppliers, supporting environmentally-friendly procurement, avoiding purchasing products from suppliers that violate human rights or intellectual property law as well as dealing business with suppliers that carry out illegal acts. This is in order to ensure ethical business conduct and responsibility toward society and the environment. The Company also refuses to conduct business with a person or a juristic person who violates the law or demonstrates behavior involving corruption. The policy is published on the Company's website.

### **3.5) Joint Venture Partners**

The Company respects the rights of joint venture partners, treats every partner equitably and fairly, and does not exploit partners. The Company also collaborates with joint venture partners to promote, support, and strengthen the operation of joint ventures; encourage exchange of opinions and suggestions; formulate business plans; determine an appropriate and allocation of interest and monitor and drive the operation of the joint ventures to be in accordance with the laws and sustainable development guidelines, in order for the joint ventures to achieve the shared goals.

### **3.6) Creditors**

The Board of Directors takes into account equality for every relevant party and honesty in carrying out its business, and is committed to conducting business in such a way that creates confidence and justness for its creditors. Policies and guidelines regarding the treatment of creditors are as follows:

1. The Company strictly complies with the terms and conditions agreed upon with respect to amortizing, collateral care, and commitment and contingent liabilities.
2. In the event that one of the terms is not fulfilled or there arises a cause for a default, the Company must notify the creditor without concealing facts so as to jointly find solutions on a reasonable basis.
3. The Company manages its finance to create an appropriate financial structure to support the business and maintain the creditors' confidence.
4. The Company strives to maintain sustainable relations with creditors and mutual trust.

### **3.7) Communities**

The Company carries out its business with concern for fairness for every stakeholder and is committed to socially-responsible business conduct. As a result, RCI has supported activities that improve the quality of life and benefit the communities. In addition, the Company also cultivates and promotes in its employees and related operators a consciousness of a good and responsible citizen who strives for the betterment of the communities and society. Furthermore, communities and every stakeholder are also encouraged to participate in activities or projects held by RCI as well as provide suggestions or lodge complaints about any impact from the Company's operations, so that the industry

and communities can co-exist sustainably such as awarding scholarships to children of employees and the community, project on the wastewater treatment plant in the factory before water being released into the public canal, project on dredge up mud for drainage, project on Good Governance Environment with the Ministry of Industry, and activities to reduce environmental impact called "Green Industry Project" by achieving Green Activity level 2.

### **3.8) Government Agencies**

The Company attaches significance to government agencies as one of the Company's stakeholders and has clearly defined guidelines for engaging in transactions with government agencies in RCI Code of Conduct and RCI Anti-corruption Policy. Furthermore, the Company ensures strict compliance with relevant laws and regulations despite varying conditions, procedures, or practices in each locality. In addition to refusing to engage in an act that could provide an incentive for officers in government agencies to commit an inappropriate or unlawful deed, the Company also cooperates with government agencies in providing academic assistance or support for various activities and is open to comments, suggestions, and complaints from government agencies.

### **3.9) Media**

The Company stresses the importance of disclosing information to the media, so they can communicate the information to the public with accuracy and in a timely fashion. To create continuous participation and good relations with the media, a number of activities have thus been held such as site and plants visits, CSR activities, opinion exchange sessions, activities catering to the interest of the media, regular media visits. The Company has also supported academic and CSR activities of the media as well.

### **3.10) Competitors**

The Company has a policy to treat competitors fairly under an honest competition framework. The Company is committed to carrying out business fairly in compliance with the law and RCI Code of Conduct and with concern for trade ethics and transparency. The Company also refuses to gain an unfair advantage over its competitors through unlawful activities, seek confidential information through unethical or inappropriate means, engage in any action that violates competitors' intellectual properties rights, and destroying competitors' reputations with defamatory. In addition, the Company supports and promotes free trade.

### **3.11) Civil Society Sector, Academia, and Opinion Leaders**

The Company conducts business with concern for social responsibility and all stakeholders. In addition to full, accurate, transparent, verifiable disclosure of information, the Company recognizes the importance of comments and suggestions from the civil society sector, which reflect issues that the Company can improve to create values and benefit for society by focusing on the care and the creation of value for society and communities as well as strive to extent to the industry in order to create a shared business practice for sustainability.

### **Contacts for Stakeholders**

The Company has opened up opportunities for stakeholders to offer suggestions, which will then be compiled, screened, and reported to the Company's top executives and the Board of Directors, through the following channels:



Company secretary / Investor relations E-mail: [butsakorn.n@rci.co.th](mailto:butsakorn.n@rci.co.th)

In addition, the Company has also provided channels through which employees and external stakeholders can contact, offer opinions, lodge complaints, and report violation cases, namely the Helping Line (Opinion Box) and [www.rci.co.th](http://www.rci.co.th) (for other stakeholders) for further actions to be taken. The procedures are as follows:

- Employees or stakeholders file reports via the designated channels. The information provided is considered confidential and revealed only as necessary. The Company has also put in place informant/complaint lodger protection measures, and the investigation does not require the revelation of the informant's identity or the information source. In addition, informants can demand appropriate protection measures or the Company might implement extra protection measures without having received any demand informants if the issue can potentially cause damage or dangers.
- Delegates receive complaints, verify the validity, and conduct a preliminary investigation with meticulousness to reach a conclusion within 30 days. Progress reports are also made to the informants if their identities are identified.
- In the event that a violation is proven, an investigation committee will be formed to pass judgment and determine the punishment. Then, the corruption or complaint will be reported to the Audit Committee and the Board of Directors.
- Should stakeholders desire to contact the Board of Directors directly without going through the management in order to report cases of rights violation, corruption, non-compliance with laws or ethical practices which might be related to an executive, they can file reports to the independent directors via independent directors at Email: [butsakorn.n@rci.co.th](mailto:butsakorn.n@rci.co.th)

#### **4. Disclosure and Transparency Section**

The Company recognizes the importance of information disclosure because it greatly affects decision-making by investors and stakeholders. It is necessary, therefore, to define and administer measures concerning the disclosure of information, both financial and non-financial. Information disclosed via the SET Portal of the Stock Exchange of Thailand and RCI's website shall be complete, sufficient, transparent, reliable and up-to-date, written in both Thai and English.

Furthermore, the Board of Director is committed to adhering to RCI's guidelines for disclosure of relevant information to systematize the Company's practice of disclosure, prevent potential damage that results from inappropriate disclosure, and ensure shareholders, investors, the public, and stakeholders that the Company's disclosure is accurate, clear, compliant with the law, and equitable. To this effect, the Company has defined parties entitled to disclosing key information not yet publically disclosed, established guidelines for the disclosure of various types of information to the public, and designated a period before general public disclosure in which extra caution must be exercised.

The Company is committed to obeying the law, and the regulations and obligations mandated by the Securities and Exchange Commission (SEC), the SET and relevant government agencies. Regular amendment takes place to ensure that the Company is up-to-date in its adherence to laws, regulations and obligations, and to guarantee The Company's transparency in conducting business. For example, the Company:

1. Compile reports as required by laws related to directors and chief executives and submit such reports to the Securities and Exchange Commission, which include:

1.1 Report of the holding of the company's securities upon the first appointment as the company's director or executive (Form 59-1) within 30 days of the date of appointment.

1.2 Report of change in holding upon every purchase, sale, transfer or acceptance of transfer of the company's securities (Form 59-2), within 3 days from the date of such change.

1.3 Disclosure of names of the directors and executive of the company that issues the securities (Form 35E-1), within 7 business days from the date of appointment.

2. Establish a policy that requires the Company's directors and executives to report their own interests, and those of any related persons, which are vested interests relating to the management of the Company or its subsidiaries. The criteria and reporting procedures are as follows:

- Report when first taking office as a director or executive.
- Report every time there is a change in director's or executive's vested interests.
- Report at every-year-end.
- In the event that a director retires by rotation and is re-elected, he is not required to submit another report if there is no change to his stakes.
- Directors and executives must submit their Reports on Interests via the company's secretary, who submits copies to the chair of the Board of Directors and the chair of the Internal Audit Committee within 7 working days upon receiving the reports.

3. In 2016, the Board of Directors established a policy requiring all the directors to disclose/report their securities trading to the Board of Directors' meeting and the ordinary shareholdings of their spouse and minor children, to the Board of Directors' meeting for acknowledgement.

4. Prepare a report on the Board's responsibility for financial statements and present it along with the Audit Committee's report in the Annual Report.

5. Disclose accurate, complete and timely financial information and non-financial information.

6. Publish Notice of Annual General Meeting of Shareholders and Annual Report within 120 days after each financial year-end.

7. Publish minutes of the latest Annual General Meeting of Shareholders on the Company's website.

8. Disclose the roles and responsibilities of the Board of Directors and Sub-committee, the number of meetings held, and the number of meetings that each individual director and Sub-committee member attended.

9. Disclose the date of the director's appointment in the Company's annual report.

10. Disclose the Board member selection process and the Board's performance assessment.



11. Disclose the policy on the remuneration of directors and top executives, including forms, types and amount of remuneration for each committee member.
12. Disclose details of each individual director's attendance of courses offered by the Thai Institute of Directors Association (IOD).
13. Disclose detailed information on the operations and investment structure of subsidiaries and associate companies.
14. Disclose the audit fee and other fees in the Company's annual report.
15. Disclose the Company's Memorandum of Association and Articles of Association on the Company's website.
16. Disclose the charter of the Audit Committee and Governance.
17. Disclosure of good corporate governance policy.
18. Disclosure of audit and internal control policy.
19. Disclosure of risk management policy.
20. Disclosure of anti-corruption policy.
21. Reveal significant investment projects and relevant impacts of the projects via the SET Portal of the Stock Exchange of Thailand and RCI website to ensure that shareholders, investors, the press, and related parties are kept informed of information accurately, extensively, and transparently.

### **The Company's Information Distribution Channels**

The Company places great importance upon transparency and full disclosure of significant financial, operational, and other relevant information, so that it is accurate, complete, and timely. In addition to fulfilling legal and SET reporting requirements, the Company has established its own broad infrastructure of dissemination channels to reach interested parties. These communications channels include:

1. The Investor Relations Department, which is responsible for direct communication with both local and international investors.
2. Activities to disseminate policy and operational guidelines to employees.
3. Company visits and plant tours for shareholders, investors, analysts, NGOs, communities, the media, and other stakeholders.
4. Systematic distribution to the media of press releases, photo captions, news stories, advertisements, and social media. Projects to add Like and to distribute Share by using 4 channels as follows: 1) Facebook People (RCI Tile), 2) Facebook Fanpage (RCI Tile), 3) Instagram (RCI\_tile), 4) Website ([www.rci.co.th](http://www.rci.co.th)).
5. Periodical publications and media, such as annual reports, Tile Dealers Magazine, Baan LaeSuan Magazine, The Terrace, Room Interni Magazine, and Daybeds Magazine.
6. Electronic media for communications with employees, such as intranet, e-mail and social media.
7. Disclose the information through website: "www.rci.co.th" and social media.

### **The Investor Relations Department**

The Investor Relations Department of RCI is responsible for communications with institutional investors, retail investors, shareholders, analysts and relevant government bodies on an

equal and fair basis. Should the shareholders require additional information, they can contact the Investor Relations Department directly as follows:

Address: The Royal Ceramic Industry PLC. No. 65/225 Chamnan Phenjati Business Center Building 27<sup>th</sup> Floor Rama 9 Road, Huai Khwang District, Huaykwang Sub-District, Bangkok 10320 Tel: 02-643-0222 Fax: 02-643-0948-9 E-mail: [butsakorn.n@rci.co.th](mailto:butsakorn.n@rci.co.th)

New office location (after April 1, 2017) Address: Dynasty Ceramic PCL Building, No. 37/7 Suthisarnwinijchai Road, Samsennok Sub-District, Huai Khwang District, Bangkok 10310 Telephone No. 0-2276-9275-80 Fax No. 0-2643-0948-9 E-mail: [butsakorn.n@rci.co.th](mailto:butsakorn.n@rci.co.th)

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

### **5.1 The Structure of the Board of Directors**

The Board of Directors comprises knowledgeable and competent persons who are responsible for drawing up corporate policy and collaborating with the top executives in making operating plans, both short-term and long-term, including financial policy, risk management policy, and organizational overview. The Board plays an important role in overseeing, monitoring and assessing the performance of the Company and top executives on an independent basis.

The Articles of Association of the Company prescribe that there must be no fewer than 5 but no more than 15 directors, all of whom are appointed and removed at the Meeting of Shareholders. The names of the directors are as follows:

Name	Position
1. Miss Paweena Laowiwatwong	Chairman of Board of Directors
2. Mr. Somboon Uranukul	Director and Chief Executive Officer
3. Mr. Suthin Youthanavaraporn	Director and Managing Director
4. Mr. Santi Piyatat	Director
5. Mr. Teerasit Saengngern	Director
6. Mr. Sripop Sarasas	Independent Director
7. Mrs. Sirisook Hoontrakool	Independent Director and Chairman of Audit Committee
8. Mrs. Pawanya Kritachart	Independent Director and Audit Committee
9. Mr. Nattaphong Posakabutra	Independent Director and Audit Committee

The Board of Directors is composed of 3 directors who are the executives of the Company which are Chairman of the Board of Directors, Chief Executive Officer, and Managing Director, and 6 non-executive directors, most of whom have prior experience related to the Company's main business, the industrial sector, or the management that is beneficial to the directing of the Company. The profiles of each member of the Board can be found in the Annual Report.

In addition, the Board of Directors is composed of 3 independent directors. The duties of these independent directors include auditing the management, providing opinions and comments, supporting policies beneficial to shareholders or opposing any inequitable or non-transparent decisions



that may affect the benefits of shareholders or stakeholders, overseeing the establishment and disclosure of policies regarding connected transaction supervision to ensure the maximum benefit of the Company and its shareholders.

## **5.2 Scope of Authority of the Board of Directors**

The Board of Directors has the following authorities:

1. Acting in a best interest of shareholders (Fiduciary Duty) by observing the following 4 main practices:
  - 1.1 Performing its duties with responsibility and all due circumspection and caution (Duty of Care).
  - 1.2 Performing its duties with faithfulness and honesty (Duty of Loyalty).
  - 1.3 Performing its duties in compliance with laws, objectives, Articles of Association, the resolutions of the Board of Directors and resolutions of Shareholders' Meetings (Duty of Obedience).
  - 1.4 Disclosing information to shareholders accurately, completely, and transparently with verification and timeliness. (Duty of Disclosure).
2. Directing RCI's visions, missions, and business strategies, with an annual revision and approval.
3. Reviewing the major operating plan, budgets, business goals, and business policies and enhancing the capabilities of the Company to reach a globally competitive level.
4. Overseeing and monitoring the implementation of the Company's strategies; overseeing and monitoring overall performance by requiring their performance reports periodically; and setting policies to develop and improve the business operations with concern for safety, hygiene, social and environmental responsibility and development of the Company's employees.
5. Devoting their time and efforts to the Company without seeking benefits for themselves or others and not acting in conflict of interest or in competition with the Company.
6. Directing the Company's operation in compliance with the laws, objectives, Articles of Association, resolutions of the Board of Directors and resolutions of Shareholders' Meetings in good faith and with care to preserve the highest interests of the Company and fairness to all involved parties.
7. Specifying risk management policies and overseeing to ensure effective risk management systems together with reviewing and assessing the systems periodically and in the wake of a change in risk levels.
8. Overseeing and developing the Company's corporate governance to provide guidelines for business operations while monitoring to ensure compliance and being a role model in complying with the principles of good corporate governance and RCI Code of Conduct.

9. Encouraging staff at all levels to be conscious of ethics and morality and comply with the Company's principles of corporate governance, Code of Conduct and the anti-corruption policy while promoting awareness of the importance of internal control system and internal audits to reduce the risk of fraud and abuse of authority and prevent any illegal act.
10. Protecting the fair rights and interests of both major and minor shareholders along with supporting shareholders in exercising their rights to protect their own interests, and receive accurate, complete, transparent, veritable, and timely information.
11. Recognizing the roles, duties, and responsibilities of the Board of Directors, respecting the rights of shareholders, ensuring the equitable and transparent treatment of shareholders and other stakeholders; overseeing and establishing a clear process and channels for receiving and handling complaints from informants or stakeholders, and ensuring an opportunity for every stakeholder to contact or lodge complaints about potential issues directly to the Board of Directors.
12. Reviewing top executive while overseeing to ensure the effective performance assessment of top executives on an annual basis and determining appropriate remuneration in line with the Company's operating results to provide both short-term and long-term incentives.
13. Assessing the performance of the Board of Directors annually by performing assessments as a whole without aiming at any individual director; together with monitoring the assessment results of the Board and its Sub-committees which will be jointly deliberated by the Board of Directors.
14. Overseeing and monitoring to ensure the selection and nomination process of a director is carried out transparently and the remunerations for directors and sub-committee members are determined appropriately.
15. Attending all meetings of the Board of Directors and Shareholders' Meetings, except in unavoidable circumstances. The directors who are unable to attend a meeting must notify the Chairman or the Secretary to the Board in advance of the meeting.
16. Developing their knowledge and competency related to their duties consistently through courses or curricula related to directorial duties or seminars that enhance their knowledge in continual performing its duty.

Performing its duties, the Board of Directors may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate.

### **4.3 Scope of Authority of the Chairman of the Board of Directors**

The Chairman of the Board of Directors has the following authority:



1. Sets Board meeting agenda in consultation with Chief Executive Officer & Managing Director and oversees to ensure Board members receive accurate, complete, timely, and clear information prior to the meeting to assist in their decision making process.
2. Provides leadership and direction to the Board of Directors and chairs meetings of the Board.
  - 2.1 Conducts a Board meeting according to the agendas, the Company's Articles of Association, and applicable laws.
  - 2.2 Encourages and allocates sufficient time to each Board member to discuss and express their free and frank opinion with due circumspection and concern for all stakeholders.
  - 2.3 Sums up the Board meeting resolutions and the actions to take clearly.
  - 2.4 Sets up a Board meeting.
3. Chairs meetings of shareholders according to the agendas, the Company's Articles of Association, and relevant laws by allocating time appropriately along with providing opportunities for shareholders to express their opinions equitably and ensuring that shareholders' inquiries are responded to appropriately and transparently.
4. Supports and be a role model in compliance with the principles of good corporate governance and RCI Code of Conduct.
5. Fosters a positive working relationship between the Board of Directors and the Management and supports the performance of the duties of the Managing Director and the Management in accordance with the Company's policy.
6. Oversees to ensure the transparent disclosure of information and management in the event of conflicts of interest.
7. Oversees to ensure the Board of Directors has appropriate structure and composition.
8. Oversees that the Board of Directors as a whole, Sub-committee members, and each individual director perform their duties effectively and efficiently.
9. Oversees to ensure the performance assessment of the Board of Directors as a whole.

#### **4.4 The Board of Directors' Authorization**

The Board of Directors is empowered to authorize various matters in accordance with the scope of authority stipulated by laws, the Company's Articles of Association, and the shareholders' meeting resolutions. Such matters include defining and reviewing corporate vision, operating strategies, operating plans, risk management policy, annual budget and business plans, and medium range business plan. Added to this is the defining of the target operating results, following up and assessing the operating results to ensure they are consistent with the plan, and overseeing capital expenditure, merger and acquisition, corporate spin-off, and joint venture deals.

#### **4.5 Separation of the Roles of the Board of Directors and the Management**

The Company defines clear roles and responsibilities regarding the Board of Directors and the management. The Board shall be responsible for establishing the policies and overseeing the management's implementation of those policies. The management, on the other hand, shall be responsible for implementing the policies formulated by the Board, and ensuring that these are carried out as planned. The management is authorized to manage the Company's operations in accordance with the policies set by the Board; take responsibility for the Company's operating results; control expenses and capital expenditures within the limits approved by the Board in the annual operating plan; manage human resources in line with the prescribed policy; resolve problems or conflicts that affect the Company; and maintain effective communication with the stakeholders.

#### **4.6 Directors' Term of Service on Board**

##### **Duration of Each Term**

The Company's Articles of Association has stipulated number of years in office in each term of each director according to Public Limited Companies Act, B.E.2535. At the Annual General Meeting of Shareholders each year, one-third of the total directors must retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third must retire from the office. In choosing those directors who retire, length of service on the board should be considered, so that those who have served longest are most eligible to retire. At present, the Company currently has a total of 9 members of directors who will each hold office for 3 years. Nevertheless, a retiring director is eligible for re-election.

##### **Consecutive Terms of an Independent Director**

The Board of Directors has set policy by not allowing the Company's director to take a position in many companies at the same time in order to devote time to fully fulfill director's function effectively. In addition, the Company is required to disclose the information about serving term of each independent director to shareholders for acknowledgement.

The Board of Directors does not have policy to let the managing director and top executives of the Company to take a position in the other company except with the approval of the Board.

#### **4.7 Performance Appraisal and Knowledge Enhancement**

##### **Performance Appraisal of the Board**

The Company has stipulated a performance assessment and a review of the performance results of the Board of Directors and Sub-committees at least once a year on a yearly basis.

Moreover, the Company encourages all members of the Board and the top executives to attend various seminars and courses beneficial to their responsibilities, allowing them to constantly meet and exchange opinions with directors and top executives of different organizations. Some of these courses are organized by governmental agencies or independent organizations, such as the Thai Institute of Directors Association. The SEC requires directors of all listed companies to complete at least one of the following training courses: Director Certification Program (DCP), Director Accreditation Program (DAP) or Audit Committee Program (ACP). Experience gained from these courses is useful to the Company's development.



### **Readiness Preparation for the Company's Directorship**

For new directors, the Company established a Director Induction Program to facilitate their prompt performance of duties. The Company has commissioned the corporate secretary to coordinate the work in 3 areas as follows:

- 1) To compile the necessary information for directors to ensure their compliance with laws, rules, and regulations related to the directors.
- 2) To provide important information essential for the directors' performance of duty such as the Articles of Association, the Company's directors handbook, the handbook for directors of listed companies, and summary of operating results, for use as quick reference.
- 3) To arrange for a meeting with the Chairman and directors and the executives or head of each function to stay informed and make queries about the Company's business in depth.

## **8.2 The Sub-committees**

The Board has further established various Sub-committees such as the Audit Committee, and the Company's management committee to be responsible for their specific areas and report directly to the Board for its consideration or reference by stipulating duties and responsibilities of various Sub-committees. Moreover, the Board of Directors is entitled to form other sub-committees to handle any specific situations as seen appropriate.

### **1. The Audit Committee**

The Audit Committee comprises 3 independent directors, all of whom are well accepted and have a full understanding of, and experience in, accounting or finance. Mrs. Sirisook Hoontrakool and Mrs .Pawanya Kritachart, with their extensive knowledge and experience, are responsible for reviewing the reliability of the financial statements. The Audit Committee members' duties include a review to ensure that operations have been carried out in accordance with the Company's Articles of Association as well as the laws and regulations of compliance-related agencies. Moreover, the Committee is committed to promoting the advancement of the Company's financial and accounting report system to meet international standards and to ensure that the Company has an appropriate, modern and efficient internal control system, internal audit system and risk management system. The Audit Committee acts and expresses opinions independently. The Audit Committee also consults regularly with external auditors, consultants and specialists in the areas of law and accounting. The Audit Committee must set up meetings with the Company's external auditors to get their opinions on various matters.

Name of Audit Committee	Position
1.Mrs.Sirisook Hoontrakool	Chairman of Audit Committee
2.Mrs.Pawanya Kritachart	Audit Committee
3.Mr.Nattaphong Posakabutra	Audit Committee

## **The Audit Committee's Term on Board**

The Audit Committee is subject to a three-year term. The directors must retire from office by rotation at the Annual General Meeting of Shareholders. Nevertheless, a retiring director is eligible for re-election.

## **Scope of Authority of the Audit Committee**

The Audit Committee is authorized to fulfill the following duties:

1. Review the appropriateness of financial reporting system and disclosure of information in its financial statements in accordance with the legally defined Financial Reporting Standards, with transparency, correctness, and adequacy.
2. Promote the development of financial reporting systems in compliance with International Financial Reporting Standards.
3. Review the compliance of the Company's Internal Control System and the appropriateness and the effectiveness of the Company's Internal Audit System in accordance with internationally accepted approaches and standards.
4. Review "The Assessment Form of the Adequacy of the Internal Control System" as audited and assessed by the Internal Audit Office to ensure that the Company has sufficient internal control system and propose to the Board of Directors for consideration.
5. Review the presence of proactive preventive system to enhance operating effectiveness and efficiency.
6. Review the corporate risk management system.
7. Review the Company's Compliance Procedure in accordance with the Securities and Exchange Act, rules, regulations and other laws relevant to the Company's business.
8. Review the results of fraud investigation, establish the preventive measures in organization and review the internal processes of whistleblower system.
9. Review the correctness and effectiveness of the information technology system relating to internal control, financial reports, and risk management and suggest updates and improvements as needed.
10. Consider connected transactions or those having possible conflict of interest to ensure compliance with all pertinent laws and requirements of the Stock Exchange of Thailand.
11. Review and give the opinion toward the audit practices of the Internal Audit Office and coordinate with external auditors.



12. Prepare the audit committee's report to be disclosed in the Company's Annual Report and duly signed by the Chairman of the Audit Committee and containing opinions on various matters as required by SET.
13. Consider, select and propose the appointment or discharge an independent person to perform the duties of the Company's auditor and also propose the remuneration of the Company's external auditor and evaluate the effectiveness of external auditor's performance.
14. Organize meetings with the Company's external auditor, without the attendance of management, at least once a year.
15. Review the execution of the Internal Audit Office for the performance assessment according to international standards.
16. Approve the internal audit plan, budget and manpower of the Internal Audit Office.
17. Consider the independence of the Internal Audit Office based upon the execution of work, reports, and line of command.
18. Review the self-assessment form on anti-corruption measures which has been verified and assessed by the Internal Audit Office in accordance with the Thai Institute of Directors' Private Sector (IOD) self-assessment form.
19. Perform other actions as required by law or as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Audit Committee is authorized to call for and order management, heads of offices, or employees concerned to present opinions, attend meetings, or submit necessary documents. In addition, the Committee may seek independent opinion from professional consultants as deemed appropriate, at the Company's expense.

The Audit Committee performs duties within its authority and responsibilities under the order of the Board of Directors. The Board of Directors is responsible for the Company's operations and is directly accountable to shareholders, stakeholders, and the public.

### **Responsibilities of the Audit Committee**

1. In case the Audit Committee is informed by the auditor about suspicious behavior of directors, managers or persons responsible for business operation of the Company, which may violate , Section 311, 312 or 313 of the Securities and Exchange Act, the Audit Committee is to investigate the case and submit a preliminary report to the Securities and Exchange Commission (SEC), as well as to the auditor, within 30 days of the date it is informed.

2. Upon finding or having doubt about the following actions or transactions, which may significantly affect the financial position and performance of the Company, the Audit Committee is to

report such events to the Board of Directors in order to find remedy within a period deemed appropriate by the Audit Committee:

- (1) Transactions which may cause conflicts of interest.
- (2) Fraud or irregular events or material flaws in the internal control system.
- (3) Violations of laws pertaining to Securities and the Stock Exchange, the regulations of the Stock Exchange, or laws pertaining to the Company's business.

Should the Board of Directors or management committee fail to remedy the issues within the timeline specified by the Audit Committee, a member of the Audit Committee may report the issue to the SEC or the SET.

**2.The management committee of the company was appointed by the Board of Directors**with the following authorities:

1. To set up strategic, direction, policies, goals and mission of the company;
2. To consider and follow up on operation results of the company in order to achieve the objectives and comply with the policies, rules and various regulations of the company;
3. To set up policies and principles of accounting or change in the company's accounting policies and principles;
4. To report to the Board of Directors; the matters that may be affected by both direct and indirect, to the company;
5. To conduct according to the Board of Directors assigned.

### **8.3 Nomination and Appointment of Directors and Top Executives**

In 2016, the Company has not established Nomination Committee. Therefore, the Board of Directors had co-considered nominating individuals to serve as directors to replace the directors who retire before their term expires on the basis of qualifications under Section 68 of the Public Limited Companies Act 2535.

In addition, the Company provides opportunities to nominate directors and top executives through the company's website for recruiting director with details of profiles, career history, and contact address including the letter of consent to be the Company's director of that person and the Board will propose to the shareholders' meeting for further consideration.

The shareholders' meeting will elect directors by using majority votes and assuming everyone has one vote per share.

### **Independent Directors**

The 3 independent directors are Mrs. Sirisook Hoontrakool, Mrs .Pawanya Kritachart, and Mr. Nattaphong Posakabutra.



## Qualifications of Independent Directors of the Company

The Company's qualifications for independent directors are as follows:

1. Shall not hold shares exceeding 1 percent of the total number of voting shares of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, including shares held by related persons of such independent director.
2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or is a controlling person of the Company, its parent company, subsidiary, associate, same-tier subsidiary company, major shareholder or controlling person unless the foregoing status has ended not less than 2 years prior to the date of becoming a director. Such prohibitions shall not, however, include cases where the independent director previously served as a government officer or an advisor to a government agency which is a major shareholder or controlling person of the Company.
3. Shall not be a person related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of child of an executive, major shareholder, controlling person, or person to be nominated as director, executive or controlling person of the Company or its subsidiary.
4. Shall neither have nor have ever had a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, in a manner that may interfere with his/her independent judgment, and neither is nor has ever been a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the date of becoming an independent director.

The term "business relationship" in the preceding paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receipt of financial assistance through receiving or extending loans, guarantees, providing assets as collateral, and any other similar actions, which result in the applicant or his/her counterparty being subject to indebtedness payable to the other party in the amount of 3 percent or more of the net tangible assets of the applicant or 20 Million Baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on connected transactions. The consideration of such indebtedness shall include indebtedness incurred during the period of one year prior to the date on which the business relationship with the person commences.

5. Shall not be nor have ever been an auditor of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the date of becoming an independent director.

6. Shall not be nor have ever been a provider of any professional services including legal advisor or financial advisor who receives service fees exceeding 2 Million Baht per year from the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than 2 years prior to the date of becoming an independent director.
7. Shall not be a director appointed as representative of the Board of Directors, major shareholder or shareholder who is related to a major shareholder of the Company.
8. Shall not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, nor be a significant partner in a partnership or director with management authority, employee, staff member or advisor who receives salary or holds shares exceeding 1percent of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary.
9. Shall not have any other characteristic that limits his or her ability to express independent opinions regarding the Company's operations.
10. Shall be able to attend meetings of the Board of Directors and make independent judgment.
11. Shall be able to look after the interests of all shareholders equally.
12. Shall be able to prevent conflicts of interest.
13. Shall not have been convicted of violating security or stock exchange laws, financial institution laws, life insurance laws, general insurance laws, anti-money laundering laws or any other financial law of a similar nature, whether Thai or foreign, by an agency with authority under that certain law. Such wrongful acts include those involved with unfair trading in shares or perpetration of deception, fraud or corruption.
14. If qualified according to all items 1-13 specified above, the independent director may be assigned by the Board of Directors to make decisions relating to business operations of the Company, its parent company, subsidiary, associate, same-tier subsidiary or any juristic person with a conflict of interest on the basis of collective decision, whereby such actions of the independent director are not deemed partaking of management.

In 2016, all the 3 Independent Directors neither involved in any business nor provided any professional service of which its value exceeded the specification in the Notification of Capital Market Supervisory.



## Nomination and Appointment of Directors and Top Executives

### Nomination of Board Members

The Board is responsible for selecting qualified candidates to replace the directors who are retiring on rotation at the end of their terms, or whatever the case may be, and proposing a list of nominees to the Board for resolution at the Shareholders' Meeting. The criteria for the selection of the nominated candidates are as follows:

- Qualifications of a qualified nominated candidate such as:
  - Readiness to dedicate time and perform duties in the interest of the Company;
  - A work history that reflects honesty and transparency, and all the qualifications of a Board Director specified in the criteria of the Securities and Exchange Commission;
  - Initiative and the ability to constantly keep abreast of new global changes;
  - Experience, expertise, and specialized skills which corroborate and supplement the capacity, knowledge, and experience that the existing members of the Board of Directors are still lacking in;
  - No engagement in a business or position as a member of a Board of Directors or an executive in an organization that is a competitor of the Company;
  - Assertiveness in expressing reasonable opinions and ideas;
  - Display of ideals, the ability to work as a team, culture, and congeniality towards the existing members of the Board of Directors.
- The selection of members of the Board of Directors according to RCI's Corporate Governance Guidance

The committee is tasked with the duty of selecting candidates to replace the retiring directors at the end of their terms, or whatever the case may be, to propose to the Board of Directors and/or at the Annual General Meeting of Shareholders to be appointed. The committee selects qualified candidates from various backgrounds, with credentials in a wide range of professions, excellent leadership, a breadth of vision, a proven record of ethics and integrity, and the ability to share their opinions independently.

- Nominated candidate screening guidelines

In screening nominated candidates for the Board of Directors, the Board has drawn up screening guidelines encompassing the following factors:

### 1. Qualifications of each nominated candidate

The committee should take into consideration each nominated candidate's personal qualifications in various facets such as:

- Integrity and accountability
- Informed judgment
- Maturity, stability, characteristics of a good listener, and the ability to express individual independent opinion.
- Commitment to upholding principles, standards, and professionalism
- Other qualities the Board deems essential

### 2. Required expertise in nominated candidates

The committee should take into consideration areas of expertise and specialization that a nominated candidate should possess so that the committee can formulate strategies and policies and effectively supervise the implementation.

### 3. Diversity of directors

In addition to the 2 aforementioned factors, the committee might consider drawing up guidelines regarding the diversity of other qualifications of a nominated candidate such as an equal representation of different groups of stakeholders, educational backgrounds, age, gender, etc.

The selection of candidates to replace the retiring directors is as follows:

- **Macro-management knowledge, experience, or expertise**

This category is further divided into several subcategories, ranging from RCI-related business or industry, administration, organization management, human resources management in the government or private sectors, economy, and investment to policy and strategy formulation, marketing or public relations, foreign affairs, and risk management.

- **Specific knowledge, experience or, expertise**

This category is divided into three subcategories, namely laws, rules, and governmental regulations related to business operations, accountancy and finance, with specific knowledge on financial statement; accounting standards, or current/prior position as a member of an audit committee of a listed company; and telecommunication, communication, and information technology.

- **Corporate Governance knowledge, experience, or expertise**

This category is divided into two subcategories, namely corporate compliance, including the formulation of relevant policies and guidelines; and treatment of stakeholders.

## **Rules and Procedures for the Election of Directors**

1. Prior to the Annual General Meeting of Shareholders, the Board shall nominate the names of persons to replace directors who are retired by rotation. The nominees will then be listed for consideration for election during the Meeting. All shareholders have an equal right to propose other candidates. Authority to select directors rests with shareholders.

2. A shareholder shall have one vote for each share he holds or represents.



3. At the election of Directors, the shareholders shall vote for each individual candidate nominated for Directors, but not exceeding the number of Directors required for that election. The vote shall not be distributed.

4. The candidates shall be ranked in descending order from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. If the votes cast for the candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the chairman of the Meeting shall cast the deciding vote.

After an extensive discussion and a careful consideration of the qualifications of each individual candidate, the Board of Directors' meeting, excluding the members with conflict of interests, resolved to endorse the list proposed by the Board and proposed the re-election of the 3 Directors who were retiring by rotation at the Annual General Meeting of Shareholders in 2016 comprised Mrs. Sirisook Hoontrakool, Mr. Sripop Sarasas and Mrs. Pawanya Kritachart were back as directors for another term. At the Annual General Meeting of Shareholders on April 28, 2016, in the election of the members of the Board of Directors to replace retiring directors by rotation, in which each candidate was elected individually, these 3 directors received the highest numbers of votes and were thus re-elected as directors for another term.

#### **8.4 Oversight of Company's Subsidiaries and Associates**

In order to ascertain that the oversight of Company's subsidiaries and associates aligns with the operating policies prescribed by the Board of Directors, the management committee has set forth mechanisms for overseeing and monitoring the management and operations of Company's subsidiaries

and associates. To that effect, the Board has empowered Chief Executive Officer and/or Managing Director to perform such duties as selecting representatives to be board members, executives, or controlling persons in those entities and reporting it to the Board.

#### **8.5 Internal Information Control**

The Company attaches significance to preventing the misuse of information that has not yet been disclosed to the public or confidential information that could have any impact on the Company's share price for one's own benefit or others. To that effect, the Company has established measures to prevent misuse of internal information (insider trading) and incorporated them into RCI Code of Conduct and Regulations for Employees in writing to provide guidelines for the concerned persons, namely, the Board of Directors, RCI top executives, and employees responsible for related functions as well as their spouses and children who are minors. They are as follows:

- The Board of Directors, top executives, and employees responsible for related functions as well as their spouses and children who are minors are prohibited from trading Company shares prior to the release of the Company's quarterly and annual financial statements.

The Company has made it imperative to review share trading of the concerned persons on a regular basis and to prevent employees involved with the preparation of the financial statements from disclosing the information to outsiders from the closing date of the financial statements to the public disclosure of the information.

Moreover, the concerned persons who have knowledge of confidential information that could impact the Company's share price are prohibited from trading the Company's shares until 24 hours after the public disclosure.

- Directors and executives (Top Executives) as defined by SEC are required to make an initial reporting of their securities holding in the Company to the SEC within 30 days of the date on which they are appointed (Form 59-1). They are also required to report on any changes in securities holding as a result of the purchase, sale, transfer or acceptance of transfer of securities (Form 59-2) within 3 business days of the date of any changes.

In addition, the Board of Directors will monitor to ensure compliance with such measures. It is stipulated that any changes in their shareholding be reported in the Board of Directors' meeting. The number of shares held by the directors and top executives both directly and indirectly as of the beginning and end of the year as well as those traded during the year shall be reported in the Annual Report.

In 2016, there were no insider trading cases concerning the director, top executives, and employees involved with internal information.

## 8.6 Audit fee

For the fiscal year 2016, the Company and its subsidiaries paid an audit fee of 930,000 Baht to Karin Audit Co., Ltd, which the auditors worked for, and to persons or businesses related to the auditors and audit firm.

In this regard, Karin Audit Co., Ltd and its auditors do not have any relationships or interests involving the company, management, or major shareholders, including their related persons.

Comparison of audit fees since 2014 – 2016

(Baht)

Details	2014	2015	2016
<b>RCI</b>			
Annual audit fee	350,000	350,000	420,000
3 quarters review fee	360,000	360,000	420,000
Total	<b>710,000</b>	<b>710,000</b>	<b>840,000</b>
<b>RABT</b>			
Annual audit fee	45,000	45,000	45,000
3 quarters review fee	45,000	45,000	45,000
Total	90,000	90,000	90,000
<b>Grand total</b>	<b>800,000</b>	<b>800,000</b>	<b>930,000</b>

### Non-audit fee

The Company paid non-audit fee consisting of auditors' traveling expenses and other expenses at the amount of 42,031 Baht.



## RCI Code of Conduct

The Board of Directors compiled a list of principles in a formal written document called the "RCI Code of Ethics" to serve as guidelines for working that were aligned with RCI's administration by conducting oneself as a good role model for others to better correspond with the evolution of RCI and suit the shifting economic and social climate. In the Code of Conduct, guidelines from each business are compiled, categorized, and furnished with examples, with a list of codes clearly specified for greater clarity and readiness of use. The Board of Directors also established the whistleblower policy, to protect any employee who files a complaint or reports on improprieties or suspected violations of laws, rules and regulations, the Company's Articles of Association, RCI Code of Conduct, and Anti-corruption Policy (Helping Line Policy). In this regard, the Company has formed a working team responsible for devising policies and providing consultancy regarding compliance with RCI Code of Conduct. This team comprises the top management in business units responsible for relevant matters, each of whom is tasked with monitoring the performance results and providing counsel on relevant matters. In addition, the Company has established channels through which employees can voice their opinions and make inquiries about RCI Code of Conduct, which can be found on the RCI website.

To further raise awareness of the RCI Code of Conduct among employees, the Company informs its employees at every level of and promotes adherence to the RCI Code of Conduct to cultivate the awareness from the first day of employment onward. In addition, the Company has published RCI Code of Conduct Manual and distributed it to all employees along with conducting informational events to expound the Code of Conduct principles and practices to ensure that a clear understanding and strict adherence in performing their duties. This has also been included as a key factor in the yearly employee performance assessment.

### **Anti-corruption Efforts**

To demonstrate its commitment to compliance with universally accepted principles in the areas of human rights, labor, the environment, and anti-corruption, which neatly correspond to RCI's business conduct, which adheres to good corporate governance guidelines, ethical practices, and the RCI Code of Conduct through five principles listed below:

1) **Ethical Business Practices:** Conduct business on the basis of honesty, integrity, transparency and, strict compliance with laws and regulations related to business conduct. Suppliers shall not engage in any corruption-related action, bribery through offers or promises of money, properties, objects, or other benefits as incentive for oneself or another party, obtain inappropriate benefits, as well as creating unfair business advantages.

2) **Labor Protection and Human Rights:** Avoid discriminatory employment practices, and give importance to labor protection especially child labor, female employees, and foreign workers. Suppliers must not use or exploit forced labor. They shall pay workers accurately and fairly including wages, benefits and define the working hours according to the laws.

3) Occupational Health and Safety: Provide a safe and healthy work environment as well as controlling accident risks and health impacts associated with the performance of duty. Suppliers shall also provide sufficient and reliable personal protective equipment.

4) Environment: Operate with concern for natural resources and the environment consistent with the 3Rs concept: Reduce, Reuse/Recycle, and Replenish.

5) Laws and Regulations: Abide by all applicable laws, rules, and regulations.

**Policy on Protection and Fairness for Employees Who Inform on or Disclose of Wrongful Conduct or Non-Compliance with the Laws, Rules, and Regulations, the Company's Articles of Association, and RCI Code of Conduct (Helping Line Policy)**

Eligible complaints

1. Employees who witnessed the act violate the laws, rules, and regulations; the Company's Articles of Association, and RCI code of conduct in business.
2. Employees, who are intimidated, threatened and faced disciplinary proceedings such as salary reduction, suspension from work, removal from job or being discriminated with unjustified method relating to employment conditions. This is due to their complaints to give or to provide information, assistance in investigation process, or gathering facts for complaint recipients including taking legal action, being witness to testify or provide cooperation with the court or any government agency.

Complaint-receiving officers

1. Trusted supervisors
2. Chief Executive Officer
3. Managing Director

Method in making the complaint

Informants can direct their complaints to any of the following methods:

1. Verbal or written complaint directly
2. Submission via e-mail address of complaint-receiving officers
3. Submission of a formal letter thru Opinion Box
4. In case that the complainant chose not to reveal his/her name, detailed facts or clear evidences must be provided to show that there are reasonable factors to believe that an act in violation of laws, rules and regulations, the Company's Articles of Association or RCI Code of Conduct is happened.

In addition, the complaints are considered to be confidential; complainants can make a complaint more than one channel and do not necessarily reveal the identity of the complainant. If the complainants would like to expose themselves, RCI can inform the investigation results or further details about the complaint that the complainants shall be notified.



### The procedure of fact finding

1. Complaint-receiving officers will be handler of verification and fact collecting or appointing Fact Finding Committee to investigate facts.
2. Complaint-receiving officers or authorized persons shall invite any person to give the information or to provide any related document for fact finding investigation.
3. If facts have been found out, RCI shall conduct as follows:

- If complaints are about RCI's non-compliance with the laws, rules and regulations, the Company's Articles of Association, and RCI Code of Conduct, the case shall be submitted with opinions and set guidelines for correct implementation to authorized persons of RCI for consideration. In case of significant subjects such as; reputation or image or the financial position of the company, conflicts with the business policy of the company, or relating to top executives etc., it shall be presented to Fact Finding Committee or the Board of Directors for consideration.

- In case of complaints that cause damages to any one, the suitable and fair solution to relieve damages shall be proposed to the complainants.

### The safeguarding and protection of the persons who provide information or clue

1. The complainants can choose not to be identified, if the disclosure may cause damage to them. But the detailed facts or clear and sufficient evidence must be stated to show that there are reasonable grounds to believe that there are actions that violate the laws, rules and regulations, the Company's Articles of Association, and RCI Code of Conduct. However, if the recipients choose to reveal themselves, it will make their complaints to be processed more quickly.
2. Information related to RCI is considered confidential and will be disclosed as necessary with regard to safety and the damages to the complainants, the source of information or the individual concerned.
3. If the complainants see that they may be unsafe or be in trouble, the complainants may request the Company to determine the appropriate measures to protect them. In addition the Company may impose measures to protect the complainant by which the complainant does not have to request it, if the Company foresees that there is likely to be in damage or unsafe situation.
4. The employees who treat others in ways that are unfair or discrimination in ways that are inappropriate or cause damage to the other person and are the motive for the other persons filing the complaint or provide clues about corruption or failure to comply with the laws, rules and regulations, the Company's Articles of Association, and RCI Code of Conduct as well as others to prosecute, or to testify as witnesses, or to provide any cooperation to the court or government agency. It should be counted as disciplinary offense which an offender shall be punished and this may be punished by law if it is an act of laws violation.
5. Those who have suffered will obtain the damage relief by means or procedures that are appropriate and fair.

## 9.Social Responsibility

Modern business operation which is very highly competition, organization not only stress the return on economic and finance, but also include building satisfaction to every group of stakeholders and carry on business with responsibility to social and environment with intention to continuously develop personal, social, and environment.

This report is conducted base on guide line of Corporate Social Responsibility Institute which is set up by Stock Exchange of Thailand (SET) by specifying group of stakeholders that the Company considers important to its operation as follows: shareholders, employees, customers, trading partners, competitors, community and social, creditors, and environment. The linked methods with stakeholders that are practically applied are sub-meeting, opinion survey, complaint, and suggestion etc. The Company shall use all the information as guideline to improve the operation as to continuously satisfy every group of stakeholders and it is also guideline for all affiliated company to put into practice.

Since tile production business is connected to using labor, using natural resources such as clay and stone as its main raw materials in production, there is a chance to cause pollution from fine dust and there are also usage of water, fuel energy, and electricity energy at large quantity in production. Therefore, the Company has emphasized the important to these issues in operating the business.

**Ethical Business Operation:** The Company has set the policy to promote the free trading competition, not applying monopoly power, and not supporting the operation with characteristics in violating intellectual property and infringing a copyright. Besides, there is support for trading partner with social responsibility such as not using child labor or using illegal labor etc.

**Anti-Corruption:** The Company has set the policy to counter corruption by having adequate audit and preventive system including performing business operation with ethic. The transaction that might cause the conflict of interest will be disclosed.



## Anti-Corruption Policy

RCI determined to conduct its business by striving regard to social responsibility and the best interests of its stakeholders in alignment with the principle of corporate governance including policy and guideline to every group related stakeholders of RCI in order to corroborate the company's standpoint and emphasize on every anti-corruption case.

### **Anti-Corruption Definition:**

Corruption means any types of bribery such as an offer, promise, guarantee, inquire or acquisition on money, asset, or other inappropriate benefits from the government officers, government sectors, private sectors, or responsible person either in direct or indirect action. Exception shall be applied in case of laws, regulation, statement, standard, custom, or business traditions enable to do so.

### **Anti-Corruption Policy**

Directors, Management Team, and RCI staffs are prohibited from operating or accepting every type of corruption both in direct or indirect manner. Moreover, the Anti-Corruption Policy is needed to be reviewed regularly.

### **Roles and Responsibilities**

1. The Board of Directors is responsible for determining the policy, monitoring, and forming an effective system supporting Anti-Corruption act; and cultivates Anti-Corruption mindset as the company's culture.
2. The Audit Committee is responsible for revision of financial and accounting reports, internal control, internal audit function, and risk management so that such operations are effective.
3. RCI top executives and the management are responsible for determining Anti-Corruption system, promoting, and encouraging Anti-Corruption manner conveyed to all staff and related parties including reviewing the appropriation of system or regulation.

### **Anti-Corruption Guidelines**

1. The Board of Directors, the management team, and RCI staff in every level must follow with Anti-Corruption Policy by avoiding involving with any course of corruption by direct or indirect manner.
2. RCI staff shall not be negligent when he and/or she encounter or witness any corruption conditions. All staff must notify such act to supervisors or responsible person, including collaborate with investigation.
3. RCI shall provide fairness and safeguard for staff that denies or informs corruption.
4. A person who commits the corruption shall be disciplined according to the specified regulations. Conviction on laws shall be applied in case such act violates the laws.
5. RCI strives to instill its staff by realizing that corruption is unacceptable in every business transaction dealing with both public and private sectors.

### **Provision in Implementation**

To stress the attention on processes which incur a high risk in corruption, the Board of Directors, the management team, and the RCI staff in every level must conform carefully in the following courses of action.

- 1) Offering gifts or entertainment and hospitality activities must be for commercial purpose only.
- 2) Granting contribution or receiving the aid must be assured that such transaction shall not be claimed as a bribery act.
- 3) Business relation and procurement process with the public sector; all types of bribery or illegal payments are prohibited in all business transactions, and connections to the government. Such implementation must be proceeded transparently and in alignment with related laws and regulation.

### **Practical Guideline for Helping Line (Opinion Box)**

As the Royal Ceramic Industry Public Company has set up "Helping Line (Opinion Box)" to protect and be fair to employees who give information or clues about corruption; or failure to comply with the law, rules, and regulations of the company. Therefore, guideline for employees and stakeholders to understand and practice correctly has been prepared with the following details:

#### **1) Complaints**

- 1.1) To identify issues or complaints that need to be clearly considered whether they are corruption matter or failure to comply with the law, rules, and regulations of the company for example criminal law, trade competition law, labor law, employee regulations, and procurement procedures etc. and they must have enough information to be accurate and reliable.
- 1.2) To have evidence that is consistent with the issues or complaints by specifying clearly enough facts or evidences to show that there is reason to believe that a violation actually occurred such as violators' name and related persons (if any), time and place of the event, nature of violation, occurred effects, and agencies or individuals who can provide more information including photo pictures, any related documents or evidences etc.
- 1.3) To make complaints about direct commander can be done by filing the complaints to "Chief Executive Officer" and / or "Managing Director" of the company.

#### **2) Collection and investigation of complaints**

- 2.1) To appoint "Fact-Finding Committee" by "Chief Executive Officer" and / or "Managing Director", when there is any complaint in order to investigate the matter; when the investigation is finished, the said committee shall report the results of investigation in details to "Chief Executive Officer" and / or "Managing Director"
- 2.2) To investigate facts about complaints, "Fact-Finding Committee" shall consider, investigate and collect facts accordingly. This working group set up should consist of at least 3 persons that come from the various agencies involved with the complaints and have no conflict of interests in such matter.
- 2.3) To send the report to "Chief Executive Officer" and / or "Managing Director" and "Personnel Committee" in order to implement according to the regulations about violation of the law and the company's code of conducts, after the investigation has already been finished and "Fact-Finding Committee" is of the opinion that there is a reason to believe that there has been fraud / illegal actions by the employees.
- 2.4) To prohibit the appointment of any member from "Fact-Finding Committee" who has conflict of interests by involved with such complaints whether in any case, to participate in



the consideration of the said complaints; and to replace by appointing the other suitable member who will be able to be fair to the complainant.

- 2.5) To finish the investigation and gathering of facts about the complaints within 30 days counted from the date of receiving complaints; if it is necessary, the request for extension of time shall be submitted to "Chief Executive Officer" and / or "Managing Director" for approval.
- 2.6) To appeal to another channel for example "Chief Executive Officer" and / or "Managing Director" and / or "Personnel Committee" etc. by the complainant, in case that the complainants reveal their names, and there is no answer yet from "Fact-Finding Committee" for the period of time more than 30 days counted from the date of receiving the complaints by the committee.

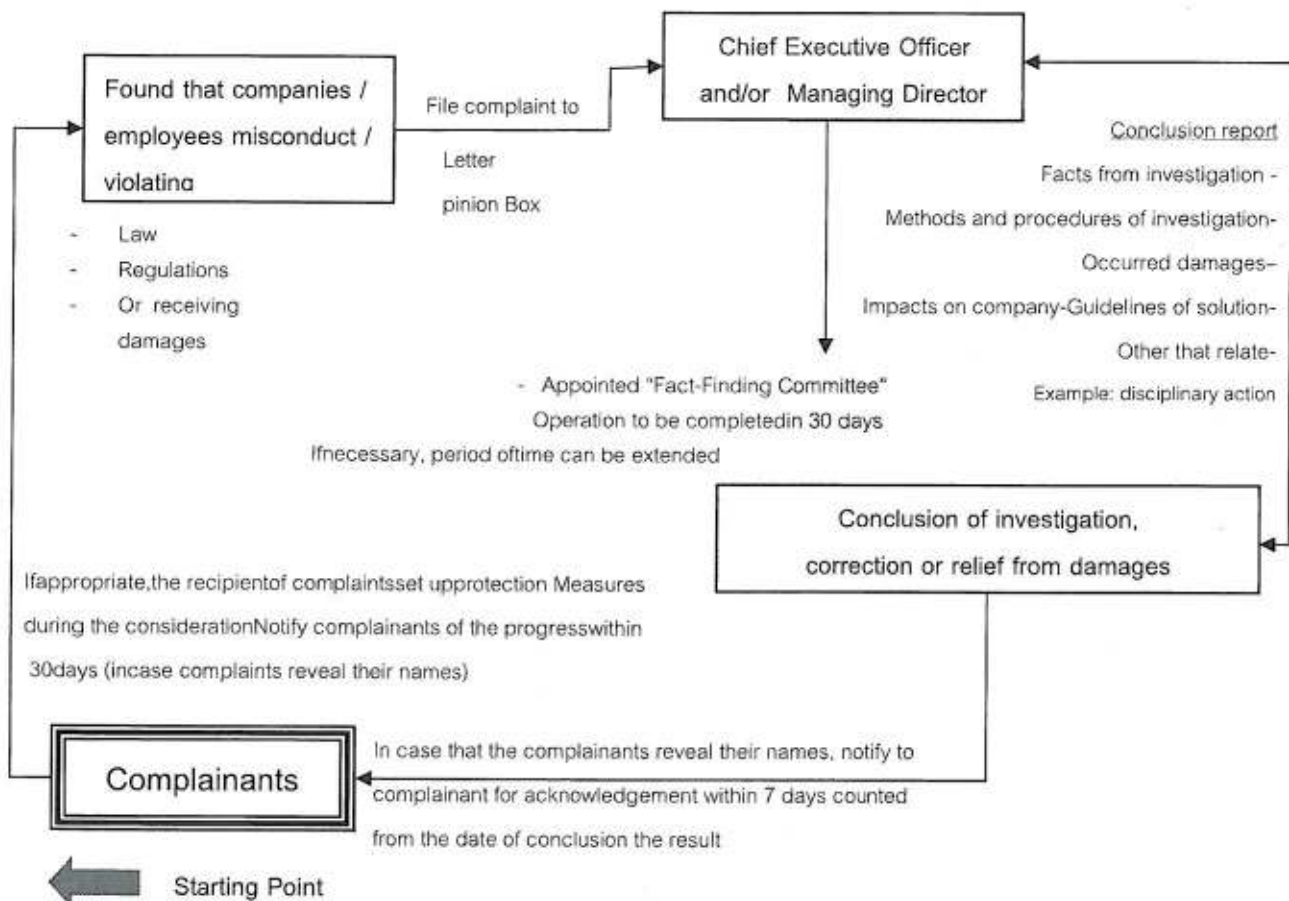
3) Notification of the investigation results to the complainant

To notify the result of investigation to the complainant for acknowledgement within 7 working days counted from the date of conclusion, in case that the complainants reveal their names, after "Fact-Finding Committee" has already finished an investigation about the complaints.

## Procedures of Practical Guidelines on the Complaints

### Protection Guideline on Helping Line Policy

- The complaints are not required to disclose their names
- Related information is confidential and will be disclosed as required
- May request the Company to set up protection measures pending investigation
- Employees who unfairly treat others and get complaints, constitutes a disciplinary offense and to be punished
- Those, who have suffered damages, shall receive relief from damage



In case that there is any complaint, complainer shall make a verbal complaint or by sending complained letter to supervisors or upper level management. The complainer shall receive fully safeguard with fairness. As the result the company shall set up the fact finding committee to investigate such matter. The other alternative is to report such complaint on the company website [www.rci.co.th](http://www.rci.co.th) column: Contact Us. For the past year, no complaint has been reported.

**Respect on Human Right:** The Company has set the policy that will not involve in violating the human right, no forced labor and anti-using child labor. On policy level and practical guideline, there is no discrimination on employment against gender, race, and religious etc.



**Fair treatment to Labor:** The Company has set up Personnel Administration Committee and Welfare Committee consisting of both the representatives of employers and employees. The meeting

has been taken place regularly as to encourage the workers participation and to be the channel for making better understanding between the Company and its workers. The Company has also received commemorative certificate in good labor relation administration from Saraburi Province.

The Company does not restrict the right to set up Labor Union. At present, Labor Union of the Royal Ceramic Industry Public Company has already been officially established by workers.

**On development and promotion of employees:**

the Company has set guideline in developing skill and training for equally opportunity to get promotion with course of study for employees in each level as on the job training and classroom training both inside and outside factory. In the year 2015, average time in employee training was about 7.38 hours per head. The quality management system has been brought in and adapting to be used all over the organization which are as follows: TQM, 5Ss, QCC, ISO 9001: 2008.

In the year 2015, the company realized the important of human resource and the protection of employees from injury and illness according to the related law and standard. Therefore, the occupational health and safety management system was promoted to be conducted in the factory. It also helps building, the opportunity in doing business operation for customers regarding to health and safety of employees in trading partners; attitude of employees and to improve more safety of work inside the company with the example of activities for developing and promoting employees in the year 2015 as follows:

1. Organized group activities on "5Ss" by arranging for contest in each area with rewards to stimulate and motivate employees in improving workplace with cleanliness, convenience, and safety (Head Office);
2. Organized merit making on the occasion of the 46<sup>th</sup> year anniversary of establishing the Company by donating money to the charity of Wat Phrabatnampu;
3. Organized merit making by offering the Royal Kratina Ceremony Robes to Buddhist monks who stay during the Buddhist Lent at royal temple Wat Khao Kaew Voraviaharn, Tambon Tontarn, Amphoe Sao Hai, Saraburi Province;
4. Organized "Big Cleaning Day" activity on Songkran Day;
5. Offered big candles as 4 necessities for monk to use in the temple on the occasion of the beginning of Buddhist Lent, to Wat Thai Ngam, Amphoe Nong Khae, Saraburi Province;
6. Promoted activity of paying respect to elders by pouring water on the hands of revered elders and receiving blessing on Songkran Day;
7. Participated as host of the funeral ceremony of the passed away relative of employees;
8. Organized blood donation by employees to Provincial Red Cross Chapter of Saraburi in every 3 months;
9. Organized to open library for employees between 12.00 -13.00 hours from Monday to Saturday every week;
10. Provided ice tube for employees in April to relieve employees from the heat in hot summer time;
11. Organized football tournament to promote unity among employees;



12. Supported the set up of various activity clubs such as football club, volleyball club, photography club, and takraw club etc.;
13. Organized medical examination on cervical cancer for female employees and contractors to promote good health for employees and contractors of the company;
14. Organized the Bicycle Driving campaign to reduce the use of personal car by promoting "Car Free Day" for the good health of employees;
15. Participated by sending employees to join sport activities; "Labor Cup" with the other companies in building unity among companies;
16. Provided cultural public relations activities in the organization;
17. Provided physical activities for all departments;
18. Provided merit making by giving alms to Buddhist monks which are held every month.

#### **On health and safety:**

the Company has set the policy to promote health and safety by arranging for annual health check-up for employees, providing health insurance and accidental insurance by informing thru internal journal called "Around RCI Fence" established since 2013 to present; set up campaign to reduce accidents and safety week at work including arranging to have occupational health and safety management system (OHSAS).

In addition, the Company arranged to provide all employees with knowledge on safety and health in order that the employees will have knowledge and understanding on working carefully as to prevent and to reduce accident that might happen in every period of time of work with safety activities as follows:

- Organized surveying of risk spot from working in each workplace and campaigning for the employees to wear hazard protection equipments to prevent their organs that might contact with hazard risk spot;
- Organized sending team of the Company staff to visit employees who are sick and cannot go to work as usual;
- Organized training course on "Maintenance, Safety and Right Method in Driving Forklift";
- Organized safety activity consisting of various activities such as safety slogan contest etc.;
- Organized training on fire prevention, fire evacuation and fire extinguish drill for employees;
- Organized safety working week;
- Organized training of contractors and employees about toxic and harm of drugs, sufficient economy, the knowledge about social security, and various knowledge about safety such as how to lift and to move in avoiding low back pain, first aid for sprained ankle, manual material lifting by 2 persons, and safe use of chemicals in workplaces.

**On welfare:** Besides wage, salary, allowance, bonus and overtime the Company has provided its employees with provident fund name "MFC Master Provident Fund" with MFC Asset Management Public Co., Ltd acts as fund manager. The employees who are fund members have to contribute counterpart funds by letting the Company to deduct from wage at rate of 2 percent of wage. In the meantime, the employer has to make the counterpart fund in the same day that fund member make the counterpart fund at the rate of 2 percent of wage too.



Arranged to have medical room center with Doctor (MD) to care for and give the advice in case of there are sick employees as to provide the employees with well deserved medical service. Moreover, medical cabinet is available at the medical room center for service in the afternoon shift and the night shift working.

Arranged to have General Welfare Store for employees, so every level of employees can purchase goods with credit purchase at cost.

**Consumer responsibilities:** the Company has set the policy to create products and services that are worthy to society and environment with the acceptance of International Standard as certified product industrial standard by Thai Industrial Standard Institute, Ministry of Industry. Products are continuously developed to serve the consumer satisfaction. There are wide variety of products with neutral price and many price levels for every group of customers. The wide channel of distribution thru distributors that cover all around the country and the export of tiles have been established to many countries in Asia and Australia etc.

The corrected and appropriated information of products and services: It has to be disseminated to consumers with details of products and manual of usage printing on packaging. There are products categories, products guarantee and problem solving for customer when quality problems arise. But no complaint has been reported about the impact or any hazard from using the products.

**Customer rights protection:** the Company has set the policy to keep the information of customer privately and training its employees to better understand the rights of customer private.

Fair marketing: the Company has carried on fair marketing practice with no exaggerated advertisement or unethical action.

The company received a permit to produce industrial products with the Decree on the Requirement of the Industrial Products on Ceramic Tile must be in accordance with standard TIS no.2508-2555.

**Environment preservation:** the Company has set the policy to develop production process and service that are environmentally friendly by keeping on developing process which emphasizes on the continuity of negative impact to social and environment. TQM: Administration management system has been brought in as to make every employee to participate in increasing productivity, reducing cost, reducing loss, reducing energy usage etc.

Moreover, the company has registered with Thailand Greenhouse Gas Management Organization (TGO) with the campaign about carbon gas reduction in industrial combustion and the company also received the certified Carbon Footprint Label for reducing carbon gas of products. The activities that have already been done are as follows:

- Organized the installation of waste water treatment system in the factory to bring back water for recycling and using in the production process;
- Organized the project about recycling all scrapped tiles by re-crushing and reused in new tile production;

- Organized to set up energy management policy and energy saving committee to support energy saving policy and to participate in energy saving activities by every level of employees;
- Organized energy saving project by using the campaign to close the electric light and air condition in the office during lunch break;
- Minimized paper usage by campaigning to promote recycle of used paper and electronics system has also been employed in office work to substitute for paper;
- Participated in the Environmental Good Governance Project by corporate with Ministry of Industry;
- Organized mud dredging project on water drainage gutters of production department to protect flood in production line during rainy season.

**Participation in the development of community and society:**

the Company has set the policy and has participated with various sectors such as government, local organization, and community etc. In social development, some projects have been implemented in 2015 and some projects have carried on continuously with details as follows:

- Supported educational funds in the form of scholarships to employees' children totally 50 scholarships, at 1,000 Baht per scholarship;
- Organized blood donation;
- Offered gift baskets as New Year presents to various government offices on the occasion of New Year Festival;
- Organized the Casting of Big Candles Ceremony for Buddhist Lent period in rainy season by letting employees to participate in donation as merit making to purchase light bulbs and electrical equipments; and dedicated them to Buddhist temples;
- Supported factory trip by inviting outsiders to visit the company's factory such as welcome group of teachers and students from Srinakharinwirot University to visit factory including the factory visiting of Grand Unity Co., Ltd and World Co. Inc; and participated in pattern design drawing on ceramic tiles activity with title called "World Class Beautiful";
- Organized merit making by making donation to Wiharn Daeng Hospital, Nong Khae Hospital, and Wat Phrabatnampu;
- Organized merit making by participating in the ceremony of Kathina (Thod Kathin) at Wat Baan Phai, Saraburi Province.

**Innovation:**

the Company has set the policy to develop innovation from the operation with responsibility to society that added value to business and society continuously. Production formula to reuse all scrapped tiles, has been developed in production as raw material. Production system using Digital Printing Machinery has been developed to manufacture tiles with various design patterns including natural design patterns such as marble design and wooden design etc. with the look so real that this kind of tiles shall be used to replace the natural products and resulted in reduction the use of such products too. In addition, RCI was the first company in Thailand to bring in Dry Process technology to produce wall tile to replace the present production system.



Moreover, the company also brought in innovation in polishing tile face called "La butto" and injecting color particles into the body of porcelain tile to increase more natural attraction to ceramic tiles and such tiles shall be suitable with the work that emphasize mainly for outdoor using. For indoor using, the company also has tiles with body in form of ceramic and porcelain in various designs to choose and serve the needs of customers.

## Audit Committee Report

Dear Shareholders,

The Audit Committee of the Royal Ceramic Industry Public Company Limited ("RCI"), whose mission is scheduled for three years each term, comprises of three independent committees as follows;

Mrs. Sirisook Hoontrakool	Chairman of Audit Committee
Mrs. Pawanya Kritachart	Member of Audit Committee
Mr. Santi Piyatat	Member of Audit Committee

The Audit Committee shall perform the duties independently as assigned by the Board of Directors in order to assist the company by reviewing to ensure the company with good and adequate corporate governance.

In the 2016 fiscal year, being assigned by the Company's Board of Directors, the Audit Committee fully completed their tasks and responsibilities, as specified on the Audit Committee's Charter, complying well with benevolent regulations and principles of the Auditing Committee that are stipulated in the Notice of Stock Exchange of Thailand. During this period, the Audit Committee held a total of 4 meetings of which the essence can be summarized as follows;

1. Reviewed the company's financial statement, the Audit Committee reviewed significant information in the quarterly and annual financial statements of the company for the year 2016 by working together with the Administration Division and the company's auditors. The Auditing Committee is of the opinion that the company's financial statement has been prepared on the basis of Thai General Accepted Accounting Principles, where accounting policies were appropriately applied with regularly conducts through attentive consideration and the most accurate forecast in preparation. In addition, crucial information was adequately disclosed in the appendix of the financial statement, being beneficial to the decision making of the company's financial statement users. Therefore, the Audit Committee approved the said financial statements that were reviewed and audited by the company's auditor without reservation.

2. Scrutinized the company's operations by strictly complied with the laws on securities and stock exchange laws of the Stock Exchange of Thailand as well as the other laws relating to the company's business operations. The Audit Committee reviewed compliance with code of conduct and corporate governance and revealed that directors and employees strictly followed prescribed principles. The Board of Directors consistently and continuously instilled a series of ethics and morality into every level of employees. This year, the company continues to conduct its business in line with the principles of sustainable development and corporate governance by compiled the "Anti-Corruption Policy" into a formal written document.

3. Considered and reviewed the connected transactions or transactions that may lead to conflicts of interest between the company, affiliated companies, related persons, and related businesses to ensure that these transactions were completely correct. The Auditing Committee was of the opinion that such transactions were conducted in a reasonable manner by taking into account the benefits of shareholders. All in all, the disclosure of such connected transactions is accurate, unabridged, and sufficient.

4. Reviewed and ensured the company has an appropriate internal control system and well adequate governance to affirm that the company's activities achieve the purpose and goals of the company. The Auditing Committee has the opinion that the company has currently assigned the



external independent auditors to conduct internal audit and control, of which the results have been directly reported to the Auditing Committee in a frequent and continual manner for at least four times a year. In doing so, it is rationally affirmed that the company applies decent and sufficient internal control systems to detect its weaknesses as well as to prevent it from any malpractice or prominent anomalies.

5. In compliance with the regulations of the Securities Exchange Commission (SEC) stated that listed company shall set the auditor rotation every 5 years. The company can appoint new auditor that belongs to the same accounting office with the existing auditor and auditor(s) who retired from duty as auditor by rotation at least 2 fiscal years. To be in line with the Company's business expansion, the Audit Committee has considered and proposed the appointment of the current auditor; Karin Audit Co., Ltd as the Company's auditors and fix remuneration for the year 2015 with the names of auditors and CPA license numbers as Mr. Jirote Sirirorote Certified Public Accountant (Thailand) No. 5113 ,and/or Miss. Nonglak Pattanabandith Certified Public Accountant (Thailand) No. 4713, and/or Mr. Jedsada Hangsapruk Certified Public Accountant (Thailand) No. 3759.

6. Reviewed corporate governance policy and the company's code of conduct to meet the international standard and is appropriate to the company's business operation.

7. In the year 2016, the Company has made significant changes in the notes to the financial statements as follows:

- Article 12 Property, plant and equipment – net: The Company has transferred back allowance for impairment of plant amount 66.26 million Baht because the appraised value by an independent appraiser according to Replacement-Cost Approach was higher. Therefore the Company recorded it as the other income of 30.03 million Baht due to the transferred back value must not exceed the book value should be and recorded the increase in accumulated depreciation by 36.23 million Baht.

- Article 11.4 Other long-term investments – net: there was the allowance for impairment of investment amounted to 12.50 million Baht because the major shareholders have sold their shares in RCI and terminated being the related company. When considering the fair value of TTC shares, it was found that its value was lower than the cost of capital recorded.

8. As at June 1, 2016 the Union Mosaic Industry PLC reduced its proportion of shareholding from 10.6 % down to 0.02 % of issued and paid up capital. The Union Mosaic Industry Public Company PLC does not hold any shares of the Company at present.

As at October 20, 2016 the Union Mosaic Industry PLC informed about the cancellation of the contract management fee before the expiry of this contract on December 31, 2560, and the expiration was effective from December 1, 2559.

To sum up, the Auditing Committee is of the opinion that in the recent year the company appropriately prepared the financial report and adequately disclosing information on the basis of the General Accepted Accounting Principles, along with effective risk management, internal control and internal audit system, including good corporate governance.

On behalf of the Auditing Committee

*Sirisook Hoontrakool*

(Mrs. Sirisook Hoontrakool)  
The Chairman of Audit Committee

## 10. Internal Audit and Risk Management

The assessment of the company's internal control system shall be summarized in various key elements as follows.

The company realizes the importance of internal control system by assigned internal independent unit, which is the Union Mosaic Industry Public Company Limited (UMI) to be internal auditor of the company, in order to emphasize having adequate and proper internal audit and control systems for its business and to prevent possible damages and impacts on the company. The assessment of the company's internal control system focuses on various key elements such as organization and environment, risk management, control of work effectiveness of administrative department, management information systems and communications, and follow-up and monitoring activities etc.

The company has specified that the result of the assessment of internal control system for the year 2016 be reported directly to the Audit Committee on a regular basis. If the Audit Committee has the opinion concerning the company's internal control system, the auditor shall propose the guidelines to solve the problems, and set up regulation in various working units to continuously monitor the impact of problems including risk prevention and anti-corruption that might cause the company the loss of benefits. No problems are found from assessment report including any significant deficiencies. Moreover, the company recognizes the importance of various suggestions and remarks in order to improve the internal control system that is suitable and sufficient to work efficiently and effectively.

Thus, various key elements of internal control and audit system of the company can be summarized as follows;

### 1 Control environment

To consider the adequacy of the internal control system, the operation control of various matters according to terms and conditions, and the company's policy as required by Notification of the Securities and Exchange Commission and the Stock Exchange of Thailand as follows:

- To consider the company's organization and working system that support good internal control;
- To set an operational plan and budget to be used as guideline for practice of internal audit and control working unit;
- To select a capable and recognized auditor; and
- To support personnel development program that convinces staff members of the importance of internal audit and control.

### 2 Risk assessments

To consider the internal and external factors that might prevent the company from achieving the main goal of organization by making 3 types of risk assessment which are as follows:

- Operational risks
- Financial risks
- Compliance risks



This shall lead to the audit plan and control activities that are according to the assessed risk level.

### 3 Control activities

To set internal audit and control standard by taking into consideration the following:

- To divide role and duty to create balancing in the business operations among units and staff members at all levels;
- To approve and/or authorize for taking action in various transactions according to the rules and regulations of the company;
- To supervise assets by covering transaction record of both acquisition and disposal of assets including the exploitation of the company's assets; and
- To review by making verification and checking reconciliation.

### 4 Information system and communication

To review information system and communication to ensure the following factors:

- To have an adequate communications throughout the organization, by covering communications between executives and staff members; among working units, and among staff members; including among other outside persons of the company.
- To have accurate and adequate information to support the decision making of the company
- To have clear communications.

### 5 Monitoring

The audit committee requires in having the monitoring system to ensure that business is regularly operated in accordance with working processes and procedures. The said processes and procedures are set to improve and to be in line with the current situation, so the update is required to prevent risk of the organization. Moreover, monitoring must be performed by the independent unit that is not related to the monitored operational units.

### Inside Information Control

The Company attaches significance to preventing the misuse of information that has not yet been disclosed to the public or confidential information that could have any impact on the Company's share price for one's own benefit or others. To that effect, the Company has established measures to prevent misuse of internal information (insider trading) and incorporated them into RCI Code of Conduct and Regulations for Employees in writing to provide guidelines for the concerned persons, namely, the Board of Directors, RCI top executives, and employees responsible for related functions as well as their spouses and children who are minors. They are as follows:

- The Board of Directors, top executives, and employees responsible for related functions as well as their spouses and children who are minors are prohibited from trading Company shares prior to the release of the Company's quarterly and annual financial statements.

The Company has made it imperative to review share trading of the concerned persons on a regular basis and to prevent employees involved with the preparation of the financial

statements from disclosing the information to outsiders from the closing date of the financial statements to the public disclosure of the information.

Moreover, the concerned persons who have knowledge of confidential information that could impact the Company's share price are prohibited from trading the Company's shares until 24 hours after the public disclosure.

- Directors and executives (Top Executives) as defined by SEC are required to make an initial reporting of their securities holding in the Company to the SEC within 30 days of the date on which they are appointed (Form 59-1). They are also required to report on any changes in securities holding as a result of the purchase, sale, transfer or acceptance of transfer of securities (Form 59-2) within 3 business days of the date of any changes.

In addition, the Board of Directors will monitor to ensure compliance with such measures. It is stipulated that any changes in their shareholding be reported in the Board of Directors' meeting. The number of shares held by the directors and top executives both directly and indirectly as of the beginning and end of the year as well as those traded during the year shall be reported in the Annual Report.

In 2016, there were no insider trading cases concerning the director, top executives, and employees involved with internal information.



**11. Related business transaction  
between RCI and other companies**

**Related business transaction between RCI and other companies in year 2016**

1. Cermas Co.,Ltd (CERMAS)
2. The Union Mosaic Industry PLC (UMI)
3. The Royal Asia Brick and Tiles Co.,Ltd (RABT)
4. The T.T. Ceramic PLC (TTC)
5. Rueampat Co.,Ltd (RPC)

Million baht

Transaction with other companies	CERMAS	UMI	RABT	TTC	RPC	TOTAL
Finish Good	-	58.71	-	2.06	-	60.77
Material	0.68	0.65	-	0.96	-	2.29
Return into Operation	-	11.40	-	-	0.04	11.44
Rent & Service	-	-	7.0	-	-	7.0
Salary	-	-	-	-	-	-
Interest receive	-	-	-	-	-	-
Total	0.68	70.81	7.0	3.02	0.04	81.55

Reasonable

Related business transaction between RCI and other companies have reasonable because of support normal business for general commercial such as order for process, expense for rent ect.

**Persons with mutual interest and related transaction**

The persons are held with mutual interest in case of joint directorship or management or shareholding, as well as the relationship between those persons.

Persons with mutual interest	RCI	RABT	TTC
1. Mr. Surachart Phongsuthana	Managing Director	Managing Director	-
2. Mr. Chaiyos Rungcharoenchai	Director	Director	-

Note: Proportion of shareholder in RABT = 99.99 %  
Proportion of shareholder in TTC = 8.32 %

## 12. Financial Analysis and business performance

### Significant financial information

#### (1) Report on the audit of the company's auditor Summary of audit report

**For the year 2014:** Audited by Mr. Vichai Rujitanont, Certified Public Accountant (Thailand) No. 4054 from ANS Audit Co., Ltd.

I have audited the accompanying consolidated and separate financial statements of the Royal Ceramic Industry Public Company Limited and its subsidiary, and the Royal Ceramic Industry Public Company Limited, respectively, which comprise the consolidated and separate statements of financial position as at December 31<sup>st</sup>, 2014, the consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated and Separate Financial Statements

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

#### Auditor's Responsibility

My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



### Opinion

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position as at December 31<sup>st</sup>, 2014, and their financial performance and cash flows for the year then end of the Royal Ceramic Industry Public Company and its subsidiaries and the Royal Ceramic Industry Public Company respectively, in accordance with Thai Financial Reporting Standards.

### Emphasis of Matter

I draw attention to Note 14 regarding to approve and change accounting policy of building valuation method and improvements from the cost approach to appraised value approach and change in the estimated useful life by based on the appraisal report of independent appraiser and Note to financial statements no. 5 the company has significant transactions with related parties. Such items shown in the financial statements on commercial terms and criteria agreed upon between the companies and those related parties. However, my opinion is not qualified in respect of this matter.

### Other Matters

The consolidated statements of the Royal Ceramic Industry Public Company Limited and its subsidiary and the separate financial statements of the Royal Ceramic Industry Public Company Limited as at December 31<sup>st</sup>, 2014 that reported on comparative information was audited by other auditors dated February 24<sup>th</sup>, 2014 by expressing an unqualified opinion and making notice regarding changes in accounting policy of income taxes.

**For the year 2015:** Audited by Mr. Jirote Sirirorote, Certified Public Accountant (Thailand) No. 5113 from Karin Audit Co., Ltd.

I have audited the accompanying consolidated financial statements of the Royal Ceramic Industry Public Company Limited and its subsidiary, respectively, which comprise the consolidated and separate statements of financial position as at December 31<sup>st</sup>, 2015, the consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated and Separate Financial Statements

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

### Auditor's Responsibility

My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position as at December 31<sup>st</sup>, 2015, and their financial performance and cash flows for the year then end of the Royal Ceramic Industry Public Company and its subsidiaries respectively, in accordance with Thai Financial Reporting Standards.

#### Other Matters

The consolidated and separate financial statements of the Royal Ceramic Industry Public Company Limited and its subsidiary for the fiscal year ended December 31<sup>st</sup>, 2014, the consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended that reported on comparative information was audited by other auditors by expressing an unqualified opinion and making the note to the financial statements on the approval and changes in the estimated useful life by based on the appraisal report of independent appraiser and the company has significant transactions with related parties. Such items shown in the financial statements on commercial terms and criteria agreed upon between the companies and those related parties according to report dated February 24<sup>th</sup>, 2015.

**For the year 2016:** Audited by Mr. Jadesada Hungsapruerk, Certified Public Accountant (Thailand) No. 3759 from Karin Audit Co., Ltd.

I have audited the financial statements of The Royal Ceramic Industry Public Company Limited and its subsidiaries, which comprise the consolidated and separate statements of financial position and as at December 31, 2016, and the related consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position of The Royal Ceramic Industry Public Company Limited and its subsidiaries as at December 31, 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



## **Basis for Opinion**

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

## **Key Audit Matters**

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

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

As at December 31, 2016, as describe in note to financial statement no.10, the Company has inventory amount of 331.37 million Baht, valuation by the lower of cost or net realizable value. The management have to make subjective judgment in consideration of allowance for slow moving and declining value of inventory in accordance to physical damage of each items and the net realizable value consideration from market price at ended date.

I got a confidence of appropriate management's assumption of allowance for inventory calculation. I observed the inventory counting at the factory and all of branch, sampling invoice to check cost of material recording, and also cost allocation related to such inventory. I compared cost of inventory with net realizable value (subsequent sales invoice to check sales price), analyst quantity and movement to find out a slow turn-over and damage.

### **Impairment of assets**

According to, in the past, the group company has recorded an impairment of asset. The group of the company has to perform net realizable value test of its property, plant, and equipment according to Thai financial reporting standard. This net realizable value test is significant in our audit due to the group company has property, plant, and equipment amount of 495.59 million Baht as at December 31, 2016, and significance to the consolidated financial statements. The group of the company assessed the recovery value of the property, plant, and equipment based on independent appraiser's report and reversed an impairment amount of 66.26 million Baht in the consolidated financial statements.

The audit procedure are included the evaluated ability and independent of independent appraiser following the auditing standard of using the work of auditor's expert, also testing the computing on the report of independent appraiser. I considered the appropriateness of notes to financial statements of the group of the company, refer to Note 12.

## **Impairment of investment**

In the separate financial statements, the subsidiary has continued loss that is an indicator of an impairment of an investment in subsidiary. The company has to perform as impairment test of an investment in subsidiary according to Thai financial reporting standard. The impairment test is

significant in audit due to the estimated recovery value of investment in the subsidiary was lower than the carrying value as at December 31, 2016, and significance to the separate financial statements. The investment in subsidiary was recorded at cost method. The company assessed the recovery value of the subsidiary's property, plant, and equipment based on independent appraiser's report and recorded an impairment provision amount of 54.44 million Baht in the separate financial statements.

The audit procedures in relation to management's impairment assessment of investment in subsidiary included assessing the assumptions and methodologies used by the independent appraiser. I considered the appropriateness of notes to financial statements of the group of the company, refer to Note 11.2.

## **Other**

The financial statements of The Royal Ceramic Industry Public Company Limited and its subsidiaries, which comprise the consolidated and separate statements of financial position and as at December 31, 2015, and the related consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2015, which have been presented herewith for comparative purposes were audited by another auditor in my firm, whose report dated on February 23, 2016 expressed an unqualified opinion.

## **Other Information**

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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



## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

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

Mr. Jadesada Hungsapruek



## Financial Ratio as of December 31

Financial Ratio		Consolidated		
		2016	2015	2014
Liquidity Ratio				
Current Ratio	(Time)	2.9	2.66	2.82
Quick Ratio	(Time)	0.27	0.17	0.12
Operating Cash Flow Ratio	(Time)	0.21	0.05	0.41
Account Receivable Turnover	(Time)	6.23	5.99	7.21
Collection Period	(Day)	57.74	60.05	49.96
Inventory Turnover	(Time)	1.55	1.85	1.98
Inventory Conversion Period	(Day)	232.94	194.65	181.69
Account Payable Turnover	(Time)	9.38	8.07	8.39
Payment Period	(Day)	38.37	44.61	42.92
Cash Cycle	(Day)	252.31	210.09	188.72
Profitability Ratio				
Gross Profit Margin	(%)	0.2326	21.92%	28.03%
Net Profit Margin	(%)	-0.0647	-8.47%	12.34%
Operating Profit Margin	(%)	-0.033	-3.93%	2.45%
Operating Cash Flow Return	(%)	0.0484	1.28%	7.65%
Return on Equity	(%)	-0.06	-10.30%	22.06%
Efficiency Ratio				
Return on Assets	(%)	-0.0424	-6.17%	11.42%
Return on Fixed Assets	(%)	-0.0139	-5.00%	29.92%
Assets Turnover	(Time)	0.66	0.73	0.93
Financial Policy Ratio				
Debt to Euity Ratio	(Time)	0.38	0.45	0.82
Interest Coverage Ratio	(Time)	-3.05	(1.72)	1.00
Debt Service Coverage Ratio	(Time)	0.24	(0.53)	0.61
Debt Service Coverage Ratio (Cash Basis)	(Time)	-0.44	0.49	1.57
Dividend Payout Ratio	(%)	-	-	-

## **Financial Ratio**

### Liquidity of the Company

(1) The liquidity ratio was 2.90 times, increasing from 2016 which was 2.66 times. It showed that the company had current assets over current liabilities almost 3 times. Therefore, the company can easily manage the risk or the company has less financial risk.

(2) Average accounts receivable days were equal to 57 days which was less than average accounts receivable days in 2015 of 60 days. The company has also kept policy to strictly control and follow up debts of the existing customers. If any amount of debts is higher than limit of payment term, delivery of the products shall be stopped with closely monitor. If it is new customer, sales will be in cash payment. If the customer requests for credit term, the letter of guarantee by bank shall be submitted instead. The company has already set up adequate allowance for doubtful debt.

(3) Average accounts payable days was reduced from 45 days to 38 days, as the company was able to manage its liquidity better.

(4) Inventory turnover was 1.55 times, down from 1.85 times in 2015. The average selling days increased from 195 days to 233 days due to sluggish market conditions. However, the company always maintains the analysis of products movement. If it is founded that the item is not moving, the measure will be set up to find the way to release such item. In addition, the company has a policy to reduce the quantity of products in order to keep the stock in reasonable quantity.

(5) Debt-to-equity ratio decreased from 0.45 times to 0.38 times, thus decreasing debt to equity ratio significantly.

(6) The ability to pay the loan and interest, the company has paid principal and interest conforming to the terms of the bank by making repayment of principal every month, according to the time period specified by the bank.

### The capability to make the profit

1. Profit margin increased from 22 percent to 23 percent, as the company produced fewer products to control its inventories to the level that is not too high resulting in lower unit cost per unit.

2. Return on assets from -6.2 percent decreased to - 4.2 percent, because of operating loss as sales decreased by intense competition, coupled with economic situation has not improved.



### 13.Management Discussion and Analysis

The operation result of the company in the year 2014, the company had net operating profit of 4 million Baht decreased from the year 2013 by 59 million Baht. However, there was reversal transaction (losses) from the impairment of fixed assets of 15 million Baht, which was not from operating activities. If such item was not included, the company would have net profit of 19 million Baht. Total sales equaled to 994 million Baht decreased from the year 2013 by 30 million Baht or 3 percent, the reason that sales decreased, was the resulted from the uncertainty in political problems together with increase in intensity of competitive price and sales proportion change from the previous year. In other word, the sales of high price products were reduced from changed in the pattern of purchase by the customers. Therefore, the company had tried to increase the sales of its products by selling products of the lower price groups; that caused total sales unable to meet the target. In the mean time the production cost especially rising cost of energy and suspended production cost increased from last year by 6 million Baht in order to maintain the products at the suitable quantities level. Moreover, selling and administration expense decreased by 3.3 percent, The reduction of the legal counsel fees and interest expenses decreased by 15 million Baht came from the decrease in interest rate and the company had paid for principle for long-term loan of 60 million Baht.

However, the company had the revaluation of land and buildings which caused the increase of assets and resulted in making the company to have the total comprehensive profits for the year 2014 equaled to 123 million Baht.

The operation result of the company in the year 2015, the company reported net loss of - 69.4 million Baht(excluding the reversal transaction of deferred income taxes -18.3 million baht, net loss shall be at -50.5 million Baht) decreased from the year 2014 with comprehensive profit for the period was 122.6 million Baht. In 2014, the company's assets had been increased from the assets revaluation (if excluding the assets revaluation transaction, net operating profit for the period shall be at 4.2 million Baht). In 2015, total sales equaled to 808 million Baht decreasing from the year 2014 by 17.8 percent from sales decline as the company has been affected by the problems from both domestic and abroad. The domestic problems caused by political instability and the suffering of rubber planters, resulting in a decrease in domestic purchasing power. The problems from abroad were due to the economic problems of the EU and China and these problems had an inevitable impact on economy of Thailand.

The company had a net loss of - 69.4 million Baht as a result of the company had idle time cost from suspension of production together with sales slowed down and inventories control caused an increase in fixed cost per unit of production resulted in profit margin decreased from 28 percent to 22 percent in 2015. However, the company was able to reduce cost of sales by 39 million Baht from the reduction of transportation costs and sales promotion costs by restructuring of sales promotion to be more efficient.

In addition, the company was able to reduce interest expenses down from 22 million Baht in 2014 to 18 million Baht in 2015. The idle time cost increased by 13 million Baht from suspension of production for the purpose of inventory control.

In 2015, there has been a reversal transaction of deferred income tax and it was uncertainty whether the company will be able to take advantage of the said transaction (if excluding deferred income tax, the company will have net loss of 50.5 million Baht).

The operation result of the company in the year 2016, the company reported a net loss of -45.0 million Baht (excluding the reversal of deferred income tax of -0.7 million Baht and the loss on actuarial central estimates for employee benefit provision of 13.8 million Baht, the net loss would be -30.4 million Baht) decreased from 2015 with total comprehensive loss for the period of -69.4 million Baht. Sales in 2016 are 659 million Baht, down 18.4 percent from the year 2015. The reason for the decrease in sales was due to the company being affected by the domestic problem, namely the domestic problem caused by the political instability and economic stagnation.

The company reported a loss of -45.0 million Baht as a result of the company's administrative expenses increased by 5 million Baht from the allowance for impairment of finished goods, and production shutdown costs decreased by 4 million Baht. Finally, the company can reduce its selling expenses by 20 million Baht from transportation expenses and promotional expenses together with the restructuring of the sales promotion to be more effective.



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