

Message from Chairman of the Board

To the Shareholders

Since the new Boards of Director as started to entered in the company since May 2017. We had monitored all the condition of machines as well as the factory building including all the staff of RCI. We have seen many things differ from the standard. The machines were very old and lack of maintenance. The equipments were not enough in the production and so many surplus staff. The production has run only of their capacity then we started to renew the machines and the new production line as we implemented. Furthermore, we also rebuilt the building for the new production line. After improving the machinices it made the production up to more than 400,000 square meter per month while their old existing production only half. The production cost decreased for over 40% from 146 Baht per square meter down to 85 Baht per square meter) but it still high comparing with the general standard which should be around 10 Baht per square meter.

Beginning this year, the new production line has been started and the new production expanding to 700,000 square meter per month then the economy of scales incur all the fixed cost are subside. By the way we had plan to increase another production 300,000 square meter per month with incoming August which should make the capacity up to 1,000,000 square meter along the target.

As the economy is continuously turn down and we have to compete in the selling price to secure our cash flow with our high production cost so it still remain lost. We have confident to make the company turn around to make the profit finally. We appreciate your kind support.

Your Faithfully,



Mr. Viboon Wadcharasurang
Chairman

Contents

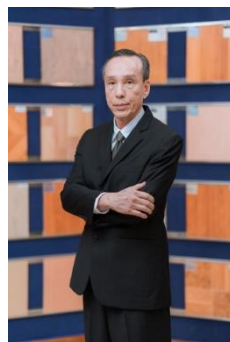
	page
1. The Policy and Business Goals	4
2. Types of Business Operation	5
3. Risk Factors	13
4. General Information	15
5. Shareholder and Securities of the company	20
6. Dividend Policy	23
7. Management Structure organization and Board of Director	23
8. Good Corporate Governance	45
9. Social Responsibility	80
10.Internal Audit and Risk Management	87
11.Related business transaction	90
12.Financial Analysis	92
13.Management Discussion and Analysis	93
14.Auditor's Report and Financial Statement	95

“Investors can lean more about the company from the Company’s Annual Registration Statement (Form 56-1) on www.sec.or.th or www.rci.co.th ”

Board of Directors



Mr. Roongroj Saengsastra
Chairman of Executive Director



Mr. Viboon Wadcharasurang
Chairman



Mr. Sanchai Jenejarat
Managing Director



Mrs. Pawanya
Kritachart

Chairman of Audit
Committee



Mr. Kamolsut Dapparansi

Independent Director and
Audit Committee



Miss Bongkot
Sittikornprasart

Independent Director and
Audit Committee



Mr. Chaiyos
Rungcharoenchai

Independent Director and
Audit Committee



Mr. Monrak Saengsastra
Chief Admin and Finance Officer



Mr. Maruth Saengsastra
Chief Marketing and Sales Officer



Mr. Jaruwat Traithavil
Chief of Production Officer

1. The Policy and Business Goals

Business Goals

The company's target of business operation is to manufacture and distribute ceramic tiles designed for floor and wall cover of high quality in order to meet market demand.

Likewise, the company focuses on maximizing potentials, through the following development.

1. 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.

2. 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.

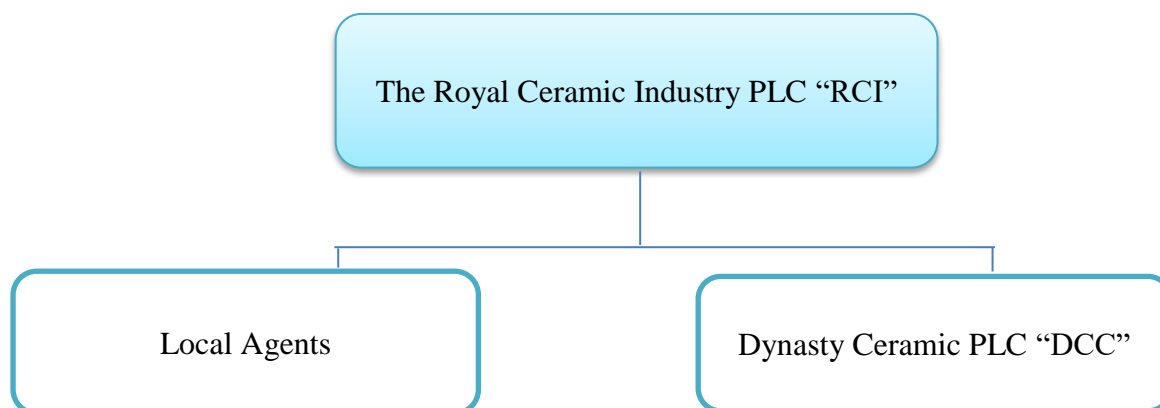
3. Developing new products with higher added value of "Core Value", which was consisted of "Continuous Improvement, Confident in Quality, Updated Technology, and Leading-edge Technology".

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.

Business Outlook

The Royal Ceramic Industry Public Company Limited's core business is the manufacture of wall and floor ceramic tiles. The company strictly focus on control and quality inspection. A product development to be variety of shapes, patterns and sizes to meet the customers' needs. The main revenue of the company is ceramic tiles produced by the company itself and mainly focus on domestic sales. Most of market is sold by Dynasty Ceramic Public Company Limited by 99%, a business partner with potential of distribution channels domestically over than 200 outlets and through distributors around the country by 1% of total sales.

The Company's Business Structure



Sales of floor and wall ceramic tiles during 2015-2017 (Consolidated F/S)

Channel of Distribution	2015		2016		2017	
	Sales (MB)	(%)	Sales (MB)	(%)	Sales (MB)	(%)
1.Ceramic Tiles: Domestics	794	98.27	651	99.78	505	99.61
2.Ceramic Tiles: Export	14	1.73	8	1.22	2	0.39
Total Sales	808	100	659	100	507	100
% Change	(17.97)		(18.44)		(23.07)	

2.Types of Business Operation

2.1 Profile, changes and major developments of the

- 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 and invested 100 Million 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 26th, 2013 approved a capital increase of the company,to use as working capital within the business. The company issued and allocated warrants to purchase new ordinary shares of the company No.1 (RCI-W1) to the existing shareholders who subscribe for new ordinary shares at ratio of 1 new ordinary share per 1 unit. The term of the warrants is 2 years and the exercise date is 1

year and 2 years. The first exercise date is 22 October,2014 and the last exercise date is 22 October,2015 respectively.

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 24th, 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.

On December 31, 2015, the Union Mosaic Public Company Limited deducted a shareholding from 32.26% to 10.60% of issued capital and paid-up capital.

- In 2016, the Union Mosaic Public Company Limited deducted a shareholding from 10.60% to 0.02% issued capital and paid-up capital. In present, the Union Mosaic Public Company Limited is not a shareholder.

On October 20, 2016, the Union Mosaic Public Company Limited has a notice of termination of Management fee before the agreement expiration on December 31, 2017 effected on December 1, 2016.

- In 2017, on April 28, 2017, by virtue of the resolution of The Annual General Meeting of Shareholders N0.1/2017, has appointed 4 directors with as a directors of Dynasty Ceramic Public Company Limited. A manufacturer and distributor of ceramic tiles, the same business type who is not a shareholder and entered to signed employment agreement with Dynasty Ceramic Public Company Limited to manage in production, marketing, and all management

with management fee 1.0 million Baht monthly for 1 year since May 2, 2017 until May 1, 2018. There was a termination of management fee before the expiration on October 1, 2017 (by the resolution of the Extra General Meeting of Shareholders No.1/2017 held on November 27, 2017) due to the new management structure.

- In 2018, to proposed to the Annual General Meeting of Shareholder for year 2018 on April 23, 2018. By resolutions of the Board of Directors Meeting No. 2/2018, held on February 20, 2018.

The Board Meeting resolved to approve the reduction of the Company's registered capital from the existing registered capital of Baht 463,185,014, to be a new registered capital of Baht 462,629,524 by cancelling the number of 555,490 authorized but unissued shares, which were reserved for the exercise of 555,490 units of warrant to purchase ordinary shares in the Company (RCI-W1) and such warrants had not been exercised within its term. As a result, such warrants had already expired) in accordance with the EGM No. 1/2013 held on 26 September 2013

The Board Meeting resolved to approve the increase of the company's registered capital from THB 462,629,524 to be THB 616,839,365 by issuing 154,209,841 new ordinary shares with a par value of THB 1 each, totaling THB 154,209,841

The Board Meeting resolved that the number of 154,209,841 new shares at the par value of THB 1 each is allotted to the existing shareholders by way of rights issue in one or several tranches from time to time to the existing shareholders (whose names appear on the share register book on 2 May 2018, being the record date) by way of rights issue at the ratio of 3 existing shares to 1 new ordinary share (any fraction of shares will be disregarded) at the offer price of Baht 1.50 per share, provided that during the subscription period of the new shares, which is fixed during the period between 16 and 18 May 2018 and between 21 and 22 May 2018 (totaling 5 business days), the existing shareholders may subscribe new shares in excess of their entitlements (Excess Rights) in proportion of their shareholding at the same offer price. The Board of Directors or the chief executive officer or the Board's authorized person(s) is

authorized determine or amend any terms and conditions relating to the offer of new shares to existing shareholders by way of rights issue (including subscription period) and to allot the new shares remaining from the subscription by the existing shareholders (Unsubscribed Shares) to the existing shareholders who express their intention to subscribe the Unsubscribed Shares in excess of their entitlement (Excess Rights Shares) in proportion to the shareholding of each of shareholders who subscribe the Unsubscribed Shares until no new shares remaining unsubscribed. In case where the number of the Unsubscribed Shares is sufficient for allotment to all shareholders who subscribe in excess of their entitlement, the Unsubscribed Shares will be allotted to all shareholders subscribing in excess of their entitlement according to their subscription for the Excess Rights Shares.

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 two main categories:

1. Wall Tile size 20cm.x25cm. , 20cm.x30cm. , 20cm.x30cm. (Digital)
2. Floor Tile size 30cm.x30cm. , 30cm.x30cm. (Digital). In the year 2018 will start producing larger tiles Premium size 60cm.x60cm. , 60cm.x60cm. (Digital)

2.2.2 Marketing and Competitive Situation

The Royal Ceramic Industry PLC engages in conducting business of manufacturing ceramic tiles comprising wall tiles and floor 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 as to meet the needs of consumers.

In 2017, the company faced liquidity problems seriously. The working capital requirements more quickly to keep up the payments on the loan maturity including internal spending. The company has offered to sell the whole inventory to Dynasty Ceramic Public Company Limited, which was proposed for approval through the resolution of the Extraordinary General Meeting of Shareholders No.1/2017 held on 27 November,2017.

After the company hired Dynasty Ceramic Public Company Limited “DCC” to manage. DCC’s management team has improved many of its tasks, including its marketing plans and strategies. The company has increased distribution channels through Dynasty Ceramic Public Company Limited mainly because there are over 200 branches nationwide which can increase the Company’s liquidity as a business supporting. The production of Porcelain Tile and Clay Tile was canceled due to the high cost of production and sales do not cover the operation.

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: enhancing the efficiency of modern machinery, the reduction in energy costs, raw material costs, and production process losses.

2.2.3 Distribution and Distribution Channels

The sale of the company, domestic sales, are mainly through Dynasty Ceramic Public Company Limited, a major customer, which has the distribution channel of more than 200 branches nationwide.

2.2.4 Production Volume

Company	Type of Tiles	Productivity (Million Sq. M. / Year)	
		Y2017	2016
The Royal Ceramic Industry PLC (RCI)	Wall Tile	1.72	1.99
	Floor Tile	2.35	0.65
	Decorative Tile	0	0.04
	Porcelain Tile	0.05	0.27
The Royal Asia Brick and Tiles Co., Ltd (RABT)	Clay Tile	-0-	0.13
	Total	4.12	3.09

* The Royal Asia Brick and Tiles Co., Ltd (RABT) The Company discontinued since April 2017

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 85% and the remaining is ordered from abroad.

3. Risk Factors

The Royal Ceramic Industry Public Company Limited recognizes the importance of systematic risk management. There is a risk management committee to assess the risks that may occur and to define a strategy according with the objectives and goals of the company. Although the company has emphasis on risk management, the company still has risk factors in the year 2017 as follows

1. **Product** : The company produce ceramic tile which is in a highly competitive industry, There is a risk of substitution of some substitute materials. However, with the advantages of the ceramic tiles, it is still the main material used in the building materials market. Including with improvements under research and development of ceramic tile products, with the new machinery investment which the flexibility to meet the market needs impact on these risk factors is reduced.
2. **Raw Materials and Energy**: Cost of raw materials and energy is the main proportion of ceramic tile production. Price movement of raw materials and energy. It has a huge impact on earnings. Therefore, the company has to closely monitor raw material and energy information and still do not underestimate the situation. So the policy is to have reserves of all major raw materials and encourage to use technology to reduce energy consumption in the production process.
3. **Competition from both Domestic and foreign manufacturers**: The company has focused on improving efficiency and minimizing the use of resources in able to compete in terms of cost, whereas on product development to produce new ceramic tile products with special features to meet the customers' needs as well as provide service minded, convenient and fast that other competitors may not be as good.
4. **Business risks** : contains of the regulations and laws, risk of the reputation, risk of the product to the consumer in terms of reputation risk and other risks. The company has internal evaluation system to comply with corporate risk reduction as a goal.
5. **Risk of Safety, Health and Environment**: The Company focuses on creating awareness and building safety protection systems for all employees. In addition, there is a systematic management of occupational health and safety resulted the company can control and maintain risks in low level.

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- 6. Financial risk :** In the year 2017, the company changed its management structure and strictly monitored the financial condition of the company. The risk of normal business operation of the company is at recovery status and better.

4.General Information

Company's name: The Royal Ceramic Industry PLC., Registered No. BorMorJor. 360

Product: Manufacturer and Distributor of Floor Tiles and Wall Tiles

Office location: DCC Building 37/7 Suthisarn-Vinijchai Road,Samsen-Nok Sub-district
HuayKwang District, Bangkok 10310 Tel: 0-2276-9275-80
Fax: 0-2643-0948-9

Mill location: No. 54/7 Village No. 3 Suwannasorn Road, Khokyaе Sub-district,
Nongkhaе District, Saraburi Province18230Tel: 0-3630-5249-57
Fax: 0-3637-9028

Registered capital: 463,185,014 ordinary shares, 1.00 baht per share 463,185,014 Baht

Paid-up capital: 462,629,524 ordinary shares, 1.00 baht per share 462,629,524 Baht

Company share

registrar 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 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

Company Secretary Miss Cattleya Saengsastra
Tel: 02-276-9275-81 ext 403
Fax: 02-276-0313-17
E-mail: Cattleya.sa@rci.com

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 27thFl., 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 Mahadlekluang 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 per cent 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 qualityceramic tile Porcelain type
under brand name of “CERGRESS”

Office location: No. 65/224ChamnanPhenjatiBusinessCenter27thFl., 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, KokeYae Sub-district, NongKhao 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: 50,000,000shares, equal to 8.32 per cent of 600,808,896 registered
shares, value at 1.00 baht per share.

Report of the Board of Directors' Responsibilities for Financial Reports

The Board of Directors is responsible for the consolidated and Company-only financial statements, the financial statements and the notes to the financial statements of The Royal Ceramic Industry Public Company Limited have been prepared in accordance with Thai Financial Reporting Standards, by choosing proper accounting policies and consistently adhering to them including careful consideration, together with prudent and reasonable estimations in preparation. These reflect the actual, transparent and reasonable financial position and performance that are useful to all shareholders and investors.

The Board of Directors has also established and reviewed appropriate and effective risk management, internal control, and compliance measures, to be reasonably assured that the financial records are accurate, complete, and adequate to protect the Company's assets. These controls also serve as preventive measures against any significant operational risk of the Company.

The Board of Directors has appointed an Audit Committee comprised of independent directors responsible for the quality of the Company's financial reporting and internal control systems as well as complete and appropriate disclosure of connected transactions and other processes. The opinion of the Audit Committee with regard to these matters appears in the Report of the Audit Committee in this Annual Report.

The Board of Directors has considered of Company's internal control system. From the year ended on December 31, 2017, the company has settled in satisfactory level and create a reasonable reliable to the reliability of consolidated financial statement of the company and its subsidiaries.



(Mr. Roongroj Saengsastra)

Chief Executive officer

Report of the Audit Committee

To the Shareholders

Audit Committee of The Royal Ceramic Industry Public Co., Ltd. consists of Directors which are independent directors and qualified having knowledge and experience in the business as of December 31, 2017 consisted of 4 independent directors as follows:

Name-Surname	Title	Number of attendance to the meeting in 2017 (5 times)
1. Mrs. Pawanya Kritachart *	Chairman of the audit committee	5/5
2. Mr. Santi Piyatat	Audit committee	0/5
3. Mr. Kamolsut Dapparansi	Audit committee (28 April, 2017)	3/4
4. Miss Bongkot Sittikornprasart *	Audit committee (2 May, 2017)	4/4

The first and fourth directors are the person with sufficient competence and experience for the review on reliability of the financial statements

And Mrs. Sakulsri Phunvongsa VP Accounting and Finance as a Secretary

The Audit committee performs its duties as assigned by the Board of Directors, comply with the requirements of the Stock Exchange of Thailand. In the year 2017, the Audit Committee held 5 meetings with the management and the auditor in the related matters. The results of the meeting were reported to the Board of Directors.

The summary of the meeting could be concluded as follows.

1. Review the Company's financial statement

The Audit Committee, together with the management division had reviewed the Company's quarterly and the yearly financial statements as well as the consolidated financial statements of the Company and its subsidiaries. The Audit Committee considered important aspect and gave advices and useful suggestions to ensure that the Company financial budget process is accurate and reliable, as well as to ensure that the disclosure of important information is sufficient and timely for the financial statement users with reference to the laws and related notices and the regulations of Stock Exchange of Thailand (SET) and Securities and Exchange Commission (SEC), and in compliance with the General Accepted Accounting Principles and is consistently following the same practice. In addition, the Audit Committee had a meeting with the external auditors to enquire auditor's opinions on the audit result.

2. Related party transactions and conflicts of interest

The audit committee has examined and made comments on inter-company transactions or transactions with possible conflict of interest of the company and its subsidiaries basis based on awareness principle, reasonable and consideration of the stakeholders benefits, including sufficient disclosure in accordance with the conditions provided by the Stock Exchange of Thailand

In the year 2017, the company had connected transaction with Dynasty Ceramic Public Company Limited, a company with common directors, about the purchasing all inventory on hand as a whole at below cost price, renting office space of the company and its subsidiaries, hiring of warehouse and logistics management. The company did not comply with the relevant rules, which the size of mentioned transaction must be approved by the shareholders' meeting. The company has already requested the resolution of the

Extraordinary General Meeting of Shareholders No.1/2017 held on November 27, 2017. The resolution of the meeting has been publicized.

3. Review of risk management

The Audit Committee examined risk management policy of the Risk Management Committee, plans and approaches. It also reviewed internal and external risk factor management practices. To this end, the committee held meetings with the management to scrutinize the efficiency and suitability of risk management processes and provide recommendations for improvement.

4. Review internal control system

Assessed the adequacy and effectiveness of internal controls of the internal audit procedure to ensure that the Company and its subsidiaries have adequate systems and process to help prevent and reduce risks that may arise, which includes the operation and authorization of the management in accordance with the policy and authority as assigned. Nevertheless, the committee did not find any significant weaknesses or deficiencies from the review.

5. Review of good corporate governance

The Audit Committee examined 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.

6. Proposed appointment and remuneration of the auditor for the year 2018

The Audit Committee considered the selections of the external auditors and auditing fees by taking into account the competency, experience, and quality of work delivered in the past years. Hence, the Audit Committee has reviewed all appropriate factors of Karin Audit Co., Ltd, and the auditor's remuneration, considering business background knowledge, independency, fairness, and timeliness. The Audit Committee has proposed Karin Audit Co., Ltd to the Board of Directors as the Company's and its affiliates' external auditor for shareholders' approval at the 2018 AGM.

In the past year, the audit committee has the opinion that the company has set up an appropriate internal control system, covering risky operations and also develop a process that ensure the performance of the company with good corporate governance including the accounting system and financial reports to be accurate and reliable.

On behalf of the Auditing Committee
The Royal Ceramic Industry Public Co., Ltd.

(Mrs. Pawanya Kritachart)
Chairman of the audit committee

20 February, 2018

5.Shareholders and Securities of the company

1. Top ten major shareholders as of December 29, 2017

No.	Name - Surname	No. of Shares	%
1.	Mr. Chaiwit Arunnetrtong	76,440,000	16.523
2.	Mr. Viboon Wadcharasurang	65,690,400	14.199
3.	Miss. Waraporn Smarnphanchai	20,118,000	4.349
4.	Miss. Sunee Anantaprakorn	19,046,000	4.117
5.	Mr. Piriya-ut Phatarakitkasem	14,395,000	3.112
6.	Miss Pimpatra Suppacharawong	6,530,000	1.411
7.	Miss Khemjuta Suwanjinda	6,257,100	1.353
8.	Mr.Vorachai Iertpraiwan	6,200,000	1.340
9.	Mr.Thanes Rasamesukhanont	6,083,725	1.315
10.	Mrs.Kanitha Markduengthain	5,848,800	1.264
	Total 10 major shareholders	226,609,025	48.983
	Total number of shares (Shares)	462,629,524	100.000
	Par Value (Baht/Share)	1.00	
	Issued and Paid-up share capital (Baht)	462,629,524	
	Authorized Share Capital (Baht)	463,185,014	

Data as of 29 December 2017

Shareholders that are Thai legal entities 14 entities; holding 5,840,420 shares or 1.26%

Shareholders that are foreign legal entities 2 entities; holding 1,038,300 shares or 0.22%

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 loss 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, 27th Floor Chamnan Phenjati Business Center Building Rama 9th 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.

In 2017, the Company did not issue any securities.

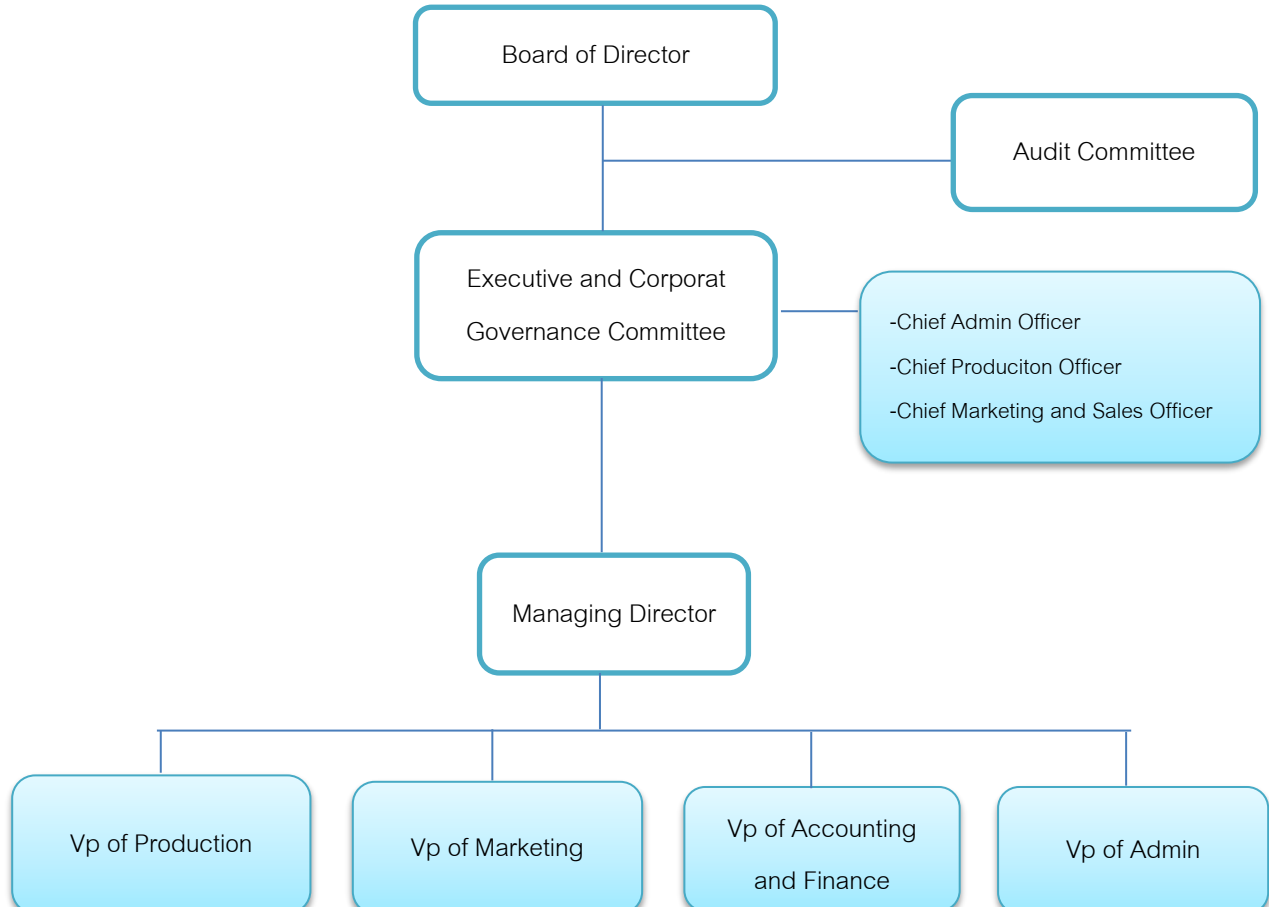
6.Dividend Policy

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.

In the year 2017, no dividend payment because the company still has deficit and is in the process of restructuring the management.

7. Management Structure Organization and Board of Director

Organization of The Royal Ceramic Industry PLC



Board of Directors of the Company

The Company has the Board of Directors consisting of 10 persons. (As at February 20, 2018)

Name	Position	Remarks
1. Mr. Viboon Wadcharasurang	Chairman	//
2. Mr. Roongroj Saengsastra *	Chief Executive Officer	/
3. Mr.Sanchai Jenejarat	Managing Director	/
4. Mrs. Pawanya Kritachart	Independent Director and Chairman of Audit Committee	///
5. Mr. Kamolsut Dapparansi	Independent Director and Audit Committee	///
6. Miss Bongkot Sittikornprasart	Independent Director and Audit Committee	///
7. Mr. Chaiyos Rungcharoenchai	Independent Director and Audit Committee	///
8. Mr. Monrak Saengsastra*	Executive Director- Admin	/
9. Mr. Maruth Saengsastra *	Executive Director- Marketing and Sales	/
10.Mr.Jaruwat Traithavil*	Executive Director- Production	/

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.

Remarks / = Director who holds position in the chain of command 5 persons

// = Director who does not hold position in the chain of command 1 person

/// = Director and Audit Committee who does not hold position in the chain of command 4 persons

*Director No. 2 , 8 , 9 and 10 as Director of Dynasty Ceramic PLC , the same business type .

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 10 members of the Board of Directors no record of criminal offenses in relation to property, which was done by corruption.

Board of Director

1. Mr. Viboon Wadcharasurang

Appointed 23 February 2017

Age 68 years

Chairman

% of Share Holding 65,690,400 shares or 14.199% at Dec 29, 2017

Family relationship among executives None

Highest Education Junior High School Education, Montfort College, Chiang Mai

Training from IOD Directors Accreditation Program (DAP) No.143/2017

Experience in the past 5 years (at December 31, 2017)

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

Other Current Position:

Listed Company None

Non Listed Company 4 Companies

1. Managing Director, Panichviboon(1975) Co.,Ltd

2. Chief executive officer, Freeform Design Co.,Ltd

3. Chief executive officer, Ceramic Circle Co.,Ltd

4. Chief executive officer, Ceramic Outlet Co.,Ltd

2. Mr. Roongroj Saengsastra

Appointed 28 April 2017

Age 67 years

Executive of Chairman

% of Share Holding None

Family relationship among executives Mr.Monrak Saengsastra and Mr.Maruth
Saengsastra's father
Miss Cattleya Saengsastra's brother

Highest Education Bachelor of Accounting, Chulalongkorn University

Training from IOD None

Experience in the past 5 years (at December 31, 2017)

2011-2014 Chairman of Pick and Pay Co., Ltd
Chairman of Muang Thong Ceramic Co., Ltd
Chairman of World Wide Ceramic Co., Ltd

Other Current Position:

Listed Company 1 Company

1.Chairman and Executive of Chairman /Dynasty
Ceramic PLC

Non Listed Company 2 Companies

1.Chairman of TileTop Industry PLC.
2.Executive of Director of Royal Asia Brick and Tile Co.,
Ltd.

3. Mr. Sanchai Jenejarat

Appointed 1 August 2017

Age 67 years

Managing Director

% of Share Holding None

Family relationship among executives None

Highest Education Bachelor of Engineering, Chulalongkorn University

Training from IOD Director Accreditation Program (DAP) No.54/2006

Experience in the past 5 years (at December 31, 2017)

2011 – June 2017 President of Dynasty Ceramic PLC.

President of TileTop Industry PLC.

Other Current Position:

Listed Company 1 Company

1. President / Dynasty Ceramic PLC

Non Listed Company 1 Company

1. President / TileTop Industry PLC

4. Mrs. Pawanya Kritachart

Appointed 24 April 2008

Age 69 years

Independent Director and Chairman of Audit Committee

% of Share Holding None

Family relationship among executives None

Highest 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

Training from IOD Directors Accreditation Program (DAP) No.49/2005

Experience in the past 5 years (at December 31, 2017)

Present: Director, Green Resources PLC

Director and Managing Director, Thanapatra Asset Management Co., Ltd

2013-2017: Independent Director and Audit Committee, The Royal Ceramic Industry PLC

2008-2012: Director, The Royal Ceramic Industry PLC

Other Current Position:

Listed Company 1 Company

1. Director, Green Resources PLC

Non Listed Company 1 Company

1. Director and Managing Director, Thanapatra Asset Management Co., Ltd

5. Mr. Kamolsut Dapparansi

Appointed 1 December 2016

Age 40 years

Independent Director and Audit Committee

% of Share Holding None

Family relationship among executives None

Highest 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

Training from IOD Director Certification Program (DCP) No.119/2009

Experience in the past 5 years (at December 31, 2017)

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.

Other Current Position:

Listed Company 1 Company

1. Director / Thoresen Thai Agencies PLC.

Non Listed Company 3 Companies

1. Managing Director as House of Truffle Co.,Ltd.

2. Chief Business Development Officer of PM Group Co., Ltd.

3. CEO / Founder of MUGENDAI Co.,Ltd.

6. Miss Bongkot Sittikornprasart

Appointed 2 May 2017

Age 31 years

Independent Director and Audit Committee

% of Share Holding None

Family relationship among executives None

Highest Education -Master of Management in International Business, Chulalongkorn University
-Bachelor of Business and Administration (Accounting Major), Chulalongkorn University

Training from IOD None

Experience in the past 5 years (at December 31, 2017)

2017-Present	Investor Relations Manager, CPALL Public Company Limited
2015-2017	Equity Research Analyst, CIMB Securities (Thailand)
2013-2015	Investor Relations Manager, Dynasty Ceramic Public Company Limited
2008-2012	Financial Accounting Analyst, ExxonMobil Limited

Other Current Position:

Listed Company None

Non Listed Company None

7. Mr. Chaiyos Rungcharoenchai

Appointed 8 August 2016

Age 43 years

Independent Director and Audit Committee (Appointed 20 February 2018)

% of Share Holding None

Family relationship among executives None

Highest Education BBA, Faculty of Business Administration, Assumption University

Training from IOD None

Experience in the past 5 years (at December 31, 2017)

2014 - Present: President of Thai Textile Merchants Association

2009 - Present: Director, The JK group Co.,Ltd

2002 - Present: Director, Braccialini Co., Ltd

1999 - Present: Director, 999 Textile Import & Export Co.,Ltd

Other Current Position:

Listed Company None

Non Listed Company 3 Companies

1. Director, The JK group Co.,Ltd

2. Director, Braccialini Co., Ltd

3. Director, 999 Textile Import & Export Co.,Ltd

8. Mr. Monrak Saengsastra

Appointed 28 April 2017

Age 42 years

Executive of Director

% of Share Holding None

Family relationship among executives Mr. Roongroj Saengsastra's Son

Highest Education

- Master of Business Administration, Kasetsart University
- Master of Art in International Economics. Southern Methodist University (SMU)
- Bachelor of Science in Business Computer Information Systems, University of North Texas (UNT)

Training from IOD Director Accreditation Program (DAP) No.107/2014

Experience in the past 5 years (at December 31, 2017)

2013 - 2017 Executive Director (Administration)
at Dynasty Ceramic PLC and Tile Top Industry PLC.

Other Current Position:

Listed Company	1 Company 1. Chief Admin and Finance Officer Dynasty Ceramic PLC.
Non Listed Company	2 Companies 1. Senior Executive Vice President (Admin) at Tile Top Industry PLC. 2. Executive of Director of Royal Asia Brick and Tile Co., Ltd.

9. Mr. Maruth Saengsastra

Appointed 28 April 2017

Age 40 years

Executive of Director

% of Share Holding None

Family relationship among executives Mr. Roongroj Saengsastra's Son

Highest Education -Master of Science in Computer Science,University of North Texas,USA

Training from IOD Director Accreditation Program (DAP) No.107/2014

Experience in the past 5 years (at December 31, 2017)

2011 - 2017	Senior Executive Vice President (Marketing) at Dynasty Ceramic PLC and Tile Top Industry PLC.
2011 - Present	Assistant Company Secretary and Investor Relation at Dynasty Ceramic PLC.
2011 -2015	Vice President Information Officer at Dynasty Ceramic PLC and Tile Top Industry PLC.

Other Current Position:

Listed Company	1 Company
	1. Chief Marketing and Sales Officer at Dynasty Ceramic PLC.
Non Listed Company	2 Companies
	1. Senior Executive Vice President (Marketing) at Tile Top Industry PLC.
	2. Executive of Director of Royal Asia Brick and Tile Co., Ltd.

10. Mr. Jaruwat Traithavil

Appointed 28 April 2017

Age 37 years

Executive of Director

% of Share Holding None

Family relationship among executives None

Highest Education

- Master of Engineering Project Management, University of Melbourne, Australia
- Bachelor of Engineering (Honours), Australian National University, Australia
- Bachelor of Information Technology, Australian National University, Australia

Training from IOD Director Accreditation Program (DAP) No.143/2017

Experience in the past 5 years (at December 31, 2017)

2010 - 2017 Senior VP Production at Dynasty Ceramic PCL

2009 - Present VP Production at Tile Top Industry PCL.

Other Current Position:

Listed Company	1 Company
	1. Executive Director at Royal Ceramic Industry PLC.
Non Listed Company	2 Companies
	1. Senior Executive Vice President (Production) at Tile Top Industry PCL.
	2. Executive of Director of Royal Asia Brick and Tile Co., Ltd.

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 6 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 2017, the Boards held 10 meetings Prior to each meeting, all members received the agenda and supporting documents 7 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.

Details of attendance records of The Royal Ceramic Industry PLC are shown in the following table:

Name Of Directors	Board Meeting in 2017			
	Board Of Director Total 10 times	Board Of Audit Committee Total 5 times	AGM in 2017 on 28 April 2017	EGM in 2017 on 27 November 2017
1. Mrs .Sirisook Hoontrakool ⁽¹⁾	2/2	1/1	-	-
2. Mrs. Pawanya Kritachart	10/10	5/5	1/1	1/1
3. Mr. Santi Piyatat	2/10	0/5	0/1	0/1
4. Mr. Surachart Phongsuthana ⁽¹⁾	1/2	-	-	-
5. Mr. Chaiyos Rungcharoenchai	6/10	-	-	1/1
6. Mr. Jesada Sophonpanich Yangpichit ⁽¹⁾	0/5	-	-	-
7. Mr. Chokchai Rungcharoenchai ⁽¹⁾	3/5	-	1/1	-
8. Mr. Kamolsut Dapparansi	5/10	3/4	1/1	1/1
9. Mr. Viboon Wadcharasurang	10/10	-	1/1	1/1
10. Mr.Roongroj Saengsastra	8/8	-	1/1	1/1
11. Mr. Monrak Saengsastra	7/8	-	1/1 ⁽²⁾	1/1
12. Mr. Maruth Saengsastra	8/8	-	1/1 ⁽²⁾	1/1
13. Mr. Jaruwat Traithavil	8/8	-	1/1 ⁽²⁾	1/1
14. Miss Bongkot Sittikornprasart ⁽³⁾	7/7	4/4	-	1/1
15. Mr. Sanchai Janejarat ⁽³⁾	4/4	-	-	1/1

⁽¹⁾ the director resigned during the year 2017.

⁽²⁾ Nominee for the position of Director proposed for approval by the Annual General Meeting of Shareholders for the year 2017.

⁽³⁾ Directors who entered during the year 2017

RCI top executives

4 top executives from Managing Director;

Name	Position
1. Mrs. Pranom Suksawad	VP of Production
2. Mr. Jadsada Vitchalavipat	VP of MarketingProduction
3. Mrs. Sakulsri Phunvongsa	VP of Accounting and Finance
4. Mrs. Pobkhun Kaosaiyanant	VP of Administration

Company Secretary

The Annual General Meeting of Shareholder for year 2017 on April 28, 2017 resolved to appoint Ms. Cattleya Saengsastra to be the Company's secretary and determine following scopes of responsibilities that the secretary must perform responsibly, prudently and honestly as follow;

1. Arrange shareholders and Board of Directors' meetings to be in compliance with the Company's rules and regulations and regulations of relevant regulatory agencies.

2. Make meeting minutes of the shareholders and Board of Directors' meetings and follow up the operation result according to the shareholders and Board of Directors' resolutions.

3. Ensure that the information disclosures are in compliance with rules and regulation of the SET and the Office of the SEC.

4. Prepare and keep following documents

(A) Director's registration

(B) Board's meeting invitation and meeting minutes

(C) Shareholders' meeting invitation and meeting minutes

(D) The Company's Annual Report.

5. Store connected transaction reports that Directors and managements report to the Company.

6. Give preliminary advice to the Board of Directors concerning rules and regulations of the Company and ensure that the practices are in compliance with those regulations. The secretary must report any significant changes to the Directors.

7. Oversee Board of Directors' activities and other issues according to the laws or as assigned by the Board of Directors or by the securities exchange regulators. The secretary has prepared initial report concerning the Company's secretary and to contribute to best corporate governance practices. The Company Secretary reports functionally to the Chairman and organizationally to the Board of Director.

Profile of the Company Secretary

Miss Cattleya Saengsastra: Company Secretary

Appointed 28 April 2017

Age 69 years

% of Share Holding 10,000 shares (0.002%) at Dec 29, 2017

Family relationship among executives Mr. Roongroj Saengsastra's Sister

Highest Education -Bachelor degree Accounting (Honor), Chulalongkorn University

-Management Development Program

J.J Kellogg, North Western University

Training from IOD Directors Accreditation Program (DAP) No.47/2005

Training from IOD: Company Secretary Program None

Experience in the past 5 years (at December 31, 2017)

2011-2014 Director of Pick and Pay Co., Ltd
 Director of Muang Thong Ceramic Co., Ltd
 Director of World Wide Ceramic Co., Ltd

Other Current Position

Listed Company	2 Companies
	1. Independent Director and Chairman of Audit Committee / S&P Syndicated PLC.
	2. Executive Director and Company Secretary / Dynasty Ceramic PLC.
Non Listed Company	1 Company
	1. Executive Director and Company Secretary / TileTop Industry PLC.

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, Performance of business , Comparison of the Company business performance with those of the other companies in the same industry and 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 2017 held on April 28, 2017, a resolution passed concerning the remuneration of directors and adjustment the remuneration of directors in the Extraordinary General Meeting of Shareholders No.1/2017 held on November 27,2017. The directors' remuneration shall only be paid to directors whose are present at the Board Meeting, and effective as from December 1, 2017 as follows:

	According to the resolution of 2017 AGM on April 28, 2017	Adjustment in According to the resolution of No.1/2017 EGM on November 27,2017
<u>1.Regular remuneration</u>		
<u>(Benefits in the form of a certificate)</u>	Baht / month	Baht /meeting
- Chairman/Chief Executive Officer	-0-	-0-
- Director	15,000	-0-
- Independent Director and Audit Committee	18,000	-0-
- Director of DCC	-0-	-0-
<u>2.Meeting Allowance (Quarterly)</u>	Baht /meeting	Baht /meeting
- Chairman	-0-	45,000
- Chief Executive Officer / Director / Secretary	4,000	40,000
- Independent Director and Audit Committee	4,000	25,000

Remuneration for directors of the Company in 2017

(unit: Baht)

Name of Directors	Meeting Allowance	Remuneration	Total
1. Mrs .Sirisook Hoontrakool	8,000	-	8,000
2. Mrs. Pawanya Kritachart	60,000	173,603	233,603
3. Mr. Santi Piyatat	8,000	-	8,000
4. Mr. Surachart Phongsuthana	4,000	-	4,000
5. Mr. Chaiyos Rungcharoenchai	24,000	-	24,000
6. Mr. Jesada Sophonpanich Yangpichit	-	9,907	9,907
7. Mr. Chokchai Rungcharoenchai	16,000	-	16,000
8. Mr. Kamolsut Dapparansi	28,000	-	28,000
9. Mr. Viboon Wadcharasurang	36,000	-	36,000
10. Mr.Roongroj Saengsastra	-	-	-
11. Mr. Monrak Saengsastra	-	-	-
12. Mr. Maruth Saengsastra	-	-	-
13. Mr. Jaruwat Traithavil	-	-	-
14. Miss Bongkot Sittikornprasart	44,000	137,492	181,492
15. Mr.Sanchai Jenejarat	18,000	-	18,000
Total	244,000	321,002	565,002

Human Resources

- a) Number of employees for the Company and its subsidiaries as of 31 December, 2017, compared to 2016, is as follows:

Company	Number of Employees In 2017 (persons)			Number of Employees In 2016 (persons)			% Increase (Decrease)
	Plant/ Branch	HQ	Total	Plant/ Branch	HQ	Total	
The Royal Ceramic Industry PLC.	361	16	377	468	116	584	(35.45)
The Royal Asia Brick and Tile Co.,Ltd	-	-	-	2	-	2	(100)
รวม	361	16	377	470	116	586	(35.67)

- 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.

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.

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 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.

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.

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 provides 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 before the Meeting. Such documents are submitted to shareholders 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 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: Dynasty Ceramic PCL Building, No. 37/7 Suthisarnwinijchai Road,

Samsennok Sub-District, Huai Khwang District, Bangkok 10310

Tel: 0-2276-9275-80 Fax: 0-2643-0948-9

5. For 2017, the Company held the Annual General Meeting of Shareholders on April 28, 2017 and the Extraordinary General Meeting No.1/2017 on November 27, 2017. There are directors attending the meeting as details of each director's attendance shown below :

6. The 2017 Annual General Meeting of Shareholders on April 28, 2017 was held by the Meeting Room Floor 4th Dynasty Ceramic PCL Building, No. 37/7 Suthisarnwinijchai Road, Samsennok Sub-District, Huai Khwang District, Bangkok to facilitate the shareholders easily accessible.

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 2017 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 2017 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 2017 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.

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 2018 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 October 1, 2017- December 31, 2017. 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. 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 7-14 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. 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. During the past year, 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 shall be reported in the Annual Report.

During the past year, 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.

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.

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: 2007) 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:

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 (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.

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. Periodical publications and media, such as annual reports
4. Electronic media for communications with employees, such as intranet, e-mail and social media.
5. 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:

The Royal Ceramic Industry PLC. Address: Dynasty Ceramic PCL Building, No. 37/7 Suthisarnwinijchai Road, Samsennok Sub-District, Huai Khwang District, Bangkok 10310 Tel: 0-2276-9275-80 Fax: 0-2643-0948-9

5.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 Board of Directors consisting of 10 persons (As at February 20, 2018) composed of 4 Independent directors, 5 executive directors and 1 non-executive director

5.2 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.

5.3 Scope of Authority of 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.

5.4 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.

5.5 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.

5.6 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 10 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.

5.7 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.

Training of Directors for the year 2017

No.	Subject	Date	Name of Board Members
1	Director Accreditation Program (DAP) No. 143/2017 Training from IOD	13 November 2017	Mr. Viboon Wadcharasurang

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 4 independent directors, all of whom are well accepted and have a full understanding of Mrs. Pawanya Kritachart and Miss Bongkot Sittikornprasart, 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	Position
1. Mrs. Pawanya Kritachart	Chairman of Audit Committee
2. Mr. Santi Piyatat*	Audit Committee
3. Mr. Kamolsut Dapparansi	Audit Committee
4. Miss Bongkot Sittikornprasart	Audit Committee
5. Mr. Chaayos Rungcharoenchai*	Audit Committee

* Mr. Chaayos Rungcharoenchai take a position of independent director and audit committee in replacement of Mr.Santi Piyathat who resigned, as notified in the Board of Director's Meeting No.2/2018 held on 20 February, 2018.

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.

8.3 Nomination and Appointment of Directors and Top Executives

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 4 independent directors are Mrs .Pawanya Kritachart, Mr. Kamolsut Dapparansi, Miss Bongkot Sittikornprasart and Mr. Chaayos Rungcharoenchai

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 1 percent 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.

During the past year, all the 4 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 Directors who were retiring by rotation at the Annual General Meeting of Shareholders, 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 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.

8.6 Audit fee

(Quarterly Financial Statements and Annual Financial Statements)

Audit Fee (Baht / Year)	Proposed for Y2018*	Y2017	% Increase (Decrease)
The Royal Ceramic Industry PLC.	924,000	840,000	10%
The Royal Asia Brick and Tile Co., Ltd	30,000	90,000	(67%)
Non-audit fee	none	none	-
Total Audit Fee	954,000	930,000	3%

Audit Report Summary	Y2017	Y2016	Y2015
Auditor / Registration	Mr.Jadesada Hungsapruerk /3759	Mr.Jadesada Hungsapruerk /3759	Mr.Jadesada Hungsapruerk /3759
Auditing Office	Karin Audit Co.,Ltd.	Karin Audit Co.,Ltd.	Karin Audit Co.,Ltd.
Auditor's opinion	No Conditions	No Conditions	No Conditions

During the past year the company and its' Subsidiaries did not paid any non-audit fee to the Audit Firm or another auditor or related person to this audit firm.

* For the year 2018, The Audit Committee of RCI proposed the former Auditors from Karin Audit Co.,Ltd. to the Board of Director for approval from The Shareholders' Meeting for the year 2018

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.

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 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.

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.

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 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;
2. Participated as host of the funeral ceremony of the passed away relative of employees;
3. Organized to open library for employees between 12.00 -13.00 hours from Monday to Saturday every week;
4. Provided cultural public relations activities in the organization;
5. Provided merit making by giving alms to Buddhist monks which are held new year and new year party.

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 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 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 two 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 two 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 two 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.

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 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. 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.

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, 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 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.

11. Related business transaction

Name of the related parties	Relationship	Remarks
1.The Royal Asia Brick and Tiles Co.,Ltd (RABT)	Subsidiary	The Company discontinued since April 1, 2017
2.The Union Mosaic Industry PLC (UMI)	Common shareholders and directorship	The list of accounts to which one of these parties. The relationship ended on December 2, 2016.
3.Cermas Co.,Ltd (CERMAS)	Common shareholders and directorship	
4.The T.T. Ceramic PLC (TTC)	Common shareholders and directorship	
5.Rueampat Co.,Ltd (RPC)	Common directorship	
6.Dynasty Ceramic PLC (DCC)	Common shareholders and key executives combine	Dynasty Ceramic Public Company Limited does not hold shares in the Company. But the directors and key executives combine. The relationship began on April 1, 2017.
7.TileTop Industry PLC. (TTOP)	Common shareholders and key executives combine	

TRANSACTIONS WITH RELATED PARTIES

The financial statements include transactions with related parties and the financial statements reflect the effects of these transactions on the basis determined by the companies concerned.

1. Revenue and Expense between the Company , Subsidiaries and Related parties

Account name / Company's name	Type of Transaction	Amount (Million Baht)	
		2017	2016
The Union Mosaic Industry PLC	Revenues for sale products and raw materials	-	17.8
	Service revenue	-	1.1
	Other revenue	-	0.5
	Purchases -Finished goods	-	58.7
	Purchases-Raw Materials / Supplies	-	0.6
	Operating expenses	-	11.4
The T.T. Ceramic PLC	Revenues for sale products and raw materials	-	1.9

	Purchases -Finished goods	-	2.1
	Purchases -Raw materials	-	1.0
Cermas Co.,Ltd	Purchases -Raw materials	-	0.7
Rueampat Co.,Ltd	Revenues for sale products and raw materials	-	1.3
Dynasty Ceramic PLC	Revenues for sale products and raw materials	390.0	-
	Service revenue	1.4	-
	Purchases -Finished goods	3.9	-
	Purchases -Raw materials	2.5	-
	Office rental	0.6	-
	Management Fee	5.0	-
TileTop Industry PLC	Purchases -Raw materials	2.0	-

2. Assets and Liabilities between the Company , Subsidiaries and Related parties

Account name / Company's name	Type of Transaction	Amount (Million Baht)	
		2017	2016
Dynasty Ceramic PLC	Trade accounts receivable	46.9	-
	Other payables	3.3	-

Reasonable

Related business transaction between RCI and other companies have reasonable because of support normal business for general commercial.

12. FINANCIAL HIGHLIGHTS

(Million Baht)

CONSOLIDATED THE STATEMENTS OF COMPREHENSIVE INCOME	Y2017	Y2016 "New adjusted"
Total Revenues	516	696
Net Sales	507	659
Gross(Loss) Profit	(173)	153
%Gross(loss) Profit	(34)	23
Cost of distribution and Administrative Expenses	(97)	(187)
Reverse (loss) on allowance for impairment of inventories	17	-
Loss on impairment of investment in other company	(5)	(13)
Finance cost	(4)	(8)
Total comprehensive income (loss) for the year	(253)	(30)

CONSOLIDATED THE STATEMENTS OF FINANCIAL POSITION	Y2017	Y2016 "New adjusted"	Y2015 "New adjusted"
Total Assets	561	677	779
Total Liabilities	355	220	292
Total Shareholders' Equity	206	457	487

FINANCIAL RATIO	Y2017	Y2016 "New adjusted"
Earning Per Share - Baht	(0.55)	(0.04)
Net Profit / Total Revenues - %	(49.03)	(4.31)
Debt Equity Ratio	1.72	0.48
Return on Total Assets - %	(45.10)	(0.03)
Return on Equity -%	(122.82)	(6.56)
Booked Value - Baht	0.44	0.99
Authorized Share Capital - Baht	463,185,014	463,185,014
Total number of shares –Shares @ 1.0 Baht	462,629,524	462,629,524
Issued and Paid-up share-Shares @ 1.0 Baht	462,629,524	462,629,524

13.Summary of Operating Results and Financial Analysis

Operating results

Unit : Million Baht	Y2017	Y2016	% Increase (Decrease)
Revenue from sales	507	659	-23%
Cost of Sales	-680	-506	34%
Gross Profit margin	-173	153	-213%
Other income	9	37	-76%
Cost of distribution	-44	-106	-58%
Administrative expenses	-53	-80	-34%
Reverse (loss) on allowance for impairment of inventories	17	0	100%
Loss on impairment of other long-term investments	-5	-13	-62%
Finance cost	-4	-7	-43%
Income tax	0	-1	-100%
Profit (loss) for the Period	-253	-17	1388%
Other comprehensive income (loss)	-	-14	-100%
Total comprehensive income (loss) for the year	-253	-31	716%

Analysis of Operating Result for the year 2017

Operating results for the year 2017 ended 31st December 2017 compared with the same period last year. Sales totaled 507 million baht, decrease of 152 million baht or 23%. In 2017, the company has faced liquidity crisis and it is necessary to repay loans from financial institutions for working capital within the company. The Boards of Directors has resolved to sell all inventory on hand as a whole which is approximately 1.8 million sqm. in flat rate based on the condition. Some items need to sell lower than capital and some has a high cost of production due to the production could not run for full capacity with the condition of machines and marketing policy. It was improve gradually in the end of the year by improving the production capacity which reduces main factor of production cost by more than 30% but it still resulted in gross loss 31%. Moreover, there is a changing in management policy by reducing unnecessary expenses which make cost of distribution decrease by 62 million Baht or 58%. Also there is a revocation of any non-revenue promotion policy, the administrative expense decreased 42 million Baht or 44%. Some of staff being laid off so that financial cost decrease by 3 million baht or 43% from repayment of financial institution loans at high interest rates. The company take place a new financial institution with lower interest rates. After all, the company net loss was 253 million Baht or a loss of 0.546 Baht per share compared to 222 million baht in the previous year or 716%.

Financial Position for the year 2017

Unit : Million Baht	31 Dec 2017	31 Dec 2016	% Increase
Total Assets	561	677	-17%
Total Liabilities	355	220	61%
Total Shareholders' Equity	206	457	-55%

Total assets of the company and its subsidiaries as of 31st December 2017 amounted 561 million baht, decrease of 116 million baht or 17% from the amount as of 31st December 2016. The current assets decreased 263 million baht or 18%

-Cash and cash equivalents decreased 40 million baht or 93%,

-Trade accounts receivable and other current receivables decreased 11 million baht or 13%,

-Inventories decreased 212 million baht or 65%, by sell all inventory on hand as a whole during the beginning of 2018 and re-production with new production plan by marketing policy in place wherewith Dynasty Ceramic PLC is the major customer.

Non-current assets increased by 148 million baht or 67%

-Land, building and equipment (net) increased 153 million baht or 89%, a part in increase of machinery in the production process from production capacity expansion since mid of 2017

-Other long-term investments decreased 5 million baht or 13%, by impairment loss from securities in other company.

Total liabilities of the company and its subsidiaries as of 31st December 2017 amounted 355 million baht, increasing by 2016 at 135 million baht or 62%.

Current liabilities increased by 155 million baht or 98%

-Short-term loans increased 164 million baht or 302%, from the loans for production capacity improvement.

-Account payable increased by 45 million baht or 92% , from purchasing of raw material, spare parts, parcels due to increase in production capacity for some partially completed plan.

- Repayment a long-term loans from financial institution on due date within 1 year for 50 million baht on loan agreement maturity.

Non-current liabilities decreased 20 million baht or 22%, from employee benefits obligations who is disemployed.

Total shareholders' equity of the company and its subsidiaries as of 31st December 2017 amounted to 206 million baht, decreased 251 million baht or 55% from net loss in a year.

**THE ROYAL CERAMIC INDUSTRY PUBLIC
COMPANY LIMITED
AND IT'S SUBSIDIARY
FINANCIAL STATEMENTS
DECEMBER 31, 2017
AND INDEPENDENT AUDITOR'S REPORT**

Independent Auditor's Report

To the Shareholders of The Royal Ceramic Industry Public Company Limited

Opinion

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 as at December 31, 2017, 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, 2017, 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, 2017, as describe in note to financial statement no.10, the Company has inventory amount of Baht 116.86 million, 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 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, 2017, 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 Baht 55.60 million 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 10.1.

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 Hungsapruerk.



(Mr. Jadesada Hungsapruerk)
Certified Public Accountant (Thailand) No. 3759

Karin Audit Company Limited
Bangkok
February 20, 2018

THE ROYAL CERAMIC INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

(Unit : Baht)

	Notes	Consolidated financial statements			Separate financial statements		
		31 December, 2017	31 December, 2016	1 January 2016	31 December, 2017	31 December, 2016	1 January 2016
		"Audited"	"Audited"	"Audited"	"Audited"	"Audited"	"Audited"
			"New adjusted"	"New adjusted"		"New adjusted"	"New adjusted"
Assets							
Current Assets							
Cash and cash equivalents	7	3,219,708	43,291,579	8,092,625	2,873,148	42,469,145	7,471,009
Temporary investment		-	-	27,457,962	-	-	27,457,962
Investment in debt security - net		-	-	50,449,041	-	-	50,449,041
Trade and other receivables - net	8	73,161,386	84,013,224	129,683,872	73,124,487	84,007,978	131,054,577
Inventories - net	9	116,862,428	329,259,308	323,298,333	116,862,428	331,369,122	325,408,147
Other current assets		-	-	4,279,223	-	-	4,186,395
Total current assets		193,243,522	456,564,111	543,261,056	192,860,063	457,846,245	546,027,131
Non-current assets							
Investment in subsidiary company - net	10.1	-	-	-	84,383,660	85,547,414	85,644,700
Investment in associates company - net	10.2	-	-	-	-	-	-
Other long-term investments - net	10.3	32,814,300	37,814,300	50,314,300	32,814,300	37,814,300	50,314,300
Property, plant and equipment - net	11	325,145,739	172,034,004	182,491,475	323,942,101	169,307,722	174,113,552
Intangible asset - net	12	8,010,985	8,247,514	34,952	8,010,985	8,247,514	34,952
Other non-current assets		2,264,118	2,454,944	2,401,473	392,674	634,143	615,321
Total non-current assets		368,235,142	220,550,762	235,242,200	449,543,720	301,551,093	310,722,825
Total Assets		561,478,664	677,114,873	778,503,256	642,403,783	759,397,338	856,749,956

THE ROYAL CERAMIC INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANY
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2017

(Unit : Baht)

		Consolidated financial statements			Separate financial statements		
		31 December, 2017	31 December, 2016	1 January 2016	31 December, 2017	31 December, 2016	1 January 2016
		"Audited"	"Audited"	"Audited"	"Audited"	"Audited"	"Audited"
		Notes	"New adjusted"	"New adjusted"		"New adjusted"	"New adjusted"
Liabilities and shareholders' equity							
Current liabilities							
Bank overdrafts and short-term loans							
from financial institutions	13	220,652,201	54,299,776	79,143,151	220,652,201	54,299,776	79,143,151
Trade and other payables	14	91,974,572	49,334,596	60,139,019	95,857,930	52,851,743	60,220,137
Current portion of liabilities under financial leases agreements	15	-	51,098,930	60,111,356	-	51,098,930	60,111,356
Other current liabilities		441,155	3,420,915	4,304,747	441,155	3,420,915	4,193,465
Total current liabilities		313,067,928	158,154,217	203,698,273	316,951,286	161,671,364	203,668,109
Non-current liabilities							
Long-term loan	15	-	-	42,543,317	-	-	42,543,317
Deferred tax liabilities	16	-	-	-	-	-	-
Employee benefit obligations	17	42,094,696	61,757,000	45,496,862	42,094,696	61,675,529	44,631,826
Total non-current liabilities		42,094,696	61,757,000	88,040,179	42,094,696	61,675,529	87,175,143
Total liabilities		355,162,624	219,911,217	291,738,452	359,045,982	223,346,893	290,843,252

THE ROYAL CERAMIC INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANY
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2017

(Unit : Baht)

	Consolidated financial statements			Separate financial statements		
	31 December, 2017	31 December, 2016	1 January 2016	31 December, 2017	31 December, 2016	1 January 2016
	"Audited"	"Audited"	"Audited"	"Audited"	"Audited"	"Audited"
	Notes	"New adjusted"	"New adjusted"		"New adjusted"	"New adjusted"
Shareholders' equity						
Share capital						
Authorized share capital						
Common shares 463,185,014 shares of Baht 1 per value	463,185,014	463,185,014	463,185,014	463,185,014	463,185,014	463,185,014
Issued and paid-up						
Common shares 462,629,524 shares of Baht 1 per value	462,629,524	462,629,524	462,629,524	462,629,524	462,629,524	462,629,524
Premium on common shares	165,629,424	165,629,424	165,629,424	165,629,424	165,629,424	165,629,424
Retained earning (deficit)						
Appropriated - legal reserve	-	-	-	-	-	-
Unappropriated	(421,942,908)	(171,055,292)	(141,494,144)	(344,901,147)	(92,208,503)	(62,352,244)
Other components of shareholders' equity	-	-	-	-	-	-
Total shareholders' equity	206,316,040	457,203,656	486,764,804	283,357,801	536,050,445	565,906,704
Total liabilities and shareholders' equity	561,478,664	677,114,873	778,503,256	642,403,783	759,397,338	856,749,956

THE ROYAL CERAMIC INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

		(Unit : Baht)			
		Consolidated financial statements		Separate financial statements	
		2560	2559	2560	2559
			"New adjusted"		"New adjusted"
Notes					
Revenues					
Sales	6.2	506,963,097	659,258,928	506,963,097	659,258,928
Other income	6.2	8,613,141	37,019,490	8,245,084	37,019,480
Total revenues		515,576,238	696,278,418	515,208,181	696,278,408
Expenses					
Cost of sales	6.2	(679,876,231)	(505,891,762)	(680,086,231)	(506,419,796)
Cost of distribution		(43,621,888)	(106,269,633)	(43,621,888)	(106,269,633)
Administrative expenses	6.2	(52,701,541)	(80,604,934)	(51,086,748)	(71,330,566)
Reverse (loss) on allowance for impairment of inventories		16,618,359	-	16,618,359	(5,888,993)
Loss on impairment of investment in subsidiary company		-	-	(1,163,754)	97,286
Loss on impairment of investment in other company		(5,000,000)	(12,500,000)	(5,000,000)	(12,500,000)
Finance cost		(3,560,563)	(7,475,764)	(3,560,563)	(7,475,764)
Total expenses		(768,141,864)	(712,742,093)	(767,900,825)	(709,787,466)
Profit (loss) before income tax		(252,565,626)	(16,463,675)	(252,692,644)	(13,509,058)
Tax income (expenses)		-	-	-	-
Profit (loss) for the year		(252,565,626)	(16,463,675)	(252,692,644)	(13,509,058)
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss					
Defined employee benefit plan actuarial loss		-	(13,863,271)	-	(14,687,100)
Other comprehensive income (loss) for the year - tax net		-	(13,863,271)	-	(14,687,100)
Total comprehensive income (loss) for the year		(252,565,626)	(30,326,946)	(252,692,644)	(28,196,158)
Earnings (loss) per share					
Basic earnings per share (Baht)	20	(0.55)	(0.04)	(0.55)	(0.03)
Diluted earnings per share (Baht)	20	(0.55)	(0.04)	(0.55)	(0.03)

THE ROYAL CERAMIC INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANY
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

(Unit : Baht)

	Consolidated financial statements							
	Share capital issued and fully paid-up	Premium on common shares	Retained earnings (deficit)		Other components of shareholders' equity			Total shareholders' equity
			Appropriated to legal reserve	Unappropriated	Surplus on revaluation of assets	Actuarial loss for employee benefits	Total other components of shareholders' equity	
Balance as at January 1, 2016 (As reported)	462,629,524	165,629,424	-	(81,651,776)	227,136,827	-	227,136,827	773,743,999
Adjust Item - Change accounting policy to be cost method	-	-	-	(59,842,368)	(227,136,827)	-	(227,136,827)	(286,979,195)
Brought forward as at 1 January, 2016 (After adjusted)	462,629,524	165,629,424	-	(141,494,144)	-	-	-	486,764,804
Income tax expense decrease	-	-	-	765,798	-	-	-	765,798
Comprehensive income for the year	-	-	-	(16,463,675)	-	(13,863,271)	(13,863,271)	(30,326,946)
Other comprehensive income	-	-	-	(13,863,271)	-	13,863,271	13,863,271	-
Balance as at December 31, 2016	462,629,524	165,629,424	-	(171,055,292)	-	-	-	457,203,656
Balance as at January 1, 2017 (As reported)	462,629,524	165,629,424	-	(115,015,612)	215,435,072	-	215,435,072	728,678,408
Adjust Item - Change accounting policy to be cost method	-	-	-	(56,039,680)	(215,435,072)	-	(215,435,072)	(271,474,752)
Brought forward as at 1 January, 2017 (After adjusted)	462,629,524	165,629,424	-	(171,055,292)	-	-	-	457,203,656
Income tax decrease	-	-	-	2,496,189	-	-	-	2,496,189
Expenses decrease	-	-	-	(818,179)	-	-	-	(818,179)
Comprehensive income for the year	-	-	-	(252,565,626)	-	-	-	(252,565,626)
Balance as at December 31, 2017	462,629,524	165,629,424	-	(421,942,908)	-	-	-	206,316,040

THE ROYAL CERAMIC INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANY
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

(Unit : Baht)

	Separate financial statements							
			Retained earnings (deficit)		Other components of shareholders' equity			
	Share capital issued	Premium on	Appropriated		Surplus on revaluation	Acturrial loss for	Total other components	Total
	and fully paid-up	common shares	to legal reserve	Unappropriated	of assets	employee benefits	of shareholders' equity	shareholders'equity
Balance as at January 1, 2016 (As reported)	462,629,524	165,629,424	-	(62,352,244)	198,587,324	-	198,587,324	764,494,028
Adjust Item - Change accounting policy to be cost method	-	-	-	-	(198,587,324)	-	(198,587,324)	(198,587,324)
Brought forward as at 1 January,2016 (After adjusted)	462,629,524	165,629,424	-	(62,352,244)	-	-	-	565,906,704
Income tax decrease	-	-	-	(2,319,995)	-	-	-	(2,319,995)
Expenses decrease	-	-	-	659,894	-	-	-	659,894
Comprehensive income for the year	-	-	-	(13,509,058)	-	(14,687,100)	(14,687,100)	(28,196,158)
Transfer to comprehensive income	-	-	-	(14,687,100)	-	14,687,100	14,687,100	-
Balance as at December 31, 2016	462,629,524	165,629,424	-	(92,208,503)	-	-	-	536,050,445
Balance as at January 1, 2017 (As reported)	462,629,524	165,629,424	-	(95,188,388)	189,307,349	-	189,307,349	722,377,909
Adjust Item - Change accounting policy to be cost method	-	-	-	2,979,885	(189,307,349)	-	(189,307,349)	(186,327,464)
Brought forward as at 1 January,2017 (After adjusted)	462,629,524	165,629,424	-	(92,208,503)	-	-	-	536,050,445
Comprehensive income for the year	-	-	-	(252,692,644)	-	-	-	(252,692,644)
Other comprehensive income	-	-	-	-	-	-	-	-
Balance as at December 31, 2017	462,629,524	165,629,424	-	(344,901,147)	-	-	-	283,357,801

THE ROYAL CERAMIC INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
		"New Adjusted"		"New Adjusted"
Cash flows from operating activities				
Profit (Loss) before income tax expenses	(252,565,626)	(16,463,675)	(252,692,644)	(13,509,058)
Adjustment of gain (loss) before income tax on cash received (paid)				
Adjusted financial costs	3,560,563	7,475,764	3,560,563	7,475,764
Adjusted trade and other current receivables	10,904,228	66,001,589	10,941,128	67,367,048
Adjusted inventories	231,125,052	(22,323,433)	231,125,052	(20,213,619)
Adjusted other current assets	5,246	(83,871)	-	(166,207)
Adjusted other non - current assets	76,000	90,822	76,000	90,822
Adjusted trade and other current payables	43,006,746	(10,756,473)	43,289,317	(7,320,443)
Adjusted other current liabilities	(3,063,399)	(883,837)	(2,979,759)	(772,549)
Adjusted estimated employee benefits decrease from settlement	(36,821,792)	(3,840,780)	(36,632,242)	(3,840,780)
Depreciation and amortization	17,164,777	24,180,492	15,642,216	13,840,009
Adjusted unrealized loss (gain) on exchange rate	(237,916)	-	(237,916)	-
Adjusted loss on impairment of investment in subsidiary	-	-	1,163,754	97,286
Adjusted profit sale of investment in debt security	-	(205,500)	-	(205,500)
Adjusted loss on impairment of investment in other company	5,000,000	12,500,000	5,000,000	12,500,000
Adjusted of bad debts and doubtful accounts (reverse)	(57,636)	(821,243)	(57,636)	(821,243)
Adjusted of allowances for impairment of assets (reverse)	-	(30,030,093)	-	(30,030,093)
Adjusted loss from decline in value of inventories (reverse)	(16,618,359)	14,252,644	(16,618,359)	14,252,644
Adjusted loss (profit) gain on sale of assets	154,333	(3,381,519)	154,333	(3,381,569)
Adjusted profit gain on deactivate of assets	590,065	-	590,065	-
Adjusted employee benefit obligations	16,727,686	6,237,647	17,051,409	6,197,383
Adjusted amortization of with holding tax	228,178	-	228,178	-
Income tax	-	-	-	-
Total Adjustment of reconcile earnings (loss)	271,743,772	58,412,209	272,296,103	55,068,953
Cash provided by (used in) operating activities	19,178,146	41,948,534	19,603,459	41,559,895
Dividends revenue	(31,430)	-	(31,430)	-
Interest received	(51,173)	(442,412)	(50,725)	(442,403)
Income tax return (pay out)	(113,354)	(297,466)	(62,710)	(109,645)
Cash provided by (used in) operating activities	18,982,189	41,208,656	19,458,594	41,007,847

THE ROYAL CERAMIC INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
		"New Adjusted"		"New Adjusted"
Cash flows from investing activities				
Cash received from sale of temporary investments	-	27,457,962	-	27,457,962
Cash received from sale of investment in debt security	-	50,654,541	-	50,654,541
Cash received from sale of property plant and equipment	467,290	6,931,300	467,290	6,931,300
Cash paid for purchasing of property plant and equipment	(171,251,672)	(8,100,209)	(171,251,755)	(8,100,209)
Cash received from dividends	31,430	-	31,430	-
Interest received	51,173	969,536	50,725	969,527
Cash provided by (used in) investing activities	(170,701,779)	77,913,130	(170,702,310)	77,913,121
Cash flows from financing activities				
Cash received short - term loan	560,652,201	209,867,972	560,652,201	209,867,972
Cash paid short - term loan	(394,299,776)	(234,711,347)	(394,299,776)	(234,711,347)
Cash paid for long - term loan	(51,098,930)	(51,555,743)	(51,098,930)	(51,555,743)
Cash paid for interest	(3,605,776)	(7,523,714)	(3,605,776)	(7,523,714)
Cash provided by (used in) financing activities	111,647,719	(83,922,832)	111,647,719	(83,922,832)
Net increase (decrease) in cash and cash equivalents	(40,071,871)	35,198,954	(39,595,997)	34,998,136
Cash and cash equivalents at the beginning of the year	43,291,579	8,092,625	42,469,145	7,471,009
Cash and cash equivalents at the end of the year	3,219,708	43,291,579	2,873,148	42,469,145

THE ROYAL CERAMIC INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANY NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

1. GENERAL INFORMATION

The Royal Ceramic Industry Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its registered address is located at No. 37/7 Suthisanwinijchai Rd., Samseannok, Huai Kwang, Bangkok and its factory is located at 54 Suwannasorn Road, Kokyae, Nongkae, Saraburi.

The company was listed on the Stock Exchange of Thailand on April 19, 1994.

The Company is principally engaged in manufacture and distribution of ceramic floor and wall tiles for local and export sales.

2. PRINCIPLES OF CONSOLIDATION PREPARATION

2.1 The consolidated financial statements include the financial statements of The Royal Ceramic Industry Public Company Limited and its subsidiary as follows:

			Percentage of Holdings (% of share capital)	
	Type of business	Country of incorporation	December 31, 2017	December 31, 2016
<u>Direct Subsidiaries</u>				
The Royal Asia Brick and Tile Co., Ltd.	Manufacturer, importer and distributor of ceramic floor and wall tiles	Thailand	100.00	100.00

2.2 The consolidated financial statements include only subsidiary which are controlled by. The Royal Ceramic Industry Public Company Limited Significant inter-transactions and balances have been eliminated.

3. BASIS OF STATEMENT PREPARATION

3.1 Basic of statement preparation

The financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

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

Cumulative effect of the change in accounting policy

In 2017, the Company and its subsidiaries has changed the accounting policy for land and buildings. Originally used the price way to beat. As a cost method Effective from April 1, 2017, as a basis for the adoption of the same accounting policy as the parent company for the preparation of consolidated financial statements. The cumulative effect of the change in accounting policy on statements of financial position as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	December 31, 2016	January 1, 2016	December 31, 2016	January 1, 2016
Statement of financial position				
Land decrease	154,795,072	154,795,072	96,736,331	96,736,331
Building decrease	202,492,696	202,492,696	166,200,374	166,200,374
Accumulated Depreciation -				
Decreased Buildings	33,731,573	13,524,367	29,282,404	14,702,551
Decrease in income tax liabilities	53,979,857	56,784,206	47,326,836	49,646,830
Revaluation surplus decreased.	215,435,072	227,136,827	189,307,349	198,587,324
Increased profit (loss)	(56,039,680)	(59,842,368)	2,979,885	-

3.2 New financial reporting standards

a) Financial reporting standards that became effective in the current year

Revised accounting standards and revised financial reporting standards are effective on 1 January 2017 which are relevant and have significant impact to the Company as follows:

TAS 1 (revised 2016)	Presentation of financial statements
TAS 34 (revised 2016)	Interim financial reporting
TAS 1 (revised 2016),	the amendments provide clarifications on a number of issues, including

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

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

The above revised accounting standards and revised financial reporting standards have no significant impact to the Company.

b) Financial reporting standards that will become effective in the future

Revised accounting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Company. The Company has not early adopted these revised standards as follows:

- | | |
|--|-------------------------|
| TAS 7 (revised 2017) | Statement of cash flows |
| TAS 12 (revised 2017) | Income taxes |
| TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash. | |
| TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: | |

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profits.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

Management has assessed and considered that the above revised standards will not have a material impact on the Company.

3.3 Basis of measurement

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

3.4 Presentation currency

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

4. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of financial statements in conformity with TFRS at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follows:

4.1 Leases

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

4.2 Allowance for doubtful accounts

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

4.3 Allowance for diminution in value of inventories

The determination of allowance for diminution in the value of inventories requires management to exercise judgment in estimating losses on outstanding inventories, based on the selling price expected in the ordinary course of business; minus selling expenses. Provisions for obsolete, slow-moving and deteriorated inventories are taking into account by consideration of the approximate age of each type of inventories.

4.4 Impairment of investments

The Company treats investment in subsidiary company, investment in associated company and other long-term investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment of the management.

4.5 Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company and its subsidiary's plant and equipment and to review estimate useful lives and residual values when there are any changes.

The Company and its subsidiary measure Land ,Buildings and Equipment is stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

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

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

4.6 Intangible assets

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

4.7 Deferred tax asset

The company and subsidiaries recognize deferred tax asset when it is probable that future taxable profits will be available against which the temporary differences can be utilized. On which deferred tax assets have not been recognized as the

Company's management considers that there is uncertainty whether the Company will have sufficient future taxable income to utilize such items and/or they might not be used to offset taxable income in the future.

4.8 Post-employment benefits obligations

The Company's obligations in respect of post-employment benefits are performed by an independent actuary using the projected unit credit method. The important actuarial assumptions are discount rate, long-term salary increase rate, mortality rates, and turnover rates.

4.9 The estimated fair value

The Group estimates the fair value of investments available for sale. Investment Property And long-term loans The fair value estimate can be classified according to different levels of information are as follows.

- Bid trading (No improvement) in liquid assets or liabilities of the same (level 1).
- Data other than the purchase price, which is included in Level 1 that are observable either directly (ie prices) or indirectly (ie data derived from prices) for the asset or liability. (Level 2)
- Data for assets or liabilities which are not derived from observable market data. (Information that can not be observed) (Level 3).

The Group has disclosed the estimated fair value of the items listed above in the notes to the financial statements related.

5. SIGNIFICANT ACCOUNTING POLICIES

The Company and subsidiaries used significant accounting policies in the preparation of the annual financial statements are as follows:

Cash and cash equivalents

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

Investments

Current investments represent investments in unit trusts, held for trading purpose, are presented at fair value. The fair value of unit trusts is determined from their net asset value as at the end of reporting period. Gains or losses arising from sales and changes in the carrying amounts of investments are included in profit or loss.

Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

Investment in associate is accounted for in the consolidated financial statements using the equity method.

Investments in subsidiary and associate are accounted for in the separate financial statements using the cost method.

The weighted average method is used for computation of the cost of investments.

Trade accounts receivable

Trade accounts receivable are stated at the net realizable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

Inventories

Finished goods and work in process are valued at the lower of average cost and net realizable value. Cost includes all production costs and attributable factory overheads. Raw materials, spare parts and other supplies are valued at the lower of average cost and net realizable value and are charged to production costs whenever consumed.

Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company. They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

Property, plant and equipment

Land, Buildings and Equipment is stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

	<u>Year 2017</u>
Buildings and building improvements	20 - 40 years
Machinery and equipments	5 - 15 years
Furniture and fixtures	5 - 10 years
Vehicles	5 years

No depreciation is provided on land and assets under construction.

Depreciation is included in determining income.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

Long-term leases

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease period.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Intangible assets

Following the initial recognition, the intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method of such intangible assets are reviewed at least at each financial year end. The amortization expense is charged to profit or loss. The useful life of software is 5 years.

Impairment of assets

At the end of each reporting period, the Company and its subsidiary perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiary also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognized when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiary could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognized in profit or loss. However, in cases where property was previously revalued and the revaluation was taken to equity, a part of such impairment is recognized in equity up to the amount of the previous revaluation.

Investment in debt security

Debt security held for trading is classified as current asset and is stated at fair value with any resultant gain or loss recognized in profit or loss

Finance Lease

Leases of assets that substantially transfer to the Company all the rewards and risks of ownership of assets and that the Company intends to exercise the option of the leases to purchase the assets at the expiration of the lease term, are accounted for as finance leases.

At the inception of a finance lease, the cost of the asset is recorded together with the obligation to pay future rent, excluding the interest element. Finance charges are recorded to the current period operations by the effective interest rate basis.

Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined benefit plans

The Company and its subsidiary have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiary treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognized immediately in profit or loss.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognized past service cost.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company and its subsidiary elected to recognize the transitional liability, which exceeds the liability that would have been recognized at the same date under the previous accounting policy, as an expense on a straight-line basis over up to five years from the date of adoption.

Provisions

Provisions are recognized when the Company and its subsidiary have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Revenue recognition

Sales of goods

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Interest income

Interest income is recognized on an accrual basis based on the effective interest rate

Income tax

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

Current tax

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

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

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

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

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

Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income

6. TRANSACTION WITH RELATED PARTIES

A portion of the Company's and subsidiaries assets, liabilities, revenues and expenses of the Company and subsidiaries was derived from its related companies. Those companies have connection with the Company and subsidiaries through the co-shareholders and/or co-directors. The financial statements reflect the effects of these transactions on the basis determined by the companies concerns as follows:

The relationship of the related parties.

Name of the related parties	Relationship
The Royal Asia Brick and Tile Co., Ltd.	Subsidiary***
Union Mosaic Industry Public Company Limited	Common shareholders and directorship*
Cermas Co., Ltd.	Common shareholders and directorship*
T.T. Ceramic Public Company Limited	Common shareholders and directorship*
Ruampat Ceramic Co. Ltd.	Common directorship*
Dynasty Ceramic Public Company Limited	Common shareholders and key executives combine**
Tile Top Industry Public Co.,Ltd.	Common shareholders and key executives combine**

* The list of accounts to which one of these parties. The relationship ended on December 2, 2016

** Dynasty Ceramic Public Company Limited does not hold shares in the Company. But the directors and key executives combine. The relationship began on April 1, 2017.

*** The Company discontinued since April 1, 2017

Pricing Policy

Related Transactions	Pricing Basis
Purchase of raw material and finished goods	
Union Mosaic Industry Public Company Limited	The price of agreed together
Cermas Co., Ltd.	Cost plus margin
T.T. Ceramic Public Company Limited	Cost plus margin
Ruampat Ceramic Co. Ltd.	Cost plus margin
Dynasty Ceramic Public Company Limited	At Cost
Tile Top Industry Public Co.,Ltd.	At Cost
Sales of finished goods	
Union Mosaic Industry Public Company Limited	Cost plus margin
Cermas Co., Ltd.	Cost plus margin
T.T. Ceramic Public Company Limited	Cost plus margin
Ruampat Ceramic Co. Ltd.	Cost plus margin
Dynasty Ceramic Public Company Limited	1) On April 1, 2017, and the products are manufactured each day on April, 2017, be the price of sale in bulk that lower than cost price. 2) The products are manufactured each day on May -July, 2017, agreed price lower than cost 3) From August, 2017 onwards, resale price.
Interest income	
The Royal Asia Brick and Tile Co., Ltd.	Prime rate plus 0.125 per annum
Other income	
Union Mosaic Industry Public Company Limited	Actual income
Cermas Co., Ltd.	Actual income
T.T. Ceramic Public Company Limited	Actual income
Ruampat Ceramic Co. Ltd.	Actual income
Dynasty Ceramic Public Company Limited	Contract price
Operating expenses	
The Royal Asia Brick and Tile Co., Ltd.	Actual cost
Union Mosaic Industry Public Company Limited	Actual cost
Cermas Co., Ltd.	Actual cost
T.T. Ceramic Public Company Limited	Actual cost

Ruampat Ceramic Co. Ltd.	Actual cost
Management Fee	
Dynasty Ceramic Public Company Limited	Contract price
Rental and service expenses	
Union Mosaic Industry Public Company Limited	Equivalent to market price
Cermas Co., Ltd.	Equivalent to market price
Ruampat Ceramic Co. Ltd.	Equivalent to market price
Dynasty Ceramic Public Company Limited	Equivalent to market price
Factory land rental and machine expenses	
The Royal Asia Brick and Tile Co., Ltd.	Equivalent to market price (Terminated the contract since on April , 2017)
Office rental	
Dynasty Ceramic Public Company Limited	Contract price

6.1 Inter-Asset and Liabilities

As at December 31, 2017 and December 31, 2016, the outstanding balances of the above in the statements of financial position as follows:

	(Unit : Baht)			
	Consolidated		Separate	
	financial December 31, 2017	statements December 31, 2016	financial December 31, 2017	statements December 31, 2016
<u>Trade accounts receivable</u>				
<u>Related</u>				
Dynasty Ceramic Public Company Limited	46,877,402	-	46,877,402	-
<u>Other payables</u>				
<u>Subsidiary</u>				
The Royal Asia Brick and Tile Co., Ltd.	-	-	3,913,915	3,680,763
<u>Related</u>				
Dynasty Ceramic Public Company Limited	3,323,411	-	3,323,411	-
Total	3,323,411	-	7,237,326	3,680,763

6.2 Revenues and expenses

Revenues and expenses with related parties that have significantly for the period ended December 31, 2017 and 2016.

	(Unit : Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<u>Revenues for sale products and raw materials</u>				
<u>Related company</u>				
Union Mosaic Industry Public Company Limited	-	17,772,604	-	17,772,604
T.T. Ceramic Public Company Limited	-	1,862,543	-	1,862,543
Ruampat Ceramic Co. Ltd.	-	1,305,706	-	1,305,706
Dynasty Ceramic Public Company Limited	389,958,995	-	389,958,995	-
Total	389,958,995	20,940,853	389,958,995	20,940,853
<u>Service revenue</u>				
<u>Related company</u>				
Union Mosaic Industry Public Company Limited	-	1,064,002	-	1,064,002
Dynasty Ceramic Public Company Limited	1,350,000	-	1,350,000	-
Total	1,350,000	1,064,002	1,350,000	1,064,002
<u>Other revenue</u>				
Union Mosaic Industry Public Company Limited	-	451,008	-	451,008
T.T. Ceramic Public Company Limited	-	4,665	-	4,665
Dynasty Ceramic Public Company Limited	40,791	-	40,791	-
Tile Top Industry Public Co.,Ltd.	16,700	-	16,700	-
Total	57,491	455,673	57,491	455,673
<u>Finished goods</u>				
<u>Related company</u>				
Union Mosaic Industry Public Company Limited	-	58,711,242	-	58,711,242
T.T. Ceramic Public Company Limited	-	2,062,048	-	2,062,048
Dynasty Ceramic Public Company Limited	3,856,000	-	3,856,000	-
Total	3,856,000	60,773,290	3,856,000	60,773,290

(Unit : Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<u>Raw materials</u>				
<u>Related company</u>				
Union Mosaic Industry Public Company Limited	-	646,621	-	646,621
T.T. Ceramic Public Company Limited	-	957,768	-	957,768
Cermas Co., Ltd.	-	683,881	-	683,881
Dynasty Ceramic Public Company Limited	2,497,662	-	2,497,662	-
Tile Top Industry Public Co.,Ltd.	1,963,953	-	1,963,953	-
Total	4,461,615	2,288,270	4,461,615	2,288,270
<u>Operating expenses</u>				
<u>Subsidiary</u>				
The Royal Asia Brick and Tile Co., Ltd.	-	-	361,789	1,368,056
<u>Related company</u>				
Union Mosaic Industry Public Company Limited	-	11,403,114	-	11,403,114
Ruampat Ceramic Co. Ltd.	-	39,200	-	39,200
Total	-	11,442,314	-	11,442,314
<u>Land rental</u>				
<u>Subsidiary</u>				
The Royal Asia Brick and Tile Co., Ltd.	-	-	210,000	840,000
<u>Office rental</u>				
<u>Subsidiary</u>				
Dynasty Ceramic Public Company Limited	636,000	-	540,000	-
<u>Machinery rental</u>				
<u>Subsidiary</u>				
The Royal Asia Brick and Tile Co., Ltd.	-	-	600,000	4,800,000
<u>Management Fee</u>				
<u>Subsidiary</u>				
Dynasty Ceramic Public Company Limited	5,000,000	-	5,000,000	-

	(Unit : Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<u>Directors and management's remuneration</u>				
Current employment benefits	5,183,812	9,959,438	5,183,812	9,959,438
Post-employment benefits	-	737,047	-	737,047
Total	<u>5,183,812</u>	<u>10,696,485</u>	<u>5,183,812</u>	<u>10,696,485</u>

6.3 Related contract

- a) On March 28, 2017, the Company entered into a warehouse management and delivery contract with Dynasty Ceramic Public Company Limited, which agreed on a yearly basis, from April 1, 2017 to March 31, 2018. At a monthly wage of 150,000 Baht.
- b) On March 28, 2017, the Company entered into an office space lease agreement with Dynasty Ceramic Public Company Limited. The term of the lease is 1 year from April 1, 2017 to March 31, 2018, at the monthly rental rate 60,000 Baht.
- c) On April 25, 2017, the subsidiary company entered into an office space lease agreement with Dynasty Ceramic Public Company limited for a period of 1 year commencing from May 1, 2017 to April 30, 2018, at the rental rate monthly 12,000 Baht.
- d) On April 28, 2017, the Company entered into a management contract with Dynasty Ceramic Public Company Limited. The term of the contract is 1 year, from May 2, 2017 - May 1, 2018 at the rate of 1 milion Baht per month. This is in line with the disclosure of the connected transaction of the Company on April 10, 2017 and the resolution of the shareholders' meeting held on April 28, 2016 approved the appointment of the Company's directors. Four of them are listed as directors of the Company. Then The company has cancelled management fee contract effected since October 1, 2017.
- e) On April 1, 2017, signed a contract to sell all inventories to Dynasty Ceramic Public Company limited , agreement as follows:
 - The Company agreed to selling all finish goods in warehouse on March 31, 2017, totalling Baht of 312.83 million with sale price Baht of 141.48 million (Pricing policy : sale price is lower than cost ,due to be the price of sale in bulk , loss of them are value totalling Baht of 171.35 million)

- The Company agreed to selling that finished goods in all days of manufacturing since on April 1, 2017 onwards with Dynasty Ceramic Public Company limited. However, the Company have not take the risk of stocks and then the Company terminated that contract since on August 1, 2017 onwards.

According to the resolution of the Board of Directors' meeting held on July 31, 2017, it was passed to hold the General Meeting of Shareholders to request ratification of entering into contracts with related companies. The date of the meeting of Shareholders No. 1/2060 is scheduled to be on September 25, 2017. Subsequently, the Board of Directors' Meeting have reconsideration to postpone the General Meeting of Shareholders. The date of No. 1/2560 is scheduled for November 27, 2017.

In this regard, the Company has appointed Independent Financial Advisor. To give opinion to the shareholders in the consideration of the purchase of goods. This is a connected transaction. The Opinion of the Independent Financial Advisor (Refer to the Independent Financial Advisor's report dated 3 November 2017) as follows:

“The Product Sale and Purchase Agreement, particularly the warehouse sale Lot 1, is a necessary transaction at the time of the transaction since, during that period, the Company had management, operational and liquidity issues and had limited options. Had the company failed to enter into the transaction at the time, there would be significant impact to the Company's ability to operate the business and its survival. After the transaction, the Company's liquidity has improved which enable the Company to continue its operation and repay the loan as required. Moreover, since DCC has stepped in to help manage the Company's operation, the Company was able to reduce the production cost and unnecessary expenses, and plan the improvement and expansion of the production capacity for future business expansion.

However, the IFA views that it was not necessary for the Company to solely sell all of its products to DCC, particularly for the new daily produced products between May – July 2017, since the warehouse sale Lot 1 of THB 157.08 million was likely sufficient for the Company's urgent need of working capital in the short term. Thus, the Company should consider to expand its customers base or diversify the risks related to customer concentration and low negotiation power by selling the new daily produced products to DCC as one of the customers and at an appropriate amount.

In addition, the value of consideration to the Company for the Transaction is lower than the fair value determined by the IFA. Moreover, since the Company did not organize an auction or price review, it cannot be confirmed that the Company has obtained the maximum benefit from the transaction. Further, since the transaction does not clearly specify the price condition, this may result in an amendment of prices or adjustment of discount as deemed appropriate. The fact that the Company and DCC are the connected persons, the conflict of interest may arise.

With the above reasons, the IFA is of the opinion that shareholders of the company should not ratify the transaction. Nonetheless, the decision to vote for rectification is mainly at the discretion of the shareholders.

In case that the shareholders' meeting did not ratify the entering into the Product Sale and Purchase Agreement, the Company would have to arrange for a reversal of the transaction. Also, it shall negotiate with DCC to compensate for the difference in price of the RCI's products that RCI was at the disadvantage. The price shall be considered based on the fair values, and upon the agreement and consent of both parties.

Nevertheless, the IFA views that if an agreement cannot be reached, the Company's directors who signed the Agreement shall be accountable for the impacts from the Transaction."

The Board of Directors' Meeting of the Company held on 7 November 2017 , passed a resolution to announce the information on the disposition of assets and related party transactions for the purchase of goods and the meeting acknowledged the opinion of the Independent Financial Advisor (IFA) for the ratification of the Extraordinary General Meeting of Shareholders No. 1/2560 on November 27, Ceramic Public Company Limited by the Board of Directors and the Audit Committee has commented clarification of necessity and reason through the system of the SET.

As at November 27, 2017, it was passed to hold the General Meeting of Shareholders to agreed to sale and purchase the products that all inventories of the Company by sale in bulk and all the products from manufacturing in each days with DCC and terminated the contract for sale all the products in each days with DCC effected since August 1, 2017.

7. CASH AND CASH EQUIVALENTS

Consist of:

	(Unit : Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Cash on hand	70,000	193,400	60,000	186,000
Cash in bank				
Cash in bank - current	1,483,184	1,568,177	1,453,184	755,784
Cash in bank - saving	1,666,524	41,530,002	1,359,964	41,527,361
Total	3,219,708	43,291,579	2,873,148	42,469,145

8. TRADE - ACCOUNTS RECEIVABLE AND OTHER - ACCOUNTS RECEIVABLE - NET

Consist of:

	(Unit : Baht)			
	Consolidated financial		Separate financial statements	
	statements		statements	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
<u>Trade accounts receivable</u>				
- Related parties	46,877,402	-	46,877,402	-
- Others	11,293,135	79,774,842	11,293,135	79,774,842
Total trade accounts receivable	58,170,537	79,774,842	58,170,537	79,774,842
<u>Other accounts receivable</u>				
- Others	14,990,849	4,238,382	14,953,950	4,233,136
Total trade accounts receivable and other accounts receivable- net	73,161,386	84,013,224	73,124,487	84,007,978

As at December 31, 2017 and 2016 accounts receivable classified by aging are as follows:

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
Trade receivables - related parties				
<u>Related parties</u>				
Overdue				
Not over 90 days	46,877,402	-	46,877,402	-
Total trade receivables - related parties-net	46,877,402	-	46,877,402	-
<u>Other parties</u>				
Not yet due	-	48,697,366	-	48,697,366
Overdue				
Not over 90 days	1,656,106	26,042,432	1,656,106	26,042,432
Over 90 days to 120 days	38,768	5,035,044	38,768	5,035,044
Over 120 days to 180 days	251,558	-	251,558	-
Over 180 days to 365 days	9,346,703	-	9,346,703	-
Total trade receivables - other parties-net	11,293,135	79,774,842	11,293,135	79,774,842
Total trade receivables - net	58,170,537	79,774,842	58,170,537	79,774,842

During the year, the movements in allowance for doubtful accounts receivable are as follows :

	(Unit : Baht)	
	Consolidated / Separate financial statements	
	31 December 2017	31 December 2016
Beginning balance	(516,099)	(589,099)
Increase	-	-
Decrease	57,636	73,000
Ending balance	(458,463)	(516,099)

9. INVENTORIES - NET

As at December 31, 2017 and at 2016 consist of:

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	As at December	As at December	As at December	As at December
	31, 2017	31, 2016	31, 2017	31, 2016
Finished goods	47,676,048	288,283,836	47,676,048	290,393,650
Work in process	10,171,608	9,895,617	10,171,608	9,895,617
Raw materials	34,949,555	28,106,478	34,949,555	28,106,478
Spare part and supplies	30,698,144	31,986,540	30,698,144	31,986,540
Goods in-transit	5,716,535	1,713,294	5,716,535	1,713,294
Total	129,211,890	359,985,765	129,211,890	362,095,579
<u>Less</u> allowance for declining in value				
of inventory	(12,349,462)	(30,726,457)	(12,349,462)	(30,726,457)
Net	116,862,428	329,259,308	116,862,428	331,369,122

Movements of the allowance for diminution in value of inventories during the periods ended December 31, 2017 are as follows:

	(Unit : Baht)
	Consolidated / Separate financial statements
Balance as at January 1, 2017	(30,726,457)
<u>Add</u> Increase in allowance for diminution in value of inventories during the year	(154,754,128)
<u>Less</u> Decrease in allowance for diminution in value of inventories during the year	173,131,123
Balance as at December 31, 2017	(12,349,462)

During the period ended 31, 2017, the Company reversed allowance for diminution in value of inventories. The sale of goods and destruction of goods that have already set aside a total Baht of 173 million.

10. INVESTMENTS

Consist of:

10.1 Investments in subsidiary company – net

Subsidiary's name	(Unit : Thousand Baht)			
	Separate financial statements			
	Authorized and	Shareholding	Cost Method	
	paid-up	percentage	December	December
	(million Baht)	(%)	31, 2017	31, 2016
The Royal Asia Brick and Tile Co., Ltd.	80	100	139,985,000	139,985,000
<u>Less</u> Allowance for impairment			(55,601,340)	(54,437,586)
Investment in subsidiary company based on cost method - net			84,383,660	85,547,414

During the periods ended December 31, 2017 and 2016 , the Company has not received dividend income from its subsidiary.

10.2 Investments in associated company - net

Consist of:

Associate's	Nature of business	Country of incorporation	Authorized And paid-up Capital	Shareholding Percentage	(Unit : Baht)	
					Consolidated / Separate financial statements	
					Cost method	
					December 31, 2017	December 31, 2016
	Property		(Million Baht)	(%)		
Bann somehavil co.,Ltd	development	Thai	25	45	11,250,000	11,250,000
<u>Less</u> Allowance for impairment					(11,250,000)	(11,250,000)
Investment in associated company based on cost method - net					-	-

The Company recognized its share of loss from investment in the associate under the equity method until the value is zero. The company has been recognized share of losses from investments in associated companies as the Company has no obligation, legal or de facto to pay to settle the obligations of the associate.

10.3 Other long-term investment - net

Consist of:

					(Unit : Baht)	
					Consolidated and Separate	
					financial statements	
		Country of	Authorized and paid-up	Shareholding	December	December
Company's name	Nature of business	incorporation	Capital (Million Baht)	percentage (%)	31, 2017	31, 2016
Non-marketable equity securities						
Cost method						
Cermas Co., Ltd.	Ground mining	Thai	0.2	2.00	314,300	314,300
	Manufacture and ceramic					
T.T. Ceramic Public Company Limited	agent	Thai	601	8.32	50,000,000	50,000,000
<u>Less</u> Impairment of long - term investment					(17,500,000)	(12,500,000)
Net					32,814,300	37,814,300

The resolution of the Annual General Meeting of Shareholders for the year 2014 held on April 28, 2014, approved the Company to purchase the capital increase ordinary shares of T.T. Ceramic Company Limited (“TTC” , presently, changed its name as T.T. Ceramic Public Company Limited), which was the related transaction that TTC’s major shareholder is Union Mosaic Industry Public Company Limited. The Company has the right to sell all ordinary shares in TTC to UMI or to Miss Paweena Laowiatwong and her group of investors. However, in 2016, such major shareholder sold share capital held on the company and terminate of the relationship of related party since that date. The company recognized impairment of such long - term investment amount of Bath 17.5 million.

11. PROPERTY, PLANT AND EQUIPMENT - NET

Land are stated at revalued amount. Equipment is stated at cost less accumulated depreciation

The movement of property, plant and equipment of the Company and subsidiary for the years ended December 31, 2017 were as follows:

Consolidated financial statements (Baht)

	Lands		Buildings and building improvements		Machinery and equipments	Furniture and fixtures	Vehicles	Asset under construction	Total
	Historical cost	Revaluation surplus Impairment	Historical cost	Revaluation surplus					
<u>At cost</u>									
As at January 1, 2017	46,931,113	171,668,887	402,323,315	166,200,374	1,692,843,011	62,155,228	9,207,343	826,799	2,552,156,070
Revised accounting policy to be cost method	16,873,815	(171,668,887)	(36,292,322)	(166,200,374)	-	-	-	-	(357,287,768)
As at January 1, 2017 (After revised)	63,804,928	-	366,030,993	-	1,692,843,011	62,155,228	9,207,343	826,799	2,194,868,302
Purchases/Transfers in	-	-	41,193,520	-	12,199,611	20,946,371	3,550,000	166,143,154	244,032,656
Disposal/Transfers out	-	-	(10,973,864)	-	(170,420,299)	(9,228,041)	(7,182,698)	(12,210,660)	(210,015,562)
As at December 31, 2017	63,804,928	-	396,250,649	-	1,534,622,323	73,873,558	5,574,645	154,759,293	2,228,885,396
<u>Less Accumulated depreciation</u>									
As at January 1, 2017	-	-	(315,176,956)	(31,704,184)	(1,636,281,015)	(57,262,977)	(9,142,696)	-	(2,049,567,828)
Revised accounting policy to be cost method	-	-	2,027,389	31,704,184	-	-	-	-	33,731,573
As at January 1, 2017 (After revised)	-	-	(313,149,567)	-	(1,636,281,015)	(57,262,977)	(9,142,696)	-	(2,015,836,255)
Depreciation for the year	-	-	(1,352,762)	-	(12,406,693)	(2,209,899)	(217,980)	-	(16,187,334)
Disposals/transfers out during the year	-	-	(39,992,138)	-	46,541,155	(13,551,999)	7,126,068	-	123,086
Accumulated depreciation on disposals.	-	-	9,789,142	-	118,037,508	7,332,239	-	-	135,158,889
As at December 31, 2017	-	-	(344,705,325)	-	(1,484,109,045)	(65,692,637)	(2,234,608)	-	(1,896,741,614)
<u>Allowance for impairment</u>									
As at January 1, 2017	-	-	-	-	(6,958,865)	(39,178)	-	-	(6,998,043)
(Increase) decrease	-	-	-	-	-	-	-	-	-
As at December 31, 2017	-	-	-	-	(6,958,865)	(39,178)	-	-	(6,998,043)
<u>Net book value</u>									
As at December 31, 2016 (After revised)	63,804,928	-	52,881,426	-	49,603,129	4,853,073	64,647	826,799	172,034,004
As at December 31, 2017	63,804,928	-	51,545,324	-	43,554,413	8,141,744	3,340,037	154,759,293	325,145,739

Separate financial statements (Baht)

	Lands		Buildings and building improvements		Machinery and	Furniture and	Vehicles	Asset under	Total
	Revaluation surplus				equipments	fixtures		construction	
	Historical cost	Impairment	Historical cost	Revaluation surplus					
<u>At cost</u>									
As at January 1, 2017	65,652,902	96,736,331	336,652,292	166,200,374	1,446,632,705	58,756,141	7,211,058	826,799	2,178,668,602
Revised accounting policy to be cost method	-	(96,736,331)	-	(166,200,374)	-	-	-	-	(262,936,705)
As at January 1, 2017 (After revised)	65,652,902	-	336,652,292	-	1,446,632,705	58,756,141	7,211,058	826,799	1,915,731,897
Purchases/Transfers in/Revaluation increases	-	-	41,193,520	-	10,445,149	20,946,371	3,550,000	166,143,155	242,278,194
Disposal/Transfers out /Revaluation decrease	-	-	(10,973,864)	-	(170,127,244)	(6,992,574)	(7,182,698)	(12,210,660)	(207,487,039)
As at December 31, 2017	65,652,902	-	366,871,948	-	1,286,950,609	72,709,9378	3,578,361	154,759,294	1,950,523,052
<u>Less Accumulated depreciation</u>									
As at January 1, 2017	-	-	(286,825,298)	(29,282,404)	(1,391,586,634)	(53,867,786)	(7,146,414)	-	(1,768,708,536)
Revised accounting policy to be cost method	-	-	-	29,282,404	-	-	-	-	29,282,404
As at January 1, 2017 (After revised)	-	-	(286,825,298)	-	(1,391,586,634)	(53,867,786)	(7,146,414)	-	(1,739,426,132)
Depreciation for the year	-	-	(888,200)	-	(11,351,768)	(2,206,825)	(217,980)	-	(14,664,773)
Disposals/transfers out during the year	-	-	(39,992,138)	-	48,295,356	(15,306,200)	7,126,068	-	123,086
Accumulated depreciation on disposals.	-	-	9,789,142	-	117,744,455	6,851,314	-	-	134,384,911
As at December 31, 2017	-	-	(317,916,494)	-	(1,236,898,591)	(64,529,497)	(238,326)	-	(1,619,582,908)
<u>Allowance for impairment</u>									
As at January 1, 2017	-	-	-	-	(6,958,865)	(39,178)	-	-	(6,998,043)
(Increase) decrease	-	-	-	-	-	-	-	-	-
As at December 31, 2017	-	-	-	-	(6,958,865)	(39,178)	-	-	(6,998,043)
<u>Net book value</u>									
As at December 31, 2016 (After revised)	65,652,902	-	49,826,994	-	48,087,206	4,849,177	64,644	826,799	169,307,722
As at December 31, 2017	65,652,902	-	48,955,454	-	43,093,153	8,141,263	3,340,035	154,759,294	323,942,101

Depreciations in the statements of comprehensive income for the year ended December 31 were as follows:

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
For the year	16,187,333	37,921,048	14,664,773	29,847,673

As at December 31, 2017 and 2016 the Company and its subsidiary have mortgaged their property, plant and equipment with total net book value of approximate Baht 200 million and Baht 331 million in the consolidated financial statements and of approximate Baht 200 million and Baht 238 million in the separate financial statements, respectively, as collateral to secure loans and credit facilities granted by a financial institution.

In during 2017, the company reversed impairment of asset - machinery amount of Bath 66 million due to increasing of appraisal value by appraiser. The company recognized “other income” amount of Bath 30 million because it has not to over than carrying amount, and recognized accumulated depreciation amount of Baht 36 million.

12. INTANGIBLE ASSETS-NET

Details of intangible assets which are computer program and software are as follows:

	(Unit : Baht)
	Consolidated and Separate financial statement
<u>Cost</u>	
As at January 1, 2017	20,080,277
Transfer in during the year	864,000
As at December 31, 2017	20,944,277
<u>Accumulated amortisation</u>	
As at January 1, 2017	(11,832,763)
Transfer in during the year	(123,086)
Amortisation for the year *	(977,443)
As at December 31, 2017	(12,933,292)
<u>Net Book Value</u>	
As at December 31, 2016	8,247,514
As at December 31, 2017	8,010,985

* Include in administrative expense in profit or loss

13. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit : Baht)

	Interest rate per annum	Consolidated / Separate financial statements	
		31 December 2017	31 December 2016
Bank overdrafts	MOR% per annum	2,378,365	-
Promissory notes	2017 : 3.66 %– 3.87%		
	2016 : 4.3%	170,000,000	54,299,776
Trust Receipt	2017 : 3.80 %– 3.97%	48,273,836	-
Total		220,652,201	54,299,776

The Company had 7 promissory notes maturing 31- 90 days after promissory note issuance date. A loan facility of Baht 140 million and a overdraft line from a local bank totaling Baht 10 million are secured by the mortgage of the Group's land and building (Note 11) and one director

As at December 20, 2017, the Company added a contract of temporarily promissory note totaling Baht 40 million is secured by one director.

14. TRADE ACCOUNTS PAYABLE AND OTHER ACCOUNTS PAYABLE

Consist of:

(Unit : Baht)

	Consolidate financial statements		Separate financial statements	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
Trade payables				
Trade payables - others	71,642,742	24,800,370	71,642,742	24,800,370
Total trade payable	71,642,742	24,800,370	71,642,742	24,800,370
Other payables				
Other payables - related parties	3,323,411	-	7,237,326	3,680,763
Other payables - other	3,173,746	3,252,206	3,173,746	3,252,206
Advances received	5,930,014	5,968,632	5,930,014	5,968,632
Accrued expenses	7,904,659	15,313,388	7,874,102	15,149,772
Total other payables	20,331,830	24,534,226	24,215,188	28,051,373
Total trade and other payables	91,974,572	49,334,596	95,857,930	52,851,743

15. LONG - TERM LOAD FROM FINANCIAL INSTITUTION

Consist of:

(Unit : Baht)

	Consolidate / Separate financial statements	
	As at December 31, 2017	As at December 31, 2016
Long-term loans	-	51,098,930
<u>Less:</u> Current portion Long-term loans classified as current liabilities	-	(51,098,930)
Long-term loans from financial institution	-	-

Movements in the long-term loans for the period ended December 31, 2017 are as follows:

(Unit : Thousand Baht)

	Consolidated / Separate financial statements
Balance as at January 1, 2017	51,098,930
Repayment during the year	(51,098,930)
Balance as at December 31, 2017	-

Loans of the Company and its subsidiaries are subject to interest at the rate of MLR.

16. DEFERRED TAX LIABILITIES

The deferred tax liabilities as at 31 December 2017 and 2016 are as follows :

(Unit: Baht)

	Consolidate financial statements		Separate financial statements	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
Deferred tax liabilities - net	-	-	-	-

The movement of The deferred tax liabilities during the year are as follows

(Unit: Baht)

	Consolidate financial statements				
	Recorded as (expense) /income				As at December
	As at January	Profit	Other comprehensive	Other components of	
	1, 2017	(loss)	income	shareholders' equity	31, 2017
Deferred tax liabilities					
Revaluation surplus on Fix Assets	(53,979,857)	-	-	53,979,857	-
Total deferred tax liabilities	(53,979,857)	-	-	53,979,857	-

(Unit: Baht)				
	Separate financial statements			
	Recorded as (expense) /income			As at December 31, 2017
	As at January 1, 2017	Other	Other components	
		comprehensive income	of shareholders' equity	
Deferred tax liabilities				
Revaluation surplus on Fix				
Assets	(47,326,836)	-	47,326,836	-
Total deferred tax liabilities	(47,326,836)	-	47,326,836	-

As at December 31, 2017, deferred tax assets arising from unused tax losses and Impairment of long-term investment of Baht 92.91 million in the consolidated financial statements that have not been recognized because it is not probable that they will be able to utilize the tax benefit in the foreseeable future.

17. PROVISION FOR EMPLOYEES BENEFITS

An independent actuary carried out an evaluation of the Company's obligations for employees' long-term benefits using the projected unit credit method. The Company has provided the provision for employees' long-term benefits as follows:

(Unit : Baht)				
	Consolidated financial statement		Separate financial statement	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
Provision for employee benefits - beginning	62,188,802	45,496,862	61,675,529	44,631,826
<u>Add</u> Charges in actuarial estimates recognized				
amount	4,467,543	6,237,647	4,467,543	6,197,383
<u>Add</u> Actuarial loss for employee benefits	-	13,863,271	-	14,687,100
<u>Add</u> liability increase from lay off	12,583,866	-	12,583,866	-
<u>Less</u> liability decrease from actual paid	(36,821,792)	(3,840,780)	(36,632,242)	(3,840,780)
liability decrease from lay off	(323,723)	-	-	-
Provision for employee benefits - ending	42,094,696	61,757,000	42,094,696	61,675,529
Current service cost	2,653,591	3,858,381	2,653,591	3,834,562
Interest cost	1,813,952	2,379,266	1,813,952	2,362,821
Total - recognized in the statement of income	4,467,543	6,237,647	4,467,543	6,197,383

Principal actuarial assumptions (Actuarial basis)

	Consolidated financial statement		Separate financial statement	
	As at December	As at December	As at December	As at December
	31, 2016	31, 2015	31, 2016	31, 2015
Discount rate (%)	3.74 - 4.37	3.74 - 4.37	3.74 - 4.37	3.74 - 4.37
Retirement age (year old)	55	55	55	55
Salary increase rate (%)	2.19 - 5.43	2.19 - 5.43	2.19 - 5.43	2.19 - 5.43

18. PROVIDENT FUND

The Company established a contributory registered provident fund covering all permanent employees in accordance with the Provident Fund Act A.D. 1987.

Under the provident fund plan, employees' and Company's contributions are equivalent pay to certain percentages of employees' basic salaries. The employees are entitled to the Company's contributions in accordance with the rules and regulations of the fund and on the length of service with the Company. The Company appointed a fund manager to manage the fund in accordance with the terms and conditions prescribed in the Provident Fund Act. A.D. 1987.

The Company and its subsidiary have contributed to provident fund for the years ended December 31, 2017 and 2016 were as follows:

	(Unit : Baht)			
	Consolidated financial statement		Separate financial statement	
	2017	2016	2017	2016
For the years ended December 31	2,569,037	2,661,462	2,569,037	2,661,462

19. LEGAL RESERVE

Under the provisions of the Thai Public Company Limited Act B.E. 1992, the Company is required to appropriate at least 5% of its annual net income after deduction of the deficit brought forward (if any) as reserve fund until the reserve equal to 10% of authorized share capital. The reserve is not available for dividend distribution

20. EARNING PER SHARE

Basic earnings per share is calculated by dividing profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the Period,

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

Consolidated financial statements						
For the year ended December 31						
Profit (loss) for the Period		Weighted average number of ordinary shares		Earnings (loss) per share		
2017	2016	2017	2016	2017	2016	
(Baht)	(Baht)	(shares)	(shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit (loss) attributable to equity holders of the Company						
(252,565,626)	(16,463,675)	462,629,524	462,629,524	(0.55)	(0.04)	
Effect of dilutive potential ordinary shares						
RCI-W1						
-	-	-	-	-	-	
Diluted earnings per share						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares						
(252,565,626)	(16,463,675)	462,629,524	462,629,524	(0.55)	(0.04)	

Separate financial statements						
For the year ended December 31						
Profit (loss) for the Period		Weighted average number of ordinary shares		Earnings (loss) per share		
2017	2016	2017	2016	2017	2016	
(Baht)	(Baht)	(shares)	(shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit (loss) attributable to equity holders of the Company						
(252,977,644)	(13,509,058)	462,629,524	462,629,524	(0.55)	(0.03)	
Effect of dilutive potential ordinary shares						
RCI-W1						
-	-	-	-	-	-	
Diluted earnings per share						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares						
(252,977,644)	(13,509,058)	462,629,524	462,629,524	(0.55)	(0.03)	

21. INCOME TAX

Income tax recognized in profit or loss

For the years ended December 31, 2017 and 2016 income tax expense consisted of the following:

	(Unit : Baht)			
	For the year ended December 31			
	Consolidated financial statement		Separate financial statement	
	2017	2016	2017	2016
Income tax :				
Income tax for the year	-	-	-	-
Deferred tax :				
Relating to origination and reversal of temporary differences	-	-	-	-
Income tax in statements of comprehensive income	-	-	-	-

Income tax recognized directly in equity

	(Unit : Baht)			
	Consolidated financial statement			
	Rate		Rate	
	(%)	2017	(%)	2016
Profit before income tax expense		(252,565,626)		(16,463,675)
Income tax using the Thai corporation tax rate	20	-	20	-
Income not subject to tax		7,955,756		(31,662,658)
Expenses not deductible for tax purposes		(15,000)		41,838,336
Loss carry forward, from five years		(97,596,095)		(228,168,688)
Total		(89,655,339)		(217,993,010)

	(Unit : Baht)			
	Separate financial statement			
	Rate		Rate	
	(%)	2017	(%)	2016
Profit before income tax expense		(252,692,644)		(13,509,058)
Income tax using the Thai corporation tax rate	20	-	20	-
Income not subject to tax		7,574,251		(30,838,829)
Expenses not deductible for tax purposes		(3,000)		41,798,082
Loss carry forward, from five years		(76,820,230)		(202,538,310)
Total		(69,248,979)		(191,579,057)

For the years ended December 31, 2017 and 2016 the Company has tax profit as follows;

	(Unit : Baht)	
	2017	2016
Net profit	(252,692,644)	(13,509,058)
Income tax expense	-	-
Profit before corporate income tax	(252,692,644)	(13,509,058)
<u>Plus(less)</u> Add back expenses	7,574,251	41,798,082
Add back income	(3,000)	(30,838,829)
<u>Less</u> Loss carry Forward, from five years	(76,820,230)	(202,538,310)
Tax profit Income Tax Rate	(321,941,623)	(215,833,620)

22. EXPENSES BY NATURE

Significant expenses by nature as follows:

	(Unit : Baht)			
	Consolidated financial statement		Separate financial statement	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Changes in inventories of finished goods and work in progress	(214,506,694)	20,213,619	(214,506,694)	20,213,619
Raw materials and consumables used	135,189,631	76,285,346	135,189,631	76,285,346
Salary and wages and other employee benefits	155,173,155	177,113,208	155,153,528	177,113,208
Depreciation and amortization expenses	17,164,777	38,153,339	15,642,216	30,079,964
Transport expenses	34,440,373	26,908,355	34,440,373	26,908,355
Electricity and fuel expenses	110,623,811	99,903,051	110,623,811	99,903,051
Reduction of inventory to net realisable value	18,376,995	(14,252,644)	18,376,995	(14,252,644)

23. SEGMENT FINANCIAL INFORMATION

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The company and subsidiaries' business operations involve 2 principle segments: (1) Import floor tiles and wall tiles (2) Export floor tiles and wall tiles. Segment performance is considered by revenue and gross profit, and its also measured based on the group operating profit or loss, on a basic consistent with that used to measure operating profit or loss in the financial statements. Below is the revenue and gross profit of the company and subsidiaries for the year ended December 31, 2017 and 2016 by segments.

(Unit : Baht)

Consolidated financial statements for the years ended December 31

	Floor and wall tile business				Others		Total	
	Local		Export		2017	2016	2017	2016
	2017	2016	2017	2016				
Sales - net	500,434,234	651,200,442	1,978,756	8,040,075	4,550,107	18,411	506,963,097	659,258,928
<u>Less</u> cost of sales	(678,106,664)	(499,630,175)	(1,599,403)	(6,170,931)	(170,164)	(90,655)	(679,876,231)	(505,891,762)
Gross profit	<u>(177,672,430)</u>	<u>151,570,267</u>	<u>379,353</u>	<u>1,869,144</u>	<u>4,379,943</u>	<u>(72,244)</u>	(172,913,134)	153,367,166
Other income							8,613,141	37,019,490
Selling expanses							(43,621,888)	(106,269,633)
Administrative expenses							(47,517,729)	(64,756,503)
Management benefit expenses							(5,183,812)	(9,959,438)
Loss from reversal of allowance for impairment value of goods.							16,618,359	(5,888,993)
Reverse of (loss on) impairment of investment in other company							(5,000,000)	(12,500,000)
Finance costs							(3,560,563)	(7,475,764)
Profit for the years							<u>(252,565,626)</u>	<u>(16,463,675)</u>
Profit for the years, Equity holders of the parent							(252,565,626)	(16,463,675)
Profit for the years, Non-Controlling interests of the subsidiaries							-	-
							<u>(252,565,626)</u>	<u>(16,463,675)</u>
Assets as at December 31, 2017 and 2016 :								
Fixed assets							325,145,739	172,034,004
Other assets							236,332,925	505,080,869
Total assets							<u>561,478,664</u>	<u>677,114,873</u>

	(Unit : Baht)							
	Separate financial statements for the years ended December 31							
	Floor and wall tile business				Others		Total	
	Local		Export					
	2017	2016	2017	2016	2017	2016	2017	2016
Sales - net	500,434,234	651,200,442	1,978,756	8,040,075	4,550,107	18,411	506,963,097	659,258,928
<u>Less</u> cost of sales	(678,316,664)	(500,158,209)	(1,599,403)	(6,170,931)	(170,164)	(90,655)	(680,086,231)	(506,419,796)
Gross profit	<u>(177,882,430)</u>	<u>151,042,233</u>	<u>379,353</u>	<u>1,869,144</u>	<u>4,379,943</u>	<u>(72,244)</u>	<u>(173,123,134)</u>	<u>152,839,132</u>
Other income							8,245,084	37,019,480
Selling expanses							(43,621,888)	(106,269,633)
Administrative expenses							(45,902,936)	(61,371,128)
Management benefit expenses							(5,183,812)	(9,959,438)
Loss from reversal of allowance for impairment value of goods.							16,618,359	(5,888,993)
Reverse of (loss on) impairment of investment in subsidiary							(1,163,754)	97,286
Reverse of (loss on) impairment of investment in other company							(5,000,000)	(12,500,000)
Finance costs							(3,560,563)	(7,475,764)
Profit for the years							<u>(252,692,644)</u>	<u>(13,509,058)</u>
Assets as at December 31, 2017 and 2016 :								
Fixed assets							323,942,101	169,307,722
Other assets							318,461,682	590,089,616
Total assets							<u>642,403,783</u>	<u>759,397,338</u>

24. COMMITMENT AND CONTINGENT LIABILITIES

24.1 Operating lease commitments

- a) As at 31 December ,2017,the Company and its subsidiary have entered into several operating lease agreements in respect of the lease of vehicles and office equipment.The terms of the agreements are generally between 1 and 5 years.

The Company and its subsidiary have a future minimum lease payments required under non-cancelable operating leases contracts were as follows.

	(Unit : Baht)
	Consolidated / Separate financial statement
Operating lease commitments	
Within 1 year	2,549,000
More than 1 to 3 years	4,478,000
More than 3 to 5 years	130,000
Total	7,157,000

- b) As at 31 December ,2017 ,The Company has entered into letter of credit with a bank to purchasing goods and raw materials totaling Baht of 0.27 million dollar US and has a commitment with a company totaling 0.05 million dollar US.

25. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

The Company and subsidiaries have no policy to hold financial instrument for speculation and hedging.

a) Credit risk

The Company is exposed to credit risk primarily with respect to trade and accounts receivable. The Company's prudent credit policy and its diversified customer. The Company has export credit insurance with bank for export accounts receivable which has risk in collectible. The maximum credit risk exposure is equal to the book value of accounts receivable in the statements of financial position net from amount of such accounts receivable credited insurance with bank.

b) Foreign currency risk

As at December 31, 2017 and 2016 the Company has accounts receivable, accounts payable and trust receipt in foreign currency which were not hedged by forward exchange contracts or similar hedging instrument are as follow :-

Consolidated and Separate financial statements						
currency	Financial assets		Financial liabilities		Average exchange rate	
	December 31,	December	December	December	December	December
	2017	31, 2016	31, 2017	31, 2016	31, 2017	31, 2016
	(thousand)	(thousand)	(thousand)	(thousand)	(Baht per unit of foreign currency)	
US Dollar	-	0.5	62	98.29	32.7300	35.6588 - 36.0025
EURO	-	-	138	6.58	39.3887	38.1362

c) Liquidity risk

Liquidity risk, or funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at close to its fair value.

The Company's financial assets comprises of cash, deposits at financial institutions, accounts receivable and inventories which are liquid and able to sell at close to this fair value when the Company wishes to raise fund.

d) Credit risk of discharge obligation

Credit risk derives from failure by counterparts to discharge their obligation resulting in financial damage to the Company and subsidiaries.

For the financial assets shown in the statements of financial position at the book value deducted by allowance for doubtful account is maximum value of credit risk.

For off-statement of financial position, the Company expects that the amount of credit risk is immaterial.

e) Interest rate risk

Interest rate risk derives from changes in interest rate. The Company and subsidiaries have interest rate risk because their loans bear interest at the floating interest rate.

f) The fair value of financial instrument

Financial assets shown in statement of financial position consist of cash and deposit at banks, accounts receivable and notes receivable, investment, deposits with commitment. Financial liabilities shown in statements of financial position consist of bank overdrafts, loans from banks, accounts payable, long-term liabilities.

The fair value of significant financial assets and financial liabilities does not differ from carrying value except for the fair value of long-term investment and long-term liabilities, which cannot be properly calculated, accordingly, no disclosure is made.

26. CAPITAL MANAGEMENT

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

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

As at December 31, 2017, debt to equity ratio in the consolidated financial statements is 1.72: 1 (the separate financial statements: debt to equity ratio is 1.27: 1).

27. SUBSEQUENT EVENT

As at February 20, 2018, The Board of Directors' meeting of the Company approved the reduction of the registered share capital by canceling 555,490 unsold shares with par value at 1 THB. That shares are reserved for the exercise of 555,490 units of warrants (which are not exercised within the term of the warrants). After the capital reduction, the new registered capital will be 462,629,524, divided into 462,629,524 ordinary shares with a par value of 1 THB.

And the resolution has approved to increase the Company's registered capital by issued 154,209,841 new ordinary shares with a par value of 1 THB per share, from the existing registered capital of 462,629,524 THB to the new registered share capital of 616,839,365 THB. Which is divided into 616,839,365 ordinary shares with a par value of 1 THB each to shareholder by the ratio of 3 existing shares to 1 new share at the offering price of 1.50 THB.

28. RECLASSIFICATION

Certain amounts in the statement of financial position as at December 31, 2016 and the statement of comprehensive income for the period ended December 31, 2016 have been reclassified in accordance with the Notification of the Department of Business Development dated October 11, 2016 regarding "the Brief Particulars in the Financial Statements B.E. 2016", but with no effect to previously reported net income or shareholders' equity

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Company's management on February 20, 2018