



Sawang Export
Public Company Limited

ANNUAL REPORT

SAWANG EXPORT

2016



Contents

The Board of Directors Report	3
The Board of Directors and The Management Team	4 - 5
Business Operations	6
Nature of Business Operation	7 - 12
Risk Factors	13
Assets for Operation	14
Legal Conflicts	15
General Information	16
Industry and Competing Conditions	17 - 24
Capital and Shareholders	25
Management Structure	26 - 28
The Corporate Governance	29 - 31
Social responsibility	32 - 33
Internal control and risk management	34
Transactions	35
Financial Position and Operation Result	36 - 37
Explanation and analysis of management division	38 -39
Audit Committee's Report	40
Financial Statement Report	41 - 64



The Board of Directors Report

The Board of Directors Report

In 2016, the world economy was still in fluctuation, political unrests, and terrorist threats, consequently discouraging consumer's confidence on luxury good spending.

Thailand's total export value of gem and jewelry products in 2016 earned a 29.6 percent increase. However, if excluding the value of unwrought and unfinished manufactured gold jewelry and the import value of returned products used in oversea jewelry exhibition, Thailand's total export value of gem and jewelry products in fact declined by 6.3 percent.

For the company performance in 2016, the total revenue from sales and manufacturing was 166.1 million Baht, a decline of 43.6 million Baht or 20.8 percent from 2015 as a result from the aforementioned economic factors. In response to the performance and economic condition, we have continuously adapted to the changes by emphasizing production of unique products. Furthermore, we will continue our efforts on developing further our recently launched brand "Beawelry" into a differentiated and high-value-added brand by incorporating the emerging technology and innovation into our production, performing specific group marketing, and using online marketing including e-commerce as means to expand our reach to consumers.

On behalf of the company board of directors, I truly thank those who have supported the company throughout the years. We also thank the government measures in enhancing competitive capability and in bringing Thailand to become the world's trading hub for gem and jewelry. We promise to manage the company with transparency to the shareholders and good responsibility to the society and the environment for the sustainable growth of the business and society.

Mr. Morakot Maneepairoj
President



The Board of Directors and The Management Team

At December 31, 2016

Name / Position / Age	Family Relationship	Education	Work Experience	Company Shareholder's		
				2015	2016	Change
1. Mr. Morakot Maneepairoj (Age 64) (Authorized director) President Appointed on Dec 24, 1999	Relative 2nd, 3rd	COMMERCE, ASSUMPTION COMMERCIAL COLLEGE	Has Been Working From 1975	1,691,000 7.04%	4,908,600 20.45%	3,217,600 13.4%
2. Mr. Paetai Maneepairoj (Age 61) (Authorized director) Managing Director Appointed on Dec 24, 1999	Relative 1st, 3rd	MBA, THE UNIVERSITY OF CHICAGO	Has Been Working From 1989	3,647,100 15.20%	5,317,100 22.15%	1,670,000 6.95%
3. Mrs. Pommanee Maneepairoj (Age 58) (Authorized director) Director, Personal Manager Appointed on Dec 24, 1999	Relative 1st, 2nd	GEMOLOGICAL INSTITUTE OF AMERICA Bachelor's Degree In Humanities Ramkhamhaeng University	Has Been Working From 1987	498,500 2.08%	1,578,000 6.58%	1,079,500 4.50%
4. Dr. Apirapom Vasavakul (Age 50) Audit Committee, Independent Director Appointed on Marc 16, 2000	-	MBA, ASSUMPTION UNIVERSITY PH.D-EIL, Chulalongkom University	Assistant To The General Manager, K.V.S.international K.V.S.international Co., Ltd. Special Lecpurer Chulalongkom University	-	-	-
5. Mr. Tongchai Saengrattanadej (Age 52) Audit Committee, Independent Director Appointed on Marc 16, 2000	-	Bachelor's Degree In Civil Engineering King Mongkut's University Of Technology Thonburi	Indipendent Structural Engineer	-	-	-
6. Mrs. Ratanaporn Chunharas (Age 60) Chairman Of The Audit Committee, Independent Director Appointed on Marc 16, 2000	-	Master Of Science Thammasat University	Independent Certified Public Accont/vithan and Associates 1999	-	-	-



The Board of Directors and The Management Team (Continued)

At December 31, 2016

Name / Position / Age	Family Relationship	Education	Work Experience	Company Shareholder's		
				2015	2016	Change
7. Mr. Mani Pongsakomkullachai (Age 61) Product Development Manager Appointed on March 21, 2003	-	Secondary Amnuaysilp School	Has Begun In 1973, 1993-present Product Development Manager	55,000 0.23%	55,000 0.23%	- -
8. Mr. Unnop Trachutumcharoen (Age 62) Precious Stones Processing Manager Appointed on Oct 27, 1993	-	Wat Chao Moon School	Has Begun In 1973, 1993-present Precious Stones Processing Manager	73,000 0.30%	73,000 0.30%	- -
9. Miss Sivaporn Vongkaocharoen (Age 60) Credit Control Manager Appointed on Oct 27, 1993	-	Convent Of The Holy Infant Jesus	Has Begun In 1975, 1995-present Credit Control Manager	- -	- -	- -
10. Mrs. Saowapa Cheavibulphan (Age 56) Accounting And Financial Manager/Company Secretary Appointed on Oct 27, 1993	-	B.B.A Ramkhamhaeng University	Has Begun In 1985, 1993-present Account And Financial Manager/ Company Secretary	-	-	-
11. Mrs. Pornipa Eiamprapapom (Age 56) Information System Manager Appointed on Oct 27, 1993	-	Master Of Science UCLA	Has Begun In 1989, 1993-present Information System Manager	-	-	-
12. Mr. Vorachai Adisaisakuldej (Age 55) Production Manager Appointed on Oct 27, 1993	-	Commerce, Thep Business & Accounting School	Has Begun In 1982, 1987-present Production Manager	19,300 0.08%	19,300 0.08%	- -



1. Policies and business overview

1.1 Policies

Sawang Export Public Co., Ltd. operates on principles of standard, social responsibility, and the interests of stakeholders under which its value, vision and mission as follows

Values

The company manufactures high quality products with innovative technologies that have been researched, designed, and developed in order to manufacture products according to the orders of the customers.

Vision

The company aims to continue operating with sustainability, to produce approval product's value, and to deliver great satisfaction to customers in all countries.

Mission

- Generate shared benefit between shareholders, employees, customers and stakeholders
- Develop product's quality and manufacturing technology in order to bring products with high international standard in the market
- Promote high-performance human resources and increase quality of life
- Advance Thai jewelry industry with good image in global market
- Operate with high standard and responsibility for community and the environment

The company's main priority is to establish a company's own brand "Beawelry" for the domestic market, which covers the trade within ASEAN (AEC)

1.2 Business overview

Sawang Export Public Company Limited established in 1972 by Maneepairoj group for export precious stone such as Rubies, Sapphires. In 1988 the company is the manufacturer and export fine gold jewelry for U S A and Germany.

The Operations of the company are a manufacturer and distributor of jewelry and precious stones with no branches or affiliates. The address is 307-307/1-4, 56, 305 Surawongse Road, Bangrak, Bangkok 10500.

The company authorized share capital 252.0 million Baht. The Issue and paid up share capital 240.0 million Baht which 24,000,000 Ordinary shares of 10 Baht each, fully paid. The major shareholders is the Maneepairoj Group, has held 77.39 % of paid up shares.



Nature of Business Operation

2. Nature of Business Operation

Revenue Structure From Business Operation

Revenue Structure	2014		2015		2016	
	Million Baht	%	Million Baht	%	Million Baht	%
DOMESTIC SALES						
JEWELRY	16.3	8.0	31.7	15.2	27.2	16.4
PRECIOUS STONES	9.8	4.8	21.0	10.0	2.1	1.2
DOMESTIC TOTAL REVENUES	26.1	12.8	52.7	25.2	29.3	17.6
FOREIGN SALES						
JEWELRY	105.1	51.6	82.3	39.2	71.6	43.1
PRECIOUS STONES	72.7	35.6	74.7	35.6	65.2	39.3
FOREIGN TOTAL REVENUE	177.8	87.2	157.0	74.8	136.8	82.4
DOMESTIC AND FOREIGN SALES						
JEWELRY	121.4	59.5	114.0	54.4	98.8	59.5
PRECIOUS STONES	82.5	40.5	95.7	45.6	67.3	40.5
TOTAL REVENUES	203.9	100.0	209.7	100.0	166.1	100.0
INCREASE (DECREASE) OF SALES (%)		19.6		2.8		(20.8)

2.1 Nature of Products

Two kinds of Product are

1.) Jewelry accessories such as rings, pendants, earrings, necklaces made with 8k, 9k, 10k, 14k, 18k gold or silver including diamond and color stones. The Designer and Development Product Team of the company will design and created product for customer branding. The company will manufacture according to the orders of the customers.

In 2014, the company has launched a new jewellery and accessory brand named "Beawelry", which sell through the company's shop in department store.

Marketing Method

The company product has to design, developing products, following up fashion trend, tastes of customers, offering of innovation to meet the customer needs in each festival.

The company customer are saler in the foreign countries. The company has to select the valuable customers in compliance with the company production capacity to create trustworthy. The company policy is to emphasize the long good continuous relationship with customers. The local customer of the company was employee the company to make product from their design.

For Beawelry cutomer, the company targets tourists and people of working age. Beawelry's products are sold by the brand's shop in department store.

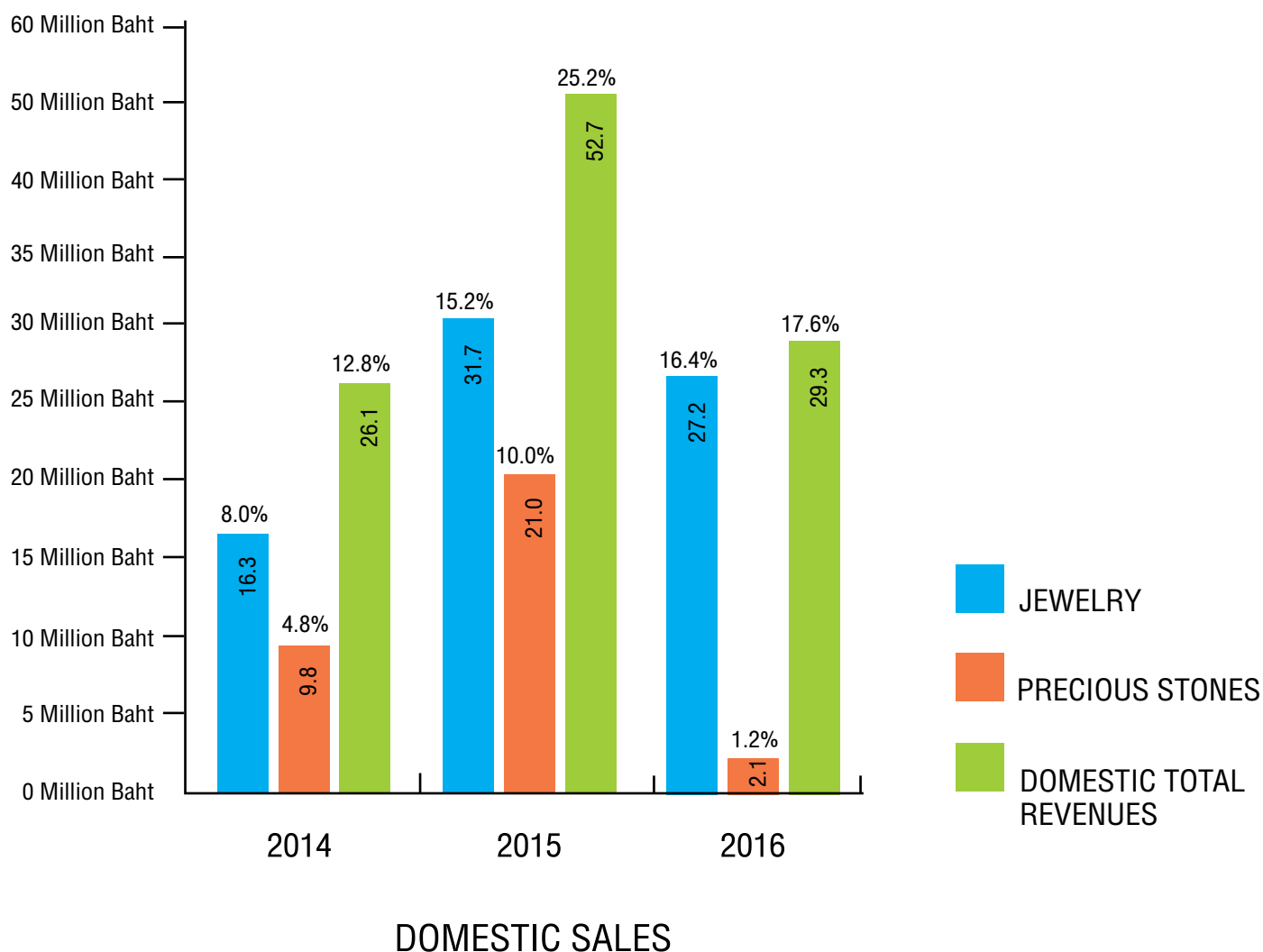


Nature of Business Operation (Continued)

Separate Jewelry Customers by Country

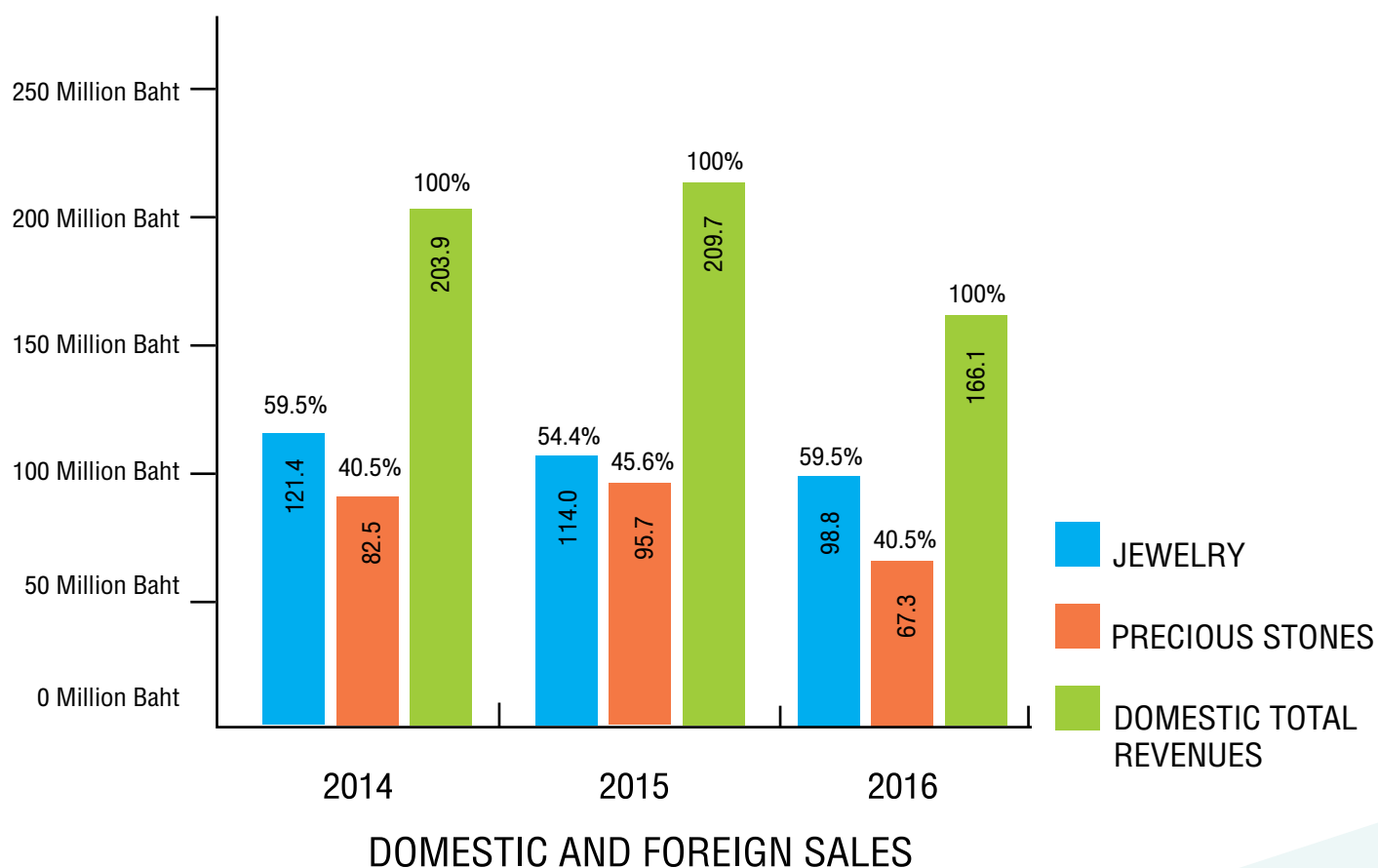
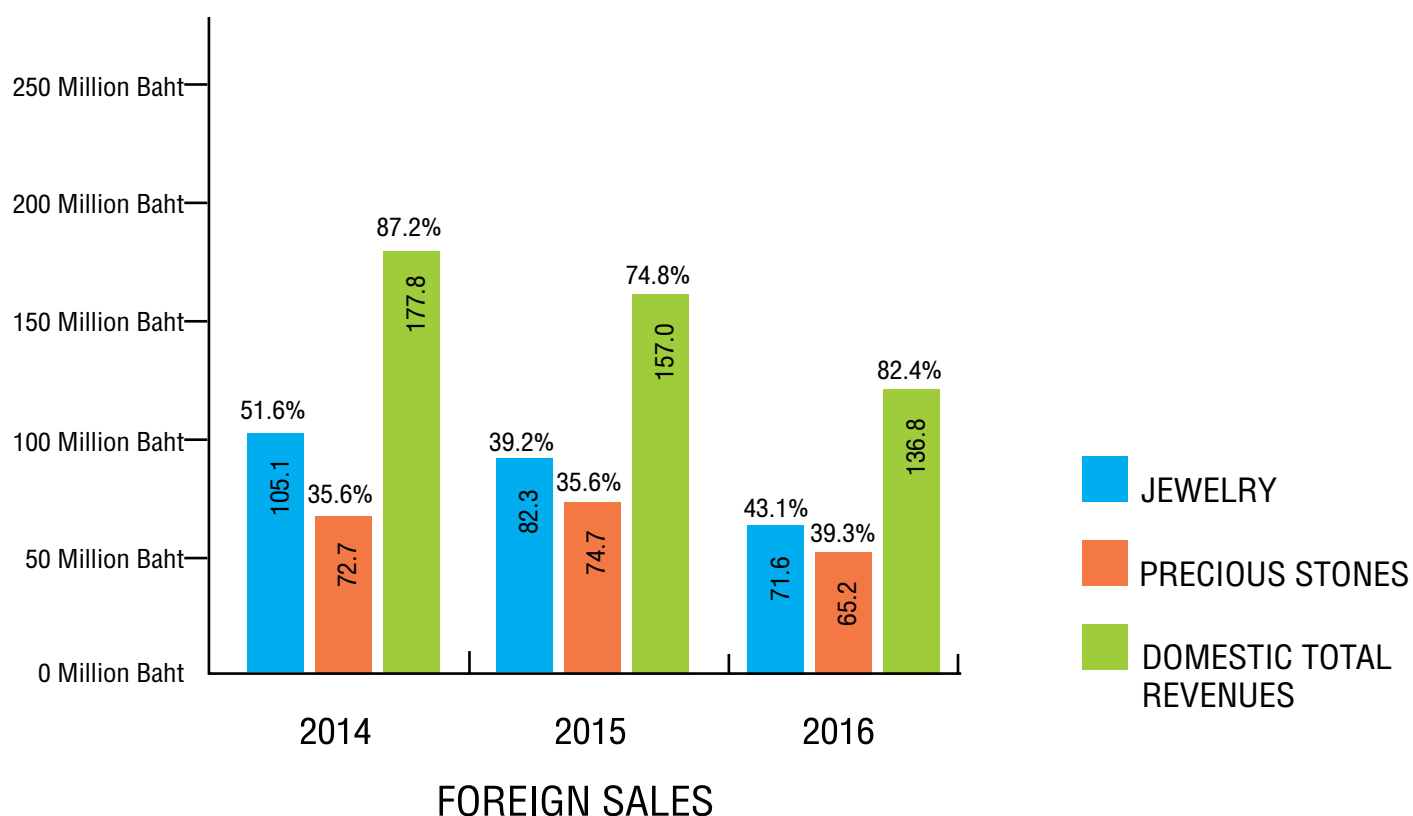
Amount : mil'Bt.

	2015	2016
United State of America	0.08	0
Europe	17.7	14.59
Australia	64.41	56.98
Hong Kong, India	0.00	0.00
Thailand	31.77	27.28
Total	114.03	98.85





Nature of Business Operation (Continued)





Nature of Business Operation (Continued)

Competition Situation

Precious stone and jeweled ornament industry in Thailand have many competitor such as China, India, Italy. However they could still in the world market, because of the quality, design, professional skill.

To prevent capacity in worldwide competition the company give precedence to adapted fluctuation as follows:

- As state of world economy especially export market such as United State of America and Europe, haven't restored so expand to market as the trend which are Australia ASEAN and to improvement product by using own brand.
- Regarding to price increasing of precious metal in the world market, affecting price of golden jewelry per piece, which is influenced, to customer. The company has been adapted product design using less precious metal or another metal to make various and get more value to the product as reasonable price.

Product seeking

The company jewelry production use professional skill with integration of technology. Design and detail of product are determined quantity of production.

Production quantity

	2014	2015	2016
Quantity (pieces)	73,374	105,904	107,035
Production employees (person)	134	134	130
Average price per unit (Bt)	1,655	1,077	923
Average income per person (Bt)	905,970	851,030	760,447

Raw Materials and Suppliers

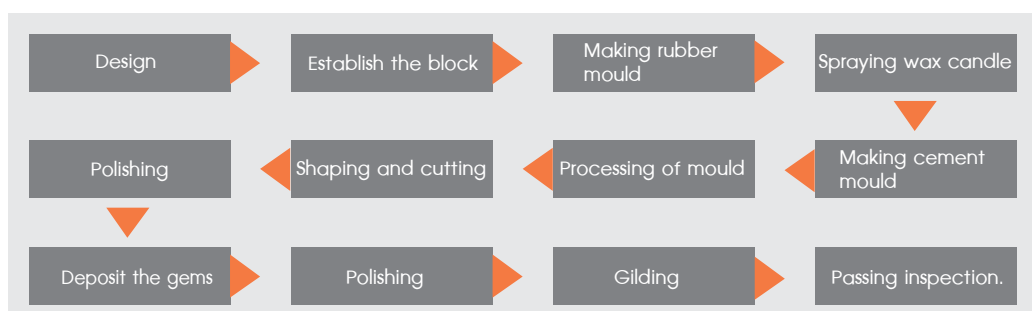
Amount : mil'Bt.

Type	Source of Purchase	2015	2016
Gold	Thailand	41.2	35.7
Alloy, other	Thailand	0.8	1.5
Diamond	Thailand	15.5	10.8
Color Stones	Thailand	6.6	4.8

The original sources of these materials can be found in the country or abroad. We purchase most of them from local agents who are faster and more convenient for searching the quality and the purchasing of gems. We make orders and purchases by selecting from several suppliers in order to get the quality and prices we needed. There will not be monopoly or favourable relationship with any special suppliers.

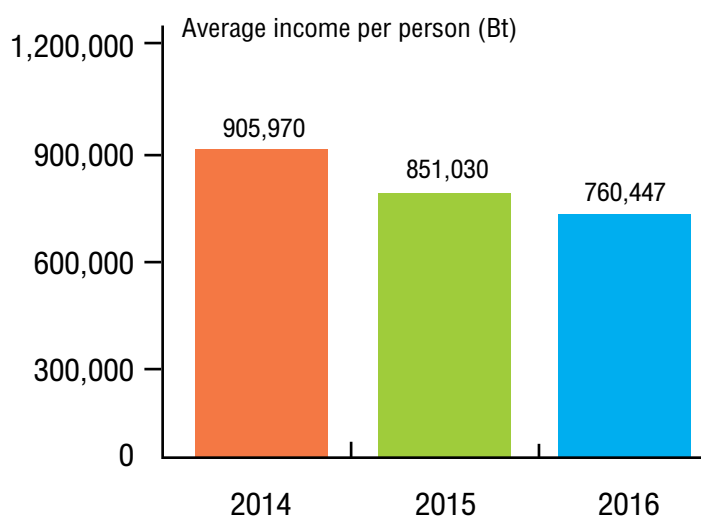
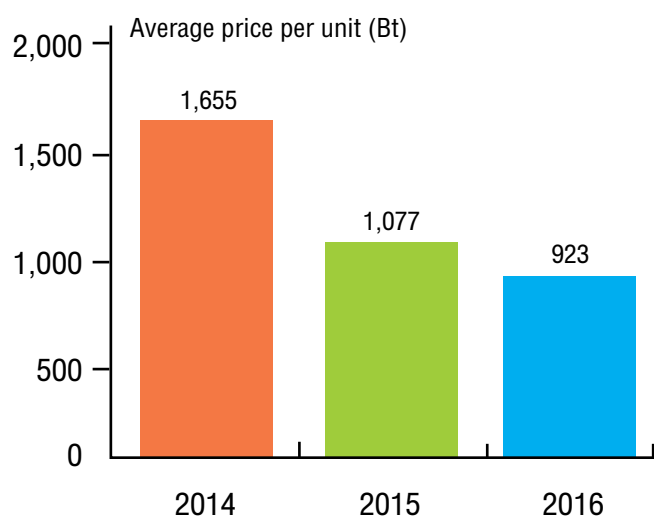
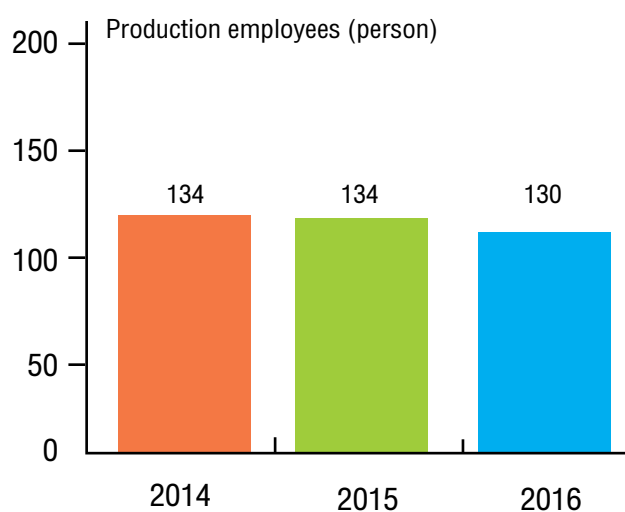
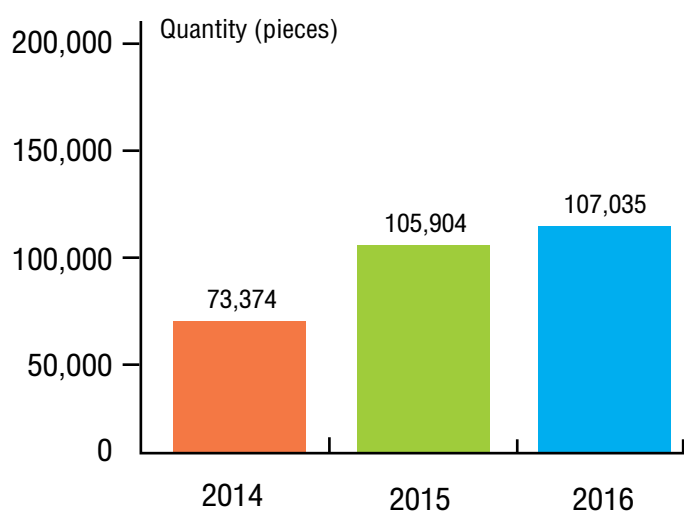
For gold bars, which we used more than 50% of raw materials in making jewelry. The change of gold price will not be effected with the risk since the orders of jewelry from customers are based on the good price at the day we agrees for the item prices and this is the cost of goods sold. We will not keep gold as inventory but buy it according to the purchase orders.

Direction of production Steps





Nature of Business Operation (Continued)



PRODUCTION QUANTITY



Nature of Business Operation (Continued)

Environmental Effect

The processing of making jewelry will not have much effect to the environment because the process is the mix of skilled labor work and the technology. The manufactures had also installed air conditionings and air purifiers to prevent the air pollution. In order to prevent the water pollution, we will make the water form the sediment and use the filter before releasing water. The controlling system had already been passed the inspection from The Ministry of Industry.

Non-Submitted Work

The company had work in process amount 3.16 million Baht.

2.) Gemstones such as rubies, sapphires and other precious stones are bought as polished gems from domestic manufacturers and are selected by size and shape. Then, the gems are separated according to colour grading and purity, or are modified and reshaped in accordance to the needs of customers who are the major jewelry traders in each country.

Marketing and Competition situation

As gemstones occur naturally, its characteristic, colour, purity, and cutting quality is different in each stone. According to the distinct characteristic, the company defines a standard classification for screening and grading, responding to the needs of customers which are going to produce jewelry accessories for distribution. Emphasis on quality grading is an attractive feature of the company which provides a variety of products to choose from with a reasonable price.

However, the demand for rubies and sapphires has been reduced since consumers are interested in buying semi precious stones, which have a wide range of colour and also have a cheaper price. Thus, the number of customers was decreased.

Separate Gemstones Customers by Country

Amount : mil'Bt.

	2015	2016
United State of America	0.51	0.08
Europe	73.76	59.66
Australia	0	0
Japan	0.46	0.36
Thailand	21.00	2.04
Other	0	5.15
Total	95.73	67.29

Raw Material and Supplier

Amount : mil'Bt.

Type	Source of Purchase	2015	2016
Rubies	Thailand	45.1	37.9
Sapphires	Thailand	11.2	10.7

Non-Submitted Work

-None-



3. Risk Factors

Risk in export business

The company manufactures and sells jewelry accessories for export as a main source of income which depending on the customers from the U.S., Europe, and Australia. However, as the global economy has not recovered yet, the jewelry industrial growth has impeded its progress.

The company had to adjust the marketing orientation to another region that still has good potential, especially target group in Australia. Also, the company has adapted the product's pattern so as to support trade within ASEAN and to decline the consumption of gold since the gold price is prone to increase and dramatically fluctuating. Moreover, the company has expanded production line with silver jewelry as the company's brand, which respond to customer need for jewellery accessory with a reasonable price that suitable for current economic.

Risk from rely on only one major customer

Since 2007, the company has lost a major customer from the U.S. which had sales order worth approximately 500 million Baht per year. However, this customer experienced a financial problem and transferred an assignment of sale to Indian company which is a company's competitor. Therefore, this situation affects company revenue which is decreasing 500 million Baht annually.

Financial risk

The company's major income is the U.S. Dollar. Fluctuations in exchange rates impact the company's income and performance. The company has a risk management policy for the fluctuations in exchange rates by signing on a forward contract.

For the risk of customer payment, the company manages the risk by examining the financial condition of customers, set limits with customers, provide a cash discount for customers to stimulate payments. For new customers, the company requires the deposits when there is an order.

Risk of a major shareholder

March 30, 2016, Maneepairoj group held 18,574,300 shares which accounted for 77.39 percent of the total number of paid up shares. According to proportion of shareholders, these numbers are more than 3 out of 4, which result in Maneepairoj group has a control over the company and has an influence on all decisions within the company that need a permission from shareholders. Therefore, the other shareholders are at risk from inability to gather the votes in order to check and balance the issues this major shareholder presents to the shareholder meeting.



4. Assets for Operation

Land, Buildings and Machinery

1. Land, 70 square wah, together with 7-storey commercial building at 307-307/1-4 Surawong Road, Suriyawong Subdistrict, Bangrak district, Bangkok, as the office of the Company and jewelry producing plant, of which the book value is Bt 7,515,568.-

2. Land, 6 1 square wah, together with 3-storey building at 56 Surawong Road, Suriyawong Sub-district, Bangrak District, Bangkok, as an office of the company, which is connected with the building referred to in NO.1. The book value of the land and constructed structure in No.2 is Bt. 1,702,433.-

3. Land, 46.23 square wah, together with 4-storey building at 305 Surawong Road, Suriyawong Sub-district, Bangrak District, Bangkok, as an office of the Company, which is connected with the building referred to in No.2. The book value of the land and constructed structure in NO.2 is Bt. 6,900,001.-

4. Land, 42 rai - 3 ngan - 22 square wah, in 6 tilde deeds, at 171 st - 172 nd km., Phetkasem Road, Samorplue Subdistrict, Ban Lad District, Phetburi Province, which is used for the Company's gem and diamond jewelry plant expansion, of which the book value is Bt 52,793,073.-

5. Machinery and operation equipment and tools less by accumulated depreciation as at end date of 2016 of which the total value is Bt 7,549,910.-

New Assets Value

The Company is not holding any liabilities that might arise from guarantees aval, mortgages or guarantees for other persons

Net Assets Value:	Bt	494,669,206.00
Net Assets Value per Share:	Bt	20.61



5. Legal Conflicts

On November 2006, the company and the Export - Import Bank of Thailand (The insurance against the risk of the receivable) authorized KAZLOW & KAZLOW as attorney to operate in Bankruptcy case of the Fabrikant Leer International Ltd. at New York City, United States of America.

The above receivable has indebted to the company in the sum of 232.3 million Baht which the company has faced to the financial problems and found into Bankruptcy Legal of New York City, United States of America. The Bankruptcy Court appointed Trustee to operate liquidity and share allocation returning to creditor by following Chapter 11 plan which ending as 22 May 2016.

Currently, the company could not assure the amount of the company's share returning as Bankruptcy Court has often postponed Hearing Date. The latest appointment for submission of objections was on 20 November 2014.



6. General Information

Company	Sawang Export Public Company Limited
Company Code	SAWANG
Type of Business	Export Jewelry And Precious Stones
Office Address	307-307/1-4, 56, 305 Surawongse Road, Bangrak, Bangkok 10500
Registration No	0107536001290
Telephone	0-2266-5571, 0-2266-4422
Fax	0-2236-5271, 0-2237-7824
The Capital of The Company	Is 252 Million Baht
The Paid-up Capital Of The Company	Is 240 Million Baht
e-mail	sawang@sawangexport.com accounting@sawangexport.com
Other References :	
Official Registrar	Thailand Securities Depository Co., Ltd. 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand e-mail : SETcontracCenter@est.or.th
Auditors	Mr. Pornchai Kittipanya-ngam Authorized Auditor No.2778 Mrs. Suwanee Kittipanya-ngam Authorized Auditor No.2899 Bunchikij Co., Ltd. 87/102-103 Modern Town Tower 9 Th Floor Soi Eakmai 3 Sukhumvit 63, Vadhana Bangkok 10110 Tel. 0-2382-0414 Fax. 0-2381-5849
Law Consultants	Pow & Associates Law Office Limited 19 th Fl., ITF BLDG. No.140/40 A, Silom Road Bangrak, Bangkok 10500. Thailand Tel. 0-2634-4995-7 Fax 0-2238-2574



Industry and Competing Conditions

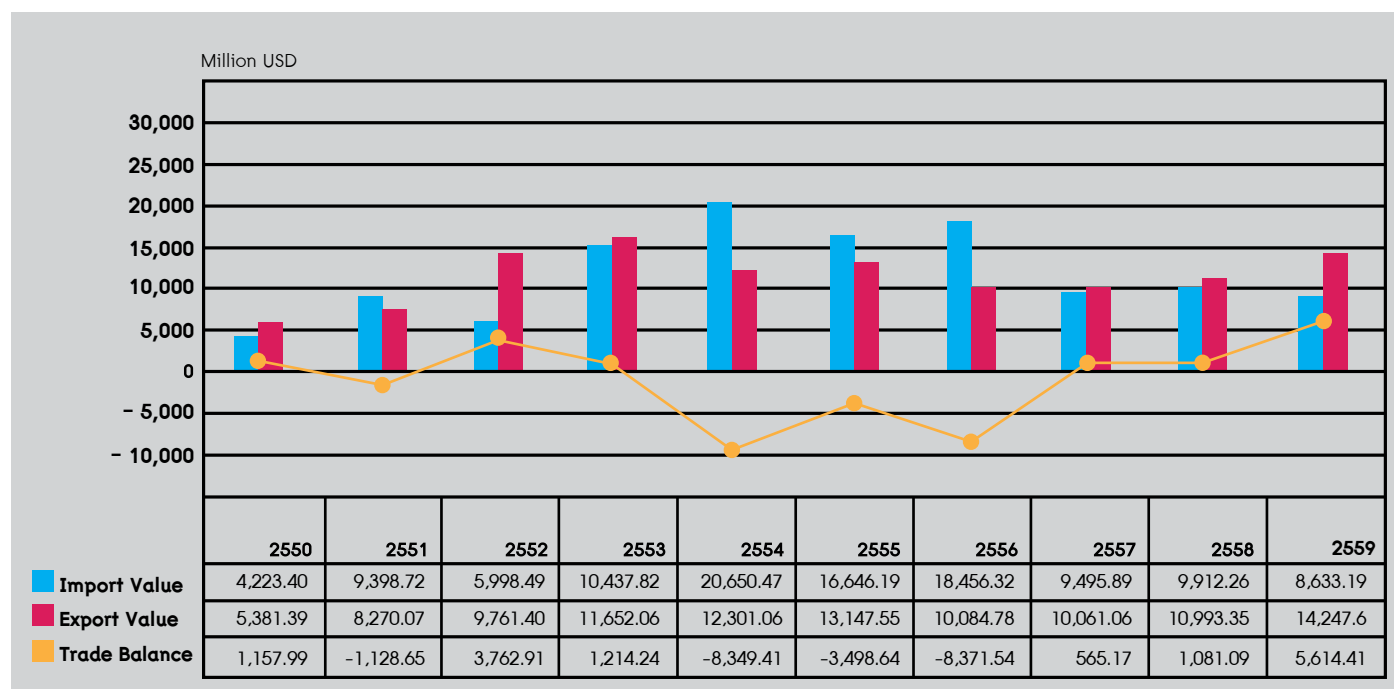
Thailand's Gem and Jewelry Import – Export Performance 2016

Thailand's overall export value of gem and jewelry products earned a 29.60 percent increase. A decline of 12.90 percent was seen in the products' overall import value. Unwrought or semi-manufactured gold still secured its position as the primary product for export and import. However, a 3.03 percent decrease from the previous year was witnessed in Thailand's export value of gem and jewelry excluding unwrought or semi-manufactured gold. Despite the drop, the export value of 2017 is expected to increase from that of 2016 owing to positive factors. Economic stimulus policies of large powerhouse countries like the US and China are likely to stimulate the global economy's growth. The EU and Japan economy has also been improving since late 2016. Furthermore, Thailand's government has implemented measures to lift Thai entrepreneurs' competitiveness. However, there are also negative factors from uncertainty regarding policies of the new US president, which may affect stability of the global economy and currency exchange rates. The EU's political situation and terrorist threats may also restrain confidence for consumption of luxury goods like gem and jewelry products.

Thailand's export value of gem and jewelry products in 2016 under Chapter 71* of Harmonized Tariff Schedule increased 29.60 percent from USD 10,993.35 million in 2015 to USD 14,247.60 million. It was the third most important export product, accounting for 6.62 percent of the country's gross export value. However, with an exclusion of unwrought gold export value, accounting for 51 percent, the export value of gem and jewelry products totaled at USD 6,968.54 million, a 3.03 percent decline from the previous year.

Import value of gem and jewelry products fell 12.90 percent from USD 9,912.26 million to USD 8,633.19 million. In 2016, Thailand's gem and jewelry products acquired a trade surplus of USD 5,614.41 million as shown in Figure 1. The country has achieved trade surpluses for 3 consecutive years.

Thailand Gem and Jewelry Import and Export Value 2007–2016



Source : Thai Customs Department, data calculation by The Gem and Jewelry Institute of Thailand (Public Organization)



Industry and Competing Conditions (Continued)

Export Performance

The product with the highest export value in 2016 was

unwrought or semi-manufactured gold with a 51.09 percent share of the country's gem and jewelry gross export value. It earned a 91.19 percent increase from export for arbitrage opportunities. The average gold price through 2016 rose higher than that of 2015 almost 8 percent resulting in the average price of USD 1,250.74 per ounce (<http://www.kitco.com>). The increase was a result of the Fed's holding off interest rate hikes. Additionally, Brexit caused the world's leading central banks to implement quantitative easing measures, which influenced interest rates to remain low. Large global funds like SPDR, China and Russia central banks bought gold for their gold reserves to substitute for the US dollar, which had been losing its stability. It is foreseen that this will still affect gold prices in 2017.

Thailand's primary export market for unwrought or semi-manufactured gold was Switzerland, with a share of over 56 percent. The country was followed by Singapore and Cambodia respectively.

Jewelry was the second most significant export product with a share of 25.03 percent of the country's export value of gem and jewelry. The export value of fine jewelry went down by 3.56 percent year-on-year.

Diamond, the third most significant product with an 11.73 percent share, decreased 5.95 percent as the export value of polished diamond, the key product, dropped by 2.88 percent from the previous year. This was due to the average price of diamond decreased. The average price of diamonds of 1, 3 and 5 carats fell by 2 percent while the average price of diamonds of 0.5 carat shrank 1 percent compared to the preceding year. (RAPAPORT, January 2017). The global economic recession had weakened purchasing power and inflicted the diamond prices. Additionally, the markets' demand was dampened as buyers were worried about synthetic diamonds which were so similar to natural diamonds that it was difficult to distinguish. Hence, Thailand's export to Belgium and the US, major markets in the second and fifth place, declined by 10.42 and 18.90 percent respectively. Nonetheless, export to Hong Kong, India and the UAE, the first, third and fifth place, went up by 3.48, 21.61 and 23.12 percent respectively. Currently, diamonds of new cutting styles and fancy diamonds have been gaining popularity in the markets.

Colored Stone was the fourth most prominent product with a share of 7.49 percent. The product gained a 2.41 percent growth compared to the preceding year.



Industry and Competing Conditions (Continued)

Thailand's Gem and Jewelry Export Value from January – December 2015 and 2016

Category	Value (Million USD)		Share (Percent)		Change
	Jan-Dec 15	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16	(Percent)
1. Unwrought or Semi-Manufactured Gold	3,807.24	7,279.06	34.63	51.09	91.19
2. Jewelry	3,697.42	3,565.96	33.63	25.03	-3.56
2.1 Silver Jewelry	1,585.62	1,560.05	14.42	10.95	-1.61
2.2 Gold Jewelry	1,848.60	1,769.57	16.82	12.42	-4.28
2.3 Platinum Jewelry	116.34	100.73	1.06	0.71	-13.42
2.4 Other	146.86	135.61	1.33	0.95	-7.66
3. Dimond	1,777.42	1,671.60	16.17	11.73	-5.95
3.1 Rough Dimond	158.97	100.85	1.45	0.71	-36.56
3.2 Polished Dimond	1,616.48	1,569.92	14.70	11.02	-2.88
3.3 Other	1.97	0.83	0.02	0.00	-58.04
4. Colored Stone	1,041.69	1,066.77	9.48	7.49	2.41
4.1 Rough Stone	45.52	46.89	0.41	0.33	3.01
4.2 Polished Precious Stone	628.33	669.22	5.72	4.70	6.51
4.3 Polished Semi-Precious Stone	367.84	350.66	3.35	2.46	-4.67
5. Costume Jewelry	390.91	408.00	3.56	2.86	4.37
6. Synthetic Stone	114.30	111.80	1.04	0.78	-2.19
7. Other	164.37	144.41	1.49	1.02	-12.13
Total (1+2+3+4+5+6+7)	10,993.35	14,247.60	100.00	100.00	29.60

Thailand's largest export market of gem and jewelry in 2016 was

Switzerland with a share of 30.25 percent and a 1.36 fold-growth. The increase was a result of an over 1.56 fold-growth of unwrought or semi-manufactured gold export, which was a key product with a share of 95 percent and moreover, gold jewelry, another key product, following unwrought or semi-manufactured gold, grew by 11.15 percent. According to a report conducted by Euromonitor, in 2016 gold jewelry took the highest share in Switzerland's fine jewelry market. Rose gold was the most popular while demand for yellow gold remained constant. Moreover, jewelry from alloys, for instance, yellow gold, rose gold and silver, as well as jewelry pieces decorated with various materials such as crystals, polished precious stones and polished semi-precious stones on their settings were also extremely indemand during the past year.

Hong Kong was the second most prominent export market with a share of 16.87 percent. The export value to the market increased 2.20 percent as the export value of key products like polished diamond, polished precious stone and unwrought or semi-manufactured gold went up 3.48, 13.48 and 12.72 percent respectively.

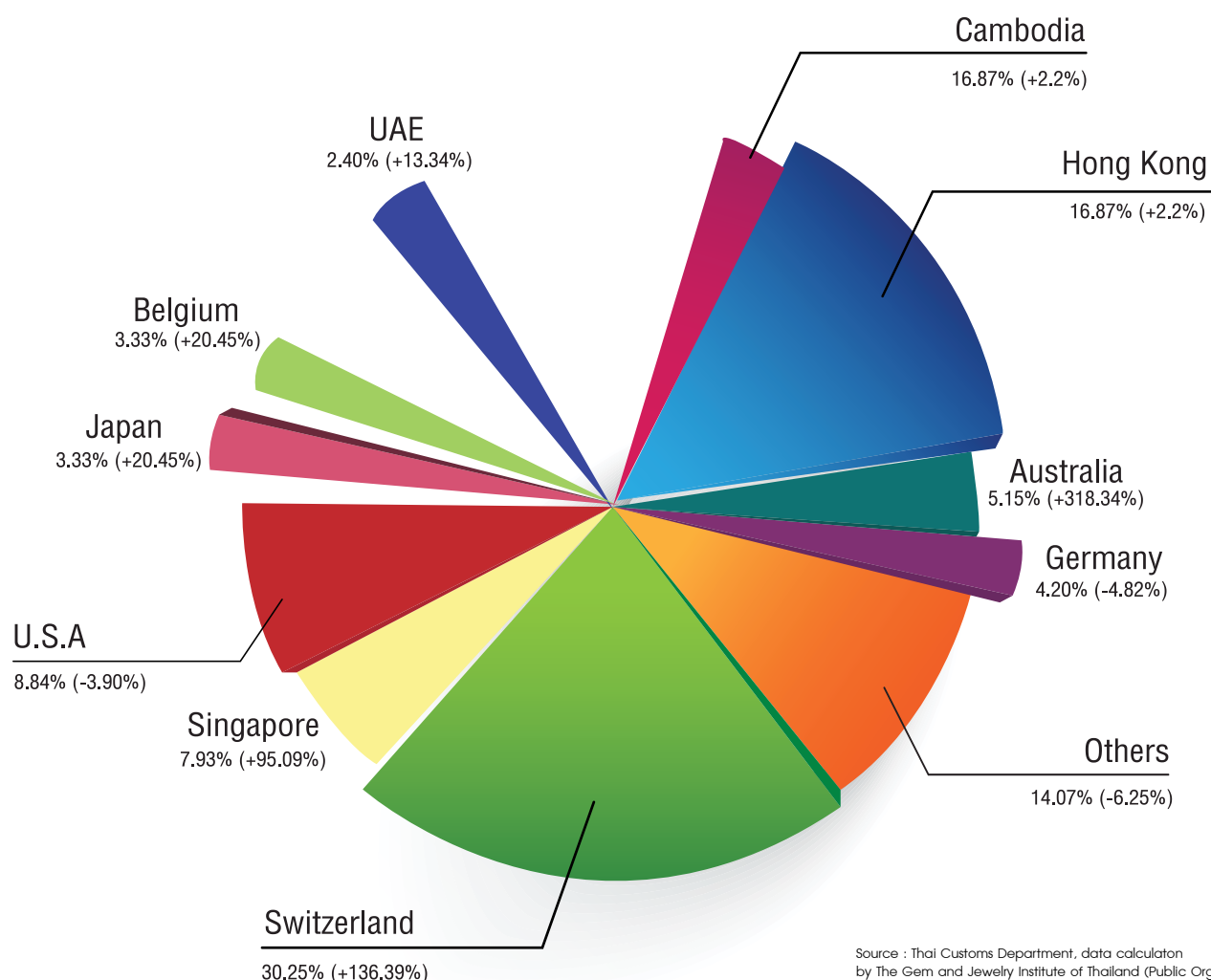
The US was the third most notable export market for gem and jewelry with a share of 8.84 percent. However, the export value to the market shrank by 3.90 percent. This was a result of the decline in export of jewelry, the key product with a share of over 74 percent. Silver jewelry, accounting for more than half of the total export value, fell 10.12. The export value of gold jewelry also decreased slightly by 0.73 percent. Following gold jewelry was polished precious and semi-precious stone, which remained strong with a 17.84 and 38.29 percent growth.

Singapore was the fourth largest export market with a share of 7.93 percent. The export value to the market surged by 95.09 percent. Key product under the category was unwrought or semi-manufactured gold with a share of around 90 percent and an over 1.22 fold-growth. Additionally, costume jewelry, the second most important product, gained a 2.40 percent increase.



Industry and Competing Conditions (Continued)

Australia was the fifth largest export market for Thai gem and jewelry. Increased by 3.18 times, unwrought or semi-manufactured gold was the key product with a share of 74 percent. The export value surged more than 39.88 folds. Silver jewelry was the secondmost outstanding product with a 9.52 percent growth.



According to concerning Thailand's export of gem and jewelry (exclusive of gold) to markets/regions during 2013-2016, the export value in 2016 declined by 3.03 percent since the export value to existing key markets like the EU and the US as well as Japan and ASEAN countries fell by 8.06, 4.10, 24.26 and 3.22 percent respectively.

During last year the EU still encountered many problems: stagnant economic recovery, the UK's withdrawal from the EU and terrorist incidents in many countries. These problems had drawn back consumption confidence reflecting in consumer confidence index which remained in negative ranges throughout the year. Consequently, export value to Germany, Belgium and the UK, the top 3 key markets with a total share of around 75 percent, shrank by 4.96, 19.36 and 6.79 percent respectively. Silver jewelry was the key product exported to Germany. Polished diamond was the dominant product exported to Belgium. Gold jewelry was the key product to the UK.



Industry and Competing Conditions (Continued)

The decrease in export value to the US was due to the decline in Thailand's export of dominant jewelry products, gold and silver jewelry. The drop could be a result of average prices of silver and gold, which increased from the preceding year. Moreover, consumers were anxious about economic fluctuation and the presidential election result in last November. Despite knowing that Donald Trump has become the new president, his economic policies remained obscure. The US consumers held back on spending on luxury goods as reflected in the US import of jewelry which had fallen since the third quarter and continued to decline through the beginning of the fourth quarter.

Japan's economy remained stagnant. Investors chose to buy safe haven assets like unwrought or semi-manufactured gold, resulting in the rise in Thailand's export of unwrought or semi-manufactured gold to Japan. However, consumers' demand for luxury products decreased. Thailand's export value of gold jewelry and polished diamond, the products in latter ranks, fell. Platinum jewelry secured its popularity among Japanese brides and grooms and consumers with purchasing power. The product favorably grew in the market.

Thailand's export to ASEAN countries decreased for two consecutive years. The drops were seen in the export to many markets, especially Singapore, which accounting for the highest share of more than 63 percent. The export to the market shrank by 9.44 percent as the export value of gold jewelry and silver jewelry, the products in latter ranks, went down. Although, costume jewelry, the dominant product, was able to grow. The export value to Malaysia, the second most significant market, also decreased by 19.97 percent. The export value of silver jewelry, the key product, and gold jewelry, the less prominent product, shrank. The export value to the market in the third place, Vietnam, increased by 11.97 percent as the export value of polished semi-precious stone and costume jewelry grew more than 2.85 folds and 2.46 folds respectively. The export value of synthetic stone also grew favorably. The interesting market was Myanmar, which has opened its gate and welcomed foreign investment during the past several years. The country's consumers have been gaining purchasing power and wealthy consumers have been growing in number. Their demand for jewelry products to show off their status and to accumulate as assets are most likely to escalate. Thus, Thailand's export value to Myanmar surged almost 6 folds. Apart from unwrought or semi-manufactured gold, Thailand also exported polished diamond to the country for the first time. The export of polished precious stone and gold jewelry also jumped over 3 folds. Therefore, entrepreneurs are strongly recommended to hasten their market penetration to secure the leading position in Myanmar before any competitors.

The markets with potential to grow are Hong Kong, Middle East countries, India, Pacific Island countries, China and Russia and CIS countries. The export to these countries increased 0.69, 5.79, 13.02, 14.05, 2.64 and 8.26 percent respectively.

The export value to the UAE, the dominant export market in the Middle East, was witnessed 13.33 percent growth with gold jewelry and polished diamond as the key products and it contributed to the increase in the export to the region. Thailand's export to Qatar and Bahrain, the markets in the third and fourth place also achieved a 13.36 and 2.93 percent growth respectively. Gold jewelry, the key export product to Qatar, grew favorably. Despite being the dominant product exported to Bahrain as well, it faced a slight decline in the market. Polished diamond, the less significant product skyrocketed by more than 108 folds. The export to Israel, the second most important market, decreased by 2.62 percent as the export value of rough diamond, the less important product, decreased. Nonetheless, export value of polished diamond, the key product, grew slightly.

The export value to India increased as the export of polished diamond, the dominant product, jumped 21.61 percent. This was partly because the Indian diamond polishing businesses with manufacturing bases in Thailand exported their polished diamonds back to India to be used domestically and exported to third countries. Additionally, Thailand was also able to gain higher export value from polished precious stone, rough stone and pearl.

The increase in the export value to the Pacific Island countries was due to a 16.09 percent growth rate of the export to Australia, a key market. The dominant product was jewelry. Silver jewelry accounted for a share of over 62 percent. Gold jewelry took the remaining share. The export value of both products increased. The total export



Industry and Competing Conditions (Continued)

value to the market in the following position, New Zealand, decreased by 8.66 percent as the export value of silver, waste and scrap of articles of non-precious metal and gold jewelry, decreased, despite the increase in the export value of the key product, silver jewelry.

The increase in the export to China was due to an almost 80 percent growth in the export value of silver jewelry. The product became the dominant product replacing polished colored stone.

Export value to Russia and CIS countries grew as the export to Ukraine, Kazakhstan and Armenia, the markets in the second, third and fourth place, rose by 86.98 percent, 1.25 folds and 65.52 percent respectively. The dominant product to Ukraine and Kazakhstan was silver jewelry, which highly escalated.

Thailand's rough diamond was exported to Armenia after the product had not been exported to the country in 2015. It became the dominant export product to the market. The export value of polished diamond also increased. Thailand's export to the most important market of the region, Russia, shrank by 4 percent. Although, the export value of silver jewelry, the dominant product, increased, the export value of gold jewelry and colored stone declined.

Import Performance

In 2016, import value of gem and jewelry was at USD 8,633.19 million, a 12.90 percent drop from the previous year. Unwrought or semi-manufactured gold was the highest earner with a 68.39 percent share. However, the import value of the product decreased 18.34 percent from a 51.28 and 33.18 percent decline in its import value in the first and third quarter compared to the same quarters of the preceding year. The import value of the second and fourth quarter slightly developed with a 9.28 and 10.01 percent growth. Thailand's import of unwrought or semi-manufactured gold declined. This could be a result of the average gold price in 2016, which was higher than that of 2015. Entrepreneurs held back their import and waited for gold price to decrease. The top 3 sources for gold were Switzerland with a 5.94 percent drop, Australia with an 18.89 percent decline and Hong Kong with a 34.43 percent growth. Following unwrought gold was Diamond, which fell by 7.13 percent since the import value of rough diamond slumped by 27.94 percent. Nonetheless, import value of polished diamond rose by 5.29 percent. Silver was the third largest import product. The import value of the product decreased 6.40 percent. The fourth largest import product was jewelry with a 3.57 percent decline. Gold jewelry, the dominant product under this category, went down by 7.76 percent. Platinum jewelry's import value slumped by 52.55 percent. Import value of colored stone, the fifth largest import product, decreased 9.11 percent since Thailand's import of polished semi-precious stone and rough stone dropped while the import of polished precious stone increased. Raw materials took a share of more than 83 percent of the import value as they were imported by entrepreneurs for value adding before exporting.

Thailand's most significant source for gem and jewelry products was Switzerland with an import share of 34.08 percent, an 8.13 percent decrease. The second most prominent source was Hong Kong with an 11.93 percent share, a 13.37 percent growth. Australia and Japan were in the third and fourth place with a 9.30 and 4.93 percent share. The import value from the sources reduced by 18.23 and 61.97 percent. Cambodia, the fifth most important source, earned a share of 3.99 percent. The import value from the source skyrocketed over 3,055 folds. Unwrought or semi-manufactured gold was the key product that dominated almost entire shares of import value from Switzerland, Australia and the US. Nearly 70 percent of the imported products from Hong Kong was unwrought or semi-manufactured gold, followed by polished diamond. More than 74 percent share of the imports from Japan belonged to unwrought or semi-manufactured gold, followed by platinum. Unwrought gold took over 63 percent share in the import value from Cambodia. It was followed by waste and scrap of articles of non-precious metal.



Industry and Competing Conditions (Continued)

Trend and Situation in 2017

Thailand's gem and jewelry export value in 2016 grew 29.60 percent. However, a 3.03 percent drop was noted in the export value exclusive of unwrought or semi-manufactured gold. Moreover, the export value deducted by the export value of unwrought or semi-manufactured gold and the import value of products re-imported from international trade fairs presence suggested that the gem and jewelry net export value shrank by 6.35 percent.

A decrease in the net export value of Thai gem and jewelry was witnessed. It was a result of the global economic fluctuation. The prices of raw materials, gold and silver, were higher than that of 2015. Therefore, consumers refrained from spending on luxury products. Behaviors of consumers, particularly millennials or generation Y, also changed. This consumer group has become the world's largest consumer group. They prefer buying technological gadgets or traveling to spending on jewelry. Thailand's export of gem and jewelry products (exclusive of unwrought or semi-manufactured gold) in 2017 is likely to improve from the global economy's expansion tendency as the US and China have carried out economic stimulus measures. Economic situation in the EU and Japan is also likely to recover. In addition, Thai government has been supporting the country to reach the position as the world's gem and jewelry trading hub with competitiveness enhancement and marketing promotion measures. However, there are many risk factors impeding Thailand's export growth:

The Global Economy's Recovering Trend despite Uncertainty:

The International Monetary Fund (IMF) has predicted that the global economy will grow from 3.1 percent in 2016 to 3.4 percent in 2017 as it will be benefitted from the US and China's economic stimulus measures. IMF has anticipated that policies of Donald Trump, the US' new president, will boost the country's economy to grow by 2.3 percent from the previous year, which had gained a 2.2 percent growth. However, fiscal impulse measure, tax reduction plan and infrastructure spending exertion may pose higher inflation, which may lead the Fed to raise interest rates sooner than expected to control inflation. This will push the US dollar to strengthen and hamper the US export. Eventually, the US economic recovery will be impeded.

Economic situation in the Eurozone has been apt to recover as it grew higher than anticipated during the latter half of 2016. European Economic Forecast has predicted that in 2017 the Eurozone's economy will grow by 1.7 percent, a 0.1 percent increase from 2016. Positive factors from oil price decrease and weakened euro currency will boost export. However, the EU countries' high levels of public debt, the progression of Brexit and the coming elections in the Netherlands, France and Germany, which the conservatives' campaign to support withdrawal from the EU has been gaining more public interest, will influent the recovery of European economy this year.

Regarding China, IMF has increased this year's economic forecast to 6.5 percent, a 0.3 percent increase from the previous forecast in October 2016 as the government's economic stimulus policy has constantly boosted the country's economy. Nevertheless, China's economy risks facing problems concerning high levels of debt-to-GDP ratio and the lagging resolution of private sector problems, which will hamper China's economy.

Japan's economy has a tendency to develop in 2017 as the yen has weakened since the US' presidential election and the weakened yen has stimulated the country export. The country's consumption has also signaled a recovery. Additionally, Japan's economy has obtained assistance from the government's postponement of VAT increase to 2019. Japan's central bank keeps its quantitative easing measure in this year. The government also prepare fiscal measures for economic assistance. It anticipates a 1.5 percent growth in the fiscal year of 2017 (April 1, 2017 – March 31, 2018) from the previous growth prediction of 1.2 percent. However, household expenditure and inflation, which has not recovered will keep constraining the country's economy.



Industry and Competing Conditions (Continued)

Direct and Indirect Impacts of Trading Partners' Policies:

Start from trade barrier policies of the US president who has announced to raise import duties on products from China. On a positive view, Thailand will be able to increase its export to the US as China is one of the key competitors in jewelry in the market. On contrary, the negative effect is that Thailand's export of intermediate products to China for finished product manufacturing may decrease. Apart from the US policies, Laos's increase of VAT rate to 10 percent and imposing it on its citizen and people residing in the country bringing in products through border crossing points and international airports has indirectly inflicted Thailand's export. Generally, travelers from Laos come to Thailand and buy jewelry products for their personal use and reselling in Laos. Myanmar government's indefinite closure of Mogok's mines will decrease the inflow of rough stones to Thailand, leading to less diversity of raw materials. China's anti-corruption policy, which has been effective since 2013 up until now, has weakened consumption of luxury goods, including gem and jewelry, in China, and reduced export of Thailand's key product, colored stones.

Continually High Fluctuation in Currency Exchange Rates:

Although, the result of the US presidential election was known in November 2016, policies of the new president has not been clear. The Fed also increased interest rates in December 2016 and caused capital movement from emerging economies including Thailand. The US dollar has constantly strengthened forcing other currencies including Thai baht to weaken. The situation will persist in the first half of the year. Nonetheless, Thai analysts has forecasted that after Trump's policies become explicit, Thai baht will strengthen. Since the Fed is apt to increase interest rates 3 times this year, Thai currency will weaken again. Additionally, the upcoming elections in many European countries during this year will be another factor posing Considerable fluctuation to currency exchange rates.

In order to create opportunities to business amidst many risk factors abovementioned, entrepreneurs have to be able to adapt to changes; conduct effective manufacturing; and focus on providing products with new and unique styles or create stories to products or brands and develop distinction prevailing competitors to avoid pricing war. This can be achieved through applying new technologies and innovations in manufacturing process, for instance: 3D printing technology, which has become popular among western consumers; Scalar energy pendants decorated with diamonds, which are produced by Indian company, Devik Trader; and complete ion-controlled penetration electroforming, an electroforming technology invented by Blue Ocean, a Chinese company, to produce solid gold for China's jewelry manufacturers. Furthermore, giving priority to niche marketing, for example: single women with high purchasing power who will spend their money without worrying about family obligations; men who prefer jewelry with diversity; or elderly consumers, whose number has been increasing in many countries. Online marketing should be expanded as it is a channel, which instantaneously reach countless number of every consumers group. Entrepreneurs may consider distributing products through platforms of popular website like Amazon, eBay and Alibaba. Furthermore, as the highly fluctuated currency exchange rates is hard to predict, entrepreneurs are recommended to manage risks by using forward contracts. These suggestions may be able to help expand this year's Thai gem and jewelry export.



7. Capital and Shareholders

7.1 Authorized Capital and Paid up Share Capital

1.) The company have authorized capital in amount 252,000,000 Baht.

The company have paid up share capital in amount 240,000,000 Baht which 24,000,000 ordinary shares of 10 Baht each and fully paid.

2.) The other shares : -none

LIST OF MAJOR SHAREHOLDERS (AS AT 30 MARCH 2016)

	Name	No. of Shares	% of No. of Shares
1	*Mr. Paetai Maneepairoj	5,317,100	22.15
2	*Mr. Morakot Maneepairoj	4,908,600	20.45
3	*Mr. Paitoon Maneepairoj	1,887,800	7.87
4	*Mr. Nuttapol Maneepairoj	1,582,400	6.59
5	*Mrs. Pommanee Maneepairoj	1,578,000	6.58
6	*Mr. Thanapon Maneepairoj	1,100,000	4.58
7	Mr. Somchet Jairanaisilp	1,090,000	4.54
8	*Mr. Kanin Maneepairoj	1,000,000	4.17
9	*Mrs. Mintra Maneepairoj	1,000,000	4.17
10	Mr. Wattanasak Laomanussak	1,000,000	4.17
	รวม	20,463,900	85.27
	*The major shareholders is the Maneepairoj Group, it's the 1st - 6th, 8th,9th of shareholders.	18,574,300	77.39

7.3 The other Security issuer : -none-

7.4 Dividend Policy

The company dividend payment policy not less than 50 percent of net profit.

Data of dividend payment

Amount : Baht

ปี	2555	2556	2557	2558	2559
Net profit per share	0.45	-0.02	-0.68	-0.13	-0.81
Dividend per share	0.25	0	0	0	0
Percent of dividend payment per net profit	56	0	0	0	0



8. Management Structure





Management Structure (Continued)

8. Management Structure

8.1 The Board of Directors

The board of directors consists of 7 persons, which are 3 independent directors and 4 executive directors. These directors have the duty to elect one of them as the Chairman of the Board of Directors.

Independent Directors : assumes dual role as the Board and Audit Committee, holding 2 years incumbency, and may be reelected when the term is due. The Board of Director shall elect and appoint a Managing Director.

The Board : assumes the responsibility for setting the policy, business plan and strategy, as well as overseeing the company's business operation. The managing director, as a head of management team, shall be responsible to the Board for the supervision of business operation in line with the policy as determined by the Board.

The Board of Directors is responsible for the company's financial statement and information so presented in the annual report. The financial statement shall be prepared in accordance with the generally accepted accounting standard in Thailand by adopting the applicable and practical accounting policy into regular practice as well as using the careful discretion in preparing the financial statement and disclosing sufficient material information in the Notes to the financial statement.

The authorized directors signing on behalf of the company are Mr.Morakot Maneepairoj, Mr.Paetai Maneepairoj, Mrs.Pommanee Maneepairoj. Two of the three directors are required with the company's seal affixation.

In order that the authorized directors signing on behalf of the company are only one set, they have full authority to act on behalf of the company.

The Board of directors regular holds the ordinary board meeting in every three months, including the extraordinary meeting in which shall be held upon necessary. The agendas shall be clearly set and the notice of the board meetings together with collateral document shall be sent in advance. In the course of the year 2016 the Board held 6 board meetings altogether.

Name	Position	Board Meeting Altogether
1. Mr. Morakot Maneepairoj	President	6/6
2. Mr. Paetai Maneepairoj	Managing Director	6/6
3. Mrs. Pommanee Maneepairoj	Director, Personal Manager	6/6
4. Mr. Manit Pongsakornkullachat	Product Development Manager	6/6
	Director	
5. Mrs. Ratanaporn Chunharas	Chairman Of The Audit Committee, Independent Director	6/6
6. Dr. Apiraporn Vasavakul	Audit Committee, Independent Director	6/6
7. Mr. Tongchai Saengrattanadej	Audit Committee, Independent Director	6/6

8.2 Management Team

Name	Position
1. Mr. Paetai Maneepairoj	Managing Director
2. Mr. Manit Pongsakornkullachat	Director, Product Development Manager
3. Mrs. Pommanee Maneepairoj	Director, Personal Manager
4. Mr. Vorachai Adisaisakuldej	Production Manager
5. Mr. Unnop Trachutumcharoen	Precious Stones Processing Manager
6. Mrs. Sivaporn Vongkaoecharoen	Credit Control Manager,
7. Mrs. Porntipa Eiamprapaporn	Information System Manager
8. Mrs. Saowapa Chevavibulphan	Account And Financial Manager



Management Structure (Continued)

8.3 The company secretary

The Board of Directors has appointed Mrs.Saowapa Chevavibulphan by the company secretary.

Duties and responsibilities of the company secretary

1. Prepare and maintain the documents as follows
 - a. Director register
 - b. An invitation to the Board's meeting, minutes of the Board's meeting, and annual report.
 - c. An invitation to the meeting and minutes of the shareholders' meeting.
2. Store the report of the interests that states by committee or executive.
3. Perform other duties according to the prescribe from the Capital Market Commission.
4. Provide advice about legal and regulatory for conducting the activities of the Board.
5. Responsible for arranging the Board's meeting and the shareholders' meeting.
6. Coordinate with other departments within the company to comply with the resolution from the Board of Directors and from the shareholders' meeting.
7. Coordinate, manage disclosure, and report precise information to the regulatory agencies and the public.
8. Other duties as assigned by the Board

8.4 remuneration for Director and Management team of the year 2016

1. Remuneration for Director

Amount : mil'Bt.

Name	Salary	Superannuation
1. Mr. Morakot Maneepairoj	1.44	-
2. Mr. Paetai Maneepairoj	-	-
3. Mrs. Pommanee Maneepairoj	-	-
4. Mr. Manit Pongsakornkullachat	-	-
5. Mrs. Ratanaporn Chunharas	-	0.12
6. Dr. Apiraporn Vasavakul	-	0.06
7. Mr. Tongchai Saengrattanadej	-	0.06
Total	1.44	0.24

The director No.2-4, They have remuneration from their management only.

2. Remuneration for management team

Management team have 8 persons, total their remuneration amount 9.03 million Baht.

8.5 Staff

Staff and remuneration (not include director and management team in 8.4)

	Persons	Amount : mil'Bt.
Production employees	130	27.59
Admin & Sale employees	<u>40</u>	<u>10.40</u>
Total	<u>170</u>	<u>37.99</u>

Employee development policies

The company encourages the development of knowledge and skills of employees. Employees are provided an opportunity to attain a seminar and a scholarship for employees wanted to further on their studies.



9. The Corporate Governance

9.1 POLICY ON CORPORATE GOVERNANCE

The Board of Directors has realized the importance of good corporate governance as a key factor in improving the efficiency of organizational management to be the strong base of sustainable growth. The Board of Directors is willingly determined to observe and follow the above principle. The guidelines and procedures have been set focusing on internal audit and control to ensure that the management will implement the plans efficiently according to the policy for the benefit of the shareholders in the long run subject to law requirement and business ethics.

9.2 Committees

The Board of Directors has emphasized the importance of good corporate governance; an audit committee was therefore elected and appointed as a key tool of the board to oversee the business operation as well as to establish an efficient internal control.

The audit committee was formed on 16th March 2002, holding 2 years incumbency for each term, consisting of 3 independent directors, who are:

- | | |
|---------------------------------|---|
| 1. Mrs. Ratanaporn Chunharas | Chairman, have knowledge and experience about accountancy and finance |
| 2. Dr. Apiraporn Vasavakul | Independent Director |
| 3. Mr. Tongchai Saengrattanadej | Independent Director |

The audit committee of the company has the scope of duties and responsibilities to the Board of Director on the following matters:

- (1) to review the Company's financial reporting process to ensure that it is accurate and adequate:
- (2) to review the Company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit:
- (3) to review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business:
- (4) to consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year:
- (5) to review the connected transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the Company:
- (6) prepare, and to disclose in the Company's annual report, an audit committee's report which must be signed by the audit committee's chairman and consist of at least the following information:
 - (a) an opinion on the accuracy, completeness and creditability of the Company's financial report:
 - (b) an opinion on the adequacy of the Company's internal control system:
 - (c) an opinion on the compliance with the law on securities and exchange, the Exchange's regulations, or the laws relating to the Company's business:
 - (d) an opinion on the suitability of an auditor:
 - (e) an opinion on the transactions that may lead to conflicts of interests:
 - (f) the number of the audit committee meetings, and the attendance of such meetings by each committee member:
 - (g) an opinion or overview comment received by the audit committee from its performance of duties in accordance with the charter, and



The Corporate Governance (Continued)

(h) other transactions which, according to the audit committee's opinion, should be known to the shareholders and general investors subject to the scope of duties and responsibilities assigned by the Company's Board of Directors;

- (7) to report on the audit committee's operations to the Company's Board of Directors at least twice a year;
- (8) to review any investments or transactions that may be/ detrimental to the Company's financial status and stability, according to the recommendations of the Company's auditor; and
- (9) to perform any other act as assigned by the Company's Board of Directors, with the approval of the Audit Committee.

Risk Management Committee : the company has not appointed a risk management committee yet, though the company has formed a team comprising 4 delegates from various departments to assume the responsibility for establishing the efficient risk management & control systems; conducting analyses to identify the cause of risk; keeping on the alert for any exposure that may affect the company's business operation such as exchange risk, performance risk, marketing risk and etc.

9.3 Nomination of Directors and Executives

The Board nominates Directors and Executives according to their qualification which should not lower than the qualification under Section 68 of the Companies Act 2535, as announced by the Securities and Exchange Commission and as the Articles of Association as follows

1. The Board consist of at least 5 directors who must be qualified and not disqualified by law.
2. Election of directors by the shareholders' meeting uses a majority vote and shall be in accordance with the following rules and procedures.
 - a. The shareholder has one vote per one share.
 - b. The shareholders vote for the person who has been nominated as directors individually. In the voting, each nominee who is voted by shareholders will receive a vote of shareholders up to the amount of shares that the shareholder has in (a.). Such shareholders could not share more or less vote to any person. The nominees who receive the highest votes sequentially down shall be elected as directors up to the total defined number of directors. In the case of a person who has been elected in descending order has an equal number of votes and the number of directors is exceeding the limit, the chairman gives a casting vote.
3. At each Annual General Meeting, one-third of the directors has to retire. If the number of directors could not be divided into 3 equal groups, the number of retires shall be the nearest to one-third.

9.4 The operation of the company's subsidiaries and associates

-None-

9.5 Control of inside information

The company has the policy prohibiting directors and executives use information within the essence of a company which has not been made public for the benefit of themselves or others, including the stock of the company. The company uses the following method to manage the Board's uses of the company's internal data for their own or others.

1. Notifying the executives about the obligation to report securities holding in the company of themselves, their spouse, and underage children. Also, the executives have to report changes in their securities holding under Section 59 and penalty provisions under Section 275 of the Securities and Exchange Act of 2535
2. In case of a change in securities holding, directors and senior executives are required to report to the Board of Directors in agenda subject securities.



The Corporate Governance (Continued)

3. The internal data or documents that contain the important information about the company are retained for recognition only for senior executives as necessary. In case of employees disclose the company confidential information to third parties, it is considered as a serious breach of discipline.

9.6 Auditor Fee

The company paid auditor fee for the year 2016 in amount 780,000 Baht only.

9.7 Policy on good Corporate Governance

The company attaches importance to the rights of the shareholders and interested persons of all the parties:

- Shareholders : the company gives importance to the rights of the shareholders of gaining access to the company's information. The company shall send the notice of the shareholders meeting together with collateral documents to the shareholders before the date of meeting. In the meeting the shareholders have the rights to examine, question, express opinion and provide recommendation on the company's business operation, and all of the transacted businesses will be recorded in the minutes of the meeting.

- Staff : the company treats the staff fairly with reasonable pay, as well as providing PERK and training for career advancement. The safety and health of staff including environmental protection are of the company's great concern.

- Business Partners and Trade Creditors : the company carries out the performance or obligation according to the agreed terms and conditions.

- Customers : the company provides great care and responsibility for the quality of product and punctual delivery, as well as keeping the trade secrets of the customers, and conducting the constant research and development to satisfy the demand of customers.

- Competitors : no scam is exploited to destroy the competitors, the company plays by the rule of trade competition with morality.

- INFORMATION DISCLOSURE AND INVESTOR RELATIONS

The Board of Directors is well aware that the company's information both financially and non-financially has an impact on the decision making of the investors and interested persons in the company. The company has repeated the management team in charge to fully and punctually disclose the reliable and factual information on which the company's executives always stress the importance to and abide by. As for the relations with institutional investors, the company has not formed a team in charge yet, though has delegated the financial and accounting manager to keep communicating with the institutional investors as well as the analysts and relevant authorities. As the activities are not too many to form a specific team in this regard, the interested investors are welcome to check and ask for the company's information at Tel. 0-2266-5571 Ext. 211 or e-mail : accounting@sawangexport.com



10. Social responsibility

Sawang Export Co., Ltd. operates under a socially responsible business policy with the principles of transparency and ethical business practices that respect the rights and interests of all stakeholders, including shareholders, employees, customers, partners, government agencies, and communities in which the company operates, by complying with laws applicable to the following.

1. Organizational governance : creating a jewelry industry for a sustainable growth company with good management, adds value to investors and stakeholders that benefit the society.

2. Anti-corruption : the company has arranged a written guideline called "Anti - Corruption Policy" in order to prudently make a decision on any course of action that could possibly lead to corruption and to serve as an apparent guideline in performing business and effectively developing to sustainability organization. This Anti - Corruption Policy is effective as of December 14th, 2015. The Anti - Corruption Policy will be circulated to all the Employees of the company for acknowledgement. The training will be organized to all management and staff of the company to raise awareness of this policy in February 2016.

Provision in implementation with the Anti-corruption Policy

The directors, management and employees of the Company and its business lines are prohibited from performing, accepting or supporting corruption in any form, whether directly or indirectly. This shall be applicable to all companies in the consumer products business line, including all related contractors and sub-contractors. Regular reviews on compliance with the anti-corruption policy shall be made, as well as reviews on implementation to ensure compliance with the policy, practices, regulations, rules, notifications, laws and business changes as follows ;

1. This Anti - corruption Policy covers to Human Resource Management process starting from recruitment, promotion, training, evaluation, and benefits provided to staff. Every supervisor in every level must communicate to staff in order to apply in business transaction under their responsibility and to monitor such implementation to be the most effective.

2. Implementation on Anti - corruption Policy should be followed by guidelines in the Sawang Export Public Company Limited Code of Conduct, Corporate Governance guidelines, Stakeholders' Guidelines, standard, every Sawang Export Public Company Limited related operation manual, and additional guidelines which will be formulated afterward.

3. To stress the attention on processes which incur a high risk in corruption, the Board of Directors, the Management Team, and the Sawang Export Public Company Limited staff must conform carefully in the following course of action.

3.1 Gifts, Hospitality and Expenses : giving or accepting gifts, entertainment and hospitality activities must be complied with the Sawang Export Public Company Limited Code of Conduct.

3.2 Charitable Contribution or Aid Granting contribution or receiving the aid must be transparent and in accordance with stipulated laws by confirming that such transaction shall not be claimed as a bribery act.

3.3 Business Relation and Procurement Process with the Public Sector All types of bribery or illegal payments are prohibited in all business transactions, Sawang Export Public Company Limited operation, and connection to the government. Such implementation must be proceeded transparently and in alignment with related laws and regulations.

3.4 Intermediaries This Policy prohibits the use of intermediaries to facilitate prohibited payments to any person, including Public Officials. The Company may be held liable for actions of third parties whether authorized or not. See "Guidelines for Dealing with Potential Agents and Joint Venture Partners and Investing in Foreign Businesses" below for steps that should be taken before engaging an agent or consultant, entering into a business relationship with a joint venture partner or investing in an entity.



Social Responsibility (Continued)

4. Donation Guideline : In regard to monetary donations for charitable purposes, such contributions must be made on behalf of Sawang Export Public Company Limited to trust worthy and certified organizations, which aim to benefit society. The donation must be performed in a transparent and lawful manner through the specified procedures of the Company. In addition, it must also be traced and monitored to ensure that such donations will not be used as excuses for bribery.

5. To offer support : either in the forms of money, items or assets, to any activity or project, the name of Sawang Export Public Company Limited must be specified. Such offering must be conducted with the purpose to promote the businesses as well as maintain the good image of the Company. Furthermore, this must be carried out in a transparent and lawful manner through the specified procedures of the Company.

6. The Company Limited strives to create and sustain organization's culture representing that corruption is unacceptable in every business transaction dealing with both public and private sectors.

7. The Company does not offer or support bribery in any form in all activities under its supervision, including supervision of charitable contributions, political contributions, and the offer of gifts in business transactions, and supports various activities with transparency and without the intention of convincing officials of the government or private sector to undertake in appropriate actions.

8. The Company has appropriate internal control with regular reviews in order to prevent improper practices by employees, especially in sales, marketing and procurement.

9. The Company provides knowledge on anti-corruption to its directors, management and employees to promote integrity, honesty and sense of responsibility in fulfilling their duties, to show the Company's commitment.

10. The Company has in place mechanisms for transparent and accurate financial reporting.

11. The Company has provided a variety of communication channels for employees and stakeholders to raise concerns and report suspicious circumstances with confidence of being protected from punishment, unfair transfer or harassment in anyway, as well as appoint person(s) to investigate and monitor the complaints.

3. Respect human rights : the company focus on the basic human rights by not practicing with discrimination, not sexist and racist, not employing child and illegal labor, and against all forms of corruption.

4. Treat workers fairly : the company considers the appropriate level of remuneration with the similar industry, and provide benefits to employees such as medical bills with insurance, scholarship, focusing on the safety in the workplace.

5. Environmental care : the company complies with laws and environmental standards.

6. Fairly business practices : the company operates in a fair and ethical manner. Employees perform their duties with integrity under the framework of the law and within the scope of responsibility. Employees refrain from any action that would cause damage to an organization and stakeholder groups.

7. Relationship with customers and partners : the company focuses on manufacturing quality products and is conscious of consumers. The company has research and development to meet customer satisfaction with an expectation that partners will serve the company in the same manner in order to maintain lasting relationships between customers and suppliers.



Internal control and risk management

11. Internal control and risk management

The company recognises the importance of internal control system by monitoring system operations in every department of the company. This system check bases on audit plans received from management with the Audit Committee of the company and the company's internal audit system that is appropriate and effective.

In the Board's meeting no. 1/2017 on February 28, 2017, 3 members of audit committee considered and evaluated the adequacy of the internal control system by examining the evidence from management as well as the assessment form of the adequacy of the internal control system, which the Board of Directors and audited management prepared from the internal control system's assessment in areas such as risk management, the practice of management, organizational information systems and environments, and information and communication. From the assessment of the internal controls of the company, the Board is of the opinion that the company has adequate and appropriate internal control system that is sufficient for managing and conducting the company's transaction to be transparent and efficient.

The meeting of the audit committee is considering recruiting an outsource of Internal Audit in performing the audit and understanding the operational activities of the company.



12. Transactions

-None-



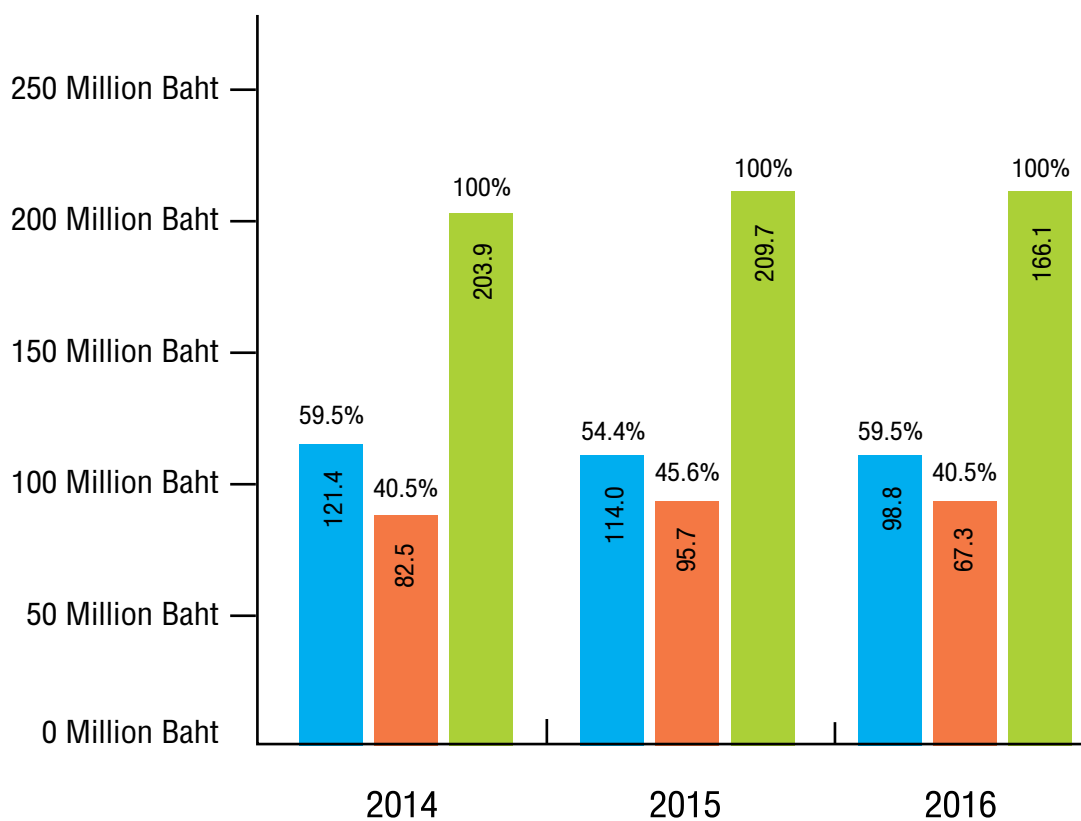
Financial Position and Operation Result

13. Financial Position and Operation Result

Financial Highlight

Income

	2014		2015		2016	
	Million Baht	%	Million Baht	%	Million Baht	%
Jewelry	121.4	59.5	114.0	54.4	98.8	59.5
Gemstones	82.5	40.5	95.7	45.6	67.3	40.5
Total	203.9	100.0	209.7	100.0	166.1	100.0



FINANCIAL HIGHLIGHT





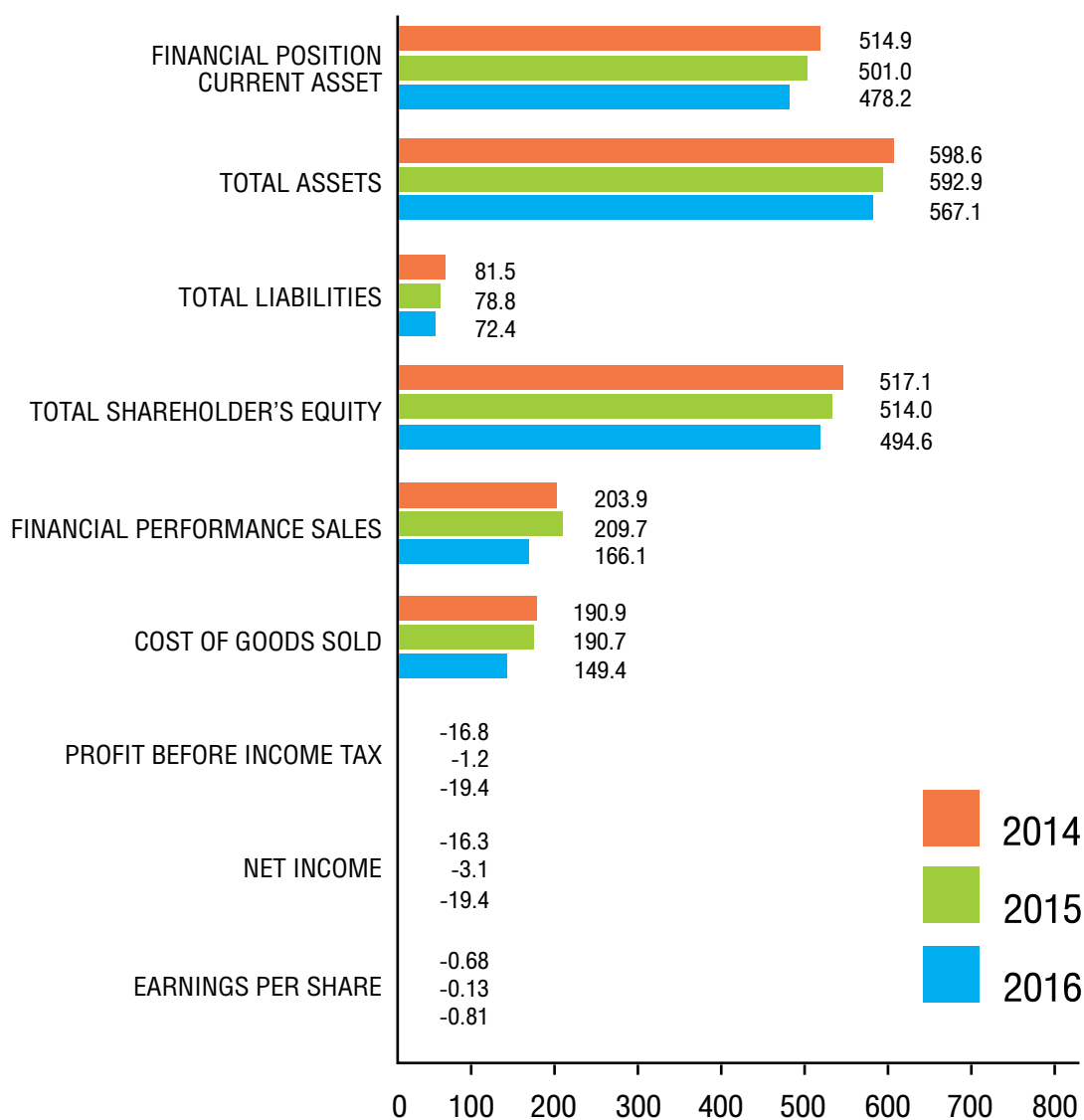
Financial Position and Operation Result (Continued)

Financial Position and Operation Result (Continued)

Financial Highlight (Continued)

Income (Continued)

	2014	2015	2016
Current Assets	514.9	501.0	478.2
Total Assets	598.6	592.9	567.1
Total Liabilities	81.5	78.8	72.4
Total Shareholder's Equity	517.1	514.0	494.6
FINANCIAL PERFORMANCE			
Sales	203.9	209.7	166.1
Cost of goods sold	194.9	190.7	149.4
Profit before income tax	-16.8	-1.2	-19.4
Net income	-16.3	-3.1	-19.4
Earnings Per Share	-0.68	-0.13	-0.81





Explanation and analysis of management division

14. Management Division's explanation and analysis (MD&A)

Overview of the business

In 2016, Thailand's export of gem and jewelry, exclusive of gold, dropped from the previous year. Due to economic fluctuations, together with the increase of prices of silver and gold in 2015, consumers held back on spending on luxury goods. In addition, consumer behaviors have changed. Major groups of world consumers have become more interested in buying electronic and gadget products than buying jewelry products.

Thai government has been supporting entrepreneurs' competitiveness with economic stimulus measures. One of the measure supports the country to reach the position as the world's gem and jewelry trading hub. The others are competitiveness enhancement and marketing promotion measures. However, there still are factors that pull the confidence for consumption of gem and jewelry goods.

Among risk factors, the company has adapted to the changes by emphasizing on production of unique-design products, making a differentiation to "Beawelry" brand with new technologies and innovations, prioritizing specific group marketing, and using online marketing including e-commerce to increase access to consumer channels.

Profit and loss statement

The company's performance in 2016 has ended on 31 December 2016. The company's total revenue was 166.1 million Baht, which was lower from the previous year by 20.8% as a result of a decrease in international sales of 20.2 million Baht and domestic sales and manufacturing service of 23.4 million Baht according to Notes to Financial Statement item 15. The sales reduction is the effect from economic fluctuations which lead to a slowdown in luxury goods consumption.

Gross profit of 13.7 million Baht decrease from previous year by 7.6 million Baht. Meanwhile, the gross margin is 8.3% as compared to 10.1% in the previous year. The gross margin reduction was due to the loss from value reduction in precious stones (raw material) 3.0 million Baht in 2016. While, in 2015, the company incurred a loss of 2.2 million Baht of precious stone reversal amounting as detail in Notes to Financial Statement item 6.

The company recorded comprehensive loss of 19.1 million Baht, an increase of 16.3 million Baht from the previous year, while the selling expenses, administrative expenses, and management benefit expenses in total cost 34.0 million Baht was slightly lower than 34.8 million Baht in 2015. In 2015, the company reversed a loss on impairment of asset 9.9 million Baht to profit and loss statement according to Notes to Financial Statement item 7, hence the increase in the loss in 2016.

Statement of Financial Position

As at 31 December 2016, the Company had total assets totalling to 567.1 million Baht, decreased for 25.8 million Baht. Trade receivables decreased for 26.5 Million Baht since there was no due extension from 60 days to 90 days for the order during October to December of the customers in Australia while such extension was provided in 2015. Inventory decreased for 11.6 million Baht. As a result, the Company's Cash and Cash Equivalent was increased by 16.6 million Baht.

Trade and other receivables amounting to 59.8 million Baht includes the allowance for doubtful accounts amounting to 135.5 million Baht (Note 3.3 and 5) for the customer with legal dispute (Page 10). The Company has considered the balance of allowance for doubtful account based on the outstanding balance of such oversea customer totalling to 232.3 million Baht deducted with the compensation received on the export credit insurance from Export-Import Bank of Thailand amounting to 57.3 million Baht and the balance of raw material payable for a vendor under the same group company as the receivable amounting to 39.5 million Baht.



Explanation and analysis of management division (Continued)

Inventory amounting to 340.8 million Baht includes the provision for deterioration totalling to 102.7 million Baht. The balance consists of the provision for deterioration of precious stone and others amounting to 99.7million Baht and 3.0 million Baht, respectively. Net realizable value is calculated from the estimated selling price in ordinary course of business less the estimated costs necessary to make the sale.

Investment property consists of land held not for use in operation amounting to 52.7 million Baht. The Company has estimated the fair value of investment property by comparing the market value using the external independent appraisal in 2015 and 2016. The fair value of land held not for use in operation is 85.6 million Baht and 102.7 million Baht, respectively. The Company recognized the reversal of loss on devaluation of land amounting to 9.9 million Baht to profit or loss in 2015.

The decrease in Company's liabilities amounting to 6.4 million Baht consists of the decrease in Trade Payables amounting to 8.1 million Baht and the increase in Provision for Employee Benefit amounting to 1.7 million Baht.

The decrease in Shareholders' Equity amounting to 19.4 million Baht came from the net loss from operation in 2016 amounting to 19.4 million Baht.

Statement of Cash Flow

As at 31 December 2016, the Company has cash flow from operating activities amounting to 18.1 million Bath. The amount came from the change in working capital which consisted of the change in Company's assets including the decrease in trade receivables, inventory and refundable tax amounting to 26.5 million Baht, 8.5million Baht, and 0.8 million Baht, respectively and Company's liabilities including the decrease in trade payables amounting to 8.1 million Baht and the utilized employee benefit amounting to 0.2 million Baht which is the retirement benefit according to the Company's rules and employee's age (Note 11).

The Company has cash paid from investing activities amounting to 1.3 Million Baht. The amount came from the investment in Property, Plant and Equipment including building improvement amounting to 0.5 Million Baht and purchasing of equipment as the replacement of fully-depreciated equipment amounting to 0.8 Million Baht.

The Company has the increase of 16.7 Million Baht in Cash and Cash Equivalent.



Audit Committee's Report

To the Shareholders of Sawang Export Public Company Limited

The Audit committee performed the assigned duties by the Board of Directors and according to the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand as follows:

- Reviewing the quarterly financial statements and the yearly financial statements together with the external auditors and management to ensure that the Company's financial statements are correct in conformity with Thai Financial Reporting Standards and with adequate disclosure.
- Reviewing the efficiency and appropriateness of the internal control systems.
- Reviewing the Company's operations in conformity with relevant laws and regulations.

The Audit Committee has the opinion that the Company's financial reports present fairly in all material respect in accordance with Thai Financial Reporting Standards, with adequate disclosure of information and appropriate internal control, also compliance with significant and relevant laws and regulations applicable to its business. No significant deficiency impacting to the Company's financial reports has been identified.

For the financial year 2017, the Audit Committee has recommended to the Board of Directors that Bunchikij Co.,Ltd. be re-appointed as the Company's auditors. The appointment of the audit firm would be further proposed to the shareholders for approval at the annual general meeting of shareholders to be held in April 2017.

(Mrs. Ratanaporn Chunharas)
Chairman of the Audit Committee
March 8, 2017



Sawang Export
Public Company Limited

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JANUARY 1, 2016 TO DECEMBER 31, 2016

SAWANG EXPORT PUBLIC COMPANY LIMITED

2016



Independent Auditor's Report

To the Shareholders and the Board of Directors of Sawang Export Public Company Limited

Opinion

I have audited the financial statements of Sawang Export Public Company Limited (the Company), which comprise the financial position as at December 31, 2016, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sawang Export Public Company Limited as at December 31, 2016, and the related financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How the matter was addressed
Valuation of inventories As disclosed in Note 6 to the financial statements, the Company has inventories - precious stones as at December 31, 2016 at the total cost value of Baht 315.56 million. The Company has set up an allowance for decline in value of Baht 99.78 million. The net value of precious stones is Baht 215.78 million which is material to the financial statements.	My audit including, but not limited to, the following procedures: <ul style="list-style-type: none">• Gain understandings and test internal control on procedures, including purchases, stock handling, sales and stock balance.• Observe stocktaking and test of physical count of inventories including assessment in value of precious stones by the specialist whom was hired by our firm and has participated in this process.• Compare the value of precious stones in inventory report with the selling price after the date in statement of financial position, to determine the appropriate level of allowance for decline in value of precious stones.

Other matter

The financial statements for the year ended December 31, 2015 of Sawang Export Public Company Limited, which are presented herein as comparative information, were audited by another auditor of Bunchikij Co., Ltd. who expressed an unqualified opinion on those statements in her report dated February 29, 2016.



Independent Auditor's Report (Continued)

Other Information

Management is responsible for the other information included in annual report. The annual report is expected to be made available to me after the date of this auditor's report. My opinion on the financial statements does not cover the other information as referred to above and I will not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information as referred to above when it becomes available and, in doing so, consider whether such the other information is materially inconsistent with the audited financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read annual report, if I conclude that there is any material misstatement in those other information, I am required to communicate the matter to the management and those charged with governance to correct such information.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report (Continued)

- 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 responsible for the audit resulting in this independent auditor's report is Mr. Pornchai Kittipanya-ngam

(Pornchai Kittipanya-ngam)
Certified Public Accountant No. 2778
Bunchikij Co., Ltd.

Bangkok
February 28, 2017



Statement of Financial Position

As at December 31, 2016

Unit : Baht

	Note	2016	2015
Assets			
Current assets			
Cash and cash equivalents	3.2 and 4	76,204,141	59,411,928
Trade and other receivables	3.3 and 5	59,856,039	86,319,362
Inventories	3.4 and 6	340,871,821	352,464,204
Tax refund		422,204	1,245,579
Other current assets		903,945	1,563,809
Total current assets		478,258,150	501,004,882
Non-current assets			
Investment property	3.5 and 7	52,793,073	52,793,073
Property, plant and equipment	3.6 and 8	31,005,646	33,864,604
Intangible assets	3.7 and 9	149,324	213,940
Deferred tax asset	3.13 and 13	3,819,529	3,866,238
Other non-current assets		1,113,352	1,168,062
Total non-current assets		88,880,924	91,905,917
Total assets		567,139,074	592,910,799

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



Statement of Financial Position (Continued)

As at December 31, 2016

Unit : Baht

	Note	2016	2015
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	10	52,716,681	60,851,184
Other current liabilities		655,542	632,036
Total current liabilities		53,372,223	61,483,220
Non-current liabilities			
Employee benefit obligations	3.11 and 11	19,097,645	17,340,284
Total non-current liabilities		19,097,645	17,340,284
Total liabilities		72,469,868	78,823,504
Shareholders' equity			
Share capital			
Authorized share capital			
25,200,000 Ordinary shares of Baht 10 each		252,000,000	252,000,000
Issued and fully paid-up share capital			
24,000,000 Ordinary shares of Baht 10 each		240,000,000	240,000,000
Premium on ordinary shares		62,050,000	62,050,000
Retained earnings			
Appropriated for legal reserve	12.2	26,659,535	26,659,535
Unappropriated		165,959,671	185,377,760
Total shareholders' equity		494,669,206	514,087,295
Total liabilities and shareholders' equity		567,139,074	592,910,799

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



Statement of Comprehensive Income

As at December 31, 2016

Unit : Baht

	Note	2559	2558
Revenues from the sales of goods and rendering of services	3.10	166,150,338	209,776,648
Cost of the sales of goods and rendering of services		(149,401,049)	(190,714,377)
Loss on decline in value of raw materials	6	(3,042,029)	2,273,940
Gross profit		13,707,260	21,336,211
Other income		905,281	2,247,200
Profit before expenses		14,612,541	23,583,411
Selling expenses		(10,197,775)	(10,516,442)
Administrative expenses		(18,197,937)	(18,840,926)
Management benefit expenses		(5,634,750)	(5,493,000)
Loss on impairment of asset - reversal	7	-	9,993,073
Loss before income tax		(19,417,921)	(1,273,884)
Income tax expense	3.13 and 13	(37,401)	(1,840,462)
Loss for the years		(19,455,322)	(3,114,346)
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Actuarial gain (losses)	11	46,541	137,089
Income tax effect	13	(9,308)	(27,418)
Total comprehensive income for the years		(19,418,089)	(3,004,675)
per share	3.14	(0.81)	(0.13)

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



Statement of changes in shareholders' equity

As at December 31, 2016

Unit : Baht

	Note	Issued and paid-up share capital	Premium on ordinary shares	Retained earnings		Total shareholders' equity
				Appropriated for legal reserve	Unappropriated	
Balance as at January 1, 2015		240,000,000	62,050,000	26,659,535	188,382,435	517,091,970
Total comprehensive income for the year 2015		-	-	-	(3,004,675)	(3,004,675)
Balance as at December 31, 2015		240,000,000	62,050,000	26,659,535	185,377,760	514,087,295
Total comprehensive income for the year 2016		-	-	-	(19,418,089)	(19,418,089)
Balance as at December 31, 2016		240,000,000	62,050,000	26,659,535	165,959,671	494,669,206

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



Statement of cash flows

For the year ended December 31, 2016

Unit : Bath

	Note	2016	2015
Cash flows from operating activities			
Loss before income tax		(19,417,921)	(1,273,884)
Adjustments to reconcile net profit for the periods to net cash provided by operating activities			
Depreciation and amortization	8 and 9	4,731,551	4,619,774
Unrealized gain on exchange rate		(113,317)	(368,265)
Loss from decline in value of raw materials	6	3,042,029	(2,273,940)
Loss on impairment of asset - reversal	7	-	(9,993,073)
Gain on sale of assets		(3,737)	(86,635)
Written-off in withholding tax		2,645	-
Employee benefit expenses	11	2,037,902	2,051,462
Interest income		(474,002)	(526,113)
		(10,194,850)	(7,850,674)
Change in operating activities			
(Increase) decrease in assets			
Trade and other receivables		26,583,382	(28,886,603)
Inventories		8,550,354	26,514,698
Tax refund		823,375	(26,590)
Other current assets		661,959	(797,842)
Other non-current assets		54,710	(319,891)
Increase (decrease) in liabilities			
Trade and other payables		(8,130,830)	3,540,680
Deposit received for goods		49,171	(6,781,825)
Other current liabilities		(25,665)	241,846
Employee benefit obligations	11	(234,000)	(1,680,000)
Cash generated from (used in) operations		18,137,606	(16,046,201)
Income tax paid		(4,740)	(5,271)
Net cash provided by (used in) operating activities		18,132,866	(16,051,472)

Unit : Baht

	Note	2016	2015
Cash flows from investing activities			
Purchases of fixed assets and intangible assets		(1,811,651)	(4,356,955)
Cash received from sale of assets		3,738	86,918
Interest received		473,998	526,126
Net cash used in investing activities		(1,333,915)	(3,743,911)
Effect from exchange rate in cash and cash equivalents		(6,738)	80,061
Increase (Decrease) in cash and cash equivalents, net		16,792,213	(19,715,322)
Cash and cash equivalents as at January 1,		59,411,928	79,127,250
Cash and cash equivalents as at December 31,	3.2 and 4	76,204,141	59,411,928

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



Note of Financial Statement

1. General information

1.1 Sawang Export Public Company Limited (the Company) was incorporated in Thailand in the year 1972, and has been listed in the Stock Exchange of Thailand since 1993. The address is 307 - 307/1 - 4, 56, 305 Surawongse Road, Bangrak, Bangkok 10500.

1.2 The operations of the Company are manufacture and distribution of precious stones and jewelry.

1.3 The Company's major shareholders is Maneepairoj family.



Note of Financial Statement (Continued)

2. Basis of preparation and presentation of the financial statements

2.1. The financial statements have been prepared in accordance with Thai Financial Reporting Standards which are issued under the Accounting Professions Act B.E.2547, and have been presented under the Accounting Act. B.E.2543, and applicable rules and regulations of the Securities and Exchange Commission under the Securities and Exchange Act.

2.2. The financial statements are presented for Thai currency reporting purpose and prepare in Thai language. This English translation of financial statements has been prepared for the convenience of the readers who were not conversant with Thai language.

2.3. New Financial Reporting Standards

The Federation Accounting Professions has promulgated the newly revised and new financial reporting standards as follows:

2.3.1. The Financial Reporting Standards that are effective in the current accounting period

The Company has adopted the Thai Financial Reporting Standards that are effective for accounting period beginning on or after January 1, 2016. The adoption of these Thai Financial Reporting Standards does not have any significant impact on the Company.

2.3.2. The Financial Reporting Standards that will become effective in the future

The Financial Reporting Standards which are effective for accounting period beginning on or after January 1, 2017 are as follows:

Financial Reporting Standards

TFRS2 (revised 2016)	Share - based Payment
TFRS3 (revised 2016)	Business Combinations
TFRS4 (revised 2016)	Insurance Contract
TFRS5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS6 (revised 2016)	Exploration for and Evaluation of Mineral Assets
TFRS8 (revised 2016)	Operating Segments
TFRS10 (revised 2016)	Consolidated Financial Statements
TFRS11 (revised 2016)	Joint Arrangements
TFRS12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS13 (revised 2016)	Fair Value Measurement

Accounting Standards

TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flow
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events After the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue



Note of Financial Statement (Continued)

2.3. New Financial Reporting Standards (Continued)

2.3.2. The Financial Reporting Standards that will become effective in the future (Continued)

The Financial Reporting Standards which are effective for accounting period beginning on or after January 1, 2017 are as follows:

Accounting Standards

TAS 19 (revised 2016)	Employee Benefits
TAS 20 (revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Cost
TAS 24 (revised 2016)	Related Party Disclosure
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 29 (revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 41(revised 2016)	Agriculture
TAS 104 (revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments Disclosure and Presentation

Financial Reporting Standard Interpretations

TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2016)	Applying the Restatement Approach under TAS 29 (revised 2016) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2016)	Service Concession Arrangements
TFRIC 13 (revised 2016)	Customer Loyalty Programmers
TFRIC 14 (revised 2016)	TAS 19 (revised 2016) Employee Benefits - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2016)	Transfers of Assets from Customer
TFRIC 20 (revised 2016)	Stripping Cost in the Production Phase of a Surface Mine
TFRIC 21 (revised 2016)	Leases



Note of Financial Statement (Continued)

Accounting Standard Interpretations

TSIC 10 (revised 2016)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2016)	Operating Leases - Incentives
TSIC 25 (revised 2016)	Income Taxes - Changes in the Tax Status of and Enterprise or its Shareholders
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 29 (revised 2016)	Disclosure - Service Concession Arrangements
TSIC 31 (revised 2016)	Revenue - Barter Transaction Involving Advertising Services
TSIC 32 (revised 2016)	Intangible Assets - Web Site Costs

The Federation Accounting Professions Announcements

No. 5/2559	Accounting guidance for de- recognition of financial assets and financial liabilities
No. 91/2559	Accounting guidance for insurance business to designate financial instruments as financial instruments measured at fair value through profit or loss

The Company has not adopted the above standards before the effective date. The management of the Company assess that there will be no material impact on the financial statements in the period that the above standards are applied.

2.4. Accounting Estimates

Preparation of financial statements in conformity with Thai Financial Reporting Standards, which requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from such estimates.

3. Summary of significant accounting policies

3.1. Basis of measurement used in the preparation of the financial statements

Historical cost is used as measurement basis in preparing these financial statements except for some items as indicated in the relevant notes.

3.2. Cash and cash equivalents

Cash represents cash on hand and demand deposits with bank or financial institutions.

Cash equivalents comprises fixed deposit and short-term highly liquid investments which are not restricted in their uses, that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value, such as deposit expiring less than 3 months from the date of deposit or investments.

3.3. Trade receivables

Trade receivables are stated at net realizable values which are the amount of invoices net of allowance for doubtful accounts. Allowance for doubtful account is based on the estimated uncollectible amount by considering from the financial status of each accounts receivable and the management's estimates.

3.4. Inventories

Inventories are valued at cost or net realizable value, whichever is lower. Net realizable value is the selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The costs of purchase inventories comprise the purchase price and other costs directly attributed to the acquisition of goods. Manufacturing cost of finished goods and work in process comprises from raw materials, labour and manufacturing overhead. The costs of inventories are calculated as follows :

Finished goods, Work in process and Raw material

- Average method.

Supplies

- FIFO method.



Note of Financial Statement (Continued)

3.5. Investment property

Investment property are stated at cost less allowance for impairment (if any).

3.6. Property, plant and equipment

Land is stated at cost less allowance for impairment of assets (if any).

Plant and equipment are stated at cost less accumulated depreciation and allowance for impairment of assets (if any).

Depreciation is calculated by the straightline method, based on the estimated useful lives of assets as follows :

Building and improvement	10 – 20 years
Machinery and equipment	5 and 10 years
Tools and equipment	5 and 10 years
Furniture and office equipment	5 years
Vehicles	5 years

An initial estimation of costs for dismantling and removing the items and restoring the site on which the self-constructed assets are located, if the Company has its obligation to do so, have been included in cost of property, plant and equipment.

Cost of addition, improvement, repair or extension of lease agreement that enable the Company to increase the future economic benefit are recognized as assets.

Depreciation is separately calculated on each component of asset, when the cost of each component is significant in relation to the total cost of the asset item.

Depreciation method, useful life and residual values of assets, and depreciation method are reviewed at least at each financial year-end.

Depreciation is recognized as expense for each accounting period.

3.7. Intangible assets

Computer software is stated at cost less accumulated amortization and allowance for impairment (if any). Amortization is charged by the straight-line method over the period of economic benefit will flow to the Company for 5 and 10 years.

The Company recorded the amortization as expenses for each accounting period.

3.8. Impairment of assets

The Company assess the impairment of assets i.e. Property, plant and equipment and Intangible assets whenever there is indication that an asset may be impaired, the impairment will be assessed by estimating the recoverable amount of assets, if it is below the carrying amount of the asset, it signs an asset is impairment. The Company recognizes the impairment loss in profit or loss.

Recoverable amount of assets is asset's net selling price or its value in use, whichever is higher and it is determined from an individual asset or a cash-generating unit.

3.9. Liabilities, provisions and expenses

The Company recognizes liabilities, provisions and expenses in the financial statements when it has legal obligation or possible obligation arising from past events, the settlement of which is expected to be made in the amount that can be estimated with sufficient reliability.

The Company recognizes accrued dividend when approved by the resolution of their ordinary Shareholders' meeting.

3.10. Revenue recognition

Revenue from sales of goods is recognized when significant risks and rewards of ownership have been transferred to the buyer based on the invoices value less discounts, and goods return and amounting to the estimates of goods return (if any).

Revenue from services is recognized when the outcome of a service can be estimated reliably.

3.11. Employee benefits

Short-term employee benefits

Short-term employee benefits, which fall due wholly within 12 months after the end of period in which the employees render the related service, are recognized as expenses when incurred.

Post-employment benefits

The severance payments upon the retirement under the labor law, was calculated on the basis of the Actuarial Valuation Methods by using the projected unit credit method.



Note of Financial Statement (Continued)

The Company recognizes the actuarial gain and loss arising from the post-employee benefits in other comprehensive income while all expenses related to post-employment benefits plans are recognized in profit or loss.

3.12. Translation of foreign currency transactions

Foreign currency transactions are translated into Thai Baht at the exchange rate on the transaction date.

The remaining balance of monetary assets and liabilities denominated in foreign currency at the end of reporting period are translated into Thai Baht at the exchange rate ruling at that date. Exchange differences are recorded in profit or loss.

The remaining balance of non-monetary assets and liabilities denominated in foreign currency at the end of reporting period are translated into Thai Baht at the exchange rate on the transaction date.

3.13. Income tax

Income tax expense represents the aggregate of current income tax expense and deferred tax.

Current income tax expense and deferred tax are recognized in profit or loss except for those related to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax represents the amount of expected income tax payable or recoverable calculated from the taxable profit or loss for the period, using tax rate in accordance with the regulation in the Revenue Code.

Deferred tax is recognized in respect of temporary difference between the carrying amounts of assets and liabilities purpose and the amounts used for taxation purpose.

The measurement of deferred tax reflects the consequences that the Company expects, at the end of the reporting period, to recover or settle the carrying amount.

Deferred tax liabilities are recognized for all income tax payable in the future periods in respect of taxable temporary differences.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the amount that the related tax benefit will be realized.

3.14. Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders by the number of weighted average ordinary shares outstanding during the years. (24,000,000 Ordinary shares)

4. Cash and cash equivalents

		Unit : Baht
	2016	2015
Cash on hand	222,828	272,229
Demand deposits	75,904,765	59,063,812
Cash equivalents-Fixed deposits	<u>76,548</u>	<u>75,887</u>
Total	76,204,141	59,411,928

The interest rate of the three-month fixed deposits is 0.875 - 1.125% p.a.

5. Trade and other receivables

	2016	2015
Trade receivables - Domestic	4,387,600	3,533,400
Trade receivables - Foreign	248,323,194	275,640,721
Less Compensation received from insurance against the risk	57,324,080	57,324,080
Trade receivables - Foreign, net	<u>190,999,114</u>	<u>218,316,641</u>
Total	195,386,714	221,850,041
Less Allowance for doubtful accounts	135,530,708	135,530,708
Total trade receivables, net	<u>59,856,006</u>	<u>86,319,333</u>
Other receivables	<u>33</u>	<u>29</u>
Trade and other receivables, net	<u>59,856,039</u>	<u>86,319,362</u>



Note of Financial Statement (Continued)

Aging analysis of trade receivables is as follows :

Unit : Baht

	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Not yet due	4,387,600	13,903,088	18,290,688	3,533,400	40,266,180	43,799,580
Overdue not over 30 days	-	-	-	-	1,260,773	1,260,773
Overdue 30 days	-	158,390	158,390	-	-	-
Overdue 60 days	-	-	-	-	-	-
Overdue 90 days	-	234,261,716	234,261,716	-	234,113,768	234,113,768
Total	4,387,600	248,323,194	252,710,794	3,533,400	275,640,721	279,174,121
Less Compensation received from insurance against the risk	-	57,324,080	57,324,080	-	57,324,080	57,324,080
	4,387,600	190,999,114	195,386,714	3,533,400	218,316,641	221,850,041
Less Allowance for doubtful accounts	-	135,530,708	135,530,708	-	135,530,708	135,530,708
Trade receivables, net	34,387,600	55,468,406	59,856,006	3,533,400	82,785,933	86,319,333

The Company has a majority foreign trade receivable, which the balance is USD 6.47 million, on exchange rate as at December 31, 2006, valued at Baht 232.31 million. The insurance against the risk of this receivable has been made with the Export-Import Bank of Thailand in the amount of Baht 80 million.

The above receivable has faced its financial problems, and it was controlled and managed the activities by the foreign financial institutions. As a result, this trade receivable stopped to pay to the company. The Company has received the compensation from insurance against the risk in the amount of Baht 57.32 million (Net from the expenses amount of Baht 0.28 million) from the EXIM BANK.

The Company provided the allowance for doubtful accounts from the net balance after deducting the insurance for risk from the Bank, and deducting the raw materials payable for manufacturing which is the same group of this receivable. (Note 10)

On April 17, 2007, the Company has been informed from this receivable that there will be an auction on the above receivable's assets, in order to pay the money to the creditors within May 17, 2007. At present, the Company still has not received the money.

6. Inventories

	2016			2015		
	Cost	Allowance for decline in value	Cost, net	Cost	Allowance for decline in value	Cost, net
Finished goods	17,161,566	-	17,161,566	15,354,160	-	15,354,160
Work in process	3,167,887	-	3,167,887	2,111,523	-	2,111,523
Raw materials						
- Precious stone	315,564,761	99,784,013	215,780,748	323,674,700	96,741,984	226,932,716
- Others	107,524,511	3,006,939	104,517,572	110,827,330	3,006,939	107,820,391
Supplies	244,048	-	244,048	245,414	-	245,414
Total	443,662,773	102,790,952	340,871,821	452,213,127	99,748,923	352,464,204

In 2016, The Company has loss from decline in value of raw material in the amount of Baht 3,042,029 (2015 : loss from decline in value of raw material — reversal in the amount of Baht 2,273,940)

The Company has a risk on the damage of inventories because the value of the inventories is high and the insurance for the risk are not provided.



Note of Financial Statement (Continued)

7. Investment property

The book value of unutilized land for operation at Petchburi is approximately Baht 52.79 million, was mortgaged to cover the bank overdrafts and the packing credits in the credit-line totalling Baht 50 million and the credit-line are also guaranteed by the Company's directors. Later, on February 20, 2017, the Company has cancelled the credit of bank overdrafts and the credit-line from bank. At present, it is in the process of redeeming this unutilized land.

The fair value of unutilized land for operation was valued by using the market approach (Method level 2 of fair value: Note 17).

In 2015, the independent appraiser whose report dated on December 15, 2015 valued fair value of unutilized land for operation in the amount of Baht 85.60 million. In 2012, the land was valued to fair value in the amount of Baht 42.80 million. Accordingly, a reversal of loss on impairment of land amounting to Baht 9.99 million was made to profit or loss.

In 2016, the independent appraiser whose report dated on September 23, 2016 valued fair value of unutilized land for operation in the amount of Baht 102.73 million.

8. Property, plant and equipment

Unit : Baht

	2015	Increase (Decrease) during the year			2016
		Addition	Disposal	Transfer	
Cost of assets					
Land	11,850,000	-	-	-	11,850,000
Building and improvement	21,417,802	515,206	515,206	-	21,417,802
Machinery and equipment	7,630,593	-	-	-	7,630,593
Tools and equipment	48,150,814	845,473	37,383	-	48,958,904
Furniture and office equipment	8,921,592	28,835	-	-	8,950,427
Vehicles	10,172,942	42,000	39,000	-	10,175,942
Total	108,143,743	1,431,514	591,589	-	108,983,668
Accumulated depreciation					
Building and improvement	17,227,906	437,098	515,206	-	17,149,798
Machinery and equipment	7,273,572	357,001	-	-	7,630,573
Tools and equipment	38,305,449	3,140,948	37,383	-	41,409,014
Furniture and office equipment	8,882,842	14,790	-	-	8,897,632
Vehicles	6,383,552	676,898	38,999	-	7,021,451
Total	78,073,321	4,626,735	591,588	-	82,108,468
	30,070,422				26,875,200
Add Assets during installation	3,794,182	336,264	-	-	4,130,446
Property, plant and equipment ,net	33,864,604				31,005,646
Depreciation for the year					
Cost of the sale of goods	1,989,442				2,388,221
Selling and administrative expenses	2,597,878				2,238,514



Note of Financial Statement (Continued)

9. Intangible assets

Unit : Baht

	2015	Increase	Decrease	2016
Cost of assets				
Computer softwares	1,293,157	40,200	-	1,333,357
Accumulated amortization				
Computer softwares	1,079,217	104,816	-	1,184,033
Intangible assets, net	213,940			149,324
Amortization for the year	32,454			104,816

10. Trade and other payables

Unit : Baht

	2016	2015
Trade payables-Domestic	459,212	5,617,556
Trade payables-Foreign	45,082,750	45,082,750
Total	45,541,962	50,700,306
Note payables	6,529,788	9,432,841
Total trade payables	52,071,750	60,133,147
Other payables	644,931	718,037
Trade and other payables	52,716,681	60,851,184

Foreign trade payable is the same group of the receivable that faced the financial problem, and the amount of USD 1.28 million was converted into Thai currency at the exchange rate of December 31, 2008, equivalent to Baht 45.08 million.

11. Employee benefit obligations

Expenses Movement in the present value of the employee benefit obligations are as follows:

Unit : Baht

	2016	2015
Employee benefit obligations-beginning	17,340,284	17,105,911
Service cost	1,194,566	1,217,736
Interest cost	843,336	833,726
Benefits paid	234,000	1,680,000
Actuarial gain	(46,541)	(137,089)
Defined benefit obligations at December 31	19,097,645	17,340,284

As at December 31, 2016, the Company expect to pay Baht 1,058,400 of post-employee benefits during the next year.



Note of Financial Statement (Continued)

Expenses recognized in the statement of comprehensive income, are as follows:

หน่วย : บาท

	2016	2015
Recognized in profit or loss		
Service cost	1,194,566	1,217,736
Interest cost	843,336	833,726
	<u>2,037,902</u>	<u>2,051,462</u>
Recognized in other comprehensive income		
Actuarial gain	(46,541)	(137,089)
Total	<u>1,991,361</u>	<u>1,914,373</u>

Actuarial gain recognized in the other comprehensive income derived from actual benefit paid less than estimate benefit paid.

Principal actuarial assumptions at the reporting date are as follows

	2016	2015
Discount rate	4.5	4.5
Future salary increase	4.0	4.0
Staff turnover rate	Scale related to Age ranging from 0% to 22%	
Mortality rate	According to Thailand TMO 2008	

Effect of changes of the assumptions to the present value of long term employee benefit obligation as at December 31, 2016 are as follows:

	Unit : Baht
	Increase 1% Decrease 1%
Discount rate	(1,536,306) 1,785,520
Salary increase rate	2,385,233 (2,058,864)
	Increase 10% Decrease 10%
Staff turnover rate	(474,462) 499,195

12. Equity

12.1 Legal reserve

Pursuant to the Public Limited Companies Act. B.E. 2535 (1992), the Company must appropriate the annual net profit to be a reserve fund which not less than five percent of the annual net profit deducted by the total deficit brought forward (if any) until reserve reaches an amount of not less than ten percent of the registered share capital.

12.2 Managing capital

The Company has no regulation to maintain the debt to equity ratio with outside party. So, the Company has policy to manage the capital by maintaining the Company's ability to continue the business as a going concern and providing the appropriate returns to the shareholders.

At the end of period, the debt to equity ratio are 0.15 : 1.00 (2015 : 0.15 : 1.00)



Note of Financial Statement (Continued)

13. Income tax

Income tax expense is computed from the profit before income tax, which is in accordance with the regulation of the Revenue Code

Tax income for the year ended December 31, 2016 and 2015 are as follows :

	Unit : Baht	
	2016	2015
Current income tax :	-	-
Deferred tax :		
Temporary differences and reversal of temporary differences	37,401	1,840,462
Tax incomes expense	37,401	1,840,462

Reconciliation between the average effective tax rate and the applicable tax rate for the years ended December 31, 2016 and 2015, are as follows:

	2016		2015	
	Rate (%)	Amount	Rate (%)	Amount
Loss before income tax		(19,417,921)		(1,273,884)
Income tax at applicable tax rate	20	(3,883,584)	20	(3,374,999)
Current year tax loss, not recognized as deferred income tax		2,597,071		2,790,433
Tax effect :				
Disallowed expenses / income for tax calculation		1,340,758		(1,555,123)
Additional deductible expenses		(54,245)		(56,590)
Loss carry forward		-		(923,943)
Current income tax		-		-
Deferred tax:				
Temporary differences and reversal of temporary differences		37,401		1,840,462
Income tax	-	37,401	(144)	1,840,462

The amount of income tax relating to each component of other comprehensive income for the year ended December 31, 2016 and 2015, are as follows:

	2016			2015		
	Amount before tax	Tax income	Net of tax	Amount before tax	Tax income	Net of tax
Actuarial (gain) losses	(46,541)	9,308	(37,233)	(137,089)	27,418	(109,671)
Total	(46,541)	9,308	(37,233)	(137,089)	27,418	(109,671)



Note of Financial Statement (Continued)

The components of deferred tax assets and deferred tax liabilities as at December 31, 2016 and 2015 are as follows:

	Unit : Baht	
	2016	2015
Deferred tax assets		
Employee benefit obligations	3,819,529	3,468,057
Others	-	398,181
Total	3,819,529	3,866,238
Deferred tax liabilities	-	-
Deferred tax assets, net	3,819,529	3,866,238

The Company has not recognized deferred tax in respect of temporary difference between the carrying amounts of current assets and current liabilities for financial reporting purposes and the amounts used for taxation purposes due to the utilization of tax benefits for such items is not probable in the foreseeable future in the amount of Baht 53.95 million (2015 : Baht 54.08 million).

14. Classification of expenses by nature

	Unit : Baht	
	2016	2015
Change in finished goods and work in process	(2,863,768)	(1,693,310)
Raw materials and consumables used	115,640,109	152,423,367
Management benefit expenses	5,634,750	5,493,000
Employee expenses	46,787,515	50,113,426
Depreciation and amortization expenses	4,731,551	4,619,774
Loss on decline in value of raw materials	3,042,029	(2,273,940)
Reversal of loss on impairment of asset	-	(9,993,073)
Others	13,501,354	14,608,488
Total	186,473,540	213,297,732

15. Information on operating segments

Information on operation segments requires the Company disclose the segment information based on the internal reports regularly by the Company Chief Operation Decision Maker in order to allocate resources to those segments and to assess the segments' performance.

The Company, operates in a single business segment, is a manufacturer and distributor of precious stones and jewelry which is shown by geographic segments as domestic and foreign.

The information on operating segments is as follows:



Note of Financial Statement (Continued)

	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Revenues from the sale of goods and rendering of service	29,317,107	136,833,231	166,150,338	52,771,258	157,005,390	209,776,648
Gross profit	<u>7,395,144</u>	<u>6,312,116</u>	<u>13,707,260</u>	<u>12,632,496</u>	<u>8,703,715</u>	<u>21,336,211</u>
Unallocated income and expenses						
Other income			905,281			2,247,200
Selling and administration expenses			(34,030,462)			(24,857,295)
Income tax expense			(37,401)			(1,840,462)
Loss for the years			<u>(19,455,322)</u>			<u>(3,114,346)</u>
Property, plant and equipment			<u>31,005,646</u>			<u>33,864,604</u>
Total assets			<u>567,139,074</u>			<u>592,910,799</u>

The details of information on operating segment by geographic of the Company are as follows :

	Unit : Baht	
	2016	2015
Revenues from the sales of goods and rendering of services		
Australia	56,987,071	64,409,666
Europe	74,255,363	91,542,687
America	84,313	591,492
Asia	5,506,484	461,545
Thailand	<u>29,317,107</u>	<u>52,771,258</u>
Total	166,150,338	209,776,648

For the year ended December 31, 2016, The company has revenue from four major foreign customers in the amount of Baht 103.21 million (2015 : Baht 127.65 million).

16. Financial Instruments

The financial instruments of the Company as following :

16.1. Financial risk management

Credit risk

Credit risk refers to the risk that counterparty will default on its agreement and conditions resulting in collection losses to the Company. The Company manages the risk by adopting the policy for credit limit and conservative in giving the credit.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statement of financial position, net of a portion of allowance for the doubtful debts, represents the Company maximum exposure to credit risk.

Interest rate risk

The Company's exposure to interest rate risk arises from the potential for a change in market rates to having affected the value of the financial assets and liabilities of the Company.



Note of Financial Statement (Continued)

Interest risk (Continued)

As at December 31, 2016 and 2015, the Company have significant financial assets and liabilities are classified by type of interest rate, and the fixed interest rates are classified based on the maturity date or the date of new interest rate if it is fixed before the maturity date, are as follow :

	Unit : Million Baht				
	Interest rate fixed		Interest rate	Non-interest	
	Within	Over	floating	bearing	Total
	1 year	1 ถึง 5 ปี			
As at December 31, 2016					
Financial assets					
Cash and cash equivalents	0.08	-	74.87	1.25	76.20
Trade and other receivables	-	-	-	59.86	59.86
Financial liabilities					
Trade and other payables	-	-	-	52.72	52.72
As at December 31, 2015					
Financial assets					
Cash and cash equivalents	0.08	-	58.74	0.59	59.41
Trade and other receivables	-	-	-	86.32	86.32
Financial liabilities					
Trade and other payables	-	-	-	60.85	60.85

Foreign currency risk

Most of the risks on exchange rates are from the sales of goods because business transactions are based on foreign currencies, the Company hedged against currency risks by entering forward exchange contracts with maturities of less than 1 year.

As at December 31, 2016 and 2015, the Company had the balance of unhedged financial assets and liabilities denominated in foreign currency as follows:

Currency	Financial assets	Financial liabilities	Exchange rate (Baht : Unit of foreign currency)	
			Buying rate	Selling rate
Dec. 31, 2016				
USD	6,958,407	1,285,053	35.5660	36.0025
Dec. 31, 2015				
USD	7,717,832	1,285,053	35.8295	36.2538

16.2. Fair value of financial instruments

A fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Company, estimated fair value of financial as follow:

For financial assets and liabilities which have short-term maturities, including cash and cash equivalents, trade receivables and trade payables, the carrying amounts in the statement of financial position approximate at their fair value.



Note of Financial Statement (Continued)

17. Fair Value Measurement

Fair value has been defined in different level of inputs as follows:

Level 1 Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

18. Commitments

There are commitments at banks as follow :

	Unit : Bath	
	2016	2015
Letters of guarantee	799,000	799,000

19. Approval of financial statements

These financial statements were approved for issue by the Company's Board of Directors on February 28, 2017.