

ANNUAL REPORT

SAWANG EXPORT

2017



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The Board of Directors Report

Despite the improvements in economic performance in the year 2017, the Company and broader gemstones and jewelry industry still faced with multiple uncertainties such as macroeconomic challenges, geopolitical uncertainties, and change in consumer's spending behavior. With the ever-growing popularity of the digital and social media trends, a large portion of the world's consumers are more interested in seeking new or better life experience through spending on travelling, or smart digital devices rather spending on luxury products.

Thailand's total export value of gem and jewelry products in 2017, excluding the value of unwrought and unfinished manufactured gold jewelry, earned a 2.15 percent increase. However, Thailand's gold jewelry products, which is about 50% of the total export value of Thailand's jewelry export, in fact declined by 3.71 percent.

For the company performance in 2017, the total revenue from sales and manufacturing was 119.4 million Baht, a decline of 46.7 million Baht or 28.1 percent, as a result of the aforementioned macroeconomic 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

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At December 31, 2017

Name / Position / Age	Family Relationship	Education	Work Experience	Company Shareholder's		
				2016	2017	Change
1. Mr. Morakot Maneepairoj (Age 65) (Authorized director) President Appointed on Dec 24, 1999	Relative 2nd, 3rd	COMMERCE, ASSUMPTION COMMERCIAL COLLEGE	Has Been Working From 1975	4,908,600 20.45%	4,908,600 20.45%	-
2. Mr. Paetai Maneepairoj (Age 62) (Authorized director) Managing Director Appointed on Dec 24, 1999	Relative 1st, 3rd	MBA, THE UNIVERSITY OF CHICAGO	Has Been Working From 1989	5,317,100 22.15%	5,317,100 22.15%	-
3. Mrs. Pommanee Maneepairoj (Age 59) (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	1,578,000 6.58%	1,578,000 6.58%	-
4. Dr. Apirapom Vasavakul (Age 51) Audit Committee, Independent Director Appointed on Marc 16, 2000	-	MBA, ASSUMPTION UNIVERSITY PH.D-EIL, Chulalongkom University Special Lecpurer Chulalongkom University	Assistant To The General Manager, K.V.S.intemational K.V.S.intemational Co., Ltd.	-	-	-
5. Mr. Tongchai Saengrattanaej (Age 53) 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 61) Chairman Of The Audit Committee, Independent Director Appointed on Marc 16, 2000	-	Master Of Science Thammasat University	Indipendent Certified Public Accont/vithan and Associates 1999	-	-	-



The Board of Directors and The Management Team (Continued)

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At December 31, 2017

Name / Position / Age	Family Relationship	Education	Work Experience	Company Shareholder's		
				2016	2017	Change
7. Mr. Manit Pongsakomkullachai (Age 62) Product Development Manager Appointed on Marc 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 63) 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 Vongkaoecharoen (Age 61) 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 Chevavibulphan (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. Pornnipa Eiamprapapom (Age 57) 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 56) 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 USA 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 77.16 % of paid up shares.



2. Nature of Business Operation

Revenue Structure From Business Operation

Revenue Structure	2015		2016		2017	
	Million Baht	%	Million Baht	%	Million Baht	%
DOMESTIC SALES						
JEWELRY	31.7	15.2	27.2	16.4	18.8	15.8
PRECIOUS STONES	21.0	10.0	2.1	1.2	5.9	4.9
DOMESTIC TOTAL REVENUES	52.7	25.2	29.3	17.6	24.7	20.7
FOREIGN SALES						
JEWELRY	82.3	39.2	71.6	43.1	57.8	48.4
PRECIOUS STONES	74.7	35.6	65.2	39.3	36.9	30.9
FOREIGN TOTAL REVENUE	157.0	74.8	136.8	82.4	94.7	79.3
DOMESTIC AND FOREIGN SALES						
JEWELRY	114.0	54.4	98.8	59.5	76.6	64.2
PRECIOUS STONES	95.7	45.6	67.3	40.5	42.8	35.8
TOTAL REVENUES	209.7	100.0	166.1	100.0	119.4	100.0
INCREASE (DECREASE) OF SALES (%)		2.8	(20.8)		(28.1)	

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. At the end of last year, the Company launched a Beawelry online store websites, www.beawelry.co.th for the Thailand customers, and www.beawelry.com for international customers.

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 and online stores. The Company utilized social media marketing on Facebook and Instagram to promote the brand and the products. The Company also uses Facebook Messenger as the main platform to provide customer with additional product information and facilitate online purchases.



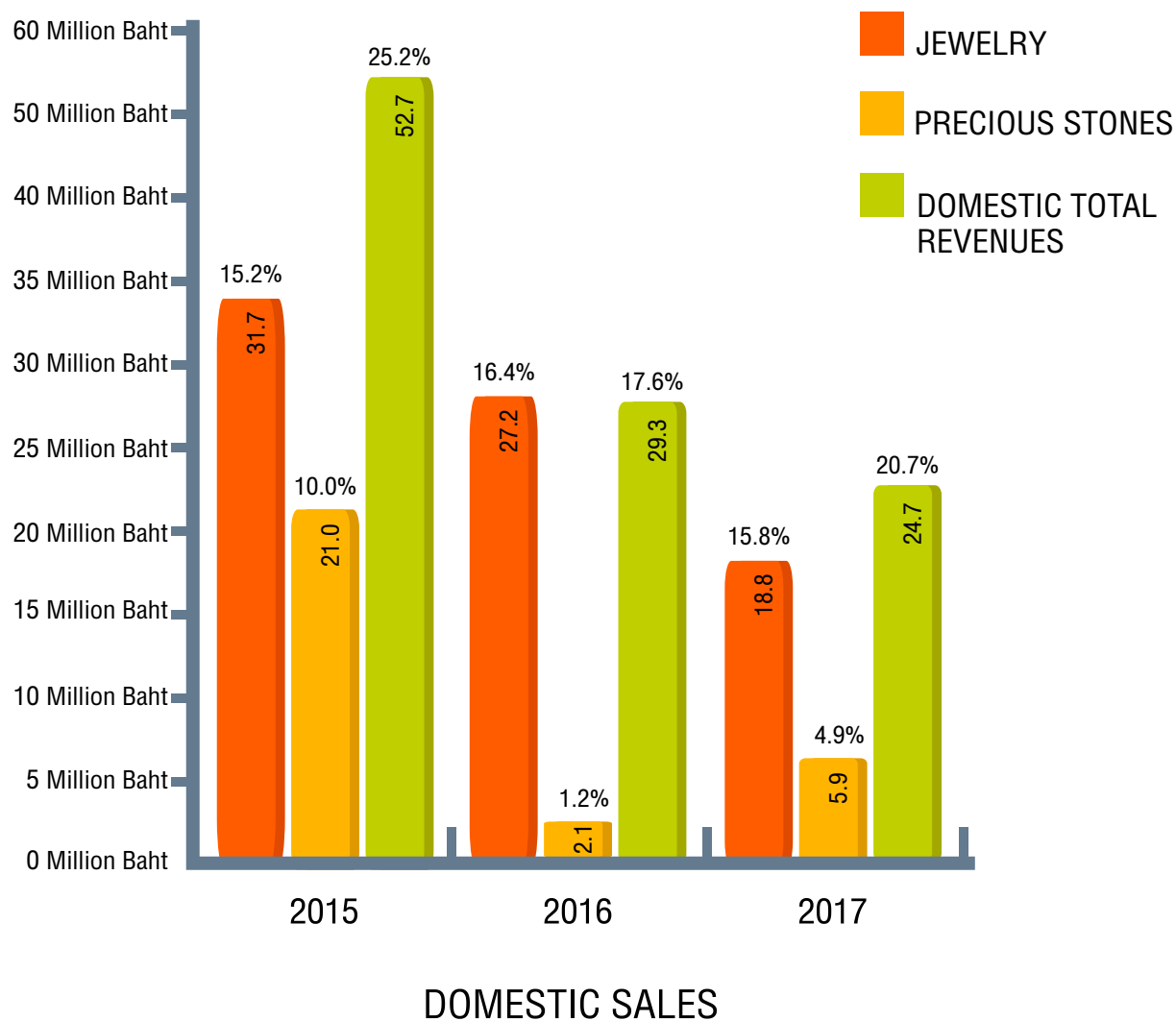
Nature of Business Operation (Continued)

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Separate Jewelry Customers by Country

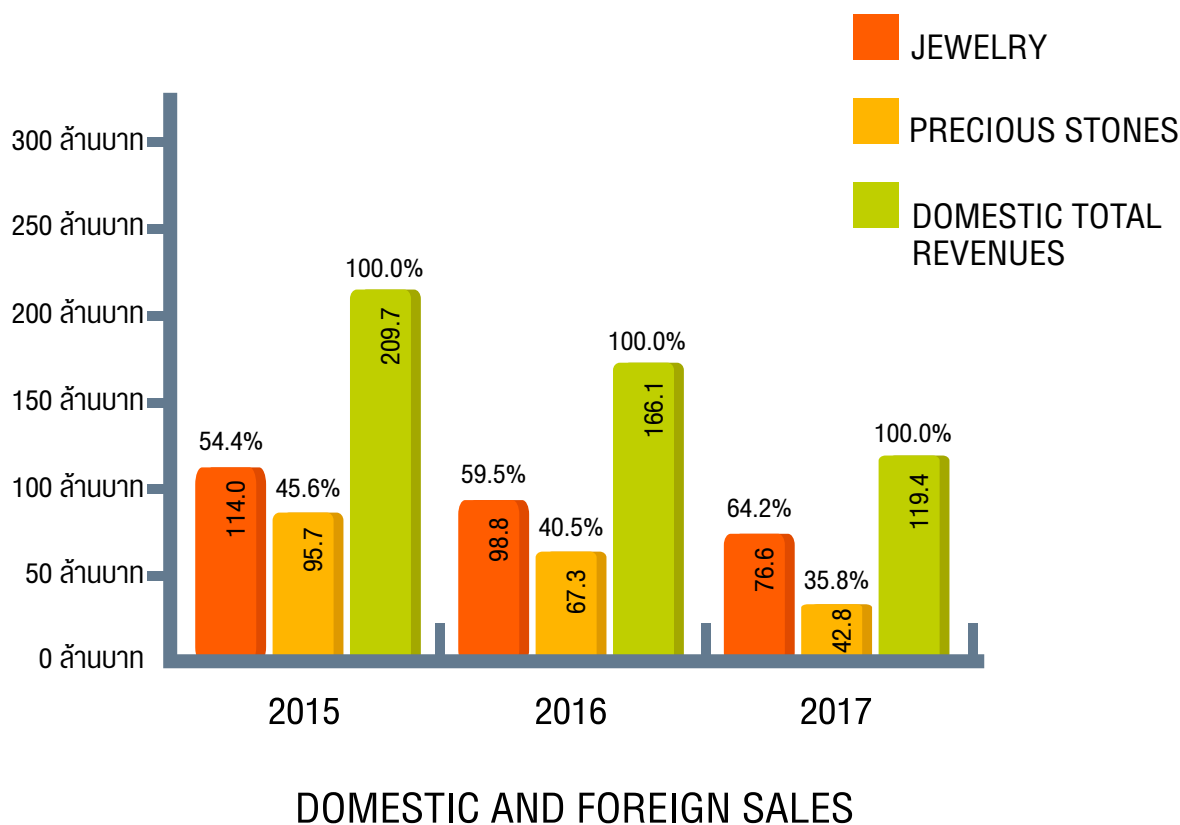
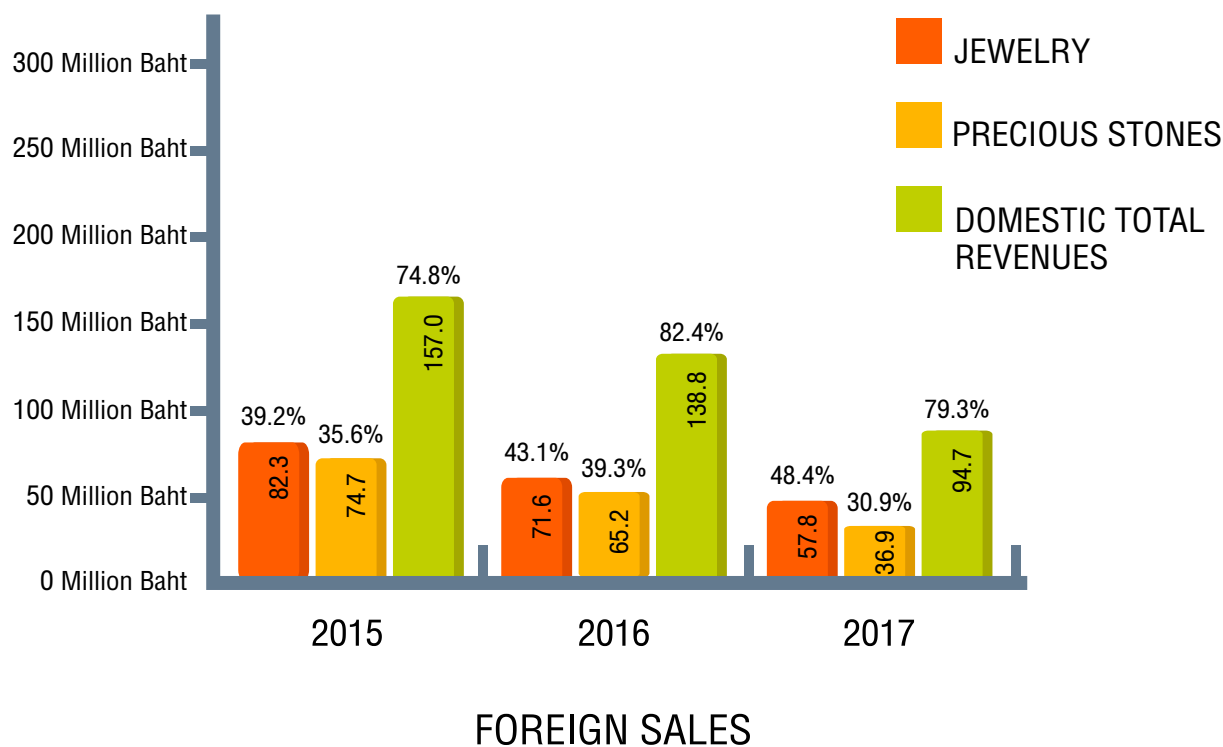
Amount : mil'Bt.

	2016	2017
United State of America	0	0.01
Europe	14.59	22.17
Australia	56.98	35.62
Thailand	27.28	18.74
Total	98.85	76.54



Nature of Business Operation (Continued)

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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

	2015	2016	2017
Quantity (pieces)	105,904	107,035	72,744
Production employees (person)	134	130	128
Average price per unit (Bt)	1,077	923	1,052
Average income per person (Bt)	851,030	760,447	598,421

Raw Materials and Suppliers

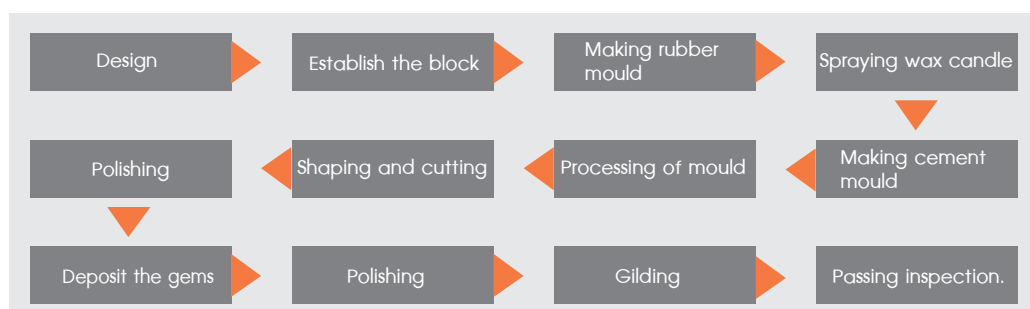
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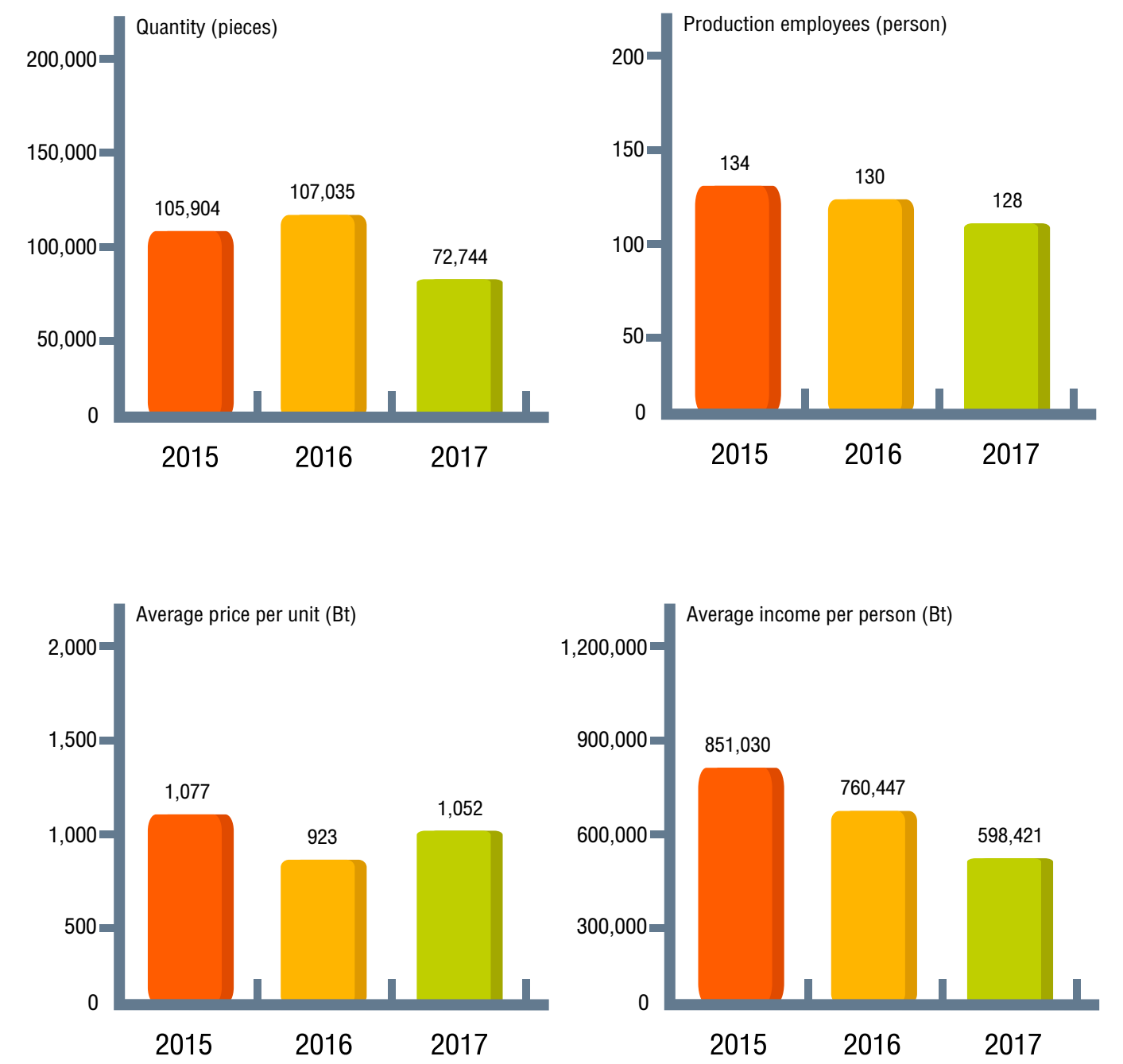
Type	Source of Purchase	2016	2017
Gold	Thailand	35.7	37.1
Alloy, other	Thailand	1.5	0.3
Diamond	Thailand	10.8	9.6
Color Stones	Thailand	4.8	3.5

The original sources of these materials can be found in the country or aboard. 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





PRODUCTION QUANTITY

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 2.06 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.

	2016	2017
United State of America	0.08	1.14
Europe	59.66	25.14
Asia	5.51	10.63
Thailand	2.04	5.89
Total	67.29	42.80

Raw Material and Supplier

Amount : mil'Bt.

Type	Source of Purchase	2016	2017
Rubies	Thailand	37.9	18.1
Sapphires	Thailand	10.7	9.6

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.

Retail Business Risk:

1) Property Risk

Since the Beawelry products are expensive and easy-to-transport jewelry products, the Company bares the property risk, whereby the products can become lost due to robberies, natural disaster, and fraudulent acts by sales employees. The Company is aware of such risks and manages by using policy and rules practiced by the sales employees and managers. The products at the shop are kept in the safe at the end of the work day and the rest are kept in the safe room in the company headquarter. As daily rules, the sales employees are required to count the shop inventory at the end of shift and end of day. Any inflow or outflow of shop inventory from either sales or replenishment is recorded. The manager counts the shop inventory at every month end and is the only authorized person to approve and manage the transportation of products.

To protect the products from fire accident, the Company obtained a shop insurance for the shop at Siam Center Department store, which insures jewelry products (excluding jewelry made from gold), the shop display, shop appliances, and electronic appliances.

2) Pricing and Discounting Risk

For the pricing risk, the Company's Managing Director provides policy and approved product pricing proposed by the brand manager. The pricing policy categorizes products based on the design, type of costs, including type and the price of raw material used. Then, the product prices are set with the aim that they are consistent with the marketing strategy.

For discounting risk, the discount can be authorized only by the brand manager, who is in charge of planning seasonal sales promotion at the physical and online stores. Moreover, to ensure that the sales employees correctly report income from sales, the sales employees are required to issue tax invoice and sales receipt whenever a sale takes place.

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

April 4, 2017, Maneepairoj group held 18,519,300 shares which accounted for 77.16 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 7,447,708.-
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. 1,676,673.-
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 tiltle deeds, at 171 st - 172 nd km., Phetkasem Road, Samorphlue 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 accumualated depreciation as at end date of 2017 of which the total value is Bt 6.14 million.

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	456,782,897
Net Assets Value per Share:	Bt	19.03



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 receiveable 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 May 22, 2016

On May 8, 2017, the Company received a letter from Export-Import Bank of Thailand who is a guarantor of export risk notifies that the Company will not get any share from the auction of the aforesaid customer's asset. However, the Company cannot write-off such debtor as the case is still under the judicial process of the Bankruptcy Court of the United States of America.



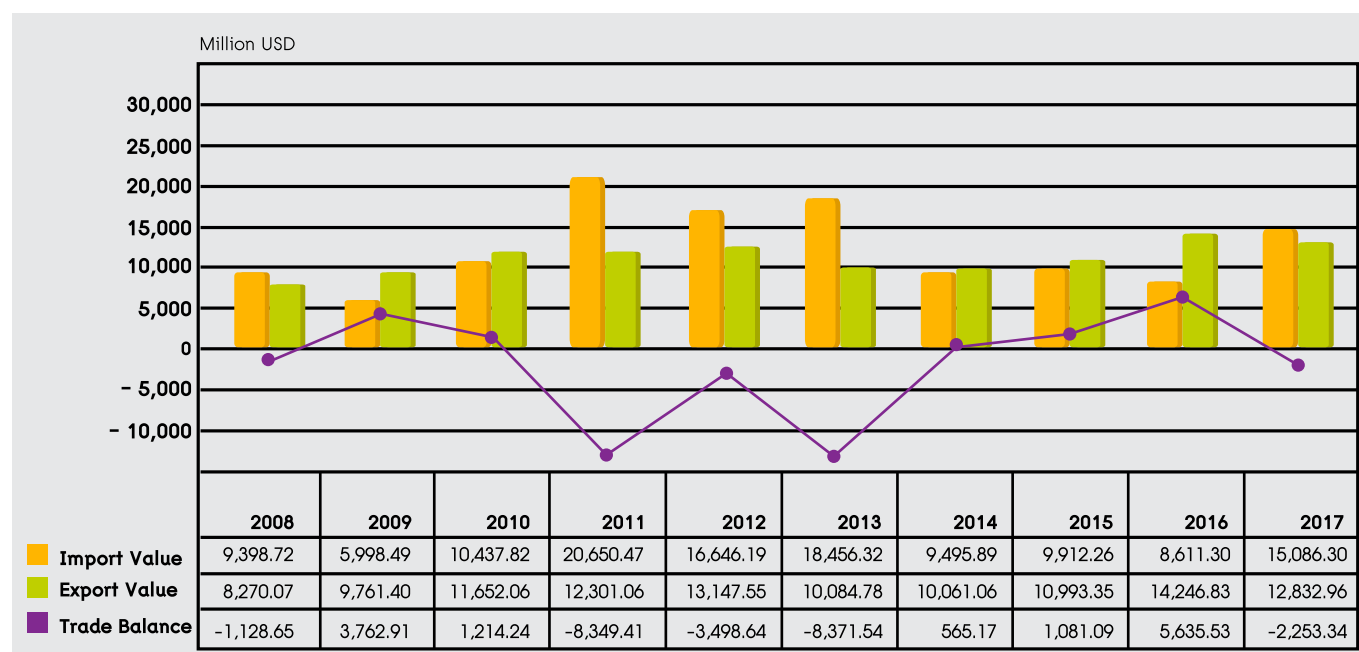
Thailand's Gem and Jewelry Import-Export Performance 2017

Thailand's overall gem and jewelry export value decreased 9.92 percent whereas its import value surged 75.19 percent. Unwrought or semi-manufactured gold was the dominant product in terms of export and import. However, a 2.15 percent increase from the previous year was seen in Thailand's export value of gem and jewelry excluding unwrought or semi-manufactured gold. The export value of 2018 is likely to increase from that of 2017 owing to positive economic factors and global trading's gradual recovery. Consequently, purchasing power has partially bounced back. Moreover, the government has been implementing strengthening measures for Thai business operators to be ready for becoming the world's gem and jewelry trading hub within the next 5 years. While the industry may sustain risks from the US unclear trading policies, European political situation, international conflicts, natural disasters, and terrorist threats. These factors will inflict consumer confidence. In addition, the Thai baht is likely to strengthen and consumer behaviors have also changed.

Thailand's export value of gem and jewelry products in 2017 dropped 9.92 percent from USD 14,246.83 million in 2016 to USD 12,832.96 million. It was the third most significant export product, with a share of 5.42 percent of Thailand's overall export products. However, with an exclusion of unwrought or semi-manufactured gold export value which accounted for a share of around 45 percent, the export value of gem and jewelry products totaled at USD 7,117.58 million, a 2.15 percent increase from the previous year.

Import value of gem and jewelry products surged 75.19 percent from USD 8,611.30 million to USD 15,086.30 million. In 2017, Thailand's gem and jewelry products faced a trade deficit of USD 2,253.34 million. This was a result of increases in importation of many products, particularly, unwrought or semi-manufactured gold earning the highest share of 73 percent. It was followed by polished diamond, gold jewelry, and polished precious stone.

Thailand Gem and Jewelry Import and Export Value 2008-2017



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



Export Performance

The product with the highest export value in 2017 was

unwrought or semi-manufactured gold with a 44.54 percent share of the country's gem and jewelry gross export value. However its value fell by 21.48 percent as gold export value in the first, second and fourth quarter of 2017 plunged by 37.67, 45.81, and 47.55 percent respectively compared to the same periods of the previous year. Consequently, gold export value throughout 2017 remained in negative ranges. Although the overall gold prices in 2017 improved in positive ranges, they did not increased significantly. Annual average gold price of 2017 was at USD 1,257.12 per ounce (<http://www.kitco.com>), a merely 0.51 percent increase from 2017. While stock markets around the world improved, especially during the second half of the year. Investors put off investing in gold and shifted to risk weight assets instead.

Thailand's key export market of unwrought or semi-manufactured gold was Switzerland with the highest share of over 57 percent. The value declined 20 percent. The market was followed by Cambodia with a 26.97 percent growth and Singapore with a 45.45 percent drop.

Fine Jewelry was the second most significant export product accounting for a 28.61 percent share of Thailand's gem and jewelry export value. It grew 2.96 percent compared to the same period of the previous year.

Diamond was the third most prominent export product with a 12.19 percent share. The product decreased 6.39 percent as export of polished diamond, the primary product of the category fell 6.29 percent compared to the previous year. Stagnant demand in the market following the global economic situation was part of the cause. Also, it was either because consumers were so concerned over a large number of synthetic diamonds mixed in the market that they lost confidence in buying polished diamonds or consumers, particularly American, shifted more toward lab-grown diamonds. Moreover, average prices of diamonds went down. Average prices of diamonds weighted 0.3 and 0.5 carat dropped 0.1 and 17.8 percent respectively. Average price of diamonds weighted 1 carat fell 5.3 percent compared to the previous year (RAPAPORT, January 2018). They caused the declines of Thai export to major markets. Thai export to Hong Kong, the top market, Belgium, the UAE, and the US, the second, fourth, and fifth most significant market, dropped 8.41, 0.55, 20.67, and 17.88 percent respectively. The market with growth was India, the third most prominent market. A 10.44 percent growth was earned from the market.

Colored Stone was the fourth most significant export product with a 9.34 percent share, a 12.41 growth compared to the previous year.

Costume Jewelry was the fifth most important export product accounting for 2.66 percent. Its export value decreased 16.21 percent from the previous year as export to Lichtenstein, Singapore, the US, and Germany, the top, second, third, and fifth most prominent market, shrank 10.57, 7.35, 31.18, and 47.96 percent respectively. This was partly resulted from economic fluctuation. Middle class consumers put off spending for unnecessary goods.



Thailand's Gem and Jewelry Export Value from January – December 2016 and 2017

Category	Value (Million USD)		Share (Percent)Change		Change (Percent)
	Jan-Dec 15	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16	
1. Unwrought or Semi-Manufactured Gold	7,278.72	5,715.38	51.09	44.54	-21.48
2. Jewelry	3,565.51	3,670.99	25.03	28.61	2.96
2.1 Silver Jewelry	1,559.56	1,789.71	10.95	13.95	14.76
2.2 Gold Jewelry	1,769.64	1,703.91	12.42	13.28	-3.71
2.3 Platinum Jewelry	100.73	78.21	0.71	0.61	-22.36
2.4 Other	135.58	99.16	0.95	0.77	-26.86
3. Dimond	1,671.60	1,564.73	11.73	12.19	-6.39
3.1 Rough Dimond	100.85	92.80	0.71	0.72	-7.98
3.2 Polished Dimond	1,569.92	1,471.22	11.02	11.46	-6.29
3.3 Other	0.83	0.71	0.01	0.00	-13.64
4. Colored Stone	1,066.74	1,199.16	7.49	9.34	12.41
4.1 Rough Stone	46.98	44.23	0.33	0.34	-5.86
4.2 Polished Precious Stone	669.23	817.97	4.70	6.37	22.23
4.3 Polished Semi-Precious Stone	350.53	336.96	2.46	2.63	-3.87
5. Costume Jewelry	407.91	341.77	2.86	2.66	-16.21
6. Synthetic Stone	62.09	150.54	0.44	1.17	142.44
7. Other	194.26	190.39	1.36	1.49	-1.99
Total (1+2+3+4+5+6+7)	14,246.83	12,832.96	100.00	100.00	-9.92

Thailand's export market of gem and jewelry (inclusive of gold) with the highest value in 2017 was

Switzerland The market earned a 27.44 percent share with an 18.29 percent decline in value as export of the key product, unwrought or semi-manufactured gold which accounted for a 94 percent share, decreased 20 percent. The product was followed by gold jewelry, which grew 5.60 percent.

Hong Kong was the second most significant export market with a 19.16 percent share. A 2.30 percent growth was seen in the market as export of key products such as polished precious stone and unwrought or semi-manufactured gold went up 32.28 and 3.76 percent respectively. Export value of polished diamond, gold jewelry, and polished semi-precious stone dropped 8.41, 1.69, and 4.68 percent respectively.

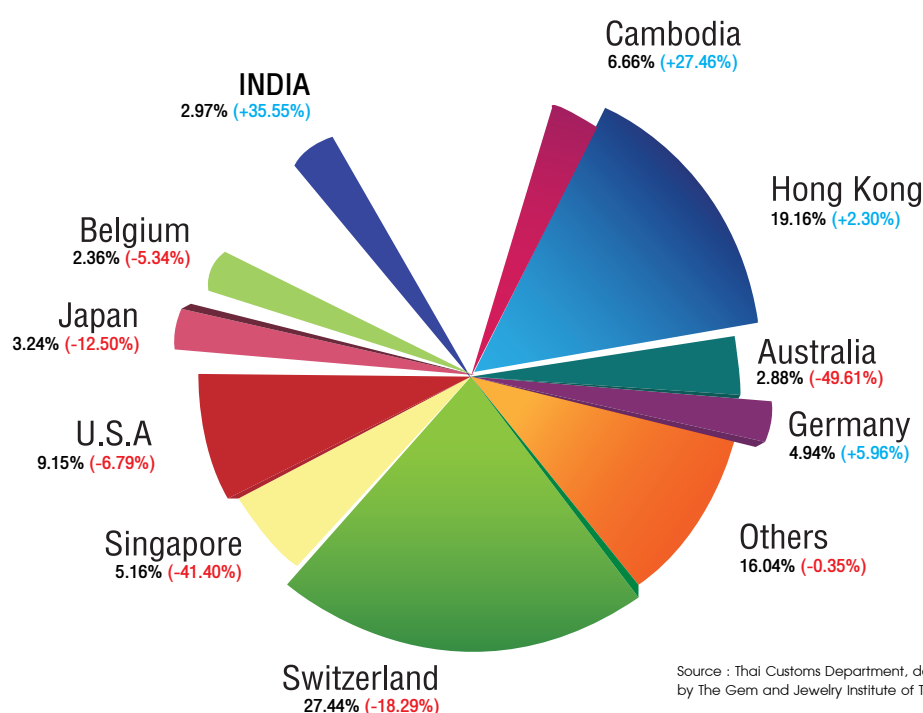
The US was the third most important export market of gem and jewelry product with a 9.15 percent share. Export value to the market went down 6.79 percent. The key export product was fine jewelry with a 75 percent share. Silver jewelry, the dominant product under the category, fell 1.86 percent. The rest of the share belonged to gold jewelry, of which export value declined 8.64 percent. It was followed by polished diamond and polished semi-precious stone. The products decreased 17.88 and 15.18 percent respectively. Product with favorable growth was polished precious stone with a 15.69 percent growth. It could be a result from products exported by Thai entrepreneurs to be showcased in major trade fairs in Tucson and Las Vegas.

Cambodia was the fourth most prominent export market with a 6.66 percent share. The market earned a 27.46 percent growth. This was a result of export of a 26.97 percent growth of unwrought or semi-manufactured gold, the key product with around 98 percent share. Cambodia imported gold for investment, asset saving instead of monetary saving, and jewelry manufacturing for domestic market. The dominant product was followed by gold jewelry with a 1.58-fold increase.

Singapore The fifth most important export market of Thai gem and jewelry. Export value of the market plunged 41.41 percent as export of unwrought or semi-manufactured gold, the key product with a share of around 84 percent, sank 45.45 percent. Following the product was costume jewelry with a 7.35 percent drop.

Thailand's export of gem and jewelry (exclusive of gold) to markets/regions during 2014-2017, the export value in 2017 grew by 2.15 percent since the export value to Hong Kong and the EU, the top two key markets accounting for a total share of around 50 percent, rose 2.06 percent and 2.16 percent. India, Pacific Island countries, Japan, China, ASEAN countries, Russia and CIS countries, which were other key markets, also rose 23.93, 20.68, 9.83, 42.26, 15.44 and 1.69 percent respectively.

Thailand's Gem and Jewelry Export Markets in 2017



Trend and Situation in 2018

Thailand's gem and jewelry export value in 2017 fell 9.92 percent. However, gem and jewelry export value excluding unwrought or semi-manufactured gold showed a 2.15 percent growth. Export value of Thai gem and jewelry deducted of export value of unwrought or semi-manufactured gold and import value of products sent back from being showcased in trade fairs showed that the net export value of gem and jewelry increased 4.04 percent.



Thailand's Gem and Jewelry Net Export Value from January — December 2016 and 2017

รายการ	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 16	Jan-Dec 17	Jan-Dec 16	Jan-Dec 17	
Total gem and jewelry export value	14,246.83	12,832.96	100.00	100.00	-9.92
Deducted by unwrought or semi-manufactured gold export value	7,278.72	5,715.38	51.09	44.54	-21.48
Export value excluding gold	6,968.11	7,117.58	48.91	55.46	2.15
Deducted by the value of products sent back from international trade fairs presence	555.33	445.54	3.90	3.47	-19.77
Net export value	6,412.78	6,672.04	45.01	51.99	4.04

The favorable growth in the actual export value of Thai gem and jewelry in 2017 was due to export during the second half of 2017 grew in positive ranges after consistent stagnation throughout the first half of the year. It was partly due to economy of some trading partner countries had recovered. Thus, purchasing power partially returned and boosted demand to buy goods for major festivals at the end of the year. Prices of raw materials, including diamond, silver metal, and platinum metal, also dropped. Gold metal prices increased slightly. Export of Thai gem and jewelry (exclusive of unwrought or semi-manufactured gold) is likely to improve from gradually recovering global economy and the government's measures to strengthen Thai entrepreneurs to achieve the goal of becoming the world's gem and jewelry trading hub within the next 5 years. However, Thailand's gem and jewelry export still has to face the following challenges.

Progressively Recovering Global Economy with Volatility IMF anticipated that in 2018, the global economy will grow 3.8 percent from 3.7 percent in 2017 as economic situation in many countries has been recovering in a positive direction. Inflation rate in the US was anticipated to be at 2 percent, which is according to the target. However, policies of Donald Trump, the US President, must to be observed closely, especially his measures to reduce tax rates to boost investment atmosphere. The measures' goal may not be achieved because of financial condition problems. The EU's economy may possibly recover but persistent internal problems of some countries may hold back the region's overall economic growth, for instance, Catalan's attempt to secede from Spain and Brexit's aftereffects, which will be seen clearly this year. China will see its economic growth as anticipated at 6.7 percent and it is likely to grow consistently. However, high private sector debt may cause a pause in China's economic growth rate. Japan's economy will gradually grow. The country's inflation rates will remain low. However, workforce shortage will be an obstacle to its economic growth.

Furthermore, problems: Korean Peninsula unrest, conflicts in the Middle East, President Trump's uncertain political actions, natural catastrophes, and terrorist threats, may cut down consumer confidence and cause a halt in the global economic recovery. They will eventually inflict Thailand's export.

Rapidly Changing Consumer Behaviors following technology and social media trends affect consumption regarding lifestyle and desired product formats. The internet becomes more influential over consumers' decision making to buy a product. Nowadays, millennials usually spend their money to gain experience by traveling or purchasing technological products rather than buying luxury items. According to statistic.com, in 2017, the global smartphone sales were at USD 478.7 billion, an around 9 percent growth from the previous year. The sales are likely to grow constantly. However, according to Business Wire's forecast, the global gem and jewelry market will grow with an average rate of around 5 percent during 2017-2018.

Thai Baht Inclines to Strengthen and Constantly Fluctuates as major factors derived from President Trump's economic policy implementations worry investors. They predicted that the US may use weak US dollar policy. This may incite selling of US dollar and constantly weaken the currency. Funds will flow out to other regions. Thailand may receive more funds as Thailand's overall economy grow quite well. The funds will strengthen Thai baht in medium and long term. However, Thai baht may weaken at the end of the year following the recovery of DXY index and recession of surplus fund in Thailand's current account.

Therefore, Thai entrepreneurs should closely follow changes of the world in every aspect as they may affect this year's export in order to prepare strategies for unexpected incidents; accelerate utilizing innovations to create uniqueness for products to avoid pricing competition; regularly study consumption trends to be able to produce goods meeting target customers' demand; create themes or gimmicks for products, which attract young consumers; focus more on a marketing approach combining offline and online platforms (Omni Channel) to create good buying and selling experience for customers; establish business alliances from upstream to downstream; and keep good relationship with existing and new customers and consistently take care of customers.

Moreover, they should prevent risks from foreign clients' payment default by using a letter of credit or LC, protect themselves from risks of buyers' failing to pay for products by using export insurance (a service of Exim Bank), and manage risks by using a forward contract. These should help Thailand's gem and jewelry export grow in a positive direction.



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 Mr. Thanakorn Fakfaipol Authorized Auditor No.4879 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. 0-2-634-4995-7 Fax. 0-2238-2574



7. Capital and Shareholders

7.1 Authorized Capital and Paid up Share Capital

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

7.2 Shareholders

LIST OF MAJOR SHAREHOLDERS (AS AT 4 APRIL 2017)

	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
	Total	20,463,900	85.27
	*The major shareholders is the Maneepairoj Group, it's the 1st - 6th, 8th,9th of shareholders.	18,519,300	77.19

7.3 The other Security issuer : -none-

7.4 Dividend Policy

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

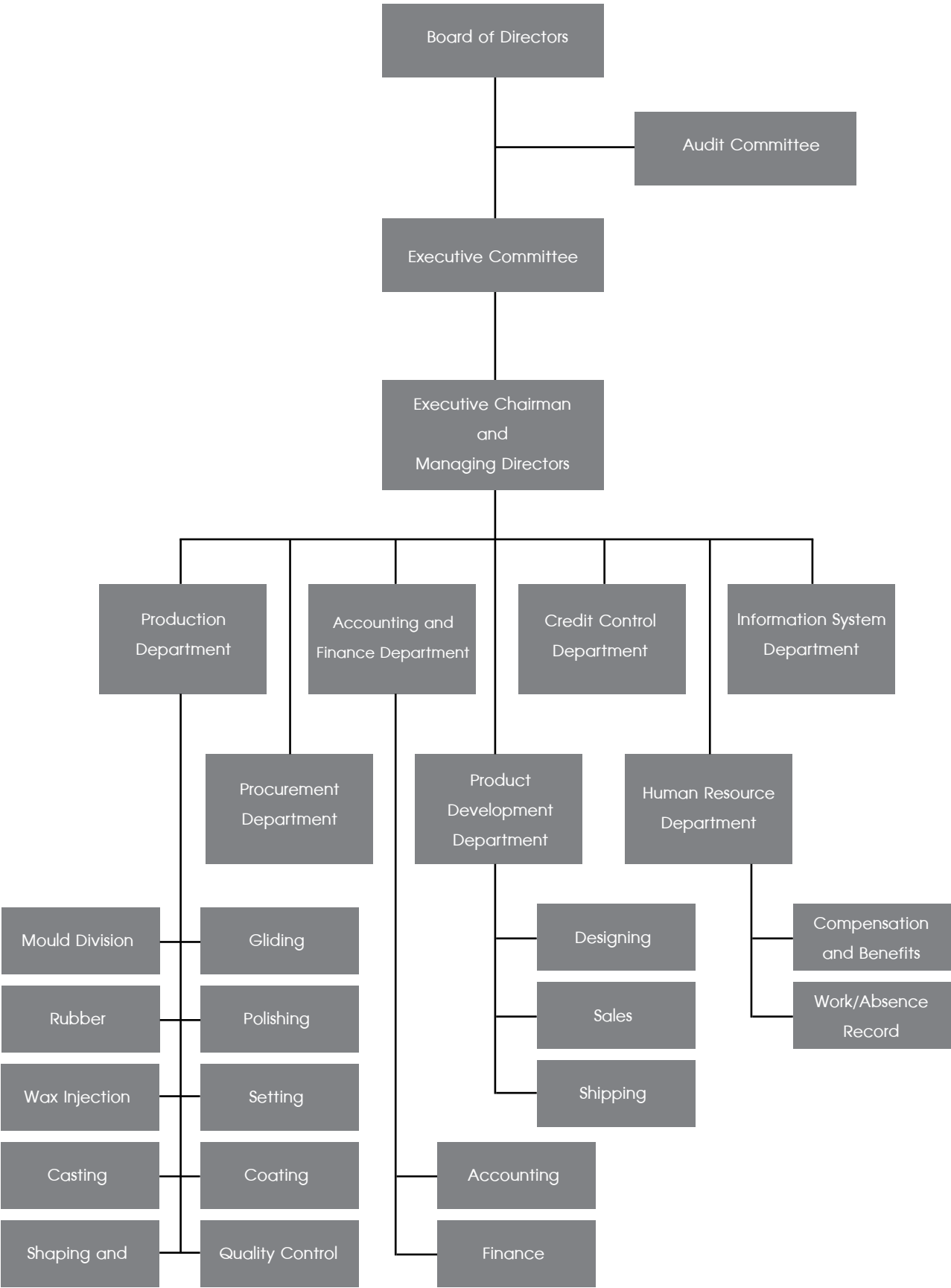
Data of dividend payment

Amount : Baht

YEAR	2013	2014	2015	2016	2017
Net profit per share	-0.02	-0.68	-0.13	-0.81	-1.33
Dividend per share	0	0	0	0	0
Percent of dividend payment per net profit	0	0	0	0	0



8. Management Structure



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 Directors 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 regularly 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 2017 the Board held 8 board meetings altogether.

Name	Position	Board Meeting Altogether
1. Mr. Morakot Maneepairoj	President	8/8
2. Mr. Paetai Maneepairoj	Managing Director	8/8
3. Mrs. Pommanee Maneepairoj	Director, Personal Manager	8/8
4. Mr. Mani Pongsakornkullachai	Product Development Manager	8/8
5. Mrs. Ratanaporn Chunharas	Chairman Of The Audit Committee, Independent Director	8/8
6. Dr. Apiraporn Vasavakul	Audit Committee, Independent Director	8/8
7. Mr. Tongchai Saengrattanadej	Audit Committee, Independent Director	8/8

8.2 Management Team

Name	Position
1. Mr. Paetai Maneepairoj	Managing Director
2. Mr. Mani Pongsakornkullachai	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 Vongkaocharoen	Credit Control Manager,
7. Mrs. Pornipa Eiampraporn	Information System Manager
8. Mrs. Saowapa Chevavibulphan	Account And Financial Manager



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 2017

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	128	28.16
Admin & Sale employees	43	11.28
Total	<u>171</u>	<u>39.44</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

- (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.



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 2017 in amount 980,000 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 Public 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.

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 inappropriate 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.



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.

From the Audit Committee meeting no. 3/2017 on 15 August 2017, the audit committee came to agreement to hire Outsourcing Plus Co., Ltd. which is an internal audit outsourcing company, to evaluate and improve the Company's risk management and internal control systems in order to meet international standard and good corporate governance.

The Company received the internal audit report consisting of the audit results and recommendation to improve work procedures across the organization that suits the nature and size of the business and complies with regulation.



12. Transactions

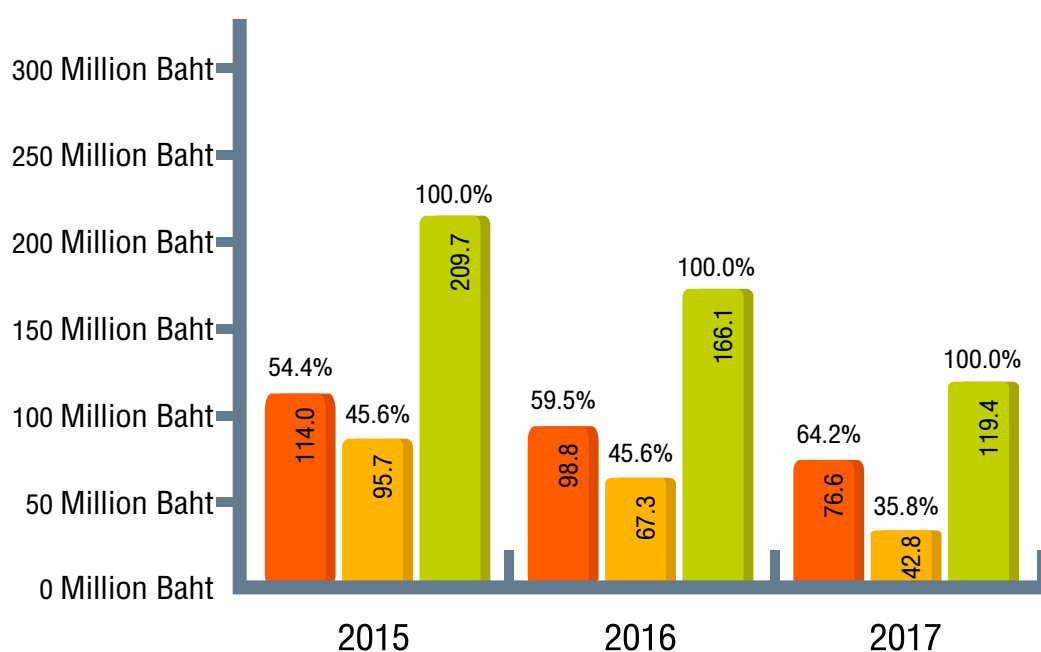
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13. Financial Position and Operation Result

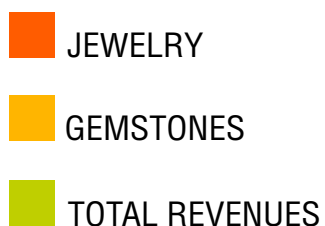
Financial Highlight

Income

	2015		2016		2017	
	Million Baht	%	Million Baht	%	Million Baht	%
Jewelry	114.0	54.4	98.8	59.5	76.6	64.2
Gemstones	95.7	45.6	67.3	40.5	42.8	35.8
Total	209.7	100	166.1	100.0	119.4	100.0



FINANCIAL HIGHLIGHT



Financial Position and Operation Result (Continued)

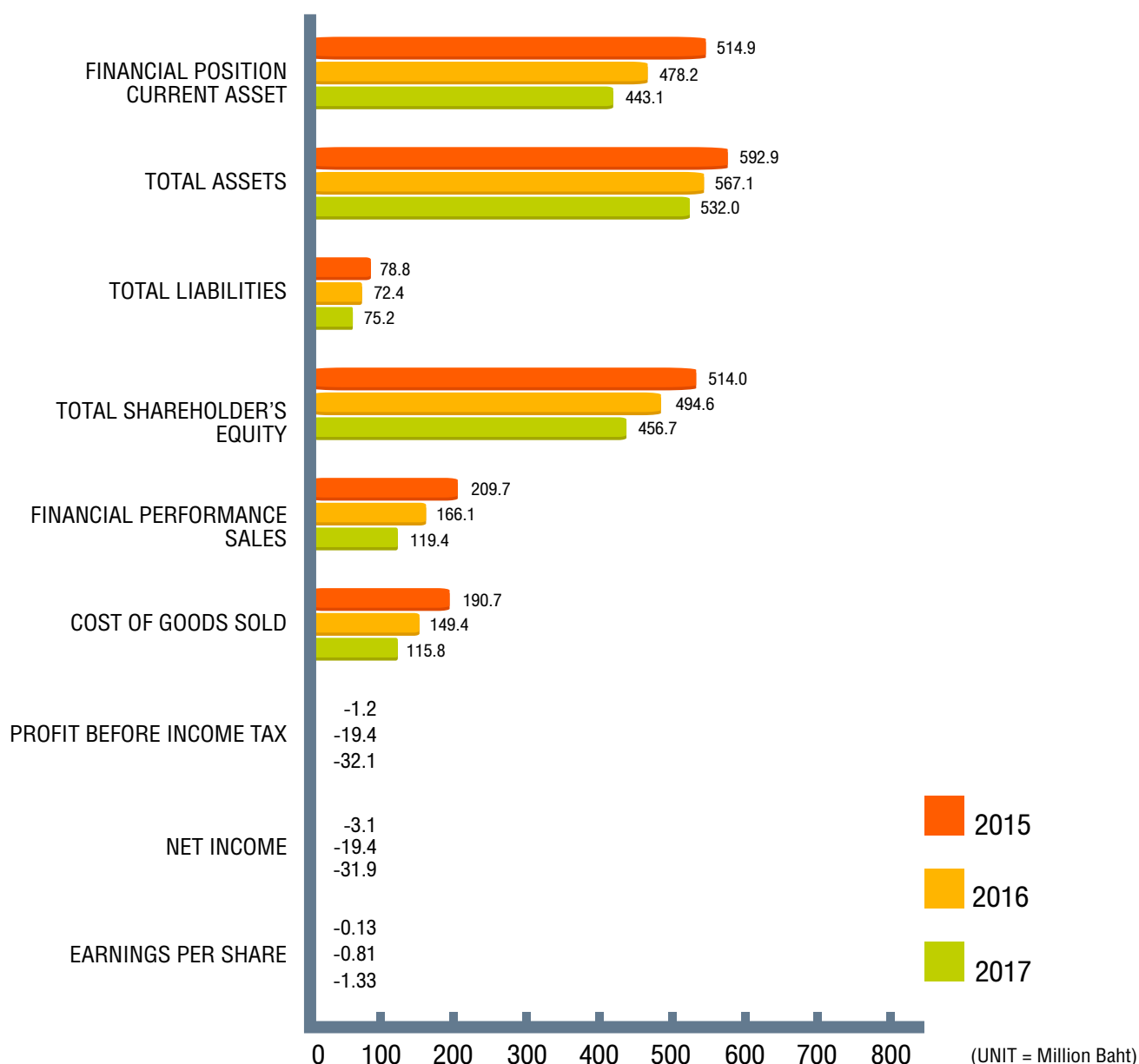
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Financial Position and Operation Result (Continued)

Financial Highlight (Continued)

Income (Continued)

	2015	2016	2017
Current Assets	501.0	478.2	443.1
Total Assets	592.9	567.1	532.0
Total Liabilities	78.8	72.4	75.2
Total Shareholder's Equity	514.0	494.6	456.7
FINANCIAL PERFORMANCE			
Sales	209.7	166.1	119.4
Cost of goods sold	190.7	149.4	115.8
Profit before income tax	-1.2	-19.4	-32.1
Net income	-3.1	-19.4	-31.9
Earnings Per Share	-0.13	-0.81	-1.33



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

Overview of the business

Thailand's total export value of gem and jewelry products in 2017, excluding the value of unwrought and unfinished manufactured gold jewelry, earned a 2.15 percent increase. However, Thailand's gold jewelry products, which are close to 50% of the total export value of Thailand's jewelry export, in fact declined by 3.71 percent. We believe the decline in gold jewelry was linked to the slight climb in gold price but decline in other metals price such as, silver and platinum, in 2017. Moreover, with the ever-growing popularity of the digital and social media trends, a large portion of the world's consumers have become more interested in buying smart digital devices than jewelry.

Thai government has been putting in effort to enhance entrepreneurs' competitiveness with economic stimulus measures. One of the measures aims to support Thailand to become the world's gem and jewelry trading hub. The others are competitiveness enhancement and marketing promotion measures. On the other hand, there are still multiple macroeconomic factors that will continue to challenge the gemstone and jewelry industry in Thailand, such as the uncertainty in the U.S. trade policy, political conflicts in the EU, terrorist threats, and the Baht currency appreciation tendency.

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 2017 has ended on 31 December 2017. The company's total revenue was 119.4 million baht, a decrease of 46.7 million baht or 28.1 percent from the previous year. The decrease was contributed by the decline in international sales of 42.1 million baht and domestic sales and manufacturing service of 4.6 million baht according to Notes to Financial Statement item 16. The sales reduction is the effect from macroeconomic conditions which led to a slowdown in luxury item consumption

Gross profit of 3.5 million Baht decrease from previous year by 10.2 million Baht. Meanwhile, the gross margin is 2.9% as compared to 8.3% in the previous year, which was the result from the decrease in production volume and appreciation in Baht currency. The production volume in 2017 decreased by more than 30,000 pieces from 2016, while the labor cost, calculated as fixed employee salary, increased from 2016 by 0.57 million Baht. The USD to Thai exchange rate in January 2017 was 35.50, and by December 2017, the exchange rate was 32.50.

The company recorded comprehensive loss of 37.9 million Baht, an increase of 18.4 million Baht from the previous year, while the selling expenses, administrative expenses, and management benefit expenses in total increased by 2 million Baht to 36 million Baht. The expense increase is due to hiring two additional employees in sales division in 2017, a higher financial statement auditor fee and hiring an internal audit agency for auditing.

The actuarial loss 7,366,514 Baht is the result from change in population, financial, and experience assumptions according to Notes to Financial Statement item 11.

Statement of Financial Position

As of 31 December 2017, the Company had total assets totaling to 532.0 million Baht, a decrease of 35.1 million Baht from the previous year as a result of a decrease in cash and cash equivalent of 25.9 million Baht and a decrease in trade and other receivables of 10.3 million Baht due to the decline in sales during the end of year period. Inventories increased by 1.3 million Baht, which came from the increase in finished goods and new product samples.



Trade and other receivables amounting to 49.5 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 totaling 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 45.0 million Baht.

Inventory amounting to 342.1 million Baht includes the provision for deterioration totaling to 102.8 million Baht. The balance consists of the provision for deterioration of precious stone and others amounting to 99.8 million 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 in use in operation activities amounting to 52.7 million Baht. In 2016, the Company had estimated the fair value of investment property using the market approach performed by an external independent appraiser. According to Notes to Financial Statement 3.5 and 7, the fair value of unutilized land as reported by the independent appraiser was 102.7 million Baht.

The Company's liabilities increased by 2.8 million, consisting of an increase in provision for employee benefit of 8.2 million Baht but a decrease in trade payables amounting to 5.4 million Baht.

The decrease in Shareholders' Equity amounting to 37.8 million Baht came from the net loss from operation in 2017 of 37.8 million Baht.

Statement of Cash Flow

As of 31 December 2017, cash and cash equivalent was 50.3 million Baht, a 25.8 million Baht decrease from the previous year, due to the following:

1. Cash used in operating activities of 24.3 million Baht. Based from the income statement, the loss before income tax in 2017 was 32.1 million Baht. When adjusted for depreciation and amortization, employee benefit expenses, and change in operating activities including increase or decrease in assets, hence the cash used in operating activities was 24.3 million Baht.
2. Cash used in investing activities of 1.4 million Baht. The amount came from the purchase of fixed and intangible assets of 1.8 million Baht, and the interest received from short-term cash deposit of 0.4 million Baht.
3. The effect from the exchange rate in cash and cash equivalents of 0.08 Baht.



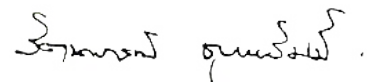
To the Shareholders of Sawang Export Public Company Limited

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 and regulatory requirements, with adequate disclosure of information and appropriate internal control, also compliance with relevant laws and regulatory requirements.

For the financial year 2018, 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 2018.



(Mrs. Ratanaporn Chunharas)
Chairman of the Audit Committee
March 5, 2018



**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

SAWANG EXPORT

2017



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, 2017, 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, 2017, 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, 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
<p>Valuation of inventories</p> <p>As disclosed in Note 6 to the financial statements, the Company has inventories -precious stones as at December 31, 2017 at the total cost value of Baht 309.11 million. The Company has set up an allowance for decline in value of Baht 99.88 million. The net value of precious stones is Baht 209.24 million which is material to the financial statements.</p>	<p>My audit including, but not limited to, the following procedures:</p> <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 assess the value of precious stones by specialist hired by our firm and participated in this process. • Compare the value of precious stones in inventory report with the selling price after the end of financial year, to determine the appropriate level of allowance for decline in value of precious stones.

Other Information

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

My opinion on the financial statements does not cover the other information 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.



- 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, 2018



Statement of Financial Position

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As at December 31, 2017

Unit : Baht

	Note	2017	2016
Assets			
Current assets			
Cash and cash equivalents	3.2 and 4	50,329,956	76,204,141
Trade and other receivables	3.3 and 5	49,595,328	59,856,039
Inventories	3.4 and 6	342,178,231	340,871,821
Tax refund		50,549	422,204
Other current assets		990,395	903,945
Total current assets		443,144,459	478,258,150
Non-current assets			
Investment property	3.5 and 7	52,793,073	52,793,073
Property, plant and equipment	3.6 and 8	29,399,134	31,005,646
Intangible assets	3.7 and 9	174,009	149,324
Deferred tax asset	3.13 and 13	5,475,311	3,819,529
Other non-current assets		1,090,579	1,113,352
Total non-current assets		88,932,106	88,880,924
Total assets		532,076,565	567,139,074

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



Statement of Financial Position (Continued)

As at December 31, 2017

Unit : Baht

	Note	2017	2016
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	10	47,499,254	52,716,681
Other current liabilities		417,860	655,542
Total current liabilities		47,917,114	53,372,223
Non-current liabilities			
Employee benefit obligations	3.11 and 11	27,376,554	19,097,645
Total non-current liabilities		27,376,554	19,097,645
Total liabilities		75,293,668	72,469,868
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	12.1	26,659,535	26,659,535
Unappropriated		128,073,362	165,959,671
Total shareholders' equity		456,782,897	494,669,206
Total liabilities and shareholders' equity		532,076,565	567,139,074

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

Statement of Comprehensive Income

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As at December 31, 2017

Unit : Baht

	Note	2017	2016
Revenues from the sales of goods and rendering of services	3.10	119,405,008	166,150,338
Cost of the sales of goods and rendering of services		(115,806,164)	(149,401,049)
Loss on decline in value of raw materials	6	(92,434)	(3,042,029)
Gross profit		3,506,410	13,707,260
Other income		389,257	905,281
Profit before expenses		3,895,667	14,612,541
Selling expenses		(11,271,418)	(10,197,775)
Administrative expenses		(19,162,826)	(18,197,937)
Management benefit expenses		(5,637,000)	(5,634,750)
Loss before income tax		(32,175,577)	(19,417,921)
Income tax expense	3.13 and 13	182,479	(37,401)
Loss for the years		(31,993,098)	(19,455,322)
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Actuarial gain (losses)	11	(7,366,514)	46,541
Income tax effect	13	1,473,303	(9,308)
Total comprehensive income for the years		(37,886,309)	(19,418,089)
Loss per share	3.14	(1.33)	(0.81)

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

Statement of changes in shareholders' equity

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As at December 31, 2017

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, 2016		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
Total comprehensive income for the year 2017		-	-	-	(37,886,309)	(37,886,309)
Balance as at December 31, 2017		240,000,000	62,050,000	26,659,535	128,073,362	456,782,897

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

Statement of cash flows

For the year ended December 31, 2017

Unit : Bath

	Note	2017	2016
Cash flows from operating activities			
Loss before income tax		(32,175,577)	(19,417,921)
Adjustments to reconcile net profit for the periods to net cash provided by operating activities			
Depreciation and amortization	8 and 9	3,525,816	4,731,551
Unrealized (gain) loss on exchange rate		149,901	(113,317)
Loss from decline in value of raw materials	6	92,434	3,042,029
Gain on sale of assets		(15,918)	(3,737)
Written-off in withholding tax		15,207	2,645.00
Employee benefit expenses	11	2,022,395	2,037,902
Interest income		(373,338)	(474,002)
		(26,759,080)	(10,194,850)
Change in operating activities			
(Increase) decrease in assets			
Trade and other receivables		10,191,743	26,583,382
Inventories		(1,398,844)	8,550,354
Tax refund		371,655	823,375
Other current assets		(96,785)	661,959
Other non-current assets		22,773	54,710
Increase (decrease) in liabilities			
Trade and other payables		(5,352,910)	(8,130,830)
Deposit received for goods		(49,171)	49,171
Other current liabilities		(188,511)	(25,665)
Employee benefit obligations	11	(1,110,000)	(234,000)
Cash generated from (used in) operations		(24,369,130)	18,137,606
Income tax paid		(4,872)	(4,740)
Net cash provided by (used in) operating activities		(24,374,002)	18,132,866

Unit : Baht

	Note	2017	2016
Cash flows from investing activities			
Purchases of fixed assets and intangible assets		(1,808,523)	(1,811,651)
Cash received from sale of assets		15,935	3,738
Interest received		373,335	473,998
Net cash used in investing activities		(1,419,253)	(1,333,915)
Effect from exchange rate in cash and cash equivalents		(80,930)	(6,738)
Increase (Decrease) in cash and cash equivalents, net		(25,874,185)	16,792,213
Cash and cash equivalents as at January 1,		76,204,141	59,411,928
Cash and cash equivalents as at December 31,	3.2 and 4	50,329,956	76,204,141

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



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.

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

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 periods beginning on or after January 1, 2017. The adoption of these Thai Financial Reporting Standards does not have any significant impact on the Company's financial statements.

2.3.2. The Financial Reporting Standards that will become effective in the future The Federation of Accounting Professions has promulgated the Thai Financial Reporting Standards, that are effective for accounting periods beginning on or after January 1, 2018, which the Company has not adopted the above standards before the effective date. The management of the Company assess that there will be no material impacts 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 customer 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.]

3.5. Investment property

Investment property represents investment in land 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 straight-line 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.



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 provision in respect of post-employment benefits that provide compensation under the labor law, is calculated on the basis of the Actuarial Valuation Methods by using the projected unit credit method.

The Company recognizes the actuarial gain and loss on remeasurements of defined benefit plan arising from the provision for employee benefits in other comprehensive income while all expenses related to provision for 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 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)

Note of Financial Statement (Continued)

4. Cash and cash equivalents

Unit : Baht

	2017	2016
Cash on hand	216,526	222,828
Demand deposits	50,036,169	75,904,765
Cash equivalents-Fixed deposits	77,261	76,548
Total	<u>50,329,956</u>	<u>76,204,141</u>

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

5. Trade and other receivables

	2017	2016
Trade receivables - Domestic	1,835,089	4,387,600
Trade receivables - Foreign	240,559,226	248,323,194
Less Compensation received from insurance against the risk	57,324,080	57,324,080
Trade receivables - Foreign, net	183,235,146	190,999,114
Total	185,070,235	195,386,714
Less Allowance for doubtful accounts	135,530,708	135,530,708
Total trade receivables, net	49,539,527	59,856,006
Accrued income	55,765	-
Other receivables	36	33
Trade and other receivables, net	<u>49,595,328</u>	<u>59,856,039</u>

Aging analysis of trade receivables is as follows :

Unit : Baht

	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Not yet due	1,835,089	5,679,097	7,514,186	4,387,600	13,903,088	18,290,688
Overdue not over 30 days	-	-	-	-	-	-
Overdue 31 - 60 days	-	-	-	-	158,390	158,390
Overdue 61 - 90 days	-	554,905	554,905	-	-	-
Overdue 90 days plus	-	234,325,224	234,325,224	-	234,261,716	234,261,716
Total	1,835,089	240,559,226	242,394,315	4,387,600	248,323,194	252,710,794
Less Compensation received from insurance against the risk	-	57,324,080	57,324,080	-	57,324,080	57,324,080
	1,835,089	183,235,146	185,070,235	4,387,600	190,999,114	195,386,714
Less Allowance for doubtful accounts	-	135,530,708	135,530,708	-	135,530,708	135,530,708
Trade receivables, net	1,835,089	47,704,438	49,539,527	4,387,600	55,468,406	59,856,006



Outstanding trade receivable balance of a major foreign customer as at December 31, 2017 is USD 6.47 million, equivalents to Baht 232.31 million based on exchange rate as at December 31, 2006. The insurance against the risk of export sales to this customer has been made with the Export-Import Bank of Thailand in the amount of Baht 80 million.

The above customer has faced financial problems, and its activities have been controlled and managed by the foreign financial institutions. As a result, no payment could be made by this customer. The Company has received a compensation from insurance against export risk in the amount of Baht 57.32 million (Net from expenses of Baht 0.28 million) from the Export-Import Bank of Thailand.

The Company has provided an allowance for doubtful accounts based on the net balance after deducting the compensated balance from Exim Bank and the unpaid balance for raw materials purchased from the aforementioned customer as referred to in note 10.

On May 8, 2017, the Company received a letter from Export-Import Bank of Thailand who is a guarantor of export risk notifies that the Company will not get any share from the auction of the aforesaid customer's asset.

However, the Company cannot write-off such debtor as the case is still under the judicial process of the Bankruptcy Court of the United States of America.

6. Inventories

	2017			2016		
	Cost	Allowance for decline in value	Cost, net	Cost	Allowance for decline in value	Cost, net
Finished goods	19,985,332	-	19,985,332	17,161,566	-	17,161,566
Work in process	2,063,846	-	2,063,846	3,167,887	-	3,167,887
Raw materials						
- Precious stone	309,114,199	99,876,447	209,237,752	315,564,761	99,784,013	215,780,748
- Others	113,663,328	3,006,939	110,656,389	107,524,511	3,006,939	104,517,572
Supplies	234,912	-	234,912	244,048	-	244,048
Total	445,061,617	102,883,386	342,178,231	443,662,773	102,790,952	340,871,821

In 2017, The Company has loss from decline in value of raw material in the amount of Baht 92,434 (2016 : Baht 3,042,029)

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.

7. Investment property

The book value of unutilized land at Petchburi is approximately Baht 52.79 million, was mortgaged to cover the bank overdrafts and the packing credits for a credit-line totalling Baht 50 million and the credit-line are also guaranteed by the Company's directors. On February 20, 2017, the Company cancelled the credit line for bank overdrafts and packing credits. At present, this unutilized is free from mortgage.

The fair value of unutilized land was valued by using the market approach (Method level 2 of fair value : Note 18).

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



8. Property, plant and equipment

Unit : Baht

	2016	Increase (Decrease) during the year			2017
		Addition	Disposal	Transfer	
Cost of assets					
Land	11,850,000	-	-	-	11,850,000
Building and improvement	21,417,802	366,455	366,455	-	21,417,802
Machinery and equipment	7,630,593	-	-	-	7,630,593
Tools and equipment	48,958,904	1,136,445	620,545	-	49,474,804
Furniture and office equipment	8,950,427	44,273	-	-	8,994,700
Vehicles	10,175,942	68,000	112,990	-	10,130,952
Total	108,983,668	1,615,173	1,099,990	-	109,498,851
Accumulated depreciation					
Building and improvement	17,149,798	460,074	366,455	-	17,243,417
Machinery and equipment	7,630,573	-	-	-	7,630,573
Tools and equipment	41,409,014	2,537,615	620,530	-	43,326,099
Furniture and office equipment	8,897,632	18,683	-	-	8,916,315
Vehicles	7,021,451	437,059	112,988	-	7,345,522
Total	82,108,468	3,453,431	1,099,973	-	84,461,926
	26,875,200				25,036,925
Add Assets during installation	4,130,446	231,763	-	-	4,362,209
Property, plant and equipment, net	31,005,646				29,399,134
Depreciation for the year					
Cost of the sale of goods	2,388,221				1,397,977
Administrative expenses	2,238,514				2,055,454



9. Intangible assets

Unit : Baht

	2016	Increase	Decrease	2017
Cost of assets				
Computer softwares	1,333,357	97,070	-	1,430,427
Accumulated amortization				
Computer softwares	1,184,033	72,385	-	1,256,418
Intangible assets, net	149,324			174,009
Amortization for the year	104,816			72,385

10. Trade and other payables

Unit : Baht

	2017	2016
Trade payables-Domestic	985,118	459,212
Trade payables-Foreign	45,082,750	45,082,750
Total	46,067,868	45,541,962
Note payables	684,267	6,529,788
Total trade payables	46,752,135	52,071,750
Other payables	747,119	644,931
Trade and other payables	47,499,254	52,716,681

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:

	2017	Unit : Baht 2016
Employee benefit obligations-beginning	19,097,645	17,340,284
Service cost	11,307,724	1,194,566
Interest cost	714,671	843,336
Benefits paid	1,110,000	234,000
Actuarial gain	7,366,514	(46,541)
Defined benefit obligations at December 31	27,376,554	19,097,645

As at December 31, 2017, the Company expect to pay Baht 4,725,120 of post-employee benefits during the next year.



Note of Financial Statement (Continued)

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

	2017	2016
Recognized in profit or loss		
Service cost	1,307,724	1,194,566
Interest cost	714,671	843,336
	<u>2,022,395</u>	<u>2,037,902</u>
Recognized in other comprehensive income		
Actuarial gain	7,366,514	(46,541)
Total	<u>9,388,909</u>	<u>1,991,361</u>

Actuarial (gain) loss recognized in other comprehensive income derived from:

	2017	2016
Population assumptions	8,241,344	-
Financial assumptions	(3,313,374)	-
Experience adjustment	2,438,544	(46,541)
Total	<u>7,366,514</u>	<u>(46,541)</u>

Principal actuarial assumptions at the reporting date are as follows

	2017	2016
Discount rate	3.06	4.50
Future salary increase	3.50	4.00
Staff turnover rate	Scale related to Age ranging from	
	0% to 17%	0% to 22%
Mortality rate	According to Thailand TMO 2017	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, 2017 are as follows:

	Unit : Baht	
	Increase 1%	Decrease 1%
Discount rate	(2,399,758)	2,815,041
Salary increase rate	2,773,037	(2,411,870)
	Increase 10%	Decrease 10%
Staff turnover rate	(432,967)	448,8235

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 [after 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 requirement 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 on the ongoing basis and providing the appropriate returns to the shareholders.

At the end of period, the debt to equity ratio are 0.16 :1.00 (2016 : 0.15 : 1.00)

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 years ended December 31, 2017 and 2016 are as follows :

Unit : Baht

	2017	2016
Current income tax :	-	-
Deferred tax :		
Temporary differences and reversal of temporary differences	(182,479)	37,401
Incomes tax expense	<u>(182,479)</u>	<u>37,401</u>

Reconciliation between the average effective tax rate and the applicable tax rate for the years ended December 31, 2017 and 2016, are as follows:

	2017		2016	
	Rate (%)	Amount	Rate (%)	Amount
Loss before income tax		(32,175,577)		(19,417,921)
Income tax at applicable tax rate	20	(6,435,115)	20	(3,883,584)
Current year tax loss, not recognized as deferred income tax		5,929,763		3,205,477
Tax effect :				
Disallowed expenses / income for tax calculation		562,573		732,352
Additional deductible expenses		(57,221)		(54,245)
Current income tax		-		-
Deferred tax:				
Temporary differences and reversal of temporary differences		(182,479)		37,401
Income tax		<u>(182,479)</u>		<u>37,401</u>



Note of Financial Statement (Continued)

The amount of income tax relating to each component of other comprehensive income for the year ended December 31, 2017 and 2016, are as follows:

Unit : Baht

	2017			2016		
	Amount before tax	Tax income	Net of tax	Amount before tax	Tax income	Net of tax
Actuarial (gain) losses	7,366,514	(1,473,303)	5,893,211	(46,541)	9,308	(37,233)
Total	7,366,514	(1,473,303)	5,893,211	(46,541)	9,308	(37,233)

The components of deferred tax assets and deferred tax liabilities as at December 31, 2017 and 2016 are as follows:

Unit : Baht

	2017	2016
Deferred tax assets		
Employee benefit obligations	5,475,311	3,819,529
Deferred tax liabilities	-	-
Deferred tax assets, net	<u>5,475,311</u>	<u>3,819,529</u>

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 59.59million (2016 : Baht 53.95 million).

14. Loss per share

Loss per share is calculated by dividing loss for each year by the weighted average number of outstanding ordinary shares issued during the years as follows:

	2017	2016
Loss for the periods (Baht)	31,993,098	19,455,322
Weighted average number of ordinary shares	24,000,000	24,000,000
Loss per share (Baht)	<u>1.33</u>	<u>0.81</u>

15. Classification of expenses by nature

	Unit : Baht	
	2017	2016
Change in finished goods and work in process	(1,719,726)	(2,863,768)
Raw materials and consumables used	81,931,666	115,640,109
Management benefit expenses	5,637,000	5,634,750
Employee expenses	48,146,447	46,787,515
Depreciation and amortization expenses	3,525,816	4,731,551
Loss on decline in value of raw materials	92,434	3,042,029
Others	14,356,205	13,501,354
Total	<u>151,969,842</u>	<u>186,473,540</u>

16. 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:

	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Revenues from the sale of goods and rendering of service	24,690,840	94,714,168	119,405,008	29,317,107	136,833,231	166,150,338
Gross profit	<u>7,079,540</u>	<u>(3,573,130)</u>	<u>3,506,410</u>	<u>7,395,144</u>	<u>6,312,116</u>	<u>13,707,260</u>
Unallocated income and expenses						
Other income			389,257			(34,030,462)
Selling and administration expenses			(36,071,244)			(37,401)
Income tax expense			182,479			(19,455,322)
Loss for the years			<u>(31,993,098)</u>			<u>31,005,646</u>
Property, plant and equipment			<u>29,399,134</u>			<u>567,139,074</u>
Total assets			<u>532,076,565</u>			<u>567,139,074</u>

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

	Unit : Baht	
	2017	2016
Revenues from the sales of goods and rendering of services		
Australia	35,621,899	56,987,071
Europe	47,312,844	74,255,363
America	1,149,809	84,313
Asia	10,629,616	5,506,484
Thailand	24,690,840	29,317,107
Total	<u>119,405,008</u>	<u>166,150,338</u>

For the year ended December 31, 2017, The company had revenues from three major foreign customers in the total amount of Baht 58.20million (2016 : Baht 92.04 million).

17. Financial Instruments

The information of financial instruments of the Company are as follows:

17.1. 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.

As at December 31, 2017 and 2016, the Company had 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, as follows:

	Unit : Million Baht				
	Interest rate fixed		Interest rate	Non-interest	
	Within	Over	floating	bearing	Total
	1 year	1 – 5 years			
As at December 31, 2017					
Financial assets					
Cash and cash equivalents	0.08	-	49.80	0.45	50.33
Trade and other receivables	-	-	-	49.60	49.60
Financial liabilities					
Trade and other payables	-	-	-	47.50	47.50
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

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.

Note of Financial Statement (Continued)

As at December 31, 2017 and 2016, 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, 2017				
USD	6,758,419	1,285,053	32.4342	32.8472
Dec. 31, 2016				
USD	6,958,407	1,285,053	35.5660	36.0025

17.2. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

18. 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).

19. Commitments

There are commitments at banks as follow :

	Unit : Bath	
	2017	2016
Letters of guarantee	799,000	799,000

20. Approval of financial statements

These financial statements were approved for issue by the Company's Board of Directors on February 28, 2018.