



ANNUAL REPORT

2018

SAWANG EXPORT PUBLIC COMPANY LIMITED



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The Board of Directors Report

The word economy had seen positive growth in 2018. This stimulated consumer's demand for gemstones and jewelry. Thailand's total export value of gem and jewelry products in 2018 excluding the value of unwrought and unfinished manufactured gold jewelry earned a 6.96 percent increase. Despite the observed upside, the business sentiment was dragged down by risk factors which were the trade war between China and the U.S., the ongoing Brexit talk that has not reached agreement to exit hampers the growth momentum in the EU, and the exchange rate fluctuation that will impact Thai export.

For the company performance in 2018, the total revenue from sales and manufacturing was 108.6 million Baht, down from 2017 by 10.7 million Baht. This was mainly due to the lower international sale which was the result of a major customer slowing down on new orders with the aim to sell their existing inventory.

In 2019, The Company focuses on making unique and desirable product, differentiating further our own brands studying target customer demand and sharpening our marketing strategies, putting care on our customers and communicating with them, and improving our retail business competitiveness by increasing distribution channels.

On behalf of the company board of directors, I truly thank those who have supported the company throughout the year. 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 business and society.



Mr. Morakot Maneepairoj
President

The Board of Directors and The Management Team

The Board of Directors and The Management Team As At December 31, 2018

Name / Position / Age	Family Relationship	Education	Work Experience	Company Shareholder's		
				2017	2018	Change
1. Mr. Morakot Maneepairoj (Age 66) (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 63) (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 60) (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 52) Audit Committee, Independent Director Appointed on Marc 16, 2000	-	MBA, Assumption University PH.D-EIL, Chulalongkorn University	Assistant To The General Manager, K.V.S.international Co., Ltd. Special Lecpurer Chulalongkorn University	-	-	-
5. Mr. Tongchai Saengrattanadej (Age 54) 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 62) Chairman Of The Audit Committee, Independent Director Appointed on Marc 16, 2000	-	Master Of Science Thammasat University	Independent Certified Public Accont/vithan and Associates 1999	-	-	-

The Board of Directors and The Management Team (Continued)

Name / Position / Age	Family Relationship	Education	Work Experience	Company Shareholder's		
				2017	2018	Change
7. Mr. Manit Pongsakomkullachai (Age 63) Product Development Manager Appointed on Marc 21, 2003	-	Secondary Amnuaysilp School	Has Begun In 1973, 1993-present Product Development Manager	-	-	-
8. Mr. Unnop Trachutumcharoen (Age 64) 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 Vongkhaecharoen (Age 62) 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 Cheavavibulphan (Age 58) 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. Porntipa Eiamprapom (Age 58) 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 57) Production Manager Appointed on Oct 27, 1993	-	Commerce, Thep Business & Accounting School	Has Begun In 1982, 1987-present Production Manager	-	-	-

1. Policies and business overview

1.1. Policies

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

Values

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

Vision

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

Mission

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

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

1.2 Business overview

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

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

The company authorized share capital 252.0 million Baht. The Issue and paid up share capital 240.0 million Baht which 24,000,000 Ordinary shares of 10 Baht each, fully paid. The major shareholders is the Maneepairoj Group, has held 77.16 % of paid up shares.

2. Nature of Business Operation

Revenue Structure From Business Operation

Revenue Structure	2016		2017		2018	
	Million Baht	%	Million Baht	%	Million Baht	%
DOMESTIC SALES						
JEWELRY	27.2	16.4	18.8	15.8	27.8	25.6
PRECIOUS STONES	2.1	1.2	5.9	4.9	8.0	7.4
DOMESTIC TOTAL REVENUES	29.3	17.6	24.7	20.7	35.8	33.0
FOREIGN SALES						
JEWELRY	71.6	43.1	57.8	48.4	38.3	35.3
PRECIOUS STONES	65.2	39.3	36.9	30.9	34.5	31.7
FOREIGN TOTAL REVENUES	136.8	82.4	94.7	79.3	72.8	67.0
DOMESTIC AND FOREIGN SALES						
JEWELRY	98.8	59.5	76.6	64.2	66.1	60.9
PRECIOUS STONES	67.3	40.5	42.8	35.8	42.5	39.1
TOTAL REVENUES	166.1	100.0	119.4	100.0	108.6	100.0
INCREASE (DECREASE) OF SALES (%)		(20.8)		(28.1)		(9.1)

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.

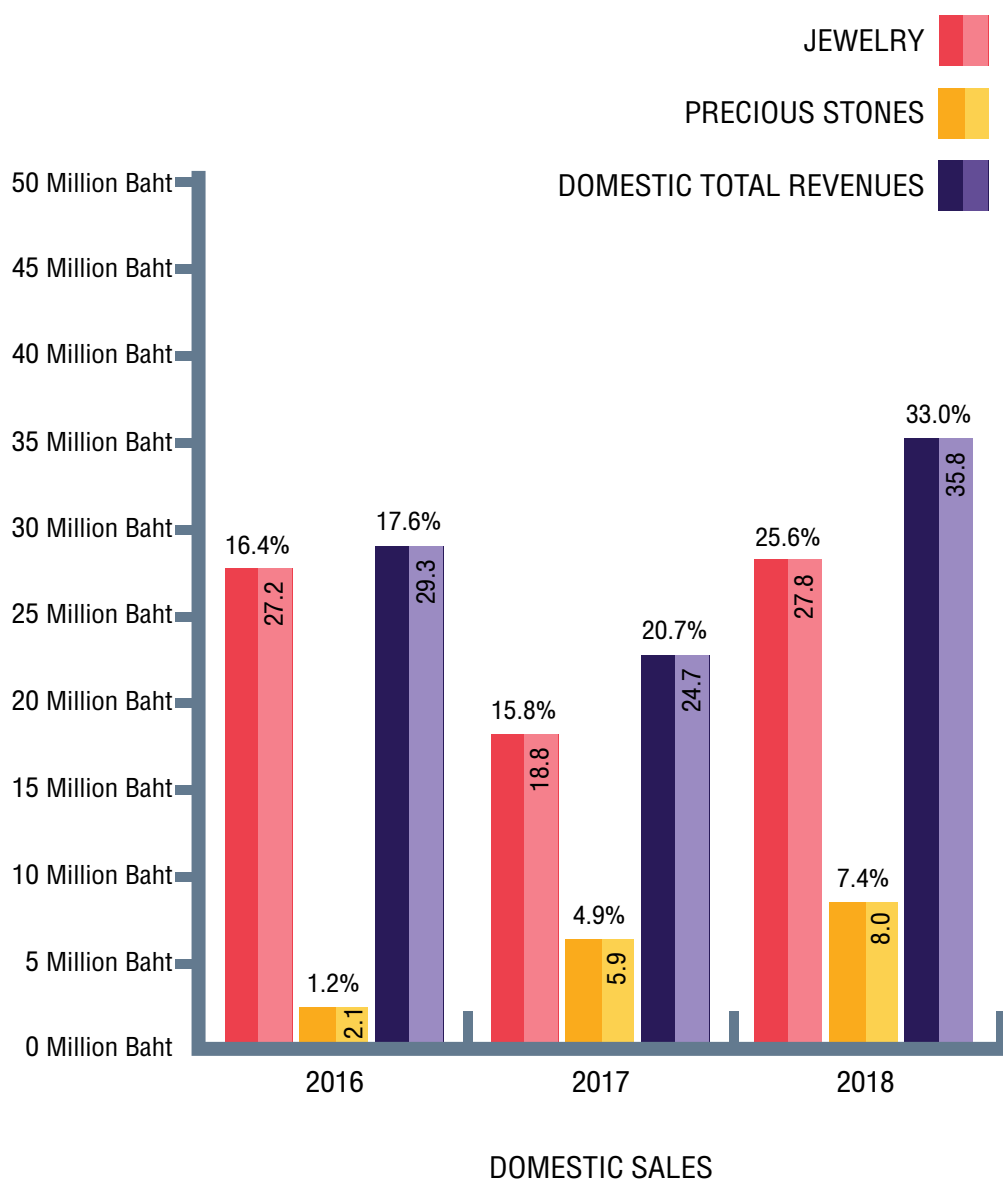
The company customer are saler in the foreign countries. The company has to select the valuable customers in compliance with the company production capacity to create trustworthy. The company policy is to emphasize the long good continuous relationship with customers. The local customer of the company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

For Beawelry customers, 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.

Separate Jewelry Customers by Country

Amount : mil'Bt.

	2017	2018
United State of America	0.01	0.01
Europe	22.17	14.85
Australia	35.62	23.17
Thailand	18.74	27.82
Other	0	0.02
Total	76.54	65.87

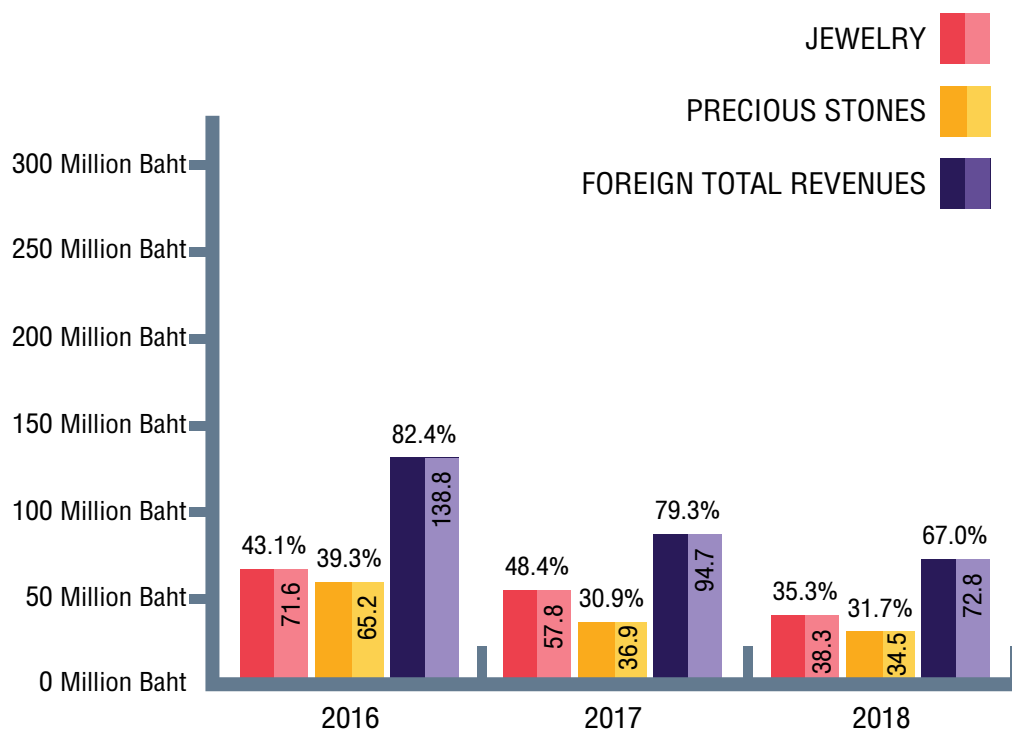


Nature of Business Operation (Continued)

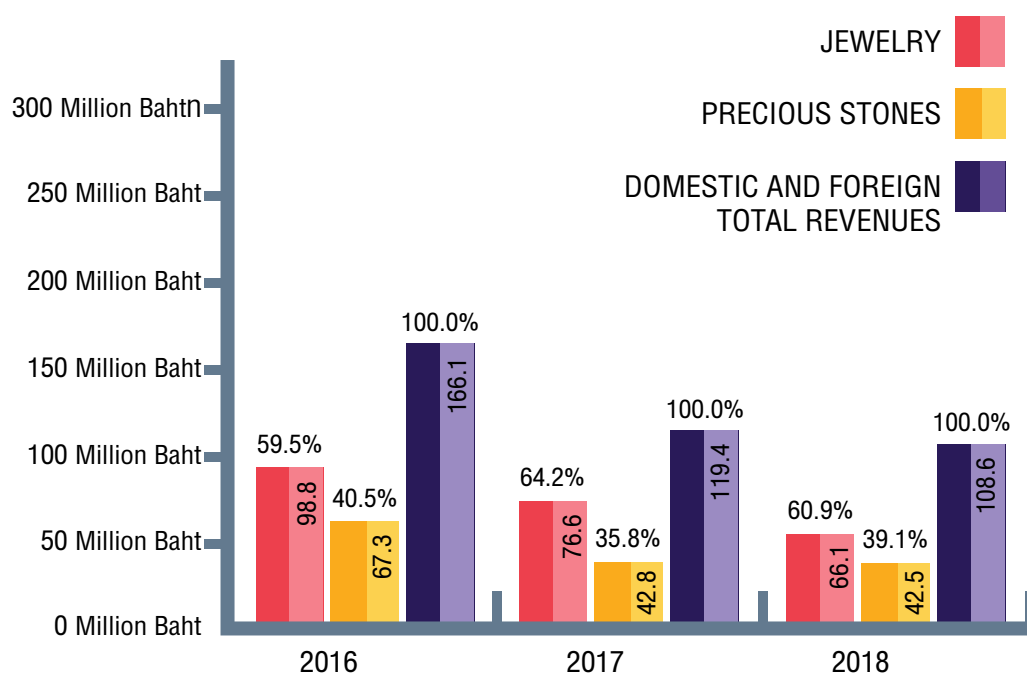


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FOREIGN SALES



DOMESTIC AND FOREIGN SALES

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.

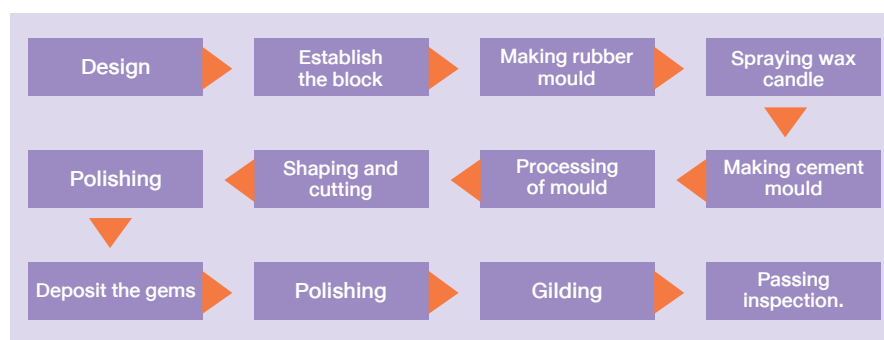
	2016	2017	2018
Quantity (pieces)	107,035	72,744	86,906
Production employees (person)	130	128	122
Average price per unit (Bt)	923	1,052	758
Average income per person (Bt)	760,447	598,421	541,619

Raw Materials and Suppliers

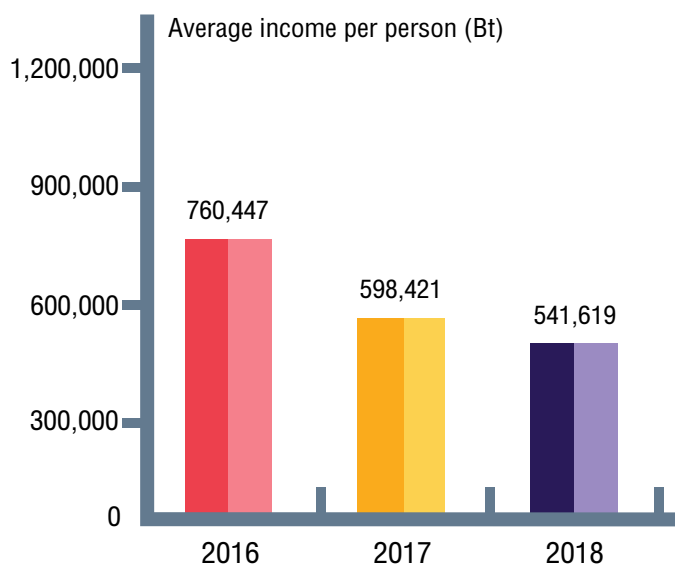
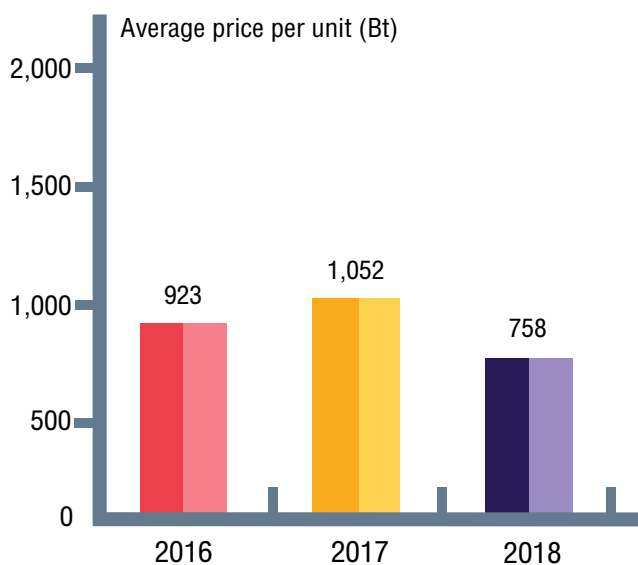
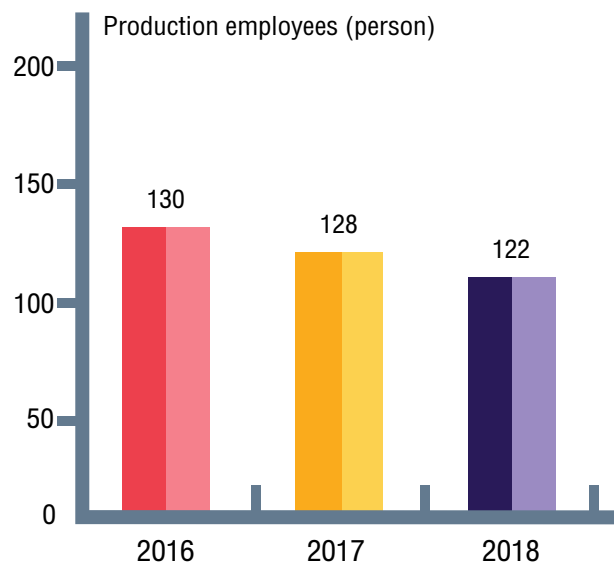
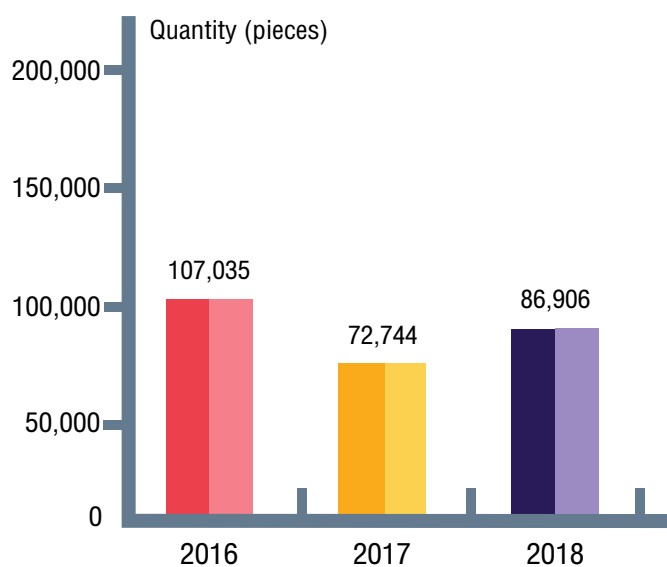
Type	Source of Purchase	Amount : mil'Bt.	
		2017	2018
Gold	Thailand	37.1	21.1
Alloy, other	Thailand	0.9	0.3
Diamond	Thailand	9.6	2.1
Color Stones	Thailand	3.5	2.3

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.



Nature of Business Operation (Continued)



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 1.40 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.

	2017	2018
United State of America	1.14	0.19
Europe	25.14	32.79
Asia	10.63	1.70
Thailand	5.89	8.05
Total	42.80	42.73

Raw Material and Supplier

Amount : mil'Bt.

Type	Source of Purchase	2017	2018
Rubies	Thailand	18.1	27.6
Sapphires	Thailand	9.6	2.0

Non-Submitted Work

-None-

3. Risk factors

Risk in export business

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

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

Risk from rely on only one major customer

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

Financial risk

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

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

Risk of a major shareholder

April 2, 2018, 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.

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.

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 7,005,062.

2. Land, 61 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. 1,650,913.

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 title deeds, at 171 st - 172 nd km., Phetkasem Road, Samorplue Subdistrict, Ban Lad District, Phetburi Province, which is used for the Company's gem and diamond jewelry plant expansion, of which the book value is Bt 52,793,073.

5. Machinery and operation equipment and tools less by accumulated depreciation as at end date of 2018 of which the total value is Bt 9.16 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	433,791,969
Net Assets Value per Share:	Bt	18.07



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 22 May 2016.

Subsequently, the Company received a letter from Export-Import Bank of Thailand, who is the guarantor of export risk on May 8th, 2017 notifying that the Company will not get any share, the trial of the Bankruptcy Court of the United States of America with other debtors has not ended, and the remaining time of the trial is uncertain

On November 14th, 2018, the Board of Director meeting No. 6/2018 approved a resolution to write off the debtor due from the foreign entity and to write off balance payable from the same foreign entity.

Thailand's Gem and Jewelry Import-Export Performance 2018

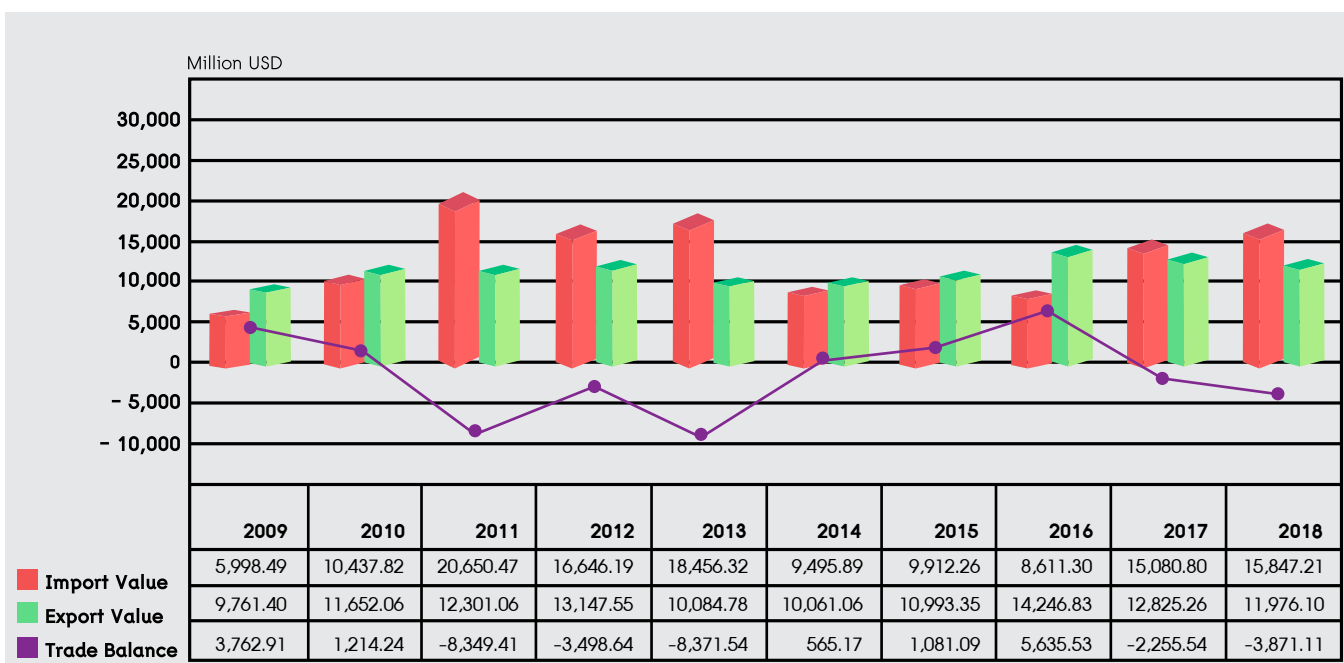
In general, Thailand's gem and jewelry export value fell by 6.62 percent, while its import value went up 5.08 percent. Unwrought or semi-manufactured gold still dominated imports and exports. Nevertheless, Thailand's export value of gem and jewelry products excluding unwrought or semi-manufactured gold increased 6.96 percent from the previous year. A positive factor from smoothly recovered global economy and decreasing prices of raw materials stimulated demand for gem and jewelry products. However, risk factors emerging since 2018 such as trade war, Brexit, fluctuation of economy and currencies in emerging markets may drag growth of the world's economy in 2019 and could weaken Thailand's export.

Thailand's export value of gem and jewelry products in 2018 dropped 6.62 percent from USD 12,825.26 million (THB 434,825.28 million) in 2017 to USD 11,976.10 million (383,656.52 million) in 2018. It was the third most significant export product with a 4.74 percent share of Thailand's gross exports. However, with an exclusion of unwrought or semi-manufactured gold export value which accounted for a share of around 37 percent, the export value of gem and jewelry products totaled at USD 7,604.64 million (THB 243,743.92 million), a 6.96 percent increase from the previous year (a 1.18 percent increase in Thai baht).

Gem and jewelry import value rose 5.08 percent (0.12 percent in Thai baht) from USD 15,080.80 million (THB 515,538.98 million) to USD 15,847.21 million (THB 516,171.24 million).

In 2018, Thailand faced a trade deficit of USD 3,871.11 million.

Thailand Gem and Jewelry Import and Export Value 2009-2018



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 2018 was

1. unwrought or semi-manufactured gold with a 36.50 percent share of the country's gem and jewelry export value. However, its value fell 23.52 percent as gold's overall price moved within negative zone. Thus, investors put off their investment in gold. Throughout 2018, average gold price was at USD 1,268.49 per ounce (<http://www.kitco.com>). Fed's short-term interest rate hike and SPDR Gold Trust's constantly reducing gold investment weakened gold prices during the past year. Moreover, the US's stock index improvement and favorable yield caused investors to sell gold or postpone gold investment and shifted to invest in risk-weighted assets.

Thailand's key export market of unwrought or semi-manufactured gold was Cambodia, stepping up to the first place with the highest share of over 39 percent. Switzerland was in the second place, followed by Singapore in the third place.

2. Fine Jewelry was the second most significant export product accounting for a 32.45 percent share of Thailand's gem and jewelry export value which rose by 6.11 percent.

3. Diamond was the third most important export product with a 14.10 percent share of Thailand's gross gem and jewelry export value. The product's export value increased 7.94 percent. Polished diamond was the dominant export product with a 7.51 percent growth. This was partly because the global polished diamond market had recovered following the positive trends of global economy. Consequently, demand for polished diamonds rose hence Thailand's export value to its top 5 export markets, Hong Kong, Belgium, India, the US, and Israel, went up 3.44, 7.50, 2.62, 72.50, and 20.84 percent respectively.

4. Colored Stone was the fourth most important export product with a 10.24 percent share of Thailand's gross gem and jewelry export value. The product's export value grew 2.29 percent.

5. Costume Jewelry was the fifth most important export product with a 3.51 percent share, a 23.18 percent rise. The growth was a result from the growth of the export value to the top 5 export markets, Lichtenstein, Singapore, the US, France, and Hong Kong, increased 24.88, 51.18, 2.76, 16.81, and 14.43 percent respectively.

Thailand's Gem and Jewelry Export Value from January–December 2017 and 2018

Category	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 17	Jan-Dec 18	Jan-Dec 17	Jan-Dec 18	
1. Unwrought or Semi-Manufactured Gold	5,715.47	4,371.46	44.56	36.50	-23.52
2. Jewelry	3,662.93	3,886.80	28.56	32.45	6.11
2.1 Silver Jewelry	1,789.68	1,857.41	13.95	15.51	3.78
2.2 Gold Jewelry	1,695.88	1,883.96	13.22	15.73	11.09
2.3 Platinum Jewelry	78.21	79.45	0.61	0.66	1.59
2.4 Others	99.16	65.98	0.78	0.55	-33.46
3. Dimond	1,564.73	1,689.02	12.20	14.10	7.94
3.1 Rough Dimond	92.80	104.42	0.72	0.87	12.52
3.2 Polished Dimond	1,471.22	1,581.76	11.47	13.21	7.51
3.3 Others	0.71	2.84	0.01	0.02	299.15
4. Colored Stone	1,199.35	1,226.85	9.35	10.24	2.29
4.1 Rough Stone	44.22	40.82	0.34	0.34	-7.70
4.2 Polished Precious Stone	818.09	831.64	6.38	6.94	1.66
4.3 Polished Semi-Precious Stone	337.04	354.39	2.63	2.96	5.15
5. Costume Jewelry	341.70	420.91	2.66	3.51	23.18
6. Waste and Scrap	150.54	164.72	1.17	1.38	9.42
7. Others	190.54	216.34	1.50	1.82	13.54
Total (1+2+3+4+5+6+7)	12,825.26	11,976.10	100.00	100.00	-6.62

Thailand's Gem and Jewelry Export Markets in 2018

Thailand's export market of gem and jewelry (inclusive of gold) with the highest value in 2018 was

1. Hong Kong with an 18.25 percent share. The export value to the market declined 11.08 from the previous year because the export value of polished precious stone, unwrought or semi-manufactured gold, silver jewelry fell 1.81, 71.45, and 36.54 percent respectively. Meanwhile, the export value of polished diamond, gold jewelry, and polished semiprecious stone grew by 3.44, 1.49, and 3.66 percent respectively.

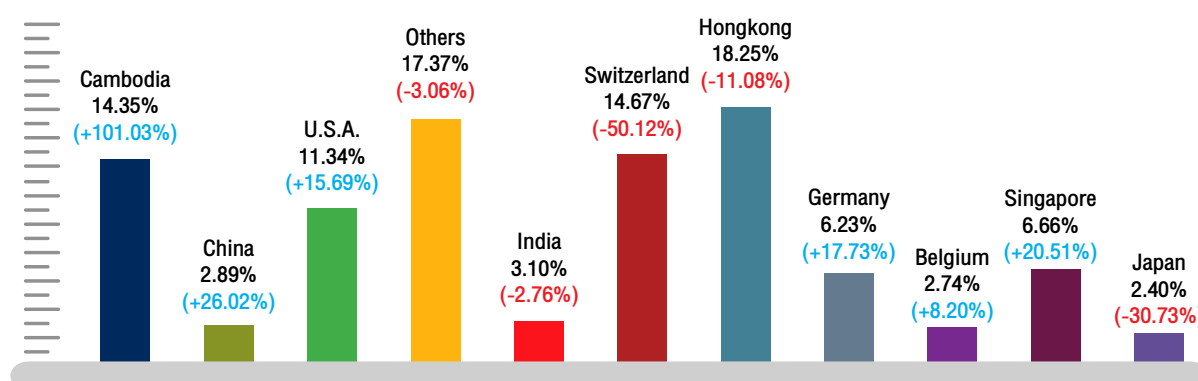
2. Switzerland was the second most important gem and jewelry export market with a 14.67 percent share, a 50.12 percent decline. This was a result of a 53.70 percent plunge of the export value of unwrought or semi-manufactured gold which accounted for an approximately 86 percent share. The products which were able to achieve growth in the market were gold jewelry and polished precious stone with a 5.13 and 4.04 percent share respectively.

3. Cambodia was the third most important export market with a 14.35 percent share and over 1.01-fold growth. Unwrought or semi-manufactured gold accounted for almost entire exports with over 1.02-fold growth.

4. The US was the fourth most important export market with an 11.34 percent share. The export value to the market rose 15.69 percent from the growth of the export value of fine jewelry, the dominant product with an approximately 74 percent share. Silver jewelry was the outstanding product with a 9.37 percent growth. The product was followed by gold jewelry with a 21.55 percent growth. Moreover, Thailand's export value of polished diamonds, polished semi-precious stone, and costume jewelry rose 72.50, 0.10, and 2.76 percent respectively.

5. Singapore with a 6.66 percent share. The export value to the market grew 20.51 percent as the export value of unwrought or semi-manufactured gold, the primary product with an around 82 percent share, and costume jewelry, the export product in a latter place, went up 17.02 and 51.18 percent respectively.

Thailand's Gem and Jewelry Export Markets in 2018



Thailand's gem and jewelry (exclusive of gold) export value in US dollar to markets/regions in 2018 grew by 6.96 percent since the export value to the prominent markets, the EU and the US, and other major markets, the Middle eastern countries, India, China, Japan, and ASEAN countries, increased 10.76, 15.71, 12.12, 2.22, 28.84, 0.39, and 18.89 percent respectively.

Trend and Situation in 2019

Thailand's gem and jewelry export value in the US dollar in 2018 declined 6.62 percent (11.77 percent in Thai baht). However, Thailand's export value of gem and jewelry products excluding unwrought or semi-manufactured gold rose 6.96 percent (1.18 percent in Thai baht). In addition, the export value of Thai gem and jewelry deducted of the export value of unwrought or semi-manufactured gold and import value of products re-imported from being showcased in trade fairs showed that the net export value of gem and jewelry increased 6.75 percent (1.02 percent in Thai baht)

Thailand's Gem and Jewelry Net Export Value from January to December 2017 and 2018

Category	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 17	Jan-Dec 18	Jan-Dec 17	Jan-Dec 18	
Total gem and jewelry export value	12,825.26	11,976.10	100.00	100.00	-6.62
Deducted by unwrought or semi-manufactured gold export value	5,715.47	4,371.46	44.56	36.50	-23.52
Export value excluding gold	7,109.79	7,604.64	55.44	63.50	6.96
Deducted by the value of products sent back from international trade fairs presence	441.83	486.62	3.44	4.06	10.14
Net export value	6,667.96	7,118.02	51.99	59.44	6.75

In 2018, Thailand's actual gem and jewelry export value in the US dollar (exclusive of gold) grew favorably by 6.96 percent. The growth was mainly due to the positive recovery of the global economy. Moreover, prices of raw materials gold, silver, and platinum shifted within negative zone hence jewelry products became relatively affordable and boosted consumers' demand. ResearchAndMarkets.com had anticipated that in 2018, the global market would grow with an average rate of 5.5 percent compared to the previous year.

However, risk factors which began to emerge since 2018 may disturb the global economy in 2019 and may eventually affect Thailand's export. Most importantly, the trade war between the US and China. The two countries have hiked their tariffs for three times during the past year as their counter attacks. Although, the US and China have agreed in December 2018 on temporarily halting tariff hike over remaining products for 90 days, the agreement have not been clarified by any of them. Therefore, investors have been extremely uncertain. The situation would inflict the global trade atmosphere in 2019. Additionally, analysts anticipated that the effects of the countries' tariff hikes in the past year would become apparent in 2019. They may weaken the US and China economy as well as inflict other major trade partners.

Furthermore, uncertainty concerning Brexit, in which the UK has not been able to reach the EU withdrawal agreement, and Italy's financial instability would impair economic growth of the EU, Thailand's key trade partner.

Another critical issue is economic crisis and currency fluctuation in emerging markets such as Turkey, Indonesia, the Philippines, and India, which may continually influence fluctuation in the global currency market. It may also escalate inflow of short-term financial speculation to Thailand Bond Exchange and end up driving Thai baht to strengthen. The stronger Thai baht against other currencies would be a disadvantage for Thai products. Besides, there is a risk factor from currency war in which the US is likely to put pressure on Fed not to increase interest rates in order to weaken its currency and boost the country's exports. This may cause Thai baht and other currencies in the region to strengthen against the US dollar and eventually undermine Thailand's export to the global market.

Apart from the major issues mentioned, there may be other risk factors in 2019. Thus, entrepreneurs should always keep up with news and updates of global trade and economy as well as policies of trade partner countries in order to be prepared to cope with risks that may occur and adapt to different changes.

Moreover, entrepreneurs should carefully research on demand of target groups to be able to produce goods matching each market's demand. Current buyers look for products with uniqueness, and stories or inspirations behind their production. Also, creating distinctions from competitors to boost sales should not be overlooked. However, other entrepreneurs in gem and jewelry industry are not their only competitors. Technology goods, products of another industry, are also their competitors as younger generations, particularly the Millennials prefer buying technology products over gem and jewelry. This is the challenge that entrepreneurs in the digital age have to come up with strategies to lure this consumer group to buy more gem and jewelry products. In addition, it is essential to offer a wide variety of products, develop marketing strategies to win customers through different channels, offline and online, and maintain a close relationship with customers in order to keep business to thrive in the current era.

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

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 APRIL, 2 2018)

	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	77.16

7.3 The other Security issuer : -none-

7.4 Dividend Policy

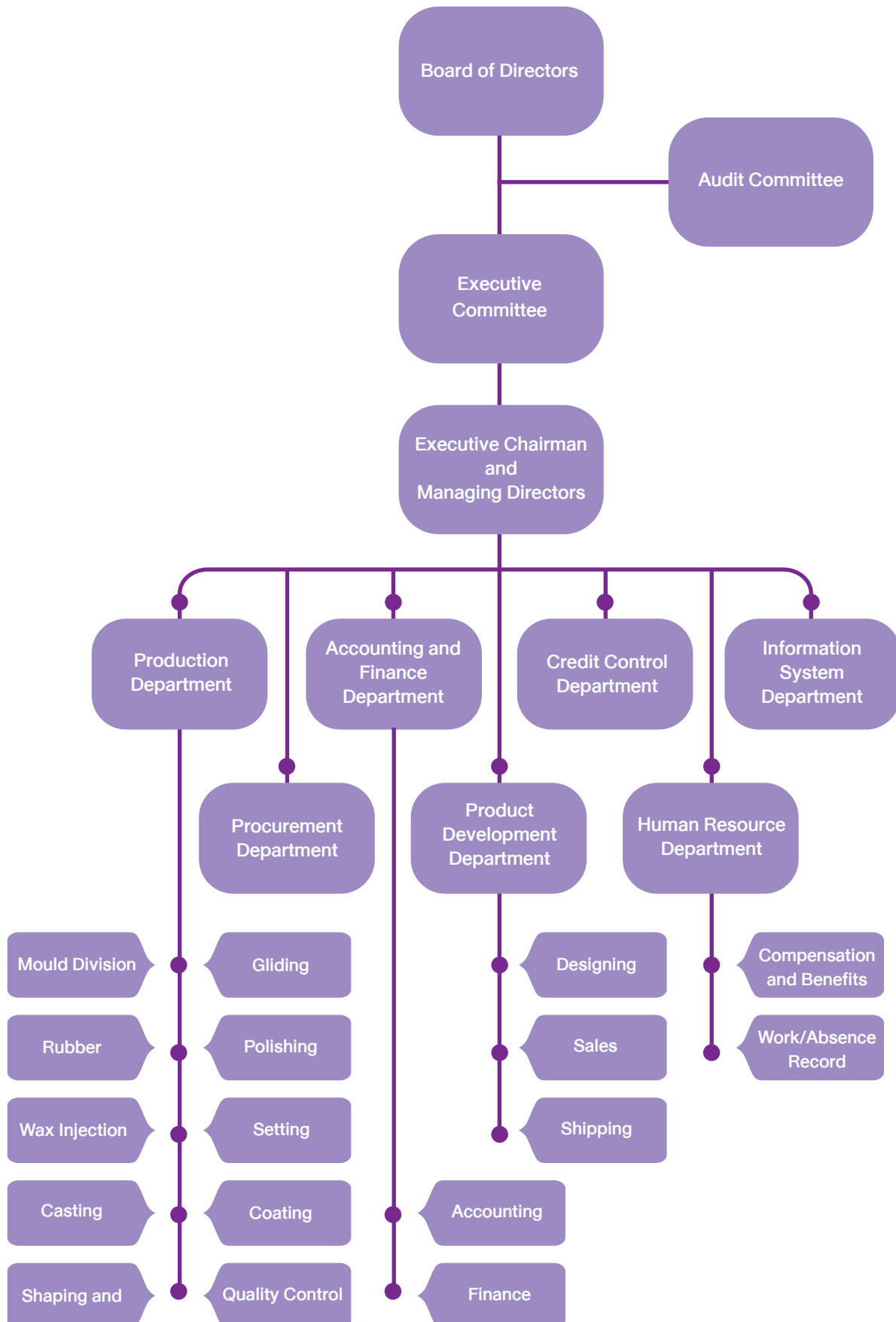
The company dividend payment policy not less than 50 percent of net profit.

Data of dividend payment

Amount : Baht

YEAR	2014	2015	2016	2017	2018
Net profit per share	-0.68	-0.13	-0.81	-1.33	-1.00
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 Director shall elect and appoint a Managing Director.

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

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

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

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

The Board of directors regular holds the ordinary board meeting in every three months, including the extraordinary meeting in which shall be held upon necessary. The agendas shall be clearly set and the notice of the board meetings together with collateral document shall be sent in advance. In the course of the year 2018 the Board held 8 board meetings altogether.

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

8.2 Management Team

Name	Position
1. Mr.Paetai Maneepairoj	Managing Director
2. Mr.Manit Pongsakornkullachat	Director, Product Development Manager
3. Mrs.Pommanee Maneepairoj	Director, Personal Manager
4. Mr.Vorachai Adisaisakuldej	Production Manager
5. Mr.Unnop Trachutumcharoen	Precious Stones Processing Manager
6. Mrs.Sivaporn Vongkaoecharoen	Credit Control Manager,
7. Mrs.Pornipa Eiamprapaporn	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

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 2018

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	122	26.31
Admin & Sale employees	40	11.77
Total	162	38.08

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 2018 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 and has a review process to ensure that the Company's corporate governance code is appropriate for business operation.

- 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 2019.

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 in appropriate actions.

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

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

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

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

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

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

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

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

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



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

-None-

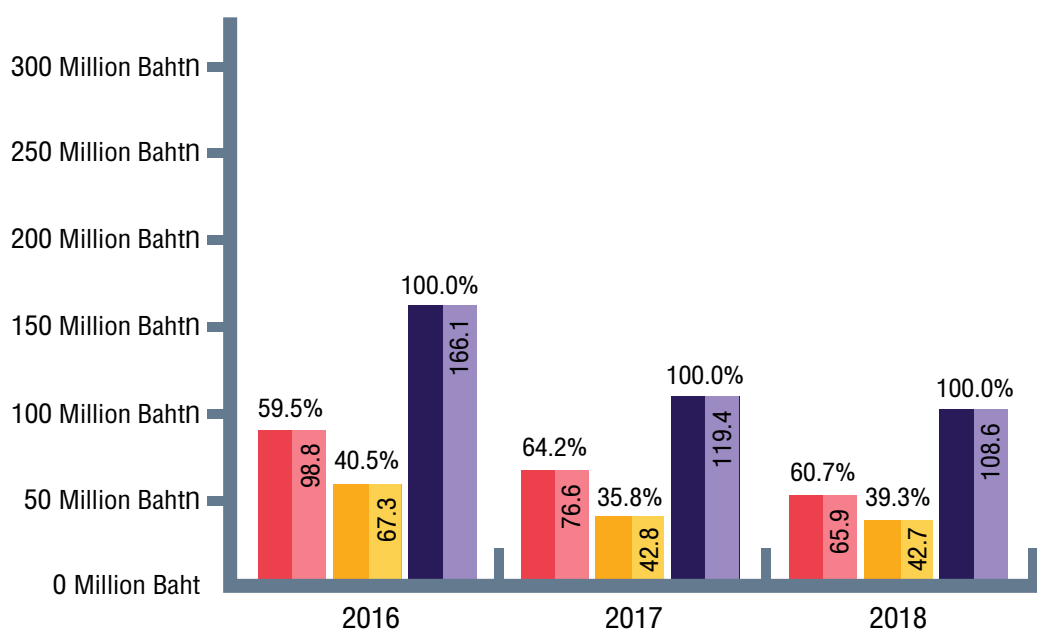
13. Financial Position and Operation Result

	2016		2017		2018	
	Million Baht	%	Million Baht	%	Million Baht	%
Jewelry	98.8	59.5	76.6	64.2	65.9	60.7
Gemstones	67.3	40.5	42.8	35.8	42.7	39.3
Total	166.1	100.0	119.4	100.0	108.6	100.0

JEWELRY

GEMSTONES

TOTAL REVENUES



FINANCIAL HIGHLIGHT

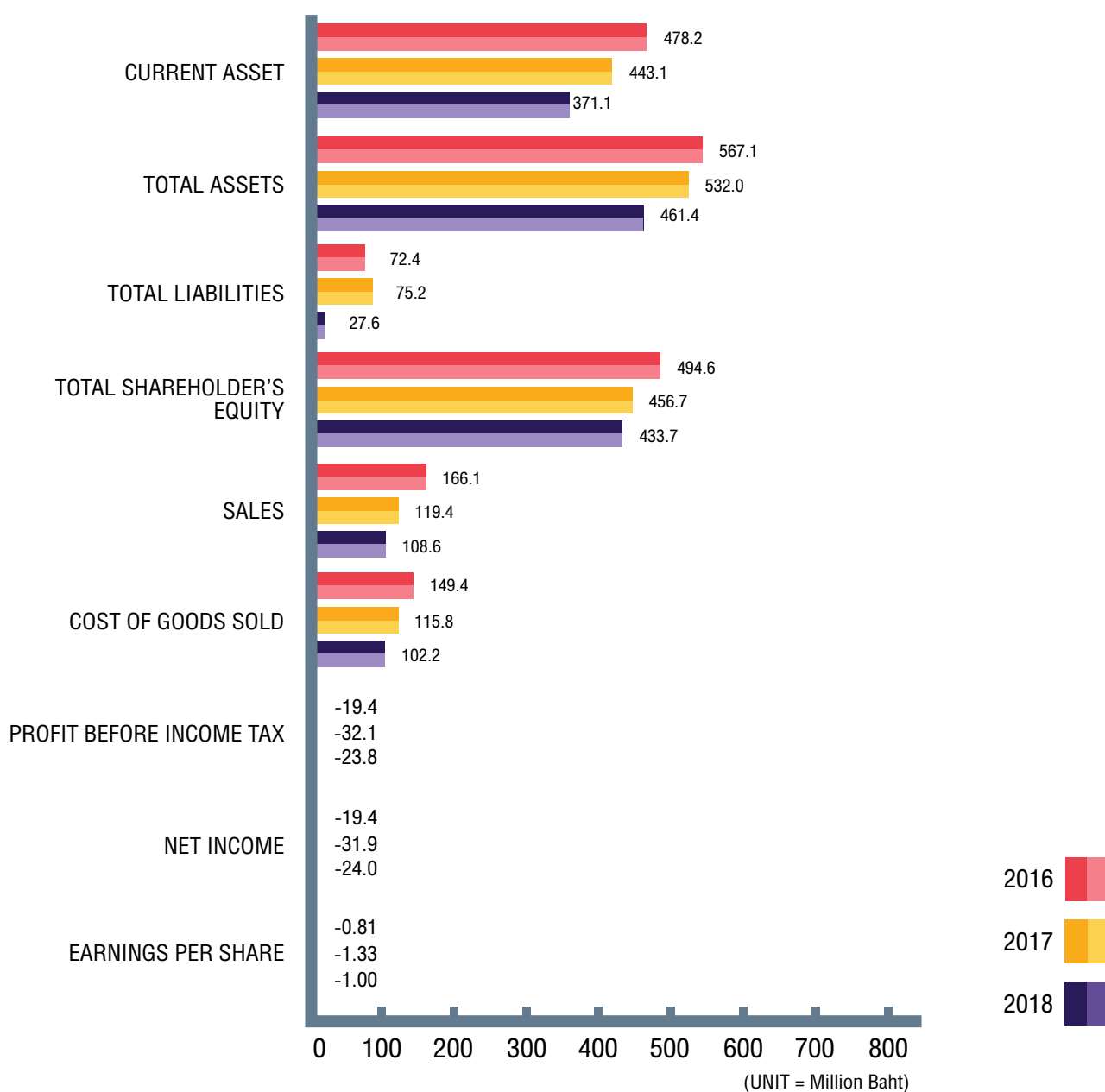
Financial Position and Operation Result (Continued)



ANNUAL REPORT
2018

SAWANG EXPORT PUBLIC COMPANY LIMITED

	2016	2017	2018
FINANCIAL POSITION			
Current Assets	478.20	443.10	371.10
Total Assets	567.10	532.00	461.40
Total Liabilities	72.40	75.20	27.60
Total Shareholder's Equity	494.60	456.70	433.70
FINANCIAL PERFORMANCE			
Sales	166.10	119.40	108.60
Cost of goods sold	149.40	115.80	102.20
Profit before income tax	-19.40	-32.10	-23.80
Net income	-19.40	-31.90	-24.00
Earnings Per Share	-0.81	-1.33	-1.00



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

Overview of the business

Thailand's total export value of gem and jewelry products in 2018, excluding the value of unwrought and unfinished manufactured gold jewelry, earned a 6.96 percent increase due to improving global economic condition and decline in raw material prices, encouraging consumer spending on jewelry products.

Meanwhile, there were risks factors that hamper global economic outlook in 2018. The trade war between China and the U.S., the Brexit deal uncertainty which could have pressure on the economic growth in EU, and the exchange rate fluctuations which directly impact Thailand export business. For businesses to strive and succeed, it is essential that business decision makers develop strategies to handle these business risks.

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 2018 has ended on 31 December 2018. The company's total revenue was 108.6 million baht, decreasing from the previous year by 10.7 million baht. This is mainly due to the decline in international sale. According to Notes to Financial Statement item 16, a major customer slowed down on new orders in order to manage inventory.

Gross profit increased by 2.8 million baht or 80.8% owing to the increase in sales of goods and rendering of services in Thailand from the previous year of 11.2 million baht. Please refer to Notes to Financial Statement item 12 for detail.

Doubtful debt of 4.1 million baht was reversed back from writing off the debtor due from the foreign entity, Fabrikant Leer International Ltd., and writing off balance payable from the same foreign entity. The write-off balance was approved in The Board of Director meeting No.6/2018 held on November 14, 2018 due to Export-Import Bank of Thailand who is a guarantor of export notified on May 8, 2017 that the Company will not get any share from the auction of the aforesaid entity's asset. Please refer to Notes to Financial Statement item 5 and 10 for detail.

Net loss in 2018 was 24 million baht, dropping from the previous year by 7.9 million baht or 24.8%, resulted from the explanation in the paragraph above.

The actuarial gain recognized in other comprehensive income of 1.3 million baht was derived from the change in experience adjustment according to Notes to Financial Statement item 11, employee benefit obligations.

Statement of Financial Position

Total assets on December 31st, 2018, was recorded 461.4 million baht, decreasing by 70.6 million baht from the previous year. The decrease was contributed by decrease in cash and cash equivalents, trade and other receivables, and inventories.

Cash and cash equivalents decreased by 16.7 million baht from the previous year.

Trade and other receivables decreased by 44.8 million baht to 4.7 million baht from the previous year as a result of writing off debtor due from the foreign customer who faced legal dispute. Detail provided in Notes 3.3 and 5.

Inventories decreased by 9.6 million baht to 332.5 million baht given by the reduction in raw materials that had been used for sale and in production of finished goods. Detail provided in Notes 6.

Investment property, consisting of unutilized land, remained the same from 2017 at 52.7 million baht. According to Notes to Financial Statement 3.5 and 7, the Company estimated the fair value of the investment property using the market approach performed by an external independent appraiser in 2016, which is reported to be 102.7 million Baht.

Property, plant, and equipment increased by 1.9 million baht to 31.2 million baht from the purchase of machinery and replacement tools and equipment.

Total Liabilities decreased by 47.6 million baht to 27.6 million baht, as a result of the decrease in foreign trade payable which is the same entity as that facing legal dispute. Please refer to Notes 5. The amount written off was 1.28 million USD, or 45.08 million baht when converted to Thai baht on 31 December 2008. This amount was written off together with the trade receivable from the same entity according to resolution of The Board of Director meeting No.6/2018 held on November 14, 2018.

With the comprehensive loss of 22.9 million baht in 2018, total shareholder's equity decreased by 22.9 million baht to 433.7 million baht.

Statement of Cash Flow

As of 31 December 2018, cash and cash equivalent was 33.6 million Baht, a 16.7 million Baht decrease from the previous year, due to the following:

1. Cash used in operating activities of 12.0 million Baht. Based from the income statement, the loss before income tax in 2018 was 23.8 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 12.0 million Baht.
2. Cash used in investing activities of 4.7 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 0.3 million Baht.
3. The effect from the exchange rate in cash and cash equivalents of 0.08 Baht.

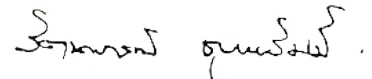
To the Shareholders of Sawang Export Public Company Limited

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 statements are reasonable and fair in accordance with Thai Financial Reporting Standards and regulatory requirements, with adequate disclosure of information and appropriate internal control, also in compliance with significant and relevant laws and regulatory requirements.

For the financial year 2019, 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 2019



(Mrs.Ratanaporn Chunharas)
Chairman of the Audit Committee



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

2018

SAWANG EXPORT PUBLIC COMPANY LIMITED

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, 2018, 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, 2018, 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, 2018 at the total cost value of Baht 302.30 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 202.42 million which is material to the financial statements.</p>	<p>My audit is 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 the 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 27, 2019

Statement of Financial Position



ANNUAL REPORT
2018

SAWANG EXPORT PUBLIC COMPANY LIMITED

As at December 31, 2018

Unit : Baht

	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents	3.2 and 4	33,629,689	50,329,956
Trade and other receivables	3.3 and 5	4,730,630	49,595,328
Inventories	3.4 and 6	332,516,628	342,178,231
Tax refund		18,281	50,549
Other current assets		290,506	990,395
Total current assets		371,185,734	443,144,459
Non-current assets			
Investment property	3.5 IIa: 7	52,793,073	52,793,073
Property, plant and equipment	3.6 IIa: 8	31,293,236	29,399,134
Intangible assets	3.7 IIa: 9	144,524	174,009
Deferred tax asset	3.13 IIa: 13	5,027,308	5,475,311
Other non-current assets		1,047,093	1,090,579
Total non-current assets		90,305,234	88,932,106
Total assets		461,490,968	532,076,565

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

Statement of Financial Position (Continued)

As at December 31, 2018

Unit : Baht

	Note	2018	2017
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	10	1,391,245	47,499,254
Advance payment from customer ¹		687,234	-
Other current liabilities		483,979	417,860
Total current liabilities		2,562,458	47,917,114
Non-current liabilities			
Employee benefit obligations	3.11 and 11	25,136,541	27,376,554
Total non-current liabilities		25,136,541	27,376,554
Total liabilities		27,698,999	75,293,668
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		105,082,434	128,073,362
Unappropriated		433,791,969	456,782,897
Total liabilities and shareholders' equity		461,490,968	532,076,565

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

Statement of Financial Position (Continued)

As at December 31, 2018

Unit : Baht

	Note	2018	2017
Revenues from the sales of goods and rendering of services	3.10	108,614,918	119,405,008
Costs of the sales of goods and rendering of services		(102,272,975)	(115,806,164)
Loss on decline in value of raw materials	6	-	(92,434)
Gross profit		6,341,943	3,506,410
Other income		800,449	389,257
Profit before expenses		7,142,392	3,895,667
Selling expenses		(12,087,891)	(11,271,418)
Administrative expenses		(17,381,303)	(19,162,826)
Doubtful debt reversal	5	4,119,757	-
Management benefit expenses		(5,637,000)	(5,637,000)
Loss before income tax		(23,844,045)	(32,175,577)
(Tax income) Income tax	3.13 and 13	(187,779)	182,479
Loss for the years		(24,031,824)	(31,993,098)
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Actuarial gain (losses)	11	1,301,120	(7,366,514)
Income tax effect	13	(260,224)	1,473,303
Total comprehensive income for the years		(22,990,928)	(37,886,309)
Loss per share	3.14 and 14	(1.00)	(1.33)

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



Statement of changes in shareholders' equity

As at December 31, 2018

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, 2017		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
Total comprehensive income for the year 2018		-	-	-	(22,990,928)	(22,990,928)
Balance as at December 31, 2018		240,000,000	62,050,000	26,659,535	105,082,434	433,791,969

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

Statement of cash flows

As at December 31, 2018

Unit : Baht

	Note	2018	2017
Cash flows from operating activities			
Loss before income tax		(23,844,045)	(32,175,577)
Adjustments to reconcile net profit for the periods to net cash provided by operating activities			
Depreciation and amortization	8 and 9	2,977,303	3,525,816
Unrealized (gain) loss on exchange rate		(34,001)	149,901
Loss from decline in value of raw materials	6	-	92,434
Gain on sale of assets		(28,036)	(15,918)
Doubtful debt reversal	5	(4,119,757)	-
Disallowed expenses for tax calculation		12,128	15,207
Employee benefit expenses	11	2,485,107	2,022,395
Interest income		(251,213)	(373,338)
		(22,802,514)	(26,759,080)
Changes in operating activities			
(Increase) decrease in assets			
Trade and other receivables		3,853,020	10,191,743
Inventories		9,661,603	(1,398,844)
Tax refund		26,829	371,655
Other current assets		696,050	(96,785)
Other non-current assets		43,486	22,773
Increase (decrease) in liabilities			
Trade and other payables		(864,075)	(5,352,910)
Advance payment from customer		687,234	(49,171)
Other current liabilities		66,119	(188,511)
Employee benefit obligations	11	(3,424,000)	(1,110,000)
Cash generated from (used in) operations		(12,056,248)	(24,369,130)
Income tax paid		(2,850)	(4,872)
Net cash used in operating activities		(12,059,098)	(24,374,002)
Cash flows from investing activities			
Purchases of fixed assets and intangible assets		(5,003,104)	(1,808,523)
Cash received from sale of assets		28,037	15,935
Interest received		251,213	373,335
Net cash used in investing activities		(4,723,854)	(1,419,253)
Effect from exchange rate in cash and cash equivalents		82,685	(80,930)
Decrease in cash and cash equivalents, net		(16,700,267)	(25,874,185)
Cash and cash equivalents as at January 1,		50,329,956	76,204,141
Cash and cash equivalents as at December 31,	3.2 and 4	33,629,689	50,329,956

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 and Revised Thai Financial Reporting Standards.

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

The Company has adopted the new and revised Thai Financial Reporting Standards, Thai Accounting Standards, Thai Financial Reporting Standard Interpretations, Thai Accounting Standard Interpretations, and Guidelines promulgated by the Federation of Accounting Professions that are effective for accounting periods beginning on or after January 1, 2018. The adoption of these standards, interpretations and guidelines does not have any material effect on the Company's financial statements.

2.3.2. The Financial Reporting Standards that have not yet been effective in the current accounting period.

The Federation of Accounting Professions also has promulgated the new and revised Thai Financial Reporting Standards, Thai Accounting Standards, Thai Financial Reporting Standard Interpretations, Thai Accounting Standard Interpretations and Guidelines that have not yet been effective in the current accounting period. However, the following new and revised standards and interpretations have certain changes to their key principles:

Thai Financial Reporting Standard No. 15: Revenue from Contracts with Customers is effective for the accounting periods beginning on or after January 1, 2019 and to replace the following standards and interpretations:

Thai Accounting Standards

TAS 11 (Revised 2017)	Construction Contracts
TAS 18 (Revised 2017)	Revenue

Thai Accounting Standard Interpretation

TSIC 31 (Revised 2017)	Revenue – Barter Transactions Involving Advertising Services
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Thai Financial Reporting Standard Interpretations

TFRIC 13 (Revised 2017)	Customer Loyalty Programmes
TFRIC 15 (Revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (Revised 2017)	Transfers of Assets from Customers

According to the assessment made by the management of the Company, there will be no material effect on the financial statements in the period that the aforesaid standard is applied.

The followings are Thai Financial Reporting Standards, Thai Accounting Standard and Interpretations that are relevant to financial instruments and effective for the accounting periods beginning on or after January 1, 2020:

Thai Accounting Standard

TAS 32

Financial Instruments : Presentation

Thai Financial Reporting Standards

TFRS 7

Financial Instruments : Disclosures

TFRS 9

Financial Instruments

Thai Financial Reporting Standard Interpretations

TFRIC 16

Hedges of a Net Investment in a Foreign Operation

TFRIC 19

Extinguishing Financial Liabilities with Equity Instruments

The management of the Company is in the process of assessing the effects on the financial statements in the year that the aforesaid standards and interpretations 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 materia | - 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)

4. Cash and cash equivalents

	Unit : Baht	
	2018	2017
Cash on hand	231,404	216,526
Demand deposits	33,320,256	50,036,169
Cash equivalents-Fixed deposits	78,029	77,261
Total	<u>33,629,689</u>	<u>50,329,956</u>

Note of Financial Statement (Continued)

5. Trade and other receivables

	2018	2017
	Unit : Baht	
Trade receivables - Domestic	494,824	1,835,089
Trade receivables – Foreign	4,235,770	240,559,226
Less Compensation received from insurance against the risk	-	57,324,080
Trade receivables - Foreign, net	4,235,770	183,235,146
Total	4,730,594	185,070,235
Less Allowance for doubtful accounts	-	135,530,708
Total trade receivables, net	4,730,594	49,539,527
Accrued income	-	55,765
Other receivables	36	36
Trade and other receivables, net	4,730,630	49,595,328
Bad debt - written-off		
(net from compensation received from insurance against the risk)	176,493,702	-
Doubtful debt reversal	4,119,757	-

Aging analysis of trade receivables is as follows :

	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Not yet due	494,824	4,235,770	4,730,594	1,835,089	5,679,097	7,514,186
Overdue not over 30 days	-	-	-	-	-	-
Overdue 31 - 60 days	-	-	-	-	-	-
Overdue 61 - 90 days	-	-	-	-	554,905	554,905
Overdue 90 days plus	-	-	-	-	234,325,224	234,325,224
Total	494,824	4,235,770	4,730,594	1,835,089	240,559,226	242,394,315
Less Compensation received from insurance against export risk	-	-	-	-	57,324,080	57,324,080
	494,824	4,235,770	4,730,594	1,835,089	183,235,146	185,070,235
Less Allowance for doubtful accounts	-	-	-	-	135,530,708	135,530,708
Trade receivables, net	494,824	4,235,770	4,730,594	1,835,089	47,704,438	49,539,527

Outstanding trade receivable of a major foreign customer 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 (Exim Bank) in the amount of Baht 80 million. The above customer has faced financial problems, and its activities were 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 Exim Bank.

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 note 10.

The Board of Director meeting No. 6/2018, held on November 14, 2018 approved a resolution to write off the debtor due from the aforesaid foreign customer that is still under the judicial process of the Bankruptcy Court of the United States of America due to the Company received a letter from Export-Import Bank of Thailand who is a guarantor of export risk notified on May 8, 2017 that the Company will not get any share from the auction of the aforesaid customer's asset. According to the Board resolution, the Company wrote off amount due to foreign trade payable which is the same entity as the aforesaid foreign customer as referred to in note 10.

6. Inventories

Unit : Baht

	2018			2017		
	Cost	Allowance for decline in value	Cost, net	Cost	Allowance for decline in value	Cost, net
Finished goods	21,321,956	-	21,321,956	19,985,332	-	19,985,332
Work in process	1,402,895	-	1,402,895	2,063,846	-	2,063,846
Raw materials						
Precious stone	302,299,469	99,876,447	202,423,022	309,114,199	99,876,447	209,237,752
Others	110,167,739	3,006,939	107,160,800	113,663,328	3,006,939	110,656,389
Supplies	207,955	-	207,955	234,912	-	234,912
Total	435,400,014	102,883,386	332,516,628	445,061,617	102,883,386	342,178,231

In 2017, The Company has loss from decline in value of raw material in the amount of Baht 92,434.

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 totaling 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 land is free from mortgage.

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

The fair value of the unutilized land at the amount of Baht 102.73 million was appraised by the independent appraiser whose report dated on September 23, 2016.

8. Property, plant and equipment

Unit : Baht

	2017	Increase (Decrease) during the year			2018
		Addition	Disposal	Transfer	
Cost of assets					
Land	11,850,000	-	-	-	11,850,000
Building and improvement	21,417,802	-	-	-	21,417,802
Machinery and equipment	7,630,593	3,192,328	-	-	10,822,921
Tools and equipment	49,474,804	1,491,107	-	320,249	51,286,160
Furniture and office equipment	8,994,700	-	-	-	8,994,700
Vehicles	10,130,952	-	471,818	-	9,659,134
Total	109,498,851	4,683,435	471,818	320,249	114,030,717
Accumulated depreciation					
Building and improvement	17,243,417	468,407	-	-	17,711,824
Machinery and equipment	7,630,573	101,457	-	-	7,732,030
Tools and equipment	43,326,099	1,883,983	-	-	45,210,082
Furniture and office equipment	8,916,315	22,256	-	-	8,938,571
Vehicles	7,345,522	441,715	471,817	-	7,315,420
Total	84,461,926	2,917,818	471,817	-	86,907,927
	25,036,925				27,122,790
Add Assets during installation	4,362,209	128,486	-	(320,249)	4,170,446
Property, plant and equipment, net	29,399,134				31,293,236
Depreciation for the years					
Cost of the sale of goods	1,397,977				1,101,546
Administrative expenses	2,055,454				1,816,272

9. Intangible assets

	2017	Increase	Decrease	2018
Unit : Baht				
Cost of assets				
Computer softwares	1,430,427	30,000	-	1,460,427
Accumulated amortization				
Computer softwares	1,256,418	59,485	-	1,315,903
Intangible assets, net	174,009			144,524
Amortization for the year	72,385			59,485

10. Trade and other payables

	2018	2017
Unit : Baht		
Trade payables-Domestic	903,415	985,118
Trade payables-Foreign	-	45,082,750
Total	903,415	46,067,868
Note payables	66,239	684,267
Total trade payables	969,654	46,752,135
Other payables	421,591	747,119
Trade and other payables	1,391,245	47,499,254

Foreign trade payable is the same entity as the foreign trade receivable that faced the financial problem as referred to in note 5, 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. The Board of Director Meeting No. 6/2018, held on November 14, 2018 passed a resolution to write off balance due to the aforesaid foreign supplier together with the balance receivable from the same foreign entity as referred to in note 5.

11. Employee benefit obligations

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

	2018	2017
Employee benefit obligations-beginning	27,376,554	19,097,645
Current service cost	1,598,471	1,307,724
Interest cost	886,636	714,671
Benefits paid	3,424,000	1,110,000
Actuarial (gain) loss	(1,301,120)	7,366,514
Defined benefit obligations at December 31	25,136,541	27,376,554

As at December 31, 2018, the Company expect to pay Baht 940,678 of post-employee benefits during the next year.

Note of Financial Statement (Continued)

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

	2018	Unit : Baht 2017
Recognized in profit or loss		
Service cost	1,598,471	1,307,724
Interest cost	886,636	714,671
	<u>2,485,107</u>	<u>2,022,395</u>
Recognized in other comprehensive income		
Actuarial (gain) loss	(1,301,120)	7,366,514
Total	<u>1,183,987</u>	<u>9,388,909</u>

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

	2018	Unit : Baht 2017
Population assumptions	-	8,241,344
Financial assumptions	-	(3,313,374)
Experience adjustment	(1,301,120)	2,438,544
Total	<u>(1,301,120)</u>	<u>7,366,514</u>

Principal actuarial assumptions at the reporting date are as follows:

	2018	% per annual 2017
Discount rate	3.06	3.06
Future salary increase	3.50	3.50
Staff turnover rate	Scale related to Age ranging from 0% to 17%	
Mortality rate	According to Thailand TMO 2017	

Effect of changes of the assumptions to the present value of long term employee benefit obligation as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2,401,702)	2,813,195	(2,399,758)	2,815,041
Salary increase rate	3,040,894	(2,633,376)	2,773,037	(2,411,870)
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Staff turnover rate	(428,509)	443,713	(432,967)	448,823

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. As at December 31, 2018, the debt to equity ratio are 0.06 : 1.00 (2017 : 0.16 : 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.

Income tax for the years ended December 31, 2018 and 2017 are as follows :

	Unit : Baht	
	2018	2017
Current income tax :	-	-
Deferred tax :		
Temporary differences and reversal of temporary differences	187,779	(182,479)
Income tax	<u>187,779</u>	<u>(182,479)</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:

	2018		2017	
	Rate %	Amount	Rate %	Amount
Loss before income tax		(23,844,045)		(32,175,577)
Income tax at applicable tax rate	20	(4,768,809)	20	(6,435,115)
Current year tax loss, not recognized as deferred income tax		-		5,929,763
Tax effect :				
Disallowed expenses / income for tax calculation		7,841,710		562,573
Additional deductible expenses		(53,653)		(57,221)
Net losses deductible by law		<u>(3,019,248)</u>		<u>-</u>
Current income tax		-		-
Deferred tax:				
Temporary differences and reversal of temporary differences		187,779		(182,479)
Income tax		<u>187,779</u>		<u>(182,479)</u>

Note of Financial Statement (Continued)

The amount of income tax relating to each component of other comprehensive income for the years ended December 31, 2018 and 2017, are as follows:

	2018			2017		
	Amount before tax	Income Tax	Net of tax	Amount before tax	Income Tax	Net of tax
Actuarial (gain) losses	(1,301,120)	260,224	(1,040,896)	7,366,514	(1,473,303)	5,893,211
Total	(1,301,120)	260,224	(1,040,896)	7,366,514	(1,473,303)	5,893,211

The components of deferred tax assets and deferred tax liabilities as at December 31, 2018 and 2017 are as follows:

	2018	Unit : Baht 2017
Deferred tax assets		
Employee benefit obligations	5,027,308	5,475,311
Deferred tax liabilities	-	-
Deferred tax assets, net	<u>5,027,308</u>	<u>5,475,311</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 32.92 million (2017 : Baht 59.59 million).

14. Loss per share

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

	2018	Unit : Baht 2017
Loss for the years (Baht)	24,031,824	31,993,098
Weighted average number of ordinary shares	24,000,000	24,000,000
Loss per share (Baht)	<u>1.00</u>	<u>1.33</u>

Note of Financial Statement (Continued)

15. Classification of expenses by nature

	Unit : Baht	
	2018	2017
Changes in finished goods and work in process	(675,673)	(1,719,726)
Raw materials and supplies used	68,720,805	81,931,666
Management benefit expenses	5,637,000	5,637,000
Employee expenses	47,078,870	48,146,447
Depreciation and amortization expenses	2,977,303	3,525,816
Loss on decline in value of raw materials	-	92,434
Doubtful debt reversal	(4,119,757)	-
Others	13,640,864	14,356,205
Total	133,259,412	151,969,842

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:

	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Revenues from the sale of goods and rendering of service	35,871,640	72,743,278	108,614,918	24,690,840	94,714,168	119,405,008
Gross profit	7,867,583	(1,525,640)	6,341,943	7,079,540	(3,573,130)	3,506,410
Unallocated income and expenses						
Other income			800,449			389,257
Selling and administration expenses			(30,986,437)			(36,071,244)
Income tax expense			(187,779)			182,479
Loss for the years			(24,031,824)			(31,993,098)
Property, plant and equipment			31,293,236			29,399,134
Total assets			461,490,968			532,076,565

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

	Unit : Baht	
	2018	2017
Revenues from the sales of goods and rendering of services		
Australia	23,172,225	35,621,899
Europe	47,650,923	47,312,844
America	200,527	1,149,809
Asia	1,719,603	10,629,616
Thailand	35,871,640	24,690,840
Total	<u>108,614,918</u>	<u>119,405,008</u>

For the year ended December 31, 2018, the Company had revenues from three major foreign customers in the total amount of Baht 59.17 million (2017 : Baht 58.20 million).

17. Financial Instruments

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, 2018 and 2017, 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, 2018					
Financial assets					
Cash and cash equivalents	0.08	-	33.08	0.47	33.63
Trade and other receivables	-	-	-	4.73	4.73
Financial liabilities					
Trade and other payables	-	-	-	1.39	1.39
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

Foreign currency risk

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

As at December 31, 2018 and 2017, 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, 2018				
USD	152,296	-	32.1924	32.6148
Dec. 31, 2017				
USD	6,758,419	1,285,053	32.4342	32.8472

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 with banks as follows :

	Unit : Baht	
	2018	2017
Letters of guarantee	799,000	799,000

20. Approval of financial statements

These financial statements have been approved for issue by the Company's Board of Directors on February 27, 2019.