

บริษัท ไดมอนด์ เซรามิค จำกัด (มหาชน)  
Dynasty Ceramic Public Co.,Ltd.

# ANNUAL REPORT 2017

รายงานประจำปี 2560

DYNASTY TILETOP

*Together, We go*



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# Message from the Chairman of the Board

To Shareholders

During the past year of 2017, an economy is still not recovering from recession. It obviously seen that the oil prices are continuously rising while agricultural products prices remain low. The purchasing power of medium to low income people was decreasing. Besides, the sales of luxury goods were steady and decreased respectively. The construction sector couldn't issue their products due to the restrictions of loans were limited. A major contractor has faced liquidity crisis and could not even pay the bills on time.

The total sales of the entitled market have approximately 10 % lower than the previous year. The most companies have dumping their selling price which never happened before. Our company have also fought in this competition as we possess a number of distribution channels. The total sales of 7,363 million Baht which is 3% increase from the year before and the sales volume was 5% higher. Even the selling price became lower but our market shares still higher. Then we became the largest ceramic manufacturer with the market share of over 45%. Finally our net profit was lower than last year. In the mid of 2017, we jointly owned Royal Ceramic Industry PCL. and it was consold in the financial statement. Anyway we became the biggest capacity factory and entered top 5 in global ceramic industry ranking.

In this 2018, there is a good sign that the global economy would be improving because of the recent high agricultural products price such as fragrant rice and sugarcane. Above all, the higher oil prices have pushed stronger global economic growth. The oil production countries earns more revenue would boosted up Thailand's economic activity that will push the construction industry to be growth in the year future.

The Boards and all staff would like to appreciate to our valued shareholders for your kind continuously support. We make sure to make a higher profit in this year.

Yours faithfully,



Mr. Roongroj Saengsastra  
Chairman





# Board of Directors



Mr. Roongroj Saengsastra  
Chairman



Gen. Yuthasak Sasiprapha  
Chairman of Audit Committee  
Independent Director and Audit Director



Miss Cattleya Saengsastra  
Executive Director and  
Company Secretary



Mr. Chaiyasith Viriyamettakul  
Director



Mr. Suvit Smampanchai  
Director



Mr. Surasak Kosiyajinda  
Independent Director & Audit Committee



Mr. Monrak Saengsastra  
Chief Admin and Finance Officer  
Executive Director



Mr. Maruth Saengsastra  
Chief Marketing and Sales Officer  
Executive Director



Mr. Jaruwat Traithavil  
Chairman of Risk Management Committee  
Chief of Production Officer  
Executive Director



Mr. Siripong Tinnarat  
Independent Director & Audit Committee



Mr. Totsaporn Banyongwate  
Independent Director & Audit Committee

An abstract graphic featuring concentric circular arcs and dashed lines in shades of blue and grey, creating a sense of depth and movement. The design is centered around a white circular area containing text.

# Vision

“The Leader of Tile  
Business with Outlets  
throughout  
“Thailand





# Mission

## To Country

To produce tiles with creative production process that meets international standard at the lowest cost to manufacture quality products at reasonable prices.

## To customers

To serve our customer with wide variety of tiles at reasonable prices, easy access through our outlets throughout Thailand, high service quality, fast delivery, and continuity of products is guaranteed.

## To Shareholders

To have high dividend payout.

## To employees

To create stability for employees with Encourage employee involvement and creativity Improve employee skill with continuous training Develop key capabilities Build corporate culture Strengthen employee network and relationship

## To suppliers

To operate business with fairness and integrity with suppliers.

## To Corporate Social

To incorporate the Corporate Social Responsibility strategy

# DCC Group Values



DCCTOP

การสร้างความแตกต่าง Differentiation

เป็นผู้นำด้านต้นทุนต่ำ Cost Leadership

การปรับปรุงให้ดีขึ้นอย่างต่อเนื่อง Continuous Improvement

การบริหารจัดการแบบมีส่วนร่วม Total Management System

ความคุ้มค่า คุณภาพ Trustworthy Product Quality

การส่งมอบสินค้าตรงเวลา On Time Delivery

กำไร, สังคมและสิ่งแวดล้อม Profit, People, and Planet

# ORGANIZATION STRUCTURE

## Dynasty Ceramic PLC / DCC

Produces ceramic floor tiles and distributes all products to outlets and purchases all product from TTOP



The Royal Ceramic Industry PLC / RCI

Produces ceramic floor tiles, wall tiles and sells to Dynasty Ceramic PLC and Agents

Company with the same directors



Tile Top Industry PLC / TTOP

Produces ceramic floor tiles, wall tiles, and grout and sells all outputs to Dynasty Ceramic PLC.

DCC Subsidiary which DCC hold 96.83%

Purchases sanitary ware and other related products from local factory for sales

Retail Sales to Outlets

Wholesales to Local Agents

Export



## Nature of Business

Dynasty Ceramic Public Company Limited was formerly known as Royal Floor Tiles Co., Ltd. Its core business is the manufacture and distribution of ceramic tiles. The Company was founded on 1 August 1989, listed on the Stock Exchange of Thailand on 3 January 1992, and registered as a Public Company on 9 March 1994. Its registered capital was increased to 280 million baht, with capital paid-up at a par value of 10.0 baht per share at 272 million baht, in January, 1995.

At the end of 1997, the Shareholders and Directors of Tile Top Industry Public Co., Ltd, also a manufacturer of ceramic tiles with a factory located close to the Dynasty Ceramic Plant, bought 14.9 million ordinary shares of the company, or 54.82% of the paid-up capital, from the major shareholder which is a securities company. It has invested in more efficient machinery and developed quality and more colorful products. It has also adjusted marketing strategies to focus more on distribution to consumers.

Towards the end of 2000, the Company increased its registered capital to 408 million Baht, comprising 40.8 million shares with a par value of 10.0 Baht per share. The funds were to be utilized for the expansion of production capacity through the purchase of the entire ordinary shareholding in Tile Top Industry Public Co., Ltd from the original shareholders. As a result, the Company acquired the factory of Tile Top Industry Public Co., Ltd. The Company is currently the major shareholder in Tile Top Industry Public Co., Ltd with an equity stake of 96.83%, comprising 408 million shares with a par value of 1.0 Baht per share.

At the end of 2005, to operate a retail business in the form of factory outlets, for sale through its three subsidiaries, namely Pick and Pay Co. Ltd., Muangthong Ceramic Co. Ltd. and Worldwide Ceramic Co. Ltd, in which the Company invested an equity stake of over 97%. This enables the Company to get closer to its customers,



know what they want and understand their ceramic tile purchasing trends. The Company used such information to improve its products and services, resulting in a rise in sales.

In June 2014, the Company has conducted group restructuring by Entire Business Transfer from its three subsidiaries, namely Pick and Pay Co. Ltd., Muangthong Ceramic Co. Ltd. and Worldwide Ceramic Co. Ltd, in which the Company invested an equity stake of over 97%. As a result, Dynasty Ceramic is currently having only one subsidiary, Tile Top Industry Public Co., Ltd.

At the end of 2014, with an intention to increase stock liquidity, the Company has changes of number of ordinary shares and the par value per share of the Company's ordinary shares to 4,080,000,000 shares at Baht 0.10 each. The registered capital remains the same at 408,000,000 Baht.

In the middle year 2015, Shareholder's equity increased by registered capital from 408 million baht, to 652.8 baht from the stock dividend payment at the rate of 5 previous stock per 3 stock dividend. Total number of ordinary shares increased from 4,080 million shares to 6,528 million shares at Baht 0.10 each.

In the middle year 2016, Shareholder's equity decreased by registered capital from 652,800,000 baht to 652,799,395.80 baht equal Registered Paid-up Capital of ordinary shares 6,527,993,958 shares at Baht 0.10 each.

According to the resolution of the Annual General Meeting of Shareholders for the year 2017 held on April 24, 2017 approved the Directors and Executives of the Company for 5 directors as the management of the Royal Ceramic Industry Public Company Limited, which is operated the same business type, effective on April 28, 2017, after the resolution of the Annual General Meeting of Shareholders for the year 2017 of the Royal Ceramic Industry Public Company Limited and approved to enter into a business management contract for one year (since May 2, 2017 to May 1, 2018) and was told to terminate the contract before the end of the contract. Effective from October 1, 2017.

Due to there are the same directors working together and have control the management. The consolidated financial statements must be prepared in the same manner as the Royal Ceramic Industry Public Company Limited as a subsidiary from April 1, 2017 onwards.



Dynasty Ceramic Public Company Limited's core business is the manufacture and distribution of ceramic tiles. It buys all products produced by Tile Top Industry Public Co. Ltd. at a wholesale price for sale. The Company also purchases sanitary ware and products related to ceramic tiles such as stair components and tile grout for sale through outlets and its products are exported overseas to countries and regions including Philippine, Malaysia, South Africa, Brunei, the Maldives Indochina, Sri Lanka, Myanmar, New Zealand, Canada, Fiji, Laos, Cambodia, Yemen, Taiwan etc.

The Company is held by Thai nationals 89.05% and 10.95 % by foreigners. (Register closed 29 December, 2017)

#### Our Brands

The ceramic tiles produced by the Company and its subsidiaries comprise under the trademark "Dynasty", "Tile Top", "Tomahawk", "Jaguar", "Anna", "Value", "Mustang"

#### Product Types and Sizes

Floor Tile (Unit : CM)

Size 60 x 60 , 60 x 60 (Digital)

Size 30 x 60 (Rectified) , 30x60(Digital Rectified)

Size 40x 40 , 40x40 (Rectified) , 40x40 (Digital) , 40x40 (Digital Rectified)

Size 30x30 , 30x30(Digital)

Size 20x20

Wall Tile (Unit : CM)

Size 20 x 20,

Size 20 x 25, 20 x 25 (Digital)

20 x 30, 20x30 (Digital)

25x40, 25x40(Digital)

Grout (Produces by the subsidiary)

Brand of products (Trading goods)

Cement Grout under Crocodile Silver Trademark

Tile Adhesive under DAVCO Trademark and Gecko Trademark

#### Income Structure

- Sales from tiles produces by Dynasty Ceramic PCL
- Sales from tiles and grout purchases from Tile Top Industry PCL (TTOP) and The Royal Ceramic Industry PCL and markup margin.
- Sales from purchases sanitary ware and other related products from local factory.
- Other income such as Gain from exchange rate, Interest income, Gain from sale of fixed assets etc.

Total Income structure in the last 3 years (Consolidated Financial Statement)

Type of Income	by	Y 2017 <sup>(1)</sup>		Y 2016		Y 2015	
		MB	%	MB	%	MB	%
Domestic							
Sales from tiles	DCC + TTOP	6,790	92	6,672	93	6,744	94
Sales from grout and others	DCC and Outlets	285	4	201	3	190	3
Total Sales - Domestic		7,075	96	6,873	96	6,934	97
Overseas							
Sales from tiles	DCC + TTOP	288	4	291	4	237	3
Sales from grout and others	DCC	0	0	1	0	1	0
Total Sales - Overseas		288	4	292	4	238	3
Total Sales		7,363	100	7,165	100	7,172	100
Others income		30	0	19	0	12	0
Total income		7,393	100	7,184	100	7,184	100

(1) According to the resolution of the Annual General Meeting of Shareholders for the year 2017, held on 27 April, 2017, approved the company to be hired in management contract with The Royal Ceramic Public Company Limited ("RCI") and has authorized in controlling the management through the same Directors and Executives included determining the management policy. Therefore, RCI has allocated in the consolidated financial statements since 1st April, 2017.



# Major changes in 2017



## Factory

### Product development and increase in employment of digital technology in the production process

During the past year, the company has put its emphasis on improvement in production process toward the digital era. Two original production processes have been adjusted through introduction of the digital printing system which could be able to respond to the needs of the customers of every target group as much as possible, to make the distinguished printing work similar to the natural materials and to enhance the competitive edge with response time to the customer needs. Development and research on ceramic tile production formula and study on quality of various raw materials have been consistently undertaken to reduce the amount of energy consumed in the production process.

### Increase in productivity of the production system

The Policy on Dynasty Creative Productivity System has been employed consistently in the production process with improvement in speed, accuracy, balance and communication in the production system toward maximum productivity of the production process.

In 2017 the production line has been improved and developed through continuous production policy with result of the major change, that is, reduced firing process. That has increased the production capacity of the existing production line in accordance with the production policy continuously undertaken and the response to the market need could be made rapidly. That has strengthen in the production process.

Collection of knowledge and development of production system from the field work have been encouraged and undertaken consistently so the work has enhanced more productivity. Promotion and use of “One Point Lesson” at the field work have simply caused learning, transfer of knowledge and experience in the organization without any complexity.



## Head Office

[Joint directors and authority to control and manage The Royal Ceramic Industry Public Co., Ltd. which is in the same business](#)

According to the resolution of the general meeting in 2017 on 25 April 2017, the directors and executives of the company for 5 persons had been approved to become the director and executive of The Royal Ceramic Industry Public Co., Ltd. which is involved in the same business with effect after the resolution of the general meeting of shareholders of 2017 of The Royal Ceramic Industry Public Co., Ltd. was held on 28 April 2017 and approved the management contract of one year (2 May 2017 to 1 May 2018) and such contract was terminated before its expiry with effect on 1 October 2017. As the companies had joint directors and controlling power on management, the consolidated financial statement have been prepared as if Royal Ceramic Industry Co., Ltd. (Public) is a subsidiary company since 1 April 2017.



### Software development

Every unit in the organization is recognized for its importance so new applications have been developed continuously and the existing software applications have been improved to reduce the working process and redundancy.

### Development of efficiency of employees and working process

The focus is on efficiency and quality to ensure that the employees could create and present their ideas for development of the work quality to ensure concordance in each unit, including arrangement of training program in each unit throughout the year with emphasis on employment of the software to ensure maximum efficiency.

## Branch Office

### Expansion of branch offices and improvement of brand image

The company is still looking for location to set up new additional branch offices and to relocate the branch offices to replace the existing branch offices which are unable to renew the land rental contract to ensure that Dynasty is able to enlarge its business operation and to emphasize the image of the branch office with modern look, convenience for visiting customers. In addition, the customer service area, working room and employee room will be improved continuously to motivate the employees with better workplace and that will indirectly affect the services minded.

### Improvement in efficiency of employees

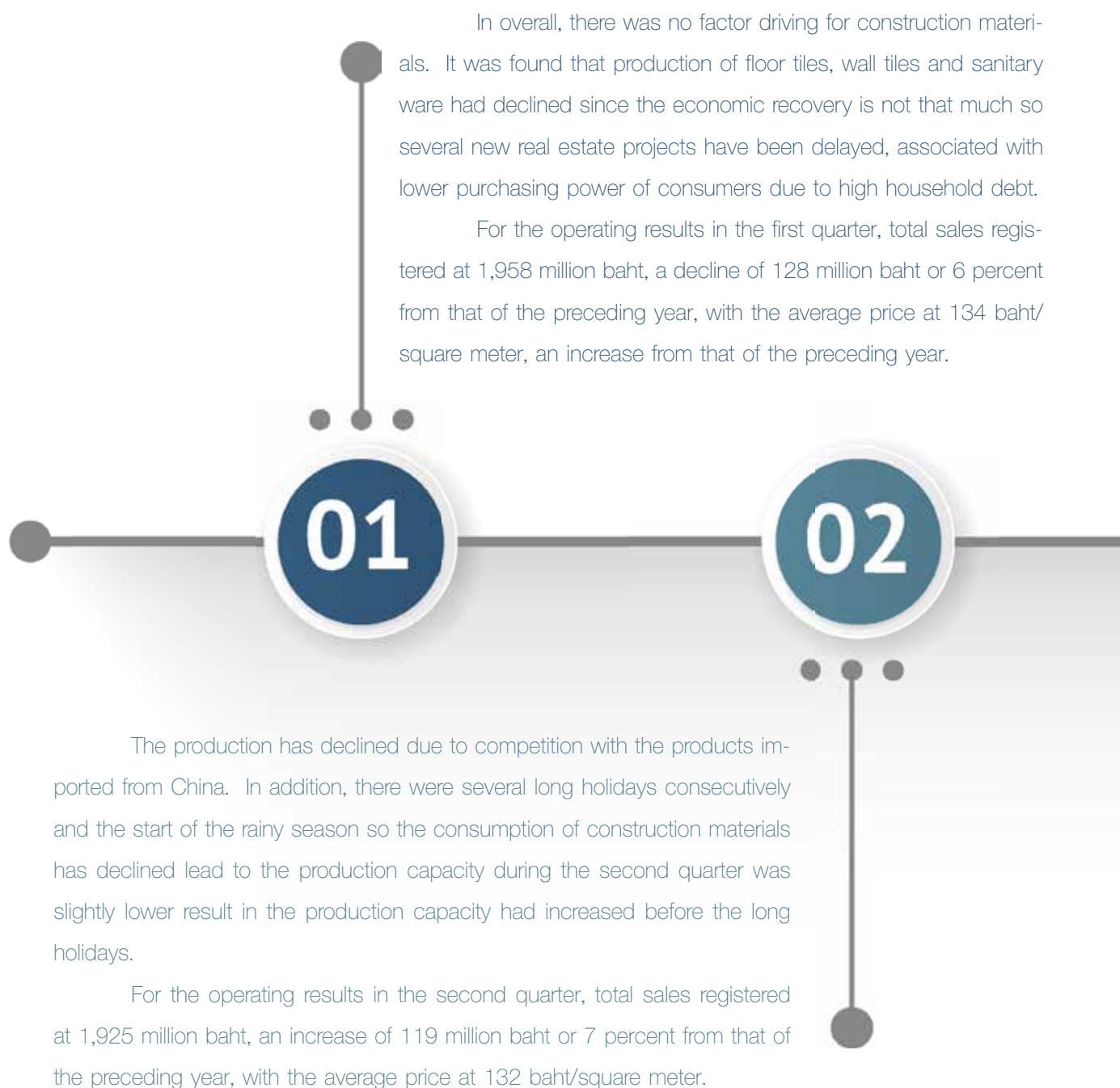
The company has arranged the training program to introduce the product information and working process to the employees in every branch offices around the country to improve the potential of the employees. The employees will be



rotated and divided into classes to learn of the information and working procedure of the same standard to improve personality, dressing, cleanliness, communication, including KPI Project to measure understanding of the employees and management of the branch manager and "Top salesperson" Project to provide incentive to sale person and make the driving force for new salespersons.

# Industrial conditions and competition

In 2017, the economy grew at a better rate but without a certain direction with support through recovery in domestic consumption and continued growth in tourism in coordination with growth in public spending and agricultural products and higher rubber price. For the ceramic industry, the company has made an assessment on a quarterly basis as follows.



## Performance in 2017

Total annual sale was 7,363 million baht, an increase of 198 million baht or 3 percent from that of the preceding year. The average price was at 128 baht/square meter, the gross profit was at 39 percent and the net profit for the year was 1,117 million baht.

The production and sales have grown up due to the better purchasing power of the upper market with focus on quality and beauty of the product and the growth in export of ceramic products as well.

For the operating results in the third quarter, total sales registered at 1,703 million baht, an increase of 98 million baht or 6 percent from that of the preceding year, with the average price at 123 baht/square meter.

03

Purchase orders for construction materials have a tendency to increase for store improvement and decoration after the Royal Cremation Ceremony of His Majesty the King Bhumibol Adulyadej, in October. Besides the production was undertaken to facilitate the exports with support from the public sector and several privileges such as tax privileges and convenience provided by various agencies.

For the operating results in the fourth quarter, total sales registered at 1,777 million baht, an increase of 108 million baht or 7 percent from that of the preceding year, with the average price at 123 baht/square meter.

04

## Risk Factors

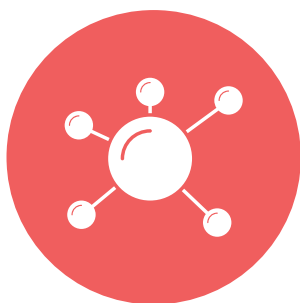
The risk management and reduction of Dynasty Ceramic Co., Ltd. (Public) have been assessed consistently and is held one of the management principles of every sectors. Last year, the company is able to summarize the issues related to the risk factors as follows.



### Risk related to economic and business conditions

The overall economic conditions of the country and the ceramic tile business conditions in 2017 have been monitored since the competition has been more severe than that of last years from both domestic and foreign manufacturers.

Therefore the marketing strategy of the company was focused on development and increase in distribution channel through market penetration and arrangement of network to cover all groups of customers. Such channel development has become a key factor driving toward change in strategy through improvement of production capacity and efficiency to enhance opportunity and competitiveness.



### Risk related to shortage of raw materials

The main raw materials for ceramic tile production are clays, stones, minerals, coating substances, chemicals and water and there is a pricing and shortage risks. The company is aware of the possible risks and has arranged the preventive measures such as development of alternative production formula which could employ alternative raw materials, procurement or additional quality raw materials from both domestic and overseas sources, monitoring drought and flood conditions which may affect the sources of raw materials and production process of the company.





## Financial risk



### Liquidity risk

To ensure that the company has sufficient liquidity, the management has monitored and assessed the liquidity of the company consistently to maintain the working capital and to prepare the fund sufficient for payments and obligations and to prevent the risk from possible fluctuation of cash flows.

### Interest rate risk

The interest rate has been managed to ensure balance and reduce the impacts possibly incurred from fluctuation of the interest rate.

### Exchange rate risk

The exchange rate risk incurred from sale and purchase of products in foreign currencies has been handled through balancing the payment for value of raw materials, spare parts and machines imported and export incomes. That is the major policy on exchange rate risk management.

### Credit risk

The credit risk incurred with the accounts receivable has been managed and controlled through the credit policy and tools like the letter of guarantee from the financial institutes, monitoring and assessment of credibility of the debtors continuously to reduce the risk of the company.

## Risk related to environment and community



The main raw materials which have been through various processes in the ceramic tile factory are mostly natural raw materials so the direct and indirect impacts towards environment and communities are unavoidable. Therefore the policy of the company for internal agencies and external trading partners is to hold on to fairness and compliance with laws and regulations related to environment and community. Besides the company has undertaken the corporate social responsibility project consistently for the society and environment.

## Risk related to Occupational Sanitation Risk



The ceramic tile production process is involved with the operation risk related to dust, heat and machine. Thus it is essential to make an emphasis on personal safety and health. The business of the company has been conducted in accordance with related standards, laws and regulations, both safety and health. The risk with impacts on safety and health is classified as unacceptable risk and there is a need to arrange to counter measure to reduce such risk immediately. The health and safety risks are assessed periodically with measures and standards arranged to reduce health and safety risks through activities in the company such as zero-accident project.

## Risk related to personnel and development of personnel competence



At present the labor shortage has impacted for some industries as the work force in the working age has declined. Competition for skillful labor has incurred with some industries. The company is aware of the development of the competence of personnel and introduction of modern technology. In the past, the personnel development policy of the company has been made in accordance with current and prospective technology. Skill of personnel has been upgraded through knowledge management and promotion of productivity in the company. External lecturers and experts have been invited for training and improvement of competence of personnel in various sectors.

# Company Profile

Company	Dynasty Ceramic Public Company Limited (DCC)
Company Registration	Bor.Mor.Jor. (PCL) 321 (0107537000742)
Established	1 August 1989
Listing on the SET	3 January 1992, trading under the abbreviation “DCC” under the construction materials group
Registered Capital	652,799,395.80 Baht
Registered Paid-up Capital	652,799,395.80 Baht, comprising of 6,527,993,958 shares with a par value of 0.10 Baht per share
Nature of Business	<p>Manufacturer and distributor of ceramic floor and wall tiles.</p> <p>The Company purchases the ceramic floor, wall and Tile grout from Tile Top Industry Public, Co., Ltd., which is one of the subsidiaries of the Company. In addition, DCC orders other related products such as Tile grout, Tile adhesive, Corner-trim for sale.</p>
Head Office	<p>Address 37/7 Suthisarn-Vinijchai Road, Samsen-Nok Sub-district HuayKwang District, Bangkok 10310</p> <p>Tel. 0-2276-9275-81 Fax. 0-2276-0313-17</p> <p><a href="http://www.dynastyceramic.com">http://www.dynastyceramic.com</a></p>
DCC Factory	<p>Address 54/8 Moo3, Suwannasorn Road, Koke Yae Sub-District, NongKae District, Saraburi Province 18230</p> <p>Tel. 036-379023-4 Fax. 036-371024</p>
Subsidiaries	<p>1.Tile Top Industry Public Co., Ltd</p> <p>Manufacturer of ceramic floor and wall tiles</p> <p><b>Head Office</b> Address 37/7 Suthisarn-Vinijchai Road, Samsen-Nok Sub-district HuayKwang District, Bangkok 10310</p> <p><b>Factory Address</b> 3/2 Moo 8, Paholyothin Road, Nong Khai Nam Sub district, Nong Khae District, Saraburi Province 18140</p> <p>Tel. 036-371815 Fax. 036-371111</p>

2.The Royal Ceramic Industry Public Co., Ltd

Manufacturer of ceramic floor and wall tiles

**Head Office** Address 37/7 DCC Building Suthisarn-Vinijchai Road,  
Samsen-Nok Sub-district HuayKwang District, Bangkok 10310

**Factory** Address 54/7 Moo 3, Suwannasorn Road, Koke Yae  
Sub-District, NongKae District, Saraburi Province 18230

Tel. 036-305249 Fax. 036-305988

Registrar

Thailand Securities Depository Co., Ltd.

93 Ratchadaphisek Road, Dindaeng,  
Bangkok 10400, Thailand

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“Investors can learn more about the company from the Company’s Annual Registration Statement  
(Form 56-1) on [www.sec.or.th](http://www.sec.or.th) or [www.dynastyceramic.com](http://www.dynastyceramic.com)”

# Report of the Audit Committee

## To Shareholders

The Board of Directors of Dynasty Ceramic Public Co., Ltd. has appointed the independent directors to be the audit committee to perform the work in accordance with the charter of the audit committee, that is, review of the financial statements, internal control system, internal audit, compliance with laws, policies, regulations, order, review of the inter-company transactions and conflict of interest, promotion of good governance and proposal on appointment and determination of remuneration of the auditor. The independent directors and audit committee in the past year consisted of the followings.

Name-Surname	Title	Number of attendance to the meeting in 2017 (times)	Remark
1. Gen. Yuthasak Sasiprapa	Chairman of the audit committee	4/4	
2. Mr. Surasak Kosiyachinda	Independent director/ audit committee member	4/4	Replace leaving director
3. Mr. Yothin Juangpanich	Independent director/ audit committee member	1/1	Resign and term expired on 24 April 2017
4. Mr. Siriphong Thinrat*	Independent director/ audit committee member	3/3	Replace leaving director
5. Mr. Phajon Khajitsarn	Independent director/ audit committee member	1/1	Resign and term expired on 24 April 2017
6. Mr. Thossaporn Banyongwes	Independent director/ audit committee member	3/3	Replace leaving director

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

To accomplish the duties and responsibilities described above, in 2017 all audit committee has consistently attended the meeting four times to supervise the audit work to ensure fairness and independence from the management, the audit committee has conducted the joint meeting with the auditor. The auditor has made a comment that cooperation has been well provided and the accounting standards are appropriately complied. The audit committee has provided an opportunity to the internal auditor and auditor for discussion at all times. The summary of the meeting could be concluded as follows.

### 1. Review of the quarterly and annual financial statements of the individual company and the consolidated financial statements in 2017

The joint meeting among the auditor, the internal auditor, the accounting director and the related management has been arranged to review the data, evidence and accounting system, including inquiries and clarification on the key transactions to ensure that the financial statements are reliable in accordance with the accounting standards provided by the Federation of Accounting Professions of Thailand issued in pursuant to the Accounting Act and sufficient disclosure in notes to financial statements suitable to business undertaken while the auditor has expressed an unqualified opinion on the individual financial statements and consolidated financial statements of the company.

After the review has been conducted to the satisfactory level, the audit committee has approved the report of the auditor, the financial statements and notes to financial statements and such consolidated financial statements for submission to the board of directors before they were submitted for approval by the general meeting of shareholders of the company.

### 2. Review of the internal control system

The audit committee has reviewed and assessed the internal control system in accordance with the concept of COSO (The Committee of Sponsoring Organizations of the Treadway Commission) which has been improved and the computer system employed to record the financial information and the work jointly conducted with the management related to compliance with the internal control



requirements and authority and duty of the company. It is viewed that the internal control system and computer system of the company is adequate and appropriate for the work in accordance with the business environment in congruence with the assessment of the auditor which has not material comment on the internal control system of the company.

### 3. Review of the internal control

The audit committee has reviewed the audit work in accordance with the plan and it is found that the work has been accomplished in accordance with the targets and developed in accordance with the vision, that is, creative examination to enhance value added to the organization in accordance with the good governance principles, to determine the strategy and plan completely in accordance with the target based on the quarterly summary of the audit report which has presented the issued found and joint comments with the audited units to determine the corrective measures to ensure additional efficiency of the working units.

### 4. Review on compliance with laws, regulations and requirements

The audit committee has conduct a joint review with the auditing unit and the related management and found that the working units have satisfactorily complied with the laws, regulations and requirements provided. In case of the discrepancies, the correction would be undertaken as soon as possible. In addition, the agenda was involved with changes in laws, accounting standards and other matters related to the operation of the company in each quarter to make a study and provide comments on the suitable practices of the related units in compliance with the operation and business of the company.

### 5. Assessment on risk management

The audit committee has reviewed and assessed the risk management of the risk management committee and it is found that the company has complied with the requirements on risk management with risk control, monitoring and management, particularly in reducing the major risk, to the acceptable level as evident in the performance which is more efficient, concise, rapid and could reduce the working time while the key risk factors are shown in the annual report.

### 6. Review of inter-company transactions and conflict of interest transactions

The audit committee has examined and made comments on inter-company transactions or transactions with possible conflict of interest of the company and its subsidiaries on a quarterly basis based on awareness principle, reasonable and consideration of the stakeholders benefits, including sufficient disclosure in accordance with the conditions provided by the Stock Exchange of Thailand while such transactions have been sufficiently disclosed in notes to financial statements.

### 7. Promotion of good governance

The company has determined to manage the business in accordance with the good governance principles to ensure transparency and ethics with Whistle blower to accept non-compliance with laws, regulations, requirements and ethics. That will enhance confidence of shareholders and stakeholders. In 2017 there were a few claims against non-compliance with regulations and fraud and the investigations have been completed in accordance with the regulation. In addition, the communication activities have been arranged for the employees in all levels to ensure understanding and compliance with the ethics, particularly, anti-corruption, and increase in performance efficiency. As a result, the internal audit work has been developed toward the prevention.

### 8. Proposed appointment and remuneration of the auditor for the year 2018

The audit committee has proposed the new auditor based on the qualification and experience as deemed appropriate, which is Karin Audit Co., Ltd. to become the auditor of the company and its subsidiaries and proposed to the board of directors of the company for approval before it is submitted to the general meeting of shareholders for appointment and determination of remuneration of the auditor in 2018. According to the assessment in “Self-Assessment Form of the Audit Committee” of 2017, the audit committee is able to completely comply with the charter provided by the audit committee.

The opinion of the audit committee is that the company has the process to prepare and disclose the appropriate and reliable information in the financial statements with adequate internal control system, supervision and risk management, the related-company transactions have been disclosed in accordance with the criteria to reflect transparent management and complied with the good governance principles as regulated by the Stock Exchange of Thailand.

On behalf of the Audit Committee  
Dynasty Ceramic Co., Ltd. (Public)

Gen



(Yuthasak Sasiprapa)

Chairman on the Audit Committee

20 February 2018

# Report of the Executive and Corporate Governance Committee

To the shareholders

The Board of Directors has appointed the Corporate Governance Committee to be responsible for the corporate governance of the Company in accordance with the principles of good corporate governance.

In 2017, the Corporate Governance Committee conducted a total of two corporate governance meeting in accordance with the established corporate governance policy and plans. To summarize, the Company's corporate governance meeting was conducted in the following aspects:

- To determine the strategy and operational plan of the Company and its subsidiaries. The Strategies and Plan are delivered to management and staff at all levels in the organization. To be consistent and meet the objective set including to monitor the performance of the Company and its subsidiaries to operate in accordance with the plan as assigned by the Board of Directors, approved to the annual budget, the investment of the company before proposed to the Board of Directors for approval.
- Considered and approved corporate governance procedure in order to comply with the principles of good corporate governance to promote corporate governance continuously as corporate culture such as:
  - Gave rights to shareholders to propose agenda and/or to nominate qualified candidates to be elected as Directors at the 2018 Annual General Meeting of Shareholder.
  - Promoted the Board of Directors and Management to conduct a self-assessment according to the Corporate Governance Self-Assessment Evaluation.
  - Encouraged the implementation of the defined anti-corruption policy
- Ensured the implementation of program and activities of corporate social responsibility policies.
- Reviewed and communicated good corporate governance and code of conduct, to be current and consistent with the guidelines of the stock exchange of Thailand and the regulatory agencies.

Such evaluation, which imply that the company has given priority and importance to good governance, concentrate and dedicate all attempts to comply with principles of good corporate governance constantly.



(Mr. Roongroj Saengsastra)

Chairman of the Corporate Governance Committee

# Report of the Risk Management Committee

Dear Shareholders

The Board of Directors of Dynasty Ceramic Public Co., Ltd. has appointed the risk management committee with roles and duties of supervision to ensure that the company has completely managed its risk in every main activities with consideration on related risk and on determination of plan to reduce or handle the impact of the risk related to the business to ensure that the risk of the company has been undertaken effectively and continuously toward a sustainable business.

In 2017, the sub-working group made a discussion and conclusion on the duties to be performed as follows.

- To review and streamline efficiency of the risk management system of the organization in the corporate group under the same standard to ensure that the key risk factors have been completely identified, both in and outside the organization and to arrange the efficient risk management process and also determine and improve the corporate policy appropriately in accordance with the situation.
- To monitor the risk management plan of various setors. If there is additional risk or change in risk, the problem could be handled in a timely manner so that the company could manage the key risk within an acceptable level.
- To encourage and build the risk management culture in the organization so the employees in every level are able to participate in the risk management related to the work under their responsibility.

The risk management committee has considered that the company has arranged risk management plan and undertaken such policy consistently and efficiently in coordination with corporate governance, including adequate and suitable internal control, good corporate governance policy and compliance with related laws, regulations, rules and requirements.



(Mr. Jaruwat Traithavil)

Chairman of the Risk Management Committee

# Report of the Nomination and Remuneration Committee

To the Shareholders

During the year 2017, the Nomination and Remuneration Committee of the Company which currently consists;

Name	Position	Total Meeting in 2017 (Times)	Remark
1. Mr. Roongroj Saengsastra	Chairman	2/2	
2. Mr. Sanchai Jenejarat	Member	1/1	To resign 30 June 2017
3. Mr. Monrak Saengsastra	Member	2/2	
4. Mr. Maruth Saengsastra	Member	2/2	
5. Mr. Jaruwat Traithavil	Member	1/1	Appointed as a director, August 8,2017

Miss Supaporn Meephatra as the secretary had held 2 meetings, with perfect attendance, to consider related matters. The committee has continuously held the meetings and regularly suggested opinion to the board of directors to consider. The important outcomes could be summarized as follows:

- Deliberating the qualifications of candidates for the Company's directors

#### Replacement of Directors who resigned during the year

During the year 2017, Mr.Sunchai Janejarat, the Managing Director, resigned effective on June 30,2017. According to Article 19 of the Company's Articles of Association, " In the case where the director vacates for the other reasons in addition to leaving the term. The director shall select any person who has qualifications and has no prohibited characteristics as prescribed to be a replacement director for the meeting, unless the term of the vacant position is less than 2 months".

The nomination and remuneration committee has recruited qualified persons according to the company's recruitment process. The qualification required by the Public Limited Companies Act, it must be a person with knowledge, ability and experience that is beneficial to the company's business with a broad vision. This will contribute to the success of the organization's strategy and strengthen its corporate governance. So proposed to appointed Mr.Jaruwat Traithavil , who currently holds the position of Executive Vice President- Production Division of Dynasty Ceramic and Tile Top Industry, responsible for the production of the two factories, who is qualified a vacant director.

#### To replace directors who are retired by rotation

In enhancing and supporting the Company's Good Corporate Governance Policy on welcoming the minor shareholders' proposal on appropriate candidates to be appointed as the Company's directors via direct contact with the Company Secretary, Investor Relation Unit, or the Company's website from 1 October 2017 to 31 December 2017. During such period, no shareholder nominated any candidate for consideration.



In 2017, there are four directors who are retired by rotation consists of Independent Director/Audit Committee two directors namely are Gen. Yuthasak Sasipraphaas and Mr. Surasak Kosiyajinda and two Directors namely are Mr. Monrak Saengsastra and Maruth Saengsastra. Therefore the Committee (excluding the member with vested interests) has considered candidates with qualifications required by the Public Limited Company Act who are knowledgeable, capable, experienced in the Company's business, and also has broad visions. And propose to elect the two Independent Director/Audit Committee and two Directors who have retired by rotation to be the Company's Directors for another term. And propose to the Board of Directors to approve before submitting to the Annual General Meeting of Shareholders for approval.

- **Setting the directors and sub committee's remuneration**

The Nomination and Remuneration Committee has considered setting the directors and sub committee's remuneration in terms of meeting allowance and annual bonus with careful consideration by taking into account for their respective duties and responsibilities and benchmarking with the remuneration of comparable leading companies of the same size in similar industry for suitability and transparency. The Committee has proposed the allocation guideline to the Board of Directors before submitting to the Annual General Meeting of Shareholders for approval.

- **Determine the rate of salary increases and bonuses**

The Nomination and Remuneration Committee has considered the criteria to determine the rate of annual salary increase for the year 2018 and determine the annual bonus for the year 2016 and policy of annual bonuses for the year 2017 in collaboration with human resources and the Management Committee in the proper ratio and correspond to the performance of the company.

- **Performance evaluation of the Board of Directors**

Provide a self-evaluation of the Board of Directors, sub-committee, and individual annually. The assessment result is reported to the Board of Directors to acknowledge and use to improve operational efficiency and achieve the objectives of the Company.

The Nomination and Remuneration Committee had independently and transparently performed its roles and duties as assigned by the Board of Directors with full effort, honesty, integrity, and prudence for the best benefit of the Company, shareholders, and all stakeholders with determination to operate with fair treatments in accordance with good corporate governance set by the Stock Exchange of Thailand and accepted international standard.



(Mr. Roongroj Saengsastra)

Chairman of the Nomination and  
Remuneration Committee

# Report of the Board of Directors' Responsibilities for Financial Reports

To the Shareholders

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

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

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

The Board of Directors viewed that the Company has maintained an effective internal control system at an adequate and appropriate level of protection to assure the credibility of the consolidated and Company-only financial statements presenting the financial positions as of December 31, 2017.



(Mr. Roongroj Saengsastra)  
Chairman/ Chief Executive officer

# Shareholding Structure

Shareholding structure (10 major shareholders) and shareholding changes in the last 3 years are as follows.

Ranking No.	Shareholder name	% of shareholding		
		29 Jan 2016	31 Jan 2017	29 Dec 2017
1	Mr. Roongroj Saengsastra	24.510	24.510	24.510
2	Mr. Monrak Saengsastra	7.353	7.353	7.353
3	Mr. Maruth Saengsastra	7.353	7.353	7.353
4	Mr. Chaiyasith Viriyametakul	5.038	5.038	5.038
5	N.C.B.TRUST LIMITED-NORGES BANK 11	2.723	2.723	2.887
6	Miss Cattleya Saengsastra	2.696	2.696	2.696
7	Miss Supanee Thongplengsri	3.913	2.838	2.613
8	CHASE NOMINEES LIMITED	-	3.107	2.491
9	Mr. Suvit Smarnphanchai	2.451	2.451	2.451
10	Miss Rotsukon Wadcharasurang	2.257	2.257	2.257
Total 10 major shareholders		58.294	60.326	59.649
Total number of shares (Shares)		6,528,000,000	6,527,993,958	6,527,993,958
Issued and Paid-up share capital (Baht)		652,799,395.80	652,799,395.80	652,799,395.80
Authorized Share Capital (Baht)		652,800,000	652,799,395.80	652,799,395.80

Data as of 29 December 2017

Shareholders that are Thai legal entities 44 entities; holding 793,969,722 shares or 12.16%

Major shareholder that is Thai legal entity is Krungsri Dividend Stock LTF

Shareholders that are foreign legal entities 54 entities; holding 714,862,020 shares or 10.95%

Major shareholder that is foreign legal N.C.B.TRUST LIMITED-NORGES BANK 11

# Shareholding Structure of the Subsidiaries

## 1. Tile Top Industry Public Company Limited

Company/individual shareholder name	No. of shares	% of shareholding
1. Dynasty Ceramic Public Co., Ltd.	21,495,906	96.83
2. Kiatnakin Bank Public Co., Ltd.	300,000	1.35
3. Thailand Asset Management	400,000	1.80

Securities of Dynasty Ceramic Public Co., Ltd consist of;

- No debentures or warrants have been issued whatsoever.
- No obligations with regard to the issue of future securities to Thai Trust Fund
- No Major Shareholding Agreement on any company's business

As of 31 December 2017, the Company's investments in ordinary shares of subsidiaries are as follows:

Company's name	Authorized Share Capital (Baht)	Issued and Paid-up share capital (Baht)	Par value per share (Baht)	Holding (%)	Cost Method (Baht)	Investment in other companies
<b>Subsidiaries companies:</b>						
Tile Top Industry Public Co., Ltd	300,000,000	222,000,000	10	96.83	109,479,530	None
Pick and Pay Co., Ltd *	12,000,000	12,000,000	100	97.99	12,519,986	None
Muangthong Ceramic Co., Ltd *	4,500,000	4,500,000	100	99.98	4,790,334	None
World Wide Ceramic Co., Ltd *	1,000,000	1,000,000	100	99.93	1,063,937	None
<b>Total</b>	<b>317,500,000</b>	<b>239,500,000</b>			<b>127,853,787</b>	

\*The three subsidiaries have already registered the dissolution with the Department of Business Development Ministry of Commerce and will further complete the process of liquidation.



# DIVIDEND PAYMENT POLICY

“The Company’s dividend policy requires the company to distribute the dividend of not less than 70 percent of the consolidated net profit after tax

However, DCC Performance and Retained earnings should not be negative and depending on the sufficiency to the Company’s Cash Flow and investment plans and other relevant factors.”

The Meeting resolved that the Annual General Meeting of Shareholders for the year 2018 be proposed to consider and approve the payment of the annual dividend of the year 2017 at the rate of 0.128 Baht per share, for total number of 6,527,993,958 shares as the issued and paid-up share capital of the Company, totally 835,583,227 Baht, of which cash totally 685,439,366 Baht or 0.105 Baht per share was paid as interim dividend during the year 2017. The remaining of 0.023 Baht would be further paid out totally 150,143,861 Baht, the dividend payout ratio of the Company shall be 75%. In case of the Meeting of Shareholders for the year 2018 approves the dividend payment as proposed.

Total dividends paid in the past 5 years (Baht / share)

Dividend Details	2017	2016	2015	2014	2013
1.Net Profit (Million Baht)	1,117	1,422	1,372	1,227	1,298
2.Number of shares (Million Shares)	6,528	6,528	6,528	4,080	4,080
3.Earning per Share (Baht)	0.171	0.218	0.210	0.301	0.318
4.Dividend paid per share (Baht)	0.128	0.16325	0.210	0.301	0.318
5.Total Dividend Paid (Million Baht)	836	1,066	1,371	1,228	1,297
6.Dividend Payout Ratio (%)	75	75	100	100	100

Y2017	Net Profit (Million Baht)	Earning per Share (Baht)	Directors approved to pay Dividend (Baht/Share)	Dividend Payout Ratio (%)
Quarter 1	346	0.053	0.040	75
Quarter 2	321	0.049	0.037	76
Quarter 3	242	0.037	0.028	76
Quarter 4	208	0.032	0.023	72
SOU	1,117	0.171	0.128	75

# Management structure

Comprises 5 committees and 1 management team that is

- 1.The Board of Directors
- 2.The Audit Committee
- 3.The Nomination and Remuneration Committee
- 4.Risk Management and Business Continuity Committee (RMBC)
- 5.The Executive & Corporate Governance Committee

## 1.The Board of Directors

The Board of Directors comprises 11 members

1.Mr. Roongroj	Saengsastra	Chairman/ Chief Executive officer
2.Gen. Yuthasak	Sasiprapha	Independent Director and Chairman of Audit Committee
3.Mr. Surasak	Kosiyajinda	Independent Director and Audit Committee
4. Mr. Siripong	Tinnarat	Independent Director and Audit Committee
5.Mr. Totsaporn	Banyongwate	Independent Director and Audit Committee
6.Mr. Chaikasith	Viriyamettakul	Director
7.Mr. Suvit	Smarnphanchai	Director
8.Ms. Cattleya	Saengsastra	Executive Director and Company's Secretary
9.Mr. Monrak	Saengsastra	Chief Admin and Finance Officer
10.Mr. Maruth	Saengsastra	Chief Marketing and Sales Officer
11.Mr. Jaruwat	Traithavil	Chief Production Officer

All Directors have a number of duties and responsibilities, which include the following:

1. Directors should have sufficient access to financial and other business information to perform their duties effectively.
2. Directors should regularly attend every Board meeting, including committee meetings, raise essential questions to protect and ensure the rights and interests of DCC's shareholders and other stakeholders, and ensure that the Company complies with best practices.
3. Directors should have the ability and display the willingness to learn DCC's business and express their views independently by dedicating sufficient time and attention to all substantive issues.
4. Non-executive directors are not expected to stay in their positions beyond a certain time limit. However, the difficulties of finding appropriate replacements, the benefits of the working relationship built up over the years within the Board and their understanding of the business are taken into account. While no time limits were formally established, the policy on director terms is that non-executive directors should not be older than 70 years old and are not generally expected to hold office for more than ten years or four terms, consecutively or otherwise, unless there are justifiable reasons for their continuity, taking into consideration the responsibility of such persons, and their past, current, and anticipated contributions to DCC. As a matter of principle, DCC limits the number of active boards on which our Directors may sit to ensure that they have sufficient time to devote to DCC business affairs.

### 1.1 Executive Director

An executive director is a director who is involved in management on a full-time basis and receives regular monthly remuneration from DCC in the form of salary or its equivalent.

### 1.2 Independent Director

An independent director is a director who does not manage DCC or any of its subsidiaries, is independent from management and major shareholders, and has no business dealings with DCC, which may compromise our interests and/or the shareholders' interests.

The main qualifications of an independent director include:

1. They must not hold more than 1 percent, including shares held by a related person, of the issued shares of DCC, its subsidiary, affiliate, or related company. To act as a member of the Audit Committee, the ownership restriction must not exceed 0.5 percent.
2. They must not be or have previously been directors who take part in management of DCC, an employee, a staff, a major shareholder of DCC, member or advisor who receives a regular salary, or a controlling person of DCC, its subsidiary, affiliate, related company, or same-level subsidiary unless they have not been involved in such positions for at least two years prior to the date of appointment. Such business relationship shall not be inclusive of the independent director who has previously been an officer or a consultant in a government sector who is a major shareholder or a controlling person of DCC.
3. They must be free of any direct or indirect, financial or other interests in the management and business of DCC, its subsidiary, affiliate, related company, a major shareholder, or a controlling person in a way that might interfere with their independent opinions, and neither being nor having been a significant shareholder, or a controlling person having business relationship with DCC, its subsidiary, affiliate, related company, or a major shareholder of DCC, unless they have not been involved in such positions for at least two years prior to the date of appointment.
4. They must not be related to any executive director, executive officer, controlling person, or major shareholder no matter by blood or registration under laws such as parents, spouse, siblings, and children, including the spouse of the children, executives, major shareholder, controlling person, or persons to be nominated as executive or controlling person of DCC or its subsidiary.
5. They must not be a director who has been appointed as a representative of DCC's director, major shareholder, or shareholders who are related to DCC's major shareholder.
6. They must not be or have previously been an auditor of DCC, its subsidiary, affiliate, related company, a major shareholder, a controlling person of DCC, and not being a significant shareholder, a controlling person or a partner of an audit firm which employs auditors of DCC, its subsidiary, affiliate, related company, a major shareholder, or a controlling person having business relationship with DCC, unless they have not been involved in such positions for at least two years prior to the date of appointment.
7. They must not be or have previously been persons who provided any professional advice and services, such as legal adviser or financial consultant, who receives service fees more than Baht 2 million per annum from DCC, its subsidiary, affiliate, related company, a major shareholder, or a controlling person of DCC, unless they have not been involved in such positions for at least two years prior to the date of appointment.
8. They must not operate any business which has the same nature as and is in competition with the business of DCC or its subsidiary, or not being a significant partner in any partnership, or not being an executive director, employee, staff, or an advisor who receives regular salary; or holding shares exceeding one percent of the total number of voting rights of any other company operating business which has the same nature as and is in significant competition with the business of DCC and its subsidiary.
9. They must not have any other characteristics or qualifications which might interfere with their independent opinions on DCC's business operations.

### 1.3 Segregation of Positions

The Board of Directors appoints one director to be the Chairman. The Chairman of the Board is responsible for overseeing the implementation of the policies and strategic guidelines as considered and determined by the Executive Board including to conduct the completion of the Board meetings. Every directors should participate in the meeting and ask important questions during each meeting.

The authority of the Director Board and Management are clearly defined and separated. The Board of Directors will meet at least 6 times a year to advise and support the management through the Executive Committee. Meanwhile The Director Board will not interfere with the routine operation or business activities under the responsibility of management. Therefore, only the Executive Director are authorized by the Board and the responsibility of the executive directors is in accordance with the management effectively.

## 2.Audit Committee

The Audit Committee comprised 4 members

1.Gen. Yuthasak	Sasiprapha	Independent Director and Chairman of Audit Committee
2.Mr. Surasak	Kosiyajinda	Independent Director and Audit Committee
3.Mr. Siripong	Tinnarat	Independent Director and Audit Committee
4.Mr. Totsaporn	Banyongwate	Independent Director and Audit Committee

And Ms. Somruthai Boonyarit, Chief Internal Auditor as a Secretary.

Mr. Siripong Tinnarat is one of the Audit Committee who has knowledge and experience in accounting and financial background which can share experience and suggestion to the Audit Committee.

All members of Audit Committee are Independent Director. During the year that ended on 31 December 2017, the Audit Committee convened 4 meetings. There was a full attendance record.

The Audit Committee have a meeting every quarter and at least once a year will have the meeting with external Auditor or The Risk Committee together with The Internal Audit Manager separately without any management in attendance.

The AC has full-delegated authority from the Board to perform its tasks, which include systematic monitoring and obtaining assurance that the legally required standards of disclosure and executive limitations relating to financial matters are being observed. Forward agendas are set each year to allow the AC to monitor management on the financial risks identified in DCC's annual business plan. The Chairperson reports on the Audit Committee's activities to the Board meeting.

The Scope of duties and responsibilities of the Audit Committee are as follow

- 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 and to determine and internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of internal audit unit or any other unit in charge of an internal audit activity;
- 3.to review the Company's compliance with the Securities and Exchange law, the Stock 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 related transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Stock Exchange's regulations to ensure reasonableness and for the highest benefit of the company;
- 6.to prepare the Audit Committee Report and to disclose in the Company's Annual Report. An Audit Committee Report must be signed by the audit committee 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 Securities and Exchange law, the Stock 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; and



7. to review the adequacy and effectiveness of policies related to the Company's risk management.
8. to review management and employees to ensure that all are acknowledged of the policies and comply with the codes of conduct as well as the written anti-corruption policy of the Company.
9. to perform any other act as assigned by the Company's board of directors, with the approval of the audit committee.

### 3. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprised 4 members

- |                 |             |   |
|-----------------|-------------|---|
| 1. Mr. Roongroj | Saengsastra | Chairman of the Nomination and Remuneration Committee |
| 2. Mr. Monrak   | Saengsastra | Nomination and Remuneration Committee member          |
| 3. Mr. Maruth   | Saengsastra | Nomination and Remuneration Committee member          |
| 4. Mr. Jaruwat  | Traithavil  | Nomination and Remuneration Committee member          |

And Ms. Supaporn Meephatra, VP Accounting as a Secretary.

The Nomination and Remuneration Committee's Scope of Responsibilities includes

1. Determine the process and criteria for the selection and qualification of candidates nominated in accordance with the structure, size, and composition of the Board as the Board prescribes.
2. Review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders, or otherwise) for appointment to the Board, taking into account the candidate's track record, age, knowledge, experience, capabilities, the number of previously held board positions, and other relevant factors.
3. Identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each AGM, having regard to the Directors' contribution and performance, such as their attendance, preparedness, participation.
4. Assess annually whether or not a Director is independent or a new independent Director meets the requirements prescribed by laws or relevant regulations.
5. Ensure that, in connection with the re-election of Directors at an AGM, sufficient information is provided to the shareholders so as to enable them to make an informed decision.
6. Identify and nominate candidates for the approval of the Board to fill vacancies in the Board and sub-committees as and when they arise.
7. Review all candidates nominated for appointment as Chairman or President and Chief Executive Officer.
8. Review and make recommendations to the Board regarding the Board structure, size, composition, and core competencies, taking into account the balance between executive and non-executive Directors and between independent and non-independent Directors, and having regard at all times to the principles of corporate governance at least once every financial year.
9. Procure that at least one-third of the Board shall comprise of independent Directors or such other minimum proportion and criteria as prescribed by laws or relevant regulations.
10. The Chairman, in consultation with the NC, will act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors.
11. Propose guidelines and methods of payment of remuneration, including bonus and attendance fee, to the Board of Directors and the committees appointed by the Board.
12. Support a channel for minor shareholders to propose a candidate to be a Director
13. Propose policy on management incentives, including salary and bonus, in line with the Company's operating results, and the performance of each executive. Prior to submission of the president's remuneration for the Board of Directors' approval, the Remuneration Committee shall assess the president's performance on an annual basis.
14. Prior to the submission of remuneration of each top executive for the Board of Directors' approval, the Remuneration Committee shall assess the performance of each top executive on an annual basis, based on the president's recommendations.
15. Consider, before presenting to the Board of Directors, the budget for the salary increase, change of wage/remuneration, and bonus of top executives.

16. Regularly review, study, and track the changes and trends in remuneration for the Board of Directors and top executives, and report findings to the Board for approval.

17. Consider the annual remuneration for the Board of Directors and top executives, as compared to the remuneration offered by other listed companies operating in the same business, to ensure that DCC retains its leadership in that industry and to motivate them to foster the Company's continuing development.

#### [Assess the Remuneration Committee's performance and report the results to the Board of Directors.](#)

1. Should there be any alteration to the Charter, the Remuneration Committee shall review and recommend appropriate improvements and revisions to the Board of Directors for its resolution in keeping it up-to-date and applicable.

2. Perform other duties as assigned by the Board of Directors. To fulfill its duties under its scope of authority, from independent consultants or specialists, as deemed appropriate, at the Company's expense.

3. To evaluate each performance should be done both quantitative and qualities upon the benchmark of index of evaluation and performance.

4. Clarify the Policy of remuneration most clearly to all relative person and Shareholders.

Board of Directors of DCC, based on recommendations by the Nomination and Remuneration Committee, also sets the remuneration for senior management. These amounts take into consideration the responsibility of such executives, and their past, current, and anticipated contributions to DCC. To the extent possible, such compensation will reflect the relative compensation level for senior executives in the market.

Remuneration for the Board, the Board Committees, and Senior Executive Officers comprise of salary and bonus and long term remuneration such as Provident Fund and other intensives

#### [4.Risk Management Committee \(RMC\)](#)

The Risk Management Committee (RMC) comprised 4 members

1. Mr. Jaruwat	Traithavi	Chairman of the Risk Management Committee
2. Mr. Monrak	Saengsastra	RMC's member
3. Mr. Maruth	Saengsastra	RMC's member
4. Ms. Somruthai	Boonyarit	RMC's member and Secretary

The Risk Management Committee main task included;

1. Reviewing the effectiveness of the Enterprise Risk Management system within the Group and be assured that material risks are identified and appropriate risk management processes are in place, including the formulation and subsequent updating of appropriate Group policies.

2. Evaluating the adequacy and effectiveness of administrative, operating, and accounting controls used by the Group.

3. Reviewing actual and potential material risk exposures.

4. Promoting and providing support to the execution of risk management program within the Group.

5. Monitoring the implementation of business unit and corporate risk management plans.

6. Reviewing business contingency planning processes within the Group and be assured that material risks are identified and appropriate contingency plans are in place.

7. Regularly coordinating with the Audit Committee by sharing information about risks and internal control potentially affecting the Company's business.

8. Deciding and providing recommendations on critical issues obtained from the risk management process.

## 5.Executive & Corporate Governance Committee

The Executive & Corporate Governance Committee comprised 5 members

1.Mr. Roongroj	Saengsastra	Chairman of the Executive & Corporate Governance Committee
2.Ms. Cattleya	Saengsastra	Executive Director and Secretary
3.Mr. Monrak	Saengsastra	Executive Director
4.Mr. Maruth	Saengsastra	Executive Director
5. Mr. Jaruwat	Traithavil	Executive Director

### Scope and Authority of Executive & Corporate Governance Committee

1. Authorize to order, plan and implement operations of the Company in accordance with the policies established by the Board.
2. Establish operational strategies for the Company's group
3. Formulate plans and directions concerning investment and fund raising in accordance with the Company's and Subsidiaries' policies before proposing them to the Board of Directors for approval.
4. Determine the salary rate, appoint, dismiss, fire, reward, and award raises as well as bonus to staff.
5. Has the authority to determine staff welfare in line with the situation, tradition and law.
6. Has the authority to approve investment, sales and purchases of fixed assets of the Company and Subsidiaries, procurement, application for loans, provision of loans, entry into contracts, and legal transactions in relation to normal business and trade and in accordance with the Company's objectives, under a budget approved by the Board of Directors and within the operating authority of the Company. In case the items represent conflicts of interest with the Company or the subsidiaries, the Executive Board must present such items to the meeting of the Board and/or the meeting of Shareholders (as applicable) for approval of the items in accordance with the Company's Articles of Association or relevant laws.

### Certification of Accuracy of Information by the Executive Board

The Executive Board reviews the annual information disclosure form as Executive Directors of the Company or as Top Accounting Executive by certifying that the information disclosed is complete and accurate and does not mislead or lacks important contents that should be disclosed, as follows:

1. Financial statements and financial information presented in the annual information disclosure form comprise complete and correct data on financial status, operating results and cash flows of the Company and Subsidiaries.
2. Responsible for arranging an adequate information disclosure system for the Company to ensure that the Company discloses complete and accurate information of a significant nature of the Company and its subsidiaries, including overseeing that the system is followed.
3. Responsible for arranging an effective internal control system for the Company and overseeing that the system is followed, which includes system weaknesses and major changes as well as illegal actions that may affect the preparation of the financial reports of the Company and its subsidiaries.

### Company Secretary

The Board of Directors Meeting No.3/1998 resolved to appoint [Ms. Cattleya Saengsastra](#) to be the Company's secretary from February 23, 1998 and determine following scopes of responsibilities that the secretary must perform responsibly, prudently and honestly as follow;

1. Arrange shareholders and Board of Directors' meetings to be in compliance with the Company's rules and regulations and regulations of relevant regulatory agencies.
2. Make meeting minutes of the shareholders and Board of Directors' meetings and follow up the operation result according to the shareholders and Board of Directors' resolutions.
3. Ensure that the information disclosures are in compliance with rules and regulation of the SET and the Office of the SEC.
4. Prepare and keep following documents
  - (A) Director's registration

- (B) Board's meeting invitation and meeting minutes
- (C) Shareholders' meeting invitation and meeting minutes
- (D) The Company's Annual Report.

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

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

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

The Company Secretary reports functionally to the Chairman and organizationally to the Board of Director.

## Management Team

At 20 February 2018, the management team comprised of 12 members

1. Mr. Roongroj	Saengsastra	Chairman / Chief Executive Officer
2. Mr. Monrak	Saengsastra	Chief Admin and Finance Officer
3. Mr. Maruth	Saengsastra	Chief Marketing and Sales Officer
4. Mr. Jaruwat	Traithavil	Chief Production Officer / VP Production-TTOP
5. Mr. Suthee	Boonnak	Senior VP Research and Technical Center
6. Mr. Chauwalit	Pidthong	VP Production-DCC
7. Mr. Somnuek	Suriyagrul	VP Engineering-DCC/TTOP
8. Mrs. Pobkhun	Kaosaiyanant	VP Purchasing
9. Ms. Supaporn	Meepatra	VP Accounting
10. Mr. Chanin	Suppapinyopong	VP IT System
11. Ms. Nong	Klongvicha	VP Research and Technical Center
12. Ms. Somruthai	Boonyarit	Chief Internal Auditor and Secretary

The management team is appointed by the Managing Director and assigned to oversee performance defers to the plans and budget approved by the Board of Directors.

Over the past year, the management team held monthly meetings to consider and screen monthly reports of operation results compared to the business plans and policies established by the Executive Board. It is also responsible for monitoring the operations of each department and suggesting measures for prevention of potential risks.

## Board Meeting

The Board of Directors is generally required to meet at least 6 times a year. (In the year 2017, there was a total of 6 meetings) Special meetings are convened as necessary to address specific needs. Principal meeting agendas were: consideration of DCC's strategic direction, annual business plan and budget, quarterly financial reports, and significant acquisition and disposal of assets. The Company Secretary ordinarily prepares and circulates the agenda at least seven days before each meeting and relevant documents at least seven days before each meeting to allow Board members time to consider the issues.

The Company Secretary records the minutes, which are ordinarily circulated to the Board members next meeting. The minutes are adopted at the next subsequent meeting and are kept for scrutiny by the Board members and other concerned parties. The Board of Directors requires all members to devote sufficient time to the work of the Board of Directors, to perform the duties and responsibilities of Directors, and to use their best endeavors to attend meetings.

Details of attendance records of Dynasty Ceramic PCL are shown in the following table

13. Mr.Totsaporn Banyongwate	Board Meeting in 2017					AGM in 2017
	Board Of Director Total 6 times	Board Of Au- dit Committee Total 4 times	Nomination and Remu- neration Com- mittee Total 2 times	Executive & Corporate Governance Committee Total 2 times	Risk Man- agement and Business Continuity Committee Total 2 times	
1. Mr.Roongroj Saengsastra	6/6	-	2/2	2/2	-	1/1
2. Gen. Yuthasak Sasiprapha	6/6	4/4	-	-	-	1/1
3. Mr. Yothin Juangbhanich	4/4	1/1	-	-	-	1/1
4. Mr. Surasak Kosiyajinda	6/6	4/4	-	-	-	1/1
5. Mr. Phachon Khachitsarn	4/4	1/1	-	-	-	1/1
6. Mr. Sanchai Janejarat	4/4	-	1/1	1/1	1/1	1/1
7.Mr. ChaiyasithViriyamettakul	6/6	-	-	-	-	1/1
8. Mr. Suvit Smamphanchai	5/6	-	-	-	-	1/1
9. Miss Cattleya Saengsastra	6/6	-	-	2/2	-	1/1
10. Mr. Monrak Saengsastra	6/6	-	2/2	2/2	2/2	1/1
11. Mr. Maruth Saengsastra	6/6	-	2/2	2/2	2/2	1/1
12. Mr. Siripong Tinnarat	2/2	3/3	-	-	-	1/1
13. Mr.Totsaporn Banyongwate	2/2	3/3	-	-	-	1/1
14. Mr. Jaruwat Traithavil	1/1	-	1/1	1/1	1/1	-

No.3 and No 5 To resign from the Board of Directors and the term expired on April 24,2017.

No. 6 resign as a director on June 30, 2017.

No.12 and No.13 were appointed as directors in accordance with the resolution of the Annual General Meeting of Shareholders for the year 2017 held on April 24,2017.

No.14 was appointed as a director in accordance with the resolution of the Board of Directors No. 5/2017 held on August 8,2017.

Details of attendance records of Tile Top Industry PCL. (Subsidiary) are shown in the following table

Name Of Directors	Board Of Director Total 4 times	AGM in 2017
1. Mr.Roongroj Saengsastra	4/4	1/1
2. Mr. Sanchai Janejarat	2/2	1/1
3. Miss Cattleya Saengsastra	4/4	1/1
4. Mr. Monrak Saengsastra	4/4	1/1
5. Mr. Maruth Saengsastra	4/4	1/1
6. Mr. Jaruwat Traithavil	1/1	-

No. 2 resign as a director on June 30, 2017.

No.6 was appointed as a director in accordance with the resolution of the Board of Directors No. 3/2517 held on August 8,2017.



# Organization Chart

Board of  
Chairman

Audit Committee

Nomination and remuneration  
Committee

Chief Internal Auditor

Chief Executive Officer / Chairman

Chief Admin and  
Finance Officer

Chief Marketing and  
Sales Officer

VP Purchasing

VP Accounting

VP Development Business

VP Marketing and Sales

VP IT System

Directors  
Chairman

The Company Secretary Office

Executive and Corporate  
Governance Committee

Risk Management  
Committee

Executive Officer  
CEO

Chief of Production  
Officer

Senior VP Research  
and Technical Center

VP Production-TTOP

VP Production-DCC

VP Engineering-DCC/TTOP

VP Research and  
Technical Center

# Remuneration for the Directors, Executive Directors and Audit Fee

Policies of the Board of Directors the remuneration of directors should reflect the duties and responsibilities in achieving the expectations of all stakeholders, the Commission must also have experience and qualifications to do it. Remuneration of the Board of Directors has been approved by the Annual General Meeting of Shareholders for the year 2017.

According to the year 2017 Annual General Meeting of Shareholders of the Company approval of the Remuneration Committee. Details are as follows.

Name of Board Members	Dynasty Ceramic PLC.				Tile Top Industry PLC. (Subsidiary)			Grand Total
	Board Meeting Allowance	Audit Committee Meeting Allowance	Annual bonus	Total	Board Meeting Allowance	Annual bonus	Total	
1. Mr.Roongroj Saengsastra	360,000	-	600,000	960,000	240,000	300,000	540,000	1,500,000
2. Gen. Yuthasak Sasiprapha	300,000	240,000	300,000	840,000	-	-	-	840,000
3. Mr.Yothin Juangbhanich (to resign 24 April 2017)	200,000	50,000	300,000	550,000	-	-	-	550,000
4. Mr.Surasak Kosiyajinda	300,000	200,000	300,000	800,000	-	-	-	800,000
5. Mr.Phachon Khachitsam (to resign 24 April 2017)	200,000	50,000	300,000	550,000	-	-	-	550,000
6. Mr. Sanchai Janejarat (to resign 30 June 2017)	200,000	-	600,000	800,000	100,000	300,000	400,000	1,200,000
7. Mr.Chaiyasith Viriyametakul	300,000	-	300,000	600,000	-	-	-	600,000
8. Mr.Suvit Smarnpanchai	250,000	-	300,000	550,000	-	-	-	550,000
9. Miss Cattleya Saengsastra	300,000	-	600,000	900,000	200,000	300,000	500,000	1,400,000
10. Mr. Monrak Saengsastra	300,000	-	600,000	900,000	200,000	300,000	500,000	1,400,000
11. Mr. Maruth Saengsastra	300,000	-	300,000	600,000	200,000	300,000	500,000	1,100,000
12. Mr. Siripong Tinnarat (to replace Mr.Yothin Juangbhanich)	100,000	150,000	-	250,000	-	-	-	250,000
13. Mr. Totsaporn Banyongwate (to replace Mr.Phachon Khachitsam)	100,000	150,000	-	250,000	-	-	-	250,000
14. Mr. Jaruwat Traithavil (to replace Mr. Sanchai Janejarat)	50,000	-	-	50,000	50,000	-	50,000	100,000
Total	3,260,000	840,000	4,500,000	8,600,000	990,000	1,500,000	2,490,000	11,090,000

To comply with the obligations and responsibilities of directors. This will be the obligations imposed by law. The director must have both civil and criminal liability if not followed. In addition, each director must make a commitment. The value (Value) has been performing the duties of directors. Board of Directors should determine the rules of compensation of directors is divided into two parts.

1.The meeting (Attendance Fee) was the remuneration paid to directors in attendance each time, and will only be paid to Directors who attended the meeting only.

#### 1.1 The Chairman and Committee meeting.

President and Chairman of various committees. Allowance should be a higher proportion of the Sub-Committee and others. It should set out a clear policy and the disclosure is generally known.

#### 1.2 The Subcommittee meeting.

Committee should be set for the meeting of the joint meeting with the meeting of the Committee may determine the level less than or equal to the set. The Subcommittee has limited scope than the committee as a whole.

#### 1.3 The remuneration of directors.

The remuneration of directors should be placed in an appropriate and sufficient to enable the company to limit the number of directors to be able to devote more time to attend and act effectively. The Company's Board of Directors Remuneration for the Board of Directors and Executives, by comparing with the remuneration of directors of leading companies in the stock market and in the same industry, and the performance of the company.

2. Performance based compensation (Incentive Fee) is extra compensation paid to directors once a year. By linking the value created for shareholders as the company's book value or the dividends paid to shareholders, etc.

For the year 2018 the Board of Directors has considered that the directors' remuneration shall be determined to the directors as follows:

Meeting Allowance	Baht / Meeting / person		%Increase (Decrease)
	Y2018	Y2017	
1. Meeting Allowance to the chairman and chairman of the audit committee	60,000	60,000	-
2. Meeting Allowance to the chairman of Nomination and Remuneration Committee and Risk management Committee (only the outside director)	40,000	40,000	-
3. Meeting Allowance to each of the director and audit committee	50,000	50,000	-
4. Meeting Allowance to sub-committee (only the outside director)	30,000	30,000	-

Annual bonus payable to all directors and all managing directors for the year 2017 as follows:

Annual bonus	(Baht/person)		%Increase (Decrease)
	Y2017	Y2016	
1. Annual bonus payable to all directors	300,000	300,000	-
2. Annual bonus payable to all managing directors	300,000	300,000	-

The directors' remuneration shall only be paid to directors whose are present at the Board Meeting, and shall be effective as from January 23, 2018. The Annual bonus is paid in fix amount from the Company's operation account on 25 April 2018.

## Executives' Remuneration

Dynasty Ceramic Public Co. Ltd. and Subsidiaries remunerate executives in the form of monthly salary, bonus determined by corporate operating results, provident fund and other benefits such as petrol allowances

Company	No. of Executives of 31 December		Monthly salary / bonus / provident fund/benefits (MB)		
	2017	2016	2017	2016	%Increase (Decrease)
Dynasty Ceramic PCL.	7	8	29.00	33.98	(14.66)
Tile Top Industry PCL.	3	4	11.23	13.29	(15.50)
Total	10	12	40.23	47.27	(14.89)

\*According to the resolution of the Annual General Meeting of Shareholders for the year 2017 held on April 24, 2017 approved 5 Directors and Executives to be Directors and Executives of the Royal Ceramic Industry Public Co., Ltd. without any compensation in the year 2017.

The Company and its subsidiaries remunerated employees in the form of monthly salary, bonus, benefits, provident fund contribution and medical benefits approved by the Board of Directors.

Employee remuneration in 2017, compared to 2016, is as follows:

Company	Total employee remuneration In 2017 (MB)			Total employee remuneration In 2016 (MB)			%Increase (Decrease)
	Plant/ Branch	HQ.	Total	Plant/ Branch	HQ.	Total	
Dynasty Ceramic PCL.	535.19	59.10	594.29	500.82	48.18	549.00	8.25
Tile Top Industry PCL.	266.63	8.95	275.58	272.28	8.63	280.91	(1.90)
Total	801.82	68.05	869.87	773.10	56.81	829.91	4.81

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

Company	Number of Employees In 2017 (person)			Number of Employees In 2016 (person)			%Increase (Decrease)
	Plant/ Branch	HQ.	Total	Plant/ Branch	HQ.	Total	
Dynasty Ceramic PCL.	1,991	117	2,108	1,898	110	2,008	4.998
Tile Top Industry PCL.	672	8	680	729	8	737	(7.73)
Total	2,663	125	2,788	2,627	118	2,745	1.57



## Audit Fee

(Quarterly Financial Statements and Annual Financial Statements)

Audit Fee (Baht / Year)	Proposed for Y2018*	Y2017	%Increase (Decrease)
Dynasty Ceramic PCL.	1,635,000	1,550,000 <sup>(1)</sup>	5%
Tile Top Industry PCL.	510,000	510,000	-
Non-audit fee	none	none	-
Total Audit Fee	2,145,000	2,060,000	4%

(1) In the year 2017, the audit fee of Dynasty Ceramic increased by 60,000 baht resulted from the resolution to approve the Annual General Meeting of Shareholders for the year 2017 on April 24, 2017 amounting to 1,490,000 baht totaling 1,550,000 baht. The Royal Ceramic Industry Public Company Limited and its Subsidiaries, in which the company does not have shareholders but the same directors / executive jointly managing control, prepared to do the consolidated financial statements as of April 1, 2017.

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

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

Audit Report Summary	2017	2016	2015
Auditor / Registration	Mr.Jadesada Hungsapruet /3759	Ms. Kanyanat Sriratchatchaval / 6549	Mr. Somckid Tiatragul /2785
Auditing Office	Karin Audit Co.,Ltd.	Grant Thornton Co.,Ltd.	Grant Thornton Co.,Ltd.
Auditor's opinion	No Conditions	No Conditions	No Conditions

# Subsidiaries

There are one subsidiary as Tile Top Industry Public Co. Ltd., which were controlled by Parent's Company. List of Directors of whom also serve as Directors in this subsidiary which Dynasty Ceramic Public Co. Ltd. has a 96.83% equity stake.

On June 1, 2014, the Company has conducted Entire Business Transfer of its subsidiaries, consisting of Pick & Pay Co., Ltd, Muangthong Ceramic Co., Ltd, and Worldwide Ceramic Co., Ltd, which all are Company's subsidiaries with a holding of more than 95% of the stock, to the Company. Subsequently, the three subsidiaries have already registered the dissolution with the Department of Business Development Ministry of Commerce and will further complete the process of liquidation.

According to the resolution of the Annual General Meeting of Shareholders for the year 2017 held on April 24, 2017 approved the Directors and Executives of the Company for 5 directors as the management of the Royal Ceramic Industry Public Company Limited, which is operated the same business type, effective on April 28, 2017, after the resolution of the Annual General Meeting of Shareholders for the year 2017 of the Royal Ceramic Industry Public Company Limited and approved to enter into a business management contract for one year (since May 2, 2017 to May 1, 2018) and was told to terminate the contract before the end of the contract. Effective from October 1, 2017.

List of Directors of whom also serve as Directors in the Subsidiary Company as at 31 December 2017

Name Of Board Members	DCC	TTOP (Subsidiary)	RCI (Subsidiary)
1. Mr.Roongroj Saengsastra	Chairman / Chief Executive Officer	Chairman / Chief Executive Officer	Chief Executive Officer
2. Gen. Yuthasak Sasiprapha	Independent Director & Chairman of Audit Committee	-	-
3. Mr. Surasak Kosiyajinda	Independent Director & Audit Committee	-	-
4. Mr. Siripong Tinnarat	Independent Director & Audit Committee	-	-
5. Mr. Totsaporn Banyongwate	Independent Director & Audit Committee	-	-
6. Mr. Chaiyasith Viriyamettakul	Director	-	-
7. Mr. Suvit Smamphanchai	Director	-	-
8. Miss Cattleya Saengsastra	Executive Director & Company's Secretary	Executive Director	Company's Secretary
9. Mr. Monrak Saengsastra	Executive Director	Executive Director	Executive Director
10. Mr. Maruth Saengsastra	Executive Director	Executive Director	Executive Director
11. Mr. Jaruwat Thraithavil	Executive Director	Executive Director	Executive Director

# Principles of Corporate Governance

DCC provides Corporate Governance guidelines covering the following issues:

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

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

## **Section 3. The Role of Stakeholders in Corporate Governance**

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

## **Section 5. Responsibilities of the Board of Directors and Committees**

The Board of Directors recognizes the importance of corporate governance to be a basic part of its business policy and has assigned the Management Committee to take charge of corporate governance manual since 2003 and revised according to the Principles of Good Corporate Governance B.E. 2555 (Revision) by Good Governance Development & Alliance Department of the Stock Market Exchange of Thailand. The Company publishes booklets on Dynasty Ceramic Public Company Limited's corporate governance policy and distributes them to employees to ensure that employees understand these policies clearly and put them into practice effectively. DCC puts strong emphasis on principles and practices concerning business laws, company's regulations and also according to the Securities and Exchange Commission (SEC) and the regulations of Stock Exchange of Thailand (SET).

Furthermore, the Board of Directors have applied their knowledge, capability, and experience to control and follow-up with the management team to ensure that the business is operated according to the Company's vision, policies, and goal, and also to control the expenses in budget and utilized their resources effectively.

Regarding the business, the operation is conducted under the authority of the Board of Directors and the Executive Management with reference to the role and authority set by the Company's Corporate Policy. The Board of Directors and the Executive Management hold a meeting regularly to ensure that the business is operate transparently, ethically, and complies with the policies and resolution of the Board of Directors.

The Company and its subsidiaries business governance and control are monitored by the management team which was appointed by DCC be the Director of each subsidiaries. The scope of control depends on the number of Directors of each Subsidiaries and is performed according to the Company's policies.

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

DCC ensures that every shareholder is entitled to all basic rights that are widely accepted according to the reliable standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company, the right to attend shareholders' meetings, the right to propose the meeting agenda, the right to nominate a person to be a Director, the right to express opinions independently, and the right to make decisions on important affairs of the Company, e.g., the election of Directors, approval of significant transactions influencing the Company's direction, and amendment of Memorandum of Association and Articles of Association of the Company. Shareholders have the right to vote at Shareholders' meeting according to the number of shares owned by each shareholder, whereby one share entitles one vote, and no particular share allows them privilege over the rights of other shareholders.

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

1.The Company has scheduled the general meeting of shareholders once a year, within four months after the end of each financial year. And in case there is an urgent need to propose an agenda which is a special case, which affects or involves the interests of shareholders or related applicable law that must be approved by the shareholders, the Company will call an extraordinary meeting of shareholders to be the case. Thus, in the year 2017, the Annual General Shareholders' Meeting No.1/2017 was held on Monday 24 April 2017 at the Main Meeting Room, 4th floor DCC Head Office Building, 37/7 Suttisarnvinijchai Samsennok Huay-Kwang District Bangkok.

2.Prior to the meeting, one or several shareholders holding in aggregate at least 5% of all issued shares of the Company have the right to suggest issues to be included in the agenda of the Annual General Meeting of Shareholders for the year 2018. Shareholders were allowed to exercise this right from October 1 -December 31, 2017 so that the Board of Directors can review the issues before presenting them to shareholders for consideration. Should the proposed issue be included on the Meeting agenda, the Company shall

specify in the notice of the meeting that the agenda item was proposed by a shareholder. Notify the result of the agenda items and the director nomination proposal on 19 January 2018.

3. Advance notification of the meeting to all shareholders significant and sufficiently detailed information concerning the Shareholders' Meeting date and the Meeting agenda prior to the date of the meeting. Such information will be posted on DCC's website around 30 days before the related documents are submitted to shareholders, and not less than 14 days prior to the meeting. (For the year 2017, the Company has sent invitation to the Annual General Shareholders' Meeting on 23 March 2017, which is 30 days in advance of the meeting) and publish the invitation on the newspaper for 3 consecutive days. In addition, the

Company has clarified all detailed information in the meeting invitation as follows,

- The rights of shareholders entitled to attend and vote of the shareholders clearly.
- The company has stated the purpose/reason, as well as the comments of the Board of Directors clearly on each agenda.
- Regarding the dividend payment proposal, the Company has informed the dividend payment policy and dividend payment historical data of the past 3 years for consideration.
- For shareholders to consider the appropriateness of the external auditor, which has passed the approval of the Audit Committee, the Company has given details of the auditor's name from Karin Audit Company Limited, details of the independency of the auditor, and the external auditor service fees historical data of the past 2 years
- In voting of the Board of Director, the Company allows shareholders to vote for a Board of Director individually and provides name and biography of the Directors proposed.

4. Prior to the meeting, the Company has informed voting procedure and the vote counting announcement to the shareholders as well as give the opportunity for shareholders to ask questions and give opinions on each agenda.

5. In every of the minute of meeting, the Company has recorded the vote procedure and vote counting, names of Board of Directors and the management team who were present, meeting resolution and vote counting in each agenda clearly, as well as the shareholders' question or comment, if any. The Company also published the vote counting result in each agenda of the General Shareholders' Meeting and the Extraordinary General Meeting of Shareholders on the Stock Exchange of Thailand's website on the same day of the meeting.

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

DCC shall provide equitable treatment to every individual shareholder, major or minor, as well as institutional or foreign investors. For that purpose, the Company strives to find tools to ensure equality, especially for minor shareholders, which include assigning independent Directors to take care of minor shareholders. Minority shareholders can contact the independent Directors directly to give suggestions, express opinions or file complaints, via company's email address. The independent Directors are responsible for handling each matter appropriately. In case the shareholder files a complaint, the independent Directors will investigate and seek a proper solution, and on the other hand, if the matter that is considered to affect the stakeholders or the business, the independent Director will report it to a Board of Directors meetings for consideration and include it in the agenda of the Shareholders' Meeting.

The company has also performed other matters in order to promote and facilitate the use of shareholders' rights such as:

1. Any shareholder who is unable to attend a meeting is entitled to appoint a representative, or an independent Director, which the Company has proposed 2 Directors, or other person, to act as proxy, using the proxy form attached to the notice of the meeting. The Company has prepared the proxy form in compliance with the specifications defined by the Ministry of Commerce whereby the shareholders can exercise their voting rights as wished. The proxy forms can also be downloaded from the Company's website.

2. All shareholders have equal rights to exercise their rights as shareholders. The Company has prepared the documents related to the meeting in English to facilitate foreign shareholders.

## **Section 3. The Role of Stakeholders in Corporate Governance**

DCC conducts business with the highest awareness of its responsibility to ensure sustainable and mutual benefits to all related parties. The Board of Directors oversees the management system to ensure that the Company acknowledges the rights of stakeholders, both as stated by law and as clearly written in the Company's Corporate Governance Policy. The Company guarantees that those rights are protected and the shareholders, employees, customers and business partners are treated equally.

**Shareholders** Beside the basic rights of shareholders and the rights stipulated by law and the Company's Articles of Association, such as the right to request a verification of the number of shares; the right to receive share certificates; the right to attend the shareholders' meetings; the right to vote at the meetings; the right to freely express opinions at the shareholders' meetings; and the right to receive a fair return; DCC also gives shareholders the right, as the owners of the Company, to make suggestions and comments on the Company's affairs to the independent Directors. Each comment and suggestion will be carefully considered and presented to the Board of Directors.

**Employees** The Company truly believes that its employees are its most valuable assets and is determined to ensure that every employee is proud of and confident in the organization. During the previous year, the Company organized activities to promote a collaborative working environment to drive innovation and enhance the competence of employees, readying them to work overseas and to cope with the volatile economic situation. Furthermore, the Company focuses on promoting employees' health and safety, excellent working conditions, and competitive remuneration.

**Customers** The Company puts great importance on providing customers with maximum benefits in terms of quality and price. Likewise, the Company is determined to develop and maintain sustainable relationships with customers. It has set up a support office to provide product information, solve problems and receive complaints in order to ensure total satisfaction for customers.

**Business partners** The Company operates its business within a competitive context by strictly upholding its promises, and commitments to trading partners, including guarantees of product quality and on-time delivery.

**Competitors** The Company operates its business within a competitive context by being fair and strictly following the laws and commitment. During the year, there were no disputes with competitors.

**Creditors** The Company complies with the terms of loans and obligations to its creditors such as business creditors and depositors. The Company moreover, organizes various projects in order to keep good relations with creditors

#### Care the use of insider information

The Board of Directors of the company has set up a measure to prevent the use of the inside information for his/her own benefits (Insider Trading) by relevant persons who are directors, management, and staff working in the department related to the inside information, including their spouses and minors.

## ANTI-CORRUPTION POLICY

Dynasty Ceramic Public Company Limited together with its subsidiary (referred to in this document as the "Company") are committed to conducting our business in accordance with the highest ethical standards, corporate transparency, all applicable laws, rules and regulations, and with responsible and sustainable business strategy that benefits stakeholders and society as a whole.

The Company is determined to prevent and cease any forms of corruption. In order to so, the Company has developed this Anti-Corruption Policy (the "Policy") to indicate appropriate responsibilities, guidance and codes of conduct. This policy is applicable to every employee of the Company, including senior executive and financial officers, and to members of the Board of Directors.

### Definition

Corruption can take many forms including the offer, promise, or payment of cash, gifts, or even excessive entertainment, or an inducement of any kind offered or given to a person in a position of trust to influence that person's views or conduct or to obtain an improper advantage with the exceptions to requirements by laws and regulations.

### Requirements

1.To promote compliance with the policy, details of the policy should be properly communicated with all personnel. In addition, the Company should inform the public of this policy.

2.To have regular schedules of auditing/investigating potential corruption cases and conduct reviews and amendments to the original policy, if needed.

#### Responsibilities

1. The Board of Directors is responsible for policy development and oversight of policy compliance in order to create anti-corruption mindset into corporate culture.

2. An audit committee is responsible for overseeing of corporate financial reporting and disclosure, and in charge of risk management.

3. Managements are responsible for creating corresponding work systems and environment to the policy with the main focus on communicating and raising awareness of anti-corruption policy.



## Discipline

1. All Company personnel are strictly required to implement this policy to serve as good examples for other colleagues and promote morality and integrity as the Company's core values.
2. Any employee who has direct knowledge of potential violations of this policy should report such potential violations to Company management and would take part in follow-ups and an investigation of that case.
3. The Company will give any employee justice when he/she reports cases of corruption. Even though the case might create losses of business opportunities to the Company, the Company would not demote or punish him/her for violating the terms of the policy.
4. Any employee who violates this policy will be subject to disciplinary action. If the action is against laws, disciplinary action may include punishments according to the applicable law.
5. To promote, encourage, motivate, oversee and train all personnel to increase their capabilities and also communicate relevant information regarding prevention and eradication of corruption.

## Section 4. Disclosure and Transparency

DCC realizes the importance of information disclosure because this significantly affects decision-making by investors and stakeholders. It is therefore necessary to define and control measures concerning the disclosure of information, both financial and non-financial. Information disclosed via the SET Community Portal and the Company's website shall be complete, sufficient, reliable and up-to-date, written in both Thai and English. DCC is committed to obeying the law, the regulations and obligations mandated by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), and other relevant government organizations. Regular amendment takes place to ensure that the Company is up-to-date in its adherence to laws, regulations, and obligations, and to guarantee transparency in conducting business, for example:

1. Disclose accurate, complete and timely financial information and non-financial information.
2. Prepare a report on the Board's responsibility for financial statements and present it along with the Auditor's report in the Annual Report.
3. Require the Company's Directors and executives to report their own interests, and those of any related persons, which are related to management of the Company or its subsidiaries, via the corporate secretary, who will gather the documents and submit them to the chairman of the Board of Directors and the chairman of the Audit Committee for acknowledgement within seven days after the Company receives the documents.
4. Announced a policy requiring all Directors to disclose and/or report their securities trading and holdings to the Board of Directors' meeting.
5. Disclose procedures about the Board of Directors' selection process and performance assessment.
6. Disclose the performance and attendance record of each member of the Committee.
7. Disclose detailed information on the operations and investment structure of subsidiaries and associate companies.
8. Disclose information on the remuneration received by each Director as a member of the Committee.
9. Disclose the policy on the remuneration of the Directors and top executives, including forms, types and amount of remuneration for each committee member.
10. Disclose policy on environmental and social responsibility and related performance.
11. Report on corporate governance policies and related performance.
12. Reveal significant investment projects and relevant impacts of the projects via the SET Community Portal of the Stock Exchange of Thailand and DCC website.

Moreover, the Board of Directors is referring to the information disclosure guidelines related to DCC to establish the Company's information disclosure policy and avoid any damage caused by improper disclosure. This reassures shareholders, investors, the general public, and all stakeholders that DCC is committed to disclosing information clearly, equitably, and in compliance with the law. The Company has designated the persons responsible for disclosing non-public information as well as establishing guidelines on disclosure of different types of information to the public and setting up critical periods in which extreme caution should be taken prior to the disclosure of information to the public. Details of the guidelines are available for stakeholders and the general public on DCC's website.

## Investor Relations

We are committed to delivering the highest standards of disclosure with accuracy, completeness, fairness, transparency, quality, and timeliness in all communications with our shareholders and the investment communities.

## ความสัมพันธ์กับผู้ลงทุน

DCC Investor Relations Website <http://www.dynastyceramic.com/th/investor-relations/investor-news> contains essential sources of information for investors, including historical performance, financial statements, conference call replays, annual reports, SET disclosure, shareholder meeting announcements, DCC share information, dividends, corporate governance news, sustainable development information and more.

DCC has also established the Compliance Department, which is responsible for the disclosure of information to the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) to ensure that the Company complies with all applicable laws and regulations. In addition, the Company has regularly organized investor activities, which have been attended by various Company executives.

Investor relations department of the Company has communicated with institutional investors, individual investors, shareholders, as well as analysts and government agencies involved equally and fairly. In 2017, Investor relations has organized various events in order to meet individual investors, institutional investors, and analysts regular. We have delivered our operating results, financial statements, management discussion and analyst and future plans. Investor relations also attended roadshow as an opportunity to meet institutional investors both in Thailand and oversea to explain and summarize the general information of the Company to investors and interested shareholders.

If you have any queries or require any further information, please mail directly to

[IR@dynastyceramic.com](mailto:IR@dynastyceramic.com)

Tel: 02-2769275 ext 251

Fax: 02-2760313

## Conflicts of Interest

(1) Some transactions, which could lead to a potential conflict of interest and/or related party transaction, must be considered very carefully in full compliance with the relevant rules and regulations of the Stock Exchange of Thailand (SET) and DCC's internal policies and guidelines. Moreover, such transactions are entered into strictly on an "arm's length" basis and are conducted in the best interests of DCC and all shareholders. The terms and conditions of such transactions always comply with generally accepted, standard commercial terms and conditions. Records of such transactions must be submitted to the Board for their review during the meeting sessions, which are attended by independent Directors and members of the AC.

DCC Directors and executives are required to submit a report that summarizes their and their related persons' interests and securities ownership in other companies. This information was filed with DCC and is used to monitor potential related party or connected transactions. New DCC Directors and senior executives shall submit this report within thirty days after being appointed.

In case of changes in related persons and close relatives, Directors and executives shall submit a revised report to DCC within fourteen days after such changes occur.

The Board of Directors also monitors compliance with the regulations regarding criteria, procedures, and disclosure of such transactions. DCC has a policy to disclose detailed information of these transactions, which includes transaction amounts, transaction parties, their underlying reasons, and necessity of the transaction in our annual reports.

DCC has a policy to prevent Directors, executives, and employees from using their status to seek personal benefit. As a result, Directors, executives, and employees must refrain from any transactions that may lead to a conflict of interest with DCC. Any interested Directors, executives, and employees are not allowed to participate in the decision-making process. In particular, Directors are prohibited from considering or casting their votes on matters in which they may have a potential conflict of interest.

The Board and management also emphasize a prudent and fair review of inter-company transactions, which are transactions between the Company and its subsidiaries.

## (2) Monitoring Insider trading.

The Board prohibits Directors, executives, and employees from using an opportunity information acquired while working in their positions to seek personal benefit or to establish a competing or related business with DCC. This policy includes a complete prohibition against using material insider information to buy or sell DCC's shares and securities for their own interest and against giving insider information to other persons or entities to buy or sell DCC's shares.

Directors and executives are required to report trading transactions in DCC's shares and securities and their ownership position whenever changes occur.

## Preventing Conflicts of Interest

The Board has established policies and measures regarding conflicts of interest, as follows:

- DCC has a clear and transparent shareholder structure. There is no cross-holding among major shareholders, thereby preventing any conflict of interest or transfer of benefits from one party to another. The shareholder structure of DCC and its subsidiaries is published in the Company's annual report, as are each Board member's holdings of ordinary shares.
- There is a clear separation of duties and responsibilities between the Board of Directors, management, and shareholders, thereby ensuring no overlap of duty or responsibility. Any Directors or executive who may have a vested interest in any agenda item under consideration must not attend the meeting or must refrain from voting on such agenda item. This is to ensure that the Board and executives make decisions in a fair manner for the ultimate benefit of shareholders.
- The Company has an established policy governing the use of internal information and has incorporated it into employee regulations in writing, with penalties for the executives or employees in the event the internal information is disclosed to the public or used for personal benefit.
- The Company has established additional policy for employees, preventing the use of Company's asset or finding information, contact, or stock trading on a regular basis during work hours for his/her own benefits or in the manner that does not benefit the Company's advantage.

## Section 5. Responsibilities of the Board of Directors and Committees

The Board is committed to conduct itself in accordance with the highest standards of behavior and in compliance with all laws, rules, and regulations. The Board's primary responsibility is to supervise and direct management for DCC's benefit. Among other things, the Board, acting directly or through committees, shall have the following duties:

1. Oversee the conduct of the Company's business to evaluate whether it is being properly managed and ensure all activities are conducted according to relevant laws and ethical standards. The Company prepares and defined in Code of Conduct.
2. Manage the Company's performance in line with legal requirements, our objectives and by-laws, and resolutions adopted at the shareholders' meetings.
3. Establish and approve major financial objectives, plans, and actions.
4. Review and approve major changes in the appropriate auditing and accounting principles and practices used in the preparation of the Company's financial statements.
5. Assess major risk factors relating to the Company's performance and reviewing measures to address and mitigate such risks.
6. Evaluate its own performance and capabilities and improving its work processes as necessary according to the Self-Assessment on Corporate Governance annually.
7. Approve the compensation of employees.
8. Appoint the appropriate committees to manage the Company's business affairs as assigned by the Board of Directors.

The Board of Directors delegate to the President and Chief Executive Officer and work with other executive officers, the authority and responsibility for managing the business consistent with DCC's standards and according to any specific plans, instructions, or directions of the Board.

Additionally, DCC focuses on internal control and risk management systems and business continuity as well as establishes an Anti-Corruption Policy which is appropriate for our current business undertakings. The Board works in close consultation with management in a consistent manner with our core values, mission and vision also according to the Company's Corporate Governance Policy.

The policy has been consistently communicated to directors, executives, and employees for their awareness and to facilitate its incorporation into the Company's normal business operations. Furthermore, the Company has provided insiders/outside with a channel for reporting any illegal activities, acts of misconduct or unethical practices in the Company, while also granting protective measures for whistleblowers in accordance with the Whistleblower Policy.

## Board Assessment

The Board of Directors is composed of 11 directors. Directors stand for re-election every 3 years. The Board of Directors is pursuing a gradual process to rotate its composition without compromising its continued effectiveness. New board members are invited based on many criteria, an important one being their ability to contribute to DCC's business growth strategy.

The Board of Directors conducted a formal evaluation of group assessment and self-assessment performance for the year 2017. The evaluation process was led by the Secretary was conducted by sending a board assessment form to each Director. The responses to the form were collated by the Company Secretary.

### Criterion

The evaluation form consists of two (2) key components.

**Component I** evaluation is related to the following six (6) aspects of its operation

1. Board of Directors' structure and qualifications of the Board of Directors
2. The roles, duties and responsibilities of the Board of Directors
3. Board of Directors' meetings
4. The Board's performance
5. Relationships with management
6. Directors' self-development and executive development

**Component II** The opinions and suggestions provided by the Board of Directors so as to identify special issues in its performance or any aspects of the Company's operation.

The evaluation forms for directors consist of the assessment results are reviewed in order to find ways to continue to improve the Board's performance.

DCC improved its handbook for directors, which includes the summary of laws, rules, and regulations related to the directors, in order to ensure that the information is clear, up to date and in compliance with current practice. The handbook is distributed to all directors for use as reference regarding basic information. For new directors, DCC established a Director Induction Program to facilitate their prompt performance of duties. DCC has commissioned the corporate secretary to coordinate the work in three areas:

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

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

#### Summary of the assessment results for the year 2017

Subject	% of the assessment results	
	group assessment	self-assessment
1. Board of Directors' structure and qualifications of the Board of Directors	94%	95%
2. The roles, duties and responsibilities of the Board of Directors	94%	95%
3. Board of Directors' meetings	96%	96%
4. The Board's performance	96%	97%
5. Relationships with management	96%	97%
6. Directors' self-development and executive development	95%	96%
Total	95%	96%

#### Training of Directors for the year 2017

No.	Subject	Date	Name of Board Members
1	Director Accreditation Program (DAP) No. 143/2017 Training from IOD	13 November 2017	Mr. Siripong Tinnarat
2	Director Accreditation Program (DAP) No. 143/2017 Training from IOD	13 November 2017	Mr. Totsapom Banyongwate
3	Director Accreditation Program (DAP) No. 143/2017 Training from IOD	13 November 2017	Mr. Jaruwat Traithavil

#### Monitoring the Business Operations of Subsidiaries

1. For the purpose of monitoring each subsidiary's business operations for the best interest of shareholders.
2. The appointed directors shall have the same responsibilities as those of directors or executive directors of the parent company
3. Consider the important matters, such as strategy, business plan, capital increase or reduction of capital, the liquidation of the company, including several important policies.
4. Follow-up operations by the management, the Executive Committee, and the Board of Directors of the company.
5. And shall perform their duties in compliance with good corporate governance policy, related party transaction policy etc.
6. All subsidiary transactions which may significantly affect the business operation or financial status of the Company must be reviewed and approved by the Board of Directors of the parent company.
7. Checks by the internal audit department is to ensure that internal controls are adequate and effective.
8. In order to present the financial information and operating results of the subsidiaries, the Company has assigned the same auditing office that provides auditing services for the Company to perform audits and present the financial and non-financial information of the Subsidiaries in the consolidated financial statements of the Company.



# SUSTAINABLE DEVELOPMENT

# REPORT 2017

# พัฒนาชนบท ปี ๖



Dynasty ceramic public company limited, a leading manufacturer and distributor of ceramic floor and wall tile products both in Thailand and foreign countries, has determined to continue product development in terms of raw materials research including production technology to ensure that designed and quality of products are meet to demand of customers which have been accepted.

In addition, the company conducts its business ethically and socially responsible, associated with management system development; effective environmental man-

agement, energy consumption reduction, waste reduction, cost-effectiveness resources management and employee development in order to provide products with standard and quality in a cost-efficient and enhance competitiveness to satisfy customer requirement in both goods and services. And also conducts in accordance with the community and society development to ensure that all return meets the expectations of employees, partners, socials, shareholders and stakeholders effectively.

**Vision** It to become a leading company in ceramic tiles business with standard and quality products, good governance and responsible for social and environmental balance along with business growth.

**Mission** to become a leader in ceramic tiles with international standard quality of production system in response to variety requirement of customers based on skill, competency, creativity idea of employees to develop the organization together to deliver value through quality ceramic tiles production and impressive services to meet expectation of stakeholders.



This sustainable development report for 2017 has been prepared with disclosure in accordance with information form 56-1 of the Office of the Securities and Exchange Commission and Stock Exchange of Thailand and presented under the framework on social responsibility of the business which coverage all group of stakeholders as a data collection from January 1 to December 31, 2017.

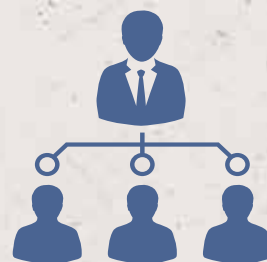
## Sustainable business strategy



**Sales strategy:** focused on continual growth with market expansion and take care of customers both in Thailand and foreign countries to maintain the existing customers and expand new customers, in addition ongoing with product development to sufficiently and continually response needs to keep up with the trends and market changes including the supply of items related to the main products in order to increase the opportunity and facility to the customers for ceramic tile product and accessories choosing.



**Production strategy** Ifocused on effective and flexible production planning for balancing the sales planning, provided sales support by research and development for new products and existing products improvement to various designed, color, pattern, size and looks, responsive to consumer demand according to the market trend changed, and to maintain a competitive cost using modern technology for energy production lead time reduction to enhance business competitiveness.



**Management strategy** aimed to strengthen personnel to adhering with honesty and transparent work, ensure a better quality of life and safety living by developing variety of knowledge and skill in manufacturing, sales, accounting, computer and documents administration, to be ready to propel business to success. And also focus on skill training in order to accommodate the Organization's sustainable growth along with supplementary expertise and stability of all employees.



**Human resources strategy** aimed to strengthen personnel to adhering with honesty and transparent work, ensure a better quality of life and safety living by developing variety of knowledge and skill in manufacturing, sales, accounting, computer and documents administration, to be ready to propel business to success. And also focus on skill training in order to accommodate the Organization's sustainable growth along with supplementary expertise and stability of all employees.



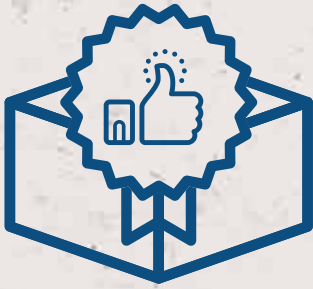
## Sustainable development action framework

The company realized that sustainable growth of enterprise must be equipped with the vision and business ability together with honesty and ethics in operations, as well as a responsibility to the community and society, therefore the company has defined the framework for action to promote sustainable

development based on international guidelines, by creating a balance in economic, environmental and social community, has applied to the Board of Directors, Executives and employees to understand and abide together.

### 1. Quality Product

The Company committed to produce quality products, starting from the selection of quality raw materials from potentiality manufacturers that continual research and develop their products to be on standard and effective resources management with the highest advantage product usage.



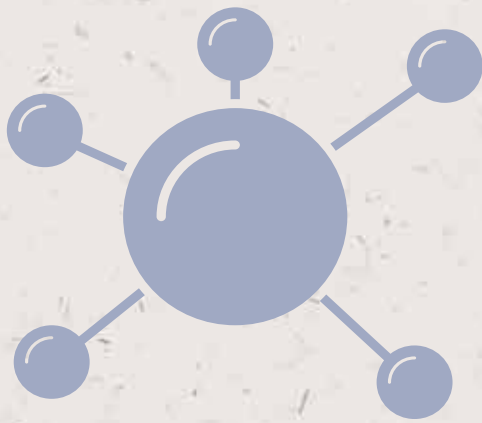
### 2. Customer Responsiveness

The company aware of product accessible in aspect of vendors, distributors and variety of choices to increase options and build confidence in product, including service improvement to satisfy customers in all segments.



### 3. Productive production processes

The company focuses on productive production as well as the safety of work is primarily. And also consider of efficient production processes, reduce the complex procedures and reduce energy consumption in order to encourage the sustainable energy usage.



#### 4.Modern technology usage

in order to lead sustainable product development and response to customer requirement. So the company take an advanced technology to develop products and support systems will bring market satisfaction and responsiveness.



#### 5.Attentive environment

The Company aware of the impact from business operations in terms of production process, energy usage and logistic system, therefore committed to environmental management to meet standards for a long-term care and environmental sustainability.

#### 6.Social and Community Care

The company intends to improve the quality of life of the communities and societies around the plant and at large to create a good relationship with the company, through local activities support and products supports on volunteer activities of various educational institutions, schools, government agencies that need to be helped, to develop education and the quality of life in communities and societies together.



## Sustainable operations

The company considered to conduct business with sustainability through the business operation, since the process of purchasing qualified raw materials from partners who comply with standard practice and methodology, focus on the efficient production of goods to suit market trends for each time interval, service customers through branches of the company that are available throughout the country through to shipping goods to customers with responsibility, deliver standard quality products, deliver value to communities, environment, and stakeholders for the benefit of all stakeholders, which would lead to the sustainability of the Organization together.

### Goods and Services

The company has collected and analyze sales data, both retail and wholesale with computer software which process information for management to efficient decide in manufacturing plan and marketing plan in each time period accordingly. Modern technologies are applied to develop products that meet customer demands. Increasing the proportion of production from the digital printer that create an impact, realistic pattern and shorter production times enhance competitiveness and respond to customer demands more quickly and efficiently. The quality standard products and reducing energy consumption result good cost control that can compete in economic conditions.

In addition, the plant also has developed packaging together with partners to reduce materials usage but still maintain applicable standards and consistent with cost-effective resources management policy.

The company is also working on improving the image of the branch, through continued renovation the areas within the branch, highlighted branches in the Bangkok and its surrounding, has created a product showroom to facilitate customers in selecting the products to suits with buying characteristics and behaviors of customers in each area, including improved Hi-way signage and building's facade to be more modern and stand out.

From the result of continued market trend survey including with the development of technology in production, the company can manufacture products that meet the market better.

Apart from creative designed tiles for additional alternatives, in years 2017 the company has also added another brand 'CHICK-EN' in the last quarter. This brand has produced tiles size 30 cmx30 cm and 40 cm x40 cm. focusing on general consumer groups, masons and project contractors who need quality and economy products that are distributed to vendors and agents across Thailand but not sold in the company's outlets, started in mid of November 2017. The company received a good feedback from retailers and agents. Associate with the stable economic conditions, economy prize products are market considerable.

In addition, branches also adds the channel to expand its customer base in the contractor sectors and project works by means of issues membership card. Discount is instantly active when apply for a contractor membership. The contractor's data has collected to analyses buying goods to conduct promotion campaigns or products that meet to contractor or project needs.

So that, an overview of products in retail branches are allow customers to easily access to products and maintain the existing customer and expand its customers. Besides, the company's policy to add-in products, related tiling to increase sales volume and better response to target customers. In the 2017, related products to major products were an existing products group; tile adhesive products and new products group; stair nosing and aluminum molding, which continual growth and offer convenient options to customers to purchase more goods combined with delivery services with the tiles which is a core product of the company.

### Environmental

The company focuses on actions to achieve the goal of preventing and treating environmental and effective resources management, which affects the environment and also to reduce losses in various operation in purchasing, manufacturing, packaging and shipment procedures.

Trends in energy costs are rising. The company is aware of tiles production improvement is primarily designed to reduce energy consumption in production processes coupled with the quality of the product and aim to use the limited resources to the best value comprise with sustained energy usage which is the company's energy risk management on other direction. Whether it is the optimization of raw material grinding to reduce power consumption, packaging development to minimize the use of natural materials to reduce impact on the environment.

In addition, the company combines heat from the manufacturing process to renewable benefits, reducing energy consumption and waste production process, reused treatment water from the process of production to reducing the use of water resources, and implement a closed system to ensure that no water from the factory leave to the surrounding community.



And from a research and development of production, all employees are consecutively accepted to offer improvement ideas of work through creative projects with the knowledge and skills. Emphasize on actual results achieved improvement, shortening the work process, reducing energy usage, maintaining the quality of the environment and using resources wisely to prevent and minimize the potential impact on the environment and the reduction of waste in the production process in order to sustained the environment.

#### Social & Community

The company has been prioritized to social development, from taking care employee -factories and branches - for a better quality of life because the company realize that the sustainable growth of organization depends on the sustainability of the employees, partners, community and social including stakeholders. Then the operation under the concept of supervision and protection has implemented to ensure that no effect to community and society in long term both within and outside the organization, including finding the sustainable ways to against impact.

#### Human rights respect

The company administration, based on Thai labor laws, defines human resources management regulations according to the principles of human rights and good governance such as no child labor, supported the disabled employment, fair employee 's treatment and no gender discrimination:

- No employment for anyone under 18 years old.
- Focus n health and safety appropriate management in workplaces; factories and branches
- Encourage to develop employees at all level to enhance knowledge and to improve quality of work to be more safe and efficient.
- Provide an equal working welfare policy according to ability and responsibility of all employees.
- Support for the disabled employment in the Organization, in the year 2017 the company has hired for the disabled at 8 persons

and has contributed in accordance with Thai law.

Thus, employment information of persons with disabilities as of October 2017 are as follows:

	2014	2015	2016	2017
Number of employees (person) is not a person with disabilities.				
DCC	1,945	1,912	2,005	2,056
TTOP	802	758	749	690
Total	2,747	2,670	2,754	2,746
The number of persons with disabilities who require employment ratio of 100:1 ( person)				
DCC	19	19	20	21
TTOP	8	8	7	7
Total	27	27	27	28
The number of handicapped persons employment pursuant to section 33 ( person)				
DCC	10	8	5	5
TTOP	3	3	3	3
Total	13	11	8	8
The number of people with disabilities that promotes the profession under section 35 ( person)	0	0	0	0
Send contributions to the Fund in accordance with article 34 ( baht)				
DCC	985,500.00	1,204,500.00	1,642,500.00	1,752,000.00
TTOP	547,500.00	547,500.00	438,000.00	438,000.00
Total	1,533,000.00	1,752,000.00	2,080,500.00	2,190,000.00

In addition, in the year 2017, nine (9) provinces in Southern of Thailand flooded between November 25 and December 2, company observed in the disaster area and found that employees who suffered from flood, both housing and property damaged are 11 persons. Therefore, the company provides “Dynasty help friends project” by means of money collection from the company and other employees across Thailand to share a kindness to our Dynasty people. From this project, collection number was 124,525 Thai Baht in total and was handed to such employees in the past December 2017 for further home repairing and consumption goods purchasing.



#### [Safety, Health, and Fair working conditions promotion for the employees.](#)

The company has been considered of the safety for employees at all levels, including the fundamentals of health, safety and happy in workplace, so the company provided the welfare, protective tools and equipment to reduce risk and facilitate work.

In production lines, which employee works with machine at all time, the company has defined to cut down accidental numbers to be a main safety determination practice in the factory together with a security management system by using the SHE (Safety, Healthy, Environment) that has issued safety operation regulations for employees and contractors, regularly trained safety courses and also promoted activity for a safety working such as a safety week, a safety promotion campaign outside the workplace, arranged a seminar of safety officers in department head level, including managed an exhibitions to reinforce safety knowledge to employees.

There are more activities related to health and work environment that welcome employee to participate to enhance their understanding about personal health and appropriate work environment such as provide a relaxation area for employee in production line, abstaining from liquor project on Buddhist Lent period, The International Day against Drug Abuse and Illicit Trafficking exhibition, bird flu and leptospirosis exhibition, 5S activity and appropriate garbage disposal in working area campaign which expected employees to understand and keep sustain work environment together.

In each year, the company also arranges machinery and equipment monitoring, then analytical and troubleshoot problems that may occur in order to reduce risks from machine or equipment, including check and improve workplace that may be a cause of accidents in operation.

Moreover, a well organized work environment that complies with hygiene and annual check for light, sound, heat, dust and chemicals, comprise with employee health check-up for both factory and headquarters in annual basis, follow-up health checks an unusual to provide health care advice to be a healthy employee. The company can reduce the risk of absenteeism or staff replacement because of illness, and also arranged fire protection and restraint training course for factory and head office every year.

For the branches, the company continued supply additional electric forklift to reduce risk of accidents from loading products by hands and health problems reduction in long-term. In 2017, the company bought 10 forklifts to branches and in total is 205 forklifts for branches, allocated to new open branches and branches with store area expansion.

#### Human Resources development.

Apart from welfare and cash compensation that is a fundamental for living, the company recognizes the importance of job knowledge and proficiency development for employee at all levels. The company provides an orientation for new employee since start worked to understand corporate culture and work information as the preliminary so that employee can easier adapt to a new work environment which has an affect on overall efficiency of organization. Besides, the company has continued employee development program for employees at each level appropriately that is a key factor for sustainable success of organization and to lead the company to the targeted direction and also a risk management in labor shortage for now and in the future. The company has been focused on the development of existing personnel to progress competencies coupled with encourage employees to be accountable for duty with ethical, learning between sections to enhance knowledge and create a good relationships between related jobs and also develop career progress, stability in the profession and create a family to grow together with the company's growth.

#### Factory

- Arranged 18 training courses of knowledge and working skill at 144 hours for 1,059 attendees

No	Training Course	Number (hours)	Attendant
1	Concepts, techniques and tools to increase productivity	6	550
2	Problems investigation, on the right track remedy	12	1
3	Driving and maintenance electric forklifts	6	12
4	Promoting about the labour potential development of the establishment	6	1
5	The drilling issue, on the spot , right side of the screen	12	1
6	Driving and maintenance electric forklifts	6	6
7	Concept and productivity management	6	475
8	Promoting awareness about legal rights to elderly workforces (60 years and up)	6	1
9	Water management for the industrial sector in 14 central provinces	6	1
10	Organizational development with balance and ready for the changes	12	1
11	Technology in measurement and quality improvement of wastewater utilization in the industrial sector	6	1
12	The reuse of industrial wastewater	6	1
13	OIE Forum for the year 2017	6	1
14	Upgrading power management system in accordance with the legal universal energy management of ISO 50004 and ISO 50006	24	2
15	Streamline the process of authorization, follow-up and import products	6	2
16	The investments supports project to modify and transform machinery for energy conservation	6	1
17	The industrial economy Thailand 2017 and leveraging industry index	6	1
18	Created and developed the environmental conservation industries network project, Saraburi	6	1
Total		144	1059



### Branch offices

- Trainee Managers, Assistant Managers and Clerks were trained in the course of “point-of-sale software program and coordination with others, at 16 hours for 58 attendees
- Arranged the course of “driving and maintenance electric forklifts with safety” at 6 hours for 105 attendees
- Arranged the course of “related products and selling techniques” at 3 hours for 214 attendees

	The course	Number (hours)	Attendant
1	DCC Easy Learning	16	58
2	Driving and maintenance electric forklifts with safety	6	105
3	Related products and selling techniques	3	214

### Head Office

- External training data for employee at Head office in the year 2017 were at 211 training-hour for 40 attendees

	The course	Number (hours)	Attendant
1	Criteria for value added tax system	7.5	2
2	40 topics in ledger accounting and fiscal advance correction	7.5	2
3	The accounts receivable system and techniques to control debtors and bad debts	7.5	2
4	Case studies: topics in expense, forbidding expense, forbidding input tax and withholding tax related	7.5	1
5	Professional Network Installation and Management Workshop (3 days)	24	2
6	Windows Server 2012R2 Administrator Workshop (5 days)	30	2
7	Social security information briefing for 2016	7	4
8	Skills development for professional supervisor, class 43	7	1
9	Ms. Excel techniques for efficient work	7	2
10	Important knowledge in imports and exports	7	1
11	Employee's incoming and benefit tax that human resources and accounting department should not be missed	7.5	2
12	Labor laws for personal management	7	2
13	ASP .NET Web Development with Visual Studio 2015 (3 days)	18	1
14	Criteria and methods of withholding tax in accordance with business terms and contracts	7.5	2
15	Answer the questions of depreciation and breakage on the basis of the Revenue Department	7	2
16	How to issue and correct a tax invoice, credit note and debit note and report preparation	7	2
17	Technical operations for debt and difficult debtor	7.5	2
18	New criteria for corporate income tax exemption and tax benefits in 2016	7.5	2
19	Recording the accounts receivable, debtor management, and bad debt with internal-control on a basis of accounting standards (new course, 2016)	7.5	2
20	Significant topics workshop in accounting	7.5	1
21	Literacy of tax auditing for industrial and manufacturing business by the revenue department.	7.5	2
22	Preparation of tax invoice methods auditing and tax invoice verification by revenue department (new course)	7.5	1
Total		211	40



#### Social and environmental activities.

- Dynasty volunteer for rural development project

The company has been continual provided the support of floor and wall tiles to volunteer student camp from various campuses since 2013 under the name of “the Dynasty volunteer for rural development project” to implant new generations cultivate spirits of helping others and volunteer in form of volunteer camp to develop and build a study building, a multipurpose building or a school cafeteria ant etc. in shortage local schools, so that students have learned the benefits of helping others in society. Throughout the past 5 years, the company supported tiles at 45 volunteer camps in total.

- In 2013 (first year) supported 9 camps with 995 square meters of tiles
- In 2014 (second year) supported 10 camps with 1,343 square meters of tiles
- In 2015 (third year) supported 11 camps with 1,566 square meters of tiles
- In 2016 (forth year) supported 13 camps with 1,717 square meters of tiles
- In 2017 (fifth year) supported 2 camps with 237 square meters of tiles

No	Educational institutions	Participating schools	Province	Building	Tiles (sq. m.)	Participated Branches
44	Chulalongkorn University	Ban Huay Chot School	Khon Kaen Province	Multipurpose building	162	Ban Pai
45	Thammasat University	Thailand mountain community learning center, “Mae FAH Luang”	Chiangmai Province	Classroom	75	Chom thong

As a result of consecutive support of wall and floor tiles to shortage local schools either through direct support from the company since 2009 and through the volunteer camps since 2013, the company is known in group of educational and government service. In the past 2017, several agencies had request support for wall and floor tiles for community spaces and the company had considered under appropriateness by focus on purpose of space using for public and community then directed support to various places at 20 locations as follows:

Organizational unit name	Province	Building	Tiles (sq.m.)	Participated branches
Bodhisattva Cave Temple	Tabkwang, Kangkoi, Saraburi	Dharma court	650	Thabkwang
Wat Thung-Kwai Kin	Thung Kwai Kin, Klang Rayong	Bathroom	32	Klang
Clay Hill temple	Wangpong, Pranburi, Prachaup Kirikhan	Dharma court	136	Pranburi
Bell-tower School Temple	Bangkut, Sanburi, Chainart	Classroom activities court	120	Chainart
Small children development center houses at Ban Nam Sum	Ban Pong, Hangdong, Chiang Mai	Multipurpose activities court for toddler	48	Hangdong-Sunpa-thong
Srivijaya boy scout camp at Ban Sai Yong,	Klongchanuan, Waingsa, Surattani	Multipurpose activities court for toddler	270	Wiangsa
Charoen Suk temple	Klongnamlai, Klonglan, Kamphaengphet	Bathroom and alms-house	227	Kamphaengphet
Ban Kam Puan School	Kam Puan, Sulsamran, Ranong	School buildings	400	Ranong
Police box at Na Kuam	Chompoo, Maung, Lampang	Police Box	43	Lampang
Wat Mai Rieng School Mai-rieng,	Chawang, Nakhon Si Thammarat	School buildings	150	Wiangsa
Highway Police Services at Chong Sam Mho	Lahan, Chaturat, Chaiyapume	Police Box	44	Kangkhro
Highway Police Services 3	Chanieng, Muang, Surin	Police station renovation	32	Surin
Ban Yaun Pla School	Chaiburi, Surattani	School buildings	125	Wiangsa
Nang Rong Police Station	Sungkhakaj Prachanusorn, Nangrong, Burirum	Meeting Room renovation	179	Nangrong
Ban Tha Salao School	Yang Nam Klua, Petchaburi	Dharma Wisdom Court	120	Banlad
Wat Khao Wong Brahma Supportive School	Khao Wong, Praputtabath, Saraburi.	Canteen	600	Chalermprakiat
Fire Suppression Operation Center	Thawnagpha, Nan	Building Renovation	30	Thawangpha
Highway Police Services 3	Chanieng, Muang, Surin	Police Station Renovation	30	Sikhoraphume
SIDA Police Station	Srida, Nakorn ratchasima	Public toilets	50	Srida
Pa Tung drugs inspectorate	Dong Mada, Mae Lao, Chiang Rai	Public toilets	46	Chiang-rai-WatrongKun

#### Ethical promotional activities.

The company has arranged the annual merit making at the end of each year for employee for the fortune.





#### Fair business

The company conducts its business with equality and fairness, consistent to legal, rules, regulations and practices of the controlled agencies, and strengthens and cultivates employee at all level to responsible and perform duties with fairness by setting common goals on a basis of obtaining a fair return for both parties, avoid situations that cause conflicts of interest, including contractual practices for the truth and a valid report and together to find a solution based on the business relationship regularly whether it is business partners or customers.

For competitors, it is the policy to treat the competitors under the fair rules. Do not use the monopolize trade and offensive action for which caused to the reputation of the competitors. Including to employees, communities and societies, and consideration of confidentiality, insider information usage, respect the laws and principles of human rights.

#### Anti-corruption policy

The company is committed to resisting all forms of corruption since the year of 2015. The company has been certified as a member of the Partnership Against Corruption in Thailand by agreement of the Collective Action Against Corruption (CAC).

The company has spread an against corruption policy to employees, partners and stakeholders through communication channels both paper and electronic systems, to has been informed that the company does not accept any form of corruption, such as abstain from gift during the various festivals. In addition, the company supports activities that encourage employees to understand the anti-corruption policy, such as employee orientation, create awareness to aware of the responsibility to performs duties under the law and business ethics.

The company continues to focus on business ethics, responsible for of stakeholders and committed to the principles of good governance that social and environmental responsibility is as part of its code of conduct. Which cultivate employees for honesty, generous, passion to learn new things and can be deployed on duties and lifestyle.

Moreover, the concept to develop organization to be sustainable progress and growth together with all employees, customers, partners, social and communities, “Together, We Go” concept, the company focused on internal development of skills, knowledge, expertise, including embedding ethics in a teamwork and convey mutual knowledge to make the organization as the Dynasty family that has quality of working and skill of living couple with together organization development, creative production and services provided to be compete fairly which is best to create confidence and satisfaction and reward to stakeholders.

# Internal Control and Risk Management

The Board of Directors and Executives of the company concern about the importance of internal control by realizing that the system of internal controls is an important mechanism to build confidence in the management to reduce business risk, enables efficient, and effective business operations, by allocating resources appropriately, and fulfill the business goals as well as an evaluation of the internal control at least once a year.

The Board of Directors has determined that the Audit Committee is responsible for supervising the internal control system, risk management system and the corporate governance system of the company to have an appropriate and efficient operation, including the company's compliance with the terms and applicable laws. The Internal control also supervise to control any conflict of interest in related transaction and use of property, to prevent fraud or misconduct. The company has the consistency checks and balances mechanism by an internal audit department which is independent in business monitoring, assess the effectiveness and adequacy of the internal control system, in risk management system and in corporate governance system as well. The internal audit checks and balances all department performance of the company and its subsidiaries by bringing the framework guidelines of the internal control system in accordance with the International Standards of COSO (The Committee of Sponsoring Organizations of the Tread way Commission), the risk management framework enterprise-wide (Enterprise Risk Management), and corporate governance guidelines, the guidelines of the Stock Exchange of Thailand and the Institute of Directors Association (IOD), the Thailand Economic Co-operation and Organization for Development (OECD). All mentioned frameworks and guidelines conduce the internal control to conduct risk management and all supervision, result in more integrity for the most efficient and effective in company performance.

The Company applies the Internal Control – Integrated Framework of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) comprising 5 components and 17 principles to the Company's operation, management, and internal control system. In the Board of Directors meeting no. 2/2018 on 20 February 2018, the directors have assessed the adequateness of the Company's internal control system in accordance with the Securities and Exchange Commission Thailand (SEC) and concluded that the overall internal control system is adequate and effective.

Thus, the Company focuses on five key elements relating to internal control as follows.

## 1. Organization and Environment

1. The company demonstrates commitment to integrity and ethical values. The Code of Conduct has been formally established in relation to the fair and transparent business operations responsible to every stakeholder including society and the environment. There are stipulations prohibiting actions which may have conflict of interests or damage the Company.

2. The Board of Directors oversees system of internal control independently. The board consists of more than one-third independent directors. Its members are experts, skilled, and qualified to oversee the development and performance of internal control which includes the control environment, the risk assessment, the control activities, the information and communication, and the monitoring activities. The authorities and responsibilities of the board and each committee are clearly defined and segregated from the management.

3. The company establishes clear structures, reporting lines, authorities, and responsibilities aligning with business model and legal environment to maximize efficiency and effectiveness of operations and internal controls. Crucial segregation of duties among structures provides checks and balances. Authority in management and operating levels are clearly defined, assigned, and limited.

4. The company demonstrates commitment to attract, develop, and retain competent personnel. Relating policies and procedures have been clearly established and periodically assessed for their implementation effectiveness. The Company established mentoring process allowing supervisors to give consults to their subordinates on improvement. Succession plans for personnel in essential positions are defined and in place.

5. The company enforces each personnel's accountability for achievement of their assigned internal control responsibility through reporting lines directives, and communication of clear policies and procedures to enable strict conformance. Supervisors are also required to, by themselves, assess and assure the effectiveness of internal controls under their supervision (Control Self-Assessment: CSA).

The Board of Directors and the management establish and communicate clear performance evaluation procedures and performance measures to motivate and reward performing personnel, and to manage any non-performances. The performance measures include adherence to the Code of Business Ethics, achievement of short-term and long-term objectives, and achievement of internal controls. Process is in place to adjust performance pressures of the management and personnel in case that they are excessive and possibly resulting in frauds or internal control's cutting corners.

## 2. Risk Assessment

6. The company specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. For example, objectives are categorized as follows:

- Goals are clearly stated and practical. They support and are align with the Company's missions and strategies.
- The Company's resources are managed and utilized efficiently and economically to achieve established objectives.
- The Company's assets, information, reputation, and personnel are safeguarded.
- Process, policies, and procedures are continuously improved and updated benchmarking relevant international standards.
- Financial and non-financial reporting are accurate, reliable, and timely. Financial reporting accurately and completely complies with the generally accepted accounting principles, represents the Company's financial position and rights and obligations, and has full disclosures, reflecting activities and performances of the Company.
- Internal and external regulations, policies, and laws relating to the Company's business are being adhered to.
- CSA is properly implemented in crucial processes.

7. The company identifies and analyzes all types of risk in both corporate and operational levels which may affect achievement of the objectives. Internal and external factors are considered to identify and analyze strategic risk, operational risk, reporting risk, compliance risk, and information technology risk. The Company assesses the significance of risks based on impact and likelihood of risk occurring. The management and personnel are involved in the risk management process and consideration of risk.

8. The company assesses fraud risk and establishes measures to prevent and detect frauds especially in high-fraud-risk processes such as processes relating to cash, inventory, procurement, financial reporting etc. The Company performs an analysis to identify irregular financial ratios, continuously monitors for irregular business transactions, implements various assets safeguarding measures, and launches the whistle blower program.

In addition, the Audit Committee scrutinizes information and questions the management on likelihood of fraud occurring and measures implemented to prevent, detect, or remedy frauds.

9. The company identifies and analyzes significant changes in the external environment, the business model, and leadership which may affect the business, internal controls, and financial reporting. Appropriate responding measures to those changes have been prepared and established.

## 3. Control Activities

10. The company selects and develops control activities aligned with the Company's risks and specific characteristics such as the business environment, complexity, nature, and scopes of operations, covering all relevant business processes and levels of activities. There are considerations on a proper mix of control activity types, a balance of manual and automated controls, and an integration of preventive and detective controls. Conflicted duties such as transaction recording, authorizing, approving, and assets handling are also segregated to provide proper checks and balances.

11. The company selects and develops general controls over technology to help ensure that the Company's IT systems are always available, protected from unauthorized access, and supporting achievement of management's objectives. Examples of the controls are:

- Technology infrastructure controls: centralized technical infrastructure operations, IT system change management, business continuity management program etc.
- Security management controls: access rights controls, security controls, system and network irregularity monitoring, information security management system's external assessment etc.
- Technology acquisition, development, and maintenance controls: strict system procurement process, internal and outsourced system developer management and competency program, revision of system development manual, system source code control etc.

12. The company deploys control activities through clear policies and procedures to let personnel understand what the management expects and how to implement the controls correctly. Competent personnel who are responsible, steps and timing of implementation, and corrective actions on matters identified as a result of the controls are established. The policies and procedures are periodically reassessed for continued relevance and effectiveness. The Company has established policies to ensure that all business decisions are approved based on the Company's interest, and on an equitable agreement with independent parties and subsidiaries are subjected to the equivalent policies and are monitored by their directors or management appointed by the Company.

#### 4. Information & Communication

13. The company uses relevant and quality information to support internal control. Data is gathered from internal and external considering costs and benefits. The data are gathered and processed by information systems into information supporting the functioning of internal control.

The Board of Directors receives sufficient information for the decision making in the meetings in a timely manner 7 or 14 days before the meetings as stipulated by laws and regulations. The information includes relevant details, backgrounds, options, and effects to the Company. In the meetings, each director's opinions, recommendations, observations, inquiries, disagreements, and reasoning are recorded for subsequent board assessment.

14. The company has an internal communication system to relay internal control's objectives, policies, procedures, and accountabilities to every level of personnel in every department nationwide. Various communication channels are selected appropriately for the communication efficiency and effectiveness. For examples, there are communications via the intranet and confidential Whistle Blower hotline.

The Company reports material information to the Board of Directors. The board members have access to and can request reviews of any information needed to exercise their oversight responsibilities. They can freely communicate with the external auditors, internal auditors, and other established contact persons other than the senior management. Extraordinary formal or informal meetings with the management can also be arranged.

15. The company has an efficient communication system with external stakeholders using proper channels to support internal control. For examples, there are

- communications via the internet, social media,
- investor relations,
- service quality complaint

## 5. Monitoring Activities

16. The company instructs managers and supervisors in every department to continuously monitor for deficiencies of the internal control to ascertain the continued effectiveness of 5 components and 17 principles of the internal control. There are also separate evaluations from independent parties such as internal auditors or external quality assessors. The frequency of the evaluations varies on rate of changes occurring.

17. When the internal control deficiencies are identified, the company evaluates their significances and communicate them to responsible parties for timely corrective actions. Material deficiencies and their correction progress are reported to the Board of Directors and the senior management as appropriate. Fraud incidents or clues, violation of law, or any other irregularities which may materially affect the Company's reputation or financial position will be immediately informed to the Board of Directors.

With the current information system, which provides reliable and timely information, the management and the Board of Directors can control and monitor the operations with reference to financial reporting effectively. And at the same time, the Management can review, assess, and make recommendations to improve business processes through the supervision of the Office of Internal Audit to carry out audit throughout the year.

### Internal Audit

The Internal Audit Office performs its duties independently from the management. It reports functionally to the Audit Committee and administratively to the Chief Executive Officer. Supporting the Company's achievement of objectives and goal, the office evaluates the efficiency and effectiveness of the internal control, risk management, governance system, and also provides consultation.

The Chief Audit Executive acts as the secretary to the Audit Committee supporting their oversight responsibilities and accountability which are assigned by the Board of Directors to the Audit Committee. Additionally, the Chief Audit Executive gives advices relating to the internal control, risk management, business ethics, information security etc.

The internal audit was conducted to examine the system of internal control on a regular basis and report the result to the Audit Committee. Until now, Audit Committee has not found any significant flaws; however, minor comments on how to improve internal control. Office of Internal Audit is responsible for auditing to ensure that the operation and financial activities of the Company are implemented effectively and in accordance with the law under the guidelines.

# Related Transaction

The Company and its subsidiaries have entered into related transactions with connected persons. All of these related transactions are made in the ordinary course of business and on general trading conditions.

To be aligned with the Security and Exchange Act (No. 4) B.E. 2551, Article 89/12 (1), with the following measures.

1. The Audit Committee must consider and give their comments before transaction occurs.
2. In case the Audit Committee is not able to give any comment on any transaction, the Company must provide independent specialist to provide comments for the Audit Committee to form their comments before proposing to the Board of Directors and/or Shareholders' Meeting for further consideration.
3. The persons who have potential conflict of interest cannot vote on the transaction that is related to them.
4. The Company will disclose the related transaction in the notes attached to financial statements. The Audit Committee will give comments concerning the necessity and rationale of the related transaction that has been audited by external accounting auditor.

## **Dynasty Ceramic Public Co. Ltd. has related transactions with its subsidiaries as follows:**

### **1. Tile Top Industry PCL., (a subsidiary)**

- The Company is a sole distributor of all made products purchased from Tile Top Industry Pubic Co. Ltd., which manufactures floor tiles and wall ties, at wholesale prices. The Company is the sole distributor. Tile Top Industry Public Co. Ltd. contracted Dynasty Ceramic Public Co. Ltd. to manage its operations, inventory (including raw materials and spare part), purchasing and sales, financial and accounting systems with an online computer system, with an annual budget of 12 million Baht, resulting in related transactions.
- Moreover, Dynasty Ceramic Public Co. Ltd. rented warehouse facilities located at Tile Top factory for storage of products purchased from Tile Top Industry PCL and contracted Tile Top Industry PCL to manage the Company's warehouses, with a yearly budget of 3.6 million Baht.
- Since Dynasty Ceramic is in charge of controlling its own and its subsidiaries' financial policies, payments were made in advance on some items produced and distributed to Dynasty Ceramic Public Co. Ltd. This is a means of providing financial support to its subsidiary, with the borrowers issuing a promissory note to the loan provider. Interest is calculated according to prevailing market rates on the date the borrowing was made.

### **2. The Royal Ceramic Industry PCL., (a subsidiary)**

- March 28, 2017 contracted RCI warehouse and distribution management for 1 year contract (April 1, 2017-31 March 2018) at 0.15 million baht per month, total value 1.8 million Baht.
- March 28, 2017 contracted with the RCI office building rental for 1 year (April 1, 2017- 31 March 2018), at 0.06 million baht, total value of 0.72 million Baht.
- March 28, 2017 subsidiary contracted with The Royal Asia Brick and Tile Company Limited (RABT) RCI's subsidiary office building rental for 1 year (May 1, 2017-30 April 2018), at 0.012 million baht, total value of 0.14 million Baht.
- April 28, 2017 , to enter into a business management contract for one year (since May 2, 2017 to May 1, 2018) management fee 1.0 million Baht per month and was told to terminate the contract before the end of the contract. Effective from October 1, 2017.
- Purchase the finished goods from Royal Ceramic Industry PCL, a manufacturer of floor and wall ceramic tiles.

## **Transaction**

1. The Company has transactions with Tile Top Industry PCL.,(a subsidiary), which is the majority shareholder. More than 95 percent and the Board of Directors of the Company and its subsidiaries. The transaction has no impact on the consolidated.

2. Royal Ceramic Industry PCL (Subsidiary), the company is not a shareholder but there are common directors. It was consold in the financial statement since April 1, 2017.



For approval process, the related transactions shall be processed in the same practice as other general trading transactions with outside parties with the authorized executives designated and empowered to endorse up to a certain limit of budget according to their respective rank and position. The Audit Committee of the Company and its subsidiaries is responsible for reviewing the related transactions every quarter to ensure that no conflict of interest will be occurred in order to maximize the overall company's benefits.

For the fiscal year ended 31 December 2017 and 2016, the Company and its subsidiaries had the related transactions in which the auditors had disclosed in the notes to audited financial statements and these transactions have been reviewed by the Audit Committee. The Audit Committee had an opinion that all related transactions are reasonable and based on the normal course of business.

## TRANSACTIONS WITH RELATED PARTIES

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

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

Account name / Company's name	Relationship	Type of Transaction	Amount (Million Baht)	
			2017	2016
Tile Top Industry PCL.	Subsidiaries Company	Revenue from Raw Material / Supplies	1.7	1.9
		Rental income from office	0.7	0.7
		Management Fee income	12.0	12.0
		Purchases -Finished goods	2,068.4	2,185.8
		Purchases - Raw Materials / Supplies	4.5	3.7
		Revenue from Raw Material / Supplies	3.6	3.6
The Royal Ceramic Industry PCL.	Subsidiaries Company	ค่าเช่าวัตถุดิบและวัสดุสิ้นเปลือง	2.5	-
		Rental income from office	0.5	-
		Management Fee income	5.0	-
		Purchases -Finished goods	390.0	-
		Purchases - Raw Materials / Supplies	0.3	-
		Warehouse Management Fee	1.4	-
The Royal Asia Brick and Tile Company Limited	RCI's subsidiary	Rental income from office	0.1	-
Mr. Monrak Saengsastra and Mr. Maruth Saengsastra	Director of the Company	Rental Land Expenses	3.1	2.0

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

Account name / Company's name	Relationship	Type of Transaction	Amount (Million Baht)	
			2017	2016
TileTop Industry PCL.	Subsidiaries Company	Trade Account Payable	818.3	732.4
The Royal Ceramic Industry PCL.	Subsidiaries Company	Trade Account Payable	43.6	-

# FINANCIAL HIGHLIGHTS

(Million Baht)

## CONSOLIDATED THE STATEMENTS OF COMPREHENSIVE INCOME

	2017	2016	2015
Total Revenues	7,393	7,184	7,184
Net Sales	7,363	7,165	7,171
Gross Profit	2,848	3,104	3,010
% Gross Profit	38.7	43.3	42.0
Selling & Admin. Expenses	(1,549)	(1,332)	(1,274)
Net Profit Before Interest & Depreciation	1,785	2,127	2,039
Net Profit	1,117	1,422	1,372

(Million Baht)

## CONSOLIDATED THE STATEMENTS OF FINANCIAL POSITION

	2017	2016	2015
Total Assets	7,097	5,750	5,134
Total Liabilities	3,316	2,373	2,013
Total Shareholders' Equity	3,781	3,377	3,121

(Million Baht)

## FINANCIAL RATIO

	2017	2016	2015
Earning Per Share - Baht	0.171	0.218	0.210
Net Profit / Total Revenues - %	15.11	19.79	19.10
Debt Equity Ratio	0.88	0.70	0.64
Return on Total Assets - %	15.74	24.73	26.72
Return on Equity -%	29.54	42.11	43.96
Booked Value - Baht	0.579	0.518	0.478
Dividend Per Share - Baht	0.128	0.16325	0.210
Dividend Yield - %	75	75	100

Authorized Share Capital - Baht	652,799,395.80	652,799,395.80	652,800,000
Total number of shares –Shares	6,527,993,958	6,527,993,958	6,528,000,000
Issued and Paid-up share-Shares	6,527,993,958	6,527,993,958	6,527,993,958

# Summary of Operating Results

## and Financial Analysis

CONSOLIDATED

The Statement of Financial Position

(Million Baht)

	December 31, 2017	%	December 31, 2016	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	95	2%	82	2%
Trade account and other current receivables - net	271	4%	186	3%
Inventories - net	1,797	25%	1,567	27%
Other investments	18	0%	18	0%
<b>Total Current Assets</b>	<b>2,181</b>	<b>31%</b>	<b>1,853</b>	<b>32%</b>
<b>NON - CURRENT ASSETS</b>				
Other long - term investments	33	1%	-	0%
Property, plant and equipment - net	4,807	68%	3,837	68%
Computer Program - net	26	0%	18	0%
Deferred income tax asset	29	0%	21	0%
Other non - current assets	21	0%	21	0%
<b>Total Non - Current Assets</b>	<b>4,916</b>	<b>69%</b>	<b>3,897</b>	<b>68%</b>
<b>TOTAL ASSETS</b>	<b>7,097</b>	<b>100%</b>	<b>5,750</b>	<b>100%</b>

CONSOLIDATED

The Statement of Financial Position

(CONT.)

(Unit : Million Baht)

	December 31, 2017	%	December 31, 2016	%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short - term loans from financial institutions	2,111	30%	1330	23%
Trade account and other current payables	874	12%	709	12%
Accrued income tax	93	1%	138	3%
<b>Total Current Liabilities</b>	<b>3,078</b>	<b>43%</b>	<b>2,177</b>	<b>38%</b>
<b>NON - CURRENT LIABILITIES</b>				
Unfunded provident fund				
- non contributory	50	1%	55	1%
Employee benefits obligation	154	2%	103	2%
Deferred income tax liability	34	1%	38	0%
<b>Total Non - Current Liabilities</b>	<b>238</b>	<b>4%</b>	<b>196</b>	<b>3%</b>
<b>TOTAL LIABILITIES</b>	<b>3,316</b>	<b>47%</b>	<b>2,373</b>	<b>41%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital - common share at Baht 0.1 par value				
- Registered - 6,527,993,958 shares	653	9%	653	11%
- Issued and paid - up - 6,527,993,958 shares	653	9%	653	11%
Premium on share capital	506	7%	506	9%
Retained earnings				
- Appropriated for legal reserve	65	1%	65	1%
- Unappropriated	2,301	32%	2,105	37%
Shareholders' equity of the Company	3,525	49%	3,329	58%
Non-controlling interests in subsidiary	256	4%	48	1%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3,781</b>	<b>53%</b>	<b>3,377</b>	<b>59%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>7,097</b>	<b>100%</b>	<b>5,750</b>	<b>100%</b>

# CONSOLIDATED

Statement of comprehensive income for the years ended December 31,

(Unit : Million Baht)

	2017	%	2016	%
<b>REVENUE</b>				
Revenue from sales	7,363	100%	7,165	100%
<b>COSTS OF SALES</b>				
Costs of goods sold	(4,515)	(61%)	(4,061)	(57%)
Gross income	2,848	39%	3,104	43%
Other income	29	0%	19	0%
Distribution costs	(761)	(10%)	(674)	(9%)
Administrative expenses	(788)	(11%)	(658)	(9%)
Finance costs	(31)	0%	(20)	0%
Income before income tax	1,297	18%	1,771	25%
Income tax	(255)	(5%)	(347)	(5%)
Income for the year	1,042	13%	1,424	20%
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains - net of tax	-	0%	9	0%
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,042	13%	1,433	20%
<b>ALLOCATION OF INCOME FOR THE YEAR</b>				
Portion of the Company's shareholders	1,117	14%	1,422	20%
Portion of non-controlling interests in subsidiary	(75)	(1%)	2	0%
	1,042	13%	1,424	20%
<b>ALLOCATION OF COMPREHENSIVE INCOME</b>				
Portion of the Company's shareholders	1,117	14%	1,431	20%
Portion of non-controlling interests in subsidiary	(75)	(1%)	2	0%
	1,042	13%	1,433	20%
<b>BASIC EARNINGS PER SHARE</b>				
Income (Baht : share)	0.171		0.218	
Weighted average number of common shares (unit : shares)	6,527,993,958		6,527,993,958	

The Company has led the Royal Ceramic Industry Public Company Limited ("RCI") to prepare the consolidated financial statements since April 1, 2017, according to the resolution of the Annual General Meeting of Shareholders for the year 2017, held on April 24, 2017, approved the company to be hired in management contract with RCI. The Company has authorized in controlling the management through the same Directors and Executives included setting management policies.

### Analysis of Operating Result for the Year 2017

Operating results for the year 2017 ended 31st December 2017 compared with the same period last year. Sales totaled 7,363 million baht, increase of 198 million baht or 3%. Sales volume increased by 5%. Gross margins decreased 39% from previous year which was 43%. Total production decreased 3% compared to the previous year. Cost of energy, main factor of production cost, increased 14%. Distribution expenses increased 86 million baht or 13% which were 28 million baht of RCI (April-July 2017) and the transportation cost resulted from the average diesel price increasing 10%. The administrative expenses increased 130 million baht or 20%, 28 million baht of RCI (April-July 2017). Financial cost increased 11 million baht or 55%, 2 million baht of RCI (April-July 2017). The net profits attributed to shareholders equity was 1,117 million baht or 0.171 baht per share, a decrease of 305 million baht or 21% from last year.

### Analysis of Financial Status 2017

#### Assets

Total assets of the company and its subsidiaries as of 31st December 2017 amounted 7,097 million baht, an increase of 1,347 million baht or 23% from the amount as of 31st December 2016.

#### The current assets increased 328 million baht or 58%

- Cash and cash equivalents decreased 13 million baht or 16%, which were from the company 10 million baht and from RCI 3 million baht.
- Trade accounts receivable and other current receivables increased 85 million baht or 46%, partly of the company's account receivable increased 58 million baht and RCI's 11 million baht by credit customers and others increased 16 million baht, which were from the company increased 2 million baht and from RCI 14 million baht.
- Inventories increased 230 million baht or 15%, whereas the company increased 113 million baht and RCI's inventories of 117 million baht

#### Non-current assets increased by 1,020 million baht or 26%

- Land, building and equipment (net) increased 969 million baht, as a result of improvements and renovation of the company's building and branches and RCI's assets, property, plant and equipment (net) of 325 million baht.
- Other long-term investments of 33 million baht and Intangible assets of 8 million baht resulting from the consolidated financial statements.

#### Liabilities and Shareholder's Equities

Total liabilities of the company and its subsidiaries as of 31st December 2017 amounted 3,316 million baht, increasing by 2016 at 943 million baht or 40%.

#### Current liabilities increased by 900 million baht or 41%

- Short-term loans increased 781 million baht or 55%, while the company's portion was 560 million baht and RCI was 221million baht.
- Account payable increased by 126 million baht or 30% partly of the company's 54 million baht and due mainly to RCI's of 72 million baht.
- Accrued income tax decreased 45 million baht or 32% from lower profits.

Non-current liabilities increased 43 million baht or 22% due to the employee benefits increased 51 million baht. (RCI was 42 million baht) Deferred income tax liability decreased 3 million baht

Total shareholders' equity of the company and its subsidiaries as of 31st December 2017 amounted to 3,781 million baht, increased 404 million baht or 12% from the year ended of 2016. The company's profit was 1,117 million baht with dividend of 920 million baht, and interest in non-controlling subsidiary increased by 207 million baht (due mainly to RCI's).



# Appendix

## Board of Directors

Name	Mr. Roongroj Saengsastra
Appointed	26 January 1998
Age	67 years
Position	Chairman / Chairman of Executive Director Chairman of the Corporate Governance Committee Chairman of the Nomination and Remuneration Committee
% of Share Holding	1,600,000,000 shares (24.51%) at Dec 29, 2017
Family relationship among executives	Miss Cattleya Saengsastra's brother
Highest Education	Bachelor of Accounting, Chulalongkorn University
Training from IOD	None
Experience in the past 5 years (at December 31, 2017)	2011-2014 Chairman of Pick and Pay Co., Ltd Chairman of Muang Thong Ceramic Co., Ltd Chairman of World Wide Ceramic Co., Ltd
Other Current Position	Listed Company 1 Company 1.Chairman of Executive Director of The Royal Ceramic Industry PLC. Non Listed Company 2 Companies 1.Chairman of TileTop Industry PLC. 2.Executive of Director of Royal Asia Brick and Tile Co., Ltd.

\*\*\*\*\*

Name	Gen.Yuthasak Sasiprapha
Appointed	21 April 2015
Age	80 years
Position	Chairman of Audit Committee Independent Director and Audit Director
% of Share Holding	None at Dec 29, 2017
Family relationship among executives	None
Highest Education	- The National Defence Course for Joint State-Private sectors #33 - Army Command and General Staff College #48 - Chulachomklao Royal Military Academy
Training from IOD	- Director Accreditation Program (DAP) No. 56/2006 Leader Program Capital Market Academy Class XI 2010
Experience in the past 5 years (at December 31, 2017)	- Jan 2012-Oct 2012 Deputy Prime Minister - Aug 2011-Jan 2012 Minister of Defence
Other Current Position	Listed Company 2 Companies 1. Advisor to Chairman of Nawanakorn PCL. 2. Advisor to Chairman of NEP Realty and Industry PCL. Non Listed Company None

\*\*\*\*\*

Name	Miss Cattleya Saengsastra
Appointed	26 January 1998
Age	69 years
Position	Executive Director and Company Secretary
% of Share Holding	176,000,000 shares (2.70%) at Dec 29, 2017
Family relationship among executives	Mr. Roongroj Saengsastra's Sister
Highest Education	-Bachelor degree Accounting (Honor), Chulalongkorn University -Management Development Program J.J Kellogg, North Western University
Training from IOD	Directors Accreditation Program (DAP) No.47/2005
Training from IOD: Company Secretary Program	None
Experience in the past 5 years (at December 31, 2017)	2011-2014 Director of Pick and Pay Co., Ltd Director of Muang Thong Ceramic Co., Ltd Director of World Wide Ceramic Co., Ltd
Other Current Position	Listed Company 2 Companies 1. Independent Director and Chairman of Audit Committee / S&P Syndicated PCL. 2. Company Secretary / The Royal Ceramic Industry Non Listed Company 1 Company 1. Executive Director and Company Secretary / TileTop Industry PCL.

\*\*\*\*\*

Name	Mr. Chaiyasith Viriyamettakul
Appointed	26 January 1998
Age	68 years
Position	Director
% of Share Holding	328,900,000 shares (5.04%) at Dec 29, 2017
Family relationship among executives	None
Highest Education	- Bachelor of Engineering, Chulalongkorn University - National Defense College (NDC.4414)
Training from IOD	Director Accreditation Program (DAP) No. 20/2004 - Increasing Your Corporate Value through Effective Communication Year 2003 - Risk Management - Capital Market Academy, Class 15 (15 CMA)
Other Current Position	Listed Company 3 Companies 1. President / Vibhavadee Hospital/ Health Care Services 2. Director/ Chiang Mai Ram Medical Business PLC/ Health Care Services 3. Director/ Sikarin PLC. / Health Care Services Non Listed Company 2 Companies 1. Vice Chairman of BOD / Chao Paya Hospital PLC. 2. Executive Director / Vibharam Co., Ltd and its Subsidiaries

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Name	Mr. Suvit Smarnpanchai
Appointed	26 January 1998
Age	70 years
Position	Director
% of Share Holding	160,000,000 shares (2.45%) at Dec 29, 2017
Family relationship among executives	None
Highest Education	- High-School, Charnvit Wittaya School
Training from IOD	Directors Accreditation Program (DAP) No.54/2006
Experience in the past 5 years	-Advisor of the Audit Committee and Monitoring The Police Administration of Ratchaburana police Station
(at December 31, 2017)	
Other Current Position	Listed Company None Non Listed Company 1 Company 1. Managing Director at Ekasithpun Co., Ltd

\*\*\*\*\*

Name	Mr. Surasak Kosiyajinda
Appointed	30 April 1998
Age	74 years
Position	Independent Director & Audit Committee
% of Share Holding	None
Family relationship among executives	None
Highest Education	-Bachelor of Law, Thammasart University
Training from IOD	DDirector Accreditation Program (DAP) No. 48/2005
Experience in the past 5 years	2011 – Present Own office at Jutturatham Law Office
(at December 31, 2016)	
Other Current Position	Listed Company 1 Company 1.Independent Director & Audit Committee / AJ Plast PCL. Non Listed Company 1 Company 1. Director at United Food Co., Ltd

\*\*\*\*\*

Name	Mr. Monrak Saengsastra
Appointed	29 January 2013
Age	42 years
Position	Chief Admin and Finance Officer Executive Director
% of Share Holding	480,000,000 shares (7.35%) at Dec 29, 2017
Family relationship among executives	Mr. Roongroj Saengsastra's Son
Highest Education	- Master of Business Administration, Kasetsart University -Master of Art in International Economics. Southern Methodist University (SMU) - Bachelor of Science in Business Computer Information Systems, University of North Texas (UNT)
Training from IOD	Director Accreditation Program (DAP) No. 107/2014
Experience in the past 5 years (at December 31, 2017)	2013 - 2017 Executive Director (Administration) at Dynasty Ceramic PCL and Tile Top Industry PLC.
Other Current Position	Listed Company 1 Company 1. Executive Director at Royal Ceramic Industry PLC. Non Listed Company 2 Companies 1. Senior Executive Vice President (Admin) at Tile Top Industry PLC. 2. Executive of Director of Royal Asia Brick and Tile Co., Ltd.

\*\*\*\*\*

Name	Mr. Maruth Saengsastra
Appointed	21 April 2015
Age	40 years
Position	Chief Marketing and Sales Officer Executive Director
% of Share Holding	480,000,000 shares (7.35%) at Dec 29, 2017
Family relationship among executives	Mr. Roongroj Saengsastra's Son
Highest Education	-Master of Science in Computer Science,University of North Texas,USA
Training from IOD	Director Accreditation Program (DAP) No. 107/2014
Experience in the past 5 years (at December 31, 2017)	2011 - 2017 Senior Executive Vice President (Marketing) at Dynasty Ceramic PCL and Tile Top 2011 - Present Assistant Company Secretary and Investor Relation at Dynasty Ceramic PCL. 2011 -2015 Vice President Information Officer at Dynasty Ceramic PCL and Tile Top Industry PCL.
Other Current Position	Listed Company 1 Company 1. Executive Director at Royal Ceramic Industry PLC. Non Listed Company 2 Companies 1. Senior Executive Vice President (Marketing) at Tile Top Industry PCL. 2. Executive of Director of Royal Asia Brick and Tile Co., Ltd.

\*\*\*\*\*

Name	Mr. Jaruwat Traithavil
Appointed	8 August 2017
Age	37 years
Position	Chairman of Risk Management Committee / Chief of Production Officer Executive Director
% of Share Holding	8,000,000 shares (0.12%) at Dec 29, 2017
Family relationship among executives	None
Highest Education	- Master of Engineering Project Management, University of Melbourne, Australia - Bachelor of Engineering (Honours), Australian National University, Australia - Bachelor of Information Technology, Australian National University, Australia
Training from IOD	Director Accreditation Program (DAP) No.143/2017
Experience in the past 5 years (at December 31, 2017)	2010 - 2017      Senior VP Production at Dynasty Ceramic PCL 2009 - Present    VP Production at Tile Top Industry PCL.
Other Current Position	Listed Company 1 Company 1. Executive Director at Royal Ceramic Industry PLC. Non Listed Company 2 Companies 1. Senior Executive Vice President (Marketing) at Tile Top Industry PCL. 2. Executive of Director of Royal Asia Brick and Tile Co., Ltd.

\*\*\*\*\*

Name	Mr. Siripong Tinnarat
Appointed	24 April 2017
Age	68 years
Position	Independent Director & Audit Committee
% of Share Holding	None at Dec 29, 2017
Family relationship among executives	None
Highest Education	-Mater of Education (Education Administration) / Sukhothai Thammathirat Open University - Commerce Chulalongkorn University
Training from IOD	Director Accreditation Program (DAP) No.143/2017
Experience in the past 5 years (at December 31, 2017)	1. Licensee School / Maneeya Kindergarten School
Other Current Position	Listed Company None Non Listed Company 1 Company 1. Licensee School / Maneeya Kindergarten School

\*\*\*\*\*

Name	Mr. Totsaporn Banyongwate
Appointed	24 April 2017
Age	67 years
Position	ndependent Director & Audit Committee
% of Share Holding	977,200 shares (0.01%) at Dec 29, 2017
Family relationship among executives	None
Highest Education	-Bachelor of Engineering (Mechanical Engineering) King Mongkut Technical University
Training from IOD	Director Accreditation Program (DAP) No.143/2017
Experience in the past 5 years (at December 31, 2017)	- Technical and Government Sales Manager / Dunlop (Thailand) Co.,Ltd. - Plant Manager / Thai Swedish Assembly Co.,Ltd. - Process Engineer / Bangchan General Assembly Co., Ltd.
Other Current Position	Listed Company None Non Listed Company 1 Company 1. Managing Director / CT Link Co.,Ltd.

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# Independent Auditor's Report

To the shareholders' of Dynasty Ceramic Public Company Limited

I have audited the financial statements of Dynasty Ceramic Public Company Limited and its subsidiaries, which comprise the consolidated and separate statements of financial position as at December 31, 2017 and the related consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position of Dynasty Ceramic Public Company Limited and its subsidiaries as at December 31, 2017 their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

## Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of my report. I am independent of the Group and the Company in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants that is relevant to my audit of the consolidated and separate 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

## Revenue

### Risk description

Revenue is the significant transactions to the financial statements which the Company has income both from sales directly to the customers and sales through branches which spread over Thailand. I have focused on the completeness and the occurrence of the revenue transactions especially the sales through branches that the Company has to rely on the Information Technology system, together with reconciliation of daily cash sales including the existence of the outstanding inventory in each branch.

### Key audit procedures

Our audit work on the risk are as follows;

- Understood revenue process and revenue recognition.
- Evaluated and tested of internal control for revenue cycle.
- Substantive tested of revenue from branches by reconciliation daily sales reports with cash received and tested the existence of the quantities of outstanding inventories as at period ended.
- Analysed and compared actual sales transactions with budgeted revenue prepared by the management and business trend in the same industry.

## Inventory

### Risk description

According to, there has stock locations spread by branches around the country and proportion amount are moreover than inventory at factory. I have focused on inventory existence at branches.

### Key audit procedure

My audit procedures are understanding and test for the overall of information technology system, Inventory's internal control system evaluation, sampling to test the completeness and existence both of at factory and branches. Moreover, I have reviewed the work of external inventory checking auditor which the Company outsource for inventory counting by every month, to ensure that internal control of inventory is efficient.

## Allowance for declining in value of inventory

### Risk description

As at December 31, 2017, as describe in note to financial statement no.8, the Group Companies have inventory valuation by the lower of cost or net realizable value. The management have to make subjective judgment in consideration of allowance for slow moving and declining value of inventory in accordance to physical damage of each items and the net realizable value consideration from market price at ended date.

### Key audit procedure

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

## Other Matter

The financial statement of Dynasty Ceramic Public Company Limited which comprise the Consolidated and separate statement of financial position as at December 31, 2016, and the related consolidated and separate statement of comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2016, presented as comparative information, were audited by another auditor, who issued her audit report dated on February 17, 2017, expressed an unqualified opinion.

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate 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 consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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

My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr.Jadesada Hungsapruet.



Ms. Jadesada Hungsapruet

Certified Public Accountant Registration No. 3759

Karin Audit Company Limited

Bangkok

February 20, 2018

DYNASTY CERAMIC PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARIES  
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017  
AND  
AUDITOR'S REPORT

# DYNASTY CERAMIC PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

(Unit : Baht)

	Notes	Consolidated		Separate	
		December 31, 2017 “AUDITED”	December 31, 2016 “AUDITED”	December 31, 2017 “AUDITED”	December 31, 2016 “AUDITED”
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5	94,566,173	81,523,000	83,727,927	71,493,151
Trade account and other current receivables - net	7	271,295,072	186,074,575	241,067,807	182,062,069
Inventories - net	8	1,797,000,240	1,567,405,830	1,626,976,003	1,462,221,085
Other investments	9	18,374,257	18,374,257	18,374,257	18,374,257
TOTAL CURRENT ASSETS	-	2,181,235,742	1,853,377,662	1,970,145,994	1,734,150,562
NON - CURRENT ASSETS					
Investment in subsidiary	10	-	-	109,479,530	109,479,530
Other long - term investments		32,814,300	-	-	-
Property, plant and equipment - net	11	4,806,714,531	3,837,413,961	3,519,599,642	2,851,167,313
Intangible Asset - net	12	25,844,165	17,546,903	17,091,535	16,351,063
Deferred income tax asset	20	29,069,847	20,860,861	-	-
Other non - current assets	13	21,567,702	20,627,633	18,188,975	19,513,023
TOTAL NON- CURRENT ASSETS		4,916,010,545	3,896,449,358	3,664,359,682	2,996,510,929
TOTAL ASSETS		7,097,246,287	5,749,827,020	5,634,505,676	4,730,661,491

The accompanying notes form an integral part of these financial statements.



# DYNASTY CERAMIC PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

(Unit : Baht)

		Consolidated		Separate	
		December 31, 2017 “AUDITED”	December 31, 2016 “AUDITED”	December 31, 2017 “AUDITED”	December 31, 2016 “AUDITED”
Notes					
LIABILITIES AND SHAREHOLDERS’ EQUITY					
CURRENT LIABILITIES					
Short - term loans from financial institutions	14	2,110,652,201	1,330,000,000	1,890,000,000	1,330,000,000
Trade account and other current payables		873,818,269	709,151,948	557,835,579	471,434,815
Trade account payables - subsidiary company	6	-	-	861,874,651	732,383,905
Accrued income tax		93,135,342	137,961,322	88,704,892	133,821,818
TOTAL CURRENT LIABILITIES		3,077,605,812	2,177,113,270	3,398,415,122	2,667,640,538
NON - CURRENT LIABILITIES					
Unfunded provident fund - non contributory	15	49,962,336	55,435,679	-	-
Employee benefits obligation	17	153,890,503	102,500,094	71,262,735	63,670,138
Deferred income tax liability	20	34,945,582	37,564,769	34,945,582	37,564,769
TOTAL NON-CURRENT LIABILITIES		238,798,421	195,500,542	106,208,317	101,234,907
TOTAL LIABILITIES		3,316,404,233	2,372,613,812	3,504,623,439	2,768,875,445
SHAREHOLDERS’ EQUITY					
Share capital - common share at Baht 0.1 par value					
Registered - 6,527,993,958 shares	18	652,799,396	652,799,396	652,799,396	652,799,396
Issued and paid - up - 6,527,993,958 shares		652,799,396	652,799,396	652,799,396	652,799,396
Premium on share capital		506,000,000	506,000,000	506,000,000	506,000,000
Retained earnings					
Appropriated for legal reserve	19	65,280,000	65,280,000	65,280,000	65,280,000
Unappropriated		2,301,214,241	2,104,794,272	905,802,841	737,706,650
Total Shareholders’ equity of the Company		3,525,293,637	3,328,873,668	2,129,882,237	1,961,786,046
Non-controlling interests		255,548,417	48,339,540	-	-
TOTAL SHAREHOLDERS’ EQUITY		3,780,842,054	3,377,213,208	2,129,882,237	1,961,786,046
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		7,097,246,287	5,749,827,020	5,634,505,676	4,730,661,491

The accompanying notes form an integral part of these financial statements.

# DYNASTY CERAMIC PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017

(Unit : Baht)

	Notes	Consolidated		Separate	
		2017	2016	2017	2016
Revenue from sales	24	7,363,203,771	7,164,720,744	7,360,206,532	7,164,720,744
Costs of sales	24,25	(4,515,402,050)	(4,060,282,770)	(4,551,627,772)	(4,162,949,269)
Gross profit margin		2,847,801,721	3,104,437,974	2,808,578,760	3,001,771,475
Other income	24	29,458,308	18,503,096	39,732,589	30,379,939
Distribution costs	25	(760,670,413)	(674,400,048)	(732,595,174)	(674,400,048)
Administrative expenses	25	(788,360,391)	(657,616,111)	(747,780,782)	(636,075,749)
Finance costs		(30,717,349)	(20,079,741)	(27,273,913)	(19,102,289)
Profit (loss) before income tax		1,297,511,876	1,770,845,170	1,340,661,480	1,702,573,328
Income tax	21	(255,197,831)	(347,334,627)	(252,118,141)	(335,422,734)
Profit (loss) for the years		1,042,314,045	1,423,510,543	1,088,543,339	1,367,150,594
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Defined employee benefit plan actuarial gains - net of tax		-	9,837,634	-	5,624,882
Total profit (loss) and comprehensive income for the year		1,042,314,045	1,433,348,177	1,088,543,339	1,372,775,476
Profit (loss) attributable to:					
Owner of the Company		1,116,867,117	1,421,723,933	1,088,543,339	1,367,150,594
Non-controlling interests		(74,553,072)	1,786,610	-	-
		1,042,314,045	1,423,510,543	1,088,543,339	1,367,150,594
Total profit (loss) and comprehensive income attributable to:					
Owner of the Company		1,116,867,117	1,431,428,022	1,088,543,339	1,372,775,476
Non-controlling interests		(74,553,072)	1,920,155	-	-
		1,042,314,045	1,433,348,177	1,088,543,339	1,372,775,476
Earnings per Share	23				
Basic earnings (loss) per share (Unit : Baht)		0.171	0.218	0.167	0.209

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017

Consolidated

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The accompanying notes form an integral part of these financial statements.

# DYNASTY CERAMIC PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017

(Unit : Baht)

Separate						
	Notes	Share capital issued and paid-up	Premium on Share capital	Retained earnings		Total
				Legal Reserve	Unappropriated	
Balance as at January 1, 2017		652,799,396	506,000,000	65,280,000	737,706,650	1,961,786,046
Total profit (loss) and comprehensive income for the year		-	-	-	1,088,543,339	1,088,543,339
Dividend payment	22	-	-	-	(920,447,148)	(920,447,148)
Balance as at December 31, 2017		652,799,396	506,000,000	65,280,000	905,802,841	2,129,882,237
Balance as at January 1, 2016		652,799,396	506,000,000	65,280,000	541,602,085	1,765,681,481
Total profit (loss) and comprehensive income for the year		-	-	-	1,372,775,476	1,372,775,476
Dividend payment	22	-	-	-	(1,176,670,911)	(1,176,670,911)
Balance as at December 31, 2016		652,799,396	506,000,000	65,280,000	737,706,650	1,961,786,046

The accompanying notes form an integral part of these financial statements.

# DYNASTY CERAMIC PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
<b>Cash Flows From Operating Activities</b>				
Profit (loss) before income tax	1,297,511,876	1,770,845,170	1,340,661,480	1,702,573,328
Adjustments to reconcile profit before income tax to net cash provided from (used in) operating activities:				
Increase in trade account and other current receivables	(7,504,093)	(11,329,546)	(59,013,330)	(11,856,744)
Decrease (increase) in inventories	(22,234,593)	14,899,298	(164,754,919)	2,136,385
Decrease (increase) in other non - current assets	(197,243)	4,053,975	(427,898)	4,053,975
Increase in trade account and other current payables	55,597,585	31,538,869	86,059,231	42,919,416
Increase in trade account payables - subsidiary company	-	-	129,490,746	39,361,098
Decrease in unfunded provident fund - non contributory	(8,066,061)	(3,876,816)	-	-
Depreciation and amortization	452,129,392	337,307,630	344,082,159	245,366,164
Reversal of allowance for doubtful accounts	-	(474,884)	-	(474,884)
Reversal of allowance for obsolete stock	(436,683)	(183,902)	-	-
Loss (gain) from disposal of fixed assets	(2,327,459)	10,174,886	(1,601,127)	10,164,760
Unrealized loss (gain) on exchange rate	(203,832)	41,080	27,623	75,596
Interest income	(368,483)	(608,646)	(285,450)	(531,390)
Interest expense	32,077,813	20,079,741	27,273,913	19,102,289
Provision for unfunded provident fund	2,592,718	2,691,047	-	-
Provision for employee benefits obligation	17,384,626	9,102,044	6,555,634	6,450,479
Total adjustments to reconcile profit(loss) before income tax	518,443,687	413,414,776	367,406,582	356,767,144
<b>Net Cash Flows Provided from Operations</b>	<b>1,815,955,563</b>	<b>2,184,259,946</b>	<b>1,708,068,062</b>	<b>2,059,340,472</b>
Income tax paid	(310,851,984)	(367,572,741)	(299,854,254)	(352,172,968)
Cash paid for employee benefits	(39,649,674)	(22,310,843)	(836,254)	(13,650,098)
<b>Net Cash Flows Provided from Operating Activities</b>	<b>1,465,453,905</b>	<b>1,794,376,362</b>	<b>1,407,377,554</b>	<b>1,693,517,406</b>

The accompanying notes form an integral part of these financial statements.

# DYNASTY CERAMIC PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2017

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Cash Flows from Investing Activities				
Acquisitions of property, plant and equipment	(1,241,657,516)	(1,104,517,075)	(1,004,841,669)	(997,299,737)
Acquisitions of intangible assets	(8,586,260)	(3,303,793)	(7,722,260)	(3,303,793)
Payment for leasehold right	-	(1,052,632)	-	(1,052,632)
Proceed from disposal of fixed assets	4,663,867	2,000,037	2,662,041	2,000,037
Cash received from interest income	368,483	608,646	285,450	531,390
Net Cash Flows Used in Investing Activities	(1,245,211,426)	(1,106,264,817)	(1,009,616,438)	(999,124,735)
Cash Flows from Financing Activities				
Increase in short - term loans from financial institutions	5,200,652,201	5,071,000,000	4,640,000,000	5,071,000,000
Repayment for short - term loans from financial institutions	(4,460,062,161)	(4,701,000,000)	(4,080,000,000)	(4,701,000,000)
Interest payment	(27,492,148)	(17,033,472)	(25,079,192)	(17,025,161)
Dividend paid	(920,447,198)	(1,176,670,911)	(920,447,148)	(1,176,670,911)
Net Cash Flows Used in Financing Activities	(207,349,306)	(823,704,383)	(385,526,340)	(823,696,072)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,893,173	(135,592,838)	12,234,776	(129,303,401)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	81,523,000	217,115,838	71,493,151	200,796,552
CASH AND CASH EQUIVALENTS AT END OF YEAR	94,416,173	81,523,000	83,727,927	71,493,151

The accompanying notes form an integral part of these financial statements.



DYNASTY CERAMIC PUBLIC COMPANY LIMITED AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 1. NATURE OF OPERATIONS

Dynasty Ceramic Public Company Limited (“the Company”) was registered as a public company in the year 1992. The Company is principally engaged in the manufacturing and selling of ceramic wall and floor tiles. Its registered office address is 37/7 Suthisarnwinichai Rd., Samseannok, Huaykwang, Bangkok. The major shareholder of the Company is Saengsastra family.

The Company’s factory is located at 54/8 Moo. 3 Suwannasorn Rd., Khokyaee, Nong Khae, Saraburi and the subsidiaries’s factory is located at 3/2 Moo. 8 Paholythin Rd., Nong Khai Nam, Nong Khae, Saraburi and 54/7 Moo. 3 Suwannasorn Rd., Khokyaee, Nong Khae, Saraburi.

## 2. BASIS FOR FINANCIAL STATEMENTS PREPARATION AND PRINCIPLES OF CONSOLIDATION

### 2.1 Basis of preparation

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

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

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

### 2.2 Basis of measurement

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

### 2.3 Presentation currency

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

### 2.4 Significant accounting judgment and estimates

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

#### Deferred tax asset

The company and subsidiaries recognize deferred tax asset when it is probable that future taxable profits will be available against which the temporary differences can be utilized. On which deferred tax assets have not been recognized as the Company's management considers that there is uncertainty whether the Company will have sufficient future taxable income to utilize such items and/or they might not be used to offset taxable income in the future.

#### Post-employment benefits obligations

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

#### Provision and contingent liabilities

The company and subsidiaries has contingent liabilities from legal lawsuit. The management considers that the company and subsidiaries do not have material liabilities thus there is no provision has been recorded in the financial statements.

### 2.5 Principles of consolidation

The consolidated financial statements include the financial statements of Dynasty Ceramic Public Company Limited and its subsidiary which are under its control with more than 50 percent of voting rights as follow:

Company Name	Nature of business	Percentage of holding (%)	
		December 31, 2017	December 31, 2016
Tile Top Industry Public Co., Ltd.	Manufacturing and distribution of ceramic wall and floor tiles	96.83	96.83
The Royal Ceramic Industry Public Co., Ltd. ("RCI")	Manufacturing and distribution of ceramic wall and floor tiles	-	-
The Royal Asia Brick and Tile Co., Ltd. ("RABT")	Not operate	-	-

The Company does not hold shares in The Royal Ceramic Industry Public Co., Ltd. and The Royal Asia Brick and Tile Co., Ltd. but it is included in the consolidated financial statements because the Company has the power of control through the key directors and executives and it's have the power to given the operating policies in the management of the group company. Significant transactions with subsidiary have been eliminated in the consolidated financial statements.

The consolidated financial statements have been prepared with the same accounting policies for the separate financial statements for the same accounting transactions or accounting events.

The total assets of subsidiary as at December 31, 2017 and 2016 and total revenues for the years ended December 31, 2017 and 2016 as included in the consolidated financial statements presented in term of percentages as follow :

	Percentage of subsidiary's total assets to consolidated total assets		Percentage of subsidiary's total revenues to consolidated total revenues	
	2017	2016	2017	2016
<u>Subsidiary company</u>				
Tile Top Industry Public Co., Ltd.	27	32	27	30
Group The Royal Ceramic Industry Public Co., Ltd.	8	-	5	-

### 3. SIGNIFICANT ACCOUNTING POLICIE

#### 3.1 Revised accounting standards and financial reporting standards

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

TAS 1 (revised 2016)	Presentation of financial statements
TAS 34 (revised 2016)	Interim financial reporting

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including

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

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

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

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

TAS 7 (revised 2017)	Statement of cash flows
TAS 12 (revised 2017)	Income taxes

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profits.

- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

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

### 3.2 Revenues and expenses recognition

Sales are recognized as revenues upon delivery of goods based on net invoice value, after discounts.

Other income and expenses are recognized on an accrual basis.

Dividend income is recognized when the right to receive the dividends is established.

### 3.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid cash in banks (which do not have restriction of usage) that are readily convertible to cash on maturity date with insignificant risk of change in value.

### 3.4 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. The Company and its subsidiary provided allowances for doubtful accounts for the estimated losses that may incur in collection of receivables. The allowances are generally based on collection experiences and analysis of debtor aging, and the likelihood of settlement of debt, on specific accounts.

### 3.5 Inventories

The Company and its subsidiary value their inventories at standard costs or net realizable values, whichever is the lower. Standard costs approximate actual average costs (moving average method). Net realizable values are based on the estimated selling prices in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made when necessary for slow - moving and defective inventories based on past experiences.

### 3.6 Investments

- Investments in subsidiary in separate financial statements are presented by the cost method. The Company recognizes gain or loss on sale in the statement of profit or loss and other comprehensive income in the period which investments are sold. When there is an indication of impairment on investment, the Company will recognize loss from impairment as expense out-right in the statement of profit or loss and other comprehensive income. The Company recognizes dividends income when the subsidiary declares the payment of its dividends.
- Investment in non - marketable equity securities, which the Company classified as other investments, are presented at cost net of allowance for impairment (if any).

### 3.7 Property, plant and equipment

Property, plant and equipment are stated at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset to bring it to the location and condition necessary for its intended use. Plant and equipment in the statements of financial position are stated at costs less accumulated depreciation and allowance for impairment of assets (if any).

The Company and its subsidiary depreciate buildings and structures and equipment by the straight - line method over the estimated useful lives of assets based on the segregation of components, if each part is significant with different useful lives.

Estimated useful lives of the assets are as follows:

Buildings and structures	20 - 52	years
Machinery and equipment	5 - 20	years
Furniture, fixtures and office equipment	5 - 20	years
Vehicles	5	years

Expenditures for expansion, renewal and betterment are capitalized. Repair and maintenance costs are recognized as an expense when incurred.

### 3.8 Intangible assets

Intangible assets (computer program) are stated at cost less accumulated amortization. Amortization of intangible assets is calculated by reference to their costs on a straight-line basis over the estimated useful lives of 5 years.

### 3.9 Leasehold rights cost

Cost of obtaining the leasehold rights is presented at cost less accumulated amortization and allowance for impairment (if any). Amortization is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of the leases between 3 to 16 years.

### 3.10 Property foreclosed and assets not used in operations

Property foreclosed - land possessed from debtors is stated at the net realizable values.

Asset not used in operations - machinery is stated at cost less allowance for impairment (if any). The Company and its subsidiary recognize impairment loss on the assets in the statement of profit or loss and other comprehensive income for the period in which they incurred.

### 3.11 Impairment of assets

The Company and its subsidiary assess whether there is an indication that any asset may be impaired. If any such indication exists, the Company and its subsidiary make an estimate of the asset recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss and other comprehensive income. An asset recoverable amount is the higher of fair value less costs to sell and value in use.

### 3.12 Foreign currencies transactions

Transactions in foreign currencies are translated into Baht at the foreign exchange rate ruling at the date of transaction. Balances of monetary assets and liabilities, denominated in foreign currencies, at the reporting date are translated into Thai Baht at the foreign exchange rates ruling at that date. Gain or loss arising from translation is recognized in the statement of profit or loss and other comprehensive income.

### 3.13 Employee benefits

#### Employee benefits

#### *Current employment benefits*

Salaries, wages, bonuses, contribution to the social security and provident fund, are recognised as expenses when incurred on the accrual basis.

#### *Unfunded provident fund*

A subsidiary has established a non-contributory provident fund for its employees whereby the subsidiary solely accrues its contribution to the self-managed provident fund at the rate of 5.5% of basic salary per annum in accordance with the subsidiary's regulations. The employees will receive the provident fund plus benefits upon their resignation.

#### *Post-employment benefits (Defined contribution plan)*

The Company and its subsidiary, and their employees have jointly established a provident fund plan whereby monthly contributions are made by employees and by the Company and subsidiary. The fund's assets are held under a trustee fund separately from the Company's and subsidiary's assets. The Company's and subsidiary's contribution to the fund are recognised as expenses when incurred.

#### *Post-employment benefits (Defined benefit plan)*

The Company and subsidiary have obligations in respect of the severance payments they must make to employees upon retirement under the labor law. The Company and its subsidiary set up provision for the obligation under the defined benefit plan based on the amounts determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains or losses occurred from the change in the salaries and wages and other factors used for the computation of post-employee benefits are presented under shareholders' equity.

### 3.14 Income tax

The income tax expense recognized in profit or loss for the year comprises deferred income taxes and current income tax not recognized in other comprehensive income or directly in equity.

#### *Current income tax*

Current income tax is the expected tax payable or claimable on the taxable profit or loss for the year, which is different from profit or loss in the financial statements, using income tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous years.

#### *Deferred income tax*

Deferred income taxes are calculated using the liability method on temporary differences between the accounting amounts of assets and liabilities and the amounts used for tax computation purpose. Deferred income taxes are calculated at the income tax rates that are expected to be applied to the temporary differences when they are reversed, using income tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the Revenue Department on a net basis or when tax assets and liabilities will be realized simultaneously.

### 3.15 Related parties

Related parties comprise enterprises and individuals that control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and directing the Company's operations.



### 3.16 Financial instruments

The Company and its subsidiary have no policy to speculate in or be engaged in the trading of any financial derivative instruments.

Financial instruments carried in the statement of financial position include cash and cash equivalents, trade accounts receivable, trade accounts payable and loans from financial institutions. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 3.17 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (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 or indirectly
- Level 3: unobservable inputs for the asset or liability.

### 3.18 Operating lease

Lease of asset which all risks and rewards of ownership are effectively retained by the lessor is classified as operating lease. Lease payment under an operating lease is recognized as expense on a systematic basis over the lease period.

### 3.19 Dividend payment

Dividend payment is recorded in the financial statements in the year in which they are approved by the Shareholders or Board of Directors.

### 3.20 Earnings per share

Basic earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year.

### 3.21 Segment reporting

Segment results that are reported to the Company's executive committee (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### 3.22 Use of accounting estimates

When preparing the financial statements, management undertake judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

### 3.23 Provisions for liabilities and expenses, and contingent assets

Provisions are recognized in the financial statements when the Company and its subsidiary have legal or constructive obligation as a result of past events with probable outflow of resources to settle the obligation and where a reliable estimate of the amount can be made. The contingent asset will be recognized as separate asset only when the realization is virtually certain.

## 4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGMENT AND CAPITAL RISK MANAGEMENT

### 4.1 Critical accounting estimates, assumption and judgments

#### 4.1.1 Impairment of receivables

The Company and subsidiary set allowance for doubtful accounts equal to the estimated collection losses that may incur should they cannot collect the payments from debtors. The estimated losses are based on uncertainty in the collection and the judgement of management.

#### 4.1.2 Allowance for slow - moving and defective inventories

The Company and subsidiary estimate allowance for slow - moving and defective inventories to reflect impairment of inventories. The allowance is based on the management's consideration of inventory turnovers and deterioration of each category of inventories.

#### 4.1.3 Impairment of investments

The company treats investments as impaired when there has been a significant or prolonged decline in their fair value below costs or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires management judgment.

#### 4.1.4 Property, plant and equipment and intangible assets

Management regularly determines the estimated useful lives and residual values of the Company's and its subsidiary's plant and equipment and intangible assets, and will revise the depreciation where useful lives and residual values previously estimated have changed or subject to be written down for their technical obsolescence or if they are no longer in used.

#### 4.1.5 Leases

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

#### 4.1.6 Impairment of assets

The Company and its subsidiary treat assets as impaired when there is significant or prolonged decline in their fair value below costs or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires management judgment.

#### 4.1.7 Post-employment benefits (defined benefit plans)

The obligation under defined benefit plan is determined based on actuarial techniques. Inherent within these calculations are assumptions as to discount rates, future salary increases, mortality rates and other demographic factors. In determining the appropriate discount rate, management selects an interest rate that reflects the current economic situation. The mortality rate is based on publicly available mortality table for the country. Actual post-retirement costs may ultimately differ from these estimates.

#### 4.1.8 Deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deductible temporary differences can be utilized. In addition, management judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

## 4.2 Capital risk management

The Company objective in the management of capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Company may issue new shares or issue new debentures to finance debts or sell assets to reduce debts.

## 5. CASH AND CASH EQUIVALENTS

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Cash on hand	8,513,060	2,312,684	8,353,060	2,222,684
Cash at banks				
Current accounts	24,216,615	22,171,120	20,678,804	16,280,065
Saving accounts	61,836,498	57,039,196	54,696,063	52,990,402
Total	94,566,173	81,523,000	83,727,927	71,493,151

Cash at bank – saving accounts bear interest at the floating rate of depository banks.

## 6. TRANSACTIONS WITH RELATED PARTIES

The Company has significant transactions with its related parties stated below. Those transactions are executed based on agreed upon bases which might be different from the bases used for transactions with unrelated parties.

Name	Type of Business	Relationship
Tile Top Industry Public Co., Ltd.	Manufacturing and distribution of ceramic wall and floor tiles	Subsidiary Company
Pick and Pay Co., Ltd.*	Distribution of ceramic wall and floor tiles	Subsidiary Company
Muangthong Ceramic Co., Ltd.*	Distribution of ceramic wall and floor tiles	Subsidiary Company
World Wide Ceramic Co., Ltd.*	Distribution of ceramic wall and floor tiles	Subsidiary Company
The Royal Ceramic Industry Public Co., Ltd. ("RCI") **	Manufacturing and distribution of ceramic wall and floor tiles	Subsidiary Company
The Royal Asia Brick and Tile Co., Ltd. ("RABT")	Not operate	Subsidiary Company Held by RCI
Mr. Monrak Saengsastra	Owner of the property leased to the Company	Director of the Company and Subsidiaries
Mr. Marut Saengsastra	Owner of the property leased to the Company	Director of the Company and Subsidiaries

The Company does not hold share in RCI and RABT but it has the power of control in these two companies since April 1, 2017 and has included in the consolidated financial statement since that date.

\* The three subsidiaries have registered for the liquidation with the Department of Business Development on September 30, 2014 and are still in the process of dissolution and the settlement of share capital to the Company. The Company, therefore, classified the investment in such three subsidiaries as other investments under current assets.

\*\* On April 28, 2017 the Company has entered into management agreement with The Royal Ceramic Industry Public Company Limited by annually term starting from the date of May 2, 2017 to May 1, 2018 at the management fee per month Bath of 1 million, subject to the disclosure of connected transaction of the Company held on April 10, 2017 and as approved by the shareholders' meeting on April 24, 2017, approval for the appointment of 4 directors of the Company as directors of the such company. Then, such agreement was cancelled effective by October 1, 2017

On April 1, 2017 the Company has sales contract with The Royal Ceramic Industry Public Company Limited, as follows;

- a.) The Company agreed to purchase the finished goods in the warehouse of The Royal Ceramic Industry Public Company Limited as at March 31, 2017. The sales price is Baht of 141.48 million.  
(Pricing policy: Set prices below cost. Because it is a sell in bulk subsidiary during to ratify the contract with the Company. This is a connected transaction. The Extraordinary General Meeting of Shareholders No. 1/2017 of a subsidiary will be held on November 27, 2017 and the Independent Financial Advisor's opinion and the opinion of the Board of Directors of a subsidiary)
- b.) The Company agrees to purchase the whole amount of manufactured goods on every production day of The Royal Ceramic Industry Public Company Limited. Since production on April 1, 2017 onwards to such company. The Company have to take risk from stock from production.

At the Board of Directors Meeting No. 5/2017 held on August 8, 2017 the board of directors passed a resolution to cancel the purchase of finished goods on every production day of The Royal Ceramic Industry Public Company Limited. From August 1, 2017 onwards, the company purchases finished goods as ordered by the customer or to refill finished goods of outlets for reduce storage of finished goods.

According to the resolution of the Board of Directors' meeting of the subsidiary held on July 31, 2017 it was passed to hold the General Meeting of Shareholders to request ratification of entering into contracts with the company. The date of the meeting of Shareholders No. 1/2017 is scheduled to be on September 25, 2017. Subsequently, the Board of Directors' Meeting have reconsideration to postpone the General Meeting of Shareholders. The date of No. 1/2017 is scheduled for November 27, 2017. In this regard, the Subsidiary has appointed Independent Financial Advisor. To give opinion to the shareholders in the consideration of the purchase of goods. This is a connected transaction. The Opinion of the Independent Financial Advisor (Refer to the Independent Financial Advisor's report dated November 3, 2017) as follows:

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

However, the IFA views that it was not necessary for the subsidiary to solely sell all of its products to DCC, particularly for the new daily produced products Lot 2 between May – July 2017, since the warehouse sale Lot 1 of THB 157.08 million was likely sufficient for the subsidiary's urgent need of working capital in the short term. Thus, the subsidiary should consider to expand its customers base or diversify the risks related to customer concentration and low negotiation power by selling the new daily produced products to DCC as one of the customers and at an appropriate amount.

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

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

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

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

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

At the Extraordinary General Meeting of Shareholders No. 1/2017 of the subsidiary held on November 27, 2017 passed a resolution to ratify approval of signed a contract to sell all inventories to the company and a contract to sell all of its products to the company each day.

The significant transactions with related parties for the years ended December 31, 2017 and 2016 are as follows:

(Unit : Baht)

		Consolidated		Separate	
		For the years ended December 31,			
		Pricing Policy	2017	2016	2017
<u>Sales - raw materials and supplies</u>					
Tile Top Industry Public Co., Ltd.	At cost	-	-	1,656,595	1,854,323
The Royal Ceramic Industry Public Co., Ltd.	At cost	-	-	2,497,662	-
Total		-	-	4,154,257	1,854,323
<u>Sales – finished goods</u>					
The Royal Ceramic Industry Public Co., Ltd.	Contract price	-	-	3,856,000	-
<u>Office and branches rental income</u>					
Tile Top Industry Public Co., Ltd.	Contract price	-	-	720,000	720,000
The Royal Ceramic Industry Public Co., Ltd.	Contract price	-	-	540,000	-
The Royal Asia Brick and Tile Co., Ltd.	Contract price	-	-	96,000	-
Total		-	-	1,356,000	720,000
<u>Management income</u>					
Tile Top Industry Public Co., Ltd.	Baht 1,000,000 per month	-	-	12,000,000	12,000,000
The Royal Ceramic Industry Public Co., Ltd.	Baht 1,000,000 per month	-	-	5,000,000	-
Total		-	-	17,000,000	12,000,000

		Consolidated		Separate	
		For the years ended December 31,			
	Pricing Policy	2017	2016	2017	2016
<u>Purchases – finished goods</u>					
Tile Top Industry Public Co., Ltd.	At competitive market price but more than cost	-	-	2,608,357,671	2,185,785,846
The Royal Ceramic Industry Public Co., Ltd.	1. On April 1, 2017, and the products are manufactured each day on April, 2017, be the price of sale in bulk that lower than cost price. 2. The products are manufactured each day on May – July, 2017, agreed price, lower than cost 3. From August, 2017 onwards, be resale price.	-	-	389,958,995	-
Total		-	-	2,458,316,666	2,185,785,846
<u>Purchases – raw materials and supplies</u>					
Tile Top Industry Public Co., Ltd.	At cost	-	-	4,503,621	3,675,044
The Royal Ceramic Industry Public Co., Ltd.	At cost	-	-	293,461	-
Total		-	-	4,797,082	3,675,044
<u>Management fee</u>					
Tile Top Industry Public Co., Ltd.	Baht 300,000 per month	-	-	3,600,000	3,600,000
The Royal Ceramic Industry Public Co., Ltd.	Baht 150,000 per month	-	-	1,350,000	-
Total		-	-	4,950,000	3,600,000



(Unit : Baht)

		Consolidated		Separate	
		For the years ended December 31,			
		Pricing Policy	2017	2016	2017
<u>Land rental expenses</u>					
Mr. Monrak Saengsastra and	Baht 600,000 per year	600,000	-	600,000	-
Mr. Marut Saengsastra	Baht 1,200,000 per year	400,000	-	400,000	-
	Baht 1,100,000 per year	1,100,000	1,000,000	1,100,000	1,000,000
	Baht 1,000,000 per year	1,000,000	1,000,000	1,000,000	1,000,000
Total		3,100,000	2,000,000	3,100,000	2,000,000
<u>Management expense</u>					
Current employment benefits		45,315,711	47,121,580	28,900,117	33,858,158
Post-employment benefits		145,281	148,248	117,563	121,842
Total		45,460,992	47,269,828	29,017,680	33,980,000

The significant balances with related company as at December 31, 2017 and 2016 are as follows:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
<u>Trade accounts payables – subsidiary company</u>				
Tile Top Industry Public Co., Ltd.	-	-	818,320,660	732,383,905
The Royal Ceramic Industry Public Co., Ltd.	-	-	43,553,991	-
Total	-	-	861,874,651	732,383,905
Employee benefits obligation				
<u>Executive</u>				
Post – employment benefits	1,329,706	15,312,788	1,113,175	10,743,066

During the year 2017, the Company and its subsidiaries had resigned and retirement of several executives. The Company has paid retirement and compensation for resigned employees. The Company also provided new employee benefit plans and revised employee benefits obligation in the financial statements for the year 2017.

## 7. TRADE ACCOUNTS AND OTHER CURRENT RECEIVABLE – NET

Consist of:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
<u>Trade accounts and other current receivable</u>				
Trade accounts receivable	209,136,955	140,414,704	197,843,820	140,414,704
Less Allowance doubtful accounts	(1,198,698)	(1,198,698)	(1,198,698)	(1,198,698)
Trade accounts receivable - net	207,938,257	139,216,006	196,645,122	139,216,006
Other current receivable	63,356,815	46,858,569	44,422,685	42,846,063
Trade accounts and other current receivable - net	271,295,072	186,074,575	241,067,807	182,062,069

Outstanding balances of receivable as at December 31, 2017 and 2016 classified by ages are as follows:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
<u>Trade accounts receivable</u>				
Not over 90 days	193,002,536	139,034,840	191,346,430	139,034,840
Over 90 days to 120 days	3,520,023	75,707	3,481,255	75,707
Over 120 days to 180 days	1,214,790	100,514	963,232	100,514
Over 180 days to 365 days	9,972,405	1,203,643	625,702	1,203,643
Over 365 days	1,427,201	-	1,427,201	-
Total	209,136,955	140,414,704	197,843,820	140,414,704
<u>Less</u> Allowance doubtful accounts	(1,198,698)	(1,198,698)	(1,198,698)	(1,198,698)
Net	207,938,257	139,216,006	196,645,122	139,216,006

The Company grants credit terms to its general customers for 7 – 75 days.

The subsidiary grants credit terms to its general customers for 7 – 60 days.

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

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Beginning balance	1,198,698	-	1,198,698	-
Increase	-	1,198,698	-	1,198,698
Decrease	-	-	-	-
Ending balance	1,198,698	1,198,698	1,198,698	1,198,698

## 8. INVENTORIES – NET

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Finished goods	1,518,730,440	1,339,642,875	1,524,856,879	1,349,681,545
Work in process	43,494,748	37,990,611	17,170,540	19,360,581
Raw materials	122,583,757	102,706,146	36,921,000	47,390,640
Supplies	116,867,909	83,323,526	45,305,878	44,265,269
Goods in transit	9,401,640	5,908,147	2,721,706	1,523,050
Total	1,811,078,494	1,569,571,305	1,626,976,003	1,462,221,085
Less Allowance for decline values	(14,078,254)	(2,165,475)	-	-
Net	1,797,000,240	1,567,405,830	1,626,976,003	1,462,221,085

During the year, the movements of allowances for obsolete of inventories are as follows:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Beginning balance	2,165,475	2,349,377	-	-
Increase	12,349,462	-	-	-
Decrease	(436,683)	(183,902)	-	-
Ending balance	14,078,254	2,165,475	-	-

During the year 2017, the subsidiary reversed allowances for obsolete of inventories and raw materials of Baht 0.44 million because they were used for production. Those were reversed in the statement of profit or loss and other comprehensive income. (2016: Baht 0.18 million)

Costs of inventories which were recognized as expenses for the years ended December 31, 2017 and 2016 are as follows:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Cost of goods sold	4,515,838,733	4,060,466,672	4,551,627,772	4,162,949,269
Reversal of allowance for obsolete of inventories	(436,683)	(183,902)	-	-
Cost of sales	4,515,402,050	4,060,282,770	4,551,627,772	4,162,949,269

## 9. OTHER INVESTMENTS

As described in Note 6 to the financial statements, other investments in the consolidated and separate financial statements as at December 31, 2017 and 2016 are as follow:

(Unit : Thousand Baht)

	Consolidated and Separate					
	Paid-up capital		Percentage of shareholding		Amount	
	2017	2016	2017	2016	2017	2016
Pick and Pay Co., Ltd.	12,000	12,000	97.99	97.99	12,520	12,520
Muangthong Ceramic Co., Ltd.	4,500	4,500	99.98	99.98	4,790	4,790
World Wide Ceramic Co., Ltd.	1,000	1,000	99.93	99.93	1,064	1,064
Total					18,374	18,374

The Company will receive the returns of investments upon the completion of liquidation of the above three companies

## 10. INVESTMENT IN SUBSIDIARY

Investment in subsidiary in the separate financial statement as at December 31, 2017 and 2016 which are stated at cost are as follow:

(Unit : Thousand Baht)

	Paid-up capital		Percentage of shareholding		Amount		Dividend Income	
	2017	2016	2017	2016	2017	2016	2017	2016
Tile Top Industry Public Co., Ltd.	222,000	222,000	96.83	96.83	109,480	109,480	-	-

# 11. PROPERTY, PLANT AND EQUIPMENT – NET

During the current year, there are significant changes in property, plant and equipment as follows:

Consolidated							
	Land	Buildings and structures	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Construction in progress and machinery during installation	Total
<b>Cost</b>							
As at December 31, 2016	1,021,508,682	1,812,535,383	4,194,399,699	815,361,325	29,705,457	270,840,022	8,144,350,568
Purchase	838,104	35,860,822	13,101,593	26,755,640	10,650,000	1,155,535,508	1,242,741,667
Disposals / Amortized	-	(35,795,816)	(119,007,983)	(27,087,037)	(12,827,000)	(128,084)	(194,845,920)
Assets provided from the control of subsidiary	63,804,927	372,669,526	1,685,884,145	62,162,908	9,207,343	1,998,700	2,195,727,549
Transfer in (out)	32,231,116	717,115,327	124,173,438	190,735,439	(7,182,698)	(1,057,936,622)	(864,000)
As at December 31, 2017	1,118,382,829	2,902,385,242	5,898,550,892	1,067,928,275	29,553,102	370,309,524	11,387,109,864
<b>Accumulated Depreciation</b>							
As at December 31, 2016	-	(833,689,287)	(2,923,857,595)	(520,689,480)	(28,700,245)	-	(4,306,936,607)
Depreciation for the year	-	(147,209,635)	(187,947,339)	(105,807,034)	(1,090,533)	-	(442,054,541)
Disposal / Amortized	-	34,848,913	117,980,251	26,510,115	12,826,997	-	192,166,276
Assets provided from the control of subsidiary	-	(317,155,223)	(1,639,654,118)	(57,735,062)	(9,149,144)	-	(2,023,693,547)
Transfer in (out)	-	(39,992,138)	43,306,736	(10,317,580)	7,126,068	-	123,086
As at December 31, 2017	-	(1,303,197,370)	(4,590,172,065)	(668,039,041)	18,986,857	-	(6,580,395,333)

(Unit : Baht)

(Unit : Baht)

Consolidated							
	Land	Buildings and structures	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Construction in progress and machinery during installation	Total
Net Book Value							
As at December 31, 2016	1,021,508,682	978,846,096	1,270,542,104	294,671,845	1,005,212	270,840,022	3,837,413,961
As at December 31, 2017	1,118,382,829	1,599,187,872	1,308,378,827	399,889,234	10,566,245	370,309,524	4,806,714,531
Depreciation in the statement of comprehensive income							
December 31, 2016	-	83,852,664	163,455,998	79,400,154	1,806,144	-	328,514,960
December 31, 2017	-	147,209,635	187,947,339	105,807,034	1,090,533	-	442,054,541

Separate							
	Land	Buildings and structures	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Construction in progress and machinery during installation	Total
<b>Cost</b>							
As at December 31, 2016	873,850,945	1,403,234,597	2,134,129,945	722,701,746	16,702,749	225,369,887	5,375,989,869
Purchase	838,104	42,499,354	9,410,309	22,133,520	7,100,000	922,860,382	1,004,841,669
Disposals / Amortized	-	(25,685,952)	(213,850)	(19,043,032)	(4,328,000)	-	(49,270,834)
Transfer in (out)	32,231,116	667,218,909	88,424,769	163,483,628	-	(951,358,422)	-
As at December 31, 2017	906,920,165	2,087,266,908	2,231,751,173	889,275,862	19,474,749	196,871,847	6,331,560,704
<b>Accumulated Depreciation</b>							
As at December 31, 2016	-	(595,796,977)	(1,471,405,854)	(441,922,186)	(15,697,539)	-	(2,524,822,556)
Depreciation for the year	-	(139,787,373)	(96,312,911)	(98,369,140)	(879,001)	-	(335,348,425)
Disposal / Amortized	-	25,059,771	195,028	18,627,122	4,327,998	-	48,209,919
As at December 31, 2017	-	(710,524,579)	(1,567,523,737)	(521,664,204)	(12,248,542)	-	(2,811,961,062)



(Unit : Baht)

Separate							
	Land	Buildings and structures	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Construction in progress and machinery during installation	Total
<b>Net Book Value</b>							
As at December 31, 2016	873,850,945	807,437,620	662,724,091	280,779,560	1,005,210	225,369,887	2,851,167,313
As at December 31, 2017	906,920,165	1,376,742,329	664,227,436	367,611,658	7,226,207	196,871,847	3,519,599,642
<b>Depreciation in the statement of comprehensive income</b>							
December 31, 2016	-	74,162,097	87,834,885	73,236,891	1,793,816	-	237,027,689
December 31, 2017	-	139,787,373	96,312,911	98,369,140	879,001	-	335,348,425

Part of the land where the Company's head office building is situated with the value of Baht 73 million (2.7% of total space) has been registered as the servitudes.

The subsidiary Company have mortgaged property, plant and equipment with a net book value as at December 31, 2017 totally approximate Baht 425 million, as collateral to secure loans and credit facilities granted by a financial institution.

As at December 31, 2017 and 2016 a portion of the Company's and its subsidiary's buildings and equipment had been fully depreciated but are remained in active use. The gross carrying amounts of such assets before accumulated depreciation are totalling Baht 3,765 million and Baht 1,773 million, respectively. (The Company's portions: Baht 1,283 million and Baht 1,167 million, respectively).

## 12. INTANGIBLE ASSETS – NET

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
At cost				
Computer software	88,100,713	59,434,177	64,885,460	57,163,200
Less Accumulated amortization	(62,256,548)	(41,887,274)	(47,793,925)	(40,812,137)
Net	25,844,165	17,546,903	17,091,535	16,351,063

## 13. OTHER NON - CURRENT ASSETS – NET

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Property foreclosed - net of accumulated depreciation	5,121,865	5,121,865	4,121,865	4,121,865
Less Allowance for impairment	(2,292,119)	(2,292,119)	(1,307,119)	(1,307,119)
Property foreclosed - net	2,829,746	2,829,746	2,814,746	2,814,746
Deposits and guarantee	8,262,294	7,818,296	7,146,584	6,718,686
Lease right - land - net	8,227,645	9,979,591	8,227,645	9,979,591
Other	2,248,017	-	-	-
Total	21,567,702	20,627,633	18,188,975	19,513,023

The Company has amortization for land lease right in the statements of profit or loss and other comprehensive income for the year ended December 31, 2017 of Baht 1.75 million. (2016: Baht 1.55 million)

The property foreclosed comprises land which the Company and a subsidiary take possession from debtors.

## 14. SHORT – TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit : Baht)

	Interest rate per annum	Consolidated		Separate	
		2017	2016	2017	2016
Bank overdraft	2017 : MOR	2,378,365	-	-	-
Promissory notes	2017 : 1.77 – 3.87 per annum				
	2016 : 1.80 – 2.05 per annum	2,060,000,000	1,330,000,000	1,890,000,000	1,330,000,000
Trust receipts	2017 : 3.80 – 3.97 per annum	48,273,836	-	-	-
Total		2,110,652,201	1,330,000,000	1,890,000,000	1,330,000,000

The Group Company has 14 promissory notes will be matured at call.

As at December 31, 2017 and 2016 the Company and its subsidiary have credit facilities with the financial institutions as follow :

	Credit line (Million Baht)		Interest rate	Maturity Date
	2017	2016		
<u>Bank overdraft</u>				
The Company	40	40	At the floating rate at MOR per annum	Within one year
The subsidiary	40	30	At the floating rate at MOR per annum to MOR - 0.5% per annum	Within one year
<u>Short - term loans</u>				
The Company	2,667	2,667	At the floating rate at MLR - 1.5% or MRR per annum, whichever is the lower Average floating rate In 2017 : 2.78% per annum In 2016 : 1.94% per annum	Due at call
The subsidiary	620 180	620 -	At the floating rate at MRR per annum According to the reference commercial bank	Due at call Maturity on agreement

The subsidiary has credit facilities of Baht 520 million of which Baht 620 million can be jointly used by the Company.

	Credit line (Million Baht)		Interest rate	Maturity Date
	2017	2016		
<u>Liabilities under trust receipts</u>				
The Company	45	41.46	At the floating rate at MLR - 1.5% per annum	Maturity on agreement
The subsidiary	20 235	20 -	At the floating rate at MOR per annum At the floating rate at MLR – 2.0% per annum	Maturity on agreement Maturity on agreement

The Company and subsidiary have to comply with the covenants as specified in bank overdraft and short - term loan agreements with financial institutions, such as not default the payment of loan, not transfer right or entitlement, not change type of business unless with prior approval from the lender, not change the management structure and have to assign beneficiary of the asset insurance of the Company and subsidiary to the lender, etc. Such credit facilities have no guarantee.

## 15. UNFUNDED PROVIDENT FUND – NON CONTRIBUTORY

(Unit : Baht)

	Consolidated	
	2017	2016
Beginning balance	55,435,679	56,621,448
Increase during the year – interest	2,592,718	2,691,047
Payment during the year	(8,066,061)	(3,876,816)
Ending balance	49,962,336	55,435,679

The subsidiary had established a non-contributory provident fund covering all of its employees who has joined the Company before the year 1997, which the fund is a self-managed by the subsidiary (not in accordance with the Provident Fund Act B.E. 2530). The subsidiary set up accruals for the fund at the amount equivalent to 5.5% of employee salary per annum based on the number of years employed at the specified rate. Employees will receive such benefits when resign. The accrual under this fund is made up to the year 2003. The subsidiary stopped accruing the fund under this fund when it established a funded provident fund in the year 2003.

## 16. PROVIDENT FUND

The Company and subsidiary had established a provident fund covering all of its employees in accordance with the provident Fund Act B.E. 2530. The employees contribute to the fund at the amount equivalent to 5% of the basic salaries and the Company and its subsidiary contribute to the fund for each employee at amount based on the number of years employed at the specified rate. The Company and its subsidiary appointed fund managers to manage the fund in accordance with the terms and conditions prescribed in the Provident Fund Act B.E.2530.

The Company's and its subsidiary's contribution for the years ended December 31, 2017 and 2016 amounted to Baht 36.76 million and Baht 34.79 million, respectively. (Separate F/S: Baht 21.60 million and Baht 19.91 million, respectively)

## 17. EMPLOYEE BENEFITS OBLIGATION

- Movements in employee benefits obligation for the years ended December 31, 2017 and 2016 are as follows:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Defined benefit obligation at January 1,	102,500,094	125,363,645	63,670,138	76,227,711
Current service cost	17,384,626	9,102,044	6,555,634	6,450,479
Interest expense	4,264,109	2,642,290	1,873,217	1,673,148
Liabilities provided from the control of subsidiary	69,391,348	-	-	-
Re-measurement – actuarial (gains) loss from :				
- changes in demographic assumptions	-	(7,693,364)	-	(4,898,938)
- changes in financial assumptions	-	(4,522,428)	-	(2,530,555)
- experience adjustment	-	(81,250)	-	398,391
Benefits paid	(39,649,674)	(22,310,843)	(836,254)	(13,650,098)
Defined benefit obligation at December 31,	153,890,503	102,500,094	71,262,735	63,670,138
Wholly unfunded	153,890,503	102,500,094	71,262,735	63,670,138

Actuarial gains or losses occurred from the changes in the salaries and wages and other factors for the computation of post-employee benefits are presented under shareholders' equity.

- Principal actuarial assumptions at the reporting date for the years ended December 31, 2017 and 2016 are as follows:

(Unit : Percent)

	Consolidated		Separate	
	2017	2016	2017	2016
Discount rates	2.71 – 4.37	2.71 – 2.94	2.94	2.94
Salary growth rate	2.19 – 5.43	5.00	5.00	5.00
Weighted average duration of the defined benefit obligations (years)	11 – 15	11 – 15	15	15

The present value of the defined benefit obligation was measured using the projected unit credit method.

- Defined benefit plan expenses

Amounts recognised in profit or loss related to the Company's and subsidiary's defined benefit plans are as follows:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Current service cost	17,384,626	9,102,044	6,555,634	6,450,479
Net interest expense	4,264,109	2,642,290	1,873,217	1,673,148
Total expenses recognized in profit or loss	21,648,735	11,744,334	8,428,851	8,123,627

The current service cost is included in employee benefits expense. The net interest expense is included in finance costs.

- Amounts recognized in other comprehensive income related to the Company's and subsidiary's defined benefit plans are as follows:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Actuarial gains (loss) from :				
- changes in demographic assumptions	-	7,693,364	-	4,898,938
- changes in financial assumptions	-	4,522,428	-	2,530,555
- experience adjustment	-	81,250	-	(398,391)
Total income recognized in other comprehensive income	-	12,297,042	-	7,031,102

All expenses summarised above were included within items that will not be reclassified subsequently to profit or loss in the statement of profit or loss and other comprehensive income.

- Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Changes in the significant actuarial assumptions

(Unit : Baht)

	Consolidated		Separate	
	2017		2017	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate				
Increase (decrease) in the defined benefit liability	(7,110,727)	7,632,633	(2,983,842)	3,222,175

(Unit : Baht)

	Consolidated		Separate	
	2017		2017	
	Increase 0.5 -1.0%	Decrease 0.5 -1.0%	Increase 1.0%	Decrease 1.0%
Salary growth rate				
Increase (decrease) in the defined benefit liability	13,137,727	(11,755,308)	6,286,313	(5,514,397)

(Unit : Baht)

	Consolidated		Separate	
	2017		2017	
	Increase 0.5 - 20%	Decrease 0.5 - 20%	Increase 20%	Decrease 0.5 - 20%
Staff Turnover rate				
Increase (decrease) in the defined benefit liability	(8,904,428)	10,412,381	(4,898,937)	5,827,532

As at December 31, 2017 expected maturity of employee benefits obligation before discount are as follow :

	(Unit : Baht)	
	Consolidated	Separate
Within one year	6,740,341	1,144,608
Between 2 - 5 years	45,274,905	16,779,787
Between 6 – 10 years	383,745,270	221,896,024
Total	435,760,516	239,820,419

## 18. SHARE CAPITAL

At the Annual General Meeting of Shareholders for the year 2016 (No.1/2016) held on April 25, 2016 the shareholders passed a resolution to reduce the registered share capital of the Company by decreasing the remaining registered ordinary share from the allocation of the interim stock dividend as the resolution of the Extra – ordinary Meeting of Shareholder No.1/2015 for 6,042 stock dividend at Baht 0.10 par value. The Company has registered such share decrement with the Department of Business Development on May 3, 2016.

## 19. LEGAL RESERVE

Under the Public Companies Act B.E. 2535, the Company and a subsidiary are required to set aside as a statutory reserve at least 5 percent of its net income, after deduction of deficit (if any), until the reserve reaches 10 percent of the registered capital. The reserve is not distributable for dividends.

## 20. DEFERRED INCOME TAX

Deferred income tax asset and liability are as follows:

	(Unit : Baht)			
	Consolidated		Separate	
	2017	2016	2017	2016
Deferred income tax asset	43,322,394	33,583,333	14,252,547	12,722,472
Deferred income tax liability	(49,198,129)	(50,287,241)	(49,198,129)	(50,287,241)
Deferred income tax - net	(5,875,735)	(16,703,908)	(34,945,582)	(37,564,769)



The movements in deferred income tax asset and liability are as follows:

(Unit : Baht)

	Consolidated			
	Recognized as income (expense)			
	January 1, 2017	Statement of income	Shareholders' equity	December 31, 2017
Deferred income tax asset :				
Inventories				
From profit in inventories	2,007,734	8,963,031	-	10,970,765
Employee benefits obligation				
From employee benefits obligation	20,488,463	1,870,699	-	22,359,162
From unfunded provident fund	11,087,136	(1,094,669)	-	9,992,467
	33,583,333	9,739,061	-	43,322,394
Deferred income tax liability :				
From difference of depreciation between accounting and tax bases	(50,287,241)	1,089,112	-	(49,198,129)

(Unit : Baht)

	Consolidated			
	Recognized as income (expense)			
	January 1, 2016	Statement of income	Shareholders' equity	December 31, 2016
Deferred income tax asset :				
Inventories				
From profit in inventories	976,106	1,031,628	-	2,007,734
Employee benefits obligation				
From employee benefits obligation	25,072,728	(2,124,857)	(2,459,408)	20,488,463
From unfunded provident fund	11,324,290	(237,154)	-	11,087,136
	37,373,124	(1,330,383)	(2,459,408)	33,583,333
Deferred income tax liability :				
From difference of depreciation between accounting and tax bases	(49,633,045)	(654,196)	-	(50,287,241)

(Unit : Baht)

	Separate			
	Recognized as income (expense)			
	January 1, 2017	Statement of income	Shareholders' equity	December 31, 2017
Deferred income tax asset :				
From employee benefits obligation	12,722,472	1,530,075	-	14,252,547
Deferred income tax liability :				
From difference of depreciation between accounting and tax	(50,287,241)	1,089,112	-	(49,198,129)

(Unit : Baht)

	Separate			
	Recognized as income (expense)			
	January 1, 2016	Statement of income	Shareholders' equity	December 31, 2016
Deferred income tax asset :				
From employee benefits obligation	15,245,542	(1,116,850)	(1,406,220)	12,722,472
Deferred income tax liability :				
From difference of depreciation between accounting and tax	(49,633,045)	(654,196)	-	(50,287,241)

Deferred tax asset and deferred tax liability presented by considering net position of each taxable unit as at December 31, 2017 and 2016 comprises the following:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Deferred income tax asset	29,069,847	20,860,861	-	-
Deferred income tax liability	(34,945,582)	(37,564,769)	(34,945,582)	(37,564,769)
Deferred income tax - net	(5,875,735)	(16,703,908)	(34,945,582)	(37,564,769)

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

## 21. INCOME TAX

Income tax expenses for the years ended December 31, 2017 and 2016 are as follows:

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Current income tax expense	266,026,004	345,350,048	254,737,328	333,651,688
The amount of deferred income tax expense relating to the initial and reversal of temporary differences	(10,828,173)	1,984,579	(2,619,187)	1,771,046
Income tax expense	255,197,831	347,334,627	252,118,141	335,422,734
Income tax recognizes in other comprehensive income				
From Actuarial gains	-	(2,459,408)	-	(1,406,220)
Total	-	(2,459,408)	-	(1,406,220)

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Accounting profit before tax	1,297,511,876	1,770,845,170	1,340,661,480	1,702,573,328
Tax at the applicable tax rate of 20%	259,502,375	354,169,034	268,132,296	340,514,665
Tax effect :				
Exemption of income and additional expenses	(19,429,395)	(14,865,355)	(15,846,114)	(11,340,402)
Non – deductible expenses	245,936	8,030,948	(168,041)	6,248,470
Tax losses for which no deferred income tax assets was recognised	14,878,915	-	-	-
Income tax expense	255,197,831	347,334,627	252,118,141	335,422,734
Effective tax rate (Percentage)	19.67	19.61	18.81	19.70

## 22. DIVIDEND PAYMENTS

Description	Date of Board Approval	Date Payment of dividend	Declaration of dividend		Dividend paid
			Per share (Baht)	Amount (Million Baht)	Amount paid (Million Baht)
The board of directors meeting passed the resolution to approve :					
- payment of final dividend for year 2017*	On February 20, 2018	-	0.023	150.14	-
- payment of interim dividend 3/2017	On November 14,2017	On December 8, 2017	0.028	182.70	182.70
- payment of interim dividend 2/2017	On August 8, 2017	On September 6, 2017	0.037	242.10	242.10
- payment of interim dividend 1/2017	On April 24, 2017	On May 24, 2017	0.040	261.10	261.10
- payment of final dividend for year 2016**	On January 23, 2017	On May 12, 2017	0.036	235.01	235.01
Total					920.91
- payment of interim dividend 3/2016	On October 31, 2016	On November 30, 2016	0.036	235.01	235.01
- payment of interim dividend 2/2016	On July 25, 2016	On August 18, 2016	0.04125	269.28	269.28
- payment of interim dividend 1/2016	On April 25, 2016	On May 25, 2016	0.050	326.40	326.40
- payment of final dividend for year 2015***	On January 25, 2016	On May 13, 2016	0.053	345.98	345.98
Total					1,176.67

\* The shareholders approved such dividend payments at the Annual Shareholders' Meeting for 2018.

\*\* The shareholders approved such dividend payments at the Annual Shareholders' Meeting for 2017, held on April 24, 2017.

\*\*\* The shareholders approved such dividend payments at the Annual Shareholders' Meeting for 2016, held on April 25, 2016.

## 23. EARNINGS PER SHARE

Effects on basic earnings per share

	Consolidated		Separate	
	For the years ended December 31,			
	2017	2016	2017	2016
Income for the year – portion of the Company’s shareholders (Thousand Baht)	1,116,867	1,421,724	1,088,543	1,367,151
Total share capital issued and paid-up (Thousand shares)	6,527,994	6,527,994	6,527,994	6,527,994
Basic Earnings per share (Baht)	0.171	0.218	0.167	0.209

## 24. SEGMENT REPORTING

The segment reporting of the Company and its subsidiary for the years ended December 31, 2017 and 2016 are as follows:

(Unit : Thousand Baht)

	Consolidated					
	Domestic		Overseas		Total	
	2017	2016	2017	2016	2017	2016
Revenue from sale to external customers - net	7,074,733	6,872,946	288,471	291,775	7,363,204	7,164,721
Cost of sales	(4,316,278)	(3,875,758)	(199,124)	(184,525)	(4,515,402)	(4,060,283)
Gross income	2,758,455	2,997,188	89,347	107,250	2,847,802	3,104,438
Other income					29,458	18,503
Interest expense					(30,717)	(20,080)
Depreciation and amortization					(452,129)	(337,308)
Income before income tax					1,297,512	1,770,845
Property, plant and equipment - net					4,806,715	3,837,414
Other assets					2,290,531	1,912,413
Total assets					7,097,246	5,749,827

Gross margin on sales of each geographical segment is derived from the deduction of total costs of sales from the total sales amounts proportionately based on sales of the Company and its subsidiary.

Other assets mainly consist of cash and cash equivalents, trade accounts receivable, inventories and others.

### Major Customer

The Company does not have major customer from external sales.

## 25. EXPENSES BY NATURE

(Unit : Baht)

	Consolidated		Separate	
	2017	2016	2017	2016
Changes in finished goods and work in process	184,591,702	5,644,158	172,985,293	(2,033,251)
Raw materials and supplies used	2,184,512,064	2,105,437,472	1,083,984,236	1,023,152,729
Salaries, wages and other employee compensation	979,599,099	929,586,108	573,993,661	614,627,162
Depreciation and amortization	452,129,392	337,307,630	344,082,159	245,366,164
Transportation expense	555,132,673	501,931,642	548,292,828	501,931,642
Electricity and fuel expenses	1,314,467,884	1,115,396,382	639,581,296	530,827,718

## 26. COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, 2017 the Company and its subsidiary have:

26.1 Outstanding letters of guarantees issued by bank for electricity usage and importation of machineries approximately Baht 20.87 million for the Company and Baht 27.31 million for the subsidiary.

26.2 Commitment to pay under the agreement for construction of building of the Company amounting to Baht 144.18 million and commitment to pay under the agreement for purchase of machinery from aboard of the subsidiary amounting to USD 0.27 million and has a commitment with a company totaling USD 0.05 million.

26.3 Commitments under operating lease agreements

The Company and subsidiary have commitments to pay for the vehicles lease payments and land lease agreements as follows:

(Unit :Million Baht)		
	Consolidated	Separate
<u>Vehicle lease agreements</u>		
Within		
1 year	54.93	47.18
2 - 5 years	33.53	25.10
<u>Land lease agreements</u>		
Within		
1 year	76.64	76.64
2 - 5 years	220.48	220.48
after 5 years	236.12	236.12

26.4 Unused credit facilities from bank in consolidated and separate financial statements amounted to Baht 1,832.45 million and Baht 884.13 million, respectively.

## 27. CAPITAL MANAGEMENT

The primary objectives of the Company's and its subsidiaries' capital management are to maintain their abilities to continue as a going concern and to maintain an appropriate capital structure.

As at December 31, 2017 and 2016, debt to equity ratio in the consolidated financial statement is 0.88 :1.00 and is 0.70: 1.00, respectively (the separate financial statements as at December 31, 2017 and 2016, debt to equity ratio is 1.65:1.00 and 1.41:1.00, respectively).

## 28. FINANCIAL INSTRUMENTS

A) Accounting policies

Details of the significant accounting policies are disclosed in Note 3.

B) Financial risk management

The Company and its subsidiary manage financial risk exposures on financial assets and financial liabilities in normal business by the internal management and control system. The Company and its subsidiary do not held or issue any derivative instruments.

C) Credit risk

The Company has exposures to credit risk primarily with respect to trade accounts receivable. The Company has a prudent credit policy and maintain a well - diversified customer base and believe that the maximum credit risk exposure is lower than the book value of accounts receivable in the statement of financial position.

D) Interest rate risk

Interest rate risk arises from the potential change in interest rate that will have an adverse effect on the Company and its subsidiary in the current reporting period and in future periods. The Company and its subsidiary do not expect to incur significant incremental effect on its interest expense.

E) Foreign currency risk

The Company and its subsidiary have exposure to foreign currency risk relating to their monetary assets and liabilities in US and EURO currencies. However, the Company and its subsidiary do not expect to incur significant risk from the exchange rates.

The Company and its subsidiary have foreign currency assets and liabilities as follows:

	Consolidated		Separate	
	2017	2016	2017	2016
Assets - USD	83,687	-	83,687	-
Liabilities – USD	89,200	129,580	26,830	129,580
Liabilities – EURO	207,341	156,415	50,217	86,103

F) Fair value of financial instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments

Cash and cash equivalent, accounts receivable and accounts payable - the carrying values approximate their fair values due to the relatively short - term maturity of these financial instruments.

## 29. RECLASSIFICATION

Certain amounts in the statement of financial position as at December 31, 2017 and the statement of comprehensive income for the years ended have been reclassified in accordance with the Notification of the Department of Business Development dated October 11, 2016 regarding “the Brief Particulars in the Financial Statements B.E. 2016”, but with no effect to previously reported net income or shareholders’ equity

## 30. SUBSTANCE AFTER FINANCIAL POSITION'S DATE

30.1 At the Board of Directors Meeting No. 1/2018 held on January 23, 2018 passed a resolution the company to lease land in Phetchabun province for the construction of a new branch from Mr.Monrak Saengsastra (Director). The company rent period from February 1, 2018 to January 31, 2034 for 16 years. The rental rates are as follows:

Year 1	Period of February 1, 2018 to January 31, 2019	rental rate per year	960,000 Baht
Year 2 - year 6	Period of February 1, 2019 to January 31, 2024	rental rate per year	1,056,000 Baht
Year 7 - year 11	Period of February 1, 2024 to January 31, 2029	rental rate per year	1,161,600 Baht
Year 12 - year 16	Period of February 1, 2029 to January 31, 2034	rental rate per year	1,277,760 Baht

The total lease term of 16 years is 18,436,800 baht

30.2 At the Board of Directors Meeting No. 2/2018 held on February 20, 2018 approved date of issuance of the warrants to purchase the ordinary shares of the Company No.1 (“the Warrants DCC-W1”) would like to announce that the Company has issued 2,611,197,583 units of warrants to the existing shareholders in a ratio of 1 warrant for every 2.5 existing ordinary shares, without specifying the offer price. Details are as follows.



Type of certificate	: Warrants to purchase ordinary share of Dynasty Ceramic Public Company Limited (DCC-W1)
Type of right showing certificate	: Which are in the name certificate and transferable.
Amount of right certificate	
proposed to sell	: 2,611,197,583 units
Proposing price per unit	: Baht 0.00
Term of warrants	: 3 years from the date of issue of Warrants (after issuing the Warrants (DCC-W1), the Company will not extend the term of the Warrants)
Allocation method of right certificate	: The Company will allot the Warrants to its existing shareholders, who are entitled to be allotted the Warrants and whose names appear on the Company's share register book on 3 May 2018, which is the record date to determine the names of the shareholders entitled to be allotted the Warrants (DCC-W1), by way of rights offering at the ratio of 2.5 existing shares to 1 unit of Warrant.

In this regard, after the calculation of allotment ratio above, any fractions shall be rounded down. The Company will cancel all unallotted Warrants.

30.3 At the Board of Directors Meeting of the subsidiary No. 2/2018 held on February 20, 2018 passed a resolution the reduction of the subsidiary's registered capital by cancelling the number of 555,490 authorised but unissued shares (which were reserved for the exercise of 555,490 units of warrant to purchase ordinary shares in the subsidiary (RCI-W1) from the existing registered capital of Baht 463,185,014, to be a new registered capital of Baht 462,629,524, divided into 462,629,524 ordinary shares at the par value of Baht 1 each.

And approved the increase of the subsidiary's capital by an additional amount of Baht 154,209,841 by issuing 154,209,841 new ordinary shares with a par value of Baht 1 each, from the existing registered capital of Baht 462,629,524 to be a new registered capital of Baht 616,839,365, divided into 616,839,365 ordinary shares with a par value of Baht 1 each by way of rights issue at the ratio of 3 existing shares to 1 new ordinary share at the offer price of Baht 1.50 per share.

### 31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized by the Company's authorized directors on February 20, 2018.

