

# 2016

Annual Report  
รายงานประจำปี

“More Superior than  
Clean Drinking Water”



Thlensurat Public Company Limited  
บริษัท เจริญสุรัตน์ จำกัด (มหาชน)

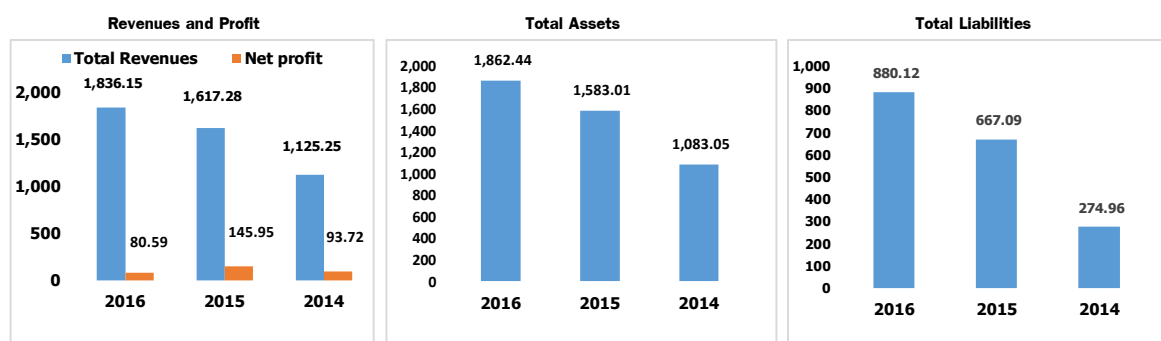
## Financial Highlights

Thiensurat Public Company Limited and Its Subsidiaries  
Financial Highlights

Consolidated Financial Statements (Million Baht)	2016	2015	2014
Revenues from Sale of Goods	1,607.62	1,452.19	996.83
Total Revenues	1,836.15	1,617.28	1,125.25
Gross Profit *	1,426.07	1,272.55	923.92
Cost of Sales	(410.08)	(344.73)	(201.33)
Selling Expenses	(755.44)	(711.80)	(564.33)
Administrative Expenses	(338.75)	(278.03)	(191.16)
Net Profit **	80.59	145.95	93.72
Total Assets	1,862.44	1,583.01	1,083.05
Total Liabilities	880.12	667.09	274.96
Total Shareholder's Equity	982.32	915.91	808.10
<b>Financial Ratios</b>			
Net Profit Margin (%)	4.31	8.97	8.33
Return on Equity (%)	8.33	16.83	14.73
Return on Assets (%)	4.59	10.88	10.05
Dividend Payout Ratio on Profit for the Year (%)	63.57	61.94	89.50
Debt to Equity Ratio	0.90	0.73	0.34
Earnings Per Share (Baht)	0.18	0.36	0.26
Dividend Per Share (Baht)	0.11	0.22	0.24
Book value Per Share (Baht)	2.08	2.25	2.35

**Remarks:** \* Gross profits of 2015 and 2014 have been reclassified to conform to the classification of 2016.

\*\* Net profits attributable to TSR Group



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## Message from Directors

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Throughout the past year, under the gradually-recovering economic condition of Thailand, Thiensurat Public Company Limited has adjusted its business plans and operation strategy to match with circumstances in order to achieve its determined goals and to develop the sustainable growth of its business.

The past year's performances of the Company and its affiliates generated total revenues of Baht 1,836 million, increasing by 14% from the preceding year. The net profit which was Baht 81 million decreased by 45% year-on-year. Total assets were Baht 1,862 million, increasing by 18% from the previous year. The main issue which caused the decreasing of net profit in which shareholders may be concerned, resulting from an increase in bad debts, compared to the past year. The Company has always paid attention to the problem of bad debts and urgently solved the issue by analyzing to find out the causes and adjusting the operation strategy to carry out the solutions to solve the problem. The main reason for the increase of bad debts is the maximum payment period for installment payment extended to become 25 months or double the period previously offered. The payment period extension was resulted from the launch of a new model of water purifier which had higher selling price than the old models. This new model has been sold since the 2nd quarter of Y2015. The long period of installment payment made a number of customers feel the burden of lengthy payment and finally drop out from payment. This in turn led to bad debts. Later the Company changed the payment period to become shorter; it is 13 months maximum at present. This therefore makes customers feel that it is not too long to pay, and it can gain more customers with higher capability in installment payment. The Company is confident that this action will be able to lessen bad debts caused by this issue in the future.

In Y2016, the Company penetrated into not only Greater Bangkok for the core business of water purifier but also in upcountry as well, in order to provide services for people in every region throughout the country. Besides, the Company saw an opportunity to grow the business from the existing customer base through its strength of efficient sales and payment collection teams. These teams have been utilized to grow the business of selling household electric appliances which focuses on installment payment purchase. Moreover, Thiensurat Leasing Co., Ltd was established to offer loans e.g. auto title loans, personal loans; these loans can fulfill what the Company's main customers' need. Besides, the Company entered ASEAN Economic Community (AEC) by establishing the joint venture—TSR Laos Co., Ltd. in the Lao People's Democratic Republic in order to sell water purifier, related products and electric appliances. Those companies established in Y2016 will show performance in the first half of Y2017, and the Company still proceeds to grow the businesses in other countries of AEC later on.

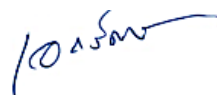
In terms of the next year plan, the Company is determined to grow the business sustainably through its strong sale channels and continuous market penetration. It will also enhance efficiency in the organization's internal operation in order to achieve its intended, target goals.

With the determination in running the business with transparency and governance according to the principles of good corporate governance, the Company received the “Very Good” level in the assessment of Corporate Governance of Thai listed companies for Y2016 from the Thai Institute of Directors Association (IOD), higher level than last year. To align with development and promotion of quality in social responsibility, the Company has carried out many projects such as drinking water filtration and storage system for schools in areas with water quality problems. The Company adheres to run the business in compliance with the principles of good corporate governance and to take actions in social and environmental responsibility continuously.

Board of Directors would like to thank you shareholders, customers, trade partners and all stakeholders for always giving trust and support to the Company’s operation, and thank executives and all staffs for their cooperation and dedication in their working. The Company will keep on being determined to operate the business with transparency, honesty and carefulness by following the governance principles. Moreover, the Company will take maximum benefits of all stakeholders into consideration for sustainable and stable growth of the business in the future.



(Mr. Sahas Treetipayabutr )  
Chairman of the Board of Directors



(Mr. Ekarat Changyoo )  
Chief Executive Officer

## Board of Directors

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**Mr. Sahas Treetipbut**  
Chairman of the Board of  
Directors



**Mr. Ekarat Changyoo**  
Director and  
Chief Executive Officer



**Mr. Viruch Wongnirund**  
Director and  
Managing Director



**Ms. Theinvanee Changyoo**  
Director



**Ms. Savita Changyoo**  
Director



## Board of Directors

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**Associate Professor  
Boonserm Vimuktanandana**  
Chairman of the the Audit  
Committee and  
Independent Director



**Dr. Supree Wongdeeprom**  
Ph.D.  
Member of the Audit  
Committee and  
Independent Director



**Mr. Suthee Tripornchaisak**  
Member of the Audit  
Committee and  
Independent Director



**Mr. Krit Umpote**  
Member of the Audit  
Committee and  
Independent Director



**MRS. Sumana Vonggapan**  
Independent Director

## **Executive Board**

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**Mr. Werawat Changyoo**  
Advisor to the Executive Board



**Mr. Ekarat Changyoo**  
Chairman of the Executive Board



**Mr. Viruch Wongnirund**  
Executive Board Member



**Ms. Theinvanee Changyoo**  
Executive Board Member



**Ms. Savita Changyoo**  
Executive Board Member



**Mr. Paitoon Homchan**  
Executive Board Member



**Mr. Watcharin Watcharatham**  
Executive Board Member



**Mr. Pattanon Premssmit**  
Executive Board Member



## Report of the Audit Committee

**Dear shareholders of Thiensurat Public Company Limited,**

The Audit Committee of Thiensurat Public Company Limited comprises four (4) Independent Directors, who are neither executive officers nor employees of Thiensurat Public Company Limited. The Audit Committee comprises four directors as follows:

- |  |                                 |
|--|---------------------------------|
| 1. Associate Professor Boonserm Vimuktanandana | Chairman of the Audit Committee |
| 2. Dr. Supree Wongdeeprom, Ph.D.               | Member                          |
| 3. Mr. Sutee Tripornchaisak                    | Member                          |
| 4. Mr. Krit Umpote                             | Member                          |
- Ms. Jutamas Malai was appointed as a secretary to the Audit Committee.

The audit committee performs its duties according to the assignment from the board of directors and the charter of audit committee in compliance with the regulations of the Stock Exchange of Thailand. During the fiscal year of 2016, the committee held eight meetings. All members in the audit committee attended the meetings with executive officers, external auditors, and internal auditors. The meeting minutes are provided to the board of directors with the summary as follows:

### **1. To review and audit the financial reporting process for the accuracy and adequacy of the financial report**

The audit committee reviewed the quarterly financial statements and the full year financial statements of year 2016 with the external auditor and the company's management team. The audit committee also had an exclusive meeting with the external auditor without the presence of the company's management team. Questions, comments, recommendations, and opinions regarding the financial statements were exchanged in order to ensure that the financial statements is accurate, adequate, and reliable according to the generally accepted accounting principles. The financial information was adequately disclosed to support the financial statements before presenting to the board of directors for approval to publicly report to the Stock Exchange of Thailand and The Securities and Exchange Commission, Thailand. The Audit Committee agreed that the company financial statements of year 2016 is accurate according to the generally accepted accounting principles and thus reliable.

### **2. To review the internal control system and the internal audit system, including the independence of the Office of Internal Audits**

The audit committee assigned the ACM Consulting Co., Ltd., the Company's internal auditor in 2016, to evaluate the internal control system of accounting, finance, and operation. The audit committee also reviewed to approve the annual audit plan to correspond with company environment and considered the jurisdiction and independence of audit operations. In addition, the internal audit report was directly submitted by the internal auditor. The audit committee provided the recommendations to form suitable internal audit system with monitoring and evaluation, which is part of the good corporate governance practices. The audit committee agreed that the overall internal audit system, which includes audit environment, risk assessment, the control of operation from management, improvement of audit procedure, follow-up system, is sufficient, suitable, and independent.

**3. To review the performance of the company to ensure compliance with the securities and exchange law, regulations of the Stock Exchange of Thailand, and law relating to the company's business, including regulation/instruction/announcement/order which are issued on the basis of those laws and good corporate governance principal**

The audit committee emphasized and acknowledged the report on compliance with the securities and exchange law and law relating to the company's business. Furthermore, the audit committee acknowledged from the external auditor that there was no issue or observation to be reported to the audit committee by virtue of section 89/25 of the Securities and Exchange Act. The audit committee agreed that the company has sufficient and suitable internal control system and internal audit system with independence and there was no important issue with the conflict of relating law and regulations.

**4. To review risk management system**

The audit committee reviewed the risk management activities of the Risk Management Committee. Furthermore the audit committee reviewed the policy and plan of preventing risk from corruption, which was in progress, and the application to be a member of the Private Sector Collective Action Coalition against Corruption, CAC. The audit committee acknowledged the risk management activities from the risk management committee and will monitor the progress of the preventing bribery and anti-corruption guidance.

**5. To consider, select, nominate, and recommend remuneration of the company's external and internal auditor**

The audit committee recommended the Board of Directors to propose to the 2016 Annual General Meeting of Shareholders to consider and approve the appointment of Mr. Termpong Opanaphan CPA No. 4501 and/or Mr. Khitsada Lerdwana CPA No. 4958 and/or Ms. Manee Rattanabunnakit CPA No. 5313 of EY Office Limited as company and subsidiaries' external auditor of the year 2016. The audit committee also recommended the remuneration of the external audit for the year 2016 in the amount of Baht 2,190,000(excluding other actual expenses, e.g. allowance, travel expenses, overtimes, international telephone and accommodation, etc.) and Baht 15,000 for Unique Audit Co., Ltd., the external auditor of Thiensurat Leasing Co.,Ltd, which registered on 11 July 2016. The Audit Committee agreed that the nominated external auditor has satisfactory performance with auditing standard according to the generally accepted accounting principles. Moreover, the external auditor can independently and professionally performs its tasks with full capability, including offering suggestion of internal control system. Therefore, the audit committee considered to propose the nominator to the Board of Directors to present to the Shareholders' Meeting for appointment and approval of auditor and the audit fee.

**6. To review related transactions or transactions that may lead to conflict of interest**

- The audit committee acknowledged that company's connected transactions and the guidelines for the related party transactions in the future which is in accordance with general commercial terms and conditions.
- The audit committee acknowledged that business practices are in accordance with the guideline and reporting procedure, established by the Board of Directors, regarding the conflict of interest arising from the company's directors and executive officers. These guidelines and reporting procedure are required by the announcement of The Securities and Exchange Commission.

## 7. Any Other Business

- To follow up on the progress of actions per audit committee's resolutions.
- To conduct self-evaluation and present to the Boards of Directors.
- To review disclosed information to the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand in the 2016 annual report (Form 56-2) and in the attachment of the annual registration statement, ended 31 December 2016 (Form 56-1)
- To quarterly report the summary of the audit committee's performance for the year 2016 to the Board of Directors

Thus, the Audit Committee has performed, within the authorities and responsibilities assigned by the Board of Directors, with independence. Opinions were given with the principle of transparency, which could be explained and examined, and with the principle of good corporate governance per the guideline of the Stock Exchange of Thailand.

On behalf of the Audit Committee



Associate Professor Boonserm Vimuktanandana  
Chairman of the Audit Committee  
24 January 2017

## 1. Policy and business overview

Thiensurat Public Company Limited or TSR (The Company), originally Thiensurat Company Limited, was founded in 1992, with a registered capital of one million baht. The Company started out as a direct-selling producer and distributor of double-filter countertop water purifiers. The Company continuously develops its products and now has a larger variety of water purifying systems with multi-stage filtration process to offer water that meets quality and safety standards and is useful for consumers. In 2013, the Company was listed as a public company and has been known as Thiensurat Public Company Limited. The Company was listed on the Stock Exchange of Thailand on 19 June 2014.

Since 1976, or for 41 years thus far, the Company has been operating a water purifier sale and distribution business through single-level direct-sales channel. Later, its distribution channels were expanded to outlets of modern trades and other business operators. The Company's customer network consists of customers in Bangkok and its vicinity as well as those in big cities in the provinces. To further expand its business, the Company is opening provincial branches across the country to better serve its customers. Moreover,

The Company's subsidiaries and joint venture are Safe Trade International Co., Ltd. that sells water purifiers to Giffarine Skyline Unity Co., Ltd., a large-scale direct sale business operator, Fedders Thai Company Limited that sells Air-Conditioner brand Fedders. Thiensurat Leasing Co., Ltd. provides financial services, e.g., personal loan and auto title loan and also operate a joint venture doing sales of water purifiers and related products and electric appliances

### 1.1 Vision and Mission statements

#### Vision

To be ASEAN leader in water purifiers innovation and electrical appliances, for every home and organization to have clean water and better life quality.

#### Mission

- Provide product quality and value
- Fulfill Customers' relationship satisfaction and commitment
- Provide shareholders sustainable return
- Enhance greater capacity and quality of life to uphold employee engagement
- Be responsible towards social and environment

#### TSR Core Value

We are SAFE : SAFE are We

<b>S (Satisfaction)</b>	Satisfaction of customers, employees and the Company
<b>A (Adaptation)</b>	Continuous adaptation and improvement
<b>F (Firm Company)</b>	Firm organization with good management
<b>E (Excellent Service)</b>	Excellence in services, both internally and externally

## Company Codes of Conduct

We will lead health services	Creating quality and satisfaction among customers
We will create stability and honesty	Creating valuable employee solving the problems
We will create great profit	For variously thorough contribution and allocation
Company Codes of Conduct are firmly established	Following five Codes achieves the ultimate goals

## TSR Core Competency SMARTs

S (Service Mind)

M (Moral)

A (Achievement)

R (Responsibility)

T (Teamwork)

S (Self-Learning)

## 1.2 Important milestones

- 2009** - The Company's office was relocated to 43/9 Moo 7, Soi Chuchat Anusorn 4, Bang Talad Sub-district, Pakkred District, Nonthaburi Province 11120.
- 2013** - The Company was registered as a public Company as Thiensurat Public Company Limited and raised its registered capital to Baht 344 million. Out of this amount, Baht 258 million was paid-up capital.
- 2014** - The Company's first day of trading on the Stock Exchange of Thailand symbol "TSR".
- 2015** - 12 May, the Company increased the registered capital from Baht 344 million to Baht 602 million. The paid-up capital was Baht 344 million.
- 18 June, paid-up capital of the Company increased from Baht 344 million to Baht 401.33 million. As a result of the partial dividend payment in terms of ordinary shares.
  - The Company purchased ordinary shares of Fedders Thai Company Limited ("Fedders") from the existing shareholders. At end of 2015, the Company owned 59.99% of Fedders.
  - 21 December, The Company issued and allocated free warrants no.1 (TSR-W1) in the amount of 200,666,316 units. TSR-W1 is valid for 3 years from the date of issuance.
  - In 2015, the Company launched 3 new models of water purifiers which were ROMA Alkaline Plus, a notable feature of filtering water with RO System (Reverse Osmosis). UV Alkaline, a notable feature disinfection with UV radiation and i-Life with high filtration efficiency and has a compact format with UF water filtration system.
  - In late November, the Company launched water heater under brand "Safe Electrics" and sold through Modern Trade and website ([www.safealkaline.com](http://www.safealkaline.com)).
- 2559** - 2 June, the Company increased the registered capital from Baht 401.33 million to Baht 467.18 million as a result of the partial dividend payment in terms of ordinary shares on 22 May and a result of exercise warrants (TSR-W1) on 31 May.
- 11 July, the Company has registered a new subsidiary, Thiensurat Leasing Company Limited, registered capital Baht 50 million and the Company owned 100%.



In November, the Company has been granted by the Ministry of Finance to operate the personal loan business under supervision.

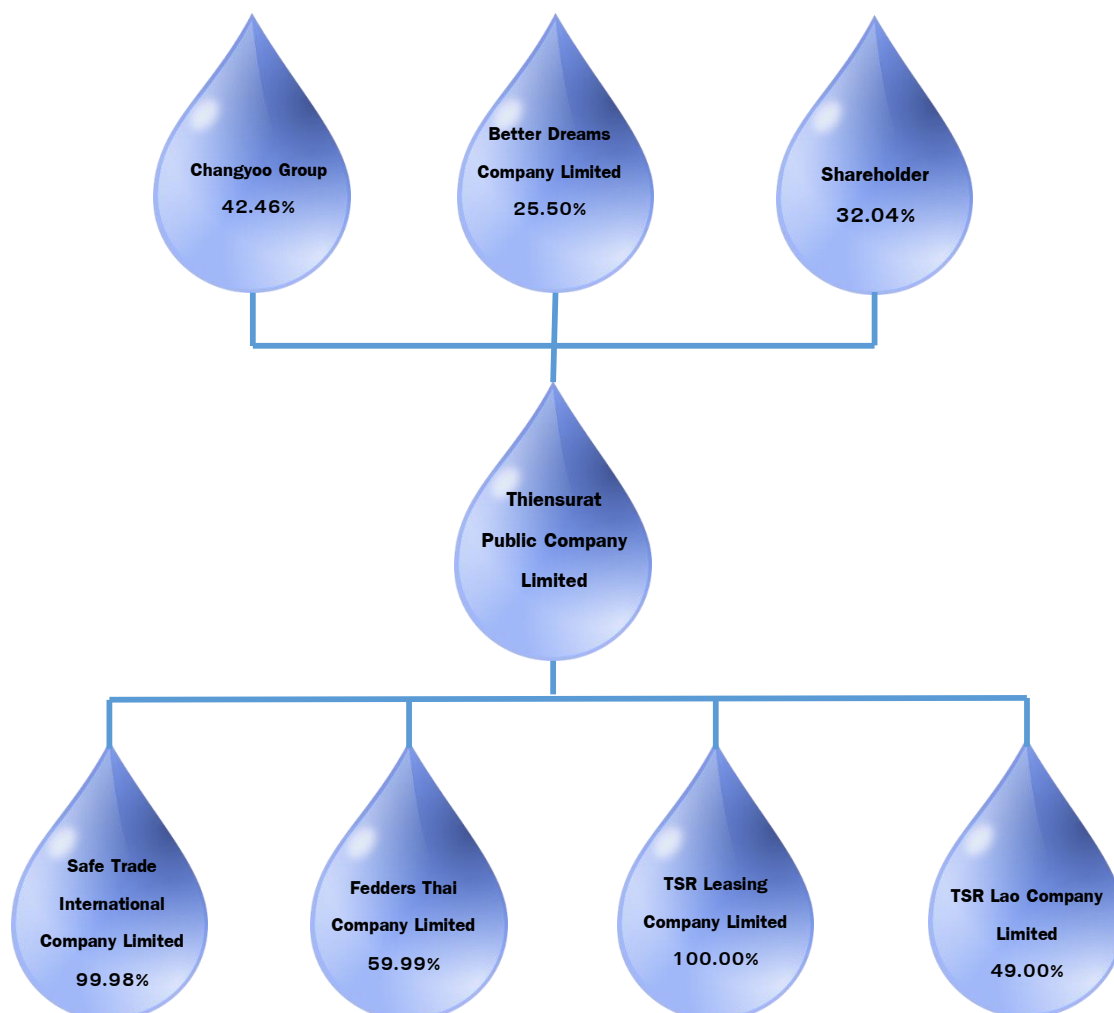
- The Board of Directors's Meeting of the Company held on 11 November resolved to approve the payment of Interim Dividend of 2016 to the Company's shareholders of total 467,178,789 shares. The Interim Dividend payment at rate of Baht 0.11 per share, totally Baht 51,389,666.79 which paid from the first nine-month operating results of 2016 that were subject to 20% corporate income tax. The Interim Dividend was paid on 9 December.
- 16 December, the Company registered TSR Lao Company Limited in Lao People's Democratic Republic which is a joint venture with JB Group to sell and distribute water purifier and related products and electric appliances. The Company holds share in the proportion of 49 percent, approximately Baht 17.05 million (Laos Kip 3,920 million)
- 5 models of water purifiers, 1) SAFE Super AlkaLi 2) SAFE Alkaline Mini 3)SAFE ROMA Alkaline Plus 4) SAFE UV Alkaline 5) SAFE UF Alkaline have been passed the AS/NZS 4020:2005 standard test of Eurofins AMS Laboratories Pty Ltd (AMS Australia)
- The Company launched 2 new models of water purifiers which were UF Alkaline, a notable feature disinfection with PVDF radiation with high filtration efficiency (0.01 Micron) and ROMA Plus, a notable feature of filtering water with RO System (Reverse Osmosis)
- The Company providing the full range of the service through continually expand new branches and services center across the nation. At the end of the year 2016, there were 20 branches and 3 customer service centers compared to 14 branches and 6 customer service centers in year 2015.

### 1.3 Shareholding structure

#### Overview

Thiensurat Public Company Limited has two subsidiariesและ associate as follows.

The shareholding structure of the Thiensurat Public Company Limited group  
As of 31 December 2016



## Products

Company	Flagship products	Paid-up capital (Million Baht)	Business area
Thiensurat Public Company Limited	<ul style="list-style-type: none"> <li>- Water purifier</li> <li>- Replacement Filter</li> <li>- Water heater</li> <li>- Air conditioner</li> <li>- Electric Appliances</li> </ul>	467.18	Selling and distribution of water purifiers through single-level direct-sales channel, Modern Trade and agents
Safe Trade International Company Limited	<ul style="list-style-type: none"> <li>- Mineral water purifier</li> <li>- Water purifier</li> <li>- Water filter jug</li> <li>- Drinking water</li> </ul>	4.00	Selling and distribution of mineral water purifiers, water purifiers, water filter jug and mineral drinking water through one direct selling company
Fedders Thai Company Limited	<ul style="list-style-type: none"> <li>- Air-conditioner under brand "Fedders"</li> </ul>	31.00	Selling air-conditioner under brand "Fedders"
TSR Leasing Company Limited	<ul style="list-style-type: none"> <li>- Personal Loan</li> <li>- Auto Title Loan</li> </ul>	50.00	<ul style="list-style-type: none"> <li>- Personal Loan (Obtained the Supervised Personal Loan Business License from Ministry of Finance)</li> <li>- Auto Title Loan</li> </ul>
TSR Lao Company Limited	<ul style="list-style-type: none"> <li>- Water Purifier</li> <li>- Electric Appliances</li> </ul>	27.83*	Selling and distribution of water purifiers, related products and electric appliances in Lao People's Democratic Republic

\* Payment on 18 January 2017 (FX rate Baht 1: Laos Kip 230)

### 1.4 Relationship between TSR and majority shareholding group

#### Shareholding structure of Thiensurat Public Company Limited

Company	Area of business	% of Shareholding
1) Safe Trade International Company Limited	Selling and distribution of mineral water purifiers, water purifiers, water filtering jugs and mineral drinking water	99.98%
2) Fedders Thai Company Limited	Selling air conditioner brand Fedders	59.99%
3) TSR Leasing Company Limited	Personal Loan (Obtained the Supervised Personal Loan Business License from Ministry of Finance) and Auto Title Loan	100.00%
4) TSR Lao Company Limited	Selling and distribution of water purifiers, related products and electric appliances in the Lao People's Democratic Republic	49.00%

## 2. Revenue structure

### Thiensurat Public Company Limited and its subsidiaries

The Company derives its sales revenues from 2 major types as following:



- **Revenues from direct selling:** The Company primarily derives revenues from sales of water purifiers and replacement filters. The Company has started to sell air-conditioner in Quarter 4/2014 and electric appliances revenue continued report, growth from expanding Product Lines in the end of 2016
- **Revenues from distribution through the other company:** The Company distributes products through a subsidiary (selling to Giffarine Skyline Unity Co., Ltd.)

The proportion of different types of revenues are tabulated below.

Revenues from Sales	Operate by	% of shareholding	2016		2015		2014	
			THB Million	%	THB Million	%	THB Million	%
Direct Sales:								
- Cash Payment	TSR	100.00	148.46	9.2	140.36	9.7	136.02	13.6
-Installment Payment	TSR	100.00	1,389.33	86.5	1,241.33	85.5	792.34	79.5
Total Revenues from Direct Sales			1,537.79	95.7	1,381.69	95.2	928.36	93.1
Distribution through the other company	SAFE TRADE	99.98	69.83	4.3	70.50	4.8	68.47	6.9
Revenues from Sales			1,607.62	100.0	1,452.19	100.00	996.83	100.0

### 2.1 Product Characteristics




#### 2.1.1 Thiensurat Public Company Limited products





Product		Distribution Channel
1	<b>Water purifier and Replacement Filter:</b> - Water purifier, Safe Model: ROMA Plus  	- Direct sales - E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a> - Social Media via Facebook : "Safe Water Filter" - Social Media via Line Official : safealkaline











Product	Distribution Channel
<p>- Water purifier, Safe Model: UF Alkaline</p> 	<ul style="list-style-type: none"> <li>- Direct sales</li> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>
<p>- Water purifier, Safe Model: i-Life</p> 	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Modern Trade (e.g. HomePro and <a href="http://www.homepro.co.th">www.homepro.co.th</a>)</li> <li>- Trade fairs and exhibitions</li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>
<p>- Water purifier, Safe Model: UV Alkaline</p> 	<ul style="list-style-type: none"> <li>- Direct sales</li> </ul>
<p>- Water purifier, Safe Model: ROMA Alkaline Plus</p> 	<ul style="list-style-type: none"> <li>- Direct sales</li> </ul>




Product	Distribution Channel
<p>- Water purifier, Safe Model: Alkaline Plus</p> 	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Trade fairs and exhibition</li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>
<p>- Water purifier, Safe Model: Alkaline Deluxe</p> 	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Modern Trade (<a href="http://www.homepro.co.th">www.homepro.co.th</a>)</li> <li>- Trade fairs and exhibitions</li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>
<p>- Water purifier, Safe Model: RO Mineral Plus</p> 	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Modern Trade (e.g. HomePro and <a href="http://www.homepro.co.th">www.homepro.co.th</a>)</li> <li>- Trade fairs and exhibitions</li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>
<p>- Water purifier, Safe Model: UV Plus</p> 	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Modern Trade (e.g. HomePro and <a href="http://www.homepro.co.th">www.homepro.co.th</a>)</li> <li>- Trade fairs and exhibitions</li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>

Product	Distribution Channel
<p>- Compact water purifier, Safe Model: Alkaline Mini</p> 	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Modern Trade (e.g. HomePro and <a href="http://www.homepro.co.th">www.homepro.co.th</a>)</li> <li>- Trade fairs and exhibitions as well as telesales.</li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>
<p>- Water purifier, Safe Model: Super Alkali</p> 	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Trade fairs and exhibitions</li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>
<p>- Water purifier, Safe Model: Power Health (P-Health)</p> 	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Modern Trade (e.g. HomePro and <a href="http://www.homepro.co.th">www.homepro.co.th</a>)</li> <li>- Trade fairs and exhibitions</li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>
<p>- Water filtering jug, Safe Model: Ecomize</p> 	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Modern Trade (e.g. <a href="http://www.homepro.co.th">www.homepro.co.th</a>)</li> <li>- Trade fairs and exhibitions</li> <li>- Social Media via Facebook : “Safe Water Filter”</li> <li>- Social Media via Line Official : safealkaline</li> </ul>

Product		Distribution Channel
2	<b>Water Dispenser</b> Hot and Cold Water Dispenser With Adjustable Cold Water Thermostat with UF and UV filtration system 	<ul style="list-style-type: none"> <li>- Officemate Catalog 2017 and E-commerce via the website: <a href="http://www.Officemate.co.th">www.Officemate.co.th</a></li> <li>- Corporate: for sale and rental</li> <li>- Trade fairs and exhibitions</li> </ul>
3	<b>Air Conditioner:</b> The Company is Daikin Dealer, selling 2 models as follows: - Daikin Model: FT SERIES-R32 	<ul style="list-style-type: none"> <li>- Social Media via Facebook, via Line Official : "PONSABUY" and <a href="http://www.ponsabuy.com">www.ponsabuy.com</a></li> </ul>
	- Daikin Model: INVERTER R32 Smile 	<ul style="list-style-type: none"> <li>- Telesales</li> <li>- Social Media via Facebook, Line Official : "PONSABUY" and <a href="http://www.ponsabuy.com">www.ponsabuy.com</a></li> </ul>
	- The Company sells air conditioner under brand "Fedders" 	<ul style="list-style-type: none"> <li>- Telesales</li> <li>- Social Media via Facebook, Line Official : "PONSABUY" and <a href="http://www.ponsabuy.com">www.ponsabuy.com</a></li> </ul>

Product	Distribution Channel
<p><b>4 Water Heater</b> House brand of water heater name "SAFE Electrics" in 2 models as follows:</p> <ul style="list-style-type: none"> <li>- SAFE Electrics Model: P-Series 3,800W and 4,500W</li> </ul> <p style="text-align: center;">P-Series WH 3.8      P-Series WH 4.5</p> <div style="display: flex; justify-content: space-around;">   </div>	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Modern Trade (e.g. HomePro and <a href="http://www.homepro.co.th">www.homepro.co.th</a>)</li> <li>- Trade fairs and exhibitions as well as telesales.</li> <li>- Telesales</li> <li>- Social Media via Facebook, Line Official : "PONSABUY" and <a href="http://www.ponsabuy.com">www.ponsabuy.com</a></li> </ul>
<ul style="list-style-type: none"> <li>- SAFE Electrics Model: Q-Series: 3,800W and 4,500W with shower set and slide bar</li> </ul> <p style="text-align: center;">Q-Series WH 3.8      Q-Series WH 4.5</p> <div style="display: flex; justify-content: space-around;">   </div>	<ul style="list-style-type: none"> <li>- E-commerce via the website: <a href="http://www.safealkaline.com">www.safealkaline.com</a></li> <li>- Modern Trade (e.g. HomePro and <a href="http://www.homepro.co.th">www.homepro.co.th</a>)</li> <li>- Trade fairs and exhibitions</li> <li>- Social Media via Facebook, Line Official : "PONSABUY" and <a href="http://www.ponsabuy.com">www.ponsabuy.com</a></li> </ul>
<p><b>5 Other Electric Appliance</b> - The Company is Dealer of Other Electric Appliance well-know brand:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  </div> <div style="text-align: center;">   </div> </div> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 20px;"> <div style="text-align: center;">  </div> <div style="text-align: center;">   </div> </div>	<ul style="list-style-type: none"> <li>- Telesales</li> <li>- Social Media via Facebook, Line Official : "PONSABUY" and <a href="http://www.ponsabuy.com">www.ponsabuy.com</a></li> </ul>

Product	Distribution Channel
 <p>The image displays two product categories. The top category features the Toshiba logo with the tagline 'Leading Innovation &gt;&gt;&gt;' alongside a silver refrigerator and a 40-inch black flat-screen television. The bottom category features the Hitachi logo with the tagline 'Inspire the Next' alongside a white Hitachi water purifier and a Hitachi engine component.</p>	

### 2.1.2 The products of Safe Trade International Company Limited.

The water purifier product was invented specially for Giffarine Skyline Unity Co., Ltd., which made OEM order and is a major customer for recent years.

The products of Safe Trade International Company Limited	
<p>1. Water purifier, Model: Extra Pure Alkaline</p> 	<p>2. Water purifier, Model: Alkaline Compact</p> 
<p>3. Water purifier, Model: Safe Plus Alkaline</p> 	<p>4. Water Filtering Jug, Model: Purimag</p> 



## 2.2 Market and Competition

### 2.2.1 Industrial Conditions

There are a number of manufacturers and distributors of household water purifier products in Thailand. As a result of low initial capital investment and production costs for this industry, which does not require sophisticated technology for the production development, the market for such these products is also highly competitive. Nevertheless, to produce highly efficient products, the manufacturer must dedicate time for water purification research and development, gather customer's insights and build the expertise and capability of Research and Development team as well as increase investment allocation for the development of technology in order to strengthen the competitive advantages and create business sustainability.

The majority of consumers, who install a water purification system, uses a water filter for household consumption. The industry of home water purification systems or products is likely to witness the continual growth in consistent direction with the growth of home water supply consumption and the expansion of households in Thailand. Nowadays, the trend of overall tap water consumption organically increase, thus significantly growth in the region nationwide.

The growth of water supply consumption can be determined by the number of people using water supply of the Metropolitan Waterworks Authority (MWA) and the Provincial Waterworks Authority (PWA). During 2011 to 2016, the average growth of water supply sales from the MWA and PWA are approximately 4 percent (source: MWA and PWA).

During the first 9 months of 2016 (January to September), sales and consumption of tap water in the regions increase by 4 percent compared to the same period last year (source: Provincial Waterworks Authority). The Company plans to expand to cover all regions of the country in order to accommodate and penetrate the customer needs by providing the full range of the service through continually expand new branches and services center across the nation.

Today, younger generations are likely to separate from their larger family to live in condominiums and townhouse close to work because the proximity is more convenient. As a result, there is a continual growth of new housing, which contributes to a positive impact on the industry of water purification systems for home. A total number of new housing in Bangkok Metropolis and vicinity during 2011 to 2016 is almost 720,000 units (source: Bank of Thailand).

Furthermore, the industry of water purification systems for home sees the positive behaviors of consumers, who take care of their own and their family's health and wellness. Behaviors of consumers are shifting towards the health consciousness. Such consumers are likely to shop or spend more money for the health care. In addition, water purification systems for home require continuous maintenance. To ensure water treatment system is performing effectively, a periodic replacement of the filter is required. This allows the manufacturers to be able to sell their water filters continuously. It also offers an opportunity to sell new products, which their efficiencies have been increased to meet the consumers' need of better health care.

### 2.2.2 Market overview of water purification systems for home

Market of water purification systems for home can be categorized in 2 main segments as follows:

**(1) General water purification systems:** It is a market where there are a number of interested stakeholders. The products are mainly produced by small producers or imported from China. The competition focuses primarily on pricing strategy. The products, manufactured by this type of manufacturers, are similar product patterns. Such manufacturers do not necessarily place its importance in technology and development research to improve product quality. Therefore, consumers do not adhere to the brand of the products because the quality is similar. In general, the manufacturers distribute these products through department stores and distributors in general supplies stores.

**(2) High technology water purification systems:** It is a market where consumers have a strong interest in health and quality of water from purification systems. The manufacturers in this market, therefore, place the importance in offering efficient water filtration products through continuous research and technology development. The manufacturers in this category merchandise their products via direct sale channel or distribute the products through their branches or appointed distributors. Due to the complexity of these products, it requires further explanation on specifications of products which will be provided by well-trained sales staff. The salespersons will also develop and maintain brand loyalty among target customers.

The Company is one of the few domestic manufacturers that use high technology filters. Knowledge and expertise, gained through continuous research and development to improve the water quality, for 41 year, established direct sale experience have contributed the Company's success. As a result, it is ranked as one of leading company in the country for the best direct sales manufacturer and distributor of water purification systems for home.

## **2.2.3 Competitive Environment**

### **2.2.3.1 Competition Conditions**

The current state of competition in the market of water purification systems for home tends to be fiercely competitive due to increasing number of large and small competitors from inside and outside the country to compete in the market. This prompts existing entrepreneurs to adapt to the competitive market. Nevertheless the rapid expansion of various types of housing together with the growing number of water supply consumers throughout the country as well as healthy living habits as a changing trend of consumer behavior continues to be a positive factor contributing to the increased demand for home water purification systems. The Company has product positioning explicitly to the market for high technology water purification systems. The Company also offers designing and manufacturing services under its own manufacturers in order to produce customized filters that are suitable with water quality in each area. In addition, the Company is able to control the quality and cost of the products effectively. The continuous product development and innovation as well as appropriate pricing have led the Company to remain well competitive in the market.

The Company sustain the overall revenue stream by explore relating business which one of the successfully initial business is electric water heater. It's rather concern of market diminishing and decrease buying power of the consumer which effect from the economic turndown and political uncertainty. However, the Company believes that the consumers' behaviors still require the electric water heaters if it offer promotional campaign to help these clients affordable easily.

### **2.2.3.2 Competitor Analysis**

The Company offers a wide range of products that meets customer needs, with affordable price. Furthermore, after distributions of its water purifiers, electric water heaters and Electric Appliance to the market, the Company has its standard policy to provide clients with a customer service.

There are more than 10 main domestic and international entrepreneurs in the market of high technology water purification systems. There are both manufacturers and distributors as well as entrepreneurs who are importers and distributors or entrepreneurs who are only distributors. Each entrepreneur has different strategies and presentations of the products. This include pricing strategy, quality of the products and customer service. Large foreign enterprises tend to merchandize via multi-level marketing (MLM) while most of domestic entrepreneurs distribute products through their own branch. Currently, we have 20 branches nationwide and 3 customer service centers. In addition, distribution via internet is also among preferred channels for small domestic enterprises. The Company is a manufacturer and distributor of water purifier products. It offers water purifier products under its own brand. The Company mainly merchandizes its products via a single level direct sales to customers by the Company's salespersons who have extensive knowledge on the Company's products. The Company also increases its merchandized channels to meet the consumers' needs. The Company has cooperated with Giffarine SkylineUnity Co., Ltd., one of the leading multi-level

marketing companies to manufacture and distribute water purification products under brand name “Giffarine”. This is another distributing channels through the network of the MLM Company.

Meanwhile, the Company increases its distribution channels in order to penetrate the market and reach out all segment market for instance develop the e-commerce system.

#### **2.2.4 Marketing Strategy**

With 41 years of experiences and continuous product innovation of the company, “SAFE” water filtration products are outstanding in taking care of health of customers and people. Apart from filtering water to be clean, impurity-free and safe for health, they also provide minerals necessary for body such as Calcium, Magnesium and so on. They are slightly alkaline having pH 8.5 – 9.0 that can help retaining the body balance, and lessens riskiness to get many types of disease. “SAFE” water filtration products therefore are not ordinary water filters but healthy products.

The company has increased the level of giving knowledge about benefits of “SAFE” water filters and good drinking water to customers via channels both offline and online e.g. web site, facebook, Line Official, Youtube channel of “SAFE”. It has carried out marketing communications and public relations e.g. 6 viral VDOs, pamphlets, and brochures to make it easier to understand. It has arranged marketing activities in different forms such as Baan-Lae-Suan Fair, Homepro Expo and so on. The communication has also been done through sale staff in all channels of the company.

Throughout the long period of the company’s business operation, it has had determination to create good health among all families of Thai people. Its direction of business operation focuses on customers by meeting their needs and creating good experiences in product usage and services of the company. The customers here include mass and niche customers as well as individual consumers and corporate customers. The company’s main strategies are:

##### **(1) Focusing on Product Quality**

The company gives importance to selecting high quality materials that will be used in producing water filter. The materials are such as filter substance certified by NFS, and filter substance and alkaline mineral imported from Europe and the US. “SAFE” water filters are therefore certified by the global leading institution-- Eurofins AMS Laboratories Pty Ltd which is a leading institution from Australia (AMS).

The company has Product Research and Development Department which conducts research and develops products for the company continuously, including the water filter product and the filter element. It is to create differentiation and superiority over the product competitors, and to solve the problem of different water quality in different areas of the country e.g. brackish water, ground water and etc. It enhances capability in filtering the low quality or highly- impure water to become water that is suitable for consumption. It invents “SMART Control” system for the water purifier model ROMA with RO system ( Reverse Osmosis) to make it well and continuously function, even under the condition of decreasing water pressure. It develops Flush Valve system for customers’ convenience in fast maintenance of the water filter.

In the past year 2016, the company has obtained the “patent” of alkaline water alteration system from Department of Intellectual Property. This emphasizes on its determination to bring quality products to customers and to create confidence in “SAFE” products.

##### **(2) Developing new products continuously and expanding product lines as solutions to cover customers’ wants**

The company has developed a variety of products that suit consumption, usage and preferences of consumers, including UF (Ultrafiltration), UV (killing germs by UV ray) และ RO ( Reverse Osmosis) filtration systems. It offers small-sized products to fit single families living in condominiums and apartments or families with few members.

The company has products of different price levels which customers can choose depending on their affordability. For example, in the past year, the company has launched the product model UF Alkaline for customers who use tap water and want fine water filtration system at the medium price. The company has also launched “SAFE” dual water dispenser for hot and cold water with high quality and slightly-alkaline mineral filter element; the dispenser which can be used at offices and home has become more popular. Moreover, the company has offered “Water Mate” water filtration system for household usage which enhances safety quality of water for consumption.

The company has provided more options for customers by offering “Water 2 U” service of water filter rental in which customers can pay the rental fee monthly. It has periodical maintenance service program for the water filter.

From the market survey, consumer behaviors and needs of the company customers, it is found that most customers have rapidly increased their wants in electrical appliance products. To meet such customers’ wants, the company therefore has offered quality products to customers. Apart from “Safe Electric” water heaters with high safety as well as Fedders and Daikin air conditioners, the company has selected popular and good quality electrical appliances to offer to customers such as Samsung television, Toshiba refrigerator, LG washing machine, Hitachi water pump and so on. The company has added an option to customers under the “PONSABUY” program in which customers can choose to purchase products with installment payment with the company. This better creates happiness and comfort for families.

**(3) Giving importance to worthiness and convenience of customers**

Apart from helping taking care of customers’ health, the water filter products help customers saving their expenses in drinking water consumption with the price below 1 Baht per liter. The company gives product warranty for 2 years at maximum. During the warranty period, the services are provided at customers’ home and free of charge.

The company sees that convenience of customers is an important mission for the company by focusing on services at home which are staff going to introduce and to give knowledge to customers at home, quick installation, installment payment service for purchase and after-sale services including repair and change of substance at home. The services can be reached via phone call at 1210, and the call center staff are available every day. Convenience in reaching the company is also increased with 24 hours accessibility via online channels of web site, facebook and Line Official.

The company has developed the efficiency in servicing customers to cover all areas in the country. It seriously implements Customer Relationship Management system as it develops “Safe Mobile Application” system in selling and collecting payment. Hundreds of knowledgeable technicians with expertise are on services nationwide, and the service management is conducted under the “I-Mind” system which can assure customers that they will get fast and convenient services with continuously increasing efficiency.

**(4) Increasing efficiency in awareness and access of the products and services**

The company has expanded distribution channels, basing on the company’s strength in the channel of Single Level Direct Sales which has sales and service staff more than 1,000 persons throughout the country.

The company has 20 branches and 3 customer service centers to cover major cities of the nation as a network. This raises convenience in presenting, selling and servicing customers. The company has also increased number of telemarketers to become more than 100 at present. It has expanded through modern trade channels which are 27 branches in Homepro and 6 branches in DoHome. It has increased regional agents such as Openghong Department Store in Khonkaen and

Mahasarakarm, Thanathiwat Department Store in Rayong and Chantaburi as well as Taifah City in Nakornratchasima and so on. Besides, it has expanded channels for corporate customers in collaboration with Office Mate.

Due to popularity in buying products through social network, the company has increased number of staff teams in Digital Marketing and Online Telesales in order to match with the online channels of web site, facebook and Line Official of the company. The company has also created linkage and advertisement through online alliance such as Lazada, Kaidee, Office Mate and so on. Customers then can order the products through online system; this leads to more convenience in fast access of the products and services.

**(5) Creating good relationship with customers sustainably**

Water filter is a product that needs suggestion. Therefore, the company emphasizes on giving knowledge and creating understanding in products and health caring among customers and families. Staffs are hence the key success factor.

The company has developed methods in recruiting and selecting quality staffs in order to meet the fast expansion of the company's business. The company gives importance to knowledge, skills and serious training, starting from the first day of their working. That includes knowledge of products, skills in selling and servicing, taking care of customers, creating good attitude and service mind for bringing better health of customers, having the training institution for continuously and systematically developing quality of staffs, and having fieldwork trainers for staffs. The company cares for compensation, welfare, and well-being of staffs in order to make staffs feel happy and secure; that in turn leads to providing good quality services to customers at every touch point. For example, when the time to change the filter substance, staffs call to inform customers and staffs go to service them at home. Staffs who collect the payment also ask the customers about their problems, and regularly build good relationship with them. Therefore, that can bring satisfaction to customers, and can result in repeat purchase as well as good word-of-mouth to relatives and friends afterward.

## **2.2.5 Distribution Channel**

### **2.2.5.1. Single Level Direct Sales**

The company will opt for Single Level Direct Sales as the main sales channel of the product. We believe that such channel will enable our salespersons to clearly present the product features and build a good relationship with the target customers in order to create an opportunity for future sales of other company's products. The number of sales and service staff of the company and subsidiaries as of 31 December 2016 was more than 1,000 persons. Most of them are based at the main office in Nonthaburi province with sales coverage in Bangkok and the surrounding provinces. Moreover, groups of salespersons work in other provinces in 20 main branches and 3 service centers (At the end of 2016, there were 14 branches and 6 customer service centers) to promote and support the sales of water purifiers and filter replacement as well as to provide after-sales service in the regions as follows:



#### Details of 20 Branches

Region	Branch	Address	Telephone
Northern	Chiang Rai	866/10-11 Tangluangpandin 1, Weing, Mueang, Chiang Rai 57000	053-719-288
	Chiang Mai	221/7-8 Chang Klan Road, Chang Klan District, Chiang Mai 50100	053-271-378
	Lampang	357/34-35 Bun Wat Rd., Hua Wiang, Muang Lampang, Lampang 52100	054-222-901
	Phitsanulok	1191/11-12 Baromtrilokanart Road, Nai Mueang, Mueang District Phitsanulok 65000	055-005-000
	Nakhonsawan	1102/86 Moo 10 Nakhonsawan Tok, Mueang District, Nakhonsawan 60000	099-380-3886
Eastern	Rayong	349/1 Sukhumvit Road, Noenphar, Mueang District, Rayong 21000	038-621-277-8
	Chonburi	600/23-24 Sukhumvit Road, Sean Suk, Chonburi District, Chonburi 20130	038-110-083
Central	Nakhonpathom	667/2 Phetchakasem Road, Huai Chorakhe, Mueang District, Nakhonpathom 73000	034-275-383
	Phetchaburi	179/12 Moo 3 Banmor, Mueang District, Phetchaburi 76000	032-401-629
Northeast	Khon Kaen	118/9 Laonadi Road, Nai Mueang, Mueang District, Khon Kaen 40000	043-043-500
	Udon Thani	392/20 Moo 5 Ban Lueam, Mueang, Udon Thani 41000	042-223-448
	Ubon Ratchathani	265/4-265/5 Upaleesan Road, Nai Mueang, Mueang District, Ubon Ratchathani 34000	045-243-495-6
	Nakhon Ratchasima	901/7 Mittraphap Road, Nai Mueang, Mueang District, Nakhon Ratchasima 30000	044-262-900
	Roi Et	426 Moo 23 Nuea Mueang, Mueang District, Roi Et 45000	043-515-027
	Buriram	999/13 Moo 1 I-san District, Muang Buriram, Buriram 31000	044-613-899
	Mukdaharn	122/4, 122/5 Wiwittha Surakan Rd., Mukdahan District, Muang Mukdahan, Mukdahan 49000	042-042-000
Southern	Nakhon Si Thammarat	180/26-27 Moo 5 Pakpoon, Mueang District, Nakhon Si Thammarat 80000	075-806-877-8
	Surat Thani	20/1 Moo 10 Wat Pradu, Mueang District, Surat Thani 84000	077-964-000
	Phuket	32/4 Poonpon Road, Talat Nuea, Mueang District, Phuket 83000	076-619-111
	Hatyai	1502, 1504 Moo 3 Airport-Lopburiramate Road, Khun Lang District, Hatyai, Songkhla 90110	074-250-420

#### Details of 3 Customer Service Centers

Region	Service Centers	Address	Telephone
	Lopburi	218/1 Naresuan Road, Khaosamyot, Mueang District, Lopburi 15000	036-680-520
	Lamlukka	38/16 Moo 3 Khu Khot, Lam Luk Ka District, Pathum Thani 12130	02-819-8888 Ext. 3319
	Samutprakan	392/4-5 Samrong Nuea, Mueang District, Samut Prakan 10270	02-819-8888 Ext. 3306

In the Company's direct sales, commission which a salesperson will get varies with sales volume. In addition, the Company offers other types of incentives to salespersons in order to boost sales volume as appropriate.

#### **2.2.5.2 Telesales & Telemarketing**

Telesales & Telemarketing: The Company has developed the capacity to distribute its products through telephone sales. The Company uses the Customer Relation Management program (CRM) by connecting the Cisco-IP Telephony and the Company's customer database. Since 2016, the Company plans to continually increase a number of telephone sales staff in 2016 approximately 100 staff and to introduce 4-digit customer line, 1210. The total line for 1210 and existing customer service no. 02-819-8888 are 120 lines so that it's convenient for customers to remember and contact. The Company also expand from 60 lines to 90 lines to make it easier for customers to contact service and sales departments. Choices of products have also been expanded, apart from the main product, water purifiers, the Company also offers air conditioners Daikin and Fedders, electric water heaters and other electrical home appliances. In 2016, telesales and telemarketing management will be targeted at right customers. In doing so, the administrative costs will be minimized, comparing to other distribution channels. As a result, the Company will make satisfactory profit.

#### **2.2.5.3 Sales of Products through Other Companies**

The Company's subsidiary sell water purifiers and water filter jugs to a direct selling company. Subsidiary have been trusted to make outright selling through these company as a result of various factors such as continuous research for new technologies, quality standard of products, on-time delivery, after-sales service, training for network members and good relationship with customers.

### **2.3 Product and Service Supply**

#### **(A) Manufacture**

At present, the Company has 4 water purifier manufacturing factories.

- Factory 1 manufactures water purifiers and replacement filters
- Factory 2 manufactures water filter jugs and parts
- Factory 3 manufactures replacement filters
- Factory 4 manufactures water purifiers and replacement filter

All 4 factories have a capacity to manufacture on average 30,000 water purifiers per month. Currently, 70% of manufacturing capacity is utilized in 8 working hours.

## (B) Workflow of the Company

1. Below is a concise illustration of the Company's water purifier manufacturing processes.

The Company's water purifiers manufacturing processes

- **Water Purifier Design:** Carried out by Research and Development Division with direct expertise in designing water purifiers by taking into account the water filter efficiency, convenience and elegance
- **Moulding:** After the design process, the Company will send the plan to a moulding Company. The Research and Development Division will inspect moulds of several parts at the mould factory and supervise various details according to the plan.
- **Selection of Materials, Components and replacement filter:**

### Materials and Components

Selected Food Grade materials are durable, appropriate to the product image and safe for drinking water. The Company sends the moulds only to experienced contractors to create different parts of the purifiers, and who also comply with the standards of water purifier plastic injection moulding.

### Replacement Filter

Water replacements of national and international standards are selected. Iodine number test is conducted in a laboratory on a regular basis. Additionally, our water purifier has been certified by Eurofins AMS Laboratories, Australia, which is a leading international group of laboratories providing an engine range of analytical testing services and consumer products. Specimens are sent to external agencies annually to examine the quality. Materials are inspected upon delivery. The Company aims for suppliers who meet the standards in order to obtain the highest-quality materials for the Company's water purifiers.

In every manufacturing process, the Company has produced a standards manual. The manual demonstrates a clear procedure to standardize the manufacture of the Company's products in accordance with ISO 9001:2008 certifications. The Company has a clear production plan in line with sales volume and number of products in stock to prevent product scarcity or oversupply. Besides, the Company conducts a post-production examination of the product to comply with the Company's standards.

2. Standard operating procedure for distribution and installment collections of water purifiers can be summarized as follows:

- 1) Salespersons present information of products to customers. By stating that both cash and installment are available. In the case of installment payment, according to the Company's policy, sales staff will conduct preliminary customer screening then the sales team leader will reevaluate the screening prior to the purchase agreement. In addition, the Company's credit department, which is responsible to collect payment from the second installment onwards, will examine the creditability of the client as well.
- 2) Sales teams submit purchasing and leasing contracts together with relevant documents as well as the first installment received from customers to the operation department for filing in the Company's client database.
- 3) If a client fails to pay the installment, the Company will follow up by the debt collection department. And in case the Company has already sent two collection letters for overdue payments to customers, the Company may consider to take further legal action.

3. Standard operating procedure for distribution and installment collections of electric appliances can be summarized as follows:

- 1) Telesales or salespersons present information of products to customers. By stating that both cash and installment are available.
- 2) In the case of installed payment, the contractor will go with installing team in order to evaluate customers' affordable.
- 3) Contractor submit leasing contracts together with relevant documents as well as the first installment received from customers to the operation department for filing in the Company's client database.
- 4) If a client fails to pay the installment, the Company will follow up by the debt collection department. And in case the Company has already sent two collection letters for overdue payments to customers, the Company may consider to take further legal action.

### Accounting Policy

About 90 percent of revenues from sales is installment. Therefore, the Company set up the related accounting policies as follows:

1. Allowance for doubtful accounts
2. Allowance for goods returned according to customer satisfaction guarantee policy
3. Allowance for product warranty according to warranty policy

No.	Description	Details																					
1.	Allowance for doubtful accounts	<p>Allowance for doubtful accounts will be set up for uncollectible debts as follows:</p> <ul style="list-style-type: none"> <li>Credit sales: Allowance for doubtful accounts will be considered on each specific account. 100% of allowance for doubtful account will be set up for uncollectible debt. Since September 2013, the basis for calculation of allowance for doubtful accounts has been based on aging of receivables. 100% allowance will be set up for overdue debts of more than 3 months.</li> <li>Installment sales: the Company allowance for doubtful accounts is set up based on the following policy:</li> </ul> <table> <tr> <th><u>Overdue</u></th><th><u>Allowance*</u></th><th><u>Interest recognition</u></th></tr> <tr> <td><u>Installments</u></td><td></td><td></td></tr> <tr> <td>Current</td><td>2.5%</td><td>Recognize interest income</td></tr> <tr> <td>1</td><td>6%</td><td>Recognize interest income</td></tr> <tr> <td>2</td><td>30%</td><td>Recognize interest income</td></tr> <tr> <td>3</td><td>50%</td><td>Recognize interest income</td></tr> <tr> <td>Exceeding 3 installments</td><td>100%</td><td>Stop recognizing interest income</td></tr> </table> <p><u>Note:</u> * Allowance for doubtful accounts The debtors will be contacted by the Company and will receive 2 warning notices. Afterwards, the Company will reverse the allowance for doubtful accounts, write-off such accounts and record bad debts.</p>	<u>Overdue</u>	<u>Allowance*</u>	<u>Interest recognition</u>	<u>Installments</u>			Current	2.5%	Recognize interest income	1	6%	Recognize interest income	2	30%	Recognize interest income	3	50%	Recognize interest income	Exceeding 3 installments	100%	Stop recognizing interest income
<u>Overdue</u>	<u>Allowance*</u>	<u>Interest recognition</u>																					
<u>Installments</u>																							
Current	2.5%	Recognize interest income																					
1	6%	Recognize interest income																					
2	30%	Recognize interest income																					
3	50%	Recognize interest income																					
Exceeding 3 installments	100%	Stop recognizing interest income																					
2.	Allowance for goods returned	<p>The Company has a customer satisfaction guarantee policy; a customer can return the merchandise within 30 days from the installation date. The allowance for 2016 was set up based on statistic data of returned product in 2014-2015. Currently, percentage of the allowance is 1.66% of sales. At as 31 December 2016, the Company set up allowance for goods return of Baht 1.37 million.</p>																					
3.	Allowance for product warranty	<p>The Company has policy of change and/or fix product for customer in accordance with customer satisfaction guarantee policy within 2 years since the installation date. As at 31 December 2016, allowance for product warranty was set up of Baht 1.12 million.</p>																					

### **3. The Supply of Raw Materials**

#### **3.1 The Raw Material in Production**

The important raw material for making a water purifier is the housing structure of the water purifier and the plastic replacement filter. The Company designs the products and hires another Company to inject the replacement filter part (Carbon). The Company buys a majority of the raw materials through several domestic distributors, yet there are some parts which are imported from foreign countries. For example, the Company bought the Activated Carbon replacement filter from a sales representative in Thailand. However, some replacement filters such as the Silver Impregnated Carbon are mainly imported from foreign countries because there are no current sales representatives in Thailand. The Company has a policy to reserve the raw material for production no less than 15 – 20 days depending on each raw material's period of production process.

#### **3.2 Sales Representatives**

The Company has a sales representative recruiting process; by selecting applicants who are reliable and love selling. The Company is open to all applications both those who are interested and referrals from current employees. After the selection process, the Company will train and educate the new employees on products; including the training on building sales skills, understanding of the psychology of sales, along with publishing the sales instruction manual for everyone to use as a guideline. Thus, the Sales Department and the Marketing Department has put together a seminar and an activity every quarter; given awards to the sales staff whose sales exceeds the Company's goals in order to inspire the sales staff to commit to the sale, and support them to work for the Company in the long run.

#### **(C) The Environmental Impact of the Manufacturing Process.**

##### **Environmental Management and Safety.**

##### **Environmental Management.**

The Company rules and regulations in case of reclaiming the merchandise from a customer, or taking back the old merchandise from a customer, or taking in the production waste namely plastic and replacement filter. For filters, the Company has identified and separated filters with good quality and bad quality. The good quality replacement filters will be enhanced and ensured for quality before selling them to some industrial water purifier manufacturers. The bad quality replacement filters will go through the foamed concrete block production process for domestic use. In addition, the Company will check the quality of waste water as to abide by the Ministry of Industry's standards.

##### **Safety and Security Management**

The safety of employees is a key factor in which the Company has always emphasized. Putting together safety procedures in a work instruction manual so the employees can abide by giving out personal safety equipment that is suitable to each employee's duty. In addition, the Company has organized a safety committee in the work place according to the standard of the labor law. Nevertheless, the Company has not had any serious accidents throughout the entire production process in the office and the factory.

#### **2.4 An unassigned work**

-None-

### 3. Risk Factors

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The risk factors discussed in this report are only some major factors that may have negative impacts on the Company. These risk factors may also have a significant impact on the investment in the Company. There may be some other unpredictable factors and some insignificant factors, which may also have an impact on the Company's operation in the future.

#### 3.1 Business Operating Risks

##### 3.1.1 Risks in regard to changes in state regulations

Although the sales and distribution of water purifiers have not been controlled by any particular state agencies thus far, some agencies indirectly involve in the Company's business. Office of the Consumer Protection Board, for instance, has a duty to prevent hire purchasing service providers from taking advantages over consumers. In addition, the Ministry of Commerce has imposed a law to control the direct sale business, requesting all direct sellers to obtain a particular license before launching their direct sale business. Another relevant state agency is Ministry of Industry, which oversees the extension of a license to operate industrial factories. The Company always takes the rules and regulations set by relevant state agencies seriously. However, it will be rather risky for the Company if relevant agencies add more stringent rules and regulations. Being aware of this risk, the Company thus sets operation guidelines to suit the current state rules and regulations. Meanwhile, the Company always monitors updates on any changes of relevant rules and regulations in order to ensure that the Company's business is operated in compliance with state rules and regulations.

##### 3.1.2 Risks in regard to heavy dependency on the direct sales channel

The Company distributes its products mostly through the single level direct sales channel, with direct sales teams approaching the major customer targets. The sales revenue generated by this sale channel accounted for greater than 90% of the revenues from sales of goods. With its long expertise in the single level direct sales method, the Company strongly believes that this sale channel remains an appropriate channel. To sell water purifiers, sales personnel are required to provide clear technical explanations in detail about product specifications. They also have to highlight outstanding and unique qualities in order to stimulate customers' buying decisions and ensure that the sale is successfully closed. As this business requires good presentation and marketing skills, highly-skilled sales personnel are in great demand and operators compete to attract the talented ones. To keep its outstanding sales personnel, the Company is committed to offering attractive remuneration packages and benefits as well as training in order to enhance the sales teams' efficiency. As a consequence of opening new branches in up-country, the number of sales personnel is increasing.

However, having kept in mind of possible negative impacts of the single level direct sales channel, the Company has attempted to add more sale channels under the name "new sale channels" in order to broaden its target customer coverage. New sale channels include the modern trade, telesales & telemarketing, E-commerce and online media. Furthermore, the Company has also appointed sales representatives and business partners to present products and services, covering all target customer groups. Finally, there are also other sale method, e.g., producing and distribution on an OEM basis for other direct sales operator.



### **3.1.3 Risks in regard to trade liberalization and the emergence of ASEAN Economic Community that may have a negative impact on sales and production costs**

The trade liberalization and the emergence of ASEAN Economic Community (AEC) in 2015, economic cooperation in the region of Southeast Asian countries (ASEAN) which includes 10 member countries, will result in relocations of funding resources, manpower, and international trades among the member countries. As a result, there might be some low-cost products from other countries to beat Thai products. Therefore, the Company has planned to expand its distribution channels and create more varieties of products to meet customers' demand and reach more customer targets. Moreover, the Company also has a plan to expand to overseas markets, including AEC member countries after studying relevant factors and marketing possibilities.

## **3.2 Production Risks**

### **3.2.1 Risks in regard to fluctuation in raw material prices**

The manufacturing of a water purifier requires varieties of components and devices, both for the body and filtration substances. Some items can be produced domestically but some have to be imported by major importers. The prices of material and equipment vary according to market prices and exchange rates for the case of imported items. The Company may be partially impacted by the fluctuation in material and equipment prices, as well as exchange rates. To manage the exchange rate risk, the Company utilizes financial instruments in order to mitigate the impact on exchange rate fluctuation.

### **3.2.2 Risks in regard to the operating license**

One of the Company's plants is located in an orange zone, i.e., a densely populated area. The plant received an operating license on 10 October 2007, under the condition that the license will be revoked anytime whenever relevant agencies lodge a complaint or the plant causes any troubles to the community. Details are as following:

- Plant 1: The Company obtained the factory license for assembling and repairing water filters. The license expired on 31 December 2016. The company has already renewed the license. The Industrial Office of Nontaburi Province has already approved the renewal of the license to last until 1 January 2022.
- Plant 2: The Company obtained the factory license for assembling and repairing water filters from the Industrial Office of Nontaburi Province. The license will expire on 1 January 2020.
- Plant 3: The Company obtained the factory license for plastic granulation from the Industrial Office of Nontaburi Province. The license will expire on 1 January 2019.
- Plant 4: The Company obtained the factory license for assembling and repairing water filters as well as plastic granulation from the Industrial Office of Patumthani Province. The license will expire on 1 January 2020.

There is risk that the license may not be extended. However, the Company's management is confident that the license will be extended because the Company has neither been given any significant warning by any relevant agencies nor complained by residents in the area.

## **3.3 Financial Risks**

### **3.3.1 Risks in regard to the sale on credit**

The Company's water purifiers are sold mostly through the direct sale channel on a hire purchase basis. The quality of hire purchase receivables is a key factor for the recognition of revenue. As of 31 December 2016, the hire purchase receivables with outstanding balance overdue three months onwards accounted for 8.0% of the total value of hire

purchase receivables (net from deferred hire-purchase interest). At present, the Company focuses on using the direct selling approach with targeted customers in the low-end market segment. While, the Company has loosened sales policies in order to enable those low-end customers to reach the products and services, the Company has strict policies to review and control debts. In terms of overdue receivables, the Company set allowances for doubtful accounts at a sufficient level, taking into account the history data of bad debts. In case a receivable has outstanding balance overdue more than three months, the Company will stop recognizing the full amount of interest income from that particular hire purchase account before taking legal actions. In light of this, the Company will send two collection letters before writing off the account. Given that the Company's gross profit margin was rather wide at 77.7% in 2016, the Company still enjoyed impressive operating profit from installment sales even after the deduction of sales expenses and bad debt and doubtful debt expenses. In 2016, the net profit margin of the Company and its subsidiaries was 4.3%.

Measures to prevent and reduce risks in case receivables fail to follow payment conditions and agreements stated in the hire purchase contracts are as follows:

- Clearly indicate basic qualifications of targeted customers so that the sales teams can use as a guideline; sales teams preliminarily approve the qualifications of potential customers and team leaders review the qualifications once again before the hire purchase contract is inked. Then, the Credit Department examines the quality of receivables: the Credit Department meets with customers in order to evaluate each customer's creditability against the installment plan and inspects whether the product is completely installed, and proceeds with the repayment collection afterwards.
- Offer remunerations to sales members based on the quality of debt collection. In case of bad debt, the sales members and the relative sales management team are required to share losses in accordance with the Company's policy about bad debts.
- In case a hire purchase receivable fails to follow the conditions stated in the hire purchase contract, the Company will proceed with the collection actions by the Debt Collection Department or the Legal Department. In addition, the Company will remove the water purifier from that particular receivable. Returned water purifier that remain in good conditions will be sent for refurbishing at the plant and resold at cheap prices as Grade B products to the Company's employees, except the sales personnel. Meanwhile, incomplete items will be scraped and sold as plastic parts.

### **3.3.2 Risks in regard to the fluctuation in the interest rates**

The Company drawn down short-term and long-term loans from financial institutions to fund its business operation. As of 31 December 2016, outstanding balances of the Company and its subsidiaries bank overdrafts and short-term loans from financial institutions amounted to Baht 596.92 million and of long-term loans of Baht 41.10 million. For the management of financial costs, the Company considers to utilize sources of funds which bearing floating interest rates. Comparison of interest rates offered from financial institutions will be done and considered based on money market conditions at a time. Given that all loans came with floating interest rates, the Company may encounter risks in regard to the fluctuation in the interest rate; this may result in higher funding costs and thus have a negative impact on the Company's operation. However, the Company has been granted credit facilities from several financial institutions to reserve for necessary funds required. Should the Company need some funding, the Company shall be able to seek funding from some methods in accordance with the economic condition, as well.

### **3.4 Risks that may have impacts on the right or the investment of shareholders Risks in regard to the fact that the major shareholders have control power over management policies.**

The Changyoo family is the Company's major shareholder group (further details can be obtained from Part: Listing Securities and Shareholding Structure). As of 30 November 2016, Changyoo Group held 317,512,783 shares or 67.96% of issued shares. As a result, the Changyoo family is able to control almost all resolutions of shareholders' meeting, including the appointment of directors or any matters that require the majority votes of shareholders. The power of the major shareholder, however, does not include the issues related to laws or regulations, for which three-fourths of the shareholders are required. Given the control power of the major shareholder, other shareholders are unable to gain votes enough to balance the power of the major shareholder group for some particular issues proposed by the major shareholder. Being aware of this risk factor, the Company arranges the management structure, consisting of the Company's Board of Directors, Executive Committee, and the Audit Committee. The members of these committees are those with high experiences. 5, out of 10, are independent directors from outside, of which four independent directors act as the members of the Audit Committee. These members provide comments in regard to connected transactions prior to proposing to the Company's Board of Directors and shareholders' meeting.

## 4. General Information and The other Information

### 4.1 General Information

#### 4.1.1 Company

Name of the issuer	: THIENSURAT PUBLIC COMPANY LIMITED (TSR)
Registration	: 0107556000213
Business type	: Production and distribution of water purifier
Listing Securities	: Baht 662,199,169 (common shares) (Par value Baht 1.00)
Paid-up Capital	: Baht 467,178,789
Head Office	: 43/9, Moo 7, Soi Chuchat Arnusorn 4, Bang Talad Sub-District, Pakkred District, Nonthaburi 11120
Telephone	: 02-819-8899
Call Center	: 1210 and 02-819-8888
Fax	: 02-962-6951-3, 02-962-6675
Website	: www.thiensurat.co.th
Investor Relations	: Telephone 02-819-8899 Ext. 1536
E-mail address	: IR@thiensurat.co.th

#### 4.1.2 An entity that owns 10 percent or more.

Company name / Address And Detail	Business type	Shareholding (%) of the company	Shareholding (%) of the share capital	Registered Capital (Million Baht)	Paid-up Capital (Million Baht)
Safe Trade Company Limited  Registration : 0125538005592  162, 164, 166 Samukkee Road Thasai Sub-District, Nonthaburi District, Nonthaburi  Telephone : 02-962-6651-2  Fax : 02-962-6659-60  Website : www.safetrade.co.th	Selling and distribution of mineral water purifiers, water purifiers, water filter jug and mineralized drinking water	99.98		4.00	4.00

Company name / Address And Detail	Business type	Shareholding (%) of the company	Shareholding (%) of the share capital	Registered Capital (Million Baht)	Paid-up Capital (Million Baht)
<b>Fedders Thai Company Limited</b> Registration : 0105557169406 59/1 Soi Ramintra 58 Ram Inthra Sub-District, Khan Na Yao District, Bangkok Telephone : 02-936-8990 : 02-510-1877 www.fedders.co.th <b>Shareholder:</b> 1. SS aircservices Company Limited 2. Mr.Visit Vongvivat	Selling air conditioner under brands "Fedders"	59.99	40.000 0.003	60.00	31.00
<b>TSR Leasing Company Limited</b> Registration : 0125559017522 43/9, Moo 7, Soi Chuchat Arnusorn 4, Bang Talad Sub-District, Pakkred District, Nonthaburi 11120 Telephone : 02-032-8690	- Personal Loan (Obtained the Supervised Personal Loan Business License from Ministry of Finance) - Auto Title Loan (Motorcycle)	100.00		50.00	50.00
<b>TSR Lao Co., Ltd.</b> Kamphaengmeuang Road, Thatluang Tai Village, Saysettha District, Vientiane Capital, the Lao PDR <b>Joint Venture :</b> JB Group	- Water Purifier and related Products - Electric Appliances	49.00	51.00	34.80 (Lao Kip 8,000)	27.83*

\* Payment on 18 January 2016 (FX rate Baht 1: Laos Kip 230)

#### 4.1.3 Other Reference

<b>Registrar</b>	: Thailand Securities Depository Company Limited 93 Ratchadaphisek Road, Dindaeng, Dindaeng, Bangkok 10400
<b>Telephone</b>	: 02-009-9999
<b>Fax</b>	: 02-009-9991
<b>Auditors</b>	<b>E Y OFFICE COMPANY LIMITED</b> 33 <sup>rd</sup> FLOOR, LAKE RAJADA OFFICE COMPLEX,193/136-137 NEW RAJADAPISEK ROAD, KHLONG TOEI, BANGKOK 10110, THAILAND Mr. TERMPHONG OPANAPHAN CPA No. 4501 Mr. KHITSADA LERDWANA CPA No. 4958 Miss MANEE RATTANABUNNAKIT CPA No. 5313 Telephone : 02-264 0777, 02-661-9190 Fax : 02-264-0789-90



## 5. Listing Securities and Shareholding Structure

### 5.1 Listing Securities

Registered Capital	: Baht 662,199,169
Paid-up Capital	: Baht 467,178,789
Class of Share	: Ordinary shares 662,199,169 of Baht 1 each

### 5.2 Shareholders

#### (1) Major shareholders

The company's major shareholders is Changyoo Group, including Changyoo Family hold 311,075,490 shares, representing 66.59 percent and Sirisab and Watcharatham Family hold 6,437,296 shares, representing 1.38 percent in TSR.

#### (A) List of Top 10 major Shareholders

As of 30 November 2016, the shareholders of the Company, including the shareholders concerned as of section 258 of the Securities Exchange Act of 2535 and shareholders who are under the authority control as the following;

No.	Name of Shareholders	Paid-up Capital 467,178,789 baht	
		Amount of shares	Percentage
<b>1</b>	<b>Changyoo Group :</b>	<b>317,512,783</b>	<b>67.96</b>
<b>1.1</b>	<b>Changyoo Family</b>	<b>311,075,490</b>	<b>66.59</b>
1.1.1	Better Dreams Co., Ltd	119,130,594	25.50
1.1.2	Mr. Werawat Changyoo	90,285,225	19.33
1.1.3	Ms. Theinvannee Changyoo	32,521,415	6.69
1.1.4	Ms. Savita Changyoo	30,259,538	6.48
1.1.5	Mr. Ekarat Changyoo	29,233,386	6.26
1.1.6	Mrs. Kanittha Changyoo	5,133,332	1.10
1.1.7	Mr. Asawin Changyoo	4,512,000	0.97
<b>1.2</b>	<b>Sirisab's Family and Watcharatum's Family</b>	<b>6,437,296</b>	<b>1.38</b>
1.2.1	Mr. Chinoros Sirisab	4,233,057	0.91
1.2.2	Mr. Watcharin Watcharatham	1,943,000	0.42
1.2.3	Mr. Watcharachai Watcharatham	261,236	0.06
<b>2</b>	<b>Mr. Monchai Leesirikun</b>	<b>17,600,000</b>	<b>3.77</b>
<b>3</b>	<b>Mr. Theera Deesawad</b>	<b>15,556,681</b>	<b>3.33</b>
<b>4</b>	<b>Miss Darunee Leesirikun</b>	<b>11,953,620</b>	<b>2.56</b>
<b>5</b>	<b>Thai NVDR</b>	<b>8,810,488</b>	<b>1.89</b>
<b>6</b>	<b>Ms. Supatcharee Jakkrawithannithes</b>	<b>6,565,456</b>	<b>1.41</b>
<b>7</b>	<b>Mr. Paitoon Hromchan</b>	<b>4,561,332</b>	<b>0.98</b>
<b>8</b>	<b>Mr. Sitthawee Pithayareangkit</b>	<b>4,100,400</b>	<b>0.88</b>
<b>9</b>	<b>Mr. Wittoon Cheanwachisiri</b>	<b>3,397,965</b>	<b>0.73</b>
<b>7</b>	<b>Mr. Surapon Sudhom</b>	<b>2,852,010</b>	<b>0.61</b>
Total the 10 shareholders		392,910,735	84.10
Other		74,268,054	15.90
<b>Total</b>		<b>467,178,789</b>	<b>100.00</b>

Better Dreams Co., Ltd. is the company listed as the civil and commercial of Thailand on 18 May 2004 Major business is ice cream maker for rent. The company's address is 160, 162, 164 Samakey Road, Tha Sai District, Amphor Mueang Nonthaburi, Nonthaburi 11000. The shareholding structure of Better Dreams is as follows;

No.	Name of Shareholders	As of March 22, 2016	
		Amount of shares	Percentage
1	Mr. Werawat Changyoo	530,200	66.93
2	Ms. Theinvanee Changyoo	88,250	11.14
3	Ms. Savita Changyoo	77,150	9.74
4	Mr. Ekarat Changyoo	71,600	9.04
5	Mrs. Kanittha Changyoo	25,000	3.16
<b>Total</b>		<b>792,200</b>	<b>100.00</b>

(B) Major shareholders by circumstances to influence policy. Management or operation of highly significant is that the Changyoo Family as well as Sirisab Family and Watcharatham's Family

No.	Name of Shareholders	Amount of shares	Percentage
<b>1</b>	<b>Changyoo Family</b>	<b>311,075,490</b>	<b>66.59</b>
1.1	Better Dreams Co., Ltd	119,130,594	25.50
1.2	Mr. Werawat Changyoo	90,285,225	19.33
1.3	Ms.Theinvanee Changyoo	32,521,415	6.96
1.4	Ms. Savita Changyoo	30,259,538	6.48
1.5	Mr. Ekarat Changyoo	29,233,386	6.26
1.6	Mrs. Kanittha Changyoo	5,133,332	1.10
1.7	Mr. Asawin Changyoo	4,512,000	0.97
<b>2</b>	<b>Sirisab Family and Watcharatham Family</b>	<b>6,437,296</b>	<b>1.38</b>
2.1	Mr. Chinoros Sirisab	4,233,057	0.91
2.2	Mr. Watcharin Watcharatham	1,943,000	0.42
2.3	Mr. Watcharachai Watcharatham	261,236	0.06
<b>Total</b>		<b>317,512,783</b>	<b>67.96</b>

### 5.3 Issuing securities

Thiensurat Public Company Limited has issued and allocated Warrants to purchase ordinary shares of Thiensurat Public Company Limited No. 1 (TSR-W1)

#### **Detail of Warrants**

Number of warrants issued	200,666,316 Units
The number of shares reserved for the exercise	: 200,666,316 Shares
Issuing Date	: 21 December 2015
Exercise Period	: The Warrant Holders can exercise the Warrants on the last Business Day of May of each year throughout the term of the Warrants. The first Exercise date will be on 31 May 2016 and Last Exercise Date will be the date falling on the date of 3 years from the date of issuance (20 December 2018). In case each time of Exercise Date is a non-Business Day of the Company, the Exercise Date shall be changed to the last Business Day before each Exercise Date.
Term of Warrants	: 3 years from the date of issuance of the warrants
Exercise Ratio*	: 1 unit of Warrants shall be entitled to purchase 1.100 ordinary share (unless subsequently adjusted in accordance with the conditions on the rights adjustment)
Exercise Price*	: Baht 1.818 per share
Number of Exercised Warrants as of 31 December 2016	: 23,375,288 units
Number of Unexercised Warrants as of 31 December 2016	: 177,291,028 units

**Remark:** \* Pursuant to the Annual General Meeting of Shareholders 2016 held on 22 April 2016, the meeting has resolved to pay stock dividend. As a result of stock dividend payment, the Exercise Ratio and Exercise Price had been adjusted under the Terms and Conditions. The rights adjustment was effective on 3 May 2016.

## 6. Policy of Dividend Payment

The Company and subsidiary have dividend payment policy at least 40 percent of net profits deducted with corporate income tax and legal reserves can be paid out and considered from the company's separate financial statement. Annual dividends must be approved in shareholders' meetings, while interim dividends can be approved by the board of directors and reported in the next shareholders' meeting.

However, the company and subsidiary may select to pay out dividends at the rate lower than stipulated or omit the dividend payout depending on economic situations as well as the company's and subsidiary's operating results, financial positions, liquidity and the need for working capital for day-to-day business and future expansion.

In 2016, the Board of Directors's Meeting of the Company held on 11 November 2016 resolved to approve the payment of Interim Dividend at rate of Baht 0.11 per share, which paid from the first nine-month operating results of 2016 that were subject to 20% corporate income tax. The Interim Dividend was paid on 9 December 2016. The proportion of dividends to net profit for the year and to net profit for the year after deduction of corporate income tax and legal reserves on separate financial statements were 63.57% and 66.91%, respectively.

The history of dividend payments of Thiensurat Public Company Limited and its subsidiaries for the past 3 years is as follows;

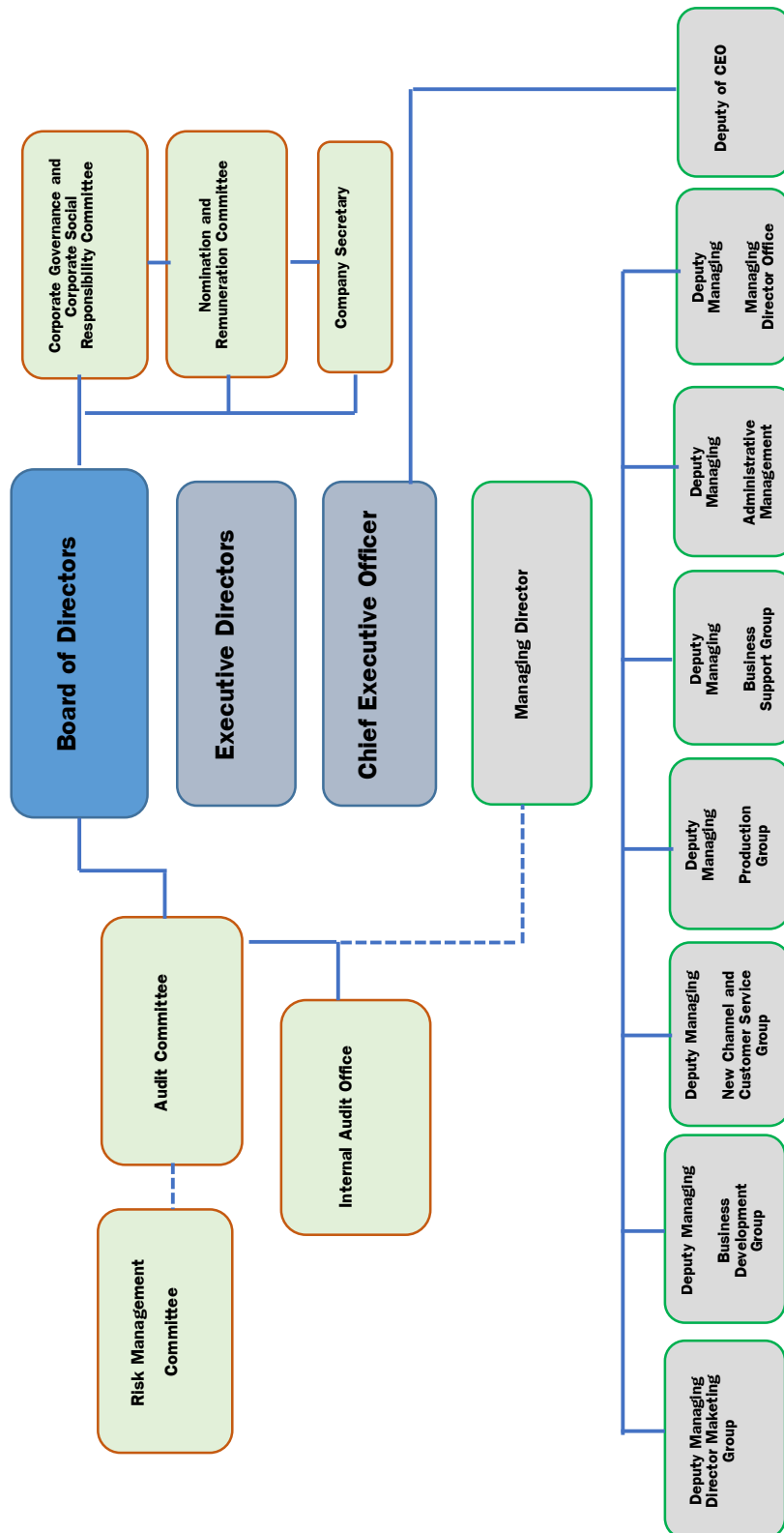
Details of Dividend Payment	2016	2015	2014
1. Profit for the year (Separate financial statements) (Million Baht)	80.84	142.55	90.66
2. Number of Shares (Million shares)			
2.1 Amount of shares for the interim Dividend payment	**467.18	*401.33	344.00
2.2 Amount of shares for the annual final dividend payment	-	401.33	344.00
3. Dividend per share (Baht : Share)			
3.1 Interim Dividend Payment	0.11	0.10	0.05
3.2 Annual Final Dividend Payment	-	0.12	0.1867
Total Dividend per share	0.11	0.22	0.2367
4. Total of Dividend Paid (Million Baht)			
4.1 Interim Dividend Payment	51.39	40.13	17.20
4.2 Annual Final Dividend Payment	-	48.16	64.21
Total of Dividend Paid	51.39	88.29	81.41
5. Proportion of dividends to net profit for the year on separate financial statements (%)	63.57	61.94	89.80
6. Proportion of dividends on net profit for the year (separate financial statements) after deduction of corporate income tax and legal reserves (%)	66.91	65.20	94.53

Remark : \* The Company increased registered capital from Baht 344.00 million to Baht 602.00 million and paid-up capital was Baht 401.33 million since 22 May 2015.

\*\* The Company increased registered capital from Baht 602.00 million to Baht 662.20 million on 11 May 2016 and paid-up capital was Baht 467.18 million since 2 June 2016.

## 7. Management Structure

Management Structure as of 28 February 2017 :



 That is The management of the company by the SEC

## 7.1 Board of Directors

### Composition of the Board of Directors

The Board of Directors comprises individuals who possess all the qualifications prescribed in Section 68 of the Public Limited Companies Act B.E. 2535 and the applicable regulations announced by the Capital Market Supervisory Board. The Board of Directors is composed of individuals who, on the basis of their knowledge and experience, make valuable contributions to the planning of the company's policy. Together with the company's senior executives, the Board of Directors direct the company's short- and long-term operations and plan the company's financial policy, risk management and overall image. The Board of Directors play a vital role in directing, overseeing, and evaluating the company's operations and the company executives' performance to ensure that they are independently in line with the plans that have been laid out. As of 31 January 2016, the Board of Directors comprises 10 members which consist of 5 independent directors or representing 50% of Board of Directors. The meeting of the Board of Directors are as follows:



Board of Directors meeting in 2016

Names	Titles	Date of Appointment	Meeting Attendance /Total Meeting in 2016
1. Mr. Sahas Treetipbut	➤ Chairman of the Board	25 April 2014	7/7
2. Mr. Werawat Changyoo <sup>1/</sup>	➤ Director ➤ Member of the Corporate Governance and Corporate Social Responsibility Committee ➤ Chairman of the Executive Board Member	18 April 2013	4/7
3. Mr. Ekarat Changyoo <sup>2/</sup>	➤ Director ➤ Member of the Corporate Governance and Corporate Social Responsibility Committee ➤ Member of the Risk Management Committee ➤ Chairman of the Executive Board Member ➤ Chief Executive Officer	24 April 2015	7/7
4. Mr. Viruch Wongnirund	➤ Director ➤ Managing Director	18 April 2013	7/7
5. Ms. Theinvanee Changyoo <sup>3/</sup>	➤ Director ➤ Member of the Risk Management Committee ➤ Member of the Executive Board	25 April 2014	3/7
6. Ms. Savita Changyoo	➤ Director ➤ Chairman of the Nomination and Remuneration Committee ➤ Member of the Risk Management Committee ➤ Member of the Executive Board	24 April 2015	7/7
7. Associate Professor Boonserm Vimuktanandana	➤ Independent Director ➤ Chairman of the Audit Committee	25 April 2014	6/7
8. Dr. Supree Wongdeeprom, Ph.D.	➤ Independent Director ➤ Member of the Audit Committee ➤ Member of the Corporate Governance and Corporate Social Responsibility Committee	18 April 2013	7/7

9. Mr. Suthee Tripornchaisak	<ul style="list-style-type: none"> <li>➤ Independent Director</li> <li>➤ Member of the Audit Committee</li> <li>➤ Member of the Nomination and Remuneration Committee</li> </ul>	24 April 2015	6/7
10. Mr. Krit Umpote	<ul style="list-style-type: none"> <li>➤ Independent Director</li> <li>➤ Member of the Audit Committee</li> <li>➤ Chairman of the Corporate Governance and Corporate Social Responsibility Committee</li> </ul>	24 April 2015	7/7
11. Ms. Sumana Vonggapan	<ul style="list-style-type: none"> <li>➤ Director</li> <li>➤ Chairman of the Nomination and Remuneration Committee</li> </ul>	24 April 2015	7/7

Ms. Theinvanee Changyoo has been appointed as a secretary to Board. Ms. Sureeporn Sandsang has been appointed to replace Ms Theinvanee Changyoo pursuant to the resolution of the Board of Directors No.1/2016 held on 25 January 2016

#### **Authorized directors who can sign on behalf of the company**

Names	Titles
1. Mr. Werawat Changyoo <sup>1/</sup>	Director
2. Ms. Theinvanee Changyoo <sup>2/</sup>	Director
3. Mr. Viruch Wongnirund	Director
4. Ms. Savita Changyoo	Director
5. Mr. Ekarat Changyoo	Director

Remark : Two directors of these four signatories together. Company seal

#### **The Audit Committee**

The Board of Directors realized in the importance of good governance, therefore, set forth the Audit Committee as a tool to monitor and establish management standard, transparency, good internal control, and accredited reporting system to provide benefits for stakeholders. With the security of Thailand guidelines and regulations, the Audit Committee is fully independent and report directly to the Board of Directors. The authority and responsibility of the Audit Committee are specified by charters and standards from the Office of the Securities and Exchange Commission and the security of Thailand. In addition, to identify sufficiency in company's internal control procedures, internal control auditors will supervise internal control systems and report directly to the Audit Committee.

#### **Composition of the Audit Committee**

The Audit Committee is made up of 4 independent of the Board of Directors. All members of the Audit Committee are knowledgeable and have acceptable experience in finance and accounting. Associate Professor Boonserm Vimuktanandana, Chairman of the Audit Committee, has sufficient employment experience which enables her to maintain the reliability and integrity of the Company's accounting policies, financial reporting practices and financial statements, in order to ensure

compliance with applicable international auditing standards. She also oversees the design, implementation, adequacy and effectiveness of the Company's internal controls and risk management. The Audit Committee is free to perform its duties and express its opinions.

The Company's Office of Internal Audits, overseen independently by ACM Consulting Company Limited, reports directly to the Audit Committee. The independent auditors, advisers and legal and accounting experts are consulted on a regular basis. The Audit Committee will meet separately with the independent auditors, without management present, at least one a year to discuss the results of their examinations. The Audit Committee comprises 4 directors as follows:

Name	Titles
1. Associate Professor Boonserm Vimuktanandana	Chairman of the Audit Committee and Independent Director
2. Dr. Supree Wongdeeprom Ph.D.	Member of the Audit Committee and Independent Director
3. Mr. Suthee Tripornchaisak	Member of the Audit Committee and Independent Director
4. Mr. Krit Umpote	Member of the Audit Committee and Independent Director

Ms. Juthamas Malai was appointed as a secretary to the Audit Committee

### Risk Management Committee

To ensure that the Company's operations are carried out in accordance to the Company's policies, strategies and objectives and to drive the Company's sustainable growth and effective business expansion while preparing for possible internal and external changes that may affect the Company's business, the Board of Directors sees it fit to establish a Risk Management Committee since 1 April 2013. At present, the committee comprises 6 directors as follows:

Name	Titles
1. Mr. Viruch Wongnirund	Chairman of the Risk Management Committee
2. Ms. Theinvanee Changyoo	Member of the Risk Management Committee
3. Ms. Savita Changyoo	Member of the Risk Management Committee
4. Mr. Ekarat Changyoo	Member of the Risk Management Committee
5. Mr. Asawin Changyoo	Member of the Risk Management Committee
6. Mr. Paitoon Homchan	Member of the Risk Management Committee
7. Ms. Siriporn Preechapaisanjit	Member of the Risk Management Committee

Mrs. Siriporn Preechapaisanjit was appointed as a secretary to the Risk Management Committee.

## Executive Committee and Management

The Executive Board Member and Management comprise 10 individuals as follows:

Name	Titles
1. Mr. Werawat Changyoo <sup>1/</sup>	Chairman of the Executive Board Member and Chief Executive Officer
2. Mr. Ekarat Changyoo <sup>2/</sup>	Chairman of the Executive Board Member and Chief Executive Officer Member and Deputy managing Director Customer Relations Management Group
3. Mr. Viruch Wongnirund	Member and Managing Director
4. Ms. Theinvanee Changyoo <sup>3/</sup>	Member and Deputy Managing Director Business Support Group
5. Ms. Savita Changyoo	Member and Deputy Managing Director Marketing Group
6. Mr. Paitoon Homchan	Member and Deputy Managing Director Administrative Management
7. Mr. Asawin Changyoo <sup>4/</sup>	Member and Deputy Managing Director Legal Group
8. Mr. Watcharin Watcharatham	Member and Deputy Managing Director Production Group
9. Mr. Pattanon Premsmi	Member and Deputy Managing Director Network Group
10. Mr. Pradit Pinyopasakul <sup>5/</sup>	Member and Senior Deputy Managing Director

Ms. Theinvanee Changyoo has been appointed as a secretary to Executive Board. Ms. Sureeporn Sandsang has been appointed to replace Ms Theinvanee Changyoo pursuant to the resolution of the Board of Directors No.16/2016 held on 12 October 2016

The above mentioned managements are in compliance with the definition of “Executives” as prescribed in the Notification of the Capital Market Supervisory Board TorChor 23/2551. The senior executives are authorized to carry out operations under the policies, strategies and objectives laid out by the Board of Directors. The Board of Directors has agreed to publish a handbook that describes clearly the responsibilities, authority and duties of the executives in order to ensure transparency and smooth flows of operations. All 10 executives do not possess the following prohibited characteristics:

1. Having a record of criminal offences related to asset frauds.
2. Having a record of taking actions that may be regarded as a conflict of interest with the Company the past year.

## Nomination and Remuneration Committee

The Company recognizes the importance of good corporate management. And to work according to the policies, strategies and objectives of the Company as well as to drive the organization to sustainable growth and stable expansion. As well as to help the company comply with the three principles of good corporate governance in such a concrete company has established a Committee on Nomination and Remuneration held on 27 February 2015 with effect from 2 March 2015, the committee comprises three directors as follows:

Names	Titles
1. Ms. Sumana Vonggapan	Chairman of the Nomination and Remuneration Committee
2 Mr. Suthee Tripornchaisak	Member of the Nomination and Remuneration Committee
3 Ms. Savita Changyoo	Member of the Nomination and Remuneration Committee

Ms. Pinyada Maneesri has been appointed as a Secretary to the Nomination and Remuneration Committee

### Corporate Governance and Corporate Social Responsibility Committee

The Company recognizes the importance of good corporate management. And to work according to the policies, strategies and objectives of the Company as well as to drive the organization to sustainable growth and stable expansion. As well as to help the company comply with the three principles of good corporate governance in such a concrete company has established a Committee on Corporate Governance and Corporate Social Responsibility held on 27 February 2015 with effect from 2 March 2015. At present, the committee comprises 3 directors as follows:

Name	Titles
1. Mr. Krit Umpote	Chairman of the Corporate Governance and Corporate Social Responsibility Committee
2 Dr. Supree Wongdeeprom Ph.D.	Member of the Corporate Governance and Corporate Social Responsibility Committee
3 Mr. Werawat Changyoo <sup>1/</sup>	Member of the Corporate Governance and Corporate Social Responsibility Committee
4. Mr. Ekarat Changyoo <sup>2/</sup>	Member of the Corporate Governance and Corporate Social Responsibility Committee

Ms. Theinvanee Changyoo has been appointed as a secretary the . Corporate Governance.

### Meeting of the Board of Directors

The Board of Directors is due to hold a meeting quarterly and can hold additional extraordinary meetings as necessary. The Company has laid out a clear meeting schedule, with the Corporate Secretary in charge of sending out the invite to the members of the Board of Directors and preparing the documents for the meeting in advance. All members of the Board of Directors can express their opinion with the utmost freedom and are not affiliated with any particular individual of group of individuals. In 2015, the Board of Directors met 7 times, 4 of which were pre-scheduled meetings and the other 3 were extraordinary meetings. At each meeting, the necessary accompanying documents for the meeting were sent to each member of the Board of Directors in advance so that they could study the documents and have sufficient information for discussions at the meeting. In 2015, the Company held one meeting of the shareholders. The record of attendance of each member of the Board of Directors at the meetings in 2015 is summarized as follows:

Record of Attendance of the Board of Directors at the Meetings of the Principal and Sub Committees in 2015 is as the detail “ Good Corporate Governance : The Board of Directors”

### 8.3 Secretary to the Board of Directors and Corporate Secretary

- **Secretary to the Board of Directors**

The Board of Directors passed a resolution to appoint Ms. Sureeporn Sandsang as Secretary to the Board of Directors according to the Board of Director's meeting no. 1/2017 held on 25 January 2017 to be in charge of giving advice regarding legal compliance and their responsibilities to members of the Board. She is also in charge of preparing and distributing documents related to the meeting of the Board of Directors and she is obligated to attend all meetings of the Board of Directors. The Board considers her highly qualified, knowledgeable and experienced and capable of providing advice to the Board to ensure that the Board correctly complies with all applicable laws and regulations as well as the Company's good governance principles.

- **Company Secretary**

To comply with the Good Corporate Governance principles for registered companies and the Securities and Exchange Act, the Board of Directors's meeting no. 1/2017 held on 25 January 2017 passed a resolution to appoint Ms. Sureeporn Sandsang as Company Secretary to replace Ms. Theinvanee Changyoo and to be in charge of organizing meetings of the Board of Directors, sub committees, and shareholders, and in charge of producing minutes of the meetings of the Board and Committees and minutes of the annual meetings of the shareholder. She is also responsible for collecting the documents as required by law. The Board considers her highly qualified, knowledgeable and experienced and capable of performing the role Corporate Secretary to ensure compliance with applicable laws and regulations. The Corporate Secretary is also in charge of adoption and application of the Company's good governance principles. In addition, the Company also encourages the Corporate Secretary to undergo training and continued to improve her knowledge in accounting laws or performance in the capacity of Corporate Secretary. The Corporate Secretary's qualifications and experience are disclosed in the Company's annual report.

### 8.4 Remuneration for Directors and Executives

The Company has instituted a system for awarding suitable remuneration to directors and senior executives by taking into account conformity with the rates or remuneration for directors of other registered companies in the same industry and the Company's operating results. The remuneration for the Board of Directors is to be approved at the Meeting of the Shareholders. The Board of Directors is in charge of deciding the remuneration for senior executives based on the responsibilities of each senior executive and the Company's operating results. According to the agreement will be presented for approval to the Board Nomination and Remuneration Committee and the Board of Directors accordingly.

**(1) Monetary compensation.**

**(A) Remuneration**

The Annual General Meeting of Shareholders 2016 held on 22 April 2016 has resolved to approve the remuneration of the Board of Directors, the Audit Committee and other subcommittees, not exceed Baht 3,160,000. The remuneration will be allocated in the form of meeting fees (quarterly and other meeting) or others, given that the committee shall allocate the remunerations in further details later.



**The remuneration of directors for year 2016 :**

Position	2017		2016		2015	
	Quarterly Fee	Meeting Fee*	Quarterly Fee	Meeting Fee*	Quarterly Fee	Meeting Fee*
<b>The Board of Directors</b>						
Chairman of the Board	35,000	15,000	35,000	15,000	35,000	15,000
Non-Executive Management	30,000	10,000	30,000	10,000	30,000	10,000
Executive Management	25,000	8,000	25,000	8,000	25,000	8,000
<b>The Audit Committee</b>						
Chairman of the Audit Committee	30,000	12,000	30,000	12,000	30,000	12,000
Audit Committee Member	25,000	8,000	25,000	8,000	25,000	8,000
<b>The Corporate Governance and Corporate Social Responsibility</b>						
Chairman of the Corporate Governance and Corporate Social Responsibility	-	12,000	-	12,000	-	12,000
Member of Committee	-	8,000	-	8,000	-	8,000
<b>The Nomination and Remuneration Committee</b>						
Chairman of the Nomination and Remuneration Committee	-	12,000	-	12,000	-	12,000
Member of Committee	-	8,000	-	8,000	-	8,000

Remark : \*Other than Quarter Meeting (per meeting per person)

Remuneration of Directors received individually in 2015, totaling 3.16 million, which was paid by the participants, including the commission as follow:

(Unit : Baht)

Names of Directors	Positions	Meeting allowances (Baht)		
		Allowance	pension	Total
1. Mr. Sahas Treetipbut	> Chairman of the Board	185,000	110,000	295,000
2. Mr. Werawat Changyoo <sup>1/</sup>	> Director > Member of the Corporate Governance and Corporate Social Responsibility Committee	100,000	75,000	175,000
3. Mr. Ekarat Changyoo <sup>2/</sup>	> Director > Member of the Corporate Governance and Corporate Social Responsibility Committee	132,000	91,000	223,000
4. Mr. Viruch Wongnirund	> Director	124,000	91,000	215,000
5. Ms. Theinvanee Changyoo <sup>3/</sup>	> Director	58,000	30,000	88,000
6. Ms. Savita Changyoo	> Director > Member of The Nomination and Remuneration Committee	164,000	91,000	255,000
7. Associate Professor Boonserm Vimuktanandana	> Director > Chairman of the Audit Committee	298,000	91,000	389,000
8. Dr. Supree Wongdeeprom Ph.D.	> Director > Member of the Audit Committee > Member of the Corporate Governance and Corporate Social Responsibility Committee	308,000	91,000	399,000
9. Mr. Suthee Tripornchaisak	> Director > Member of the Audit Committee > Member of The Nomination and Remuneration Committee	354,000	91,000	445,000
10. Mr. Krit Umpote	> Director > Chairman of the Corporate Governance and Corporate Social Responsibility Committee > Member of the Audit Committee	296,000	91,000	387,000
11. Ms. Sumana Vonggapan	> Director > Chairman of The Nomination and Remuneration Committee	198,000	91,000	289,000
<b>Total</b>		<b>2,217,000</b>	<b>943,000</b>	<b>3,160,000</b>

## **(B) Management Remuneration**

The remuneration of the Management consists of salary, bonus and provident fund contribution. At present, the Company does not offer any kind of remuneration payable in the form of equity rewards to its Management. Remuneration of Executives for the year 2014, 2015 and 2016 were Baht 30.97 million, Baht 34.88 million and Baht 33.85 million, respectively

### **(2) Other Remuneration (if any)**

Other Remuneration of directors -None-

Other remuneration of management -None-

- Remark :
- <sup>1/</sup> Mr. Werawat Changyoo resigned from the member of the Corporate Governance and Corporate Social Responsibility Committee on 11 August 2016 and resigned from the director position, Chairman of Executive Committee and Chief Executive Officer on 11 November 2016. He has been appointed to be Advisor to the of Executive Board with effect from 12 November 2016, pursuant to the resolution of the Board of Directors' Meeting no. 6/2016 held on 11 November 2016.
  - <sup>2/</sup> Mr. Ekarat Changyoo has been appointed to be a member of the Corporate Governance and Corporate Social Responsibility Committee with effect from 12 August 2016, pursuant to the resolution of the Board of Directors' Meeting no. 5/2016 held on 11 August 2016 and to be the Chairman of Executive Board and Chief Executive Officer with effect from 12 November 2016 (in replacement of Mr. Werawat Changyoo), pursuant to the resolution of the Board of Directors meeting no. 6/2016 held on 11 November 2016.
  - <sup>3/</sup> Ms. Theinvanee Changyoo resigned from the director position on 23 May 2016 and has been appointed as a director with effect from 26 January 2017, pursuant to the resolution of the Board of Directors' Meeting No. 1/2017 held on 26 January 2017.
  - <sup>4/</sup> Mr. Asawin Changyoo resigned from the Company on 1 February 2016.
  - <sup>5/</sup> Mr. Pradit Pinyopasakul resigned from the Company on 1 January 2017.
  - <sup>6/</sup> Ms. Sureeporn Sandsang has been appointed to be the Company Secretary with effect from 26 January 2017, pursuant to the Board of Directors' Meeting no. 1/2017 held on 25 January 2017 and resigned from the Company on 18 March 2017.

## 8. Corporate Governance

In 2016, Thiensurat Public Company Limited ("the Company") was rated "Very Good" according to Corporate Governance Report of Thai Listed Companies 2016. The Company is one of 195 listed companies rated very good scores out of all 601 listed companies participating. The assessment was organized by the Stock Exchange of Thailand (SET), the Securities and Exchange Commission, Thailand (SEC), and the Thai Institute of Directors.

### 8.1 Corporate Governance Policy

The Company has established a written Corporate Governance Policy, which was approved by the Board of Directors. The Board of Directors regularly review and monitor the implementation of this Policy. In addition, after the Company has listed its ordinary shares on the Stock Exchange of Thailand, its practices have been in compliance with all relevant rules and regulations set by the Securities and Exchange Commission, Thailand (SEC) and the Stock Exchange of Thailand (SET).

### 8.2 The Board of Directors and Board Committees

#### Structure of the Board Directors

Structure of the Board of Directors and the Board Committees. The Board of Directors (the "Board") has appointed the committees, namely the Audit Committee, the Executive Committee and the Risk Management Committee. On 16 February 2015, the Board appointed a Nomination Committee and Remuneration Committee to increase the efficiency of its operations.

#### 8.2.1 The Board of Directors

Duties and responsibilities of the Board are set forth in accordance with the resolutions of the Extraordinary Shareholders' Meeting No. 1/2013 dated 27 February 2013 and are as follows:

Oversee the Company in accordance with applicable laws, its objective and the Articles of Association and resolutions of meetings of shareholders' meetings;

1. Establish business direction; oversee the Company's operations to ensure compliance with rules and regulations as required by relevant authorities; provide sufficient information disclosure to shareholders and all relevant parties; ensure the transparency of business administration; and act in the best interests of the shareholders;
2. Establish objectives, strategies, policies, business plans and budgets, and ensure that the management perform their duties in accordance with the Company's policies, except the following matters which, required by laws, resolutions from shareholders' meeting are required prior to execution, for instance, the amendment of Memorandum of Association or the Articles of Association of the Company; increase or reduction of capital; issuance of new shares and/or debentures; selling or transferring of business; business acquisition or merger or joint venture for the objective of profit sharing; modifying or terminating any contract concerning the granting of a lease of the Company's business in whole or in substantial part; the entrusting of any other person to manage the business of the Company; amalgamation of companies; termination of the Company; and payment of remuneration of directors etc.; In addition, the Board is responsible for ensuring compliance of the Company's operations with the Securities and Exchange laws and regulations of SET, for instance, any act concerning connected transactions; acquisition or disposal of any significant assets as listed under SET regulations or applicable laws related to the Company's business;

3. Appoint the Executive Committee, in the discretion of the Board, to perform duties as assigned by the Board. The Board shall elect a member of the Executive Committee as Chairman of the Committee;
4. Appoint Managing Director or delegate any authorities to any other person(s) to conduct the Company's business subject to the control of the Board, or delegate the authorities to any person within the specified timeframe, in the Board's discretion, whereby such appointment or delegation of authorities may, at anytime, be cancelled, revoked, modified or amended. In the case where the Board has delegated the authorities to Managing Director or any appointed person(s), to operate the Company in normal course of business, such delegation shall be in accordance with resolutions of the Board's meeting, which requires the attendance of independent directors or members of the Audit Committee, and if, the delegation of authorities is opposed by the independent director(s) or member(s) of the Audit Committee, the objection must be explicitly stated in the minutes. The delegation of authorities shall be defined clearly duties and responsibilities delegated, and shall not be made in the manner that the delegatee be able to approve any transaction that he/she may have conflicts of interest with the Company or the subsidiary;
5. Put in place an effective internal control system and internal auditing. The internal auditor conducts internal audit as well as coordinate with the Audit Committee;
6. The Board has adopted the Compliance Manual on the corporate governance principles and code of ethics and business conduct for Management and employees to guide consistent internal compliance;
7. The Board must not undertake any business of the same nature as and competing with that of the Company or become a partner in an ordinary partnership or a partner with unlimited liability in a limited partnership or become a director of a private company or any other company undertaking any business of the same nature as and competing with that of the Company, unless such fact has been notified to the meeting of shareholders prior to the resolution electing such director.
8. A director shall notify to the Company without delay if having any direct or indirect interest in any contract made by the Company or holding the increasing or decreasing number of shares or securities in the Company or an affiliated company.

### **Term of Office**

In every Annual General Meeting. Directors must resign at least one-third. If the number is divided into three parts not. Then the number nearest to one third. In accordance with the good corporate governance practice, directors are limited to be appointed as director of not more than 5 listed companies.

The directors to retire in the first and second years following the registration of the Company, who is a lottery ticket. Next year, the members remain in office longest shall retire. Directors who retire by rotation may be elected to the position again.

### **8.2.2 The Audit Committee**

The Audit Committee composed of 4 independent directors. The list will appear under the heading. "Management Structure".

**Duties and responsibilities of the Audit Committee** are set forth in accordance with the resolutions adopted at the Extraordinary Shareholders' Meeting No. 1/2013 dated 27 February 2013 and are as follows:

1. Review the Company's financial reporting to ensure accuracy and adequate disclosure;
2. Review the Company's internal control system and internal audit system to ensure their suitability and efficiency; ensure the independency of internal audit unit as well as approve the appointment, transfer and dismissal of the Chief Audit Executive or any other unit in charge of an internal audit;
3. Review the Company's compliance with the Securities and Exchange Act, the regulations of the SET and any other laws and regulations relevant to the business operation of the Company;
4. Consider, select and nominate an independent person to be the Company's auditor, and to propose the auditor's remuneration, as well as to attend non-management meeting with such auditor at least once a year;
5. Review connected transactions or transactions that may lead to conflicts of interest and ensure that they are in compliance with the laws and regulations of the SET and are reasonable and for the best interest of the Company;
6. Prepare an Audit Committee's report and disclose in the Company's annual report, which must be signed by Chairman of the Audit committee and consists of at least the following information:
  - 6.1 an opinion on the accuracy, completeness and creditability of the Company's financial report;
  - 6.2 an opinion on the adequacy of the Company's internal control;
  - 6.3 an opinion on the compliance with the Securities and Exchange Act, the regulations of the SET and any other laws and regulations relevant to the business operation of the Company;
  - 6.4 an opinion on the suitability of the auditor;
  - 6.5 an opinion on the transactions that may lead to conflicts of interest;
  - 6.6 the number of the Audit Committee meetings and the attendance of each members of the Audit Committee;
  - 6.7 an opinion or overview observation of the Audit Committee from its performance in accordance with the Audit Committee Charter; and
  - 6.8 any other matters which, according to the Audit Committee's opinion, should be known to the shareholders and investors, subject to the scope of duties and responsibilities assigned by the Board of Directors;
7. Perform any other act as assigned by the Board of Directors with the approval of the Audit Committee
8. If the Audit Committee finds or suspects the following cases, which may cause a significant impact to the financial status and performance of the Company, the Audit Committee shall report the case to the Board of Directors for action to be taken within the timeframe agreed to by the Audit Committee:
  - 8.1 Transactions which lead to a conflict of interest;
  - 8.2 Fraud, abnormality, or significant deficiencies in the internal control system;
  - 8.3 Breaking of the Securities and Exchange Act, regulations of the SET any other laws relevant to the business operation of the Company;
9. Carry out any other work as may be prescribed by the revised legislation.

### **Term of Office**

The Audit Committee shall hold office for a period of three years and may be re-appointed in accordance with approval of the Board of Directors.



### 8.2.3 Executive Board Member

As at 31 January 2017 has Directors of 7 persons. The list will appear under the heading. “Management Structure”

**Duties and responsibilities of the Executive Committee** are set forth in accordance with the resolutions adopted at the Board of Directors' Meeting No. 2/2013 dated 12 February 2013 and are as follows:

1. Manage the Company in accordance with applicable laws, its objectives and the Articles of Association and resolutions of shareholders' meetings;
2. Establish business direction; oversee the work of the management to ensure compliance with rules and regulations as required by relevant authorities; provide sufficient information disclosure to shareholders and all relevant parties; ensure the transparency of business administration; and act in the best interests of the shareholders;
3. Establish objectives, strategies, policies, business plans and budgets, and ensure that the operations are performed in accordance with the Company's policies, except the following matters which, required by laws, resolutions from shareholders' meeting are required prior to execution, for instance, the amendment of Memorandum of Association or the Articles of Association of the Company; increase or reduction of capital; issuance of new shares and/or debentures; selling or transferring of business; business acquisition or merger or joint venture for the objective of profit sharing; modifying or terminating any contract concerning the granting of a lease of the Company's business in whole or in substantial part; the entrusting of any other person to manage the business of the Company; amalgamation of companies; termination of the Company; and payment of remuneration of directors etc.;
4. Put in place an effective internal control system and internal auditing. The internal auditor conducts internal audit as well as coordinate with the Audit Committee;
5. Adopt the Compliance Manual on the corporate governance principles and code of ethics and business conduct for Boards of Management and employees to guide consistent internal compliance; The authority of the Executive Committee shall exclude an approval of any transaction in which members of the Executive Committee or their related persons have conflicts of interest with the Company or subsidiary companies, as specified in the regulations of SET. An approval of the transaction mentioned must be submitted to the meeting of the Board of Directors and/or the meeting of the shareholders for consideration and approval, in accordance with the Company's Articles of Association, and relevant laws. The Executive Committee shall not be authorized to approve any other transaction, unless approved by the Board of Directors on a case-by-case basis;
6. Approve expenditures for normal business operation and management of the Company in amount not exceeding Baht 40 million per item, but not exceeding the significant capital expenditure budget as stipulated in the annual budget, assigned and approved or as agreed in principle by the Board of Directors;
7. Approve normal business transactions/contract in amount not exceeding Baht 40 million per item, but not exceeding the significant capital expenditure budget, which stipulated in the annual budget, as assigned by the Board of Directors;
8. Approve loans, credit facilities, or credit application of the Company under an amount not exceeding to Baht 40 million per item. Assets of the Company shall not be secured as collateral without prior approval of the Board of Directors;
9. Approve adjustment of salaries, remuneration and bonuses for employees but not for the members of the Executive Committee.

### **Term of Office**

The Executive Board Member shall hold office for a period of three years and upon the expiration of their terms of office. The Executive Board Member may be re-appointed and shall vacate the office of director when resigning from the Company.

- **Chief Executive Officer**

**Duties and responsibilities of the Chief Executive Officer** are set forth in accordance with the resolutions adopted at the Board of Directors' Meeting No. 4/2013 dated 9 April 2013 and are as follows:

1. Authorized to manage the Company in accordance with its objectives, policies, rules and regulations, orders, resolutions of shareholders' meetings; and/or resolutions of meetings of the Board of Directors and the Executive Committee;
2. Responsible for the day-to-day management of the Company's operations;
3. Monitor and evaluate the operations of the Company in the continual manner and report the progress of the Company to the Executive Committee, the Audit Committee and the Board of Directors;
4. Develop and propose business plans and policies, targets, operational plans, business strategies, fundraising policies, annual budgets and annual report of the Company and determine management roles and responsibilities of the Company to the Executive Committee, the Audit Committee and the Board of Directors;
5. Consider the profit & loss accounts of the Company, interim and annual dividend payment proposals for the approval of the Board of Directors;
6. Establish organizational structure, management and business administration including details of selection, training, recruitment and termination of employees and determine wages, salaries, remuneration, bonuses and welfare and other benefits for employees. The established structure and procedures are required to propose to the Nomination and Remuneration Committee and the Board of Directors for approval;
7. Make contract agreements with respect to the normal business of the Company, new investments or business termination, as stipulated in the Authorization Policy Manual;
8. Authorized to approve payments with respect to the normal business of the Company as stipulated in the authorization guidelines and as approved by the Board of Directors;
9. Authorized to order, contact, command, implement and sign legal contracts documents, orders and announcements as stipulated in the Authorization Policy Manual;
10. Perform any other act as delegated by the Executive Committee and/or the Board of Directors. The authority of the Chief Executive Officer shall exclude an approval of any transaction in which the Chief Executive Officer or his/her related persons have conflicts of interest with the Company or subsidiary company as specified in the regulations of SET. An approval of the transactions mentioned must be submitted to the meeting of the Board of Directors and/or the shareholders for consideration and approval, in accordance with the Company's Articles of Association and relevant laws.

### **8.2.4 The Risk Management Committee**

With a view to ensuring compliance with the policies, strategies and the objectives of the Company as well as driving sustainable growth and stable business expansion and accommodating the internal and external changing environment, which may have impact on the Company's business, the Board of Directors determined to establish the Risk Management Committee, which comprises 7 members. The list of the Risk Management Committee is provided under the heading "Management Structure".

**Duties and responsibilities of the Risk Management Committee** are set forth in accordance with the resolutions adopted at the Board of Directors' Meeting No. 2/2013 dated 12 February 2013 and are as follows:

1. Determine the risk management policies and frameworks, which adhere to the guidelines of risk management set by the Stock Exchange of Thailand and the Institute of Internal Auditors of Thailand and propose to the Executive Committee;
2. Put in place coherent strategies in line with the risk management policies to be able to evaluate, monitor and control each type of risk in order to manage the risk at the acceptable level. The risk management shall be in participatory manner involving relevant stakeholders and agencies.
3. Analyze and evaluate risk factors at the corporate level and determine risk management strategies to mitigate and reduce the risks to an acceptable level. The risk management shall be controlled and supervised by the Risk Management Committee in line with risk management protocols of the Company;
4. Review risk management policies and improve efficiency and effectiveness of the policies sufficiently to manage and mitigate risks;
5. Authorized to call any person concerned to clarify information related to the risk factors of the Company including to appoint and assign duties or tasks are deemed to be part of the essential functions of risk management to all employees and management in order to achieve the risk management objectives. The assigned tasks shall be reported to the Risk Management Committee;
6. Report risk management to the Executive Committee and the Audit Committee in order to present to the Board of Directors on a quarterly basis;
7. Develop, review and improve the risk management handbook;
8. Identify all types of risk factors as well as analyze and evaluate the risk factors that may occur and impact the Company;
9. Develop work plans to prevent or mitigate the risks;
10. Evaluate and prepare report of risk management;
11. Establish an integrated risk management system in connection with information system;
12. Perform any other tasks that deemed appropriate in view of the Risk Management Committee.

#### **Term of Office**

The Risk Management Committee shall hold office for a term of 3 years.

#### **8.2.5 NOMINATION AND REMUNERATION COMMITTEE**

Nomination and Remuneration Committee consists of three members and are set forth in accordance with the resolutions of Board to Director's meeting no.2/2015 dated 27 February 2015 to support good governance policy in determining strategies and policies of every committee related to nomination and remuneration including with other assigned duties in human recorded amendment area. As at 31 January 2016 has Directors of 3 persons.

#### **Duties and responsibilities of the Board are as follows:**

1. Nomination
  - 1.1 Establish Nomination procedures and policies comply with effectiveness in number and characteristics in each committee , and then propose to related committees for approval
  - 1.2 Select and propose candidate for member in Board of Director committee

- 1.3 Consider and propose policy in human resource management
2. Remuneration
  - 2.1 Compose presume policy in remuneration of every committee and propose to committee responsible for committee approval
  - 2.2 Determine and propose appropriate (both financial and non-financial compensations) of every board committee those comply with duties, responsibilities, outcomes in each board committee and compensations in similar industries, to board of directors and then to the ordinary general meeting of shareholders
  - 2.3 Clarify questions and comments concerning nomination and remuneration in ordinary general meeting of shareholders
  - 2.4 Report policy principle and background information on nomination and remuneration strategy comply with the stock exchange of Thailand regulations  
To achieve missions from board of directors, nomination and remuneration committee has right to receive reports, details and documents involve nomination and remuneration strategy assigned from board of directors

#### **Term of Office**

1. The Nomination and Remuneration Committee shall hold office for a term of 3 years.
2. The Nomination and Remuneration Committee may be appointed to his position further by the Board of Directors deems it appropriate.
3. In addition to retiring pursuant to No.1. The Nomination and Remuneration Committee when to retire
  - 3.1 Resign
  - 3.2 The Board of Directors resolved to retire.
4. Board of Directors is authorized to appoint Nomination and Remuneration Committee for the purpose of further administrative purposes or to substitute Nomination and Remuneration Committee Retiring pursuant to No.1 or 3. The person appointed as the Nomination and Compensation Committee in accordance with No.3. will be in office only for the remaining term of the post person.

#### **8.2.6 The Corporate Governance and Corporate Social Responsibility Committee**

The Corporate Governance and Corporate Social Responsibility Committee are set forth in accordance with the resolutions adopted at the Board of Directors' meeting no. 2/2015 dated 27 February 2015. The Corporate Governance and Corporate Social Responsibility Committee play an important role in determine, review, communicate and supervise good corporate governance policies. As at 31 January 2016 has Directors of 3 persons.

#### **Duties and responsibilities of the Board are as follows:**

1. Put in place an effective strategies and policies in good corporate governance;
2. Develop and propose Code of Best Practices in good corporate governance (Best Practices);
3. Establish and communicate Code of Business Conduct and Code of Conduct;
4. Create and develop good corporate governance policies comply with Thai Institute of Directors' regulations;
5. Review the policies of good corporate governance and social responsibility committee in annual report and 56-1 form;
6. Propose code of business practices to Board of Directors for Board of Directors Charter to Every Board committee resolution;
7. Consider and review good corporate governance and social responsibility strategies for effective business implementation;

8. Review and propose good corporate governance and social responsibility committee notification for public;
9. Authorized company's actions in social and environment responsibilities;
10. Review, report and provide opinion for company's practices in good corporate governance and social responsibility;
11. Monitor the outcomes of good corporate governance and social responsibility implementation.

#### **Term of Office**

1. The Corporate Governance and Corporate Social Responsibility Committee shall hold office for a term of 3 years. may be appointed to his position further by the Board of Directors deems it appropriate;
2. In addition to retiring pursuant to No.1. Corporate Governance and Corporate Social Responsibility committee when to retire
  - 2.1 Resign
  - 2.2 The Board of Directors resolved to retire;
3. Chairman of the Corporate Governance and Corporate Social Responsibility committee to give approval to set the agenda and operates conference which will be held at least two times per year;
4. Quorum for Board Governance consists of a number of not less than one-half of all directors.

### **8.2 Nomination of Directors and Senior Management**

#### **1) Nomination of Directors**

The Company has set out the criteria and qualifications of directors pursuant to the Section 68 of the Public Companies Act B.E. 2535 and in accordance with the laws and relevant regulatory requirements of the SEC and the SET. The selection and nomination of directors of the Company is considered by taken into account the knowledge and expertise, work experience, particularly relevant to the business of the Company as well as the appropriate mix of skills in order to enable the directors to perform its duties effectively etc. Directors are elected to hold office for a period of three years. The criteria and procedures are established as follows:

1. The shareholders must appoint directors in the following manners:
  - Each shareholder shall have one vote for each share held by him/her;
  - Each shareholder shall exercise his/her voting right to elect one person or several persons as directors or any other means as deemed appropriate but each shareholder must submit all of his/her votes at the time and is not entitled to divide the votes proportionately for a particular candidate or group of candidates;
  - The persons shall be elected by a majority of the shareholders voting. If an equal number of votes, the Chairman shall cast a deciding vote;
  - The persons receiving the highest votes in descending order shall be elected as directors equal to the permissible number of directors to be elected at the time. In the event that persons in subsequent order who have an equal number of votes exceed the number of vacancies available for election at the time, the Chairman shall cast a deciding vote
2. At every annual general meeting of shareholders, one-third of the directors must vacate from their office. If the number of directors cannot be divided exactly into the number corresponding to one-third, directors to vacate office in the first year and the second year after registration of the company shall draw lots. In subsequent years, the directors who remained in office for the longest time shall vacate office.
3. A retiring director is eligible for re-election.



4. In the case of a vacancy of directorship for reason other than expiration of term of office, the Board of Directors shall elect a person possessed of qualifications and not possessed of disqualifications under the Limited Public Company Act and the Securities and Exchange Act as the replacement director in the next meeting of Board of Directors, unless the remaining term of office of the director is less than two months. The replacement director may hold only for the remainder of term of office of the director whom be replaced. And the resolution of the Board of Directors must be supported by votes not less than three-fourths of number of the remaining directors.
5. In the case where the whole Board of Directors vacate office, such Board of Directors shall remain in office as long as necessary to operate business of the Company until the new Board of Directors assume office, unless otherwise ordered by the court in the case the court issuing an order to remove. The board of directors vacating office must make arrangements to hold a meeting of shareholders for election of a new board of directors within one month from the date on which it vacated office, by dispatching a notice of meeting to the shareholders not less than fourteen days in advance of the date of the meeting. The notice of meeting shall also be announced in a newspaper for not less than three consecutive days before the date of the meeting.
6. The Board sets the policy to require a diverse selection of the Board members by considering the skills needed and lacked on the board. This includes professional expertise and specialization regardless of gender to serve as a board member to cultivating stronger Board of Directors.

The meeting of shareholders may pass a resolution to remove any director prior to the expiration of his or her term of office with votes not less than three-fourths of number of shareholder attending the meeting and having the right to vote and the total number of shares being of not less than one half of number of shares held by shareholders attending the meeting and having the right to vote.

## **2) Nomination of Independent Directors**

The Company has set out the criteria and qualifications of an independent director. Upon the expiry of the term of an independent director or it deems necessary to appoint additional independent director(s). The Company led by the Board of Directors serving the current term of their office shall seek consultation and set out the criteria and qualifications of independent directors who have suitable experience, knowledge and expertise as well as the appropriate mix of skills in order to enable the directors to perform its duties effectively. The criteria shall include defined qualifications as follows in order to propose to the Board of Directors' meeting or the shareholders' meeting for their consideration in accordance with the Company's Articles of Association:

The Company requires that independent directors shall be made up no less than one-third of the Board of Directors. At least three directors require to be independent directors who have qualifications as specified below. The criteria and qualifications of independent directors are in accordance with the notifications of the Capital Market Supervisory Board and all independent directors of the Company have met the requirements.

The Company has 5 independent directors whose qualifications are required in accordance with the Notification of the Capital Market Supervisory Board. All independent directors of the Company comply with the following rules:

1. Holding shares not exceeding 1 per cent of the total voting shares of the Company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, including shares held by related persons of the independent director. The definition of independent director is as minimally required by the SEC notifications and the SET regulations;



2. Not being or having been an executive director, employee, staff, advisor who receives regular salary, or controlling person of the Company, its parent company, subsidiary, affiliate, same-level subsidiary company or juristic person which may have conflicts of interest, unless such characteristic ceases at least two years prior to the date of application submitted to the Securities and Exchange Commission or prior to the date of the appointment;
3. Not being a person related by blood or legal registration, such as father, mother, spouse, sibling and children, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling person of the Company or its subsidiary (if any);
4. Having no business relationship with the Company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, in a manner which may interfere with his or her independent judgment, and not being or having been a major shareholder, non-independent director, executive of any person having business relationship with the Company, its parent company, subsidiary, or juristic person which may have conflicts of interest, unless such characteristic ceases at least two years prior to the date of application submitted to the Securities and Exchange Commission or prior to the date of the appointment; Thus such business relationship aforementioned shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the Company or the counterpart being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or twenty million Baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the notifications of the Capital Market Supervisory Board with regard to the disclosure of Information and act of listed companies concerning the connected transactions mutatis mutandis. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences;
5. Not being or having been an auditor of the Company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, and not being a major shareholder, non-independent director, executive, or managing partner of the audit firm in which the auditor of the Company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest is employed, unless such characteristic ceases at least two years prior to the date of application submitted to the Securities and Exchange Commission or prior to the date of the appointment;
6. Not being or having been any professional advisor, including legal advisor or financial advisor which receives service fee of more than Baht 2 million per year from the Company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, and not being a major shareholder, non-independent director, executive, or managing partner of the professional advisor which is a juristic person, unless such characteristic ceases at least two years prior to the date of application submitted to the Securities
7. Not being a director appointed as representative of a director of the Company, its major shareholder, or shareholder which is a related person of the major shareholder of the Company;
8. Not operate any business which has the same nature as and is in principle competition with the business of the Company or subsidiary, or not being a principle partner in any partnership, or not being an executive director, employee, staff, or advisor who receives salary, or holding shares not 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 the Company or subsidiary;

9. Not having any characteristics which render him or her incapable of expressing independent opinion regarding the Company's business operation;
10. Not being a director assigned by the Board of Directors to operate any business of the Company, its parent company, subsidiary, affiliate, same-level subsidiary company or juristic person which may have conflicts of interest with the Company;
11. Independent directors shall hold a term of office of no more than 9 years from the date of their first appointment. If the reappointment of independent directors is to take place, the Board will reasonably consider such necessity.

Independent directors shall review and verify their independence at least once a year. Detailed information of independent directors shall be disclosed at the end of the year in the Annual Information Disclosure Form (Form 56-1) and the Annual Report of the Company.

### 3) Nomination of the Audit Committee

The Audit Committee is appointed from the Board of Directors or shareholders. All such members of the Audit Committee must be independent directors and have qualification as prescribed in the notification of the SEC as well as the corporate governance principles of the Company. The Audit Committee comprises at least three independent directors and that at least one of the Audit Committee members shall have knowledge in accounting and/or finance, with the duties to audit and supervise the Company's operations, including to monitor the preparation of financial reports, internal control system, selection of the auditor, and consideration of conflicts of interest. The Audit Committee shall hold office for a term of three years.

### 4) Nomination of Senior Management

The Company has established criteria for the nomination of senior management where knowledge, competency, skillsets, suitable work experience related to the business and good understanding of the Company's business are taken into consideration in accordance with the roles and responsibilities of the Executive Committee. The Company currently considers appointing the Nomination and Remuneration Committee to facilitate accurate and transparent procedure for the nomination. The Company has established a Nomination and Remuneration Committee held on February 16, 2015 in order to help the executive to ensure accuracy and transparency.

## 8.4 Corporate Governance of subsidiaries and joint venture

Currently date, list of Thiensurat Public Company Limited's subsidiaries and joint venture is as below:

Subsidiaries	Joint Venture
Safe Trade International Company Limited TSR holds 99.98% interest	TSR Lao Company Limited TSR holds 49% interest
Fedders Thai Company Limited TSR holds 59.99% interest	
Thiensurat Leasing Company Limited TSR holds 100.00% interest	

In accordance with the corporate governance policy of the Company to control, supervise and be responsible for the business operation of its subsidiary and joint venture as well as to maintain the best interests of the Company, the Board of Directors delegates the Company's representative to be a director in the subsidiary company pursuant to the Company's rules and regulations. Such delegation and appointment shall be adopted at the Board of Directors' meeting. Operating results of its subsidiary shall be examined by external auditor(s) then reported to the Audit Committee and the Board of Directors in every quarter for their consideration. Significant transactions, for instance, connected transactions or acquisition or disposal of assets (if any), shall be conducted through the systematic corporate governance of the Company. The Board of Directors of the subsidiary and the Audit Committee of the Company shall consider such transactions respectively for the Board of Directors of the Company's approval. Such transactions shall then be disclosed through the SET's Information Disclosure System in a systematic manner. The Company's representative appointed to be director of the subsidiary, shall take part in determination of significant policies of the business operation of the subsidiary, for example investments in other projects etc.

## 8.5 Use of Insider Information

The Company has developed the policy and the code of conduct for directors and the management in handling insider information of the Company in order to prevent unlawful use of information for personal benefits as well as buying and selling of securities as follows:

- Inform directors and the management of their duties to prepare and disclose the securities holding reports, including the securities holding of their spouse and minor children, to the SEC as prescribed in Section 59 and the penalty as prescribed in Section 59 and 275 of the Securities and Exchange Act B.E. 2535.
- Require directors and the management who have duty to report the change of their securities pursuant to Section 59 of the Securities and Stock Exchange Act B.E. 2535, within three business days from the date of transaction and send a copy to the Company on the same day that the report is sent to the SEC.

During the year 2015 the directors and management of companies reported their shareholdings by comparing the increase (decrease) during the period from 14 December 2015 and 30 November 2016 as follows.

No.	Name	Amount (Shares)				Shares Increase (decrease) during the year (shares).
		30 November 2016		14 December 2015		
		Own	Spouse or Underage Children	Own	Spouse or Underage Children	
1.	Mr. Sahas Treetipbut	0	0	0	0	0
2.	Mr. Werawat Changyoo <sup>1/</sup>	90,285,225	5,133,332	89,600,115	4,666,666	1,151,776
3.	Mr. Ekarat Changyoo <sup>2/</sup>	29,233,386	0	23,848,533	0	5,384,853
4.	Mr. Viruch Wongnirund	641,666	0	583,333	0	58,333
5.	Ms. Theinvanee Changyoo <sup>3/</sup>	32,521,415	227,700	26,837,650	0	5,911,465
6.	Ms. Savita Changyoo	30,259,538	0	24,781,399	0	5,478,139
7.	Associate Professor Boonserm Vimuktanandana	0	0	0	0	0
9.	Dr. Supree Wongdeeprom Ph.D.	0	0	0	0	0
8.	Mr. Suthee Tripornchaisak	0	0	0	0	0

No.	Name	Amount (Shares)				Shares Increase (decrease) during the year (shares).
		30 November 2016		14 December 2015		
		Own	Spouse or Underage Children	Own	Spouse or Underage Children	
10.	Mr. Krit Umpote	0	0	0	0	0
11.	Ms. Sumana Vonggapan	55,256	0	50,233	0	5,023
12.	Mr.Paitoon Homchan	4,561,332	0	3,306,666	0	1,254,666
13.	Mr. Asawin Changyoo <sup>4/</sup>	4,512,000	0	4,145,000	0	367,000
14.	Mr. Watcharin Watcharatham	1,943,000	0	1,750,000	0	193,000
17.	Mr. Pattanon Premsmrit	0	0	0	0	0
18.	Mr. Pradit Pinyopassakul <sup>5/</sup>	0	5,572			5,572
19.	Ms.Preeyaporn Kraisiriwut	0	0	0	0	0

Require directors, executives and employees of the Company, who have an access of any inside information that can affect price of stocks, shall suspend their stocks trading within one month before the financial statements or the inside information are accessible to the public and 24 hours after the said information is accessible to the public. Those accessed to such information shall not disclose the information to the third party.

The Company shall impose disciplinary actions on those who use information for personal benefits. Punishment includes written warning, wage deductions, temporary suspension without pay or termination of employment. These disciplinary actions will be considered in terms of the intentions behind the action and severity of the wrongdoing.

## 8.6 Remuneration for Auditors

The Audit Committee of Thiensurat Public Company Limited has considered and selected auditors in accordance with assessment and requirements of the Company. In selecting Auditors, the Audit Committee shall take into account quality, standard operating procedure, and requirements of independence without a business relationship or professional services with the Company. The auditor for 2016 was EY Office Limited, while the auditor for 2015 and 2014 was DIA International Auditing Company Limited. The auditors from EY Office Limited are as follows:

Mr. Termpong Opanaphan	Certified Public Accountant No 4501 or
Mr. Khitsada Lerdwana	Certified Public Accountant No 4958 or
Ms. Manee Rattanabunnakit	Certified Public Accountant No 5313

The audit fees of each year are shown below:

(Unit: Baht)

Fees	EY Office Limited	DIA International Auditing Company Limited	
	2016	2015	2014
1. Audit Fee	1,740,000	1,430,000	1,300,000
2. Non-audit Service Fee	- None-	- None-	- None-

## 8.7 Other principles of good corporate governance

### (1) Code of Conduct

Thiensusat Public Company Limited has established the Code of Conduct to guide the Board of Directors, the management and employees to perform their respective duties and responsibilities under the principles of honesty, fairness and integrity. The Code of Conduct applies conducts towards the Company, all stakeholders, public and civil society. The Company also put in place a regular monitoring system. In addition, the Code of Conduct has been communicated and acknowledged by all employees to be adhered as a practice guideline as follows:

1. Conduct all business with honesty, integrity and social responsibility including law, ethics and commitment to individuals, communities and environment.
2. Treat customers fairly on products and services without any discrimination.
3. Conduct all business with standard operating procedures and good monitoring system by using skills and knowledge at the fullest capacity and care with sufficient information and evidence based approach. This includes strict compliance of relevant laws and regulations.
4. Keep confidentiality of all data received when operating business and provided by the customers except where disclosure of it is required by law.
5. Enable channels for customers to file a complaint on products and services.
6. Disclose complete information of products and services
7. Endeavor to deal fairly with the Company's customers in accordance with agreements and conditions. If unable to act in accordance with agreements or conditions, employees must notify customers as soon as possible in order to find a joint solution.

### (2) Conflicts of interest

The Company operates its business by upholding the Company's best interests. The Company has also established preventive measures to prevent potential conflicts of interest arising from transactions between the Company and the persons who may have conflicts. The persons, who are related or related to the transaction, must notify the Company of such relation. Related parties are not able to approve such related party transactions. The Audit Committee shall examine and present to the Board of the connected or related party and conflicts of interest transactions. This shall be considered appropriately and conducted in compliance with the Securities and Exchange Act and the relevant notifications, orders or requirements of the Capital Market Supervisory Board and the Stock Exchange of Thailand. This includes compliance with the disclosure requirements of connected or related party transactions and acquisition or disposition of important assets of the Company. The Company also strictly complies with the accounting standards issued by the Federation of Accounting Professions. In addition, the Company will assign the Audit Committee, auditor or independent expert, on a case by case basis, to consider, review and comment on price suitability and the reasonableness of the transaction. The related party transactions will be disclosed in the notes to financial statements, which are audited or reviewed by the Company's auditors, the Company's Annual registration statement Form (Form 56-1) and Annual Report (Form 56-2).

### (3) Internal Control

The Company places importance on the internal control system both at the management and the operational levels in order to ensure efficient business operations. Furthermore, the Company has adopted a written charter that sets forth duties and powers for the operation and the management performance. There is a control over the use of the Company's assets to generate gain and division of the duties of operators and controllers with separate audits. The Company has appointed the Audit Committee to monitor internal control and internal audit to ensure appropriateness and efficiency. The internal auditor perform the audit of internal control and report to the Audit Committee to ensure important operations are efficiently conducted in accordance with the guidelines and regulations of the Company.



#### **(4) The Risk Management**

The Board of Directors has appointed the Risk Management Committee, who shall hold office for a period of three years. The duties and responsibilities include determination of the overall risk management policy for the Board of Directors' consideration. Such risk management policy cover from the strategy level to operational level in order to monitor, review and propose to the Board of Directors to ensure that the risk management is undertaken effectively.

#### **(5) Report of the Board of Directors**

The Audit Committee will be responsible for reviewing the financial report. The finance and accounting departments as well as auditors shall attend a meeting together and report to the Board of Directors on a quarterly basis. The Board of Directors is responsible for the financial statements of Company and the financial information (report of the board of directors' responsibility for the financial reports) as appeared in the annual report. Such financial statements are prepared in accordance with the accounting principles certified and audited with prudence by the Company's auditors. The disclosure of significant financial-related and non-financial related information is completely and regularly done on the factual basis.

#### **(6) Board of Directors' Meeting**

In accordance with the Company's Articles of Association, the Board of Directors' meeting shall be scheduled in every 3 months. However, an extraordinary meeting can be convened if deemed necessary. The meeting notification must be prepared and circulated to the Board of Directors at least 7 days in advance of the meeting date, unless there is an overriding necessity or urgent matter. The agenda items must be clear and specific. The relevant documents shall be sent to the members of the Board in advance in order to have sufficient time to consider the issues. The quorum of a Board Meeting requires no less than a half of the total number of directors on the Board.

During the meeting, the Chairman of the Board and the Chief Executive Officer jointly set and determine the agenda of the Board of Directors' Meeting. All directors are able to propose the agenda to be considered in the meeting, and express and discuss their opinions openly. The Chair of the meeting shall facilitate the discussion and summarize the resolutions, which shall be made by a majority vote. Each director has one vote. Any director who has a conflict of interest will not be able to attend and/or does not exercise the right to vote. If an equal number of votes, the Chairman shall cast a deciding vote.

In addition, the minutes of the meetings shall be recorded in writing after the meeting and the adoption by the Board of Directors. Such minutes shall be made available for further examination to the Board of Directors and relevant stakeholders.



Name	Number of attendance / Total number of the meetings						
	Directors as at 31 December 2017						
	Board of Directors (10 Directors) 7 times / year	Audit Committee (4 Members) 8 times / year	Executive Board Member (7 Members) 20 times / year	Annual General Meeting of Shareholders for the year 2016 (11 Directors) 1/year	Risk Management Committee (6 Members of) 4/year	Corporate Governance and Corporate Social Responsibility Committee (3 Members) 3/year	Nomination of Remuneration Committee (3 Members) 6/year
1. Mr.Sahas Treetipbut	7/7	-	-	1/1	-	-	-
2. Mr. Werawat Changyoo <sup>1/</sup>	4/7	-	14/20	1/1	-	0/3	-
3. Mr. Ekarat Changyoo <sup>2/</sup>	7/7	-	20/20	1/1	4/4	1/3	-
4. Mr. Viruch Wongnirund	7/7	-	19/20	1/1	4/4	-	-
5. Ms. Theinvanee Changyoo <sup>3/</sup>	3/7	-	20/20	1/1	4/4	-	-
6. Ms. Savita Changyoo	7/7	-	19/20	1/1	4/4	-	5/6
7. Associate Professor Boonserm Vimuktanandana	5/7	8/8	-	1/1	-	-	-
8. Dr. Supree Wongdeeprom Ph.D.	6/7	8/8	-	1/1	-	3/3	-
9. Mr. Suthee Tripornchaisak	7/7	8/8	-	1/1	-	-	6/6
10. Mr. Krit Umpote	6/7	8/8	-	1/1		3/3	-
11. Ms. Sumana Vonggapan	7/7	-	-	1/1		-	6/6
12. Mr. Paitoon Homchan	-	-	18/20	-	4/4	-	-
13. Mr. Asawin Changyoo <sup>4/</sup>	-	-	2/20	-	-	-	-
14. Mr. Watcharin Watcharatham	-	-	19/20	-	-	-	-
15. Mr. Pattanon Premsmrit	-	-	20/20	-	-	-	-
16. Mr.Pradit Pinyopassakul <sup>5/</sup>			18/20				
17. Ms Siriporn Preechapaisarnjit	-	-	-	-	4/4	-	-

Remark : <sup>1/</sup> Mr. Werawat Changyoo resigned from the member of the Corporate Governance and Corporate Social Responsibility Committee on 11 August 2016 and resigned from the director positim, Chairman of Executive Committee and Chief Executive Officer on 11 November 2016. He has been appointed to be Advisor to the of Executive Board with effect from 12 November 2016, pursuant to the resolution of the Board of Directors' Meeting no. 6/2016 held on 11 November 2016.

<sup>2/</sup> Mr. Ekarat Changyoo has been appointed to be a member of the Corporate Governance and Corporate Social Responsibility Committee with effect from 12 August 2016, pursuant to the resolution of the Board of Directors' Meeting no. 5/2016 held on 11 August 2016 and to be the Chairman of Executive Board and Chief Executive Officer with effect from 12 November 2016 (in replacement of Mr. Werawat Changyoo), pursuant to the resolution of the Board of Directors meeting no. 6/2016 held on 11 November 2016.

<sup>3/</sup> Ms. Theinvanee Changyoo resigned from the director position on 23 May 2016 and has been appointed as a director with effect from 26 January 2017, pursuant to the resolution of the Board of Directors' Meeting No. 1/2017 held on 26 January 2017.

<sup>4/</sup> Mr. Asawin Changyoo resigned from the Company on 1 February 2016.

<sup>5/</sup> Mr. Pradit Pinyopasakul resigned from the Company on 1 January 2017.

<sup>6/</sup> Ms. Sureeporn Sandsang has been appointed to be the Company Secretary with effect from 26 January 2017, pursuant to the Board of Directors' Meeting no. 1/2017 held on 25 January 2017 and resigned from the Company on 18 March 2017.

## **(7) Remuneration of Directors**

The Company determined clear and transparent remuneration policy. The remuneration of directors is on the basis of responsibility and duty of each director. The remuneration is appropriately controlled at the same rate as company in the same industry in order to retain qualified directors. The remuneration shall be approved by the shareholders at the Annual General Meeting (AGM).

The Company discloses the remuneration paid to directors and executives as required by the SEC.

## **(8) Development of Directors and the Management**

The Company established the policy to provide training support and to enhance the capacity of the directors and the management, which comprise Directors, Audit Committee, Executive Committee Nomination of Remuneration Committee and Corporate Governance and Corporate Social Responsibility Committee and the Executives to continually enhance their performance. If there is a change of Directors or any Committee, the Company will provide guidance with respect to business operation and information which would be useful for the new directors in effectively carrying out their duty as the directors of the Company under the good corporate governance framework.

### **Training of the Board of Directors and the Sub-Committees**

The Board of Directors encourage and support the management whose work relating to corporate governance system of the Company, for example, Directors and Sub-Committee members, Executives, Company Secretary etc. to participate in seminars and training courses or activities organized by the Thai Institute of Directors (IOD), the SEC, the SET or any independent organizations. It is the policy of the Company to continuously develop the potential, knowledge, ability, and quality of its directors and management. The Board of Directors assigns the Company Secretary of the Company to act as a coordinator to inform directors and the management of relevant training courses.

In the Year 2016, the Board of Directors and Sub-Committee members attended courses provided by the IOD and other institutions as follows:

Courses provided by the IOD:

- |                            |  |
|----------------------------|--|
| 1. Ms.Thienvannee Changyoo | - Company Secretary Program (CSP 68/2016)<br>- Anti Corruption: The practical Guide (ACPG 31/2016) |
|----------------------------|--|

Training courses by Thailand Management Association:

- | Name                       | Courses  |
|----------------------------|--|
| 1. Ms.Thienvannee Changyoo | - Sale Incentives Design 10-11 March 2016<br>- Financial Analysis for Strategic Planning 11-12 July 2016 |

Director of the Training Institute of Directors of Thailand (IOD) is as follows.

Name of Directors	Courses provided by the IOD
1. Mr. Sahas Treetipbut	-DAP 28/2004
2. Mr. Werawat Changyoo	-DAP SET/2012 -FBS 1/2014
3. Mr. Viruch Wongnirund	-APC37/2011 -SFE 11/2010 -DCP 135/2010
4. Ms. Theinvanee Changyoo	-DAP98/2012 -CSP 68/2016 -ACPG 31/2016
5. Ms. Savita Changyoo	-FBS 1/2014 -DAP 99/2012
6. Mr. Ekarat Changyoo	-FBS 1/2014 -DAP SET/2012 -FSD 29/2015
7. Associate Professor Boonserm Vimuktanandana	-DAP 100/2013 -ACP 42/2013
8. Dr. Supree Wongdeeprom Ph.D.	-DAP SET/2012
9. Mr. Suthee Tripornchaisak	-DAP 103/2013
10. Mr. Krit Umpote	-AACP 3/2010 -DCP 0/2000
11. Ms. Sumana Vonggapan	-DAP 47/2005

## Board Committee Evaluation

Board committee performs this process annually with committee evaluation and self-assessment process. Evaluation criteria consist of 6 areas which are structure and qualification of the board directors, roles duties and responsibilities of board of directors, board of director's meeting, directors' prosecution, relation of board to executives, and self-development. The 5 performance levels are : 4 = Excellence ; - 3 = Good ; 2 = Moderate ; 1 = Small; 0 = No action. The summation of points in each question will be is calculated in percentage from total points. The score ranges are: above 85%= Excellence; 75%-85% = Good; 65%-75% = Fair; 50%-65% =Moderate; under 50% = should be improved. The Board Committee Evaluation outcome from committee survey collected and reported by company secretary in 2016 is 80% in average or Excellence.

For the self-assessment method in: company's performance, directors' execution, duties and responsibilities, board of director's meeting, and ethical concern in company's activities with same evaluation method and score ranges as board committee evaluation. The result of self-assessment method in 2016 is 80% in average or Excellence. The self-assessment of each director were collected by the Company Secretary and reported to the Board of Directors.

### **Committee Evaluation**

Each committee will be evaluated by self-assessment survey collected by company secretary. The average result in 2016 is good.

### **Managing Director Evaluation**

Nomination and remuneration committee is responsible for annual managing director evaluation by implementing the stock exchange of Thailand's criteria. Those are leadership in strategy formulation, strategy procurement, financial and performance planning, relationship to committees and stakeholders, human resource management, succession plan, knowledge in company's products and service, and personal expertise. In 2016, the assessment result of the Managing Director was "Good".

### **Succession Plan**

Nomination and remuneration directors commit to select the candidates for managing directors and chief executives appropriately and comply with succession plan policy. The committee is responsible for nominating committee's members and high-level executives by considering qualified person from both internal and external.

### **Compliance with the Principles of Good Corporate Governance**

Transparency and effective management shall be enhanced in order to build up the confidence and the assurance of the shareholders, investors and all stakeholders. With this in mind, the Board of Directors has established a corporate governance policy, as prescribed in the principles of good corporate governance according to the SET. The Company's practices of the good corporate governance are set out in 5 categories as follows:

#### **Category 1 the Rights of Shareholders**

The Company realizes and places importance on the fundamental rights of the shareholders, as both the owners of the Company and the investors in the stock market, for instance, the rights trade and transfer shares, rights to and receive the Company's information promptly, completely, and sufficiently, rights to receive the Company's profit distribution, rights in the meetings of shareholders, rights to express opinion and rights to decide on the Company's important matters such as dividends payment, appointment or removal of directors, appointment of external auditor, approval of important transactions which may impact on the business operation etc.

In addition to aforementioned fundamental rights, the Company operates in various areas to facilitate the exercise of the rights of shareholders as follows:

1. The Company will hold an annual general meeting within 4 months from the date of the last day of the Company's fiscal-year end. The meeting notification, the agenda items and relevant documents must be prepared and circulated to the shareholders at least 7 days in advance of the meeting date. And the meeting date shall be announced in a newspaper for 3 consecutive days in advance of the meeting date. Each agenda item shall contain opinions or recommendations of the Board of Directors.
2. The Company shall disseminate relevant materials and information through the Company's website in advance. The Company shall provide adequate information with regard to the rights of shareholders in the shareholders' meeting including the right to vote of the shareholders.
3. In the event that shareholders are unable to attend meetings in person, the Company shall provide the shareholder an opportunity to appoint an independent director of the Company or any other person to attend the meeting on their behalf. The Company shall enclose a proxy form together with the meeting invitation letter.
4. Prior to the meeting, the Company shall provide opportunities for the shareholders to submit opinions, recommendations and questions in advance.
5. During the meeting, the Company shall provide opportunities for shareholders to independently and equally make inquiries, suggestions or expression of opinions. In the meeting, the directors and the executives shall attend to provide response and give detailed information for the shareholders
6. The company selected the venue, which has a mass transit access and enough so shareholders can attend easily.

#### **Category 2 the Equitable Treatment of Shareholders**

The company shall provide an opportunity for fair and equitable treatment to all shareholders and establish that all shareholders are entitled to vote based on the amount of shares held by each shareholder whereby one share was equal to one vote. The Company shall not take any action that limits or violates the rights of shareholders, regardless whether a shareholder is a major or minority shareholder, an institutional investor or a foreign shareholder. The Company assigns independent directors to safeguard the interests of the minority shareholders. The minority shareholders are able to make suggestions, express opinions or file complaints to the independent directors, who are responsible for handling each matter appropriately. For instance, in case of a complaint, the independent directors shall investigate and seek a proper solution. In the event that the minority shareholders make an important suggestion, which have an impact to all stakeholders or to the business of the Company, then the independent directors shall report such suggestion to the shareholders' meeting for consideration and include it in the agenda of the shareholders' meeting.

The shareholders' meeting shall be convened and conducted in accordance with the Company's Articles of Association and agenda items. Each agenda items shall be considered with the supporting detailed information and relevant materials. There shall be no additional agenda item without notifying shareholders in advance, particularly, an important agenda item, which requires sufficient time to consider prior any decision-making. In the event that shareholders are unable to attend meetings in person, the Company shall provide the shareholders an opportunity to appoint an independent director of the Company or any other person to attend the meeting on their behalf. The Company shall enclose a proxy form together with the meeting invitation letter. The voting shall be casted in accordance with the sequence of agenda items in transparent manner. The Company shall provide the shareholders with an opportunity to exercise their rights to vote to appoint each director

individually in the Annual General Meeting of Shareholders for the year (AGM). The Company has a policy to facilitate the shareholders to nominate directors, and added to the agenda in accordance with rules set by the Company, which publishes the details in website at <http://www.thiensurat.co.th>, in advance. The shareholders are entitled to propose the agenda to the Company within the period of three months prior to the AGM (1 October until 31 December 2016).

In addition, the Company formulates measures designed to prevent the unlawful use of inside information (insider trading) of related parties including directors, executives and employees involved in internal information as well as their spouse and minor children. The Company imposes non-trading periods on related parties during 1-month period preceding the announcement of quarterly and annual financial statements and such related parties shall wait at least 24 hours after the said information is accessible to the public. Such information shall not be disclosed to the third party.

The Company informs directors and the management of their duties to disclose the securities holding reports and the penalty as prescribed in the Securities and Exchange Act B.E. 2535 and regulations of the SET. The directors and management who trade their securities must report their securities holding in his/her company including their spouse and minor children pursuant to Section 59 of the Securities and Stock Exchange Act B.E. 2535, within 3 business days to The SEC in order to subsequently disseminate such information to the public.

### **Category 3 the Role of Stakeholders**

The company places importance on the rights of every group of stakeholders, regardless of whether they are inside stakeholders such as executives and employees, or outside stakeholders such as competitors, business partners and customers etc. The Company realizes that the support and receipt of opinions from every group of stakeholders will be of benefit to the operations and development of the Company's business activities. Therefore, the Company complies with the law and applicable regulations to ensure that the rights of the aforementioned stakeholders are well protected and treated. In addition, the Company promotes co-operation between the Company and its stakeholders, which will create confidence and stability for the Company under the following guidelines:

- |     |                  |   |
|-----|------------------|---|
| (A) | Shareholders     | The Company focuses on the development and continued growth, which will result to greater revenues and profit for the Company. It adds value to the company and contributes to shareholders to receive the highest returns. |
| (B) | Customers        | The Company realizes the quality and standard of products as well as customer service and responsibility towards customers with honest and fairness.  |
| (C) | Business Partner | The Company's policy is to treat business partner fairly, in accordance with terms of trading and/or the terms of the agreed contracts, to ensure the good business relationship, which will benefit all parties.           |
| (D) | Competitors      | The Company promotes free and fair competition policy and shall comply with a good competition framework.   |
| (E) | Employees        | The Company's policy is to treat all employees equally and fairly, to provide appropriate welfare and other benefits as well as to support the development of their abilities and knowledge.                                |



- |     |                       |   |
|-----|-----------------------|---|
| (F) | Community and Society | The Company places importance and commitment to community and society. The Company operates its business ethically and provides creative and beneficial activity support to society as appropriate. |
| (G) | Environment           | The Company strictly complies with applicable environmental laws and regulations. And it establishes the guidelines, which continuously minimize impact to environment.                             |

The Company will comply with applicable laws and regulations to ensure the rights of stakeholders have been well protected and treated.

- **Anti-Fraud and Anti-Corruption**

The Company has given priority to the anti-corruption policy, as well as support and encourage staff at all levels of awareness of anti-corruption court corruption in all its forms. Board of Directors Has set a policy to prevent and combat corruption corrupt. Giving or taking Anti-Corruption and Anti-Bribery Policy in regulatory policy operations to ensure corporate compliance policy with laws and regulations, in line with the policy of corporate governance and ethical business practices of the company. The Company has announced its policy anti-corruption without the approval of the Board of Directors on August 14, 2015 as detailed below. The anti-corruption policy covers all businesses of the Company and its subsidiaries, and in every countries and related entities that the Company doing business.

To uphold this commitment, the Company intends to announce its intention to become a member of the Private Sector Collective Action against Corruption (CAC) in the near future. This will ensure that the Company has practices consistent with the anti-corruption measures of the CAC in Thailand. This will ensure to keep all levels of the Company's staff to adhering to the standards in conducting business. With this in mind, the Company has developed and implemented these additional guidelines, which are a part of the corporate governance policy in accordance with the laws, rules and regulations. The Board of Directors and all employees must comply with the following policies:

#### **Scopes and guidelines**

Directors, executives and staffs in every level of the Company must comply with the below guideline:

1. Comply with the policy of Anti-Corruption and Bribery, Business Code of Conduct, rules, regulations and obligations of the Company by not engaging in corruption in any forms directly or indirectly.
2. Not take any actions that reflect intention of corruptions, and giving or accepting bribery to stakeholders of the Company in relation with their roles and responsibilities directly or indirectly in order to get advantages for the organization, themselves or relevant persons.
3. Not neglect when finding actions in the scope of corruption related to the Company. It is regarded as their duties to report to their supervisors or responsible persons. They must cooperate in the investigations.
4. Protect employees who report a case (Whistleblower protection).
5. Educate and communicate with responsible persons and relevant stakeholders.
6. Encourage consciousness of the role and responsibility of the Company's personnel in combatting corruption.
7. Regularly monitor the compliance with anti-corruption policy as well as review the guidelines and requirements for compliance to be coherent with business changes, regulations and legal requirements.

8. If there is a violation of any action that aiding and abetting with corruption, whether directly or indirectly, punishment will be considered according to the Company's rules and regulations as well as punishable by law.
9. In any operations which have risks of corruptions occurring, directors, executives and staffs in every level of the Company must handle the following aspects with caution:
  - 9.1 Giving or receiving gifts, hospitality and other relevant expenditures must comply with the guideline in the manual of Corporate Governance and Business Code of Conduct as well as the Anti-Corruption and Anti-Bribery Policy of the Company
  - 9.2 Donating money for charity must be done in the Company's name and to organizations which have purposes for social benefits. The organizations must be reliable and certified. They must operate with transparency, compliance with the procedures of the Company's regulations, and legitimacy. There are follow-up and check to ensure that the donated money is not used as subterfuge for bribery.
  - 9.3 Monetary contributions including cash, objects and asset to any activities or projects must be specified with the Company's name. Those contributions must have objectives to promote businesses and good image of the Company, and must be operated with transparency, compliance with the procedures of the Company's regulations, and alignment with the relevant laws.
  - 9.4 Business relationships and procurement with public or private sectors including contacting with public sector, public or private officials as well as persons related to the Company's business domestically or internationally must comply with transparency, integrity and the applicable laws. Good practices are stated in the Code of Conduct.
  - 9.5 The Company's policy is to be politically neutral. All directors, executives, and staffs have political rights and freedom under the laws. However, they must realize not to operate, to do any activities or to use the Company's resources for political activities which can cause the Company to lose neutrality or to be harmed by political engagement and contributions.

#### **Measures and operation guideline**

1. The Company supports and promotes directors, executive and staffs of every level to realize importance and to be conscious of anti-corruption. The Company sets up the internal control to prevent corruptions and bribery in all forms and all countries which the Company enters to invest.
2. This guideline of the anti-corruption covers the process of personnel administration ranging from recruitment or selection, promotion, training, performance evaluation to remuneration to staffs. It is determined that supervisors in every level must communicate and make the subordinate staffs to understand and follow when doing business operations in their responsibilities. They must control and oversee the operations to be efficient and in compliance with this guideline.
3. The Company will give justice and protection to staffs or any whistle-blowers/ reporters of the evidence of corruptions related to the Company, including the staffs that refuse to act. It will use the measures to protect persons who report or cooperate in reporting corruptions as stated in the Policy of whistle-blowing and protection for whistle-blower.
4. Staff's corruptions are regarded as misconducts according to the work-related regulations of personnel administration. They will get disciplinary penalty as determined and may get legal penalty if applicable.
5. The Company will check the practice guideline and measures on regular basis to be in compliance with changes of laws and business-operating conditions.

## **Whistle-blowing or reporting**

The Company has designated the Company's executives to be the persons who directly receive the reporting, and has set up a joint council to investigate the truths fairly. It has also implemented the policy to have the efficient internal control system as well as transparent and verifiable reporting, so the reporters can rely on and feel confident in the process of fair investigation process. Besides, it has set up the policy to protect the whistle-blowers of the corruptions. The whistle-blowers who are staffs, customers or contractors of the Company will receive the rights protection according to the laws, as stated in detail in the Corporate Compliance Policy.

In cases of any stakeholders having queries or finding suspicious actions related to the violations or non-compliance with laws, regulations, obligations and Business Code of Conduct or related to supervisory levels, they can report or complain together with submitting the evidences to the joint council for investigation at:

### **Audit Committee**

Thiensurat Public Company Limited

43/9 Moo 7 Soi Choochart-anusorn 4 Bangtalad, Pakkred, Nontaburi 11120

Telephone 02-819-8899 Fax 02-962-6951-3

e-mail: Appeal.AC@thiensurat.co.th

Or in cases of relating to Chief Executive Officer, Chairman of the Executive Board, or Managing Director, please report directly to "Audit Committee" too.

Company Secretary Thiensurat Public Company Limited

43/9 Moo 7 Soi Choochart-anusorn 4 Bangtalad, Pakkred, Nontaburi 11120

Telephone 02-819-8899 Fax 02-962-6951-3

e-mail: Appeal.AC@thiensurat.co.th

In cases of the reporters submitting information to Secretary of the Company, Secretary of the Company must pass on the information to the Examination Council to investigate the cases within 3 working days. Once the Examination Council receives the reporting, they must consider and report the conclusion of the closed cases to the Board of Directors within 30 working days.

In the past year, The Company does not have any dispute with significant stakeholder groups.

## **Category 4 Disclosure and Transparency**

The Company establishes its policy to disclose important information relating to the Company. Both financial and non-financial information will be disclosed in an accurate, complete, timely and transparent manner through accessible channels under the principles of equality and reliability.

### **4.1 Internal Control and Transactions with Potential Conflicts of Interest**

The Company has a policy of preventing and wiping out the potential conflicts of interest by setting up a rule that any deal and/or transaction possibly causing the conflicts of interest shall be in accordance with the rules and procedure prescribed by the Company and other related applicable laws.

The Company shall not allow the Company's directors, executives, and/or major shareholders, whichever case may be, to operate the businesses that are similar or compete with or have the connected transactions in the manner that they engage other interests against the best interest of the

Company or its subsidiaries. The Company's executives and/or major shareholders, whichever case may be, must submit the reports to the Company if any of executives or major shareholders acquires some shares in a company whose business operation is similar to that of the Company or its subsidiaries in order that the Company and the Audit Committee consider whether such shareholding is against the best interest of the Company and its subsidiaries or not.

The Company values a good internal control system. The Internal Audit Department is empowered to audit the working of every working unit to prevent defects, and to ensure the work transparency. The auditing shall be done periodically, and the auditing report shall be submitted for the Audit Committee's consideration.

#### **4.2 Disclosure of Information**

The Company has determined that the disclosure of any information and any communications be a core policy of the Company. The Company promptly established an investor relations unit to represent the Company and act as a focal point to communicate and disclose information. The Company also places importance on the disclosure of information, since it is an operational aspect, which has potential impact on any decision made by investors and stakeholders. Thus it needs to be well-controlled through specific measures relating to disclosing both financial and non-financial information, in full compliance with the relevant applicable laws and regulations. Such disclosures should be made in comprehensive details that are credible and timely and in an adequate manner, both in Thai and English, through the SET Community Portal as well as the Company's website, and in full compliance with the relevant applicable laws and regulations as specified by the SEC and SET or other involved Government agencies. Further, these applicable rules and regulations need to be constantly monitored for any current applicable amendments to ensure that the Company always complies with such applicable up-to-date regulations and to be a guarantee to shareholders that the Company operates its business in a fully transparent and straight forward manner, for instance:

- 1) Disclose financial and non-financial information in an accurate, comprehensive, and timely manner.
- 2) Prepare the report of the Board's responsibilities for the financial statements together with the auditor's report in the Company's annual report.
- 3) Determine policies relating to the required reporting by Directors and members of Management regarding their vested interests as well as those of any related persons connected with the interests of the Company and the Subsidiary Company, based on guidelines and procedures as follows:
  - Report upon initially assuming the duties of the Company Director or a member of Management
  - Report whenever there is any change in the information or status relating to their vested interests
  - Report at the end of every year
  - In case the termination of the term of office as a Director and the Director is reappointed for another consecutive term, the Director is not required to submit a report if there are no changes in his/her status relating to any vested interests.
  - Directors and members of Management are required to submit such reports (on the status of their vested interests) to the Company Secretary, who will then submit a copy to the Chairman of the Board and the Chairman of the Audit Committee within 7 working days from receiving such reports. In addition, the agenda item relating to these reports on vested interests is included for consideration by the Board of Directors Meeting every Quarter.

- 4) Disclose the procedures for selecting and proposed nomination for new Directors Appointments.
- 5) Disclose the duties and activities of the sub-committees and a record of a number of meetings attended by each committee member during the year.
- 6) Disclose the structure and nature of the business operations as well as investment in the subsidiary and associated Company.
- 7) Disclose information relating to the remuneration for each director in their individual capacity in the respective sub-committee.
- 8) Disclose the policy relating to the remuneration for directors and members of the management with details regarding the various types of remuneration and benefits received in their capacity in the respective sub-committee.
- 9) Disclose policies relating to protecting or taking care of the environment and society, together with the outputs and achievements resulting from the actions undertaken in compliance with these policies.
- 10) Report on the policies and practices relating to corporate governance and the outputs and achievements resulting from the actions undertaken in compliance with these policies.
- 11) Disclose investments in any important projects together with the impacts of such investments; whereby such disclosures are made available through the SET Community Portal and posted on the Company website to ensure that all shareholders, investors, the press and media and any involved parties are fully informed in an accurate, comprehensive and transparent manner.

The Company's Investor Relations has communicated equally and equitably with institutional investors, retail investors, shareholders, analysts and relevant governmental agencies. If the shareholders need more information, please contact directly at Investor Relations.

Investor Relations

e-mail: IR@thiensurat.co.th

Telephone 0-2819-8899 ext. 1536, 1636

Various activities were undertaken whereby the management regularly meet with various individual or institutional investors and analysts in order to make presentations regarding the financial status of the Company and the Management Discussion & Analysis as well as to participate in the Opportunity Day for Investors to present the Company's operating performance results and overview for the future operating trends of the Company as follows:

In 2016, investor relations activities are to allow management to meet retail investors to clarify communication and understanding on the correct approach to business. Also, investor relations provide general information of the Company by the Company Visit as well as answering questions from analysts, investors directly via email and phone regularly.

## **Category 5 Responsibilities of the Board of Directors**

### **5.1 Structure of the Board**

The Board consists of persons who are equipped with expertise and competence. The Board has a crucial role in determining the corporate policy and overseeing the work of the management as well as supervising, monitoring, and evaluating the corporate operation in accordance with the Company's plan under the principle of independence.



Currently, the Board of Directors consists of 10 Directors, that are 5 Executive Directors and 5 non-Executive Directors. The Audit Committee consists of 5 Independent Directors, representing the shareholders to oversee the Company's operations to be accurate and transparent.

Pursuant to the Company's Articles of Association, one-third of the number of directors shall retire at the annual general meeting of shareholders. If the number of directors is not a multiple of three, then the number nearest to one-third shall vacate office. The directors to vacate office in the first and second years following the registration of the Company shall be drawn by lots. In every subsequent year, the directors who have been longest in office shall vacate office. The director who vacates office under this section may be re-elected.

In addition, the Board has also appointed 5 series of sub-committee. Those are Audit Committee, Executive Committee, Risk Management Committee, Corporate Governance and Corporate Social Responsibility Committee, and Nomination Remuneration Committee to perform specific duty and submitted to the Board of Directors for consideration or acknowledgment. Sub-committees have rights and duties as determined in the authority of each committee. The company has clarified the separated roles and responsibilities between the Board and the management. The Board of Directors is responsible for policy oversight and implementation of executive policies. The company executives operate activities in accordance with the executive policies. The president of board of director and the president of executive management is not the same person. Both persons are the most qualified persons recruited by Board Director Committee.

The Board has appointed the Company Secretary who serves to provide suggestions with regard to the applicable rules and regulations that the Board must be aware of and to support the work of the Board including coordination support to ensure the implementation of the resolutions of the Board.

## **5.2 Roles and duties of the Board**

The Board consists of persons who have diverse knowledge, skillsets, and expertise as well as executive leadership experience. The Board takes part in determining the vision, mission, strategy, policy and business direction. The Board oversees the management of the Company in accordance with applicable laws, purposes, regulations and resolutions adopted at the shareholders' meeting. In order to closely oversee the business operation, the Board has established various committees in accordance with their respective roles and duties.



## **9. Corporate Social Responsibility : CSR**

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Please see CSR Report

## 10. Internal Control and Risk Management

### 10.1 Internal Control System

The Company's directors and management are directly responsible for arranging and maintaining the internal control system, which covers several areas including the financial control, the operation, the corporate governance and the risk management. Hence, the Company's Board of Directors authorize the Audit Committee to review and ensure that: i) the Company presents accurate and sufficient financial reports; ii) the Company sets up appropriate and effective internal system; iii) the Company assesses and manages risks appropriately; and iv) the Company operates business in compliance with the securities and stock exchange laws as well as the rules and regulation set by the Stock Exchange of Thailand and any laws that are relevant to the Company's business.

The Company completed a written guidebook on credit limits and approval authority. The guidebook shall be referred to as a guideline on scopes of responsibilities, decision making authorities and ordering authorities for different positions. The Company reviews the written guidebook annually and fine-tunes it to suit the future business circumstances.

An independent internal auditor is responsible for the review of the Company's internal control system, ensuring that the Company follows rules and regulations. The Company has appointed ACM Consulting Co, Ltd. as an independent internal auditor for year 2016. The auditing company carried out the auditing and assessing the Company's internal control system. Taking into account the suggestions provided by the independent auditor, the Company continued to improve its internal control system.

In the Audit Committee's meeting No. 2/2016 held on 22 February 2017 in the presence of all four independent directors who were also members of the Audit Committee, the Company's internal control system was evaluated through the inquiries with the management as well as the outside independent auditor. The evaluation results showed that the Company's internal control was comprised of five key areas, which were significant to the efficiency and effectiveness of the internal control system:

- 1) Control Environment
- 2) Risk Assessment
- 3) Control Activities
- 4) Information & Communication
- 5) Monitoring Activities

In terms of the internal control, risk assessment, operational control, information and communication systems and the monitoring system, the Committee opined that the Company had appropriate and sufficient internal control system. The Company appointed adequate personnel who were able to effectively carry out operation under various systems. In addition, the Company had the internal control system to oversee the operation of both the Company and its subsidiary, preventing directors or management from using the Company and its subsidiary's assets in improper or unauthorized ways or involving in transactions with conflicts of interests. Regarding the internal control on other areas, the Committee also viewed that the internal control was adequate. However, the Committee requested that the Company complete the ongoing improvement program for the information system in order that the Company could work faster and more effectively, with performance being easily reviewed.

**The preliminary opinions of the Audit Committee based on the enquiries with the management** generally suggested that the Company's internal control system was adequate and in line with the evaluation form of the internal control system designed by the Office of Securities and Exchange Commission, especially for the part about the internal control on transactions related to major shareholders, directors, management and related parties (i.e., evaluation form assessing the adequacy of the internal control system). Moreover, the Company's authorized auditor, D I A International Co., Ltd, who audited the Company's 2016 financial statement, opined in the audit report that the Company's consolidated financial statement and separate financial statement accurately presented the financial position and separate financial position of the Group and the Company,

respectively. As of 31 December 2016, the Company's consolidated earnings performance and separate earnings performance and consolidated cash flows and separate cash flows were accurate, under the standard of financial reports.

### **10.2 The Company's internal control system**

The Company appointed an independent internal auditor to review the operation of various departments within the Company and the subsidiary. The independent internal auditor is also in charge of completing an internal control report to be presented to the Audit Committee in each meeting. The Audit Committee reviews the internal report, together with the independent auditor and provides suggestions about necessary points for improvement of the independent internal auditor's policies of as well as for enhancement of the Company's internal control system. The Audit Committee convenes at least four times annually and the audit report is submitted for the Board of Directors' review and, once reviewed, the audit report is publicized in the Company's annual report.

### **10.3 The head of internal control and the head of corporate governance**

The Audit Committee's meeting No. 1/2016 held on 29 January 2016 appointed ACM Consulting Co. Ltd. to oversee the Company's internal auditing, effective on 29 January 2015. The ACM Consulting Co. Ltd. was the major company overseeing the Company's internal auditing in 2016.

Examining the qualifications of ACM Consulting Co. Ltd., the Audit Committee viewed that auditing company is qualified for being the Company's internal auditor given the auditing company is independent and possesses extensive experience in the auditing for a number of SET-listed companies.

## 11. Related Party Transactions

Related party transactions between the Company (“TSR”) and its subsidiaries or between subsidiaries and subsidiaries, occurred in 2015 and 2016, are shown in the notes to the consolidated financial statements. Major related party transactions between TSR and its subsidiaries with persons/companies that may have conflicts of interest are summarized as follows:

### 11.1 Details of persons and companies that may have conflicts of interest

Persons / companies that may have conflicts of interest, conducted business transactions with TSR and/or its subsidiaries	Nature of Business	Relationship
1. Better Dreams Co., Ltd.	Rent icecream machine	<u>As at 31 December 2016</u> <ul style="list-style-type: none"> <li>Had common major shareholders as TSR. Changyoo Family*, a major shareholder of TSR, held 100% shareholding in Better Dreams Co., Ltd.</li> <li>Better Dreams Co., Ltd. is a major shareholder of TSR and held 25.50% shareholding in TSR.</li> <li>Had two common directors as TSR, i.e., Ms. Theinvanee Changyoo and Ms. Savita Changyoo.</li> </ul>
2. Ideal Water Co., Ltd.	Manufacture and distribute magnesium water	<u>As at 31 December 2016</u> <ul style="list-style-type: none"> <li>Had common major shareholders as TSR, i.e., Changyoo Family*, a major shareholder of TSR, held 100% shareholding in Ideal Water Co., Ltd.</li> <li>Had two common directors as TSR, i.e., Ms. Theinvanee Changyoo and Ms. Savita Changyoo.</li> </ul>
3. Mr. Sahas Treetipbut	-	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors of TSR</li> <li>Advisor to TSR (Information Technology)</li> </ul>
4. Mr. Werawat Changyoo	-	<ul style="list-style-type: none"> <li>A major shareholder of TSR - as at 31 December 2016, Mr. Werawat Changyoo held 19.33% shareholding in TSR and Changyoo Group* held 67.96% shareholding in TSR.</li> <li>Director and Chairman of the Executive Committee of TSR (He resigned from the director position and Chairman of the Executive Committee on 11 November 2016)</li> <li>Advisor of the Executive Committee</li> </ul>
5. Mr. Asawin Changyoo	-	<ul style="list-style-type: none"> <li>A shareholder of TSR - as at 31 December 2016, Mr. Asawin Changyoo held 0.97% shareholding in, and Changyoo Group* held 67.96% shareholding in TSR</li> <li>Executive Committee/Deputy Managing Director – Legal Group/Member of Risk Management Committee (He resigned from the Company on 1 February 2016)</li> </ul>
6. Ms. Theinvanee Changyoo	-	<ul style="list-style-type: none"> <li>A shareholder of TSR - as at 31 December 2016, Ms. Theinvanee Changyoo held 6.69% shareholding in TSR and Changyoo Group* held 67.96% shareholding in TSR.</li> <li>Director/ Executive Committee/Deputy Managing Director – Business Support Group/Member of Risk Management Committee/Company Secretary. (She resigned from the Company Secretary position on 11 January 2017)</li> </ul>

Persons / companies that may have conflicts of interest, conducted business transactions with TSR and/or its subsidiaries	Nature of Business	Relationship
7. Ms. Kanittha Changyoo	-	<ul style="list-style-type: none"> <li>A shareholder of TSR - as at 31 December 2016, Ms. Kanittha Changyoo held 1.10% shareholding in TSR and Changyoo Group* held 67.96% shareholding in TSR.</li> </ul>
8. Ms. Savita Changyoo	-	<ul style="list-style-type: none"> <li>A shareholder of TSR - as at 31 December 2016, Ms. Savita Changyoo held 6.48% shareholding in TSR and Changyoo Group* held 67.96% shareholding in TSR.</li> <li>Director/ Executive Committee/Deputy Managing Director – Marketing Group/Member of the Risk Management Committee/Member of the Nomination and Remuneration Committee</li> </ul>
9. Mr. Ekarat Changyoo	-	<ul style="list-style-type: none"> <li>A shareholder of TSR - as at 31 December 2016, Mr. Ekarat Changyoo owned 6.26% shareholding in TSR and Changyoo Group* held 67.96% shareholding in TSR.</li> <li>Director/ Chairman of Executive Committee/ Chief Executive Officer / Deputy Managing Director – New Distribution Channel and Service Group/Member of the Risk Management Committee</li> </ul>
10. Ms. Preeyaporn Krairiruwut	-	<ul style="list-style-type: none"> <li>Chief Financial Officer</li> </ul>
11. COL Public Company Limited	Retail stationery and office equipment	<u>As at 31 December 2016</u> <ul style="list-style-type: none"> <li>Had a common director as TSR, i.e., Mr. Sahas Treetipbut</li> </ul>
12. Internet Thailand Public Company Limited	Provide internet service	<u>As at 31 December 2016</u> <ul style="list-style-type: none"> <li>Had a common director as TSR, i.e., Mr. Sahas Treetipbut</li> </ul>
13. S.S. Air Services Co., Ltd.	Distribute air conditioner, equipment and spare parts	<u>As at 31 December 2016</u> <ul style="list-style-type: none"> <li>A shareholder of Fedders Thai Co.,Ltd. (TSR's subsidiary), with 40% interest.</li> </ul>

\*Additional information is available in the Heading "Listing Securities and Shareholding Structure" – Changyoo Group and Management Structure (section Board of Director and Management).

11.2 Related party transactions between TSR and its subsidiaries with related persons/companies for the year ended 31 December 2015 and 2016

11.2.1 Transactions that will be constantly occurred in the future : Details of the transactions that may be regularly happened are presented below:

11.2.1.1 Purchase/sale of goods and services

Affiliates	Description of related party transactions	Transaction Amount (Million Baht)		Pricing Policy
		2016	2015	
1. Better Dreams Co., Ltd.	<u>Revenues from information system service</u> TSR provided information system service to Better Dreams Co.,Ltd.	0.24	0.24	Proportionate price based on actual cost incurred
	<u>Outstanding Balances</u>	-0-	0.02	

Affiliates	Description of related party transactions	Transaction Amount (Million Baht)		Pricing Policy
		2016	2015	
2. Ideal Water Co., Ltd.	<u>2.1 Expenses from the appointed water distributor</u> Safe Trade International Co., Ltd. was appointed by Ideal Water Co., Ltd. as distributor to sale water to TSR's customers.	0.40	0.28	Cost plus pricing
	<u>Outstanding Balances</u>	0.05	0.05	
	<u>2.2 Expenses from purchase of water</u> TSR purchased water from Ideal Water Co., Ltd. for its internal use and selling to its employees.	1.28	1.18	Regular price as Ideal Water Co., Ltd. normally charged to Safe Trade International Co., Ltd.
3. Mr. Sahas Treetipbut	<u>Expenses on consulting services for Information Technology</u> TSR hired a consultant, Mr. Sahas Treetipbut, who has expertise and knowledge in information technology, human resources and marketing management, to provide the consulting services related to his expertise, which is necessary in the success of TSR's operations.	2.40	2.40	Contract price which is regular price charged by a third party.
4. Mr. Werawat Changyoo	<u>Expenses on Advisory for Executive Committee</u> TSR hired Mr. Werawat Changyoo as an advisor of the Executive Committee	0.35	-	Contract price which is regular price charged by a third party.
5. Managements	<u>Revenues from sales of goods</u> Selling water purifier and replacement filter to Directors and Managements	0.03	0.19	Prices as employee benefits
	<u>Outstanding Balances</u>	-0-	0.06	
6. COL Public Company Limited	<u>Purchase of office equipment</u> TSR purchased of office equipment and stationery used for its operation.	0.15	0.15	Regular price as normally charged to other clients
	<u>Outstanding Balances</u>	0.02	0.12	
7. Internet Thailand Public Company Limited	<u>Device and Internet expenses</u> TSR leased the Internet and related devices from Internet Thailand Plc.	0.70	0.34	Regular price as normally charged to other clients
	<u>Outstanding Balances</u>	0.25	0.03	

#### 11.2.1.2 Acquisition and disposal of fixed assets



Affiliates	Description of related party transactions	Transaction Amount (Million Baht)		Pricing Policy
		2016	2015	
1. Better Dreams Co., Ltd.	<u>Purchase of vehicle and equipment</u> TSR purchased vehicles and office equipment from Better Dreams Co., Ltd.	-0-	0.06	Comparable to market price
	<u>Outstanding Balances</u>	-0-	0.06	

#### 11.2.1.3 Land and building rental

Affiliates	Description of related party transactions	Transaction Amount (Million Baht)		Pricing Policy
		2016	2015	
1. Better Dreams Co., Ltd.	<u>1.1 Revenues from head office rental</u> TSR gave its head office for rent to Better Dreams Co., Ltd.	0.16	0.16	Comparable to market price in the vicinity
	<u>Outstanding Balances</u>	-0-	0.02	
	<u>1.2 Revenues from factory rental</u> TSR gave its factory for rent to Better Dreams Co., Ltd.	0.08	0.08	Comparable to market price in the vicinity
2. Ideal Water Co., Ltd.	<u>Revenues from factory rental</u> TSR gave its factory for rent to Ideal Water Co., Ltd.	0.12	0.12	Comparable to market price in the vicinity
	<u>Outstanding Balances</u>	-0-	0.02	

#### 11.2.2 Transactions that will no longer arise in the future

The Company has no plan to conduct the following transactions, which occurred prior to IPO, in the future. In case TSR is required to conduct such transactions, it is mandatory to obtain the Audit Committee's approval prior to execution. Details of the transactions are as follows:

##### 11.2.2.1 Guarantees for borrowings

Guarantees for the group of the Company and its subsidiaries' credit facilities with various financial institutions are presented below:

Affiliates	Description of transactions	Transaction Amount (Million Baht)		Pricing Policy
		2016	2015	
1. Mr. Werawat Changyoo	Domestic short-term and long-term borrowings of TSR were guaranteed by Mr. Werawat Changyoo, a director.	940.40	630.00	Under regular terms and conditions of borrowings from financial institutions. The director did not receive any compensation from the Company for such guarantees.

Affiliates	Description of transactions	Transaction Amount (Million Baht)		Pricing Policy
		2016	2015	
2. Mr. Werawat Changyoo, Mr. Asawin Changyoo and Ms. Theinvanee Changyoo	TSR's hire purchase agreements for vehicles were guaranteed by Mr. Werawat Changyoo, Mr. Asawin Changyoo and Ms. Theinvanee Changyoo, the Company's directors.	142.84	143.46	Under regular terms and conditions of borrowings from financial institutions. The director did not receive any compensation from the Company for such guarantees.

#### 11.2.2.2 Borrowings

Affiliates	Description of related party transactions	Transaction Amount (Million Baht)		Pricing Policy
		2016	2015	
1. S.S. Air Services Co., Ltd.	Interest expenses on loans	-0-	0.18	Interest rate as specified in the contract

### 11.3 Necessity of and Justification for connected transactions

In case the Company or a subsidiary enters into any contracts, or any connected transactions occur among the Company, the subsidiary and/or outsiders. The Company will consider whether the transactions are necessary and appropriate. Procedures for consideration, review, approval and disclosure of the connected transactions have been established in accordance with the related laws, announcement, regulations and guidelines of the regulators. The transactions will be conducted transparently, reasonable, fairly and at Arm's Length Basis, and in compliance with corporate governance practices, and are aimed at the Company's benefits.

### 11.4 Measures or procedure for approval of connected transactions

The Company sets procedure for approval of connected transactions in compliance with the laws about securities and the Stock Exchange as well as the regulations, announcements, orders of the Securities and Exchange Commission and the Stock Exchange of Thailand. Any directors or individuals that may involve in conflicts of interests in a connected transaction shall have no right to have a vote on approval of the transaction.

### 11.5 Future Policies or Potential Connected Transactions

For any potential connected transactions, the Company's directors shall comply with relevant rules. A director has no right to have a vote on approval of any transaction that he or she may involve in conflicts of interests. In addition, any transactions with potential conflicts of interests shall be informed to the Company's Board of Directors for approval.

Moreover, the Audit Committee shall provide their opinions in regard to the appropriateness of the connected transactions with possible conflicts of interests. If the members of the Audit Committee have no expertise in those particular transactions, the Company will seek opinions from independent experts, e.g., an auditor, an independent asset appraiser. The opinions from the independent experts shall be used as part of a decision making process of the Board of Directors and/or shareholders, whichever the case may be, in order to insure that the connected transactions are not intended to transfer or exchange benefits between the Company and related individuals and that they are aimed at maximizing the benefits for all shareholders.

- Normal transactions or transactions aimed at supporting the Company's core business, with general trade terms and conditions, include services, sale and purchases of products. The Company has a policy to set terms and conditions of connected transactions based on the normal trading at the market prices. The prices are comparable to the prices offered for outsiders and all parties seriously follow the terms and conditions in the agreement. The pricing and conditions are transparently and fairly set, not enabling anyone to exchange or transfer benefits. The independent internal auditor is in charge of reviewing the information and completing a report to be submitted to the Audit Committee. The report shall indicate the appropriateness of the prices and the justification of the transactions on a quarterly basis.

- Normal transactions and transactions aimed at supporting the Company's core business, without general trade terms, and other related transactions include leases of offices and financial aids, e.g., borrowing, guaranteeing and etc. The Company has a policy to propose such transactions to the Board of Directors' meetings for approval. The Audit Committee shall be present in the meeting and provide their opinions in regard to the justification and the necessity of such transactions before the Company can proceed with such transactions. In addition, the Company shall comply with relevant laws about securities and the stock market and the rules, announcements, orders or regulations of the Stock Exchange of Thailand. The Company also follows the rules about disclosure of connected transactions and the acquisitions and disposal of major assets of the Company or subsidiaries (if any). The Company also complies with the accounting standard in regard to the disclosure of information about individuals or connected transactions; the accounting standard is announced by Federal of Accounting Profession. Note that the Company discloses the connected transactions in the note to financial statement of the Company as well as in the 56-1 form and the annual report.

The future connected transactions will include those aimed at supporting the Company's core business transactions, e.g., selling and buying products. Also, in the future the Company may need to provide further assistance to its subsidiaries in terms of the deposit guaranteeing and/or lending. Any potential transactions shall be completed with transparency and strictly in compliance with the regulations of the SEC, SET and other agencies.

## 12. Financial Highlights

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### 12.1 Financial Statements

#### 12.1.1 Auditor's opinion

Auditor's report on financial statements of Thiensurat Public Company Limited and its subsidiaries for the years ended 31 December 2016.

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#### **Financial Statements for the Year Ended 31 December 2016**

##### **Auditor**

Mr. Termphong Opanaphan  
CPA (Thailand) Registration No. 4501  
EY Office Limited

##### **Opinion**

The auditor is of the opinion that the Company's financial statements present fairly, in all material respects, the financial position of the Company, its financial performance and cash flows in accordance with the Thai financial reporting standards.

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#### 12.1.2 Financial Summary

Thiensurat group ("the Group") comprises Thiensurat Public Company Limited ("the Company") and its subsidiaries, i.e. Safe Trade International Company Limited, Fedders Thai Company Limited and Thiensurat Leasing Company Limited ("its subsidiaries").

In 2016, the Company invested in ordinary shares of Thiensurat Leasing Company Limited ("TSRL") and owned 100% of TSRL shares. As a result, TSRL's financial statements have been included in the Group's consolidated financial statements.

The Group prepared the consolidated financial statements by including the financial statements of subsidiaries in which the Company has a power to control such company. Balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements. The consolidated financial statements have been audited by the auditor approved by the Office of SEC.

Consolidated financial statements of the Company and its subsidiaries for the years ended 31 December 2014 – 2016 are presented as follows:

**(1) STATEMENTS OF FINANCIAL POSITION**

Assets	As of 31 December					
	2016		2015*		2014*	
	Consolidated financial statements					
	Million Baht	%	Million Baht	%	Million Baht	%
<b><u>Current Assets</u></b>						
Cash and cash equivalents	101.40	5.4	33.63	2.1	8.18	0.8
Current investments	-	-	-	-	20.00	1.8
Trade and other receivables	24.45	1.3	24.21	1.5	13.41	1.2
Current portion of hire-purchase receivables	903.76	48.5	495.50	31.3	364.26	33.6
Current portion of receivables under right transfer agreements	3.92	0.2	5.72	0.4	6.95	0.6
Inventories	161.02	8.7	152.84	9.7	59.85	5.5
Other current assets	18.28	1.0	30.25	1.9	25.27	2.4
<b>Total current assets</b>	<b>1,212.83</b>	<b>65.1</b>	<b>742.15</b>	<b>46.9</b>	<b>497.92</b>	<b>46.0</b>
<b><u>Non-current assets</u></b>						
Restricted bank deposits	18.70	1.0	21.80	1.4	96.20	8.9
Hire purchase receivables - long-term portion	9.43	0.5	254.54	16.1	1.23	0.1
Receivables under right transfer agreements - long-term portion	4.63	0.3	3.96	0.2	9.63	0.9
Investment properties	58.78	3.2	58.85	3.7	58.94	5.4
Property, plant and equipment	499.88	26.8	462.10	29.2	387.34	35.8
Intangible assets	25.05	1.3	16.88	1.1	10.90	1.0
Deferred tax assets	24.91	1.3	17.46	1.1	8.72	0.8
Other non-current assets	8.23	0.5	5.27	0.2	12.17	1.1
<b>Total non-current assets</b>	<b>649.61</b>	<b>34.9</b>	<b>840.86</b>	<b>53.1</b>	<b>585.13</b>	<b>54.0</b>
<b>Total assets</b>	<b>1,862.44</b>	<b>100</b>	<b>1,583.01</b>	<b>100.0</b>	<b>1,083.05</b>	<b>100.0</b>

Liabilities and shareholders' equity	As of 31 December					
	2016		2015*		2014*	
	Consolidated financial statements					
	Million Baht	%	Million Baht	%	Million Baht	%
<b><u>Current liabilities</u></b>						
Bank overdrafts and short-term loans from financial institutions	596.92	32.1	378.06	23.9	21.26	2.0
Trade and other payables	102.83	5.5	86.02	5.4	65.25	6.0
Current portion of liabilities under finance lease agreements	28.22	1.2	29.69	1.9	24.13	2.2
Current portion of long-term loans	21.83	1.5	21.60	1.4	22.61	2.1
Income tax payable	9.29	0.5	30.52	1.9	12.60	1.2
Other current liabilities	25.57	1.4	12.57	0.8	14.37	1.3
<b>Total current liabilities</b>	<b>784.66</b>	<b>42.2</b>	<b>558.46</b>	<b>35.3</b>	<b>160.22</b>	<b>14.8</b>
<b><u>Non-current liabilities</u></b>						
Liabilities under finance lease agreements	53.92	2.9	46.25	2.9	40.04	3.7
Long-term loans	19.27	1.0	41.12	2.6	57.95	5.4
Provision for long-term employee benefits	22.27	1.2	21.26	1.3	16.75	1.5
<b>Total non-current liabilities</b>	<b>95.46</b>	<b>5.1</b>	<b>108.63</b>	<b>6.9</b>	<b>114.74</b>	<b>10.6</b>
<b>Total liabilities</b>	<b>880.12</b>	<b>47.3</b>	<b>667.09</b>	<b>42.1</b>	<b>274.96</b>	<b>25.4</b>
<b><u>Shareholders' equity</u></b>						
Share capital – registered						
662 million ordinary shares of Baht 1 each	662.20		602.00		344.00	
602 million ordinary shares of Baht 1 each						
344 million ordinary shares of Baht 1 each						
Issued and fully paid share capital						
467 million ordinary shares of Baht 1 each	467.18	25.1	401.33	25.4	344.00	31.8
401 million ordinary shares of Baht 1 each						
344 million ordinary shares of Baht 1 each						
Share premium	227.80	12.2	206.77	13.1	206.77	19.1
Premium on share-based payments	10.25	0.6	10.25	0.6	10.25	0.9
Difference of changes in investment proportion in a subsidiary	(1.35)	(0.1)	(1.35)	(0.1)	(1.35)	(0.1)
Retained earnings						
Appropriated - statutory reserve	21.63	1.2	17.59	1.1	10.46	1.0
Unappropriated	246.84	13.3	269.85	17.0	237.96	22.0
<b>Equity attributable to owners of the Company</b>	<b>972.35</b>	<b>52.2</b>	<b>904.44</b>	<b>57.1</b>	<b>808.10</b>	<b>74.6</b>
Non-controlling interests of the subsidiaries	9.97	0.5	11.48	0.7	0.00	0.0
<b>Total shareholders' equity</b>	<b>982.32</b>	<b>52.7</b>	<b>915.92</b>	<b>57.9</b>	<b>808.10</b>	<b>74.6</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,862.44</b>	<b>100.0</b>	<b>1,583.01</b>	<b>100.0</b>	<b>1,083.05</b>	<b>100.0</b>



(2) STATEMENTS OF COMPREHENSIVE INCOME

Performance	For the year ended 31 December					
	2016		2015*		2014*	
	Consolidated financial statements					
	Million Baht	%	Million Baht	%	Million Baht	%
<b><u>Revenues</u></b>						
Sales	1,607.62	87.6	1,452.19	89.8	996.83	88.6
Hire purchase interest income	228.53	12.4	165.09	10.2	128.42	11.4
<b>Total revenues</b>	<b>1,836.15</b>	<b>100.0</b>	<b>1,617.28</b>	<b>100.0</b>	<b>1,125.25</b>	<b>100.0</b>
<b><u>Costs</u></b>						
Cost of sales	(410.08)	(22.3)	(344.73)	(21.3)	(201.33)	(17.9)
<b>Total costs</b>	<b>(410.08)</b>	<b>(22.3)</b>	<b>(344.73)</b>	<b>(21.3)</b>	<b>(201.33)</b>	<b>(17.9)</b>
<b>Gross profit</b>	<b>1,426.07</b>	<b>77.7</b>	<b>1,272.55</b>	<b>78.7</b>	<b>923.92</b>	<b>82.1</b>
Other income	28.41	1.5	28.47	1.8	35.30	3.1
<b>Profit before expenses</b>	<b>1,454.48</b>	<b>79.2</b>	<b>1,301.02</b>	<b>80.5</b>	<b>959.22</b>	<b>85.2</b>
<b><u>Expenses</u></b>						
Selling expenses	(755.44)	(41.1)	(711.80)	(44.0)	(564.33)	(50.2)
Administrative expenses	(338.75)	(18.4)	(278.03)	(17.2)	(191.16)	(17.0)
Bad debt and doubtful accounts	(235.29)	(12.8)	(118.46)	(7.3)	(81.53)	(7.2)
<b>Total expenses</b>	<b>(1,329.48)</b>	<b>(72.4)</b>	<b>(1,108.29)</b>	<b>(68.5)</b>	<b>(837.02)</b>	<b>(74.4)</b>
<b>Profit before finance cost and income tax expenses</b>	<b>125.00</b>	<b>6.8</b>	<b>192.73</b>	<b>12.0</b>	<b>122.20</b>	<b>10.8</b>
Finance costs	(25.56)	(1.4)	(10.46)	(0.6)	(6.51)	(0.6)
<b>Profit before income tax expenses</b>	<b>99.44</b>	<b>5.4</b>	<b>182.27</b>	<b>11.3</b>	<b>115.69</b>	<b>10.3</b>
Income tax expenses	(20.36)	(1.1)	(37.21)	(2.3)	(21.97)	(2.0)
<b>Profit for the year</b>	<b>79.08</b>	<b>4.3</b>	<b>145.06</b>	<b>9.0</b>	<b>93.72</b>	<b>8.3</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>						
Actuarial loss - net of income tax	-	-	(2.60)	(0.2)	-	-
<b>Total comprehensive income for the year</b>	<b>79.08</b>	<b>4.3</b>	<b>142.46</b>	<b>8.8</b>	<b>93.72</b>	<b>8.3</b>

**Remark:** \* Certain amounts in the financial statements of 2015 and 2014 have been reclassified to conform to 2016 classification.

Performance (continued)	For the year ended 31 December		
	2016	2015	2014
	Consolidated financial statements		
	Million Baht	Million Baht	Million Baht
<b>Profit attributable to:</b>			
Equity holders of the Company	80.59	145.95	93.72
Non-controlling interests of the subsidiaries	(1.51)	(0.89)	0.00
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	80.59	143.35	93.72
Non-controlling interests of the subsidiaries	(1.51)	(0.89)	0.00
<b>Basic earnings per share</b>			
Profit attributable to equity holders of the Company	0.18	0.33	0.21
Number of weighted average of ordinary shares (Million shares) *	456.40	441.47	441.47
<b>Diluted earnings per share</b>			
Profit attributable to equity holders of the Company	0.11	0.33	0.21
Number of weighted average of ordinary shares (Million shares) *	766.22	441.47	441.47

**Remarks:** \*The Company increased registered share capital for reserving share dividend of 40.13 million shares and 57.33 million shares, in 2016 and 2015, respectively. Therefore, the Company retroactively adjusted number of weighted average of ordinary shares for 2015 and 2014 earnings per share calculation.

**(3) STATEMENTS OF CASH FLOWS**

Cash flows from operating activities (Million Baht)	For the year ended 31 December		
	2016	2015	2014
	Consolidated financial statements		
<b><u>Cash flows from operating activities</u></b>			
Profit before tax	99.44	182.26	115.70
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:			
Depreciation and amortization	45.16	31.61	21.63
Bad debt and doubtful accounts	235.29	118.46	81.53
Reduce cost of inventories to net realizable value (reversal)	(1.95)	1.58	(0.22)
Allowance for goods returned (reversal)	(0.54)	1.03	0.26
Written off intangible assets	-	1.00	-
Loss from impairment of assets	-	-	0.25
Loss from disuse of assets	-	-	0.05
Loss (gain) on sales of equipment	(1.03)	0.45	(0.21)
Provision for long-term employee benefits	3.79	1.27	1.24
Finance cost	25.56	10.39	6.51
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>405.72</b>	<b>348.05</b>	<b>226.73</b>
Operating assets (increase) decrease			
Trade and other receivables	(0.18)	(10.78)	(0.88)
Hire purchase receivables	(397.96)	(503.98)	(183.72)
Receivable under right transfer agreements	1.14	14.99	22.16
Inventories	(6.24)	(94.57)	(6.71)
Other current assets	11.96	(13.08)	(25.27)
Other non-current assets	(2.96)	6.90	(11.37)
Operating liabilities increase (decrease)			
Trade and other payables	14.08	18.59	(8.29)
Other current liabilities	13.00	1.80	14.37
Provision for long-term employee benefits	(2.78)	-	(0.44)
<b>Cash from (used in) operating activities</b>	<b>35.78</b>	<b>(232.08)</b>	<b>26.56</b>
Cash paid for interest expenses	(25.61)	(10.36)	(6.69)
Cash paid for income tax	(49.05)	(27.37)	(17.66)
<b>Net cash flows from (used in) operating activities</b>	<b>(38.88)</b>	<b>(269.81)</b>	<b>2.21</b>

Investing and Financing Activities (Million Baht)	For the year ended 31 December		
	2016	2015	2014
	Consolidated financial statements		
<b><u>Cash flows from investing activities</u></b>			
(Increase) decrease in restricted bank deposits	3.10	74.41	(96.04)
(Increase) decrease in current investments	-	20.00	(20.00)
Acquisition of property, plant and equipment	(55.67)	(67.72)	(57.96)
Acquisition of intangible assets	(4.64)	(7.06)	(4.67)
Proceeds from sales of equipment	1.35	0.52	0.33
Net cash receipt from investment in a subsidiary	-	15.52	-
<b>Net cash flows from (used in) investing activities</b>	<b>(55.86)</b>	<b>35.67</b>	<b>(178.34)</b>
<b><u>Cash flows from financing activities</u></b>			
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	218.86	356.80	(59.36)
Repayment of liabilities under finance lease agreements	(24.33)	(29.37)	(6.78)
Repayment of short-term loans from related parties	-	(6.00)	-
Repayment of short-term loans from others	-	(9.00)	-
Cash receipt from long-term loans	-	6.00	20.30
Repayment of long-term loans	(21.62)	(23.83)	(27.80)
Cash receipt from share capital issued as a result of warrants exercise	46.75	-	86.00
Dividend paid	(57.15)	(46.84)	(43.00)
Cash receipt from non-controlling interests of a subsidiary for investment in a subsidiary	-	11.83	-
Proceeds from share subscription-Premium on share capital	-	-	206.77
<b>Net cash flows from financing activities</b>	<b>162.51</b>	<b>259.59</b>	<b>176.13</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>67.77</b>	<b>25.45</b>	<b>(0.01)</b>
Cash and cash equivalents at the beginning of the year	33.63	8.18	8.19
<b>Cash and cash equivalents at end of the year</b>	<b>101.40</b>	<b>33.63</b>	<b>8.18</b>

**(4) FINANCIAL RATIOS**

Financial Ratios	Unit	For the year ended 31 December		
		2016	2015*	2014*
		Consolidated financial statements		
<b><u>Liquidity Ratios</u></b>				
Liquidity ratio	Time	1.55	1.33	3.11
Quick ratio	Time	1.32	1.06	2.73
Liquidity of cash flow from operation	Time	(0.06)	(0.75)	0.01
Account receivable turnover	Time	1.96	2.62	3.32
Average collection period	Day	183.84	137.17	108.31
Inventory turnover	Time	8.21	11.02	9.21
Average sale period	Day	43.86	32.67	39.08
Account payable turnover	Time	11.95	13.66	11.59
Average payment period	Day	30.12	26.36	31.07
Cash cycle	Day	197.58	143.48	116.31
<b><u>Profitability Ratios</u></b>				
Gross profit margin **	%	77.67	78.68	82.11
Operating profit margin	%	3.87	9.51	7.14
Cash to profitability	%	(54.73)	(175.44)	2.75
Realized interest under hire purchase ratio	%	32.66	38.40	40.93
Interest rate paid (Borrowings)	%	4.13	3.07	3.33
Interest spread	%	28.53	35.34	37.61
Net profit margin	%	4.31	8.97	8.33
Return on equity	%	8.33	16.83	14.73
<b><u>Efficiency Ratios</u></b>				
Return on assets	%	4.59	10.88	10.05
Return on fixed assets	%	25.83	41.60	32.03
Assets turnover	Time	1.07	1.21	1.21
<b><u>Financial Ratios</u></b>				
Debt to equity	Time	0.90	0.73	0.34
Interest bearing debt to equity	Time	0.73	0.56	0.21
Interest coverage	Time	(27.62)	(21.23)	4.67
Cash flow coverage	Time	0.46	0.93	0.01
Dividend payout	%	72.27	61.94	89.80

**Remarks:** \* Financial ratios of 2015 and 2014 are calculated based on the previously reported financial statements.

\*\* Gross profit margin of 2015 and 2014 are calculated based on the reclassified financial statements to be comparable to that of 2016.

## 13. Management Discussion and Analysis

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### 13.1 Management Discussion and Analysis of Financial Position and Operating Results

#### 13.1.1 Overview of Operating Results

The Company engages in manufacturing and distribution of water purifier business and distribution of home electric appliances of which the main distribution channel is direct sales. The direct sales include cash sales and installment sales. Therefore, revenues of the Company can be divided into 2 main types: revenues from sales and realized interest under hire purchase. In 2016, despite the fact that the world and Thailand's economic slowdown affected in consumer spending, problem in quality of drinking water and water for household use, health trends, as well as demands of electric appliances were driving the Company's products still on customers' demand. As a result, the Company's operations have been reported continual growth.

The Company continues its marketing strategy by increasing new branches in up-country and in modern trade channel, relocating and restoring branches, in order to capture new customers and render prompt & effective after-sales service across the country. The Company's drinking water purifiers are suitable for all customers' lifestyles and can be used for the treatment of all water quality. In addition to water purifier for drinking water, the Company distributes water purifier for regular usage to satisfy customers' needs in order to cope with water quality problem. As for electric appliances namely air conditioner, water heater, television and washing machine, etc., saw a substantial increase in sales volume resulting from selling through telemarketing sales which focus on up-sell and cross-sell to existing customers. In addition, with the strong functions, the Company expands its business to financial services by investing in a new subsidiary, which obtained the Supervised Personal Loan Business License from Ministry of Finance in Quarter 4 of 2016. The subsidiary will start the operation in 2017. Furthermore, the Company expands its business overseas by entering into a joint venture agreement with a group of leasing companies in the Lao People's Democratic Republic, to form a joint venture doing cash payment and installment sales of water purifiers. The first shipment was exported to the Lao People's Democratic Republic in Quarter 1 of 2017.

In terms of products, the Company continues to invest in product research and development. Together with cleanliness of water, to convert purified water into Alkaline water (the Company has registered patents and petty patents with the Department of Intellectual Property, Ministry of Commerce, eligible for 4 to 5 year term protection) and contains minerals which are necessary for body. The Company continually improves product quality as well as design, and utilize technology for comfort use.

#### 13.1.2 Analysis of Operating Results

##### Sales

The Group derives its sales revenues from 2 major types of revenues, which are revenues from direct sales and telesales channels in terms of both cash payment and installment payment, and revenues from distributing products through one direct selling company.

For 2014, 2015 and 2016, the Group earned total revenues (revenues from sales of goods and realized interest under hire purchase) amounting to Baht 1,125.25 million, Baht 1,617.28 million, and Baht 1,836.15 million, respectively. Comparing between 2015 and 2016, total revenues



increased by Baht 218.87 million from previous year or went up by 13.53% year-on-year. Total revenues consisted of revenue from sales of goods amounting to Baht 1,607.62 million, an increase of Baht 155.43 million or 10.70%; realized interest under hire purchase of Baht 228.53 million, an increase of Baht 63.44 million, or increased by 38.43%. Higher revenues were resulted from an increase in sales of new water purifier models with higher selling price, and a substantial growth in sales of electric appliances.

The proportions of sales separated by distribution channels are stated below.

Sales	Accounting Year Ended 31 December					
	2016		2015		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Direct Sales						
- Cash Payment	148.46	9.2	140.36	9.7	136.02	13.6
- Installment Payment	1,389.33	86.5	1,241.33	85.5	792.34	79.5
Total Direct Sales	1,537.79	95.7	1,381.69	95.2	928.36	93.1
Distribution through the Other Company	69.83	4.3	70.50	4.8	68.47	6.9
<b>Total Sales</b>	<b>1,607.62</b>	<b>100.0</b>	<b>1,452.19</b>	<b>100.0</b>	<b>996.83</b>	<b>100.0</b>

The Group's revenues mainly came from revenues from direct sales, contributing about 90% of total revenues from sales of goods.

Details of revenues from major distribution channels are as follows:

**(1) Revenues from direct sales**

The revenue was primarily from direct sales by installment payment. In 2016, revenue from direct sales by installment payment was Baht 1,389.33 million whereas revenue from direct sales by cash payment was Baht 148.46 million.

**(2) Revenues from distribution through the other company**

The Company manufactures and distributes products through a leading direct sale company. Revenues from this channel of 2014, 2015 and 2016 were Baht 68.47 million, Baht 70.50 million and Baht 69.83 million, respectively. The Company has been trusted in the product quality and service, resulting in an increase in sales order for production further.

Comparing sales of main products, revenues from sales of water purifier products in 2014, 2015 and 2016 were Baht 825.87 million, Baht 1,201.57 million and Baht 1,286.83 million, respectively. For 2016, the revenue from sales of water purifier increased Baht 85.26 million from previous year or went up by 7.10% year-on-year while the quantity sold was insignificantly changed. This was a consequence of an introduction of a new water purifier model with a higher selling price.

The revenues from sales of replacement filter in 2014, 2015 and 2016 were Baht 165.14 million, Baht 179.54 million, and Baht 180.16 million, respectively. For 2016, the revenues from sales of

the replacement filter increased by Baht 0.62 million from previous year or went up by 0.35% year-on-year, driven by set up of telesales channel, and an increase in number of telesales staff.

The Company has started to sell air conditioning units in Quarter 4 of 2014, and offered a greater variety of electric appliances, e.g., water heater, television, washing machine, etc. Therefore, the revenues from sales of electric appliances and others have a substantial growth in 2016, amounting to Baht 140.63 million.

The proportions of revenues by products are shown below:

<b>Revenues by Products</b>	<b>Amount</b> <i>(Million Baht)</i>	<b>%</b>
Water purifier	1,286.83	80.0
Replacement filter	180.16	11.2
Electric appliances and others	140.63	8.8
<b>Total</b>	<b>1,607.62</b>	<b>100.0</b>

#### **Cost of sales**

Costs of sales comprised raw material costs, labor costs of production staff, manufacturing overhead and other costs. The costs of sales for 2014, 2015 and 2016 were Baht 201.33 million, Baht 344.73 million, and Baht 410.08 million, and cost of sales to total revenues ("Cost to sales revenue ratio") were 17.89%, 21.32% and 22.33%, respectively. Cost of sales for 2016 increased from previous year of Baht 65.35 million, or 18.96%, in line with sales increase. Cost to sales revenue ratio increased from previous year due to higher cost of new water purifier models which have higher product quality, as well as increasing in sales proportion of electric appliances which have higher cost to sales revenue ratio compared to water purifier products of the Company.

#### **Finance costs**

Finance costs were interest expenses on loans. The Group utilized a working capital loan, as part of its funding, to operate its hire purchase business, together with funds from collections from customers. Therefore, in addition to the cost of sales, the finance costs were considered another main cost of the Group's operations. Categorized by purposes of use, finance costs comprised costs of working capital loans for operating activities, and costs of long-term borrowings used for investing activities. Total finance costs of 2014, 2015 and 2016 were Baht 6.51 million, Baht 10.46 million, and Baht 25.56 million, respectively.

Compared to 2015 and 2016, the finance costs of 2014 was lower because the Company had higher liquidity from IPO proceeds in 2014, and it used the proceeds for repayment of short-term loans, used for investment and working capital, which was the purpose of the IPO. In addition, the Company gradually made repayment of long-term loans. As a result, the interest was decreased in line with the reduction in principals of loans. In 2015 and 2016, the Company had higher finance costs aligned with sales increase. As a consequence of the sales increase, the Company required higher working capital and additional investment for business expansion, e.g. construction of a new factory, development of Information Technology System, expansion of branches and service centers in upcountry, and investment in subsidiaries, etc.

## **Selling expenses**

Selling expenses were fundamental expenses to the Group's business, which was driven by direct sales. Key items of selling expenses comprised employees' compensation namely commission, travelling expenses, allowances, etc. Although the selling expenses reported increasingly, which were Baht 564.33 million, Baht 711.80 million and Baht 755.44 million for 2014, 2015 and 2016, respectively, the proportions of selling expenses to total revenues were decreasing (2014: 50.15%, 2015: 44.01%, 2016: 41.14%). This showed the Company's ability to efficiently maintain the selling expenses at appropriate level.

## **Doubtful accounts and bad debts**

In terms of credit control and inspection, the Company has established the Credit Department in order to assess the customers' ability to pay, and to collect installment from the customers. Moreover, there was the Company's policy that sales staff are required to share losses from uncollectible debts by deducting staff's remuneration. This is a measure to mitigate risk and reduce impact from uncollectible debts. This aimed to raise conservative sale quality awareness of the Company's sales staff.

The Company set up allowance for doubtful accounts for delinquency, based on the estimation of uncollectible debts taking into account past experience in debt collection, management's consideration on analysis of each doubtful account. The basis for calculation of allowance for doubtful accounts was based on aging of receivables. (Additional information is available in the table of accounting policy on allowance for doubtful accounts of hire purchase receivable.) The Company will record bad debts for overdue debts of more than 3 installments. The debtors will be contacted by the Company's staff and will receive warning notices from the Company before the accounts are written off and recorded as bad debts. The Company will then process for further legal actions against bad debtors.

Bad debts and allowance for doubtful accounts recorded for 2014, 2015 and 2016 were Baht 81.53 million, Baht 118.46 million and Baht 235.29 million, respectively. The amounts have been increasing each year due to increases in sales and accounts receivable. The Company has established more prudent credit approval policy, and increased stringency in credit approval processes to ensure quality of debt management. The credit approval process was strictly monitored by the Company's Credit Department. In addition, according to the Company's policy, commissions will be recalled from sales staff on uncollectible debts. Such policy has been consistently reviewed on a regular basis and revised as necessary in order to suit current situations.

## **Other income**

Other income was income derived from other sources than sales of main products. Majority of the other incomes was from sales of plastic scrap, premium gift and bad debt recoveries. The Group has recorded other income for 2014, 2015 and 2016 at Baht 35.30 million, Baht 28.47 million and Baht 28.41 million, respectively.

## **Administrative expenses**

Administrative expenses included employees' expenses, depreciation and utility expenses, etc. Administrative expenses of the Group for 2014, 2015 and 2016 were Baht 191.16 million, Baht 278.03 million and Baht 338.75 million, respectively. The increase in administrative expenses mainly consisted of employee expenditures due to an increase in member of staff for business expansion; a growth in depreciation due to the development of information technology and an increase in office building and equipment. In summary, the increase in administrative expenses was due to activities to support business expansion. The expenses went up in line with the increase in total revenues.

## **Net profit**

The Group generated net profits of Baht 93.72 million, Baht 145.95 million, and Baht 80.59 million, or net profit ratios were 8.33%, 8.97% and 4.31%, for 2014, 2015 and 2016, respectively. Compared to 2015, the net profit of 2016 decreased of Baht 65.36 million, or 44.79%. A decrease in net profit of 2016 was due to an increase in doubtful accounts and bad debts. The Company is aware of the impact of this risk, and has implemented rigid measurement as mentioned in the above Doubtful Accounts and Bad Debts Part. On the other hand, the Company has efficiency in managing of total selling and administrative expenses as reflected in the lower proportion to total revenues. However, the proportion of cost of sales to total revenues from sales of goods and realized interest under hire purchase increased due to the higher portion of sales of electric appliances.

## **Extraordinary (non-recurring items)**

In 2015, the Company recorded actuarial loss on employee benefit plan of Baht 2.60 million (net from income tax effect). This item was presented in "Shareholders' Equity" and "Other Comprehensive Income" that will never been reclassified to profit or loss.

### **13.1.3 Financial position analysis**

#### **13.1.3.1 Assets**

Total assets grew continually, which was in line with revenue growth. As at 31 December 2014, 2015 and 2016, total assets of the Group were Baht 1,083.05 million, Baht 1,583.01 million and Baht 1,862.44 million, respectively. Majority of assets were hire purchase receivables, property, plant and equipment ("PPE"), and inventories. The accounts receivable from hire purchase came from customers of direct sales by installment payment, which was the main revenue of the Company, meanwhile PPE was from investment of manufacturing factory, office building, and intangible assets for preparation of business expansion. Inventories went up from purchase of raw materials for production of new model products.

Proportions of current assets to total assets are presented in the table below:

<b>Assets (Million Baht)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total assets	1,862.44	1,583.01	1,083.05
Current assets	1,212.83	742.15	497.92
<b>Proportions of current assets to total assets (%)</b>	<b>65.12</b>	<b>46.88</b>	<b>45.97</b>

Proportions of current assets to total assets have been continually increased due to increases in hire purchase receivables and inventories for new model production. The increases aligned with the sales increase.

### **Hire purchase receivables**

Hire purchase receivables (net) were receivables from installment sales (net of deferred hire-purchase interest, deferred output tax, allowance for doubtful accounts and allowance for goods returned) which had the highest proportion in current assets. As at 31 December 2014, 2015 and 2016, the Group had hire purchase receivables (net) of Baht 365.49 million, Baht 750.04 million and Baht 913.19 million, respectively.

### **Adequacy of allowance for doubtful accounts**

Major portion of the Company's accounts receivable was hire purchase receivables from sales of water purifiers. The Company's policy on allowance for doubtful accounts for uncollectible debts is as follows:

Accounting policy on allowance for doubtful accounts of hire purchase receivables

<b>Delinquency</b>	<b>% of Allowance for doubtful accounts</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Current	2.5	2.5	1
Overdue 1 installment	6	6	6
Overdue 2 installments	30	30	30
Overdue 3 installments	50	50	50
Overdue exceeding 3 installments	100	100	100

Aging of hire purchase receivables and allowance for doubtful accounts as at 31 December 2014 - 2016 are presented in the below table:

Hire purchase receivables (Receivables less unrealized interest income-net)	Hire purchase receivable as at						Allowance for doubtful accounts					
	31 December 2016		31 December 2015		31 December 2014		31 December 2016		31 December 2015		31 December 2014	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Current	776.47	76.1	674.16	82.8	329.78	85.2	19.48	2.5	16.88	2.5	3.30	1.0
Overdue 1 installment	113.22	11.1	69.83	8.6	30.64	7.9	6.79	6.0	4.19	6.0	1.84	6.0
Overdue 2 installments	49.36	4.8	28.72	3.5	11.15	2.9	14.81	30.0	8.61	30.0	3.34	30.0
Overdue 3 installments	33.08	3.2	17.71	2.2	6.36	1.6	16.54	50.0	8.85	50.0	3.18	50.0
Overdue exceeding 3 installments	48.43	4.8	23.81	2.9	9.27	2.4	48.43	100.0	23.82	100.0	9.27	100.0
<b>Total</b>	<b>1,020.56</b>	<b>100.0</b>	<b>814.23</b>	<b>100.0</b>	<b>387.20</b>	<b>100.0</b>	<b>106.05</b>	<b>-</b>	<b>62.35</b>	<b>-</b>	<b>20.93</b>	<b>-</b>

From the comparison of accounts receivable as of 31 December 2016 to those of the previous years, the proportion of receivables overdue increased. The Company is aware of this matter and has implemented measurement to cope with the issue. In late 2014, the Company has considered to revise rates of provision for doubtful accounts based on the conservative basis in accordance with Generally Accepted Accounting Principles, to align with the current economic conditions and installation periods. This resulted in an increase in the allowance for doubtful accounts which were Baht 20.93 million, Baht 62.35 million and Baht 106.05 million as of 31 December 2014, 2015 and 2016, respectively.

### Inventories

Inventories as at 31 December 2014, 2015 and 2016 amounting to Baht 59.85 million, Baht 152.84 million and Baht 161.02 million, respectively. The inventories went up due to purchase of raw materials reserved for the production of new water purifier models.

### Net property plant and equipment (PPE)

As at 31 December 2014, 2015 and 2016, the Group had PPE amounting to Baht 387.34 million, Baht 462.10 million and Baht 499.88 million, respectively. Most of the PPE were land and building of head office, and factories. The PPE were steadily increased as a result of business expansion. The majority increases in the PPE in 2016 were from vehicles of Baht 34.87 million, for additional sales teams; building and building improvement of Baht 16.32 million; tools, office and computer equipment of Baht 20.30 million, including Call Center and Telesales System used for selling of replacement filter and electric appliances to the Company's existing customers.



## Deferred tax assets

The deferred taxes of the Group were deferred tax assets caused by the differences in revenue and expense recognition between accounting and tax bases. As at 31 December 2014, 2015 and 2016, the deferred tax assets were Baht 8.72 million, Baht 17.46 million and Baht 24.91 million, respectively. The increases in deferred tax assets derived from allowance for doubtful accounts and employee benefit obligations.

## Intangible assets

Majority of intangible assets comprised computer software and assets under development. Intangible assets of the Group as at 31 December 2014, 2015 and 2016 were Baht 10.90 million, Baht 16.88 million and Baht 25.05 million, respectively. Intangible assets significantly increased because the Company invested in information technology system to enhance sales and collection operations and prepare for new branches to be opened in the future.

### 13.1.3.2 Liabilities

The Group's liabilities comprised loans from financial institutions, trade and other payables, long-term loans, liabilities under finance lease agreements, employee benefit obligations, income tax payable, and other liabilities. Total liabilities as at 31 December 2014, 2015 and 2016 amounting to Baht 274.96 million, Baht 667.09 million and Baht 880.12 million, respectively. The Group's liabilities increased in line with an increase in hire purchase receivables. Details of major liabilities are as follows:

- **Short-term loans from financial institutions** As at 31 December 2016, the Group's short-term loans from financial institutions were Baht 596.92 million, consisted of Baht 150 million of promissory notes and Baht 450 million (included discount) of bills of exchange. The short-term borrowings were leveraged for working capital and expanding of business. The Company have never defaulted on loans and have been able to make all repayment within due date. In case the borrowings were not renewed, the Company has other sources of funds to make payments when due. Moreover, the Company has credit facilities from banks and other sources of funds to support its normal operations and for working capital.
- **Trade and other payables** steadily increased. As at 31 December 2016, the outstanding balance was Baht 102.83 million, due to purchase of raw materials for production of new water purifier models and stockpiling of electric appliances stored for satisfying customers' demands.
- **Long-term loans** as of 31 December 2016 was Baht 41.10 million, decreased from 2015 of Baht 21.62 million because the Company has made repayment of the principals.
- **Liabilities under finance lease agreements** Most of the liabilities under finance lease agreements were for the acquisition of motor vehicles used in the operations. An increase of Baht 6.20 million for the outstanding balance of 2016 due to an increase in motor vehicles for sales teams.
- **Employee benefit obligations** Due to an increase in number of employees, the Group recorded additional Baht 1.01 million in 2016, based on the actuarial calculation.

### 13.1.3.3 Shareholders' equity

As at 31 December 2014, 2015 and 2016, the Group's shareholders' equity were Baht 808.10 million, Baht 904.44 million, and Baht 972.35 million, respectively. Shareholders' equity has risen

continually from the steady flow of net profits which resulted in the Company's ability to pay dividend to the shareholders in accordance with the dividend payment policy. Major activities in 2016 regarding shareholders' equity, apart from annual profits, are as follows:

- **Dividend payment** The Company paid dividend totaling Baht 99.55 million, of which the payment were made by stock dividend of Baht 40.13 million and by cash dividend of Baht 59.42 million, pursuant to the following resolutions:
  - 1) The Shareholders' Annual General Meeting of 2016, held on 22 April 2016, passed resolution to pay dividend for the year 2015 of Baht 48.16 million. The payment was made by stock dividend of Baht 40.13 million, and by cash dividend of Baht 8.03 million.
  - 2) The Board of Directors' Meeting No. 6/2016, held on 11 November 2016, passed resolution to pay interim dividend for the year 2016 of Baht 51.39 million of which total amount was paid by cash.
- **Registered capital** The Company has increased registered capital of Baht 60.20 million for stock dividend payment and warrant exercise, causing the registered capital as at 31 December 2016 to reach Baht 662.20 million (2015: Baht 602.00 million). The issued and paid up share capital as at 31 December 2016 was Baht 467.18 million (2015: Baht 401.33 million).
- The Group recorded **actuarial loss on employee benefit plan** for 2015 of Baht 2.60 million (net from income tax effect) as mentioned in Section "Extraordinary (non-recurring items)".

#### 13.1.3.4 Financial structure

As at 31 December 2014, 2015 and 2016, the Group's Debt to Equity ratios were 0.34, 0.73 and 0.90, respectively. The ratios of interest bearing debt to equity were 0.21, 0.56 and 0.73, respectively. The debt to equity ratio and interest bearing debt to equity ratio increased due to fund requirement of business expansion. However, compared to other companies in the installment sales industry, the Company's ratios are considered relatively low.

#### 13.1.3.5 Liquidity

##### Cash Flows

Sources and uses of cash flows can be summarized as follows:

Unit : Million Baht	As at 31 December		
	2016	2015	2014
Operating Activities	(38.88)	(269.81)	2.21
Investing Activities	(55.86)	35.67	(178.34)
Financing Activities	162.51	259.59	176.13
<b>Net cash increase (decrease)</b>	<b>67.77</b>	<b>25.45</b>	<b>(0.00)</b>
Cash and cash equivalent, beginning of the year	33.63	8.18	8.19
<b>Cash and cash equivalent, ending of the year</b>	<b>101.40</b>	<b>33.63</b>	<b>8.18</b>

As a result of the efficiency in liquidity management, the Group had sufficient working capital and could pay the dividend in cash totaling of Baht 59.42 million during the year 2016 (2015: Baht 47.01 million).

#### **13.1.4 Analysis of return on shareholders' equity**

Return on Shareholders' Equity (ROE) decreased from 16.83% in 2015 to 8.33% in 2016. Major factors affecting ROE are as follows:

- (1) **Cost management:** Net Profit Margin decreased from 8.97% to 4.31% as a result of increases in doubtful accounts and bad debts. The management is aware of the impact of this risk, and has implemented rigid measurement as mentioned in the above Doubtful Accounts and Bad Debts Part. On the other hand, the Company has efficiency in managing other expenses as reflected in the lower proportion to total revenues.
- (2) **Asset turnover:** Asset Turnover of 2016 was at 1.07 times - no significant change from 2015 which was at 1.21 times, despite increasing in total assets of Baht 279.44 million in 2016. This showed the efficiency in asset management of the Company.
- (3) **Financial structure:** Debt to Equity Ratio went up from 0.73 to 0.90 times as a result of requirement of funds for investing and working capital in operations and business expansion.

### **13.2 Factors that may have impacts on operating results or financial positions in the future**

#### **The expansion of urban community and the proportions of sales**

The Company focuses its distribution in the urban areas where there is a high population density to enable salespersons to perform their duties most effectively. As a result of the trend of domestic economic growth, urban communities have continually expanded. This development has positively contributed to the Company's marketing plan. In addition, it has increased new potential areas, which is an opportunity for the Company's business growth and expansion in the future.

#### **Effect from new accounting standards**

The Company and its subsidiaries have adopted the revised (revised 2015) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. The adoption of these financial reporting standards does not have any significant impact on the financial statements of the Company and its subsidiaries.

For the new and revised financial reporting standards become effective for annual financial period beginning on or after 1 January 2017, the Company and its subsidiaries have not adopted because such standards were not yet effective as of the reporting date.

The Company has expected that the new and revised financial reporting standards according to the Federation of Accounting Professions' Notification will be adopted. The Company is considering an effect on the financial statements when such financial reporting standards have been applied. (See further details relating to new and revised financial reporting standards in the financial statements).

### Forward looking in 2017

The Company aims to be the leading company in manufacturing of water purifiers in Thailand with a dominant market share. Therefore, the Company continues to invest in product research and development in order to improve product quality together with well design and comfort use. To capture more new customers across the country, the Company plans to increase about 5 new branches in up-country in 2017.

In terms of electric appliances, the Company has started to sell products via telemarketing which focuses on up-sell and cross-sell to existing customers. Taking current customer behavior into consideration, the trend of online shopping is gaining momentum, The Company therefore focuses on social network channels, e.g., facebook and line, etc. by launching PONSaBUY (easy installment payment) Program through the online market. The Program has been gaining overwhelming responses from new customers by purchasing the products with instalment payments under PONSaBUY Program.

In 2017, the Company focus will be on expanding distribution channels including our branches and PONSaBUY Program throughout Thailand. There are opportunities and potential customers for the Company to grasp and expanding business to new markets with variety of products.

With our marketing strategies and other supporting factors, we will be able to expand our business to reach the targeted total revenue of Baht 2,000 million in 2017.

In addition to business expansion to increase customer coverage, the Company also focuses on research and development to continually improve product quality to enhance its sustainable growth.

#### **14. Details of the Directors, Executive Board Member, Controlling Person and Company Secretary.**

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Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
1. Mr. Sahas Treetipbut • Chairman of the Board	69	<ul style="list-style-type: none"> <li>- Master of Science (Computer and Information Sciences), Syracuse University, New York, USA.</li> <li>- Statistics Faculty of Commerce and Accountancy Chulalongkorn University</li> <li>- Successful Formulation &amp; Execution of Strategy (SFE) Class 7/2013 Thai Institute of Directors.</li> <li>- How to Measure the Success of Corporate Strategy (HMS) Class 2/2013 Thai Institute of Directors.</li> <li>- Director Accreditation Program (DAP) Class 28/2004 Thai Institute of Directors.</li> </ul>	-	-	2014 – Present  2013 – Present 2013 – Present 2008 – Present  2001 – Present  Present	Chairman of the audit committee / Independent director / Nomination  Director Chairman of the Board Chairman of the Board / Audit Committee / Independent director Director / Nomination and Remuneration Committee Member / Executive Committee Member Director	Origin Property Public Company Limited  Netbay Public Company Limited Thiensurat Public Company Limited COL Public Company Limited  Internet Thailand Public Company Limited  MBK Resort Public Company Limited
2. Mr. Werawat Changyoo • Director / Chairman of the Executive / Corporate Governance and Corporate Social Responsibility Committee Member / Chief Executive Officer* • Advisor to the Executive Committee**  * Date of resign : effective on 11 NOV 2016 ** Date of appointment : effective on 12 NOV 2016	67	<ul style="list-style-type: none"> <li>- Master of Engineer (ENV) University Of Roorkee, India.</li> <li>- Bachelor of Science Program in Public Health Mahidol University.</li> <li>- The Boss Class 24, Management and Psychology Institute.</li> <li>- Director Accreditation Program (DAP) Class SET/2012 Thai Institute of Directors.</li> <li>- Family Business Sustainability (FBS) Class 1/2014 Thai Institute of Directors.</li> </ul>	20.43 (shares of wife 1.10)	<ul style="list-style-type: none"> <li>- The father of the person in No.3</li> <li>- The father of the person in No.5</li> <li>- The father of the person in No.6</li> <li>- Grandaunt of the person in No.13</li> <li>- The Older brother of the person No.16</li> </ul>	NOV 2016 – Present 2013 – NOV 2016  2005 – 2013 Present Present Present	Advisor to the Executive Committee Director / Chairman of the Executive Board /Member of the Corporate Governance and Corporate Social Responsibility Committee /Chairman of the Board Chairman of the Board Chairman of the Board Director Director Director	Thiensurat Public Company Limited Thiensurat Public Company Limited  Thiensurat Company Limited Safe Trade International Company Limited Ideal Water Company Limited Better Dreams Company Limited ThienTham Property Company Limited



Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
3. Mr. Ekarat Changyoo • Director • Chief Executive Officer* • Chairman of the Executive Board* • Corporate Governance and Corporate Social Responsibility Committee Member* • Risk Management Committee Member • Deputy Managing Director-New Channel and Customer Service Group  * Date of appointment : effective on 12 Nov. 2016	31	- Master of science, International Business& English, University of Portsmouth, Hampshire UK. - Bachelor Degree Accounting, Kasetsart University. - Family Business Sustainability (FBS) Class 1/2014 Thai Institute of Directors. - Director Accreditation Program (DAP) Class SET/2012 Thai Institute of Directors.	6.26	- Son of the person in NO.2 - Little brother of the person No.4. - Little brother of the person No.5. - Nephew of the person No.16	2016 – Present 2013 – Present     2014 – Present 2013 – 2014  2013  2012 – 2013 2012 2010-2011	Director Director / Chairman of the Executive Board / Corporate Governance and Corporate Social Responsibility Committee Member / Risk Management Committee Member / Deputy Managing Director-New Channel and Customer Service Group Director Deputy Managing-Customer Relations Management Group Deputy Managing-Customer Relations Management Group Assistant Managing Director Secretary of Managing Director Assist Merchandise Planner (apparel), Commercial Non-Food Accounting Officer	Thiensurat Leasing Company Limited Thiensurat Public Company Limited      Fedders Thai Company Limited Thiensurat Public Company Limited  Thiensurat Company Limited  Thiensurat Company Limited Thiensurat Company Limited Ek – Chai Distribution System Co., Ltd and Tesco.

Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
4. Mr.Viruch Wongnirund • Director • Executive Board Member • Chairman of Risk Management Committee Managing Director	63	<ul style="list-style-type: none"> <li>- Master of Business Administration (MBA), Florida International University, Miami, Florida, USA</li> <li>- Certificate in Production and Manufacturing, Florida International University, Miami, Florida, USA</li> <li>- Bachelor of Science in Industrial Technology (Honor), Florida International University, Miami, Florida, USA</li> <li>- Associate Degree in Pre-Engineering, Miami-Dade Community College, Miami, Florida, USA</li> <li>- Audit Committee Program (ACP) Class 37/2011, Thai Institute of Directors.</li> <li>- Successful Formulation &amp; Execution of Strategy, Class 11/2010 Thai Institute of Directors.</li> <li>- Director Certification Program (DCP) Class 135/2010, Thai Institute of Directors</li> </ul>	0.14	- -None-	2016 – Present 2013 – Present  2014 – Present 2012 – 2013 2011 – 2014  2010 – 2016 2009 – 2012  2002 – 2009  2001 – 2002  1991 – 1998 1989 – 1991	Director Director / Executive Board Member / Chairman of Risk Management Committee / Managing Director Director / Risk Management Committee Member Organizational Development and Systems Director / Chairman of the Audit Committee / Executive Committee Member Director / Chairman of the Audit Committee Senior Executive Vice President-Director Central Financial Planning Group Senior Vice President and Manager Management Information Department First Vice President and Manager Computer Audit Department Branch Manager, Los Angeles Deputy Branch Manager, New York	Thiensurat Leasing Company Limited Thiensurat Public Company Limited  Krungthai-AXA Company Limited Thiensurat Company Limited Krungthai-AXA Company Limited  KTB Computer Services Company Limited Krung Thai Bank Public Company Limited  Krung Thai Bank Public Company Limited  Krung Thai Bank Public Company Limited Krung Thai Bank Public Company Limited

Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
5. Ms. Theinvannee Changyoo ● Director* ● Executive Board Member ● Risk Management Committee Member ● Deputy Managing Director – Business Support Group ● Company Secretary**  *Date of resign : effective on 23 MAY 2016 and Date of appointment : effective on 26 JAN 2017 ** Date of resign : effective on 26 JAN 2016	36	- Master of Business Administration, (Banking & Finance) Denver University, USA. - Master of Science in Finance, Denver University, USA. - Bachelor of Economics Chulalongkorn University. - Director Accreditation Program (DAP) Class 98/2012 Thai Institute of Directors. - Management Accounting for Non-Financial Executive, Federation of Accounting Professor Under The Royal - Patronage of His Majesty The King.	6.96	- Daughter of the person in No.2. - Older sister of the person in No.5. - Older sister of the person in No.6. - Nephew of the person No.16 -	JAN 2017–Present  2015 – Present 2015 – JAN 2017 MAR 2013–MAY 2016 2009 – 2013 2005 – 2008 2006 – Present 2005 – Present 2005 – Present 2003 – Present	Director / Executive Board Member / Risk Management Committee Member / Deputy Managing Director–Business Support Group  Director Company Secretary Director Director / Managing Director Director–Business Development Department Director Director Director Director	Thiensurat Public Company Limited  Fedders Thai Company Limited Thiensurat Public Company Limited Thiensurat Public Company Limited Thiensurat Company Limited Thiensurat Company Limited Safe Trade International Company Limited Better Dreams Company Limited ThienTham Property Company Limited Ideal Water Company Limited
6. Ms. Savita Changyoo ● Director ● Executive Board Member ● Risk Management Committee Member ● Nomination Remuneration Committee Member ● Deputy Managing Director – Marketing Group	34	- Bachelor of Science Program in Home Economics Kasetsart University. - Postgraduate Diploma in Marketing and Management, the United Kingdom. - Family Business Sustainability (FBS) Class 1/2014 Thai Institute of Directors. - Director Accreditation Program (DAP) Class 99/2012 Thai Institute of Directors.	6.48	- Daughter of the person in No.2. - Younger sister of the person in NO.4 - Older sister of the person in No.6. - Nephew of the person No.16	2016 – Present 2013 – Present  2014 – Present 2013 2011 – 2013 2005 – 2010 2005 – Present 2005 – Present 2005 – Present	Director Director / Executive Board Member / Risk Management Committee Member / Nomination Remuneration Committee Member / Deputy Managing Director Marketing Group  Director Director–Marketing Department Director–Marketing Department Director Logistics Director Director Director	Thiensurat Leasing Company Limited Thiensurat Public Company Limited.  Fedders Thai Company Limited Thiensurat Public Company Limited Thiensurat Company Limited Thiensurat Company Limited. Safe Trade International Company Limited Better Dreams Company Limited Ideal Water Company Limited

Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
7. Associate Professor. Boonserm Vimuktanandana • Director • Chairman of Audit Committee Independent Director	67	<ul style="list-style-type: none"> <li>- Master of Business Administration, Accountancy (M.B.A. – Accounting), Arizona State University, USA.</li> <li>- Master of Accountancy (M.A.), Chulalongkorn University.</li> <li>- Bachelor of Accountancy (B.A.), Faculty of Commerce and Accountancy, Chulalongkorn University.</li> <li>- Director Accreditation Program (DAP) Class 100/2013 Thai Institute of Directors.</li> <li>- Audit committee Program (ACP) Class 42/2013 Thai Institute of Directors.</li> </ul>	-	-None-	Present  2013 – Present  2008 – Present  2007 – Present  2011 – Present	Director / Chairman of Audit Committee / Independent Director  Director / Chairman of Audit Committee /Independent Director  The special lecturer Faculty of Commerce and Accountancy Chairman and Director of the Training Projects Subcommittee Test, Practices pertaining to the audit	Thiensurat Public Company Limited.  Union Textile Industries Public Company Limited.  Chulalongkorn University.  Chulalongkorn University.  Federation of Accounting Professor Under The Royal Patronage of His Majesty The King.
8. Dr.Supree Wongdeeprom Ph.D. • Director • Member of Audit Committee • Independent Director	62	<ul style="list-style-type: none"> <li>- Dr.Supree Wongdeeprom Ph.D. " Awards (2005) for Business Administration (General Management) granted by Professor Mom Luang Pin Malakul Foundation under the royal patronage of Her Royal Highness Princess MahaChakriSirindhorn</li> <li>- Doctor of Organization Development and Transformation (DODT.), Cebu Doctors' University</li> <li>- Master of Business Administration (M.B.A.), Ramkhamhaeng University</li> <li>- Bachelor of Economics in Industria Economics, Ramkhamhaeng University</li> <li>- Director Accreditation Program (DAP) Class SET/2012 Thai</li> </ul>	-None-	-None-	2013 – Present  2015 – Present 2015 – Present 2013 – Present 2013 – Present  2013 – Present 2007 – Present 2002 – Present 2008 – Present 2010 – 2014 2005 – 2009 2003 – 2007 2002 – 2004 2001 – 2002 2000-2002	Director/ Audit Committee Member/ Independent Director  Luminaries Audit Committee to solicit public Vice President Vice President Vice President  Director Sanchi Ginseng Research Institute Special instructor Secretary Thai National Members Consultants Medical Teacher Advisory Committee Health The Advisory Committee Committee Advisor the National Federation	Thiensurat Public Company Limited  The Prime Minister National Medical Emergency at first Culture and Economy Thailand – Myanmar Divinity Equity Association Under the Patronage of HRH the Princess Royal Mother minister KING PRAJADHIPOK INSTITUTE'S SOCIETY China Special Advisor Public and private universities Father Association National Economic and Social Advisory Council Institute Thailand – China. Southeast Asia RATTANA BUNDIT UNIVERSITY House of Representatives Science, Technology and Energy Senate Thai Film Associations

Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
		Institute of Directors			1999 – 2001 1999 1998–1999 1996–1997 1995–1996	Advisory Committee on Tourism council Board Secretary, Deputy Minister Board Secretary, Deputy Minister Board Secretary, Deputy Minister Advisor to the Deputy Minister	Representatives Transport Education Education Public Health
9. Mr. Suthee Tripornchaisak • Director • Member of Audit Committee • Independent Director • Nomination Remuneration Committee	65	- Master of Agricultural Economics Kasetsart University. - Bachelor of Agricultural Economics Kasetsart University. Director Accreditation Program (DAP) Class 103/2013 Thai Institute of Directors	-None-	-None-	2014 – Present  2013–2015  2007–2010	Director / Audit Committee Member / Nomination Remuneration Committee Independent Director Director / Audit Committee Member / Independent Director Executive Vice President – Director	Thiensurat Public Company Limited.  KTB General Services Company Limited.  Krung Thai Bank Public Company Limited.
10. Mr. Krit Umpote • Director • Independent Director • Member of Audit Committee • Chairman of the Corporate Governance and Corporate Social Responsibility Committee	76	- Advanced Management Program, Harvard Business School - Strategic Human Resource Management, Harvard Business School - M.S.B.A Indiana University USA. - Master of Public Administration NIDA - Bachelor of Accountancy, Thammasat University. - Bachelor of Commerce, Thammasat University.	-None-	-None-	2015 – Present 2015 – Present  2007 – 2014	Frequent lecturer Independent Director / Audit Committee and Chairman of the Nomination Remuneration Committee Independent Director / Audit Committee and Nomination Remuneration Committee	Thailand Institute of Directors THAI BRITISH SECURITY PRINTING PUBLIC COMPANY LIMITED  MFC ASSET MANAGEMENT PUBLIC COMPANY LIMITED

Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
11. Ms. Sumana Vonggapan <ul style="list-style-type: none"> <li>• Director</li> <li>• Independent Director</li> </ul> Chairman of the Nomination Remuneration Committee	66	<ul style="list-style-type: none"> <li>- M.B.A, Southeastern Oklahoma State USA.</li> <li>- Bachelor of Communication Arts, Chulalongkorn University.</li> </ul>	0.01	-None-	2015 – Present  2014 – Present  2010 – Present	Independent Director / and Nomination Remuneration Committee  Advisory Advisory Executive Management  Chairman of Directors Chairman of Audit Committee and Independent Director Chairman of Audit Committee and Independent Director Chairman of the Nomination and Remuneration and Human Resource Chairman of the Performance Evaluation  Chairman of the Recruitment Committee for Managing Director Senior Executive Vice President – Managing Director Human Resource and Corporate Governance Group	Thiensurat Public Company Limited.  Training Center Dhipaya Insurance Public Company Limited.  Dhipaya Insurance Public Company Limited.  KTB General Services Co., Ltd. KTB Leasing Co., Ltd.  KTB Advisory Company Limited KTB General Services Co., Ltd.  KTB General Services Co., Ltd.  KTB Leasing Co., Ltd.  Krung Thai Bank Public Company Limited.
12. Mr. Paitoon Homchan <ul style="list-style-type: none"> <li>• Executive Board Member</li> <li>• Risk Management Committee Member</li> <li>• Deputy Managing Director – Administrative Management Group</li> </ul>	55	<ul style="list-style-type: none"> <li>- Bachelor of General Management, Valaya Alongkorn Rajabhat University</li> <li>- Director Accreditation Program (DAP) Class SET/2012 Thai Institute of Directors</li> </ul>	0.98	-None-	2013 – Present  2013  2010 – 2013  2005 – 2009 2005 – Present 2005 – 2013  2002 – Present 2002 – 2009	Executive Board Member / Risk Management Committee Member / Deputy Managing Director Administrative Management Group Director and Director Administrative Management Director Administrative Management Department Director Administrative Management Director Director Administrative Management Department Director Director Administrative Management Department Director	Thiensurat Public Company Limited  Thiensurat Public Company Limited  Thiensurat Company Limited  Thiensurat Company Limited. Safe Trade International Company Limited Safe Trade International Company Limited  Ideal Water Company Limited Ideal Water Company Limited



Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
					2005 – Present 2004 – 2009 2004 – 2009 2007 – 2009	Director Administrative Management Department Director Administrative Management Department Director Administrative Management Department	Better Dreams Company Limited Better Dreams Company Limited Safe Direct Company Limited ThienTham Property Company Limited
13. Mr. Watcharin Watcharatham • Executive Board Member Deputy Managing Director – Production Group	40	- Bachelor of Public Health Faculty of Public Health Mahidol University. - Director Accreditation Program (DAP) Class 98/2012 Thai Institute of Directors.	0.42	- Nephew of the person No.2 - Nephew of the person No.16	2013 – Present 2013 2011 – 2013 2008 – 2010 2004 – 2007 2005 – Present 2002 – Present 2004 – Present	Executive Board Member / Deputy Managing Director Production Group Director Production Director Marketing Director Production Director Production Department Director Director Director	Thiensurat Public Company Limited. Thiensurat Public Company Limited. Thiensurat Company Limited. Thiensurat Company Limited. Thiensurat Company Limited. Safe Trade International Company Limited. Ideal Water Company Limited. Better Dreams Company Limited.
14. Mr. Pattanon Premssmit • Executive Board Member • Deputy Managing Director – Business Development Group*  * Date of appointment : effective on 26 JAN 2017	52	- LL.M. (Business Law) Chulalongkorn University. - LL.B. Chulalongkorn University. - Mini MBA The University of Thai Chamber of Commerce. - Senior Executive Program SASIN, Chulalongkorn University.	-None-	-None-	JAN 2017 – Present 2015 – Present 2015 – JAN 2017 2011 – 2014 2007 – 2011 2006 – 2007 2003 – 2005 2000 – 2002 1997 – 2000	Deputy Managing Director – Business Development Group Executive Board Member Deputy Managing Director – Network Group Senior Vice President Relationship & Sales Management Vice President Regional Manager Metropolitan 3 Vice President & Manager Head of Business Unit HR Vice President & Manager Head of Learning & Development Vice President – IIBG HR Unit Office of the President Human Resource & Corporate Affairs Director	Thiensurat Public Company Limited Thiensurat Public Company Limited Thiensurat Public Company Limited Bangkok Bank Public Company Limited Bangkok Bank Public Company Limited Bangkok Bank Public Company Limited Bangkok Bank Public Company Limited Bangkok Bank Public Company Limited King Power International Group of Companies

Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
15. Mr. Pradit Pinyopasakul <ul style="list-style-type: none"> <li>Executive Board Member*</li> <li>Senior Deputy Managing Director *</li> </ul> *Date of resign : effective on 1 JAN 2017	46	<ul style="list-style-type: none"> <li>M.Eng. (Computer Engineering), Chulalongkorn University, 1994</li> <li>B.Eng. (Computer Engineering), Chulalongkorn University, 1992</li> <li>Certificate (Advanced Management Development &amp; Innovation Program), Chulalongkorn University, 2011</li> <li>Certificate (Retail Management), Chulalongkorn University, 2007</li> </ul>	- None -	- None -	MAR 2016-DEC 2016 MAR 2015-MAR 2016 2014-MAR 2015 2013 - 2014 2008 - 2013 2007	Executive Board Member / Senior Deputy Managing Director Deputy CEO CEO/General Manager Head of Commercial Assistant Director / Management & Planning Senior Vice President	Thiensurat Public Company Limited Thiensurat Public Company Limited True Voice Co., Ltd True Internet Data Center Co., Ltd. True Information Technology Co., Ltd Central Restaurants Group Co., Ltd
16. Mr. Asawin Changyoo <ul style="list-style-type: none"> <li>Executive Board Member*</li> <li>Risk Management Committee Member</li> <li>Deputy Managing Director – Legal Group*</li> </ul> *Date of resign : effective on 1 FEB 2017	63	<ul style="list-style-type: none"> <li>Bachelor of Law Ramkhamhaeng University</li> <li>Director Accreditation Program (DAP) Class 99/2012 Thai</li> <li>Institute of Directors.</li> </ul>	1.03	- Younger Brother of the person in No.2 Uncle of the person in No,3,5,6 and 13	FEB 2017 2013 - 2014 2013 2011 - 2013 2010 2005 - 2009 2005 - Present 2002 - Present 2004 - Present 2007 - 2009	Executive Board Member /Risk Management Committee Member / Deputy Managing Director – Legal Group Deputy Managing Director, Managing Director Office MD. Office Director MD. Office Director Director and Director of Legal and Production Director and Director Operations Department Director Director Director Director and Committee and Operations Department Director	Thiensurat Public Company Limited. Thiensurat Public Company Limited. Thiensurat Public Company Limited. Thiensurat Company Limited. Thiensurat Company Limited. Thiensurat Company Limited. Safe Trade International Company Limited. Ideal Water Company Limited. Better Dreams Company Limited. ThienTham Property Company Limited.

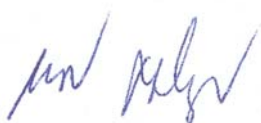
Name / Position	Age	Education	Shareholding	Relations	Work Experience 5 Years up		
					Years	Position	Organizations
17. Ms.Preeyaporn Kraisiriwut • Chief Financial Officer	42	- Master of Management Mahidol University - Bachelor of Accountancy, Thammasat University.	-None-	- -None-	May 2015 – Present May 2014 – May 2015 October 2013 – April 2014 September 2007 – September 2013	Chief Financial Officer Senior Manager Unit Compliance (Accountant) Accounting and Finance Senior Manager consulting, risk and internal controls.	Thiensurat Public Company Limited THORESEN THAI AGENCIES PUBLIC COMPANY LIMITED Chevron Thailand Exploration and Production, Ltd Pricewaterhousecoopers abas Ltd
18. Ms. Sureeporn Sadsang • Company Secretary* • Deputy Manager- Investor Relations Department  * Date of appointment : effective on 25 JAN 2017 and Date of resign : effective on 18 MAR 2017	40	- Bachelor's Degree in General Management (Marketing), Phranakhon Rajabhat University - Fundamental Practice for Company Secretary No.18 Thai Company Secretary Club (TCSC)	-None-	- -None-	JAN 2017-MAR 2017 2016- MAR 2017  APR 2008 – JUN 2016	Company Secretary Deputy Manager-Investor Relations Department Company Secretary / Manager Investor Relations Department	Thiensurat Public Company Limited Thiensurat Public Company Limited  Shun Thai Rubber Gloves Industry Public Co.,Ltd

## ***Board of Directors' Responsibilities for the Financial Statements***

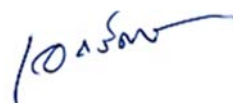
The Board of Directors of Thiensurat PCL. is responsible for and has provided the Consolidated Financial Statements and those for its Subsidiaries together with the associated information relating to their respective financial status as presented in this Annual Report. These Financial Statements and reports on the performance results for the financial year 2016 are prepared in accordance with generally accepted accounting principles and through the use of appropriate accounting policies that are consistently applied by the Company together with the use of careful consideration and best estimates. Further, all important and relevant information are adequately disclosed within the Notes to the Financial Statements.

Towards this end, the Board of Directors has appointed an Audit Committee consisting of Independent Directors, which is responsible reviewing the quality of these Financial Statements, the internal controls. The opinions and comments of the Audit Committee relating to these matters appear in the Audit Committee's Report that is included this Annual Report.

The Board of Directors is of the opinion that the overall internal controls system of the Company has functioned satisfactorily and, thus, has provided reliable, accurate and adequate information for the Consolidated and Financial Statements and those for its Subsidiaries for the financial year ending 31 December 2016.



(Mr.Sahas Treetipbut )  
Chairman of the Board



( Mr.Ekarat Changyoo )  
Chief Executive Officer

Thiensurat Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2016

## **Independent Auditor's Report**

To the Shareholders of Thiensurat Public Company Limited

### **Opinion**

I have audited the accompanying consolidated financial statements of Thiensurat Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2016, and the related consolidated 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, and have also audited the separate financial statements of Thiensurat Public Company Limited for (the Company) the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thiensurat Public Company Limited and its subsidiaries and of Thiensurat Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

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

### **Key Audit Matters**

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



I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

### **Revenue recognition from installment sales**

The Company has installment sales under hire purchase agreements with a large number of customers, and the agreements contain a variety of conditions, pertaining to matters such as cash discounts, installment payment terms and installment rates. In addition, the Company has to calculate the amount of hire purchase interest income to be recognised each period using of the effective interest rate method, for each agreement. The amounts of revenue from sales and hire purchase interest income recognised by the Company in each period were significant to the Company's total revenue (representing 87% of total revenue). There is therefore a risk with respect to the amount and timing of revenue recognition.

I have examined the revenue recognition of the Company by

- Assessing and testing the Company's IT system and its internal controls with respect to the revenue cycle by making inquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls, and with special consideration given to expanding the scope of the testing of the internal controls which respond to the above risks.
- On a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period to assess whether revenue recognition was consistent with the specified conditions, and whether it was in compliance with the Company's policy.
- Applying a sampling method to test the calculation of hire purchase interest income, which is recognised using the effective interest rate method.
- Reviewing credit notes and journal vouchers that the Company issued after the period-end.
- Performing analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

### **Allowance for doubtful accounts for hire purchase receivables**

As discussed in Note 9 to the financial statements, the estimation of allowance for doubtful accounts for hire purchase receivables relies on various assumptions. Therefore, the management is required to exercise considerable judgement in determining the assumptions to be used in estimating allowance for doubtful accounts for hire purchase receivables expected to be incurred when debtors are unable to repay the debt, and the timing of such recognition, through consideration of the current status of receivables, their ability to make payment, analysis of debt aging, collection experience and historical data on actual losses on collection. In addition, the allowance for doubtful accounts for hire purchase receivables is significant since as at 31 December 2016, the Company had balances of hire purchase receivables of Baht 913 million (accounting for 49% of total assets). There may therefore be a risk with respect to the amount of the allowance for doubtful accounts for hire purchase receivables.

I assessed and tested the internal controls relevant to the approval, recording, collection of debt under hire purchase agreements, and the calculation of allowance for doubtful accounts for hire purchase receivables. I also assessed the key information, assumptions and methods used by the Company in calculating allowance for doubtful accounts for hire purchase receivables by considering trends in the Company's collection experience and historical data on actual losses on collection, checking key information to its sources and testing the calculation of the allowance for doubtful accounts for hire purchase receivables.

### **Commission expenses**

The Company's main distribution channel is single level direct sales, which means there are a large number of employees working in sales and related services departments. To boost its sales volume, the Company has established the commission payment rates for the employees working in the sales and related services departments. For the year ended 31 December 2016, the Company recorded commission expenses amounting to Baht 471 million in the separate financial statements, which was a significant amount (accounting for 27% of expenses in the separate financial statements). The calculation of commission expenses is complex because there are a variety of calculation schemes and several factors are involved, such as sales volume and product category, quality of sales, and awards given to sales-persons exceeding sales targets. Moreover, the Company continually changes the commission rates in order to promote sales. There is therefore a risk related to the amount of commission expenses recognised.

I assessed and tested the Company's internal controls relevant to the calculation of commission expenses, and the approval and recording of transactions by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls with special consideration given to expanding the scope of the testing of the internal controls which respond to the above risks. I checked key information used in the calculation to its sources, tested whether the calculations were compliant with the Company's policies in effect in each period and performed analytical procedures comparing commission expenses to revenue from sales throughout the accounting period.

#### **Other matter**

The consolidated financial statements of Thiensurat Public Company Limited and its subsidiaries, and the separate financial statements of Thiensurat Public Company Limited for the year ended 31 December 2015 were audited by another auditor who, under her report dated 26 February 2016, expressed an unqualified opinion on those financial statements.

#### **Other Information**

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the 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 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. Termphong Opanaphan

Termphong Opanaphan  
Certified Public Accountant (Thailand) No. 4501

EY Office Limited  
Bangkok: 22 February 2017



**Thiensurat Public Company Limited and its subsidiaries**  
**Statement of financial position**  
**As at 31 December 2016**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	101,400,838	33,628,496	43,562,048	25,801,209
Trade and other receivables	8	24,446,628	24,211,882	18,808,479	22,254,944
Current portion of hire purchase receivables	9	903,761,128	495,495,024	903,761,128	495,495,024
Current portion of receivables under right transfer agreements		3,918,836	5,719,811	3,918,836	5,719,811
Inventories	10	161,017,477	152,835,297	154,033,460	142,346,752
Other current assets		18,287,890	30,250,987	16,197,527	29,157,963
<b>Total current assets</b>		<b>1,212,832,797</b>	<b>742,141,497</b>	<b>1,140,281,478</b>	<b>720,775,703</b>
<b>Non-current assets</b>					
Restricted bank deposits	11	18,700,705	21,796,024	4,700,705	7,110,889
Hire purchase receivables - long-term portion	9	9,437,045	254,542,719	9,437,045	254,542,719
Receivables under right transfer agreements - long-term portion		4,626,110	3,963,519	4,626,110	3,963,519
Investments in subsidiaries	12	-	-	72,597,185	22,597,200
Investment properties	13	58,776,648	58,850,350	58,776,648	58,850,350
Property, plant and equipment	14	499,881,572	462,098,392	487,820,526	449,016,634
Intangible assets	15	25,046,654	16,882,740	24,992,067	16,823,359
Deferred tax assets	25	24,908,423	17,459,235	24,194,129	16,803,355
Other non-current assets		8,233,792	5,271,493	8,209,645	5,262,569
<b>Total non-current assets</b>		<b>649,610,949</b>	<b>840,864,472</b>	<b>695,354,060</b>	<b>834,970,594</b>
<b>Total assets</b>		<b>1,862,443,746</b>	<b>1,583,005,969</b>	<b>1,835,635,538</b>	<b>1,555,746,297</b>

The accompanying notes are an integral part of the financial statements.

**Thiensurat Public Company Limited and its subsidiaries**  
**Statement of financial position (continued)**  
**As at 31 December 2016**

(Unit: Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>Note</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from					
financial institutions	16	596,920,725	378,060,903	596,920,725	378,060,903
Trade and other payables	17	102,832,927	86,017,961	101,749,270	85,770,089
Current portion of liabilities under					
finance lease agreements	18	28,222,224	29,688,763	28,193,640	29,482,128
Current portion of long-term loans	19	21,835,536	21,601,895	21,835,536	21,601,895
Income tax payable		9,287,310	30,523,921	8,682,969	29,753,992
Other current liabilities		25,568,935	12,566,723	24,752,235	12,310,190
<b>Total current liabilities</b>		<b>784,667,657</b>	<b>558,460,166</b>	<b>782,134,375</b>	<b>556,979,197</b>
<b>Non-current liabilities</b>					
Liabilities under finance lease agreements,					
net of current portion	18	53,915,646	46,245,811	53,902,006	46,203,586
Long-term loans, net of current portion	19	19,267,347	41,123,597	19,267,347	41,123,597
Provision for long-term employee benefits	20	22,273,413	21,262,243	18,701,944	17,982,844
<b>Total non-current liabilities</b>		<b>95,456,406</b>	<b>108,631,651</b>	<b>91,871,297</b>	<b>105,310,027</b>
<b>Total liabilities</b>		<b>880,124,063</b>	<b>667,091,817</b>	<b>874,005,672</b>	<b>662,289,224</b>

The accompanying notes are an integral part of the financial statements.

**Thiensurat Public Company Limited and its subsidiaries**  
**Statement of financial position (continued)**  
**As at 31 December 2016**

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Shareholders' equity</b>					
Share capital	21, 22				
Registered					
662,199,169 ordinary shares of Baht 1 each					
(2015: 602,000,000 ordinary shares of Baht 1 each)		662,199,169	602,000,000	662,199,169	602,000,000
Issued and fully paid					
467,178,789 ordinary shares of Baht 1 each					
(2015: 401,332,928 ordinary shares of Baht 1 each)		467,178,789	401,332,928	467,178,789	401,332,928
Share premium	21, 22	227,803,083	206,770,000	227,803,083	206,770,000
Premium on share-based payments		10,249,050	10,249,050	10,249,050	10,249,050
Difference of changes in investment proportion					
in a subsidiary		(1,346,877)	(1,346,877)	-	-
Retained earnings					
Appropriated - statutory reserve	23	21,627,916	17,585,743	21,627,916	17,585,743
Unappropriated		246,838,512	269,845,228	234,771,028	257,519,352
Equity attributable to owners of the Company		972,350,473	904,436,072	961,629,866	893,457,073
Non-controlling interests of the subsidiaries		9,969,210	11,478,080	-	-
<b>Total shareholders' equity</b>		<b>982,319,683</b>	<b>915,914,152</b>	<b>961,629,866</b>	<b>893,457,073</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,862,443,746</b>	<b>1,583,005,969</b>	<b>1,835,635,538</b>	<b>1,555,746,297</b>
		-	-	-	-

The accompanying notes are an integral part of the financial statements.

.....  
(Mr. Viruch Wongnirund)

Directors

.....  
(Mr. Ekarat Changyoo)

**Thiensurat Public Company Limited and its subsidiaries**

**Statement of comprehensive income**

**For the year ended 31 December 2016**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Profit or loss:					
Revenues					
Sales		1,607,623,916	1,452,186,737	1,577,032,783	1,420,762,239
Hire purchase interest income		228,530,291	165,088,692	228,530,291	165,088,692
Other income		28,411,781	28,471,740	26,982,969	28,694,856
Total revenues		1,864,565,988	1,645,747,169	1,832,546,043	1,614,545,787
Expenses					
Cost of sales		410,082,322	344,727,161	405,218,353	341,844,933
Selling expenses		755,442,066	711,801,676	740,646,655	696,977,045
Administrative expenses		338,753,529	278,032,808	325,394,390	268,905,985
Bad debts and doubtful accounts		235,288,766	118,457,541	235,288,766	118,457,541
Finance cost		25,563,260	10,463,093	25,547,264	9,867,235
Total expenses		1,765,129,943	1,463,482,279	1,732,095,428	1,436,052,739
Profit before income tax expenses		99,436,045	182,264,890	100,450,615	178,493,048
Income tax expenses	25	(20,359,840)	(37,209,073)	(19,607,148)	(35,945,105)
Profit for the year		79,076,205	145,055,817	80,843,467	142,547,943
Other comprehensive income:					
Other comprehensive income not to be reclassified					
to profit or loss in subsequent periods					
Actuarial gains - net of income tax		-	(2,596,463)	-	(2,598,067)
Total comprehensive income for the year		79,076,205	142,459,354	80,843,467	139,949,876
Profit attributable to:					
Equity holders of the Company		80,585,075	145,951,099	80,843,467	142,547,943
Non-controlling interests of the subsidiaries		(1,508,870)	(895,282)		
		79,076,205	145,055,817		
Total comprehensive income attributable to:					
Equity holders of the Company		80,585,075	143,354,635	80,843,467	139,949,876
Non-controlling interests of the subsidiaries		(1,508,870)	(895,281)		
		79,076,205	142,459,354		
Earnings per share					
Basic earnings per share					
Profit attributable to equity holders of the Company	26	0.177	0.331	0.177	0.323
Diluted earnings per share					
Profit attributable to equity holders of the Company	26	0.105	0.331	0.106	0.323

The accompanying notes are an integral part of the financial statements.

Thiensurat Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements								
	Equity attributable to owners of the Company								
			Difference of changes		Retained earnings		Total equity	Equity attributable	
	Issued and paid-up	Premium on	in investment		Appropriated -		attributable to	to non-controlling	Total
	share capital	share-based	proportion in		statutory reserve		owners of	interests of	shareholders'
		payments	subsidiary		Unappropriated		the Company	the subsidiaries	equity
Balance as at 1 January 2015	344,000,000	206,770,000	10,249,050	(1,346,877)	10,458,346	237,964,616	808,095,135	2,314	808,097,449
Profit for the year	-	-	-	-	-	145,951,099	145,951,099	(895,282)	145,055,817
Other comprehensive income for the year	-	-	-	-	-	(2,596,464)	(2,596,464)	1	(2,596,463)
Total comprehensive income for the year	-	-	-	-	-	143,354,635	143,354,635	(895,281)	142,459,354
Proceeds from share subscription of a subsidiary	-	-	-	-	-	-	-	11,832,500	11,832,500
Increase in non-controlling interest of the subsidiary	-	-	-	-	-	-	-	538,547	538,547
Dividend paid (Note 29)									
Cash dividend	-	-	-	-	-	(47,013,698)	(47,013,698)	-	(47,013,698)
Stock dividend	57,332,928	-	-	-	-	(57,332,928)	-	-	-
Transferred to statutory reserve	-	-	-	-	7,127,397	(7,127,397)	-	-	-
Balance as at 31 December 2015	401,332,928	206,770,000	10,249,050	(1,346,877)	17,585,743	269,845,228	904,436,072	11,478,080	915,914,152
Balance as at 1 January 2016	401,332,928	206,770,000	10,249,050	(1,346,877)	17,585,743	269,845,228	904,436,072	11,478,080	915,914,152
Profit for the year	-	-	-	-	-	80,585,075	80,585,075	(1,508,870)	79,076,205
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	80,585,075	80,585,075	(1,508,870)	79,076,205
Increase in share capital (Note 21)	25,712,815	21,033,083	-	-	-	-	46,745,898	-	46,745,898
Dividend paid (Note 29)									
Cash dividend	-	-	-	-	-	(59,416,572)	(59,416,572)	-	(59,416,572)
Stock dividend	40,133,046	-	-	-	-	(40,133,046)	-	-	-
Transferred to statutory reserve	-	-	-	-	4,042,173	(4,042,173)	-	-	-
Balance as at 31 December 2016	467,178,789	227,803,083	10,249,050	(1,346,877)	21,627,916	246,838,512	972,350,473	9,969,210	982,319,683

The accompanying notes are an integral part of the financial statements.

**Thiensurat Public Company Limited and its subsidiaries**

**Statement of changes in shareholders' equity (continued)**

**For the year ended 31 December 2016**

(Unit: Baht)

	Separate financial statements					
			Premium on	Retained earnings		Total
	Issued and paid-up		share-based	Appropriated -		shareholders'
	share capital	Share premium	payments	statutory reserve	Unappropriated	equity
Balance as at 1 January 2015	344,000,000	206,770,000	10,249,050	10,458,346	229,043,499	800,520,895
Profit for the year	-	-	-	-	142,547,943	142,547,943
Other comprehensive income for the year	-	-	-	-	(2,598,067)	(2,598,067)
Total comprehensive income for the year	-	-	-	-	139,949,876	139,949,876
Dividend paid (Note 29)						
Cash dividend	-	-	-	-	(47,013,698)	(47,013,698)
Stock dividend	57,332,928	-	-	-	(57,332,928)	-
Transferred to statutory reserve	-	-	-	7,127,397	(7,127,397)	-
Balance as at 31 December 2015	401,332,928	206,770,000	10,249,050	17,585,743	257,519,352	893,457,073
Balance as at 1 January 2016	401,332,928	206,770,000	10,249,050	17,585,743	257,519,352	893,457,073
Profit for the year	-	-	-	-	80,843,467	80,843,467
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	80,843,467	80,843,467
Increase in share capital (Note 21)	25,712,815	21,033,083	-	-	-	46,745,898
Dividend paid (Note 29)						
Cash dividend	-	-	-	-	(59,416,572)	(59,416,572)
Stock dividend	40,133,046	-	-	-	(40,133,046)	-
Transferred to statutory reserve	-	-	-	4,042,173	(4,042,173)	-
Balance as at 31 December 2016	467,178,789	227,803,083	10,249,050	21,627,916	234,771,028	961,629,866

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The accompanying notes are an integral part of the financial statements.



**Thiensurat Public Company Limited and its subsidiaries**
**Cash flows statement**
**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>				
Profit before tax	99,436,045	182,264,890	100,450,615	178,493,048
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	45,160,137	31,609,007	43,972,237	30,279,400
Bad debt and doubtful accounts	235,288,766	118,457,541	235,288,766	118,457,541
Reduce cost of inventories to net realisable value (reversal)	(1,945,881)	1,583,974	(1,945,881)	1,583,974
Allowance for goods returned (reversal)	(544,915)	1,033,297	(544,915)	1,033,297
Loss (gain) on sales of equipment	(1,034,557)	445,572	273,853	445,572
Written off intangible assets	-	1,000,000	-	1,000,000
Provision for long-term employee benefits	3,794,930	1,270,144	3,502,860	964,691
Finance cost	25,563,260	10,394,172	25,547,264	9,867,234
Profit from operating activities before changes in operating assets and liabilities	405,717,785	348,058,597	406,544,799	342,124,757
Operating assets (increase) decrease				
Trade and other receivables	(180,787)	(10,779,963)	3,500,424	(11,861,204)
Hire purchase receivables	(397,958,240)	(503,982,808)	(397,958,240)	(503,982,808)
Receivables under right transfer agreements	1,138,384	14,992,769	1,138,384	14,992,769
Inventories	(6,236,299)	(94,570,360)	(9,740,827)	(84,179,195)
Other current assets	11,963,097	(13,076,237)	12,960,436	-16,795,222
Other non-current assets	(2,962,299)	6,897,275	(2,947,076)	11,722,376
Operating liabilities increase (decrease)				
Trade and other payables	14,076,586	18,586,238	13,240,801	18,835,949
Other current liabilities	13,002,212	1,801,456	12,442,045	1,848,489
Provision for long-term employee benefits	(2,783,760)	-	(2,783,760)	-
Cash from (used in) operating activities	35,776,679	(232,073,033)	36,396,986	(227,294,089)
Cash paid for interest expenses	(25,606,169)	(10,366,295)	(25,590,173)	(9,808,535)
Cash paid for income tax	(49,045,638)	(27,375,335)	(48,068,944)	(25,928,387)
<b>Net cash flows used in operating activities</b>	<b>(38,875,128)</b>	<b>(269,814,663)</b>	<b>(37,262,131)</b>	<b>(263,031,011)</b>

The accompanying notes are an integral part of the financial statements.

**Thiensurat Public Company Limited and its subsidiaries**
**Cash flows statement (continued)**
**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Cash flows from investing activities</b>				
Decrease in restricted bank deposits	3,095,319	74,407,224	2,410,184	89,092,359
Decrease in current investments	-	20,000,000	-	20,000,000
Increase in short-term loans to related parties	-	-	-	(2,000,000)
Cash receipt from short-term loans to related parties	-	-	-	2,000,000
Acquisition of property, plant and equipment	(55,670,179)	(67,716,244)	(55,507,784)	(64,394,153)
Acquisition of intangible assets	(4,634,887)	(7,055,935)	(4,634,887)	(7,031,935)
Proceeds from sales of equipment	1,351,727	519,252	43,316	519,252
Net cash receipt from investment in a subsidiary	-	15,523,731	-	-
Cash paid for investment in a subsidiary	-	-	(49,999,985)	(18,598,000)
<b>Net cash flows from (used in) investing activities</b>	<u>(55,858,020)</u>	<u>35,678,028</u>	<u>(107,689,156)</u>	<u>19,587,523</u>
<b>Cash flows from financing activities</b>				
Increase in bank overdrafts and				
short-term loans from financial institutions	218,859,822	356,803,028	218,859,822	356,803,028
Repayment of short-term loans from related parties	-	(6,000,000)	-	-
Repayment of short-term loans from others	-	(9,000,000)	-	-
Repayment of liabilities under finance lease agreements	(24,326,984)	(29,373,572)	(24,120,348)	(27,904,174)
Cash receipt from long-term loans	-	6,000,000	-	6,000,000
Repayment of long-term loans	(21,622,609)	(23,837,754)	(21,622,609)	(23,837,754)
Cash receipt from share capital issued as a result of				
warrants exercise	46,745,898	-	46,745,898	-
Dividend paid	(57,150,637)	(46,838,958)	(57,150,637)	(46,838,958)
Cash receipt from non-controlling interests of a subsidiary				
for investment in a subsidiary	-	11,832,500	-	-
<b>Net cash flows from financing activities</b>	<u>162,505,490</u>	<u>259,585,244</u>	<u>162,712,126</u>	<u>264,222,142</u>
Net increase in cash and cash equivalents	<u>67,772,342</u>	<u>25,448,609</u>	<u>17,760,839</u>	<u>20,778,654</u>
Cash and cash equivalents at the beginning of year	<u>33,628,496</u>	<u>8,179,887</u>	<u>25,801,209</u>	<u>5,022,555</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>101,400,838</u></u>	<u><u>33,628,496</u></u>	<u><u>43,562,048</u></u>	<u><u>25,801,209</u></u>
	-		-	
<b>Supplementary cash flows information:</b>				
Non-cash transactions				
Purchases of assets for which no cash has been paid	515,354	1,345,443	515,354	1,345,443
Assets acquired under finance lease agreements	30,530,280	41,137,383	30,530,280	41,137,383
Transfer property, plant and equipment to	5,553,123	987,435	5,553,123	987,435
intangible assets				

The accompanying notes are an integral part of the financial statements.

## Thiensurat Public Company Limited and its subsidiaries

### Notes to consolidated financial statements

For the year ended 31 December 2016

#### 1. General information

Thiensurat Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacturing and distribution of water filter, and distribution of air conditioner and other equipment. The registered office of the Company is at 43/9 Moo 7, Soi Chuchartanusorn 4, Tumbol Bangtalad, Amphur Pakkred, Nonthaburi.

#### 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

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

#### 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of the Company and the following subsidiary companies (“the subsidiaries”).

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2016 (Percent)	2015 (Percent)
Safe Trade International Company Limited	Distribution of water purifiers	Thailand	99.98	99.98
Fedders Thai Company Limited	Distribution of air conditioner	Thailand	59.99	59.99
Thiensurat Leasing Company Limited	Micro finance and nano finance	Thailand	100.00	-

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
  - c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
  - d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
  - e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
  - f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements present investments in subsidiaries under the cost method.

### **3. New financial reporting standards**

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

During the year, the Company and its subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

## **(b) Financial reporting standard that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiaries believe that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

### **TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company and its subsidiaries financial statements' because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

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

#### *Hire purchase interest income*

Interest income under hire purchase agreement is recognised over the period of agreement based on the effective interest rate. The Company ceases accruing income for receivables which installment payment has been defaulted for more than three installments past the due date. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received.

#### *Interest income*

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

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments, with an original maturity of 3 months or less and not subject to withdrawal restrictions.

### **4.3 Receivables and allowance for doubtful accounts**

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

Hire purchase receivables are stated net of unearned interest income and allowance for doubtful accounts. The Company provides allowance for doubtful accounts for hire purchase receivables based on the estimated collection losses that may be incurred in collection of hire purchase receivables, by considering of the current status of receivables, their ability to make payment, past experience and historical data on actual losses on collection.

### **4.4 Inventories**

Finished goods and work in process are valued at (under the first-in, first-out method) and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs and attributable factory overheads.

Raw materials and factory supplies are valued at cost (under the first-in, first-out method) and net realisable value and are charged to production costs whenever consumed.

#### **4.5 Investments**

- a) Investment in joint venture are accounted for in the consolidated financial statements using equity method.
- b) Investments in subsidiaries and joint venture are accounted for in the separate financial statements using the cost method.

#### **4.6 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties (building) is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

#### **4.7 Land, building and equipment and depreciation**

Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

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

Land improvements	10 years
Buildings and building improvements	10, 20, 27 years
Tools and equipment	3 - 5 years
Furniture, fixtures and office equipment	5 years
Computer hardware	3 - 5 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation is provided for land and assets under installation and under construction.

An item of land, building and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.



#### **4.8 Intangible assets**

Intangible assets are initially recognised at cost. Following initial recognition, the intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end.

The useful lives of intangible assets with finite lives which is computer software is 3 - 10 years.

The amortisation is included in determining income.

No amortisation is provided for computer software under installation.

#### **4.9 Related party transactions**

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

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

#### **4.10 Long-term leases**

*The Company as a lessor.*

Leases which the Company transfers substantially all the risks and rewards of ownership are classified as finance leases, including hire purchase. Amounts due from leases under hire purchases are recorded as receivables at the amount of the Company's net investment in leases. Hire purchase interest income is recognised over the period of agreement based on the effective interest rate.

*The Company and its subsidiaries as a lessee.*

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

Long-term leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Moreover, payments made under operating leases are recognised as expenses in part of profit or loss over the term of the leases on the straight-line basis.

#### **4.11 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

#### **4.12 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the land, building and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

#### **4.13 Employee benefits**

##### **Short-term employee benefits**

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

##### **Post-employment benefits**

###### *Defined contribution plans*

The Company, the subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees, the subsidiaries and the Company. The fund's assets are held in a separate trust fund and the Company's and its subsidiaries' contributions are recognised as expenses when incurred.

###### *Defined benefit plans*

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

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

#### **4.14 Provisions**

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

#### **4.15 Income tax**

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

##### **Current tax**

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

## **Deferred tax**

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

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

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

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

### **4.16 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximise the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows.

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant judgements and estimates are as follows.

### **Allowance for doubtful accounts**

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

### **Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk liquidity, correlation and long-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

### **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## 6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with individual or related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	47.1	43.0	Cost plus margin
Rental income and other income	-	-	0.4	0.4	Comparable price with rental of nearly buildings
Purchase of goods and service	-	-	10.8	3.5	Cost plus margin or market price
Purchase of assets	-	-	0.5	0.6	Cost plus margin or market price
Rental and service expenses	-	-	0.4	0.4	Comparable price with rental of nearly buildings
<u>Transactions with related companies</u>					
Rental income	0.4	0.4	0.4	0.4	Comparable price with rental of nearly buildings
Other income	0.4	0.3	0.4	0.3	The price as mutually agreed
Purchase of goods	1.7	1.5	1.3	1.2	Cost plus margin or market price
Rental and service expenses	0.7	0.3	0.7	0.3	The price as mutually agreed
<u>Transaction with related individuals</u>					
Consulting fees	2.7	2.4	2.7	2.4	Contract price

As at 31 December 2016 and 2015, the balances of the accounts between the Company and those related parties are as follow:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade and other receivables - related parties</u> (Note 8)				
Subsidiaries	-	-	4,806	8,992
Related companies (related by directors)	53	73	53	73
Total trade and other receivables - related parties	53	73	4,859	9,065

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade and other payables - related parties</u> (Note 17)				
Subsidiaries	-	-	578	1,052
Related companies (related by directors)	476	154	427	102
Total trade and other payables - related parties	476	154	1,005	1,154

### Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	76,127	59,285	70,906	54,663
Post-employment benefits	1,996	619	1,790	386
Total	78,123	59,904	72,696	55,049

## 7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash	494	1,379	462	1,347
Bank deposits	100,907	32,249	43,100	24,454
Total	101,401	33,628	43,562	25,801

As at 31 December 2016, the Company's and the subsidiary's bank deposits in saving accounts and fixed deposits are carrying interests between 0.1% and 0.9% per annum (2015: between 0.1% and 0.9% per annum) (the Company only: between 0.1% and 0.9% per annum (2015: between 0.1% and 0.9% per annum)).



## 8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	24	-	4,829	5,066
Past due				
Up to 3 months	15	10	15	3,905
3 - 6 months	-	2	-	-
Over 12 months	5	-	5	-
Total trade receivables - related parties	44	12	4,849	8,971
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	13,353	11,964	6,205	4,377
Past due				
Up to 3 months	6,690	6,789	3,472	3,530
3 - 6 months	61	809	61	809
6 - 12 months	382	114	382	114
Over 12 months	382	-	382	-
Total	20,868	19,676	10,502	8,830
Less: Allowance for doubtful accounts	(252)	(331)	(252)	(331)
Allowance for goods returned	(57)	(76)	(57)	(76)
Total trade receivables - unrelated parties, net	20,559	19,269	10,193	8,423
Total trade receivables - net	20,603	19,281	15,042	17,394
<u>Other receivables</u>				
Other receivables - related parties	9	61	10	94
Other receivables - unrelated parties	4,560	5,551	4,481	5,448
Total	4,569	5,612	4,491	5,542
Less: Allowance for doubtful accounts	(725)	(681)	(725)	(681)
Total other receivables - net	3,844	4,931	3,766	4,861
Total trade and other receivables - net	24,447	24,212	18,808	22,255

## 9. Hire-purchase receivables

(Unit: Thousand Baht)		
Consolidated/Separate		
financial statements		
	<u>2016</u>	<u>2015</u>
Hire-purchase receivables	1,198,442	1,008,704
Less: Deferred hire-purchase interest	(109,287)	(133,042)
Deferred output tax	(68,595)	(61,432)
Total	1,020,560	814,230
Less: Allowance for doubtful accounts	(106,050)	(62,353)
Allowance for goods returned	(1,312)	(1,839)
Hire-purchase receivables - net	913,198	750,038
Less: Current portion	(903,761)	(495,495)
Hire-purchase receivables - long-term portion	<u>9,437</u>	<u>254,543</u>

Receivables separated by aging and allowance for doubtful accounts were as follows:

(Unit: Thousand Baht)							
	Number of receivables		Receivables less deferred		Rate of	Allowance for doubtful	
	(account)		interest and deferred		allowance	for doubtful	
			output tax		for doubtful	accounts	
	2016	2015	2016	2015	accounts	2016	2015
					(percent)		
Aged on the basis of due dates							
Not yet due	111,459	81,802	776,469	674,159	2.5	19,483	16,877
Overdue 1 installment	13,423	7,546	113,224	69,827	6	6,794	4,190
Overdue 2 installments	5,281	3,095	49,364	28,718	30	14,809	8,615
Overdue 3 installments	3,226	1,891	33,078	17,710	50	16,539	8,855
Overdue exceeding 3 installments	4,634	3,291	48,425	23,816	100	48,425	23,816
Total	<u>138,023</u>	<u>97,625</u>	<u>1,020,560</u>	<u>814,230</u>		<u>106,050</u>	<u>62,353</u>

As at 31 December 2016 and 2015, a reconciliation between minimum lease payments in the hire purchase contracts together with the present value of future minimum lease payments receivables are as follows.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements			
	2016		2015	
	Minimum lease payments of hire purchase contracts	Present value of future minimum lease payments receivables	Minimum lease payments of hire purchase contracts	Present value of future minimum lease payments receivables
Within one year	1,187,700	1,011,123	719,946	559,687
After one year but not more than five years	10,742	9,437	288,758	254,543
Total	1,198,442	1,020,560	1,008,704	814,230
Less: Deferred hire-purchase interest	(109,287)		(133,042)	
Deferred output tax	(68,595)		(61,432)	
Present value of future minimum lease payments receivables		1,020,560		814,230

## 10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statement					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2016	2015	2016	2015	2016	2015
Finished goods	56,970	41,738	(211)	(479)	56,759	41,259
Work in process	21,187	19,483	(25)	(1,557)	21,162	17,926
Raw materials	82,897	92,624	(431)	(577)	82,466	92,047
Raw materials in transit	-	870	-	-	-	870
Supplies	630	733	-	-	630	733
Total	161,684	155,448	(667)	(2,613)	161,017	152,835

(Unit: Thousand Baht)

	Separated financial statement					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Finished goods	49,986	31,249	(211)	(479)	49,775	30,770
Work in process	21,187	19,483	(25)	(1,557)	21,162	17,926
Raw materials	82,897	92,625	(431)	(577)	82,466	92,048
Raw materials in transit	-	870	-	-	-	870
Supplies	630	733	-	-	630	733
Total	154,700	144,960	(667)	(2,613)	154,033	142,347

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 2.0 million (2015: Baht 2.6 million) (the Company only: Baht 2.0 million (2015: Baht 2.6 million)), to reflect the net realisable value. This was included in cost of sales. In addition, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 3.9 million (2015: Baht 1.0 million) (the Company only: Baht 3.9 million (2015: Baht 1.0 million)), and reduced the amount of inventories recognised as expenses during the year.

#### 11. Restricted bank deposits

As at 31 December 2016, the Company and its subsidiaries had pledged the saving account and fixed deposits at financial institutions to secure loans and bank guarantee facilities issued by the banks on behalf of the Company and its subsidiaries which are carrying interests between 0.1% and 0.9% per annum (2015: between 0.1% and 0.9% per annum) (the Company only: between 0.1% and 0.9% per annum (2015: between 0.1% and 0.9% per annum)).

#### 12. Investments in subsidiaries

Details of investments in subsidiaries as presented in the separate financial statements are as follows.

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage (%)		Cost	
	2016	2015	2016	2015	2016	2015
Safe Trade International Co., Ltd.	4,000	4,000	99.98	99.98	3,999	3,999
Fedders Thai Co., Ltd	31,000	31,000	59.99	59.99	18,598	18,598
Thiensurat Leasing Co., Ltd.	50,000	-	100.00	-	50,000	-
Total investments in subsidiaries					<u>72,597</u>	<u>22,597</u>

Thiensurat Leasing Company Limited was registered with the Department of Business Development, Ministry of Commerce on 11 July 2016 to operate micro finance and nano finance business, with a registered share capital of Baht 50 million, divided into 10 million ordinary shares at a par value of Baht 5 each. The Company invested in 9.99 million shares or 100 percent of the issued and paid-up share capital of that company.

### 13. Investment properties

The net book value of investment properties as at 31 December 2016 and 2015 is presented below.

	(Unit: Thousand Baht)		
	Consolidated/ Separate financial statements		
	Land not use in operating	Land and building for rent	Total
As at 31 December 2016:			
Cost	52,290	21,346	73,636
<u>Less</u> Accumulated depreciation	-	(14,859)	(14,859)
Net book value	<u>52,290</u>	<u>6,487</u>	<u>58,777</u>
As at 31 December 2015:			
Cost	52,290	21,346	73,636
<u>Less</u> Accumulated depreciation	-	(14,786)	(14,786)
Net book value	<u>52,290</u>	<u>6,560</u>	<u>58,850</u>

A reconciliation of the net book value of investment properties for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	<u>2016</u>	<u>2015</u>
Net book value at beginning of year	58,850	58,935
Depreciation for the year	(73)	(85)
Net book value at end of year	<u>58,777</u>	<u>58,850</u>

The fair value of the investment properties as at 31 December 2016 and 2015 stated below:

	(Unit: Million Baht)	
	Consolidated/Separate financial statements	
	<u>2016</u>	<u>2015</u>
Land not use in operating	87.2	69.7
Land and building for rent	35.8	35.8

The fair value of the above investment properties has been determined, using the market comparable method based on valuation performed by an accredited independent valuer. The fair value is thus based on Level 3 input.

As at 31 December 2016, the Company and its subsidiaries have mortgaged investment properties with net book value amounting to Baht 58.1 million (2015: Baht 58.2 million) as collaterals against short-term and long-term credit facilities received from banks (the Company only: Baht 58.1 million (2015: Baht 58.2 million)).

## 14. Land, building and equipment

(Unit: Thousand Baht)

### Consolidated financial statements

	Land and land improvement	Building and building improvement	Tools and equipment	Furniture, fixtures and office equipment	Computer hardware	Motor vehicles	Assets under installation and under construction	Total
<b>Cost</b>								
1 January 2015	229,020	159,765	27,164	17,636	13,182	29,957	16,985	493,709
Additions	8,537	4,816	7,879	6,297	5,742	45,247	28,558	107,076
Transfer in (out)	4,063	33,912	956	1,445	300	-	(40,676)	-
Transfer to intangible assets	-	-	-	-	-	-	(987)	(987)
Disposals/write-off	-	-	(8)	(8)	(21)	(2,483)	-	(2,520)
31 December 2015	241,620	198,493	35,991	25,370	19,203	72,721	3,880	597,278
Additions	468	3,312	3,611	7,622	7,949	34,867	28,887	86,716
Transfer in (out)	330	13,003	-	12	1,108	-	(14,453)	-
Transfer to intangible assets	-	-	-	-	-	-	(5,553)	(5,553)
Disposals/write-off	-	-	(552)	(484)	(50)	(3,476)	-	(4,562)
31 December 2016	242,418	214,808	39,050	32,520	28,210	104,112	12,761	673,879
<b>Accumulated depreciation</b>								
1 January 2015	239	61,116	17,206	11,098	6,214	10,207	-	106,080
Depreciation for the year	333	12,626	3,969	2,638	3,389	7,450	-	30,405
Depreciation on disposals/write-off	-	-	(6)	(2)	(18)	(1,567)	-	(1,593)
31 December 2015	572	73,742	21,169	13,734	9,585	16,090	-	134,892
Depreciation for the year	277	18,616	4,832	4,193	4,196	10,948	-	43,062
Depreciation on disposals/write-off	-	-	(336)	(427)	(7)	(3,475)	-	(4,245)
31 December 2016	849	92,358	25,665	17,500	13,774	23,563	-	173,709
<b>Allowance for impairment loss:</b>								
1 January 2015	-	-	288	-	-	-	-	288
31 December 2015	-	-	288	-	-	-	-	288
31 December 2016	-	-	288	-	-	-	-	288
<b>Net book value</b>								
31 December 2015	241,048	124,751	14,534	11,636	9,618	56,631	3,880	462,098
31 December 2016	241,569	122,450	13,097	15,020	14,436	80,549	12,761	499,882
Depreciation for the year 2015 (Baht 4.5 million included in manufacturing cost, and the balance in selling and administrative expenses)								30,405
Depreciation for the year 2016 (Baht 4.4 million included in manufacturing cost, and the balance in selling and administrative expenses)								43,062

(Unit: Thousand Baht)

## Separate financial statements

	Land and land improvement	Building and building improvement	Tools and equipment	Furniture, fixtures and office equipment	Computer hardware	Motor vehicles	Assets under installation and under construction	Total
<b>Cost</b>								
1 January 2015	224,220	150,496	27,164	15,802	13,010	24,605	16,985	472,282
Additions	8,537	4,816	7,879	6,151	5,641	42,147	28,558	103,729
Transfer in (out)	4,063	33,912	956	1,445	300	-	(40,676)	-
Transfer to intangible assets	-	-	-	-	-	-	(987)	(987)
Disposals/write-off	-	-	(8)	(8)	(21)	(2,483)	-	(2,520)
31 December 2015	236,820	189,224	35,991	23,390	18,930	64,269	3,880	572,504
Additions	468	3,311	3,612	7,562	7,847	34,867	28,886	86,553
Transfer in (out)	330	13,003	-	12	1,108	-	(14,453)	-
Transfer to intangible assets	-	-	-	-	-	-	(5,553)	(5,553)
Disposals/write-off	-	-	(552)	(484)	(50)	-	-	(1,086)
31 December 2016	237,618	205,538	39,051	30,480	27,835	99,136	12,760	652,418
<b>Accumulated depreciation</b>								
1 January 2015	239	57,029	17,206	9,685	6,121	5,435	-	95,715
Depreciation for the year	333	12,191	3,969	2,514	3,358	6,712	-	29,077
Depreciation on disposals/write-off	-	-	(6)	(2)	(18)	(1,567)	-	(1,593)
31 December 2015	572	69,220	21,169	12,197	9,461	10,580	-	123,199
Depreciation for the year	277	18,180	4,832	4,045	4,143	10,403	-	41,880
Depreciation on disposals/write-off	-	-	(336)	(427)	(7)	-	-	(770)
31 December 2016	849	87,400	25,665	15,815	13,597	20,983	-	164,309
<b>Allowance for impairment loss:</b>								
1 January 2015	-	-	288	-	-	-	-	288
31 December 2015	-	-	288	-	-	-	-	288
31 December 2016	-	-	288	-	-	-	-	288
<b>Net book value</b>								
31 December 2015	236,248	120,004	14,534	11,193	9,469	53,689	3,880	449,017
31 December 2016	236,769	118,138	13,098	14,665	14,238	78,153	12,760	487,821
Depreciation for the year 2015 (Baht 4.5 million included in manufacturing cost, and the balance in selling and administrative expenses)								29,077
Depreciation for the year 2016 (Baht 4.5 million included in manufacturing cost, and the balance in selling and administrative expenses)								41,880

As at 31 December 2016, certain equipment and vehicle items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 60.0 million (2015: Baht 36.0 million) (the Company only: Baht 57.7 million (2015: Baht 30.2 million)).

The Company and its subsidiaries have mortgaged assets with net book value amounting to Baht 303.9 million (2015: Baht 311.2 million) as collaterals against credit facilities received from banks (the Company only: Baht 294.8 million (2015: Baht 301.7 million)).

## 15. Intangible assets

The net book value of intangible assets as at 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)							
	Consolidated financial statements				Separate financial statements		
	Software	Software under installation	Goodwill	Total	Software	Software under installation	Total
As at 31 December 2016							
Cost	20,676	10,118	37	30,831	20,652	10,118	30,770
Less: Accumulated amortisation	(5,784)	-	-	(5,784)	(5,778)	-	(5,778)
Net book value	14,892	10,118	37	25,047	14,874	10,118	24,992
As at 31 December 2015							
Cost	12,493	8,113	37	20,643	12,469	8,113	20,582
Less: Accumulated amortisation	(3,760)	-	-	(3,760)	(3,759)	-	(3,759)
Net book value	8,733	8,113	37	16,883	8,710	8,113	16,823

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Net book value at beginning of year	16,883	10,902	16,823	10,902
Acquisitions	4,635	7,076	4,635	7,052
Increases from investment in subsidiaries	-	37	-	-
Transfer from land, building and equipment	5,553	987	5,553	987
Amortisation	(2,024)	(2,119)	(2,019)	(2,118)
Net book value at end of year	25,047	16,883	24,992	16,823



**16. Bank overdrafts and short-term loans from financial institutions**

(Unit: Thousand Baht)

	Interest rate (% per annum)	Consolidated/Separate financial statements	
		2016	2015
Short-term loans from banks	3.45 - 3.70	596,921	378,061

Bank overdraft and short-term loans from financial institutions of the Company are secured by the mortgage of land and construction thereon as described in Notes 13 and 14 to the financial statements and personal guarantee by the Company's directors.

**17. Trade and other payables**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade payables - related parties	50	52	536	1,010
Trade payables - unrelated parties	39,606	28,919	39,606	28,626
Other payables - related parties	426	102	469	144
Other payables - unrelated parties				
Accrued expenses	26,280	26,250	24,667	25,305
Retention	33,326	28,846	33,326	28,846
Others	3,145	1,849	3,145	1,839
Total trade and other payables	102,833	86,018	101,749	85,770

**18. Liabilities under finance lease agreements**

(Unit: Thousand Baht)

	Consolidate financial statements		Separate financial statements	
	2016	2015	2016	2015
Liabilities under finance lease agreements	86,970	80,361	86,926	80,101
Less: Deferred interest expenses	(4,832)	(4,426)	(4,830)	(4,415)
Total	82,138	75,935	82,096	75,686
Less: Current portion	(28,222)	(29,689)	(28,194)	(29,482)
Liabilities under finance lease agreements, net of current portion	53,916	46,246	53,902	46,204

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 years.

Future minimum lease payments required under the finance lease agreements as at 31 December 2016 and 2015 were as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
	2016			2015		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	30,702	56,268	86,970	31,774	48,587	80,361
Deferred interest expenses	(2,480)	(2,352)	(4,832)	(2,085)	(2,341)	(4,426)
Present value of future minimum lease payments	<u>28,222</u>	<u>53,916</u>	<u>82,138</u>	<u>29,689</u>	<u>46,246</u>	<u>75,935</u>

(Unit: Thousand Baht)

Separate financial statements						
	2016			2015		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	30,672	56,254	86,926	31,558	48,543	80,101
Deferred interest expenses	(2,478)	(2,352)	(4,830)	(2,076)	(2,339)	(4,415)
Present value of future minimum lease payments	<u>28,194</u>	<u>53,902</u>	<u>82,096</u>	<u>29,482</u>	<u>46,204</u>	<u>75,686</u>

## 19. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (percent per annum)	Repayment schedule	Consolidated/Separate financial statements	
			2016	2015
1. Loans from local financial institution	MLR, MLR-1, 1.375	Monthly installments as from June 2011 to May 2021	26,927	37,738
2. Loans from local financial institution	MLR-1	Monthly installments as from August 2013 to May 2017	14,176	24,988
Total			41,103	62,726
Less: Current portion			(21,836)	(21,602)
Long-term loans, net of current portion			<u>19,267</u>	<u>41,124</u>

Movements in the long-term loans account during the year ended 31 December 2016 are summarised below.

	(Unit: Thousand Baht)
	Consolidated/Separate financial statements
Balance as at 1 January 2016	62,726
Less: Repayment during the year	(21,623)
Balance as at 31 December 2016	41,103

Loan agreements indicated the certain regulations and conditions such as maintenance debt to equity ratio, dividend payment restriction etc. Long-term loans are guaranteed by bank deposit, investment properties, partial of land and building as described in Note 11, Note 13 and Note 14 to the financial statements and personal guarantee by the Company's directors.

## 20. Provision for long-term employee benefits

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Provisions for long-term employee</b>				
<b>benefits at beginning of year</b>	21,262	16,746	17,983	13,770
Included in profit or loss:				
Current service cost	2,952	915	2,774	737
Interest cost	8,43	355	729	228
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	-	4,296	-	4,148
Financial assumption changes	-	6,641	-	7,052
Experience adjustments	-	(7,691)	-	(7,952)
Benefits paid during the year	(2,784)	-	(2,784)	-
<b>Provisions for long-term employee</b>				
<b>benefits at end of year</b>	22,273	21,262	18,702	17,983

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cost of sales	76	39	76	39
Selling expenses	1,005	735	949	651
Administrative expense	2,714	496	2,478	275
Total expenses recognised in profit or loss	<u>3,795</u>	<u>1,270</u>	<u>3,503</u>	<u>965</u>

The Company and its subsidiaries expect to pay Baht 0.3 million of long-term employee benefits during the next year (the Company only: Baht 0.3 million).

As at 31 December 2015, the weighted average duration of the liabilities for long-term employee benefit is 21 - 26 years (2015: 23 - 25 years) (the Company only: 26 years (2015: 25 years)).

Principal actuarial assumptions at the valuation date were as follows.

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Discount rate	3.88 - 3.98	3.81 - 3.98	3.88 - 3.98	3.88 - 3.98
Future salary increase rate	5.00 - 6.11	5.00 - 6.11	5.00	5.00
Staff turnover rate	0 - 72.00	0 - 72.00	0 - 72.00	0 - 72.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 are summarised below.

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
Discount rate	(396)	446	(332)	374
Salary increase rate	276	(263)	270	(258)
Staff turnover rate	(442)	499	(421)	477

## 21. Share capital

On 22 April 2016, the Annual General Meeting of the Company's shareholders passed resolutions approving the changes in registered share capital as follows.

- a) A reduction of the Company's registered share capital from Baht 602,000,000 (602,000,000 ordinary shares of Baht 1.00 each) to Baht 601,999,244 (601,999,244 ordinary shares of Baht 1.00 each), by cancelling 756 unissued ordinary shares.
- b) An increase of the Company's registered share capital from Baht 601,999,244 (601,999,244 ordinary shares of Baht 1.00 each) to Baht 662,199,169 (662,199,169 ordinary shares of Baht 1.00 each), with up to 40,133,293 ordinary shares to be reserved for the stock dividend and up to 20,066,632 ordinary shares for the exercise of the TSR-W1 warrants which increased as a result of the rights adjustment.

The Company already registered its capital reduction and capital increase with the Department of Business Development, Ministry of Commerce.

Movements in share capital during the year ended 31 December 2016 are summarised below.

	Consolidated/Separate financial statements		
	Number of issued and paid-up share capital (Thousand Shares)	Issued and paid-up share capital (Thousand Baht)	Share premium (Thousand Baht)
Outstanding as at 31 December 2015	401,333	401,333	206,770
Increase in capital through issuance of stock dividend	40,133	40,133	-
Increase in capital from warrants exercise during May 2016	25,713	25,713	21,033
Outstanding as at 31 December 2016	467,179	467,179	227,803

## 22. Warrants

	Warrants TSR - W1
No. of warrants granted	200,666,316 units
Terms of warrants	3 years
Exercise period	The last business day of each May
First exercise date	31 May 2016
Final exercise date	20 December 2018
Exercise price per 1 ordinary share	2.00 Baht
Exercise ratio (unit of warrants to ordinary share)	1:1

The Annual General Meeting of the Company's shareholders on 22 April 2016 passed resolutions approving a stock dividend payment, and such a stock dividend payment meets the conditions for a rights adjustment of the TSR-W1 warrants. Therefore, the Company adjusted the exercise price and exercise ratio, effective from 3 May 2016, as follows:

Exercise price per 1 ordinary share (after adjusted)	1.818 Baht
Exercise ratio (unit of warrants to ordinary share) (after adjusted)	1:1.10

A reconciliation of number of warrants for the year ended 31 December 2016 is provided below.

	(Unit: Thousand Unit)
Balance as at 1 January 2016	200,666
Exercised during the year	(23,375)
Balance as at 31 December 2016	177,291

The Company registered the increase in its issued and paid-up share capital as a result of warrants exercise with the Department of Business Development, Ministry of Commerce on 2 June 2016.

## 23. Statutory reserve

Pursuant to section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of their net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

## 24. Expenses by nature

Significant expenses by nature are as follows.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salaries, wages and other employee benefits	432,264	361,554	419,048	350,892
Commission expenses	474,700	462,787	470,828	458,988
Depreciation and amortisation	45,160	31,609	43,972	30,279
Sales promotion expenses	24,050	27,190	22,766	25,006
Changes in raw materials	283,716	280,245	283,716	280,245
Changes in finished goods and work in process	16,936	34,505	20,441	24,114

## 25. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Current income tax</b>				
Current income tax charge	27,821	45,299	27,009	43,974
Adjustment in respect of income tax of previous year	(12)	-	(12)	-
<b>Deferred tax</b>				
Relating to origination and reversal of temporary differences	(7,449)	(8,090)	(7,391)	(8,029)
<b>Income tax expense reported in the statement of comprehensive income</b>	<u>20,360</u>	<u>37,209</u>	<u>19,607</u>	<u>35,945</u>

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2016 and 2015.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting profit before tax	99,436	182,265	100,451	178,493
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	19,887	36,453	20,090	35,699
Adjustment in respect of income tax of previous year	(12)	-	(12)	-
Effects of:				
Non-deductible expenses	213	466	138	379
Additional expense deductions allowed	(619)	(133)	(619)	(133)
Others	891	423	10	-
Total	485	756	(471)	246
Income tax expenses reported in the statement of comprehensive income	20,360	37,209	19,607	35,945

The components of deferred tax assets and liabilities are as follows.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	21,405	12,673	21,405	12,673
Allowance for goods returned	274	383	274	383
Allowance for diminution in value of inventories	133	523	133	523
Allowance for asset impairment	58	58	58	58
Provision from guarantee	224	99	224	99
Provision for long-term employee benefits	4,454	4,252	3,740	3,596
Total	26,548	17,988	25,834	17,332
<b>Deferred tax liabilities</b>				
Finance lease agreements	1,640	529	1,640	529
Total	1,640	529	1,640	529
<b>Net deferred tax assets</b>	24,908	17,459	24,194	16,803



## 26. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number to ordinary shares in issue during the period after adjusting the number of ordinary shares to reflect the impact of the stock dividend as discussed in Note 29 to the financial statements. The prior year's basic earnings per share has been recalculated as if the stock dividend had been distributed at the beginning of the earliest year reported.

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

The following table sets forth the computation of basic and diluted earnings per share:

Consolidated financial statements						
Profit for the year		Weighted average number of ordinary shares		Earnings per share		
<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
			(Restated)		(Restated)	
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	80,585	145,951	456,401	441,466	0.177	0.331
<b>Effect of dilutive potential ordinary shares</b>						
TSR-W1	-	-	309,817	-	-	-
<b>Diluted earnings per share</b>						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	80,585	145,951	766,218	441,466	0.105	0.331

	Separate financial statements					
	Profit for the year		Weighted average		Earnings	
			number of ordinary shares		per share	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
				(Restated)		(Restated)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	80,843	142,548	456,401	441,466	0.177	0.323
<b>Effect of dilutive potential ordinary shares</b>						
TSR-W1	-	-	309,817	-	-	-
<b>Diluted earnings per share</b>						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	80,843	142,548	766,218	441,466	0.106	0.323

## 27. Segment information

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

For management purpose, the Company and its subsidiaries are organised into business units based on its distribution channel. During the current year, the Company and its subsidiaries have not changed the organisation of their reportable segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following table presents revenues and profit information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2016 and 2015.

(Unit: Million Baht)					
	Hire purchase selling segment		Cash and credit selling segment		Total
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u> <u>2015</u>
Sales	1,389	1,241	219	211	1,608    1,452
Hire purchase interest income	228	165	-	-	228    165
Cost of sales	<u>(320)</u>	<u>(275)</u>	<u>(90)</u>	<u>(70)</u>	<u>(410)</u> <u>(345)</u>
Segment profit	<u>1,297</u>	<u>1,131</u>	<u>129</u>	<u>141</u>	<u>1,426</u> <u>1,272</u>
Other income					28    28
Selling expenses					(755)    (712)
Administrative expenses					(339)    (278)
Bad debts and doubtful accounts					(235)    (118)
Finance cost					<u>(26)</u> <u>(10)</u>
Profit before income tax expenses					99    182
Income tax expenses					<u>(20)</u> <u>(37)</u>
Profit for the year					<u>79</u> <u>145</u>

The Company and its subsidiaries operate in Thailand only. As a result, all the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

During the years ended 31 December 2016 and 2015, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

## 28. Provident fund

The Company, the subsidiary and employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contributed to the fund monthly at the rate of 3 percent of basic salary. The fund, which is managed by K Master Pooled Fund, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2016 amounting to approximately Baht 4.5 million (2015: Baht 3.4 million) were recognised as expenses (the Company only: Baht 4.3 million (2015: Baht 3.3 million)).

## 29. Dividend paid

Dividend	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2014	Annual General Meeting of the shareholders on 24 April 2015		
- Cash dividend		6,880	0.0200
- Stock dividend		57,333	0.1667
Total		64,213	0.1867
Interim dividends for 2015	Board of Directors' Meeting on 14 August 2015		
- Cash dividend		40,133	0.1000
Total for 2015		104,346	0.2867
Final dividends for 2015	Annual General Meeting of the shareholders on 22 April 2016		
- Cash dividend		8,027	0.0200
- Stock dividend		40,133	0.1000
Total		48,160	0.1200
Interim dividend for 2016	Board of Directors' Meeting on 11 November 2016		
- Cash dividend		51,390	0.1100
Total for 2016		99,550	0.2300

## 30. Commitments and contingent liabilities

### 30.1 Capital commitments

As at 31 December 2016, the Company had capital commitments of approximately Baht 4.0 million, relating to the construction of factory buildings. (2015: Nil)

### 30.2 Operating lease commitments

The Company and its subsidiaries have entered into several operating lease agreements in respect of the lease of land, office building plant and office equipments and service contracts. The terms of the agreements are generally between 1 and 10 years. These operating lease contracts are non-cancellable contracts.

Future minimum lease payments were as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
In up to 1 year	12.1	12.4	11.4	12.4
In over 1 and up to 5 years	6.2	13.8	6.2	13.8

### 30.3 Investment in joint venture commitment

The Company entered into a joint venture agreement to establish TSR Laos Company Limited in Laos to engage in the distribution of water purifiers and related products, and electrical appliances, which was register on 16 December 2016. The Company will hold 49 percent of share capital of that company, amounting to Baht 17.1 million.

On 17 January 2017, the Company paid up the share capital of Baht 13.8 million. The remainder of Baht 3.3 million has not been paid up.

### 30.4 Guarantees

As at 31 December 2016 and 2015, the Company and its subsidiaries have outstanding bank guarantees as follows:

	(Unit: Million Baht)	
	Consolidated/Separate financial statements	
	<u>2016</u>	<u>2015</u>
Guarantee for electricity and water supply use	0.4	0.4
Guarantee for commodity trading	9.5	16.6

## 31. Financial instruments

### 31.1 Financial risk management

The Company and the subsidiary's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, account receivables, short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

## Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables, hire purchase receivables and receivables under right transfer agreements. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures. In addition, they do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

## Interest rate risk

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, hire purchase receivables, bank overdrafts, short-term and long-term loans.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	Consolidated financial statements									
	Fixed interest rates				Floating		Non-interest		Total	
	Within		1 - 5 years		interest rate		bearing			
	1 year									
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Financial assets</b>										
Cash and cash equivalents	-	-	-	-	101	34	-	-	101	34
Trade and other receirables	-	-	-	-	-	-	24	24	24	24
Financial lease receivables	904	495	9	255	-	-	-	-	913	750
Receivables under right transfer										
agreements	-	-	-	-	-	-	9	10	9	10
Restricted bank deposits	-	-	-	-	19	22	-	-	19	22
	904	495	9	255	120	56	33	34	1,066	840
<b>Financial liabilities</b>										
Bank overdrafts and short-term loans										
from banks	-	-	-	-	597	378	-	-	597	378
Trade and other payables	-	-	-	-	-	-	103	86	103	86
Liabilities under finance lease										
agreements	28	30	54	46	-	-	-	-	82	76
Long term loans	-	-	-	-	41	63	-	-	41	63
	28	30	54	46	638	441	103	86	823	603

(Unit: Million Baht)

Separate financial statements										
	Fixed interest rates									
	Within				Floating		Non-interest		Total	
	1 year		1 - 5 years		interest rate		bearing			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Financial assets</b>										
Cash and cash equivalents	-	-	-	-	44	26	-	-	44	26
Trade and other receivables	-	-	-	-	-	-	19	22	19	22
Financial lease receivables	904	495	9	255	-	-	-	-	913	750
Receivables under right transfer agreements	-	-	-	-	-	-	9	10	9	10
Restricted bank deposits	-	-	-	-	5	7	-	-	5	7
	<u>904</u>	<u>495</u>	<u>9</u>	<u>255</u>	<u>49</u>	<u>33</u>	<u>28</u>	<u>32</u>	<u>990</u>	<u>815</u>
<b>Financial liabilities</b>										
Bank overdrafts and short-term loans from banks	-	-	-	-	597	378	-	-	597	378
Trade and other payables	-	-	-	-	-	-	102	86	102	86
Liabilities under finance lease agreements	28	29	54	46	-	-	-	-	82	75
Long term loans	-	-	-	-	41	63	-	-	41	63
	<u>28</u>	<u>29</u>	<u>54</u>	<u>46</u>	<u>638</u>	<u>441</u>	<u>102</u>	<u>86</u>	<u>822</u>	<u>602</u>

### 31.2 Fair values of financial instruments

Since the majority of the Company's and its subsidiaries' financial instruments are short-term in nature. Hire purchase receivables and loans carrying interest at the rates close to the market in interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of the financial position.

### 32. Capital management

The primary objective of the Group's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 0.90:1 (2015: 0.73:1) and the Company only was 0.91:1 (2015: 0.74:1).

### 33. Reclassification

Certain amounts in the financial statements as of 31 December 2015 have been reclassified to conform to the current period's classification. The reclassifications had no effect to previously reported profit or shareholders' equity.

### 34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2017.



บริษัท เที่ยรสुरัตน์ จำกัด (มหาชน)

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