

1. POLICY AND BUSINESS OVERVIEW

1.1 Background

STA was established by our founders, Mr. Somwang Sincharoenkul and Dr. Viyavood Sincharoenkul in Thailand in 23 April 1987, as a private limited company with an initial registered capital of Baht 31 million to produce RSS in Hat Yai, Thailand. STA is a producer and exporter of natural rubber, which is one of the most important agricultural products in the southern part of Thailand. STA has expanded its business into Concentrated Latex and Block Rubber to cover all market's demand and continued to increase our production capacity and footprint until we have become one of the world's most competent fully-integrated natural rubber companies.

In 1991, we undertook an initial public offering exercise in Thailand and were listed on the SET on 22 August 1991. STA was converted as a public limited company in 27 December 1993. On 31 January 2011, STA made an offering of its newly issued shares to the public (Public Offering) in Singapore, including institutional investors and listed its shares on the SGX-ST. At present, STA shares are listed securities on both the SET and SGX-ST (Dual Listing).

Vision and Mission

Vision

Passionately, we drive possibilities

>> the green rubber company>>

1. We are committed to delivering to our shareholders, having regard to sustainable growth and reasonable, consistent returns to shareholders, the highest level of satisfaction.
2. We are committed to an environmentally sound approach to production, through which we strive to inspire satisfaction and confidence in our customers and suppliers.
3. We are committed to the practices of good corporate governance and to operating with fairness and transparency with a view to improving the living and working conditions of our stakeholders.
4. We are committed to providing our employees with a pleasant work environment, fair compensation and career advancement opportunities.
5. We are committed to minimizing the social and environmental impact of our operations and to the sustainable consumption of natural resources.

Mission

2014: Year of High Productivity

The main target of the Company is to ensure and to extend our position as a successful key player in the rubber market worldwide. This means that our main focus on productivity issues has to ensure high competitiveness as it is the most important economic concern. This is not only the continuation of the successful current productivity project, but also further improvement in all positions and departments and transformation process to a modern organization structure with steady growing number of factories and offices in Thailand along with other countries worldwide. In order to achieve this, we need to monitor and establish best practice projects in all of our locations to achieve higher

productivity, particularly in the labor intensive factories, including the restructuring of some key departments, better communication and coordination between the factories and departments, implementation of a generally accepted and binding reporting system containing significant and valid key figures. The ultimate goal is to increase productivity and competitiveness which will benefit all our employees in terms of secure workplaces, higher income and standard of living.

2015: Year of Strong Management

Not only considered as one of the most significant factor towards the growth of Sri Trang Group, but also a great propellant behind all the success is the “Strong Management Team”, which has always contributed to and collaborated on the successful work during the past years. We recognize the importance of nurturing skilled employees, by providing our employees with endless learning, exchange of experience and continuous development of oneself, in order to utilize the skill towards the growth of the organization. This is to achieve a sustainable development for both the organization and the employees. We also support all the employees with high capability towards the possibility thinking. This allows our employees to show their performance and achievement to be acknowledged by their colleagues and the management.

1.2 Significant Changes and Developments

1.2.1 Company Milestones

April 1987	Commenced operations producing ribbed smoked sheets in Hat Yai, Thailand with an initial registered capital of Baht 31.0 million.
October 1987	Established Anvar Parawood for the production of rubber wood for the furniture industry.
March 1988	Established Rubberland Products for the production of Concentrated Latex, our Group’s first processing facility producing Concentrated Latex.
January 1989	Jointly established SSC to produce latex examination gloves.
March 1990	Thai Tech Rubber was jointly established with Southland Rubber Co., Ltd and Itochu Corporation Limited to expand our product mix to cover TSR block rubber.
August 1991	Made an initial public offering (IPO) in Thailand and listed our shares on the Stock Exchange of Thailand (SET)
January 1994	Starlight Express Transport was established to provide logistical support to our Group’s business.
March 1994	Premier System Engineering was established to support our Group’s research and development and provide engineering services.
December 1994	Our subsidiary, Nam Hua Rubber, commenced production of Concentrated Latex.
May 1995	Jointly established Shanghai Semperit to produce escalator handrails.
September 1995	Established Startex Rubber to invest in upstream business into the ownership of rubber plantations in the southern region of Thailand.
March 1996	Jointly founded Semperflex Asia which commenced the production of

	highpressure hydraulic hoses.
March 1996	Jointly established Semperform Pacific which produces rubber and plastic parts.
April 1998	Our Company started TSR production at our Thungsong facility.
April 1998	Sempermed USA was jointly established to manage the sales and marketing of examination gloves which are used for medical and industrial purposes in the United States.
April 2002	Sri Trang International was established in Singapore, a purchasing hub for key users of natural rubber, for the distribution of the Natural Rubber Products to global market.
March 2004	Established Sri Trang USA to focus on the distribution of the Natural Rubber Products that we sell in the United States.
July 2004	We expanded substantially in the PRC by establishing our sales teams in Qingdao and Shanghai to conduct direct sales of the Natural Rubber Products that we sell and to provide after sales services to our customers within the PRC.
January 2005	We established PT Sri Trang Lingga, our first natural rubber procurement and processing facility outside of Thailand.
July 2005	Semperflex Shanghai was jointly established to produce high-pressure hydraulic hoses in the PRC.
December 2007	Sri Trang Rubber & Plantation was established to invest in large scale of rubber plantations.
May 2008	Established Sempermed Singapore with Semperit Technische for the acquisition of Sempermed Brasil, our examination glove distributor in Brazil.
October 2008	Acquired Sempermed Brasil, the distributor of examination and industrial gloves in Brazil
August 2009	Acquired PT Star Rubber as our second Indonesian TSR processing facility.
August 2010	We established our first PRC subsidiary, Shi Dong Shanghai, in Shanghai, to expand our operation into the PRC.
January 2011	STA made an offering of its newly issued shares to the public (Public Offering) in Singapore, including institutional investors and listed its shares on the SGX-ST. STA is the first Thai listed company dually listing in Singapore.
December 2011	STA issued two tranches of debentures, the first debenture for rubber processor in Thailand, to the institutional and high net-worth investors totaling Baht 2,150 million.
February 2013	STA issued two tranches of debentures to the institutional and high net-worth investors totaling Baht 900 million for working capital and capacity expansion of our group.

October 2013	Jointly established Sri Trang Ayeyar with Ayeyar Hinthar Holdings Co., Ltd. to expand natural rubber processing base into Myanmar
November 2013	Semperform Pacific completed liquidation process.
January 2014	Registered an THB 800 million increase in common equity for Sri Trang Rubber & Plantation to support the Company's expansion in upstream business

1.2.2 Business Overview

The Company's principal business is the production of natural rubber, which are RSS, TSR and Concentrated Latex as well as other businesses through its subsidiaries, associates and joint ventures, such as the production of Finished Products, the distribution of products and other services business, which are logistic business, engineering services business, production and sale of rubber wood. The product segments of the Company can be divided as follows:

(1) Natural Rubber Products

Company	Country	Type of Businesses	Direct Shareholding as of 31 December 2014 (%)	Paid-up Capital as of 31 December 2014
STA	Thai	Production of RSS, TSR and Concentrated Latex	-	Baht 1,280,000,000
Rubberland Products	Thai	Production of TSR and Concentrated Latex	99.99	Baht 1,600,000,000
Nam Hua Rubber	Thai	Production of Concentrated Latex, RSS, and TSR	99.99	Baht 500,000,000
Sadao P.S. Rubber	Thai	Production of RSS	99.99	Baht 40,000,000
PT Sri Trang Lingga	Indonesia	Production of SIR- block rubber	90.00 ¹	IDR 91,050,000,000
PT Star Rubber	Indonesia	Production of SIR- block rubber	99.00 ²	USD 32,000,000
Thai Tech Rubber	Thai	Production of TSR	33.50 ³	Baht 60,000,000
Sri Trang Ayeyar	Myanmar	Production of TSR	59.00 ⁴	USD 1,000,000

¹ Held by STA and the remaining shares are held by PT Nusantara Agro Industri (which is not a person who may have conflicts of interest) 10.00%.

² Held by Shi Dong Investments

³ Held by STA 33.50% and the remaining shares are held by Southland Rubber Co.,Ltd. (which is not a person who may have conflicts of interest) 33.49%, Itochu Corporation Limited (which is not a person who may have conflicts of interest) 33.00%, Mr. Perm Theerasarnwong (1 share), Mr. Thanasak Charnsanti (1 share), Mr. Viyavood Sincharoenkul (1 share), and Mr. Chaiyos Sincharoenkul (1 share).

⁴ Held by Sri Trang International 59.00% and the remaining shares are held by Ayeyar Hinthar Holdings Co., Ltd. 40.00% and Mr. Kitichai Sincharoenkul 1.00%.

(2) Finished Products

Company	Country	Type of Businesses	Direct Shareholding as of 31 December 2014 (%)	Paid-up Capital as of 31 December 2014
SSC	Thai	Production of examination gloves	31.50 ⁵	Baht 200,000,000
Semperflex Asia	Thai	Production of high-pressure hydraulic hoses	37.50 ⁶	Baht 380,000,000
Shanghai Sempermed	PRC	Agent import and export of rubber gloves	100.00 ⁷	USD 6,000,000
Semperflex Shanghai Ltd.	PRC	Production of high-pressure hydraulic hoses	50.00 ⁸	USD 15,000,000
Shanghai Semperit	PRC	Manufacture of handrails and related parts for escalators and travelators	10.00 ⁹	Euro 2,471,000

⁵ Held by STA 31.50% and the remaining shares are held by Semperit Technische (50.00%); Rubberland Products (8.73%), STH (6.00%), Miss Poonsuk Cherdkiatgumchai (3.73%), Mr. Veerasith Sinchareonkul (2 shares), Mr. Somwang Sinchareonkul (2 shares), Mr. Viyavood Sinchareonkul (2 shares), and Mr. Kitichai Sinchareonkul (2 shares).

⁶ Held by STA 37.50% and the remaining shares are held by Semperit Technische (50.00%), Rubberland Products (5.00%), STH (5.00%), Paktai Rubber Industries Limited Partnership (2.50%) Miss Poonsuk Cherdkiatgumchai (2 shares), Mrs. Promsuk Sinchareonkul (2 shares), Mr. Somwang Sinchareonkul (2 shares), Mr. Viyavood Sinchareonkul (2 shares), Mr. Chaiyos Sinchareonkul (2 shares), Mr. Anan Pruksanusak (2 shares), and Mr. Prasit Panidkul (2 shares).

⁷ Held by SSC.

⁸ Held by STA 50.00% and the remaining shares are held by Semperit Technische 50.00%.

⁹ Held by STA 10.00% and the remaining shares are held by Semperit Technische 90.00%.

(3) Products Distribution

Company	Country	Type of Businesses	Direct Shareholding as of 31 December 2014 (%)	Paid-up Capital as of 31 December 2014
Sempermed USA, Inc.	United States	Distribution of examination gloves in the United States	25.00 ¹⁰	USD 4,000
Sri Trang International	Singapore	Natural rubber wholesaler in Singapore	100.00	USD 52,000,000
Sri Trang USA, Inc.	United States	Natural rubber wholesaler in the United States	100.00	USD 100
Sempermed Brasil	Brazil	Distribution and marketing of natural rubber gloves and synthetic rubber in Brazil	100.00 ¹¹	Brazilian Real 12,546,638
Shi Dong Shanghai	PRC	Distribution of Natural Rubber Products in PRC	100.00 ¹²	USD 5,000,000
Sri Trang Indochina	Vietnam	Distribution of Natural Rubber Products from Vietnam to customers	100.00	-

¹⁰ Held by STA 25.00% and the remaining shares are held by SSC 50.00% and Semperit Technische 25.00%.

¹¹ Held by Sempermed Singapore approximately 100.0% and Semperit Industrial Products Singapore Private Limited holds 1 share.

¹² Held by STA. Shi Dong Shanghai is licensed to operate for a term of 30 years from 2 August 2010

(4) Other businesses

Company	Country	Type of Businesses	Direct Shareholding as of 31 December 2014 (%)	Paid-up Capital as of 31 December 2014
Anvar Parawood	Thai	Lumber production and manufacture of wooden furniture	99.94	Baht 10,000,000
Startex Rubber	Thai	Ownership and management of rubber and oil palm plantations	83.99 ¹³	Baht 50,000,000
Premier System Engineering	Thai	Engineering services, design, installation and maintenance machinery	81.99 ¹⁴	Baht 50,000,000
Starlight Express Transport	Thai	Provision of logistics services	76.66 ¹⁵	Baht 15,000,000
Pattana Agro Futures	Thai	Brokerage activities	40.00 ¹⁶	Baht 100,000,000
Sri Trang Rubber & Plantation	Thai	Ownership and management of rubber plantations	99.99	Baht 4,660,000,000
Shi Dong Investments	Singapore	Investment holding in PT Star Rubber	100.00 ¹⁷	USD 34,000,000
Sempermed Singapore	Singapore	Investment holding in Sempermed Brasil	50.00	USD 8,000,000
Formtech Engineering (M) Sdn. Bhd.	Malaysia	Production and distribution mold for glove production line	82.86 ¹⁸	MYR 7,000,000

¹³ Held by STA 83.99% and the remaining shares are held by Rubberland Products 16.00%, Mr. Somporn Punnarai (1 share), Mr. Boonyachon Sincharoenkul (1 share), Miss Wanna Tanapoomkul (1 share), Mrs. Promsuk Sincharoenkul (1 share), and Prukasa Mansion Ltd (1 Share).

¹⁴ Held by STA 81.99% and the remaining shares are held by Rubberland Products 16.00%, Sadao P.S. Rubber 2.00%, Mr. Viyavood Sincharoenkul (1 share), Mr. Kitichai Sincharoenkul (1 share), Phrueksa Mansion Ltd (1 share), and Mr. Aram Sirisuwat (1 share).

¹⁵ Held by STA 76.66% and the remaining shares are held by Rubberland Products 13.33%, Nam Hua 3.33%, Sadao P.S. Rubber 3.33%, Startex Rubber 3.33%, Phrueksa Mansion Ltd (1 share), and Mr. Boonyachon Sincharoenkul (1 share).

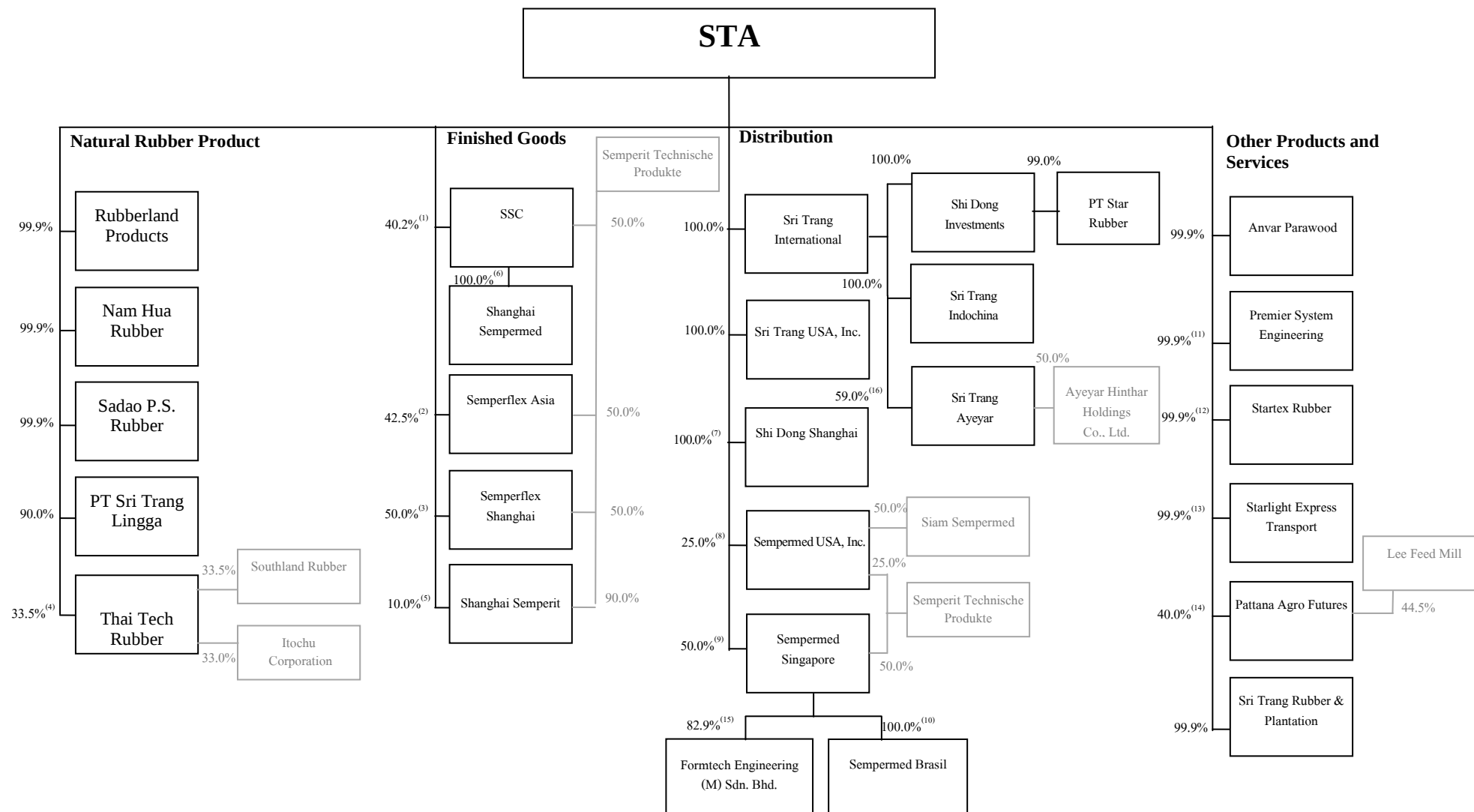
¹⁶ Held by STA 40.00% and the remaining shares are held by Lee Feed Mill Public Company Limited (which is not a person who may have conflicts of interest) 44.50%, Mr. Preecha Leelasithorn 8.75%, Wallstreet Tower Company Limited (which is not person who may have conflicts of interest) 6.25%, and Mr. Nipon Leelasithorn 0.5%.

¹⁷ Held by Sri Trang International.

¹⁸ Held by Sempermed Singapore 82.86%, Dietmar Trumm 11.43% and Valluvan A. Peramuthu 5.71%

1.3 Group Structure

The group structure of the Company as of 31 December 2013 is shown in the diagram below.



Notes:

- (1) Our Company is interested in an aggregate of approximately 40.2% of the total voting rights in SSC, comprising a direct interest of approximately 31.5% and an indirect interest of approximately 8.7% through our subsidiary Rubberland Products. Semperit Technische (50.0%), STH (6.0%) and five individuals, namely, Ms. Poonsuk Cherdkiatgumchai (3.7%), Mr. Veerasith Sincharoenkul (2 shares), Mr. Somwang Sincharoenkul (2 shares), Dr. Viyavood Sincharoenkul (2 shares) and Mr. Kitichai Sincharoenkul (2 shares), hold the remaining interest in SSC.
- (2) Our Company is interested in an aggregate of approximately 42.5% of the total voting rights in Semperfex Asia, comprising a direct interest of approximately 37.5% and an indirect interest of approximately 5.0% through our subsidiary Rubberland Products. Semperit Technische (50.0%), STH (5.0%), Paktai Rubber Industries Limited Partnership (2.5%) and seven individuals, namely, Ms. Poonsuk Cherdkiatgumchai (2 shares), Mrs. Promsuk Sincharoenkul (2 shares), Mr. Somwang Sincharoenkul (2 shares), Dr. Viyavood Sincharoenkul (2 shares), Mr. Chaiyos Sincharoenkul (2 shares), Mr. Anan Pruksanusak (2 shares) and Mr. Prasit Panidkul (2 shares), hold the remaining interest in Semperfex Asia.
- (3) Our Company and Semperit Technische directly own 50.0% each of the total paid-up capital in Semperfex Shanghai. Semperfex Shanghai is licensed to operate for a term of 50 years from 14 July 2005. 180 days prior to the expiry of such term, an application may be submitted to the relevant authorities for an extension. If the term is not extended, Semperfex Shanghai will be liquidated upon expiry and proceeds from the sale of its assets will be returned to its shareholders after its creditors are paid.
- (4) Our Company directly owns 33.5% of the total number of issued shares in Thai Tech Rubber. Southland Rubber Co., Ltd. and Itochu Corporation Limited own 33.5% and 33.0% of the total number of issued shares in Thai Tech Rubber respectively. The remaining shares in Thai Tech Rubber are held by Mr. Perm Theerasarnwong (1 share), Mr. Thanasak Charnsanti (1 share), Dr. Viyavood Sincharoenkul (1 share) and Mr. Chaiyos Sincharoenkul (1 share).
- (5) Our Company holds 10.0% of the total paid-up capital in Shanghai Semperit, and Semperit Technische holds the remaining 90.0% of the total paid-up capital. Shanghai Semperit is licensed to operate for a term of 50 years from 10 May 1995. 180 days prior to the expiry of such term, an application may be submitted to the relevant authorities for an extension. If the term is not extended, Shanghai Semperit will be liquidated upon expiry and proceeds from the sale of its assets will be returned to its shareholders after its creditors are paid.
- (6) SSC holds the entire paid-up capital in Shanghai Sempermed. Shanghai Sempermed changed its business objective to be an agent who imports and exports of rubber gloves.
- (7) Shi Dong Shanghai is licensed to operate for a term of 30 years from 2 August 2010. 180 days prior to the expiry of such term, an application may be submitted to the relevant authorities for an extension. If the term is not extended, Shi Dong Shanghai will be liquidated upon expiry and proceeds from the sale of its assets will be returned to its shareholders after its creditors are paid.
- (8) Our Company directly owns 25.0% of the total number of issued shares in Sempermed USA. SSC owns 50.0% of the total number of issued shares in Sempermed USA. The remaining 25.0% of the total number of issued shares in Sempermed USA are held by Semperit Technische.
- (9) Our Company and Semperit Technische directly own 50.0% each of the total number of issued shares in Sempermed Singapore.
- (10) Sempermed Singapore directly owns approximately 100.0% of the total paid-up capital in Sempermed Brasil, and Semperit Industrial Products Singapore Private Limited holds the remaining 1 quota in Sempermed Brazil.

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- (11) Our Company is interested in an aggregate of approximately 99.9% of the total voting rights in Premier System Engineering, comprising a direct interest of approximately 81.9% and indirect interests of approximately 16.0% and 2.0% through our subsidiaries, Rubberland Products and Sadao P.S. Rubber respectively. The remaining shares are held by Mr. Viyavood Sincharoenkul (1 share), Mr. Kitichai Sincharoenkul (1 share), Phrueksa Mansion Ltd (1 share), and Mr. Aram Sirisuwat (1 share).
- (12) Our Company is interested in an aggregate of approximately 99.9% of the total voting rights in Startex Rubber, comprising a direct interest of approximately 83.9% and an indirect interest of approximately 16.0% through our subsidiary, Rubberland Products. The remaining shares are held by Mr. Somporn Punnarai (1 share), Mr. Boonyachon Sincharoenkul (1 share), Ms. Wanna Thanabhumkul (1 share), Ms. Promsuk Sinchareonkul (1 share), and Prukesa Mansion Ltd. (1 share).
- (13) Our Company is interested in an aggregate of approximately 99.9% of the total voting rights in Starlight Express Transport, comprising a direct interest of approximately 76.6% and indirect interests of approximately 13.3%, 3.3%, 3.3% and 3.3% through our subsidiaries Rubberland Products, Nam Hua Rubber, Sadao P.S. Rubber and Startex Rubber respectively. The remaining shares are held by Prukesa Mansion Ltd (1 share) and Mr. Boonyachon Sincharoenkul (1 share).
- (14) Our Company directly owns 40.0% of the total number of issued shares in Pattana Agro Futures. Lee Feed Mill Public Company Limited owns 44.5% of the total number of issued shares in Pattana Agro Futures, and the remaining shares in Pattana Agro Futures are held by Wallstreet Tower Company Limited (6.3%), Mr. Preecha Leelasithorn (8.8%), and Mr. Nipon Leelasithorn (0.5%).
- (15) Formtech Engineering (M) Sdn. Bhd is owned by Sempermed Singapore directly 82.9%, Dietmar Trumm 11.4%, and Valluvan A. Peramuthu 5.7%
- (16) Sri Trang International owns 59.0% of the total number of issued shares in Sri Trang Ayeyar. The remaining shares are held by Ayeyar Hinthar Holdings Co., Ltd. 40.0% and Mr. Kitichai Sincharoenkul 1.0%.

2. BUSINESS OVERVIEW

(1) Revenue structure

The key products we sell consist of Natural Rubber Products. In 2012, 2013 and 2014, revenues from sales of Natural Rubber Products accounted for approximately 97% of our Group's total revenue. More than 70% of total revenue comes from TSR followed by RSS, Concentrated latex, and other products.

Type of Business / Operated by	% Shareholding by STA	Year ended 31 December					
		2012		2013		2014	
		Baht million	(%)	Baht million	(%)	Baht million	(%)
Revenue from TSR products		77,499.7	77.5	70,773.7	76.6	57,512.4	76.0
STA	-						
Sri Trang International	100.0						
Sri Trang USA, Inc.	100.0						
Rubberland Products	99.9						
Nam Hua Rubber	99.9						
PT Sri Trang Lingga	90.0						
Shi Dong Shanghai	100.0						
PT Star Rubber	99.0						
Revenue from RSS products		13,591.0	13.6	12,845.5	13.9	9,818.5	13.0
STA	-						
Sri Trang International	100.0						
Sri Trang USA, Inc.	100.0						
Nam Hua Rubber	99.9						
Shi Dong Shanghai	100.0						
Revenue from Concentrated Latex products		6,436.4	6.4	6,047.4	6.5	5,631.5	7.4
STA	-						
Sri Trang International	100.0						
Shi Dong Shanghai	100.0						
Sri Trang USA, Inc.	100.0						
Rubberland Products	99.9						
Nam Hua Rubber	99.9						
Revenue from other products and services*		2,112.0	2.1	2,518.5	2.7	2,567.5	3.4
STA	-						
Anvar Parawood	99.9						

Type of Business / Operated by	% Shareholding by STA	Year ended 31 December					
		2012		2013		2014	
		Baht million	(%)	Baht million	(%)	Baht million	(%)
Premier System Engineering	99.9						
Starlight Express Transport	99.9						
Startex Rubber	99.9						
Rubberland Products	99.9						
Sri Trang USA	100.0						
Shi Dong Shanghai	100.0						
Other income		363.9	0.4	260.0	0.3	121.1	0.2
Total revenue		100,003.0	100.0	92,445.1	100.0	75,651.0	100.0
Share of profit of investments in associates and a joint venture		526.8		495.6		535.1	

Note* : Comprises (i) the sale of dried rubber wood and wood packing products and (ii) the provision of certain services (such as logistics, research and development and information technology services) to our associates and a joint venture entity as well as other external third parties. (iii) RSS processing fee for Thai Government recognized from Q3 2012 onwards.

(2) Products and Services

2.1 Overall Products and Services

The Company operates an integrated natural rubber supply chain business in many countries. The business starts from upstream business by engaging in rubber plantation in Thailand, midstream business by processing and distributing natural rubber products to downstream business by investing with international companies to produce and distribute finished goods including gloves, hydraulic hoses and escalator handrails.

The Company's operations mainly consist of 3 businesses which are 1) natural rubber business which contribute to 97% of total revenue 2) gloves business which income generates from investment in associates and 3) other business. Details of each business are as follows;

2.1.1 Natural Rubber Business

The Company is the world largest manufacturer and distributor of natural rubber supply chain. We own market share of approximately 10%¹ and provide Natural Rubber Products that serve all types of demand including tires and gloves industries which are RSS, TSR and Concentrated Latex to customers in various countries and territories in Asia such as, the PRC, India, Singapore, Japan, Korea, Vietnam, Malaysia, as well as to the United States and Europe. We also purchase Natural Rubber Products from third party producers and our joint venture entity, Thai Tech Rubber, from time to time, to meet demand from customers.

¹ Based on our sales volume of Natural Rubber Products of approximately 1,204,342 tons for the financial year ended 31 December 2014 and the total global demand for Natural Rubber Products of approximately 11,944,000 tons in 2014. (Source : International Rubber Study Group (IRSG), The World Rubber Industry Outlook, Review and Prospects to 2023, December 2014)

2.1.2 Examination Gloves Business

In addition and complementary to our Natural Rubber Products business, we have diversified our income stream through our interest in SSC, our associate, in which we have an aggregate interest (direct and indirect) of approximately 40.2%. We are closely involved in the day-to-day operations of SSC which primarily produces disposable latex examination gloves and nitrile examination gloves. These disposable gloves are used for medical and industrial purposes.

2.1.3 Other Businesses

2.1.3.1 Rubber plantation business

We operate our rubber plantation systematically and in a full supply chain. Currently, we have approximately 6,160 hectares² of rubber plantations in 17 provinces of Thailand, the majority of which are located in the Northern and Northeastern regions. The plantations will give rubber products starting from 2016 onwards.

Having our own plantation will increase our sourcing efficiency and make it easier for the Company to gather raw materials in reasonable price which would be expected to result in lower cost and margin improvement. In addition, at the end stage, parawood can be used in furniture industry and packaging industry as a pallet container.

2.1.3.2 Rubber wood processing business

Through our subsidiary, Anvar Parawood, we also involved in the production and distribution of processed dried rubber wood and other types of woods for packaging and furniture industry in both local and global markets.

2.1.3.3 Production and sale of finished products business

We have expanded our business operation to manufacture and distribute finished products through investments in our associates that we have jointly established with Semperit Technische Produkte, namely Semperflex Asia, Semperflex Shanghai, and Shanghai Semperit. We have participated in the production and sale of high-pressure hydraulic hoses for industrial, mining, and other specific applications through Semperflex Asia and Semperflex Shanghai and participated in the production and sale of escalator handrails through Shanghai Semperit.

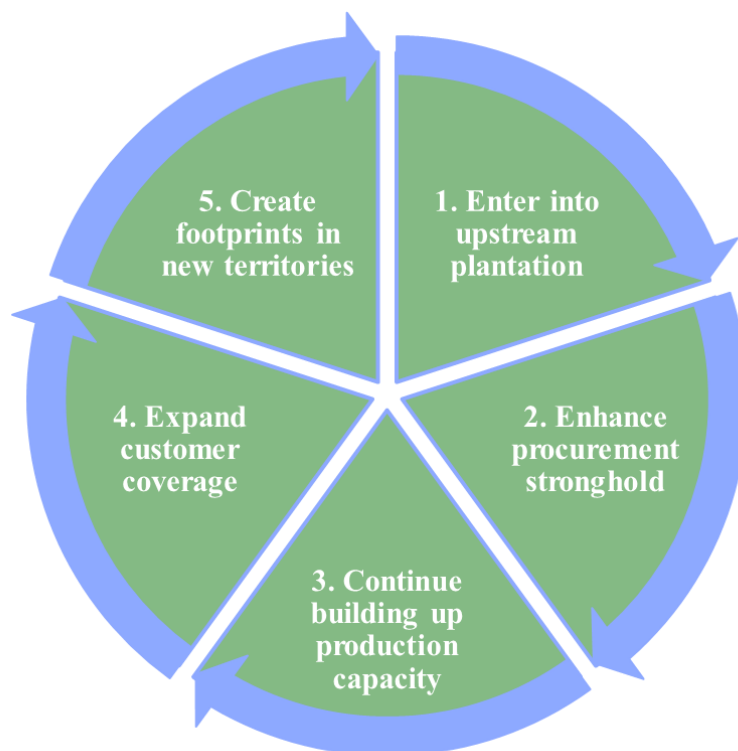
2.1.3.4 Future broker

Through our associate, Pattana Agro Futures, we are also a commodity futures broker in the Agricultural Futures Exchange of Thailand.

² This includes the land with our own title deeds of 5,769 hectares and the land restricted to transfer in certain period as well as the land that we have rights to use by paying local maintenance tax totaling 391 hectares.

Business Strategy & Future Growth Plan

In order to strengthen and maintain our leading market position as a world leading natural rubber processor under the pressure of economic slowdown and intense competition, we have put in place an aggressive expansion plan and dedicated penetration strategy across our natural rubber supply chain as following;



1. Enter into upstream rubber plantation

Being a midstream player in natural rubber industry for almost three decades, we have built up our business networks throughout the region. By having our own rubber plantation, not only allow us to gain the high-profit compartment of the supply chain, we believe it could increase opportunity to procure raw materials at more favorable prices in new rubber plantation zones. This could ultimately increase sustainable profitability, provide us supply insights and increase opportunity for new capacity expansion for our midstream operation. In pursuance of this strategy, we have continually acquired land with high potential yield output. As at 31 December 2014, we have acquired land in total of 8,098 hectares³ in 19 provinces around Thailand of which 6,160 hectares has been already planted for rubber.

2. Enhance our procurement stronghold

Raw material procurement is the paramount process in natural rubber midstream business as raw material cost represents majority production cost. We have developed our own system and process to create excellent interface with suppliers and also set up an integrated system to build relationship with suppliers for long-term business partnership. Moreover, we have created effective communication strategy with our suppliers to ensure that the quality of the supplied raw materials will always meet our factories requirement in order to save production cost and increase production efficiency.

³ This includes the land with our own title deeds of 6,407 hectares and the land restricted to transfer in certain period as well as the land that we have rights to use by paying local maintenance tax totaling 1,691 hectares.

3. Continue building up production capacity

We consistently invest in both organic and inorganic growth. We believe that gaining market share is the headwind for long-term success in midstream business. Such growth strategy is mainly supported by our own capacity under in-house developed modern production facilities. We aim to further expand our total production capacity to 1,700,000 tons/annum by the end of 2016. We believe that the larger size of processing capacity will enable us to benefit from economies of scale and in an even better position to lead the natural rubber market.

4. Expand customer coverage

Our sales & distribution strategy is to ensure that we capture all demands from customers throughout the world. We continually expand customer base to high growth markets and new highly potential markets. Almost a decade that we have entered into Chinese market has strengthened our market position in the world's largest natural rubber consumer where one-third of world demand is generated. Though customer expansion in Chinese market is still our focus, we also reserve no spare efforts to penetrate into other high potential markets.

5. Create footprint in new territories

Along with our almost 30 years of experience as a production base of global player in commodity business, we focused our production sources in major natural rubber countries, specifically Thailand and Indonesia. Under the challenges of capital and labor mobilization as a result of ASEAN (Association of South East Asian Nations) as well as the increase in competition from rapid-growth second tier natural rubber suppliers such as CAMAL⁴ and Vietnam, we have to stretch our production base to new territories. In 2014, we expanded our production capacity to Myanmar through a new subsidiary and expect the new factory to start the operation in 2015. We have also been successful in putting our distribution flagship in Vietnam which is the 3rd largest supply of natural rubber.

Tax Incentives

1. Tax Incentives from The Board of Investment of Thailand

Under the Industrial Investment Promotion Act B.E. 2520 (as amended), the Company and certain subsidiaries incorporated in Thailand have been granted privileges by the Board of Investment at various times relating to, among others, manufacture of latex and skim crepe and/or skim block, concentrated latex, block rubber and mixed rubber, rubber smoked sheets and providing service of calibration laboratory (the "promoted operations").

The privileges granted, subject to compliance with the terms and conditions prescribed in the relevant promotional certificates, include:

- (a) exemption from payment of import duty on machinery approved by the Board of Investment;
- (b) exemption from payment of corporate income tax on net profit from promoted operations for a period of eight years from the date on which income is deemed to be first derived from such operations;
- (c) a 50% reduction in the normal corporate income tax rate on the net profit derived from promoted operations for a period of five years, commencing from the expiry date in (b) above (if applicable);
- (d) a five-year carry forward period for losses for tax purposes from promoted operations during the period in (b) above;

⁴ CAMAL countries include Cambodia, Myanmar and Lao PDR.

- (e) income exclusions and additional deductions in computing the taxable income for promoted operations during the period in (b) above;
- (f) exemption from income tax on dividend paid to the shareholders from the profit of the promoted operations during the corporate income tax exemption period; and
- (g) double deduction of the cost of transportation, electricity and water supply for corporate income tax purposes for a period of 10 years from the date on which income is deemed to be first derived from the promoted operations.

The following table summarizes the expiry dates of the Board of Investment tax incentives granted to our Company and certain of our subsidiaries incorporated in Thailand.

Company	Certificated no.	Expiry for Full Exemption from Tax	Expiry for 50% Reduction in Tax
STA (Khanjanadit - Concentrated Latex)	1802(2)/2550	17 September 2016	Not Applicable
STA (Sikao - TSR)	1803(2)/2550	9 March 2016	Not Applicable
STA (Huay Nang - TSR)	2213(2)/2550	3 October 2016	Not Applicable
STA (Trang - Concentrated Latex)	1100(2)/2554	10 October 2019	Not Applicable
STA (Surat Thani - Concentrated Latex)	1101(2)/2554	3 October 2019	Not Applicable
STA (Chonburi – TSR)	1042(2)/2555	Delayed	
STA (Ubon Ratchatani – TSR)	1425(2)/2555	20 June 2021	20 June 2026
STA (Udon Thani – TSR)	1353(2)/2555	11 December 2020	11 December 2025
STA (Phitsanulok – TSR)	1541(2)/2556	23 January 2027	Not Applicable
STA (Pattani – Crepe rubber)	1688(1)/2556	3 June 2022	3 June 2027

Company	Certificated no.	Expiry for Full Exemption from Tax	Expiry for 50% Reduction in Tax
STA (Sakaeo – TSR)	2224(2)/2556	No income yet	
STA (Chantaburi – TSR)	2225(2)/2556	No income yet	
STA (Kalasin – TSR)	2226(2)/2556	No income yet	
Nam Hua Rubber (Sadao - TSR)	2379(2)/2553	2 December 2018	Not Applicable
Rubberland Products (Bungkan - TSR)	1402(2)/2552	30 March 2018	30 March 2023
Rubberland Products (Buriram - TSR)	1887(2)/2553	30 November 2018	30 November 2023
Rubberland Products (Hatyai - Concentrated Latex)	2387(2)/2553	1 April 2019	Not Applicable
Rubberland Products (Mukdahan – TSR)	1016(2)/2555	22 December 2019	Not Applicable

2. Global Trader Programme

Sri Trang International enjoys certain tax benefits under the Global Trader Programme launched by International Enterprise Singapore, pursuant to which Sri Trang International is only taxed on 10% of its qualifying income (i.e. income which is derived from offshore sales or sales to companies under the Global Trader Programme). Sri Trang International renewed its status under the Global Trader Programme in January 2015 for the period from 1 January 2015 to 31 December 2019

Insurance

As at 31 December 2014, we have taken insurance against damage (inclusive of fire and natural disaster such as lightening, bombing, storm, and etc.) for all our fixed assets (including our offices, production facilities and machinery) as well as our inventory for an aggregate of approximately Baht 27,505.72 million.

Our Directors believe that the insurance policies taken up by our Group are adequate for our business needs and operations, and will periodically and appropriately conduct a review of our Group's insurance coverage.

2.2 Marketing and Competition

2.2.1 Marketing

2.2.1.1 Sales and Marketing of Natural Rubber Products

Distribution Channels

In addition of our factories in Thailand and Indonesia, our global sales and distribution function is located in and managed out of Singapore, a global purchasing hub for Natural Rubber Products. We have established four trading and distribution networks based in Singapore, the United States, PRC and Vietnam for the Natural Rubber Products that we sell, through our subsidiaries Sri Trang International, Sri Trang USA, Shi Dong Shanghai and Sri Trang Indochina, respectively.

Target Customers and Market Shares by Geography

We have distributed our products to customers worldwide which mainly are world class tire producers. In the last 3 years, our market shares by geography are as follows:

Geography	Year 2012		Year 2013		Year 2014	
	Tons	%	Tons	%	Tons	%
Worldwide						
Asia Region	652,746.7	66.9	829,113.5	73.6	872,454.1	72.4
- China	422,547.9	43.3	560,570.2	49.8	574,931.7	47.7
- India	30,976.7	3.2	25,549.3	2.3	28,496.8	2.4
- Japan	17,580.9	1.8	44,856.1	4.0	42,443.1	3.5
- Korea	26,717.4	2.7	33,049.9	2.9	49,461.2	4.1
- Malaysia	13,055.0	1.3	4,684.4	0.4	14,286.8	1.2
- Singapore	110,225.8	11.3	109,470.9	9.7	112,844.4	9.4
- Other Asian countries	31,642.9	3.2	50,932.7	4.5	49,990.2	4.2
America Region	92,443.1	9.5	84,363.4	7.5	75,534.1	6.3
Europe Region	67,833.8	7.0	50,356.2	4.5	52,350.5	4.3
Other Regions	4,005.0	0.4	4,102.3	0.3	879.0	0.1
Worldwide	817,028.6	83.7	967,935.4	85.9	1,001,217.7	83.1
Domestics	158,575.5	16.3	158,527.6	14.1	203,125.0	16.9
Total	975,604.1	100.0	1,126,463.0	100.0	1,204,342.7	100.0

Sales and Marketing Responsibilities

The responsibilities of our sales and marketing department include the following:

- developing sales strategies in connection with our penetration into domestic and international markets;
- recommending products to existing customers through the distribution of our product samples;
- procuring new customers;
- monitoring and analysing our competitors' product development and pricing;

- coordinating the delivery of our products to our customers; and
- purchasing Natural Rubber Products from third party producers.

In addition, our sales and marketing department is also responsible for maintaining our Group's customer records, attending to customer complaints and maintaining and improving customer relations and inviting our existing customers to visit our processing facilities, enabling them to gain a better understanding of our operations and products.

We have an extensive and diversified customer network of leading players globally and we sell Natural Rubber Products to customers in various countries and territories in Asia such as the PRC, India, Singapore, Japan, Vietnam, Malaysia, and Korea, as well as to the United States and Europe.

2.2.1.2 Sales and Marketing of Disposable Examination Gloves

Distribution Channels

SSC's sales and marketing department is responsible in their markets for:

- developing the sales and marketing strategies for its examination gloves;
- distributing products to existing customers;
- penetrating to new markets and procuring new customers; and
- coordinating the delivery of products to customers.

Together with our business partner, we have established two companies; Sempermed USA and Sempermed Brasil in strategic locations, focusing in the sales and distribution of the disposable examination gloves in North America and Brazil, respectively. Sempermed Brasil has recently ceased its operation in South America.

2.2.2 Industry

Demand and Supply of Natural Rubber in 2014

According to International Rubber Study Group (IRSG), World Rubber Industry Outlook, Review and Prospects to 2023 as of December 2014, the world demand of natural rubber (NR) in 2014 was 11,944,000 tons representing 5.3% increase (vs. 2.7% in 2013). The accelerated growth rate was supported by the increase in the world's tire production, which constituted around 70% of the world's NR demand. The demand growth was contributed mainly by China, EU and the US at the rate of 8%, 7% and 4% respectively. This was offset by the diminishing demand from Japan and other Asia-Pacific countries. The world supply of NR, on the other hand, marginally dropped by 0.5% to 12,020,000 tons in 2014. Key factor for the supply decrease was due to the continuous drop in NR price where farmers reduced the tapping intensity as well as postpone the planting/re-planting schedule. Asia-Pacific was the region resulting in supply drop. Malaysia and India output decreased by 15% and 14% respectively, despite the continuous growth of supply in Vietnam and CAMAL⁵ countries.

⁵ CAMAL countries include Cambodia, Myanmar and Lao PDR.

Trend of Demand and Supply of Natural Rubber in 2015

The world's NR demand was expected to grow at a slower rate in 2015, before recovering to a steady pace in 2016 onwards. The total demand volume was expected to reach 12,317,000 tons or 3.1% increase from 2014. This deceleration in 2015 was caused by the sharp increase in demand and inventory buildup in 2014. Most growing demand volumes come primarily from China, India and USA, whereas Japan will experience a demand contraction. For NR supply, IRSG forecasted the NR production recover from the contraction in 2014 and grow at 3.1% reaching 12,394,000 tons in 2015. The largest sources of additional supply volumes are CAMAL countries, India and China, while the top-3 producing countries (Thailand, Indonesia and Vietnam) will maintain their production level relatively at the same level as 2014.

Diagram exhibits Demand and Supply of Natural Rubber during 2003-2015

Unit : Million Tons



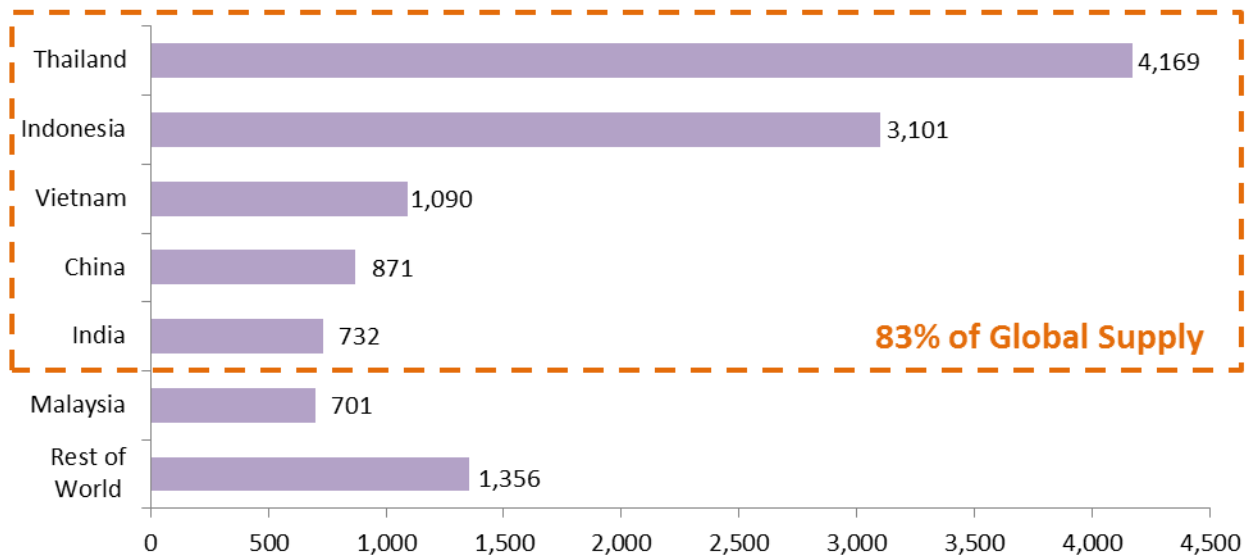
Source: IRSG

World's Major NR Producing Country

Rubber tree is a perennial crop that can only be grown in some part of the world. In 2014, Thailand was the largest rubber supplier with a share of 34.7% followed by Indonesia at 25.8%, Vietnam at 9.1%, China at 7.2% and India at 6.1%. These top five represented 82.9% of the world's production share as of 2014.

Diagram Exhibits Natural Rubber Supply Breakdown by Country: 2014

Unit : Thousand Tons



Source: IRSG

Key factors affecting the Natural Rubber price**Key Factors Affected NR Supply**

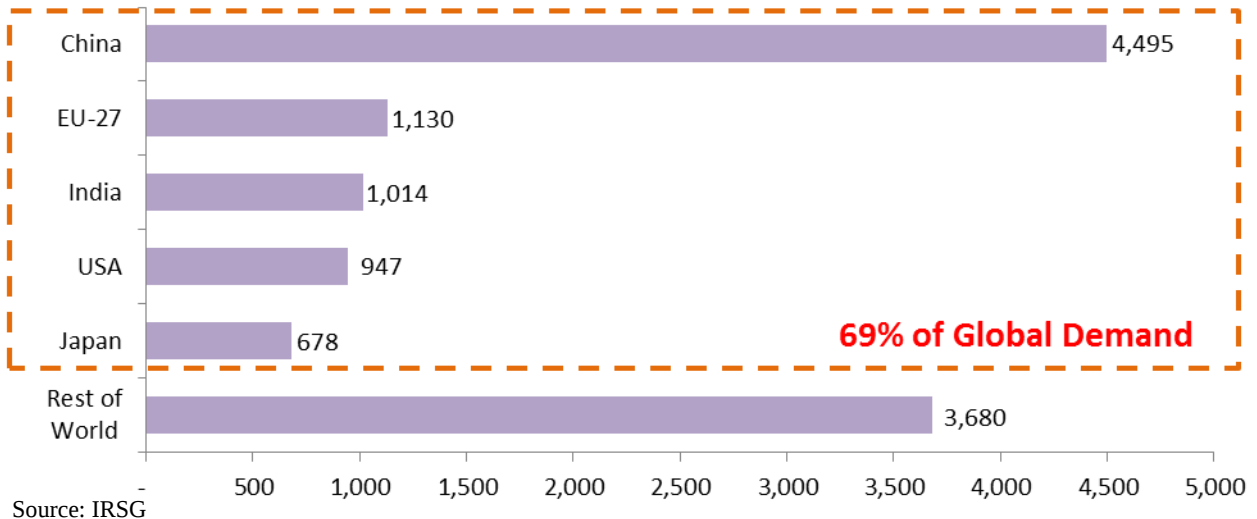
The supply of Natural Rubber is factored by long gestation period of rubber trees (6-7 years), the availability of arable area, tapping / new planting / replanting area, labor cost, rubber prices and sufficiency of labor force. Additionally, the output of different harvesting season and planting zone also depend on the clone of rubber tree sapling, weather conditions, tapping intensity, and skill of rubber farmers.

World's Major NR Consuming Country

China is the world's major natural rubber consumer accounting for 37.6% of total global consumption followed by Europe, India, the US, and Japan who consumed about 9.5%, 8.5%, 7.9% and 5.7% of total global consumption, respectively. These top five represented 69.2% of the world's consumption share as of 2014.

Diagram Exhibits Natural Rubber Demand Breakdown by Country: 2014

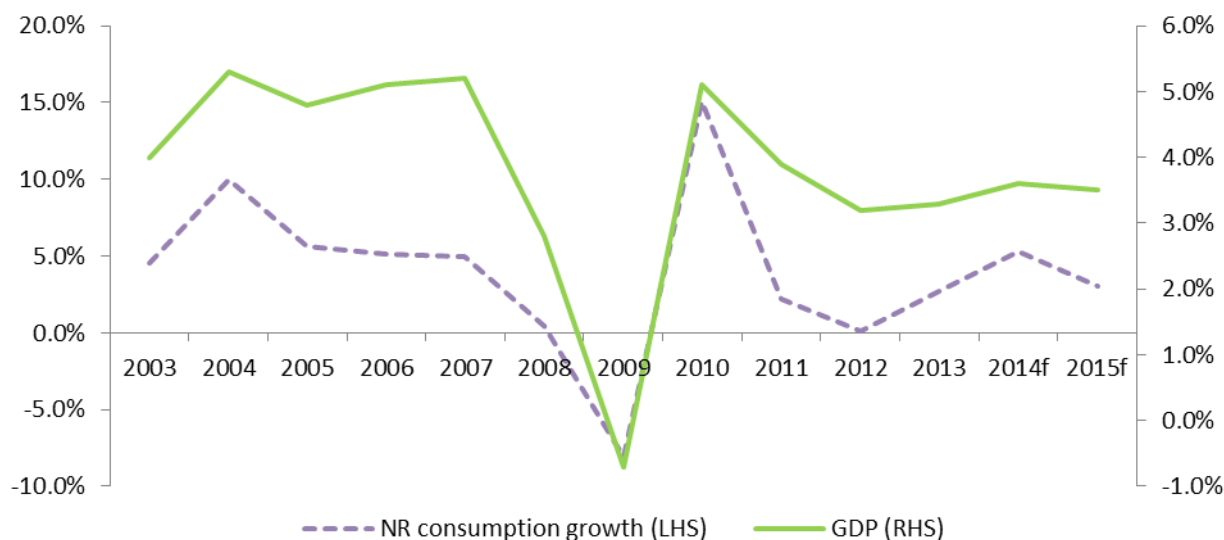
Unit : Thousand Tons



Key Factors Affected NR Demand

Global economic development is the key indicator for tyre consumption and NR growth prospect as approximately 70% of Natural Rubber demand is driven by tyre industry. Therefore, NR outlook is dependent primarily on industrial growth and automobile industry.

Diagram Exhibits Growth of World's Natural Rubber Consumption and GDP Growth during 2004-2015

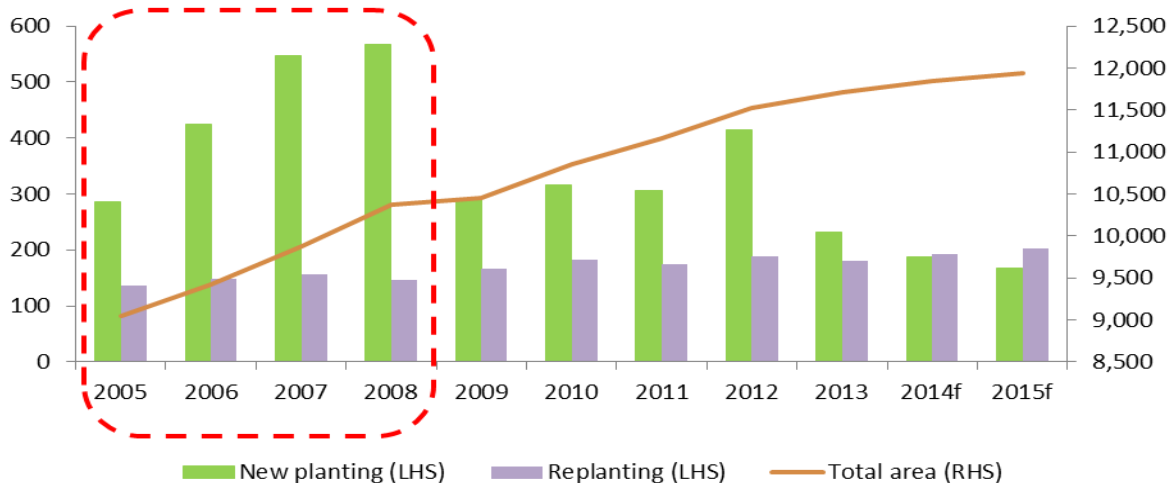


Source: IMF and IRSG

Balance of Natural Rubber Demand and Supply

As the rubber trees take 6-7 years to be mature for tapping, new supply from new rubber plantation during upsurge of NR price during 2005-2008 will come out from 2011 onwards. The rubber surplus shall continue for the next couple of years as the increase in NR consumption may not be insufficient to absorb the expansion of future supply. However, with an improvement in demand from China and advanced NR consuming countries, IRSG is anticipated that the demand and supply gap will be narrower and reduce from its peak at 732,000 tons in 2013. The projection indicates the surplus to hover around 76,000 tons in 2015 and remain at slightly more or less in years to come.

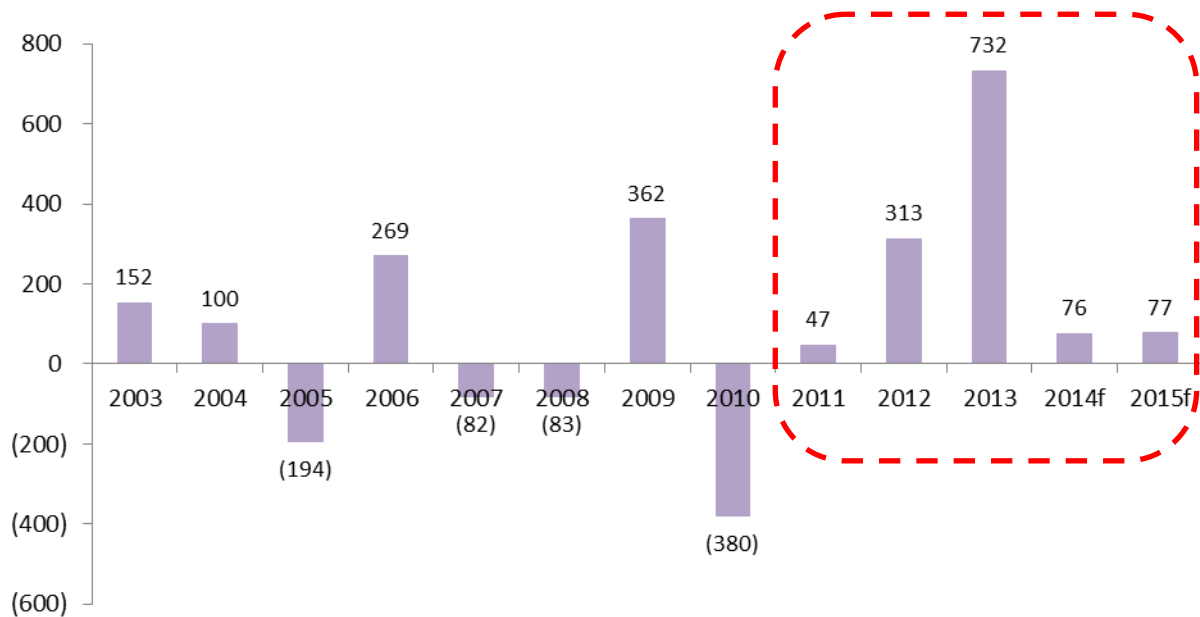
Diagram exhibits planting area of Natural Rubber during 2005-2015



Source: IRSG

Diagram exhibits Supply Surplus (Deficit) of Natural Rubber during 2003-2015

Unit : Thousand Tons



Source: IRSG

Natural Rubber price

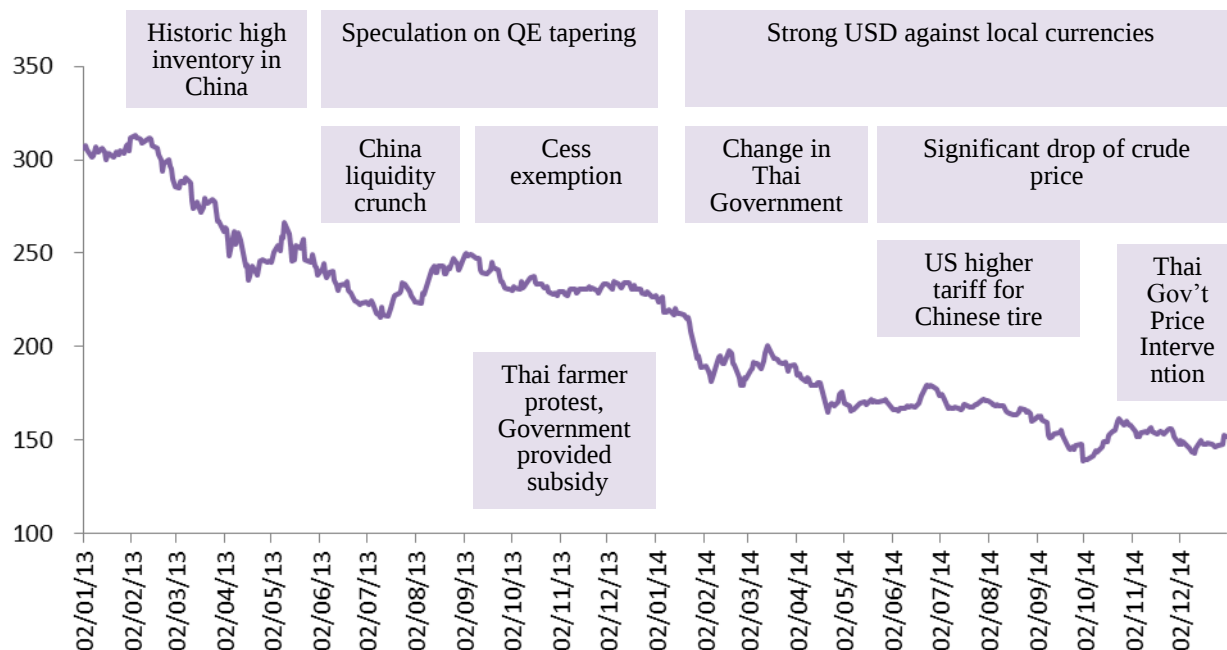
The price of natural rubber are affected by a number of factors including 1) world economic conditions which directly influence automobile and tire industry, 2) the magnitude of demand and supply, 3) exchange rate fluctuation especially US dollar, Japanese Yen, and natural rubber exporting currencies such as Thai Baht and Indonesian Rupiah as natural rubber is mainly traded in US Dollars, and 4) oil price since natural rubber and synthetic rubber, which is derivatives of crude oil, are substitute products.

NR price carried on the negative momentum since 2013 driven by high level of NR inventory in China and the slow recovery of world economic. The downward movement continued until 4Q 2014 due mainly to China economics slow-down, remaining supply surplus, higher US tariff for Chinese tires and plunge in crude oil price. Afterward, the price has stabilized as a result of overall lower supply from NR producing countries. The impact from Thai government price intervention policy at the end of the year was still limited to local market price, while the global market price did not move in tandem with.

The recovering US economy has led to stronger USD against Thai Baht, Malaysia Ringgit, and Indonesia Rupiah. Such currency movement is unfavorable to NR price quoted in the US dollar term.

Diagram Exhibits SICOM Price of STR20 in 2012- 2013

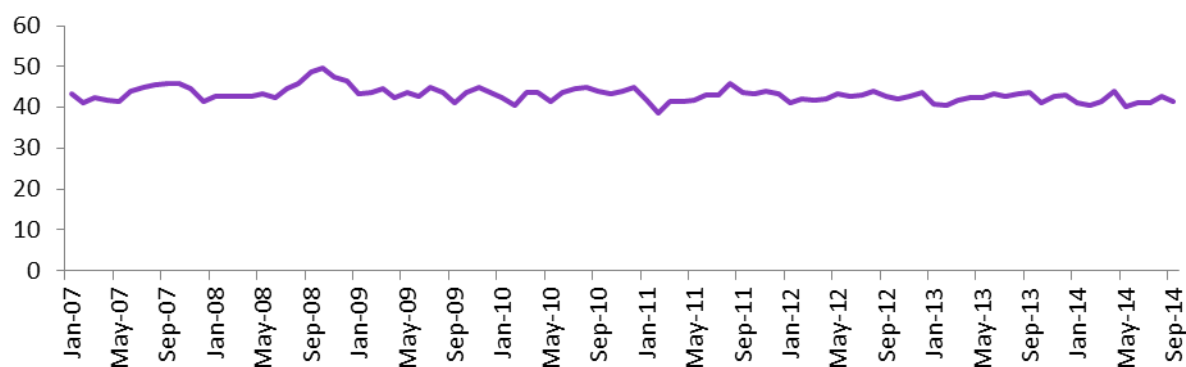
(US Cent : Kilogram)

**Natural Rubber vs. Synthetic Rubber**

Natural rubber and synthetic rubber are both substitute and complimentary products. Natural rubber has better elasticity and excellent tear resistance while synthetic rubber shows resilience over a wider range of temperature and better resistance to oils, solvents and other chemicals. Thus, all tires must be consisted of both natural rubber and synthetic rubber. However, high-performance tires such as racing cars, aircrafts, trucks, and buses need higher proportion of natural rubber. Percentage of natural rubber consumption to total rubber consumption ranging from 39%-50% over the past seven years indicates that there is limitation on substitution between natural rubber and synthetic rubber at around 10% no matter of how huge of price gap between these two products is.

Diagram Exhibits Share of Natural Rubber Consumption to Total Rubber Consumption

(%)



2.2.3 Competition

“Our long-standing competitiveness in the Natural Rubber industry is attributed to our product quality, our largest production scale, our excellent customer service, our geographical diversification and seasoned management team”

Key NR producing and exporting countries are Thailand, Indonesia, Vietnam, and China. With our 10%⁶ of world market share in 2014, we believe that we are the world’s largest fully integrated Natural Rubber processing company. Our main competitors are Von Bundit Company Limited, Southland Group, and Thai Hua Rubber Public Company Limited who are based in Thailand, The Tat Lee Group and The Kirana Group who are based in Indonesia, and Halcyon Agri Corporation.

Our remarkable size of production has allowed us to create the economies of scale and bargaining power, increase competitive edge for product quality development, and enhance our accessibility to different sources of financing.

Being a midstream player in NR industry, it is crucial to ensure that we are in a position to operate efficiently with upstream and downstream counterparts. We, therefore, strategically set up production base in Thailand and Indonesia, the world’s two largest Natural Rubber producing countries collectively contributed approximately 60% of world production. For sales & distribution, we have established subsidiaries in China, Singapore, and the US to carry out sales & distribution activities. With our high standard of quality, we have excellent coverage of world’s leading tyre makers as well as other tyre manufacturers throughout the world.

Our multi-national platform and resourceful sales & marketing teams have enabled us to deliver excellent customer services. The customers around the world can reach our customer hotline at all time for Natural Rubber price updates. Moreover, our largest production scale and highly-experienced production team allow us to customize our products to fulfil all customer requirements. For after sale services, we are gearing towards zero complaint by setting up a systematic customer complain process where any complaints will be timely response.

Group of seasoned managements with almost 30-year of experience in natural rubber industry is one of the most important competitive advantages that we have over our competitors. To make a precise decision on business direction and daily operation plan, natural rubber processors need to have in-depth understanding on numerous related factors such as world macro-economic conditions, demand-supply situations, currency movements, oil price trend, government policy, etc. Thus, we believe that our management team’s insights enable us to continually increase our competitive edge and profitability as well as strengthen our market position as a dominant natural rubber player.

⁶ Based on our sales volume of Natural Rubber Products of approximately 1,204,342 tons for the financial year ended 31 December 2014 and the total global demand for Natural Rubber Products of approximately 11,944,000 tons in 2014.

2.2.4 The Company's Key Strengths

- 1. Being the world's largest natural rubber processing company with a world market share of 10%**
 - Capture all possible market segments with full range of Natural Rubber Products.
 - Benefit from economies of scale.
 - Balance the bargaining power with suppliers and customers.
 - Enhance accessibility to different sources of fund to support our operation and expansion.
- 2. Fully integrated natural rubber supply chain business model**
 - Gain direct access to supply and demand information.
 - Enables us to respond to changes in market conditions and manage our production and position efficiently.
 - Maximise competitive edge and cost efficiency.
 - Create opportunity for business expansion in the future.
- 3. Well-balanced portfolio with a good coverage of sales and distribution**
 - Cover all class of customers to serve all demand from every corners of the word.
 - Good risk diversification as no single customer accounts more than 8% of our total sale volume.
 - Get direct access to end-users to gain demand flow and market sentiment.
- 4. Having production base in major Natural Rubber producing countries**
 - Advantage in secure raw material as Thailand and Indonesia are world major natural rubber producing countries collectively contributed about 60% of global production.
 - Flexible production management from different seasonal period throughout the year.
 - Having a rich number of raw material procurement centers to reduce the reliance on intermediaries.
- 5. Expand upstream to rubber plantation business**
 - Emphasise on cost leading position.
 - Enhance profitability and reduce volatility in earning .
 - Create procurement networks for potential raw material from neighboring area.
 - Pinpoint strategic locations for midstream factories in the future.
- 6. Continually expand business to the new territories**
 - Our newly established company in Vietnam will enable us to expand market coverage in Indochina and gain direct access to Vietnam, the world's third largest Natural Rubber producer.
 - Having a block rubber factory in Myanmar, it creates a business opportunity in highly growing country for natural rubber.
- 7. Captained by highly experienced managements**
 - Led by a group of seasoned managements with almost 3-decade experience in natural rubber industry.

2.3 Products and Services

2.3.1 Natural Rubber Products

2.3.1.1 Production facilities and rates of utilisation

As at 31 December 2014, we have a total of 26 processing facilities, 24 processing facilities located in Thailand and 2 processing facilities located in Indonesia with an estimated total effective production capacity of approximately 1.4 million tons of Natural Rubber Products per annum.

Our production capacity is limited by available space, production lines, number of machines and manpower. Our estimated annual effective production capacity and the annual utilisation rates of our natural rubber processing facilities which were in operation during the last three years based on our three categories of Natural Rubber Products for each of the three most recent completed financial years are as follows:

Natural Rubber Product	Estimated Effective Production Capacity ⁽¹⁾			Engineering Specified Capacity ⁽²⁾			Effective Utilisation Rate ⁽³⁾		
	(tons)			(tons)			(%)		
	As at 31 December			As at 31 December			For the Year Ended 31 December		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
RSS	206,393	233,141	230,561	206,393	233,141	230,561	61.0	65.4	54.2
TSR	714,801	872,827	929,275	917,736	1,125,660	1,195,740	75.9	84.8	80.3
Concentrated Latex	191,488	191,488	203,008	285,480	284,700	302,220	48.5	55.2	57.4
Total	1,112,682	1,297,456	1,362,844	1,409,609	1,643,501	1,728,521	68.1	76.7	72.6

Notes:

- (1) Calculated based on the annual engineering capacity of the relevant processing facility at the end of the relevant period which takes into consideration the estimated total number of working days, the down time for the maintenance of machinery and equipment and the amount of time needed to complete one cycle of production for each of our Natural Rubber Products at the relevant processing facility.
- (2) The engineering specified capacities of our natural rubber processing facilities are derived from the specifications certified or provided by the supplier of the relevant processing machinery.
- (3) Calculated based on actual production volume of the relevant processing facility for the relevant period divided by the weighted average effective capacity for that period, and in the case of production facilities that commenced operations during the relevant period, also taking into consideration the actual processing capacity for the relevant period.

2.3.1.2 Raw materials procurement and management

The raw materials which our rubber processing facilities utilise to produce Natural Rubber Products include unsmoked rubber sheets, cup lumps and field latex, which respectively accounted for 12.1%, 77.8% and 10.1% of raw materials purchased in the financial year ended 31 December 2014, respectively.

We have established a network of raw material procurement centers, which as at 31 December 2014 comprise 83 procurement centers, 56 in Thailand and 27 in Indonesia. Our procurement centers consist of our 57 collecting centers and our 26 natural rubber production facilities, which are located strategically, close to sources of raw materials supply. The proportion of purchasing raw material from Thailand to Indonesia was 84.4 : 15.6.

While we purchase raw materials primarily from dealers, raw materials are also sourced either directly from farmers or from farmer unions, cooperatives and rubber centre markets at which farmers sell the raw materials. As we obtain our raw materials through our procurement network from diverse sources of raw materials, in 2014, we sourced raw materials from cooperatives, farmer unions and rubber center markets of more than 111 parties in total which calculated to be 8.5% of total raw material volumes. We also sourced from more than 4,608 dealers which calculated to be 91.5% of total raw material volumes without any supplier of raw materials or Natural Rubber Products who accounts for 1.2% or more of our raw material purchases for the three most recent financial years apart from our purchases of Natural Rubber Products from our joint venture entity, Thai Tech Rubber, which accounted for approximately 2.0% of our raw material purchases for the financial year ended 31 December 2013.

Our procurement team is also responsible for in-coming quality assurance. The raw materials used in our production process have to meet our specifications and are subject to our strict internal quality assurance and testing. Prior to accepting delivery of raw materials, sample testing is conducted on the raw materials. The raw materials are tested for, amongst other things, its purity and dry rubber content to ensure that it meets our requirements. The results of the sample testing are recorded and considered prior to accepting delivery of a particular batch of raw material. The other responsibilities of our procurement team include (i) monitoring the pricing and supply trend of the raw materials that we require, (ii) inventory management and (iii) allocating raw materials to our various production facilities.

While we have well-established relationships with existing dealers and suppliers, our procurement team seeks to maintain and improve our relationship with such dealers and suppliers. This is done primarily through the conduct of supplier surveys and regular visits to the local villages. In addition, our procurement team will identify new dealers and suppliers, based on our assessment of their business operations (if evaluating dealers), quality and price of raw materials.

2.3.1.3 Processing and production of Natural Rubber Products

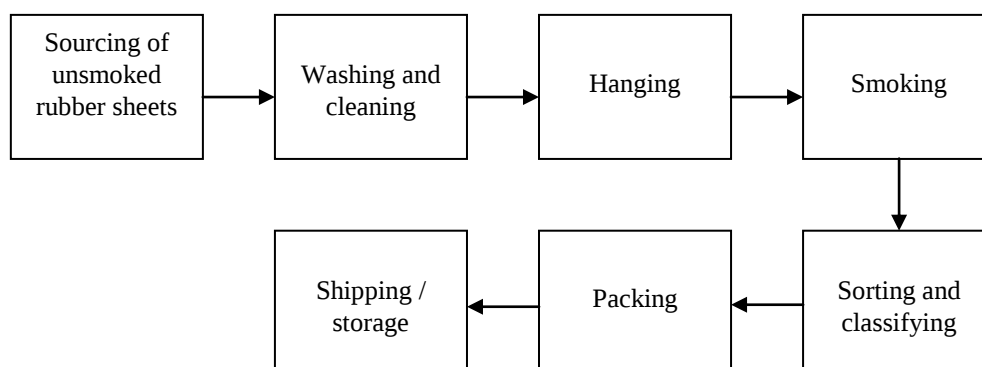
We produce three main types of Natural Rubber Products:

(1) Ribbed Smoked Sheet (RSS)

RSSs are unsmoked rubber sheets which have undergone processing and can be classified into five categories, namely, RSS1, RSS2, RSS3, RSS4 and RSS5. The classification is based on the quality of each sheet, which takes into account factors like purity, elasticity and colour.

RSS is used as a raw material in the production of products such as tyres, pipes, shoes and automobile parts. As it is a form of processed natural rubber, RSS is of a higher quality and can be subjected to dyeing treatments.

The following is an illustration of our RSS production process:



Unsmoked rubber sheets are produced by processing field latex which is collected and allowed to coagulate. The coagulated field latex is subsequently passed through a mill to extract water to produce unsmoked rubber sheets. The unsmoked rubber sheets are then

washed, cleaned and cut to size before they are allowed to hang on racks to dry. The dried unsmoked rubber sheets are then transferred into a smoke house where they are smoked for several days at controlled temperatures before being manually sorted and visually classified based on quality. These are then packed into bales for shipment or storage.

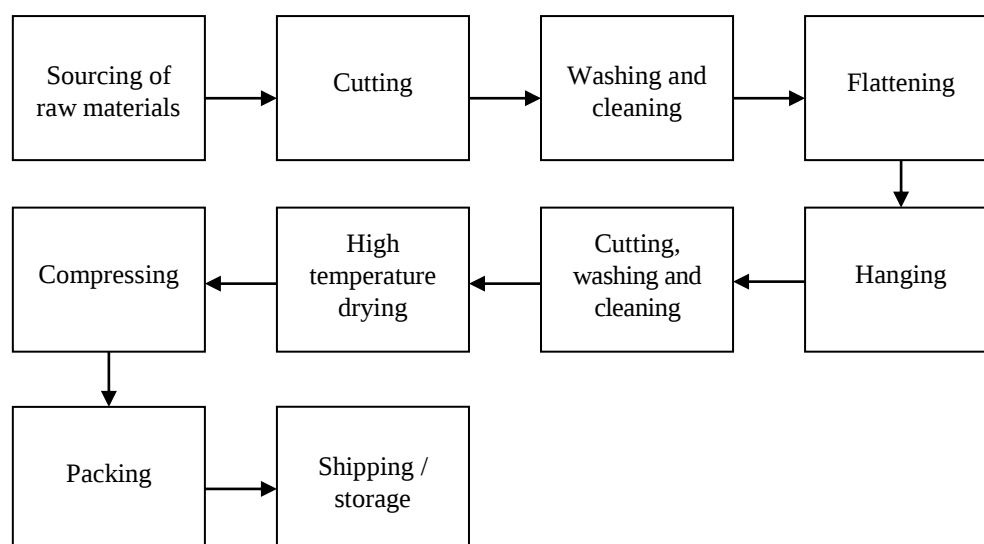
(2) Technically Specified Rubber (TSR)

TSR or block rubber is produced from raw materials such as cup lump and unsmoked rubber sheets. Cup lump is produced when field latex is allowed or made to coagulate in the cup in which it is collected. Unlike RSS, the quality of TSR is determined through chemical testing to ascertain its technical specifications. We produce two main types of TSRs — the Standard Thai Rubber (STR) and the Standard Indonesian Rubber (SIR). TSR is a raw material used mainly in the production of tyres for automobiles and airplanes.

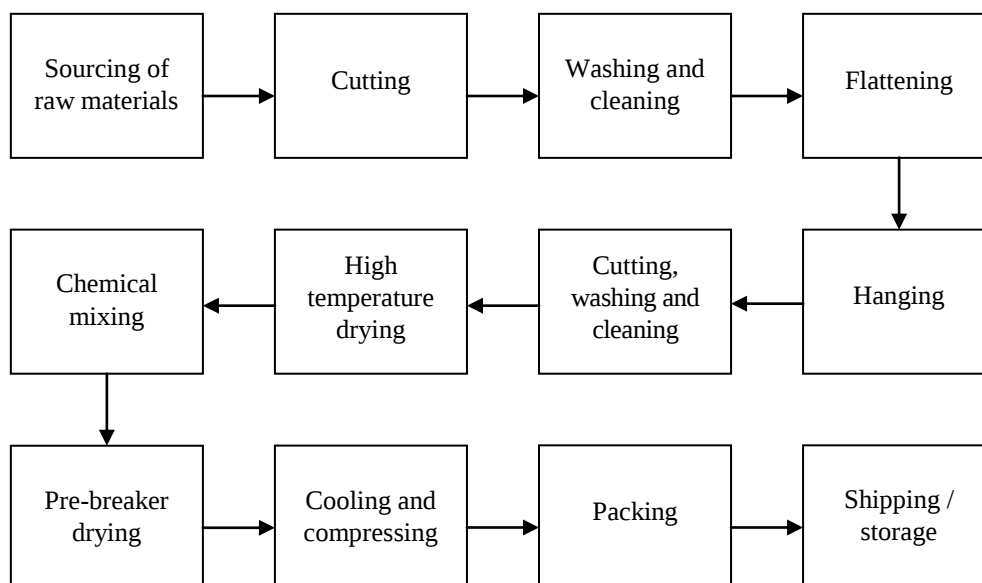
We utilise two processes in our production of TSRs — the “STR” process and the “compound rubber” process. Both processes are mainly automated.

The following is an illustration of our TSR production processes:

“STR” process



In the “STR” process, the raw materials are cut into smaller pieces, washed and cleaned before being passed through rollers and flattened to form rubber crepes. The rubber crepes are then placed on racks to dry for approximately 10 to 15 days. Once dried, the rubber crepes are cut into smaller pieces before being washed to remove the remaining dirt and impurities. It is then passed through a dryer at high temperatures to remove excess water before being compressed into rubber blocks and packed for shipment or storage.

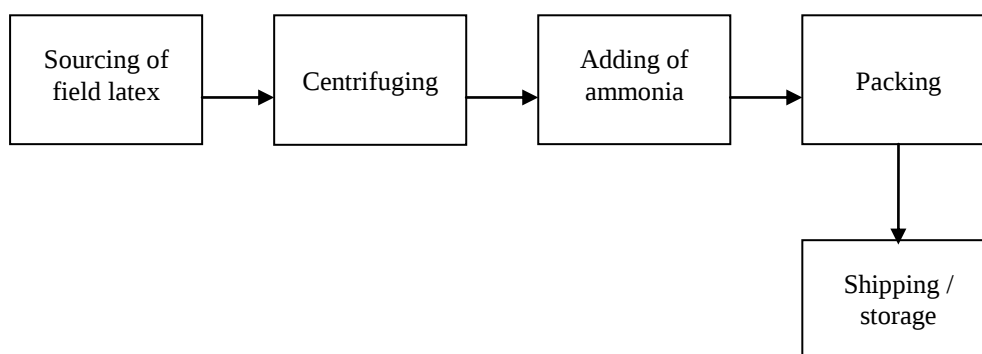
“Compound rubber” process

In the “compound rubber” process, the raw materials are cut into smaller pieces, washed and cleaned before being passed through rollers and flattened to form rubber crepes. The rubber crepes are then placed on racks to dry for approximately 10 to 15 days. Once dried, the rubber crepes are cut into smaller pieces before being washed to remove the remaining dirt and impurities and then passed through a dryer at high temperatures to remove excess water and mixed with chemicals. The resultant rubber mixture is then allowed to cool before it is compressed into rubber blocks and packed for shipment or storage. The “compound rubber” process produces a special type of compound rubber, which we sell into the PRC market.

(3) Concentrated Latex

Concentrated Latex is derived from field latex and is liquid latex with a dry rubber content of approximately 60.0%. It is one of the cleanest forms of rubber and is used primarily in the production of various products such as, latex examination gloves, surgical gloves, condoms, elastic threads and adhesives.

The following is an illustration of our Concentrated Latex production process:



Field latex is tapped by farmers from the rubber tree and collected. To prevent the field latex from coagulating during transportation to the processing facility, ammonia, among other chemicals, is added to the field latex by the collectors. At the processing facility, the mixture is centrifuged to separate impurities and to obtain a latex concentration containing approximately 60.0% dry rubber content. Ammonia is then added back to the extract to prevent it from coagulating before it is packed and prepared for shipment or storage. The

quality of the Concentrated Latex is dependent on the level of ammonia in it. There are generally three grades of Concentrated Latex — high ammonia latex, medium ammonia latex and low ammonia latex.

2.3.1.4 Quality assurance

We have implemented comprehensive quality assurance and monitoring procedures to ensure that our products meet our stringent quality control standards and the expectations and requirements of our customers. Our quality assurance system encompasses stringent quality control checks at each stage of our production processes, from procurement and processing of raw materials, to the inspection of the end product.

As at 31 December 2013, we have received the following quality assurance certifications and awards in respect of our Natural Rubber Products production processes and/or the Natural Rubber Products that we produce:

For the operation of	Name of certification/ award	Awarding body/ authority	Validity period of certificate/award	Process/Natural Rubber Product awarded
STA (Trang)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of RSS and Concentrated Latex
	ISO14001:2004	TÜV Rheinland Cert GmbH	24 October 2013 to 15 October 2015	Manufacture of Concentrated Latex
STA (Chumporn)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of Concentrated Latex
STA (Surat Thani)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of Concentrated Latex
STA (Kanchanadit)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of Concentrated Latex
STA (Hat Yai)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of RSS
	ISO14001:2004	TÜV Rheinland Cert GmbH	13 November 2012 to 15 October 2015	Manufacture of RSS
	BS OHSAS18001:2007	TÜV Rheinland Cert GmbH	10 December 2012 to 14 July 2015	Manufacture of RSS
STA (Thungsong)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of TSR and compound rubber
	ISO14001:2004	TÜV Rheinland Cert GmbH	13 November 2012 to 15 October 2015	Manufacture of TSR and compound rubber

For the operation of	Name of certification/ award	Awarding body/ authority	Validity period of certificate/award	Process/Natural Rubber Product awarded
STA (Sikao)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of TSR and compound rubber
	ISO14001:2004	TÜV Rheinland Cert GmbH	24 October 2013 to 15 October 2015	Manufacture of TSR and compound rubber
STA (Huay Nang)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of TSR and compound rubber
STA (Udon Thani)	ISO9001:2008	TÜV Rheinland Cert GmbH	4 May 2013 to 15 May 2015	Manufacture of TSR and compound rubber
STA Group	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of RSS, Concentrated Latex, and compounded rubber
Rubberland Product (Hat Yai)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of Concentrated Latex
Rubberland Product (Bueng Karn)	ISO9001:2008	TÜV Rheinland Cert GmbH	25 September 2012 to 20 July 2015	Manufacture of TSR and compound rubber
	ISO 14001:2004	TÜV Rheinland Cert GmbH	13 November 2012 to 15 October 2015	Manufacture of TSR and compound rubber
Rubberland Product (Buriram)	ISO9001:2008	TÜV Rheinland Cert GmbH	4 May 2013 to 15 May 2015	Manufacture of TSR and
	ISO 14001:2004	TÜV Rheinland Cert GmbH	24 October 2013 to 15 October 2015	Manufacture of TSR and compound rubber
Rubberland Product (Mukdahan)	ISO9001:2008	TÜV Rheinland Cert GmbH	4 May 2013 to 15 May 2015	Manufacture of TSR and
Nam Hua Rubber (Sadao)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of Concentrated Latex
	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of TSR and compound rubber

For the operation of	Name of certification/ award	Awarding body/ authority	Validity period of certificate/award	Process/Natural Rubber Product awarded
Sadao P.S. Rubber (Sadao)	ISO9001:2008	TÜV Rheinland Cert GmbH	17 September 2012 to 20 July 2015	Manufacture of RSS
PT Sri Trang Lingga	ISO 9001:2008	TÜV Rheinland Cert GmbH	7 August 2013 to 8 August 2016	Manufacture of TSR
Premier System Engineering (Hat Yai)	ISO9001:2008	Management System Certification Institute (Thailand)	27 May 2013 to 26 May 2016	Design and development, manufacture, installation and maintenance services for machinery and electrical devices.
	BSOHSAS18001:2007	TÜV Rheinland Cert GmbH	29 October 2012 to 28 October 2015	Design, production, installation and maintenance service for machinery and electrical devices, service for calibration and information technology
	ISO/IEC 17025:2005	Thai Industrial Standards Institute (TISI)	20 March 2015 to 19 March 2018	Standard calibration laboratory
Starlight Express Transport (Trang)	ISO9001: 2008	Management System Certification Institute (Thailand)	25 June 2013 to 24 June 2016	Services of land transport, import-export, forklift rental and forklift maintenance

In-processing quality assurance

We conduct random in-process sampling at every stage of our production process to ensure that the Natural Rubber Products that we produce meet our stringent quality standards and that our production capacity is effectively utilised. For example, prior to the packing and storage of our TSRs at our rubber processing facilities, samples of our TSR will be sent to our quality assurance department for testing to ensure that the TSR meets industry specifications.

Out-going quality assurance

All of the finished Natural Rubber Products that we produce are subject to a further round of quality inspection after packaging and labelling to ensure that they meet the quality criteria established by our quality inspection department. Finished Natural Rubber Products that do not meet our quality standards will be removed, recorded and analysed by our quality assurance department to identify the issues and to refine our production processes to reduce such occurrences. Our quality assurance

department also monitors and ensures that the finished Natural Rubber Products are properly handled and stored in accordance with our ISO9001 requirements.

Pre-delivery quality assurance

Prior to delivery, we would conduct a final round of inspection of the finished Natural Rubber Product to ensure that it is delivered to our customers in good condition and that they meet our customers' specifications.

2.3.1.5 Shipping, logistics and maintenance

In Thailand, services for shipping and logistics activities in relation to the sale of Natural Rubber Products are provided by our subsidiary, Starlight Express Transport. Such services include the arrangement of product shipping and the preparation of the related import and export documentation. In addition, Starlight Express Transport also undertakes the business of forklift rental and repair services to companies within our Group.

We typically engage third party transportation and freight forwarding companies to provide services in relation to shipping and logistics activities relating to the export of the Natural Rubber Products that we sell.

Our subsidiary, Premier System Engineering, is responsible for carrying out general maintenance on all of our Group's machinery and equipment as well as the machinery and equipment of certain of our associates. The maintenance team of Premier System Engineering comprises qualified engineers and technicians who have been appropriately trained.

2.3.2 Disposable Examination Gloves

2.3.2.1 Factories and Production Capacities

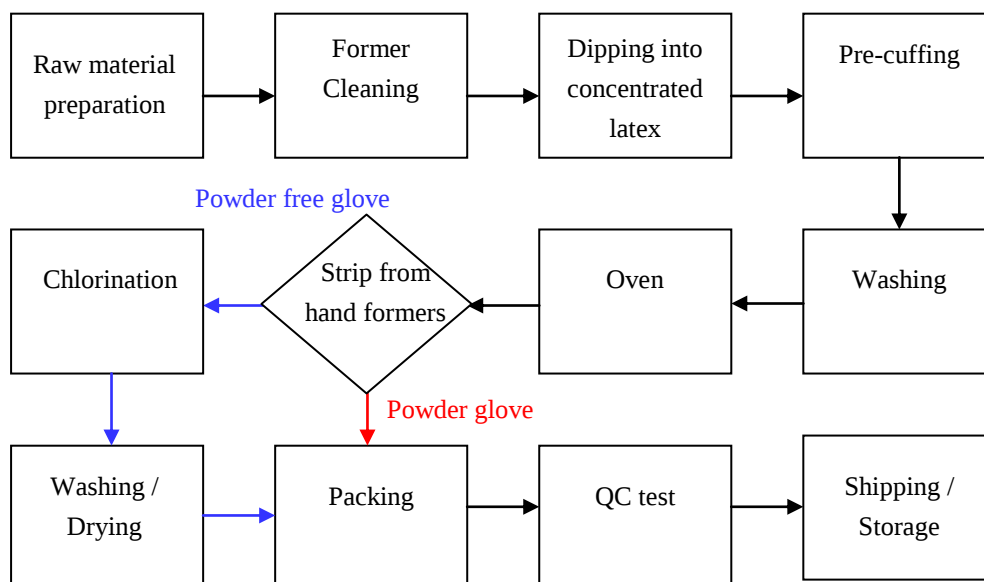
As at 31 December 2014, SSC has 4 processing plants in Thailand with a total production capacity of approximately 14 billion glove pieces annually. We believe that SSC is Thailand's largest disposable examination gloves producer and one of the leading producers of latex and nitrile disposable examination gloves globally.

2.3.2.2 Raw materials procurement and management

The base raw material SSC requires for its production of its latex disposable examination gloves is Concentrated Latex which is supplied by our Group and nitrile latex which is supplied by third parties.

2.3.2.3 Production of disposable examination gloves

The following is an illustration of SSC's production process of latex and nitrile examination gloves:



The base raw material used is compounded with chemicals, which varies with our customers' specifications. After compounding, the mixture is transferred into a dipping tank where hand formers, which are first cleaned, are dipped into the mixture, coated with a thin layer of latex and then dried in controlled temperatures. The hand formers are then immersed in a leaching tank to wash away water-soluble materials, to ensure cleanliness. This is followed by curing in ovens. Thereafter, the examination gloves are stripped from the hand formers prior to packing and export. For the powder free glove, a chlorine substance will be added to make it easier to wear prior to putting it into drying process. Finally, all the gloves are tested according to certain examination glove standards such as ASTM and EN Std before they are packed and prepared for shipment or storage.

2.2.3 Environment, Health and Safety

2.2.3.1 Environmental Regulation

Our operations are subject to significant environmental laws and regulations, including the Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (A.D. 1992) (the "Environmental Act"). In 1992, Thailand strengthened its environmental laws and regulations in order to promote sustainable development and to better protect the natural environment. The 2007 Thai Constitution also contains definitions and provisions relating to the government's responsibility and the citizen's rights in the management and development of natural resources and the environment.

Environmental laws and regulations that primarily relate to air emissions and water discharged from our facilities affect all aspects of our business, including rubber manufacturing and the construction and maintenance of our facilities. We are required by environmental law to maintain the emissions of our various facilities within certain limits.

According to the Environmental Act, operators of pollution-generating facilities are required to install pollution control equipment and must collect data and compile statistics on the daily operations of their facilities and pollution control equipment, and keep and compile records on pollution sources. In addition, they must submit monthly summary reports that provide information on the functioning of their facilities and equipment to the local authorities. Pollution control officials are authorised to enter buildings and premises where business facilities or sources of pollution are located in order to inspect the functioning of the facilities and equipment. They have the authority to issue written orders to require the owners, persons in possession, or person(s) monitoring or controlling the operation to correct, modify, improve, or repair the facilities or equipment. Moreover, the officials have the statutory power to impose a fine on the owners or persons in possession of the sources of pollution for breach of their obligations under the Environmental Act. The officials may recommend the closure of the plants or premises, the suspension or revocation of licenses, or the suspension of the operation of facilities that illegally discharge sewage or other pollutants into the environment. If leakage or contamination from any point source of pollution is the cause of death or injury of any person, or has caused damage in any manner to the property of any private person or of the state, then the owner or the possessor of such a point source is liable to pay compensation, regardless of whether the leakage or contamination is the result of a willful or negligent act on the part of the owner or the possessor of the facility. Compensation for which a business enterprise may be liable includes all costs incurred by the government in cleaning up the pollution. Violation of the provisions of the Environmental Act may also lead to criminal sanctions consisting of a fine or imprisonment, or both.

In addition to the Environmental Act, the Factory Act B.E. 2535 empowers the Minister of Industry to issue ministerial regulations to impose obligations on business facilities to observe requirements concerning protection of the environment including the standards and methods to control the discharge of waste, pollutants, or anything that affects the environment in the normal course of business. Under this law, any operator acting in contravention of the regulations imposed by the ministry may be subject to a shutdown order and a fine not exceeding Baht 200,000.

In accordance with the Public Health Act B.E. 2535, the Pollution Control Department is involved in a wide range of waste disposal issues, from overseeing the process of waste transportation and disposal to establishing criteria aimed at controlling public nuisance caused by odor, light, radiation,

sound, heat, vibration, dust, toxic tar and ash, and other hazardous substances. Under this law, any operator acting in contravention of an order to eliminate any public nuisance may be subject to a shutdown order or such contravention may lead to criminal sanctions consisting of a fine or imprisonment, or both.

The primary governmental bodies which supervise our operations are the Office of Natural Resources and Environmental Policy and Planning, the Pollution Control Department and the Department of Industrial Works.

2.3.3.2 Group's environmental policy and practice

Management of the Group has been focusing on the environment and has announced the environmental policy since 2005 to implement environmental management systems. The Group is committed and ready to work with its sense of responsibility towards the environment. Environmental Management Systems (EMS/ISO14001) is implemented in our organization with the objectives, goals, plans, and activities on the environment as well as plan follow-up under the slogan "Environmental conservation with care and treatment, Sri Trang will develop and add value for society". The Group's environmental performances in accordance with laws and regulations were as follows;

- to comply with laws, regulations, and legislations of government agencies or related environmental unit;
- to prevent and reduce waste as well as implement policies to minimise the adverse effects to the environment;
- to continually develop and improve on our environmental management systems by checking and follow-up;
- to conserve resources and energy and ensure that they are utilised efficiently;
- to educate and increase the awareness of environmental issues among our employees as well as to know how to prevent significant impact on the environment; and
- to disclose our environmental policy to the public

Environmental Management

The Company has been adopting the environmental management system for a long time, especially in factories that pose higher environmental risks. The aim of the Company is to earn an ISO 14001 certification within a year after the factory establishment or after the plant has been certified with ISO 9001. In 2014, there are a total of 7 factories that adopted the ISO 14001, each of which has their own internal inspector and certified external assessor.

The environmental effects from the operations of the Company including its activities, products and services will be indicated, assessed and determined for necessary controls. Any environmental concerns that were found to have significant effects will be taken into serious consideration to determine the objectives, targets, action plans and environmental improvement projects such as the reduction of the use of chemicals and energy resources and recycling of resources. This is to reduce wastes that should be disposed of so as to control the environmental impacts to be complied with the conditions and the regulations. In addition, the Company has determined that the monitoring plan to ensure environmental preservation and protection such as monitoring the quality of water, air, chemical vapors. During the past 3 years (2012 - 2014), the results of monitoring and measurement have been under control and complied with laws and regulations. In case that there is any measurement that does not pass the standards or regulations, the Company will take immediate corrective actions to prevent and maintain its compliance with such standards.

Water Pollution Management

The Company always maintains quality waste water treatment system. Every month, we regularly inspect our effluent water; the water released into the environment is met with the effluent standard stated by law. Furthermore, we have been developing the activated sludge system in the Northeastern part of Thailand; that could potentially provide us with a 100% recyclable clean water to help reduce the input of natural water from outside sources into the plant that might cause other environmental impact. The rubber factories have adopted a close activated sludge system, where there is no effluent released into nearby public water streams. From this treatment, we also gain nitrogen, plants fertilisers from such water treatment system.

Air Pollution Management

The Company has installed air pollution control systems in accordance with the type of productions. Smells of raw material cup lump rubber in STR factory, wood vinegar has been used to reduce odor. STR factories have installed odor emission control system for the process of rubber drying and from compound lines. The factories also use boiler with a multi-cyclone system to reduce the odor before emission. The odor quality passes the standard air/odor quality stated by law after every inspection.

Waste Management

The Company has installed 3R system (reduce reuse recycle) to manage the different types of wastes from factories including developing work flow in order to lower the amount of wastes and to effectively put natural resources to the best use as possible and the amount of waste needed to be destroyed by set up waste management procedure. On monthly basis, the Company also collects data from every factory and conducts surprise checks of the 5S' for annual assessment. About sending to elimination of company assigned to a licensed disposal company is registered with the Department of Industrial Works.

Energy Sufficiency and Renewable Energy

The Company has been adhering to the Energy Conservation Act, by carrying out measures to preserve energy, including, the use of energy saving equipment and alternative energy; using biomass in boilers to bake rubber instead of diesel, as well as lower the use of LPG.

We also hold a license for the storage of hazardous and waste disposal and comply with the Environmental Monitoring Efforts Report and Management Efforts Report for our operations in Indonesia.

2.3.3.3 Occupational Health and Safety

Occupational Health and Safety

The Company has always adhere to the regulations concerning occupational health and safety, paying extra attention to the health and safety of all employees, since the Company realised that each and every employee is the most important resource for the Company and is one of the main contributors to the organisation. To fulfill the obligation of making sure that all employees are health and safe, the Company has provided the employees with health insurance, regular medical checkups, safe working atmospheres, along with a frequent inspection of the environment within working areas, which include, noise, light, dust, and gas levels.

Safety officers have been in charge of carrying out safety operations in accordance with the laws regulations and other requirements related to occupational health and safety such as annual measurement of the work environment, annual checking of the conditions of building, the security of

electric system, the transformer etc. Additionally, the Company has continued to improve for the best safety working place by developing activities to prevent any risks that may result in injury and / or damage to the health of employees or persons under the operation of the organisation. The Company also organises trainings to provide knowledge on safety, chemical substances, inspections of personal protective equipment, equipment for emergency, annual emergency drills based on risk assessments carried out by the organisation. The practice is always conducted under the standards responsible by safety officers of the Company, the Safety Committee, the Committee of Occupational Health and Environment at Work and monitoring the security team of the organization under the inspection of the government officers throughout the year.

Apart from the safety of employees, the Company also takes into account the safety of contractors hired to work within the Company's premises, as well as clients or customers arriving at the Company's grounds to conduct business transactions and provided them with handbooks and trainings to equip them with the best safety possible during their operations within the Company's grounds.

3. RISK FACTORS

Our Company is exposed to a number of risks that may affect its business and the value of its shares. The following sets out some of the significant risks that may affect the Company. However, there are some risks that may be unknown to the Company and other risks that the Company currently considers to be immaterial. These risks could have an impact upon the operation of the Company in the future.

3.1 Risks Relating to Our Industry and Our Business

1) **Prices of commodities in general, including natural rubber, are susceptible to price fluctuations.**

Prices of commodities in general, including natural rubber, have been volatile and we, like other participants in the natural rubber industry, have limited influence over the timing and extent of the price changes for natural rubber. The price of natural rubber and the Natural Rubber Products that we sell, like most commodities, are affected by a number of factors including but not limited to the following:

- *Supply and demand for natural rubber* — An increase in the supply of natural rubber or a decrease in world consumption level of natural rubber could create supply surplus which could, in turn, result in a decrease in average selling prices of the Natural Rubber Products that we sell;
- *Prices of crude oil, energy and oil-based chemicals* — Crude oil prices may affect the prices of natural rubber and other input materials such as oil-based chemicals used in rubber processing. In addition, the prices of synthetic rubber usually move along with crude oil prices, and the price fluctuations of synthetic rubber affects the pricing and demand for natural rubber;
- *Currency movements* — As natural rubber is traded mainly in US Dollars, any fluctuations in the natural rubber exporting currencies against US Dollars may result in corresponding fluctuations in natural rubber prices in the respective exporting countries;
- *Speculation* — As natural rubber and certain of the Natural Rubber Products we sell are traded at various commodity future exchanges, they are susceptible to price speculation in addition to local and global economic factors; and
- *Government intervention* — The governments of natural rubber producing countries such as Thailand, Indonesia and Malaysia may from time to time introduce policies to support the natural rubber industry in their respective countries. For example, the Indonesian government had imposed export quotas in relation to natural rubber in 2009, in response to the drop in the price of natural rubber, which restricted our ability to operate our factories in Indonesia at full capacity. In addition, in 2012, price intervention of the Thai government to provide loans with total amount of THB 45.0 billion to the state-run Rubber Estate Organisation and cooperatives through the Bank for Agriculture and Agricultural Cooperatives to buy rubber from farmers at prices above market prices directly impacted our raw material costs. Moreover, the cooperative agreement among Thailand, Indonesia, and Malaysia in August 2012 to withdraw natural rubber exports of 300,000 tons during October 2012 to March 2013 also affected the export volume of natural rubber producer during such period. Recently in December 2014, Thai government approved THB 20.0 billion price intervention plan through the rubber fund scheme. The plan was an attempt to mitigate the falling natural rubber price by buying ribbed smoked sheet rubbers (RSS) through auction markets countrywide at higher-than-market price. As a result, the local RSS price increased, whereas the global market price did not move in the same

magnitude. This could create a negative impact on the costs structure and profitability of Thai natural rubber exporters.

Other unpredictable factors which affect the price of natural rubber and the Natural Rubber Products that we sell include economic growth rates, foreign and domestic interest rates and trade policies.

If we are unable to pass on the increase in raw material costs to our customers and/or suppliers, our profitability may be adversely affected. If the market prices of the Natural Rubber Products that we sell are volatile, our business, financial condition and results of operations could be materially and adversely affected.

A significant portion of the sales of the Natural Rubber Products that we sell are for use in the tyre manufacturing industry which exposes us to downturns in this industry.

The Natural Rubber Products that we sell include RSS, TSR and Concentrated Latex. Global demand for such products, in particular TSR, is significantly dependent upon the tire manufacturing industry. Our customers include tire manufacturers in the emerging markets such as the PRC and India and leading global tire manufacturers. The majority of our sales of Natural Rubber Products are made to tire manufacturers. If the level of activity in the tire manufacturing industry declines, the demand for the Natural Rubber Products that we sell may decrease and our business, financial condition and results of operations may be adversely affected.

Our business, financial condition and results of operations may be adversely affected by fluctuations in exchange rates and foreign exchange controls.

While our financial reporting currency is Baht and our raw material purchases for the Natural Rubber Products that we produce are transacted in Baht and Indonesian Rupiah, approximately 82% of our total revenues are denominated in US Dollars. In addition, the Company's Shares will also be quoted in Singapore Dollars on the SGX-ST while dividends, if any, will be paid in Baht. Fluctuations in the exchange rates between the Baht, Indonesian Rupiah, US Dollars, Singapore Dollar or other currencies, could adversely affect our business, financial condition and operating results as well as the foreign currency value of any dividend distributions. Any fluctuations in the exchange rates between the Baht, Indonesian Rupiah and Malaysian Ringgit could adversely affect our price competitiveness in relation to other natural rubber processors from Indonesia and Malaysia.

We attempt to mitigate foreign exchange risks using forward foreign exchange contracts and foreign exchange options to hedge our foreign exchange exposures arising from purchase and sale of products in currencies other than Baht. Should we be unable to successfully hedge our foreign exchange exposures, we may have a greater exposure to foreign exchange fluctuations and our financial condition and results of operations may be adversely affected.

Our Group is dependent upon the services of key management staffs.

One of the key reasons for the growth of our Group has been our ability to attract and retain a team of experienced professional managers. Our continued success will depend on our ability to retain key management staffs, such as Dr. Viyavood Sincharoenkul, Mr. Kitichai Sincharoenkul and Mr. Paul Sumade Lee, and to attract and train new managers. If members of our senior management team are unable or unwilling to continue in their present positions, we may not be able to hire satisfactory replacements and our business may be adversely affected. In addition, the process of hiring new managers with the required combination of skills and attributes may be time-consuming and competitive. We may not be able to attract additional qualified persons to complement our expansion plans. As a result, our business and results of operations may be adversely affected.

We are a capital intensive business and our operations could be adversely affected if we fail to maintain sufficient levels of working capital.

Natural rubber business requires a significant amount of cash to operate, principally on the purchase of raw materials such as unsmoked rubber sheets, cup lumps and field latex, the Natural Rubber Products which we purchase from third party producers and from our joint venture entity, Thai Tech Rubber, from time to time, to meet customers' demand and also on the storage of the Natural Rubber Products to facilitate our sales in overseas markets. The working capital cycle for the Natural Rubber Products that we produce, from the purchase of raw materials to the receipt of payment from our customers, is approximately two to four months. We may also require substantial capital expenditures to maintain, upgrade and expand our processing and storage facilities, logistic services and other facilities to keep pace with competitive developments, technological advancement and changing safety and environmental standards in our industry. We fund our operations principally through cash flow from our operations and short and long-term bank loans.

As at 31 December 2014, we had cash and cash equivalents of approximately Baht 2,131.6 million and the majority of our total borrowings comprised short-term borrowings. We can provide no assurance that we will not experience negative cash and cash equivalents in the future. In the event that we are unable to maintain sufficient cash, generate sufficient revenue from our operations, or obtain or secure sufficient borrowings, we may not have sufficient cash flow to fund our operations and our business and operating results will be adversely affected.

Difficult conditions in the global credit markets could adversely impact the cost or other terms of our existing financing.

As at 31 December 2014, we have an aggregate of Baht 12,462.1 million in short and long term bank loans with the respective proportion of 76.6% and 23.4% to the total bank loans, with interest rates ranging from 1.0% to 13.7% per annum depending on the currency on which the loans are denominated. Difficult conditions in the global credit markets could adversely impact the cost or other terms of our existing financing as well as our ability to obtain new credit facilities or access the capital markets on favourable terms. A significant increase in our borrowing costs could impair our ability to compete effectively in our business relative to competitors with lower amounts of indebtedness.

We may be affected by adverse weather conditions and/or diseases which could lead to price fluctuations and an increase in our operating costs.

Unsmoked rubber sheets, cup lumps and field latex are the primary raw materials for Natural Rubber Products. The availability of these raw materials from suppliers as well as our ability to harvest field latex from our own rubber plantations in the future may be adversely affected by unfavourable weather conditions such as drought, floods, prolonged periods of rainfall, storms etc. and/or diseases which has infected the rubber plantations from which suppliers purchase the raw materials or our own rubber plantations in the future. Such events, especially if continued for a prolonged period, could affect the overall yield of such raw materials and consequently lead to price fluctuations. Any substantial decrease in the supply of, and increase in the cost of raw materials could increase our operating costs, affect our production capacity and consequently have a material adverse effect on our business, financial condition and operational results.

There may be disruptions at our processing facilities as well as the processing facilities of our associates and joint venture entity which would have an adverse effect on our operations and those of our associates and joint venture entity.

Our production processes and those of our associates and joint venture entity require significant use of resources such as water and electricity to power our processing facilities and those of our associates and joint venture entity. Natural disasters, acts of God, a shortage of labour, major or sustained disruptions in the supply of utilities such as water or electricity

and other calamities or events beyond our control. For example, the torrential floods occurred in southern Thailand in November 2010 and January 2012 may lead to significant disruption or a cessation in processing at our processing facilities and those of our associates and joint venture entities. Such disruptions would have an adverse effect on our operations and those of our associates and joint venture entities and would result in longer lead-time for processing and delayed delivery to customers.

Our Company depends on distributions from our principal operating subsidiaries, associates and joint venture entity which may in turn affect our Company's cashflow

Our Company is dependent on distributions from our principal operating subsidiaries, associates and joint venture entities to meet our financial obligations, including the payment of principal and interest of our indebtedness.

Our Company will receive distributions made by our subsidiaries, associates and joint venture entities based on our ownership interest. However, should revenues or operating performance of our principal operating subsidiaries, associates and joint venture entity be decreased, the rate and value of the dividends from such principal operating subsidiaries, associates and joint venture entities could decline. Consequently, our Company's cashflow might be adversely affected.

Our Group may be adversely affected by the imposition and enforcement of more stringent environmental regulations.

Our Group is subject to a variety of laws and regulations that promote environmentally and socially sound operating practices. Our Group's principal environmental concerns relate primarily to the discharge of effluent resulting from the processing of natural rubber. Any environmental claims or the failure to comply with any present or future regulations could result in the assessment of damages or the imposition of fines, the suspension or a cessation of our Group's operations.

Environmental regulations and social practices in the countries in which our Group operates tend to be less stringent than those in developed countries. It is possible that these regulations and/or social practices could become more stringent in the future and consequently have an adverse effect on our operations and financial condition. Any failure to comply with the laws and regulations could subject our Group to liabilities which may affect our business, financial condition, operational results and prospects.

The demand for Natural Rubber Products could be affected by the emergence of synthetic rubber substitutes.

Our sales of Natural Rubber Products, which are produced from natural rubber, accounted for 96.4% of our Group's revenue for the financial year ended 31 December 2014. There are a variety of synthetic rubbers available in the market which can be used as substitutes for natural rubber in the manufacture of rubber products. Factors such as increased global demand for rubber, volatile pricing of natural rubber, increasing natural rubber price compared to synthetic rubber, risks of supply disruption driven by political events, regional constraints and seasonal supply patterns may lead to an increase in demand for such synthetic rubber substitutes. This may result in the decrease in demand for Natural Rubber Products, which may have a material adverse effect on our business, financial condition and operational results.

Expiry of concessionary tax rates and/or exempt tax status for certain of our subsidiaries and associates will have an adverse impact on our profitability.

Our subsidiary, Sri Trang International, enjoys certain tax benefits under the Global Trader Programme launched by International Enterprise Singapore, pursuant to which Sri Trang International is only taxed on 10.0% of its qualifying income (i.e. income which is derived from offshore sales or sales to companies under the Global Trader Programme).

In addition, our Company and certain of our subsidiaries and associates which are incorporated in Thailand have been granted certain privileges, including exemption from certain taxes, at various times by the Board of Investment of Thailand, in relation to our respective operations.

In the event of any expiry of such tax benefits, Sri Trang International, our Company and our relevant subsidiaries and joint ventures entities will be liable to the applicable taxes at the prevailing rates. This will subsequently have an adverse impact on our profitability.

2) Risks Relating to the Countries in Which We Operate

Economic, political, legal and regulatory conditions in the countries in which we operate may materially and adversely affect our business, financial condition, results of operations, prospects and the market price of our Shares.

We have operations and investments in countries such as Thailand, Singapore, USA, Indonesia, and the PRC, each of which contributed 67.7%, 23.5%, 4.2%, 3.6% and 1.0% of total revenues, respectively. Accordingly, we are subject to the risks associated with our business activities in these countries. Our business, financial condition, operational results and prospects may be materially and adversely affected by a variety of conditions and developments in these countries including:

- inflation, interest rates and general economic conditions;
- civil unrest, military conflict, terrorism, change in political climate and general security concerns;
- changes in legal and regulatory conditions;
- changes in duties payable and taxation rates;
- natural disasters;
- imposition of restrictions on foreign currency conversion or the transfer of funds; or
- expropriation or nationalisation of private enterprise or confiscation of private property or assets.

Should any of the aforesaid risks materialise and we are unable to adapt our business strategies or operations accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected.

3.2 Risks Relating to an Investment in Our Shares

1. Our foreign ownership restrictions could limit your ability to transfer our Shares and limit our ability to raise equity financing.

Our Articles of Association provide that no more than 49.0% of our Company's issued and outstanding Shares may be held by non-Thai persons. Our Articles of Association also provide that transfers of Shares in violation of applicable foreign ownership limitations may be restricted. In the event that the applicable foreign ownership limitations have been reached, Thai Shareholders may not be able to transfer their Shares to persons who are non-Thai nationals. As a result, the liquidity and market price for our Shares may be adversely affected.

Furthermore, it may not always be possible for a non-Thai Shareholder, or purchaser or seller of our Shares, to know in advance whether the relevant Shares fall within applicable limits and will be eligible to be registered in the name of purchaser, or whether the register will decline to register the transfer of Shares.

Ownership of Thai companies by non-Thai persons is generally limited to 49.0% of a company's outstanding shares. In the event such shareholding limit is lowered, holders of our Shares may be subject to increased risks of forced transfers or sales or may be required to hold non-voting depository receipts in lieu of our Shares.

2. We may not be able to pay dividends.

Our ability to declare dividends in relation to our Shares will depend on our future financial performance which, in turn, depends on successfully implementing our strategy and on financial, competitive, regulatory, technical and other factors, general economic conditions, and other factors specific to our industry or specific projects, many of which are beyond our control.

Further, our ability to declare dividends will also be dependent on dividend distributions from our principal operating subsidiaries, associates and joint venture entity. Our Company and certain of our subsidiaries, associates and joint venture entity may, from time to time, enter in to loan facilities with various banks and financial institutions pursuant to which our Company or the relevant subsidiary, associate or joint venture entity may be prohibited from making any distributions (including dividends) unless the relevant bank or financial institution has determined that such distribution will not affect the ability of our Company or that subsidiary, associate or joint venture entity, as the case may be, from repaying that particular loan. Moreover, to the extent that any dividends that we pay are converted into currencies other than Baht, such dividends may be subject to any foreign exchange controls that may be in effect at the relevant time.

4. OPERATING ASSETS

4.1 Fixed Assets of the Company

As of 31 December 2014, the book value of the Company's total fixed assets, less accumulated depreciation and reserves for impairment, used in business operations as shown in the consolidated financial statements of the Company is Baht 15,256.3 million or 40.4 % of the total assets. The details are as follows:

Unit : Baht million

Descriptions	Book Value Less Accumulated Depreciation as of	Contingent Liabilities ²
	31 December 2014 ¹	31 December 2014
Land and land improvement	6,582.7	163.5
Rubber and palm plantation	901.2	-
Buildings and structures	3,282.1	548.4
Machinery and equipment	2,342.3	274.0
Vehicles	307.9	-
Fixtures and office equipment	157.6	-
Assets under construction and installation	1,682.5	-
Total net book amount	15,256.3	985.9

Note:

1) As of 31 December 2014, all property, plant and equipment assets are owned by the company except land and land improvements which consist of portion owned by the company equals to Baht 6,381.6 million and portion leased by the company equals to Baht 201.1 million.

2) As of 31 December 2014, certain plots of land, land improvement, buildings and structures, and machinery and equipment of certain subsidiaries with net book value amounting of Baht 985.9 million have been mortgaged as collateral for overdrafts and short-term loans and long-term loans from the financial institutions.

4.2 Intangible Assets

The Company used intangible assets in its business operations. As of 31 December 2014, the net book value of the intangible assets is Baht 31.6 million or 0.1% of the total assets consists of computer software.

4.3 Long-term Lease

We lease various properties on which certain of offices and processing facilities are located. The following table sets forth information relating to the material lease agreements of the properties leased by us and the long-term lease agreements:

Location	Gross Area (approximate) (sq m)	Lease Term	Annual Rent	Landlord	Principal Use
STA					
Park Ventures Ecoplex, Lumpini, Pathumwan, Bangkok	1,345	1 June 2012 to 31 May 2015	Baht 11,620,195	Lertrattakarn Co., Ltd.	Office space
	132.3	1 May 2013 to 31 May 2015	Baht 1,468,530	Lertrattakarn Co., Ltd.	Office space
Sri Trang International					
No. 38-02, One Raffles Place, Singapore	474	8 January 2015 to 7 January 2018	SG\$704,076	OUB Centre Limited	Office space
Sri Trang Rubber & Plantation					
Office room no. MM211, The Office Plus, Tambol Doi Suthep, Amphur Muang Chiang Mai, Chiang Mail Province	120	1 August 2012 to 31 July 2015	Baht 648,000	The Majestic Development Co., Ltd.	Office space
Sri Trang Indochina					
Unit 7.01A, Vietnam Business Center Building, 57-59 Ho Tung Mau Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	60	16 March 2015 to 15 March 2017	US\$16,560	Vu Khai Hoan Co.,Ltd	Office space

4.4 Intellectual Property

Our Group does not own any intellectual property, patents or trademarks

4.5 Policies on Investment in Subsidiaries and Associates

STA has an investment policy to be the leader in the natural rubber industry. STA makes investments so that it can be in the entire supply chain, increase the product value, or obtain the services which support its businesses and which benefit the Company as a whole. The investments will be made pursuant to the economic conditions at such time.

In respect of the policies on investment in subsidiaries and associates, STA Directors will serve as directors of its subsidiaries and associates and STA may, if it is deemed appropriate, nominate its representatives to serve as directors of its subsidiaries and associates. The Directors of STA will be involved in the decision making in relation to the business management as a whole in order to enable such entities to be in line with the Group's direction.

5. LEGAL DISPUTES

On 5 September 2014, Semperit Technische Produkte Gesellschaft m.b.H. (“Semperit”) filed requests for arbitration in Switzerland to the ICC International Court of Arbitration, alleging that (a) the Company; (b) Rubberland Products Co., Ltd. (“Rubberland”) (a subsidiary); and (c) other shareholders (including Mr. Viyavood Sincharoenkul, Mr. Kitichai Sincharoenkul and Mr. Veerasith Sinchareonkul who are the directors of the Company) of Siam Sempermed Corp., Ltd. (“SSC”) (a joint venture company) had breached the Joint Venture Agreement and other related agreements. Semperit claimed initial damages of approximately EUR 35 million (equivalent to approximately Baht 1,412 million) and requested the arbitral tribunal to issue an order demanding that the Company and Rubberland (and other shareholders of SSC) undertake or refrain from undertaking any act with respect to the management of SSC.

The Company and Rubberland entered into the Joint Venture Agreement and related agreements and have complied with the agreements since their execution. The dispute arose because the parties to the Joint Venture Agreement did not agree on the business plan of SSC in order to maintain and enhance its business competitiveness. In this regard, the Company and Semperit had entered into several negotiations in order to solve the conflicts among the parties for the maximum benefit of SSC but these efforts had proved to be unsuccessful results.

According to the legal advisor of the Company, the management of the Company believes that the Company is not obligated to pay the initial damages of approximately EUR 35 million as stated in the requests for arbitration submitted by Semperit because the Company and Rubberland did not breach any provision of the Joint Venture Agreement and other related agreements with Semperit, as the contractual parties. Furthermore, the allegations made by Semperit are not supported by any concrete evidence. Therefore, the management of the Company believes that the outcome of these disputes should not have any material impact upon the operation or the financial position of the Company and its subsidiaries.

In addition to the requests for arbitration proceedings against the Company and Rubberland as the shareholders of SSC, Semperit filed another request for arbitration against SSC. Semperit alleged that SSC had breached the JVA and other commercial agreements between SSC and Semperit. Semperit claimed initial damages of approximately EUR 3 million (equivalent to approximately Baht 121 million). According to the legal advisor of the Company, the management of the Company believes that SSC is not obligated to pay the damages of approximately EUR 3 million as stated in the request for arbitration submitted by Semperit because the allegations made by Semperit are not supported by concrete evidence and are not consistent with the agreements and long-standing practice between the parties. Therefore, the management of the Company believes that the result of the dispute should not have any material impact upon the operation and financial position of SSC and the Company.

The Company and SSC have already filed answers to the requests for arbitration.

In order to be conservative, the management of the Company has set aside accrued expenses in the financial statements with respect to defending the dispute in the arbitral proceedings.

6. GENERAL COMPANY INFORMATION

Information of the Company

Name of the Company (Thai)	:	บริษัท ศรีตรังแอโกรอินดัสทรี จำกัด (มหาชน)
Name of the Company (English)	:	Sri Trang Agro-Industry Public Company Limited
Head Office	:	10 Soi 10, Phetkasem Road, Hatyai, Songkhla, 90110 Thailand
Telephone	:	66-7434-4663 (Automatic 14 Lines)
Fax	:	66-7434-4677, 66-7423-7423, 0-7423-7832
Type of Business	:	Production and export of RSS, TSR and Concentrated Latex
Registration No.	:	0107536001656
Website	:	www.sritranggroup.com
Type of Shares	:	Ordinary shares
Registered Capital	:	Baht 1,280,000,000
Paid-up Capital	:	Baht 1,280,000,000
Issued Shares	:	Baht 1,280,000,000 with a par value of Baht 1 each

Information of juristic persons in which the Company holds more than 10% of the issued shares of such juristic persons

1. Nam Hua Rubber

Head Office	:	10 Soi 10, Phetkasem Road, Hatyai Subdistrict, Hatyai District, Songkhla Province, 90110 Thailand
Branch Office	:	1) 99 Moo 3, Padangbazar Road, Samnuk Kham Subdistrict, Sadao District, Songkhla Province, 90120 Thailand 2) 41 Moo 3, Padangbazar Road, Samnuk Kham Subdistrict, Sadao District, Songkhla Province, 90120 Thailand
Type of Business	:	Production and export of RSS, TSR and Concentrated Latex
Telephone	:	66-7437-9984-6, 66-7437-9988-9
Fax	:	66-7437-9987
Type of Shares	:	Ordinary shares
Total number of shares directly held by STA	:	4,999,994 shares or 99.99%

2. Anvar Parawood

Head Office	:	101 Moo 3, Padangbazar Road, Samnuk Kham Subdistrict, Sadao District, Songkhla Province, 90120 Thailand
Branch office	:	1) 369 Moo 7, Huay Nang Subdistrict, Huay Yod District, Trang Province, 92130 Thailand 2) 395 Moo 2, Nonsomboon Subdistrict, Mueang Bungkarn District, Bungkarn Province, 38000 Thailand
Type of Business	:	Lumber production and manufacture of wooden furniture
Telephone	:	66-7437-9978-9

Fax : 66-7437-9976
 Type of shares : Ordinary shares
 Total number of shares directly held by STA : 9,994 shares or 99.94%

3. Premier System Engineering

Head Office : 123 Moo 8, Kanjanavanit Road, Ban Phu Subdistrict, Hatyai District, Songkhla Province, 90250 Thailand
 Branch Office : 133 Rak Phu Road, Ban Phu Subdistrict, Hatyai District, Songkhla Province, 90250 Thailand
 Type of Business : Engineering services, design, installation and maintenance machinery
 Telephone : 66-7447-1480-3, 66-7447-1368
 Fax : 66-7447-1290, 66-7447-1430, 66-7447-1506
 Type of Shares : Ordinary shares
 Total number of shares directly held by STA : 409,996 shares or 81.99%

4. Rubberland Products

Head Office : 109 Kanjanavanit Road, Pahtong Subdistrict, Hatyai District Songkhla Province, 90230 Thailand
 Branch Office : 1) 10 Soi 10, Phetkasem Road, Hatyai Subdistrict, Hatyai District, Songkhla Province, 90110 Thailand
 2) 17th Floor, Park Venture Ecoplex, Unit 1701, 1707-1712 57 Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok, 10330 Thailand
 3) 338 Moo 2, Nonsomboon Subdistrict, Mueang Bungkarn District, Bungkarn Province, 38000 Thailand
 4) 338 Moo 1, Kokma Subdistrict, Prakonchai District, Burirum Province, 31140 Thailand
 5) 188 Moo 10, Bangsaiyai Subdistrict, Mueang Mukdahan Subdistrict, Mukdahan Province, 49000 Thailand
 Type of Business : Production of Concentrated Latex/ Block rubber
 Telephone : 66-7429-1223-4, 66-7429-1755, 66-7429-1476
 Fax : 66-7429-1477
 Type of Shares : Ordinary shares
 Total number of shares directly held by STA : 15,999,994 shares or 99.99%

5. SSC

Head Office : 110 Kanjanavanit Road, Pahtong Subdistrict Hatyai District, Songkhla Province, 90230 Thailand
 Branch Office : 1) 10 Soi 10, Phetkasem Road, Hatyai Subdistrict Hatyai District, Songkhla Province, 90110 Thailand
 2) 17th Floor, Park Venture Ecoplex, Unit 1701, 1707-1712 57 Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok, 10330 Thailand
 3) 109/2 Kanjanavanit Road, Pahtong Subdistrict, Hatyai District, Songkhla Province, 90230 Thailand
 4) 352 Kanjanavanit Road, Pahtong Subdistrict, Hatyai District, Songkhla Province, 90230 Thailand
 5) 189 Moo 7, Plaiwas Subdistrict, Karnchanadit District, Surat Thani Province, 84160 Thailand
 6) 39/1 Moo 9, Tungkai Subdistrict, Yantakao District, Trang Province, 92140 Thailand

Type of Business : Production of examination gloves
Telephone : 66-7447-1471, 66-7429-1648-9, 66-7429-1471-5
Fax : 66-7429-1650
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 6,300 shares or 31.50%

6. Semperfex Asia

Head Office : 110/1 Kanjanavanit Road, Pahtong Subdistrict,
Hatyai District, Songkhla Province, 90230 Thailand
Branch Office : 10 Soi 10, Phetkasem Road, Hatyai Subdistrict,
Hatyai District, Songkhla Province, 90110 Thailand
Type of Business : Production of high-pressure hydraulic hoses
Telephone : 66-7447-1231-5
Fax : 66-7447-1230
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 1,425,000 shares or 37.50%

7. Sadao P.S. Rubber

Head Office : 207/1 Padangbazar Road, Sadao Subdistrict, Sadao District,
Songkhla Province, 90120 Thailand
Type of Business : Production of RSS
Telephone : 66-7446-0483-5, 66-86489-5264-5
Fax : 66-7446-0484
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 399,994 shares or 99.99%

8. Starlight Express Transport

Head Office : 13/1 Jingjit Road, Thupthiang Subdistrict, Mueang District,
Trang Province, 92000 Thailand
Type of Business : Provision of logistics services
Telephone : 66-7550-2900-2
Fax : 66-7550-2903
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 114,998 shares or 76.66%

9. Startex Rubber

Head Office : 10 Soi 10, Phetkasem Road, Hatyai Subdistrict,
Hatyai District, Songkhla Province, 90110 Thailand
Type of Business : Ownership and management of rubber and oil palm
plantations
Telephone : 66-7550-2900-2
Fax : 66-7550-2903
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 419,995 shares or 83.99%

10. Thai Tech Rubber

Head Office : 2 Juti Utit 3 Road, Hatyai Subdistrict, Hatyai District,
Songkhla Province, 90110 Thailand
Type of Business : Production of TSR
Telephone : 66-7423-0768, 66-7423-0406-7, 66-7423-9063-4
Fax : 66-7423-8650
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 200,998 shares or 33.50%

11. Pattana Agro Futures

Head Office : Wallstreet Tower, G Floor, 33/19 Surawongse Road,
Surawongse Subdistrict, Bangrak District, Bangkok, 10500
Thailand
Type of Business : Brokerage activities
Telephone : 66-2632-8826
Fax : 66-2632-8825
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 4,000,000 shares or 40.00%

12. Sri Trang Rubber & Plantation

Head Office : 10 Soi 10, Phetkasem Road, Hatyai Subdistrict,
Hatyai District, Songkhla Province, 90110 Thailand
Branch Office : 55 Moo 7, Suthep Subdistrict, Mueang Chiang Mai District,
Chiang Mai Province, 52000 Thailand
Type of Business : Ownership and management of rubber plantation
Telephone : 66-5380-4296
Fax : 66-5380-4297
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 38,999,993 shares or 99.99%

13. Sri Trang International

Head Office : 1 Raffles Place, No. 38-02, One Raffles Place, 048616,
Singapore
Type of Business : Natural rubber wholesaler in Singapore
Telephone : 65-6532-5210, 65-6532-5321
Fax : 65-6532-7501
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 52,000,000 shares or 100.00%

14. Sri Trang USA, Inc.

Head Office : 5401 W. Kennedy Boulevard, Suite 760, Tampa, Florida,
33609, United States
Type of Business : Natural rubber wholesaler in the United States
Telephone : 1-813-606-4301
Fax : 1-813-606-5431
Type of Shares : Common stock
Total number of shares directly held by STA : 1,000 shares or 100.00%

15. Sempermed USA, Inc.

Head Office : 13900, 49th Street North, Clearwater, Florida, 33762,
United States
Type of Business : Distribution of examination gloves in the United States
Telephone : 1-800-366-9545
Fax : 1-800-763-5491
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 1,000 shares or 25.00%

16. Shanghai Sempermed

Head Office : Room 1104, Building 11, No. 518, Xinhuan Highway,
Songjiang District, Shanghai, 201612, Peoples Republic of
China
Type of Business : Wholesale, commission agency, and import & export of
plastic and rubber gloves
Telephone : 86-21-5760-9297, 86-21-5760-9289
Fax : 86-21-5760-9389
Type of capital : Registered capital
Total amount of capital directly held by SSC : USD 1,000,000 or 100.00%

17. Shanghai Semperit Rubber & Plastic Products

Head Office : No. 1155, Cang Gong Road, Chemical Industry Park,
Shanghai, Peoples Republic of China
Type of Business : Manufacture of escalator handrails
Telephone : 86-21-3711-1788
Fax : 86-21-6409-0850
Type of Interest : Equity
Total interest directly held by STA : 10.00%

18. PT Sri Trang Lingga Indonesia

Head Office : Jalan TPA2, RT.26 & 29 Keramasan, Palembang,
South Sumatera, Palembang, 30259, PO Box 1230, Indonesia
Type of Business : Production of block rubber
Telephone : 62-711-445-666
Fax : 62-711-445-222
Type of Shares : Ordinary shares
Total number of shares directly held by STA : 18,000 shares or 90.00%

19. Semperflex Shanghai

Head Office : No. 1255, Cang Gong Road, Shanghai Chemical Industrial
Zone, Fengxian Sub-zone, Shanghai, 2014, Peoples Republic
of China
Type of Business : Production of high-pressure hydraulic hoses
Telephone : 86-21-3758-1133
Fax : 86-21-3758-1133 Ext 300
Type of Interest : Equity
Total interest directly held by STA : 50.00%

20. Sempermed Singapore

Head Office : 4 Battery Road, No. 25-01, Bank of China Building, 049908, Singapore

Type of Business : Investment holding in Sempermed Brasil

Telephone : N/A

Fax : N/A

Type of Shares : Ordinary shares

Total number of shares directly held by STA : 4,000,000 shares or 50.00%

21. Sempermed Brasil

Head Office : Rua João Franco de Oliveira, No. 750 – Unileste, City of Piracicaba – State of São Paulo, Brazil (Zip Code: 13.422-160)

Type of Business : Distribution and marketing of natural rubber gloves and synthetic rubber in Brazil

Telephone : N/A

Fax : N/A

Type of capital : Quotas

Total number of quotas held by Sempermed Singapore : 12,546,638 shares or approximately 100.00%

22. Shi Dong Investments

Head Office : 1 Raffles Place, No.38-02, One Raffles Place, 048616, Singapore

Type of Business : Investment holding in PT Star Rubber

Telephone : 65-6532-5210, 65-6532-5321

Fax : 65-6532-7501

Type of Shares : Ordinary shares

Total number of shares directly held by Sri Trang International : 100.00%

23. PT Star Rubber

Head Office : Jalan Trans Kalimantan KM. 16, Desa Jawa Tengah Kec. Sungai Ambawang, Kab Kubu Raya-Kalbar, Pontianak, 78393, Kalimantan Barat, PO Box 7864, Indonesia

Type of Business : Production of block rubber

Telephone : 62-561-724-888, 62-561-724-591-2

Fax : 62-561-724593

Type of Shares : Ordinary shares

Total number of shares directly held by Shi Dong Investment Pte. Ltd. : 99.00%

24. Shi Dong Shanghai Rubber

Head Office : Unit 2701, Wheelock Square, No.1717, West Nanjing Road, Jing'an District, Shanghai, 200040, Peoples Republic of China

Type of Business : Distribution of Natural Rubber Products in Peoples Republic of China

Telephone : 86-21-6413-7860

Fax : 86-21-6413-7315

Type of Interest : Equity

Total interest held by STA : USD 5,000,000 or 100.00%

25. Sri Trang Indochina (Vietnam)

Head Office : Room No 7.01A, 7th Floor, Vietnam Business Center
Building, 57-59 Ho Tung Mau Street, Ben Nghe Ward,
District 1, Ho Chi Minh City, Vietnam
Type of Business : Trading and exporting the rubber products
Telephone : 848-3821-6869
Fax : 848-3821-6877
Type of Shares : Ordinary shares
Total number of shares directly held by Sri Trang International : 100.00%

26. Formtech Engineering (M) Sdn. Bhd.

Head Office : Lot 135, Jalan Permata 1/4, Arab-Malaysian Industrial Park,
71800, Nilai, Negeri Sembilan, Malaysia
Type of Business : Production and distribution mold for glove production line
Telephone : 060-6799-5952
Fax : 060-6799-5951
Type of Interest : Equity
Total number of shares directly held by Sempermed Singapore : 82.86%

27. Sri Trang Ayeyar Rubber Industry

Head Office : Mudon Crumb Rubber Factory, 828/1221 Kankalay Plot,
Kyone Phite Village, Mudon Township, 12081, Mawlamyine,
Mon State, Myanmar
Type of Business : Production of block rubber
Telephone : 9592-5014-3081
Fax : N/A
Type of Interest : Equity
Total number of shares directly held by Sri Trang International: 59.00%