

Part 1

Business Operation

1. Policies and business operation overview

Overview of business operation of the Company and subsidiaries

The Company was established on 6 August 1996 to operate a business of manufacturing and distributing precast concrete planks, pre-stressed concrete piles, finished solid fences, cowboy fences and cellular light-weight concrete (CLC) blocks. Its factory is located in Amphoe Wattana Nikom, Lopburi, with an area of approximately 200 rai.

The Company has a registered capital of 546,317,496.20 Baht of which 428,549,539.80 Baht was paid up as at 31 December 2016, with a par value of 0.10 Baht per share. The major shareholder is Mr. Wittawat Pornkul, holding 23.84 per cent of shares (see shareholding details in shareholding structure).

The Company has 3 subsidiaries, namely:

1. Orrada Co., Ltd.

The Company directly holds 99.99% of shares of the subsidiary, registered capital of 400 Baht which operates real estate business and leasing of mini factories.

- **Factory Land Project** located at Phaholyotin-Lamlukka Road in Amphoe Lamlukka, Pathumthani, established on 29 April 1989, with its office located at No. 41, Moo 4, Lamlukka Road, Amphoe Lamlukka, Pathumthani 12150.

- **Baan Orrada - Lamlukka Khlong 8 Project** located at Liab Khlong 8 Road, Amphoe Lamlukka, Pathumthani. The Company was granted allocation license No. 36/2549. It is a single house project for residential purpose and home office building, constructed on an area of 23 rai.

- **Dzio - Ratchapruek Project (Orrada-Ratchapruek)**, is a 2-storey single house project in 94 units constructed on an area of 20 rai and 2 ngarn at Ratchapruek Road, Nonthaburi, for demonstration of the use of goods of DCON. The Company was granted license No. 91/2554.

- **Dzio Condo - Ngam Wong Wan Project** is 8-storey condominium project with 4 buildings and a total of 792 units on an area of 7 rai at Soi Nagm Wong Wan 2 (Soi Duangmanee) behind the Ministry of Public Health, Nonthaburi. The entire project has been sold to a real estate company in the 4th quarter of 2014.

- **DCON Prime Project** is 38-floor condominium project with 1 building and a total of 641 units on an area of 2 rai, 1 ngarn and 16 square wa, located on Rattanathibet Road near Phra Nangklao Bridge, 100 meters away from MRT Station (Sai Ma Station), 800 meters away from the Chaophraya River. The

EIA was approved on 6 October 2015. The construction was expected to complete and transfer could be made to customers in May 2018. The estimated sales of the Project was 1,648.38 million Baht with net profit of 252.15 million Baht, or 15.3 per cent of the sales.

2. Rompo Products Co., Ltd. (“Rompo”)

The Company directly holds 99.99% of shares of the subsidiary, registered capital of 35 Baht which operates the business of manufacturing and distributing planks, finished fences, established on 12 September 1995, located at No. 170, Moo 4, Tambon Pasak, Amphoe Muanglampooon, Lampoon 51000.

3. DCON Panel Co., Ltd.

The Company directly holds 40% of shares of the subsidiary, registered capital of 5 Baht which operates the business of Produce and distribute lightweight concrete wall, located at No. 3300/58, Elephant Building, Tower B, 8th fl., Phaholyotin Rd., Chatujak Bangkok 10900, established on 22 April 2015.

1.1 Visions and strategies of the Company

Visions

DCON Products Public Company Limited will be the manufacturer, distributor and services provider of precast concrete planks, piles for residential structures and cellular lightweight concrete (CLC) blocks with highest productivity and circulation in the country.

Obligations

DCON Products Public Company Limited to manufacture, distribute, service planks, piles, cellular light-weight concrete (CLC) blocks, posts-beams, walls, finished fences and residential structures as per international standards in a professional manner, with product developments in respect of quality and cost as well as services on a continuous basis to the satisfaction of customers.

Strategies

1. The Company manufactures products with quality as per standard with lower cost than that of competitors because the Company emphasizes on continuous researches and developments.
2. The Company’s manufacturing is conducted in a mass production manner to achieve lower unit production cost than that of competitors.
3. The work is closely managed by professional executives with comprehensions in the business and customers.

4. The factory is located near raw material sources thus saving raw material transportation cost and obtaining factory space at low price.
5. Maintains good relationships with raw material source owners and obtains raw materials at low cost.
6. Having its own finished goods transportation system, which allows the Company to be flexible and capable of controlling the delivery system and saving transportation cost.

1.2 Significant changes and developments

- 1996 - Registered on 6 August with registered capital (fully paid-up) of 40 million Baht to operate the business of manufacturing and distributing pre-stressed concrete planks.
 - Plank factory was constructed during August to December at A. Pattanikom, Lopburi.
- 1997 - Plank production platform zones 1-4 completed in April with total production capacity of 5,280 sq. m. per day.
 - Was granted investment promotion from Board of Investment in respect of pre-stressed concrete planks.
- 2000 - The Company was granted ISO 9002 certificate from SGS for planks.
- 2003 - The Company was granted ISO 9001:2000 from SGS in August for planks and piles.
 - Pile production platform zone 3 was expanded in September to 9,000 sq. m. per day production capacity.
 - Plank production platform zone 5 was expanded in November to 6,600 sq. m. per day production capacity, and became 1 of 2 operators with the highest plank production capacity in the country.
- 2004 - The Company increased its registered capital by 120 million Baht in January, 100 million Baht of which was to purchase the Orrada Co., Ltd. at the price of 10 Baht per share, which equaled to the par value for the time being, from existing shareholders of Orrada Co., Ltd., constituting 99.99% of the shareholding proportion, and the total registered capital was 160 million Baht.
 - The Company became a public limited company in March with registered capital of 200 million Baht.
- 2005 - A cellular light-weight concrete block production factory was constructed in May, about 2 kilometers away from the existing plank and pile production factory, expected to be completed and to commence production in the 3rd quarter of 2016.
 - Investment was made in July to construct allocated houses under Baan Orrada Project, Baan Dee No. 5, energy-saving houses in 118 units, located at Liabkhlung 8 Road, A. Lamlukka, Pathumthani.
 - Investment was made in October to expand Rompo Products Co., Ltd. factory to produce cellular light-weight concrete (CLC) blocks for markets in the Northern Region.
 - ERP System Purchasing and Development Contract was signed in December for use in work management in the Company.

- 2006 - “Baan Orrada”, Baan Dee No. 5 and energy-saving house Project was opened for sales in March.
- A new factory was constructed at Surat Thani in June to support economic growth in the Southern Region.
- A thank you party was organized in October for customers and celebrated the 10th anniversary of DCON and introduced a new product, i.e. autoclaved aerated concrete block produced in the CLC system (Cellular Lightweight Concrete) under the name of heat-resistant block “DCON Block”.
- 2009 - New products were developed and introduced, i.e. fences, such as cowboy fences, finished fences.
- The Company was granted ISO 9001 Version 2008 from SGS.
- 2010 - New product, i.e. beams, was developed and introduced.
- 2011 - The “Dzio Ratchapruek” Project was opened for sales in March.
- 2012 - The Company was granted SET Award of Honor in respect of Outstanding Company Performance Awards from the Stock Exchange of Thailand.
- 2013 - A thank you party was organized in January for customers and celebrated the 17th anniversary of DCON and introduced a new 20-cm. CLC as blocks which counter fungus from moisture and prevent heat from entering into the house.
- Commenced constructing new factories in Maha Sarakam and Rayong in February to support economic growth in the Northeastern and the Western Regions.
- Orrada Co., Ltd. opened the Dzio Ngam Wong Wan Condo Project in April.
- 2014 - In April, the Company increased its registered capital from 205,730,000 Baht to 246,876,000 Baht to support issuance of warrants #1 for ordinary shares of DCON Products Public Company Limited (DCON-W1) to be offered for sales to existing shareholders based on their respective shareholding proportion free of charge at the ratio of 5 ordinary shares per 1 warrant.
- In December, the Company was granted Forbes Asia’s Best under a Billion 2014 Award in respect of outstanding operating results from Forbes Magazine, presented by M.R. Pridiyathorn Devakula, Deputy Prime Minister. Such award was from ranking of 200 companies in the Asian region, and from the 200 companies, 9 Thai companies won the award.
- 2015 - The extraordinary shareholder meeting No. 1/2558 resolved in January to change the par value from 1 Baht to 0.10 Baht to increase the number of shares of the Company and to enhance the liquidity of the number of shares for trading in the Stock Exchange, and approved issuance of warrants #2 for ordinary shares of the Company (DCON-W2), by allocating to existing shareholders based on their respective shareholding proportion, and approved the increase of the Company’s registered capital from 246,876,000 Baht to 285,736,000 Baht.
- Orrada Co., Ltd. opened the DCON Prime – Rattanathibet Project in October.
- The extraordinary shareholder meeting No. 2/2558 resolved on 21 December to increase the registered capital by 2,489,399,795 shares at a par value of 0.10 Baht per share by issuing 2,139,578,118 shares to be offered for sales to existing shareholders at the price of 0.45 Baht per share, and issuing 349,821,677 ordinary shares to support the right of holders of DCON-W1 and DCON-W2.
- 2016 - In January, the proceeds from the sale of the capital increase shares to the existing shareholders as approved by the Extraordinary General Meeting of Shareholders No. 2/2058 totaling Baht 962.81 million.

- In October, registered capital increase Dacon Co., Ltd. from Baht 1 million to Baht 5 million. The Company holds 40%

Research and development

In 2016, the Company conducted research and development for its main products in the nature of internal product research and development by its engineer team as follows.

Research and Development
1. Improved and developed pile production formula, DCON factories in Lopburi, Surat Thani and Rayong, to decrease raw material cost in the production process
2. Developed square piles and autoclaved aerated concrete block to meet industrial standard

1.3 Shareholding structure of the company group

On 9 March 2004, the extraordinary shareholder meeting No. 4/2547 resolved to transform the Company into public company and increase the registered capital to 200 million Baht, being 200 million single-type ordinary shares with a par value of 1 Baht per share, and change the name from “**DCON Products Co., Ltd.**” to “**DCON Products Public Company Limited**”. The Company’s shares were approved to become permitted securities in the Stock Exchange of Thailand on 21 September 2003 with head office located at No. 3300/57, Elephant Building, Tower B, 8th Floor, Phaholyotin Road, Chompol, Chatuchak, Bangkok 10900.

Currently, the Company has a registered capital of Baht 546.316 million, which is a single share of 5,463.16 million shares with a par value of Baht 0.10 per share.

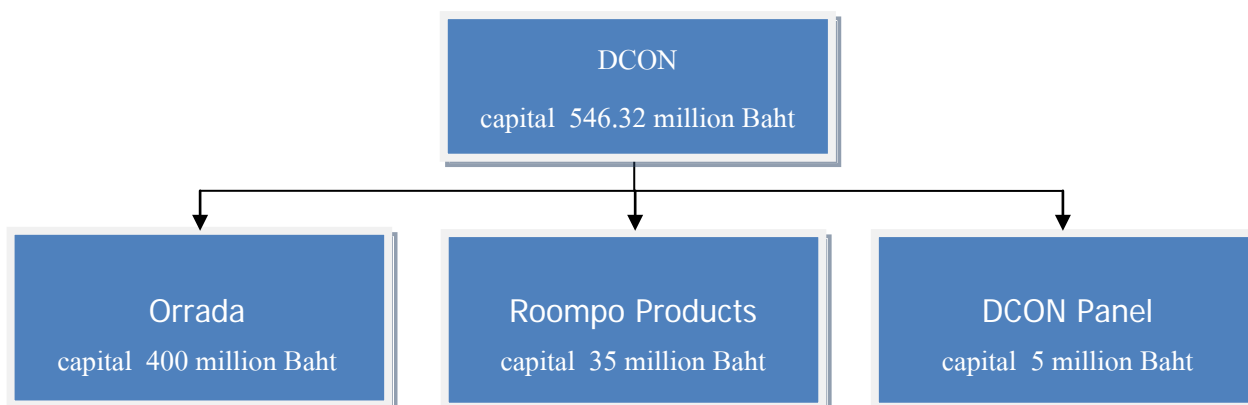
Orrada Co., Ltd. in real estate development business group currently still emphasized on selling houses and condominiums and leasing of mini factories, with issued and paid-up capital of 400 million Baht, 99.99 per cent investment.

Rompo Products Co., Ltd. in plank, finished fence and cellular light-weight concrete (CLC) block manufacturing group in the Northern Region, with issued and paid-up capital of 35 million Baht, 99.99 per cent investment.

DCON Panel Co., Ltd. directly holds 40% of shares with registered capital of 5 million Baht. (Produced and sold lightweight concrete wall) was established on April 22, 2015. The office is located at 3300/58 Elephant Building, Phaholyothin Road, Chomphon, Chatuchak, Bangkok 10900.

Currently, the Company had a policy to invest in the main business in manufacturing planks, pre-stressed concrete piles, cellular light-weight concrete blocks, finished fences and selling house-condominium projects and leasing mini factories through subsidiaries. The Company had no policy in investing in other non-relevant business. Appropriate return on investment would be taken into consideration in making any investment of the Company. Moreover, the management policy in Orrada and Rompo would be prescribed and undertaken by executive directors of the Company.

As at 31 December 2016 the Company Group's shareholding structure was as follows:



Policy on distribution of work execution of companies in the Group

The Company has a policy on clear distribution of work execution through the Company and subsidiaries and the work execution of each company would not be overlapping but would optimally support, assist and promote the business of one another. The Company operated the business in manufacturing and distributing of planks and pre-stressed concrete piles used in construction work, while Orrada Co., Ltd. operated the business in real estate development emphasizing on selling and leasing mini factories and constructing finished residential structures, and Rompo Products Co., Ltd. operated the business in manufacturing and distributing planks in the Northern Region.

1.4 Relationship with the business group of the major shareholder

- nil -

2. Business operation nature

2.1 Product nature

The Company is a manufacturer and distributor of concrete construction materials. Main products of the Company comprise:

1. Concrete planks

DCON planks are flat bottom pre-stressed concrete planks, 35 cm. wide and 5 cm. thick. When using, they are placed adjoining together and coated with concrete. Besides acting as a mould, DCON planks are also a part of the structure which helps bearing load homogeneously with the coated concrete. The Company also manufactures planks which are 30 cm. wide and 5 cm. thick for some customers with special requirements.

DCON planks are suitable for construction of commercial buildings, condominiums, office buildings, schools, townhouses and single house in general. They enable the construction to be completed expeditiously, save cost and are also durable and beautiful.

DCON planks are divided into:

- 1.1 Flat bottom planks, suitable for structure with span not exceeding 4.20 meters.
- 1.2 Angular bottom planks were invented for use with structure with span between 4.20-5.00 meters, with special qualification in supporting longer span and could therefore be used with inconvenient structure with supports.

DCON planks were ISO 9001: 2008 certified by SGS (Thailand) Co., Ltd.



Rights of restrictions in business operation

Privileges from investment promotion

The Company was granted from the Board of Investment (BOI) investment promotion certificate No. 1089/2540 for planks and received privileges as per the Investment Promotion Act B.E. 2520. The Company was 100% exempted from income tax from 19 January 1996 to 18 January 2005 and 50% exempted from income tax after that from 19 January 2005 to 18 January 2010. Consequently, the Company would not be exempted from tax in 2010 due to termination of privileges from investment promotion.

2. Concrete piles

Concrete piles for residential structures are construction materials used as part bearing load of buildings or structures by the mechanism of:

- (1) Friction from pile surface touching upon the surrounding soils; and
- (2) Pile load at the pile tip, where the load from building transferred to the foundation shall be further transferred to the pile which is placed on hard soil layer.

From the market survey and to obtain the same group of customers as that of planks, the Company selected to produce piles for residential structures only, which came in 6 sizes as follows:

1. I-18 for one-storey houses or fences or 2-storey houses such as Baan Ua Artorn, with maximum production capacity of 1,800 m. per day.
2. I-22 for 2-storey houses, with maximum production capacity of 5,100 m. per day.
3. I-26 for 3-storey townhouses or commercial buildings (or factory buildings), with maximum production capacity of 2,100 m. per day.
4. Quadrilateral piles -22 for 2-storey houses (TIS 396-2549), with production capacity of 216 meters per day at Rayong Branch Factory, and 228 meters per day at Surat Thani Branch Factory.
5. Quadrilateral piles -26 for 3-storey townhouses, commercial buildings or factory buildings (TIS 396-2549), with production capacity of 216 meters per day at Rayong Branch Factory, and 228 meters per day at Surat Thani Branch Factory.
6. Quadrilateral piles -40 for large buildings (TIS 396-2549), with production capacity of 912 meters per day at Surat Thani Branch Factory.

The Company's concrete piles were also ISO 9001: 2008 certified by SGS (Thailand) Co., Ltd.



3. DCON Lightweight concrete blocks

3.1 DCON grey cellular lightweight concrete (CLC) blocks

DCON grey cellular lightweight concrete (CLC) blocks are produced by adding air bubbles with high stability into the concrete texture discontinuously. Being of a closed cell nature, they have low permeability, thus reducing fungi harmful to health. They carry good

insulation property, such as thermal and acoustic, and normal mortar can be used in bricklaying and plastering process, suitable for people who care for their health.

The Company currently developed products which better responded to requirements and use by developing D815 formula which reduced the weight of DCON grey cellular lightweight concrete blocks, easy to use, but still maintained the strength which could tolerate heavy hanging load. The Company also developed 20-cm. blocks with thermal insulation and energy-saving property for high end houses, which enhanced the beauty to the walls.



3.2 DCON white autoclaved aerated concrete (AAC) blocks

DCON lightweight concrete blocks are autoclaved aerated concrete (AAC) blocks produced by adding substance which creates air bubbles and autoclaved with production and quality control technology G4 standard system. They have light weight and easy to use. Heavy articles can be hung thereon, suitable for those who stress on light weight and beauty.

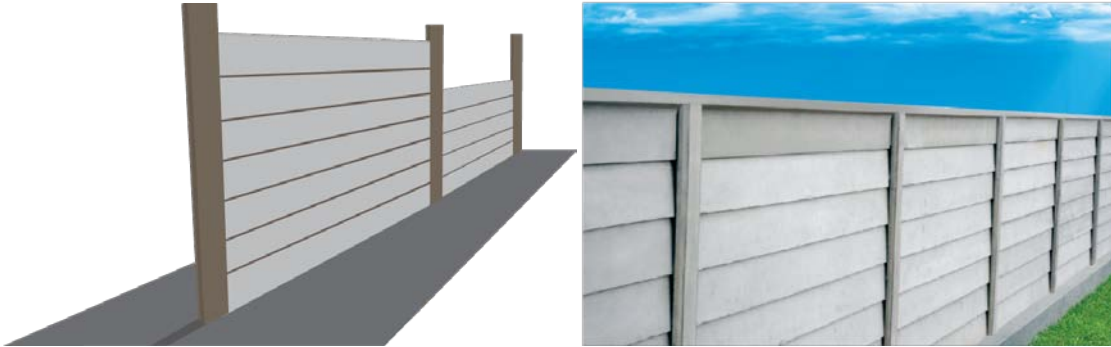
Both systems of DCON lightweight concrete blocks are suitable for construction of commercial buildings, condominiums, office buildings, schools, townhouses and single house in general. They enable the construction to be completed expeditiously, save cost and are also durable and beautiful.



4. DCON fences

4.1 DCON solid fences

DCON solid fences are pre-casted pre-stressed solid concrete fences comprising planks, posts and lintels. They are strong, beautiful from all angles, inexpensive, suitable for those who want strong and beautiful fences with privacy.



DCON cowboy fences are pre-casted pre-stressed open fences comprising planks and posts which are strong but are in open form to create landscape or install to divide zones to make the house looks pleasant, serene, suitable for those who require strength but airy or area zoning.

Both systems of DCON fences are suitable for use as required for each purpose, for example, house fence, official place fence, food garden fence or area zoning fence for clearness, because they are strong, beautiful, inexpensive, easy to install and easy to use.



Real estate business

The Company operates the business in selling and leasing mini factories and pre-built single house projects sold through subsidiary, i.e. Orrada Co., Ltd. There are 2 types as follows.

1. Orrada Factory Land is a finished factory project which combines factories, offices, residences in the same unit in the area of 200 square wa with useful spaces of over 720 square meters, emphasizing on systematic layout, with standard public utilities. The composition in 1 unit shall be as follows.

Floor	Useful space	Dimension
1	Factory Office	16 X 24 = 384 sq. m. 12 X 7.5 = 90 sq. m.
2	Office	16 X 7.5 = 120 sq. m.
3	Residence	16 X 7.5 = 120 sq. m.

The Project is located at Phaholyotin-Lamlukka Road, Khlong 8, Amphoe Lamlukka, Pathumthani. The Project comprises 4 lines of 3-phase electricity, telephone, underground water, steel-reinforced concrete road with sewer, 16-meter footpath and 24-hour security system.

The Company applied for land allocation permission from the Land Department to allocate land for industrial purpose. Customs of the Project who rent or purchase shall apply for factory business operation permission from the Ministry of Industry.

2. Residential projects of Orrada Co., Ltd.

Baan Orrada - Lamlukka Khlong 8 Project. The Project is located at Liab Khlong 8 Road, Amphoe Lamlukka, Pathumthani. The Company was granted allocation license No. 36/2549. It is a single house project for residential purpose and home office building, constructed on an area of 23 rai. The sales thereof were currently over 90%.

Dzio - Ratchapruek Project (Orrada-Ratchapruek), is a 2-storey single house project in 94 units constructed on an area of 20 rai and 2 ngarn at Ratchapruek Road, Nonthaburi, for demonstration of the use of goods of DCON. The Company was granted license No. 91/2554. The sales thereof were currently about 67%.

Dzio Condo - Ngam Wong Wan Project is 8-storey condominium project with 4 buildings and a total of 792 units on an area of 7 rai at Soi Nagm Wong Wan 2 (Soi Duangmanee) behind the Ministry of Public Health, Nonthburi. The entire project has been sold to a real estate company in the 4th quarter of 2014.

DCON Prime Project is 38-storey condominium project with 1 building and a total of 641 units on an area of 2 rai, 1 ngarn and 16 square wa, located on Rattanathibet Road near Phra Nangklao Bridge, 100 meters away from MRT Station (Sai Ma Station), 800 meters away from the Chaophraya River. The EIA was approved on 6 October 2015. The construction was expected to complete and transfer could be made to customers in May 2018. The estimated sale of the Project was 1,648.38 million Baht with net profit of 252.15 million Baht, or 15.3 per cent of the sales.

2.2 Marketing and competition

DCON Products Public Company Limited

Competition strategies

- The Company enhances its potential in competition and profit earning in provincial branch factories by increasing production capacities for piles and solid concrete fences in line with the increasing market demands.
- Expands pile production capacity to include piles with cross section of 40 centimeters to support new group of customers.
- Initiates marketing promotion activities to maintain existing customer base in CRM format.
- The Company is able to manufacture standard quality products at lower cost than that of competitors because the Company emphasizes on research and development on a continuous basis.
- The Company opts to produce 3 sizes of piles, i.e. I18, I22 and I26, in a mass production manner to achieve lower unit production cost than that of competitors.
- The work is closely managed by professional executives with comprehensions in the business and customers.
- The factory is located near raw material sources thus saving raw material transportation cost and obtaining factory space at low price.
- Maintains good relationships with raw material source owners and obtains raw materials at low cost.
- Having its own finished goods transportation system, which allows the Company to be flexible and capable of controlling the delivery system and saving transportation cost.
- In addition to the previous business expansion by opening factories in Lampoon in the Northern Region and Surat Thani in the Southern Region, the Company opened another plank factory in 2013 to support growth in large provinces with continuous growth, in Maha Sarakham in the Northeastern Region, and Rayong in the Eastern Region, to reduce transportation cost, enhance flexibility in provision of services in respect of sales and deliveries, and expand regional customer base.

Customer groups

Customers are divided into the following groups.

Customer group	Percentage of sales in 2016
1. Real estate developers	55%
2. Construction contractors	25%
3. Material & equipment distributing agent and/or manufacturer	17%
4. Others	3%
Total	100%

Targeted groups

Are those referred to above in Bangkok and vicinities and provinces in the Northern, the Southern, the Central, the Northeastern and the Eastern Regions. The Company currently has factories in all regions as follows: the Northern - Rompo Products Co., Ltd.; the Central - Lopburi factory; the Southern - Surat Thani factory; the Northeastern - Maha Sarakham factory; and the Eastern - Rayong factory.

Price policy

The Company determines prices in accordance with market supply and demand principle by keeping the prices not too low which shall make too long lead time between the order placement and the goods delivery, or not too high which shall affect the customer base. In addition, the Company shall primarily take into account quantity of purchase, customers' past credit terms and industrial competition, which requires the Company to adjust prices to be consistent with the market and competition situations at all times.

Orrada Co., Ltd.

Competition strategies

- The Factory Land Project is located in purple zone where factories can be constructed, and in community area where there are adequate purchasing power and labor to support the business of entrepreneurs who are customers of the Project. The locality is also convenient for traveling via Kanchanapisek Ring Road, which enhances the potential in respect of transportation system and traveling.
- Dzio - Ratchapruek Allocation Project is located where traveling is convenient, in developed area and is required by the targeted group. There is sky train transportation system, i.e. purple line sky train to be opened for services on 12 August 2016. Moreover, it is designed to demonstrate difference and respond to requirements of the customer group.
- DCON Prime - Rattanathibet Project (DCON Prime) is a condominium located at Rattanathibet Road only 100 meters away from Sai Ma MRT Station. The Project is 38-floor condominium project with 1 building and a total of 641 units. The salient point is that it is located in the boomed area of Nonthaburi, close to Central West Gate with convenient communication by sky train. It is also located close to the Chaophraya River with superior view. Besides seeing the Chaophraya River curve from the unit, it is enhanced with an infinity edge swimming pool on the 37th floor for residents to have a touch of freeness and serenity in swimming and relaxation with the river curve view from high angle. Moreover, the Project offers full decoration with built-in furniture and air-conditioners in all units. The Company is advantages in respect of construction cost because it uses materials which are products of its parent company, i.e. planks, piles and DCON lightweight concrete blocks.

Customer nature and targeted customer groups

- Customer groups of Orrada Factory Land Project are Small and Medium Entrepreneurs (SME), those working in nearby areas and targeted groups of the Company.

- Customer groups of Dzio - Ratchapruek Project are medium-level customers residing in Nonthaburi and working in Bangkok and vicinities with income of 50,000 Baht or more, with 35-50 years of age.
- Customers of DCON Prime - Rattanathibet Project (DCON Prime) are medium-level customers residing nearby in Nonthaburi adjacent to Bangkok northern and western zones with income of 40,000 Baht or more, with 25-45 years of age.

Price policy

- As for Orrada Factory Land Project, the Company determines the selling prices and rents at competitive level. As regards factory lease, the Company executes lease agreement with customers for a term of 3 years.
- Dzio - Ratchapruek Allocation Project prices are determined to be in the range of 4-6 million Baht.
- DCON Prime - Rattanathibet Project (DCON Prime) develops its form and functions including materials used in superior manner to those of competitors in nearby areas, while the selling prices are determined to be rather lower than those of nearby competitors to distinguish the salient point in respect of cost-worthiness, starting at 1.65 million Baht for 1-bedroom unit in an area of 26.58 square meters.

Distribution and distributing channels

- As for Orrada Factory Land Project, besides contacting targeted customers directly, most customers of the Company come from the advertisement in front of the Project and introductions by existing customers in the Project and the website.
- As for Dzio - Ratchapruek Allocation Project and DCON Prime - Rattanathibet Project, they are publicized via advertisements, guideposts, magazines, newspapers, radios, booths in exhibitions and department stores, online social in the Internet and website providing publicity of the Project.

Raw materials

As regards main raw materials in the project construction, i.e. lands and main construction materials, for example, planks, piles, lightweight concrete blocks, concrete, steel wires, shape steel, roof planks, lighting system, sanitation system, building, door and window paints, the Company shall invite bids from contractors in respect of both labor and materials, except for planks, piles and lightweight concrete blocks, which are main products of the Company. The projects have been cooperated with main contractors with experiences and reliabilities on a continuous basis.

Environmental impacts

- As for each unit of Orrada Factory Land Project, the factory owners shall erect their own wastewater treatment system in accordance with the quality of wastewater of each factory, which must meet the criteria determined by the Department of Industrial Work. The Project initially provides sanitation system for each unit as per the Allocation Act.
- In respect of allocation projects, fat trap is provided for each unit with consolidated wastewater treatment system for each project as per the Allocation Act.

Work not yet delivered

As at the end of 2016 the Company had 1 Dzio - Ratchapruerk houses reserved by customers and awaiting transfer in 2017, with a total value of approximately 5 million Baht.

3. Risk factors

In operating the business of DCON Products Public Company Limited and subsidiaries, risk factors impacting the Company's business operation are as follows.

1. Risk from fluctuation of fuel and main raw material prices

Fuel is main cost in goods transportation and a very high expense next to raw material costs, but fluctuation of fuel price is beyond control because it is connection with many other factors, for example, global economic situation, international political problems, etc., which cause fluctuation to oil prices. The Company managed risk by purchasing new trucks to replace existing one with low efficiency, and maintained the trucks to be in good working conditions at all times. The Company trained truck drivers how to drive properly for safety and saving regularly. GPS was also installed on all trucks to control their speed and prevent corruption of oil by drivers.

Raw material prices are highly fluctuated due to economic changes, including changes to demands and supplies, especially prices of cement, steel wires, PC-wires, stones and sands, which are main raw materials used in the production process, which shall impact upon the business, both positively and negatively. The Company must closely monitor the situations and determine appropriate risk management strategies, i.e. to manage raw material procurements to reduce price risk, researches to identify alternative raw materials, efficient inventory control and management.

2. Risk from domestic economic fluctuations and competitions

In the previous year, Thailand still faced with recessing economic situation which caused the construction material market to have fierce competition to expedite product release. Consequently, to enhance the competition capacity, the Management emphasized on product research and development, quality control, service, inventory administration and management, personnel development, delivery and transportation administration to enhance management efficiency and maintain leadership in this business.

3. Financial risk

From the recessing global economic overview which impacted upon Thai economy, especially in the Export, Agricultural and Industrial Sectors, reducing the purchasing power of consumers, increasing household debts impacting upon all business sectors, resulted in more rigorous consideration by financial institutions in granting credits, both individual and project, which could impact upon real estate business, especially condominium construction projects of the subsidiary.

Throughout the past, the Company has been very strict in financial discipline and keeping the debt to equity ratio at lower than 0.5, and for preparedness and reduction of risk in that respect, the Company has increased its registered capital by issuing 2,139,578,118 ordinary shares and offering for sales at 0.45 Baht per share, totaling 962.81 million Baht, to

increase the capital base to enhance its stability and strength. The Company had good operating results and continuous growth, stable financial position, which enabled the Company to always obtain good financial support from financial institutions.

4. Properties used in business operation

Properties used in operation of businesses of the Company and subsidiaries as at 31 December 2016 were as follows.

DCON Products Public Company Limited

Asset type/nature	Book value (Baht)	Ownership nature	Obligations
Land in Amphoe Pattanakom, Lopburi:			
Factory area of 47rai, 240 sq. wa	14,155,075	Owned	Mortgaged as collateral for overdraft and short-term loan from financial institution, long-term loan and possible debt from requesting a domestic bank to issue letter of guarantee for raw material cost and power consumption with a domestic bank
Goods pile area of 23 rai 2 ngarn 3 sq. wa	5,055,384	Owned	<u>Nil</u>
Area of 24 rai 2 ngan 2 sq. wa bought for use of groundwater in production	2,124,547	Owned	<u>Nil</u>
Land for construction of factory and inventory storage yard, lightweight concrete block factory in area of 166 rai 3 sq. wa	26,806,766	Owned	Total area of 63 rai 3 ngan and 17 sq. wa in 3 plots were mortgaged as collateral against overdraft, short-term loan, long-term loan and possible debt from requesting a bank to issue letter of guarantee for raw material cost and power consumption with a domestic bank
Land for construction of factory in Surat Thani in area of 57 rai 34 sq. wa	16,870,518.80	Owned	<u>Nil</u>
Land for construction of factory in Rayong in area of 6 rai 168 sq. wa	20,525,996	Owned	<u>Nil</u>
Land for construction of factory in Maha Sara Kham in area of 34 rai 99 sq. wa	18,022,373	Owned	<u>Nil</u>
Buildings/furniture/decoration	108,915,472	Owned	Lightweight concrete block factory mortgaged for 35 million Baht and

			machinery mortgaged for 60 million Baht as collateral against overdraft, short-term loan, long-term loan and possible debt from requesting a bank to issue letter of guarantee for raw material cost and power consumption with a domestic bank
Vehicles	135,555,808	Owned	<u>Nil</u>
Tools/machines/equipment	107,404,592	Owned	<u>Nil</u>
Construction in progress	2,866,070	Owned	<u>Nil</u>

Orrada Co., Ltd.

Asset type/nature	Book value (Baht)	Ownership nature	Obligations
Asset for rent	49,089,603	Owned	Nil
Land held for development	19,933,324	Owned	Mortgaged as collateral against overdraft, short-term loan, long-term loan and possible debt from requesting a bank to issue letter of guarantee for raw material cost and power consumption to DCON Products PCL. with a domestic bank
Developed land for sale	751,639,842	Owned	Nil

Investments in subsidiaries as at 31 December 2016

Company	Business	Issued and paid-up capital	Investment percentage
Orrada Co., Ltd.	Real estate development currently emphasizing on sales and lease of mini factories	400 million Baht	99.99
Rompo Products Co., Ltd.	Production of planks and lightweight concrete blocks in Northern Region area	35 million Baht	99.99
DCON Panel Co., Ltd.	Manufacturer and distributor of lightweight concrete wall	5 million Baht	40.00

Currently, the Company had a policy in investing in its main business, i.e. planks and pre-stressed concrete piles, and sale of pre-built single house project and sale-rent of mini factories through subsidiaries. The Company had no policy in investing in other non-relevant business. Appropriate return on investment would be taken into consideration in making any investment of the Company. Moreover, the management policy in Orrada would be prescribed and undertaken by executive directors of the Company.

5. Legal dispute

- Nil -

6. General information and other significant information

6.1 General information

Company name	: DCON Products Public Company Limited (“Company”) Registered capital 546,317,496.20 Baht (428,549,539.80 Baht paid up)
Business operation nature	: Manufacture and distribute construction materials, concrete products, i.e. precast planks, pre-stressed concrete piles, cellular light-weight concrete (CLC) blocks as well as other precast concrete parts, e.g. fences, beams - posts etc.
Head Office location	: 3300/57 Elephant Building, Tower B, 8 th Floor, Phaholyotin Road, Chompol, Chatuchak, Bangkok 10900
Factory 1 - Lopburi	: 33 Moo 8, Chongsarika, Pattananikom, Lopburi 15140
Factory 2 - Lopburi	: 280 Moo 8, Chongsarika, Pattananikom, Lopburi 15140
Factory - Surat Thani	: 39/3 Moo 7, Natai, Baan Nadern, Surat Thani 84240
Factory - Maha Sarakham	: 236 Moo 11, Kosum-Thaphra Road, Pang, Kosumpisai, Maha Sarakham 44140
Factory - Rayong	: 567 Moo 1, Makhamkhu, Nikompattana, Rayong 2118
Company registration No.	: 0107547000303
Homepage	: www.dconproduct.com E-mail : dcon@dconproduct.com
Telephone	: 0-2937-3312
Facsimile	: 0-2937-3328
Subsidiary	: Orrada Co., Ltd. The Company holds 99.99% shares. Registered capital 400 million Baht.
Business operation nature	: Real estate development - Orrada Factory Land - Orrada Land - Baan Orrada - Lamlukka Khlong 8 - Baan Orrada - Dzio Project (Ratchapruek) - Condominium - Dzio Condo Project (Ngam Wong Wan) - Condominium - DCON Prime Project (Rattanathibet)

Location : 3300/67 Elephant Building, Tower B, 8th Floor, Phaholyotin Road, Chompol, Chatuchak, Bangkok 10900

Homepage : www.orrada.com
E-mail : orrada@orrada.com

Telephone : 0-2937-3312

Facsimile : 0-2937-4437

Subsidiary : Rompo Products Co., Ltd.
The Company holds 99.99% shares.
Registered capital 35 million Baht.

Business operation nature : Manufacture and distribute construction materials, concrete products, i.e. precast planks, pre-stressed concrete piles, cellular light-weight concrete (CLC) blocks and precast fences in the Northern Region

Location : 170 Moo 4, Pasak, Muang, Lampoon 51000

Telephone : 053-537-030-1

Facsimile : 053-584-866

Subsidiary : Dcon Panel Co., Ltd.
The Company holds 40% shares.
Registered capital 5 million Baht.

Business operation nature : Produce and recognize aerated concrete slabs with installation service.

Location : 3300/58 Elephant Building, Tower B 8th FL,
Phaholyotin Road, Chatujak, Bangkok 10900

Telephone : +66-2-937-4337

Facsimile : +66-2-937-3326