

**Information Memorandum on the Acquisition and Disposal of Assets of  
Sri Trang Agro-Industry Public Company Limited**

**(Schedule (2) of the Notification of the Board of Governors of the Stock Exchange of Thailand Re:  
Disclosure of Information and Other Acts of a Listed Company Concerning the Acquisition and  
Disposal of Assets, 2004)**

**1. The Information Under Schedule (1) of Notification Re: the Acquisition and Disposition**

Reference is made to the fact that Board of Directors Meeting No. 1/2017 of Sri Trang Agro-Industry Public Company Limited (“**STA**” or the “**Company**”) which was convened on 18 January 2017 has resolved to approve the Company’s entering into of the following transactions as detailed below.

**1.1 Asset Acquisition Transaction**

The Board of Directors Meeting of the Company approved the acquisition of 10,000 shares of Siam Sempermed Co., Ltd. (“**SSC**”) (currently a joint venture business of the Company) (equivalent to 50.0 percent of the total issued and sold shares of SSC) from Semperit Technische Produkte Gesellschaft m.b.H. (“**Semperit**”), which is not a connected person of the Company.

This transaction thus constitutes an asset acquisition transaction of the Company (“**Transaction No. 1**”).

**1.2 Asset Disposal Transactions**

The Board of Directors Meeting of the Company approved the entering into of the following transactions to dispose of investments in various associate companies:

- (1) approved the disposal of the investment in Semperflex Shanghai Ltd. (“**SSH**”) (equivalent to 50.0 percent of the total capital of SSH) to Semperit (or a person designated by Semperit), which is not a connected person of the Company.

This transaction thus constitutes an asset disposal transaction of the Company (“**Transaction No. 2**”);

- (2) approved the disposal of the investment in Shanghai Semperit Rubber & Plastic Products Co., Ltd. (“**SRP**”) (equivalent to 10.0 percent of the total capital of SRP) to Semperit (or a person designated by Semperit), which is not a connected person of the Company.

This transaction thus constitutes an asset disposal transaction of the Company (“**Transaction No. 3**”);

- (3) approved the disposal of 1,000 shares of Sempermed USA, Inc. (“**SUSA**”) which are directly held by the Company (equivalent to 25.0 percent of the total issued and sold shares of SUSA). The Company also indirectly holds 2,000 shares of SUSA through SSC (equivalent to 50.0 percent of the total issued and sold shares of SUSA). The Company and SSC will dispose all of the SUSA shares held by the Company and SSC to Semperit (or a person designated by Semperit), which is not a connected person of the Company.

This transaction thus constitutes an asset disposal transaction of the Company (“**Transaction No. 4**”);

- (4) approved the disposal of 4,000,000 shares of Sempermed Singapore Pte. Ltd. (“**SESI**”) (equivalent to 50.0 percent of the total issued and sold shares of SESI) to Semperit (or a person designated by Semperit), which is not a connected person of the Company.

This transaction thus constitutes an asset disposal transaction of the Company (“**Transaction No. 5**”);

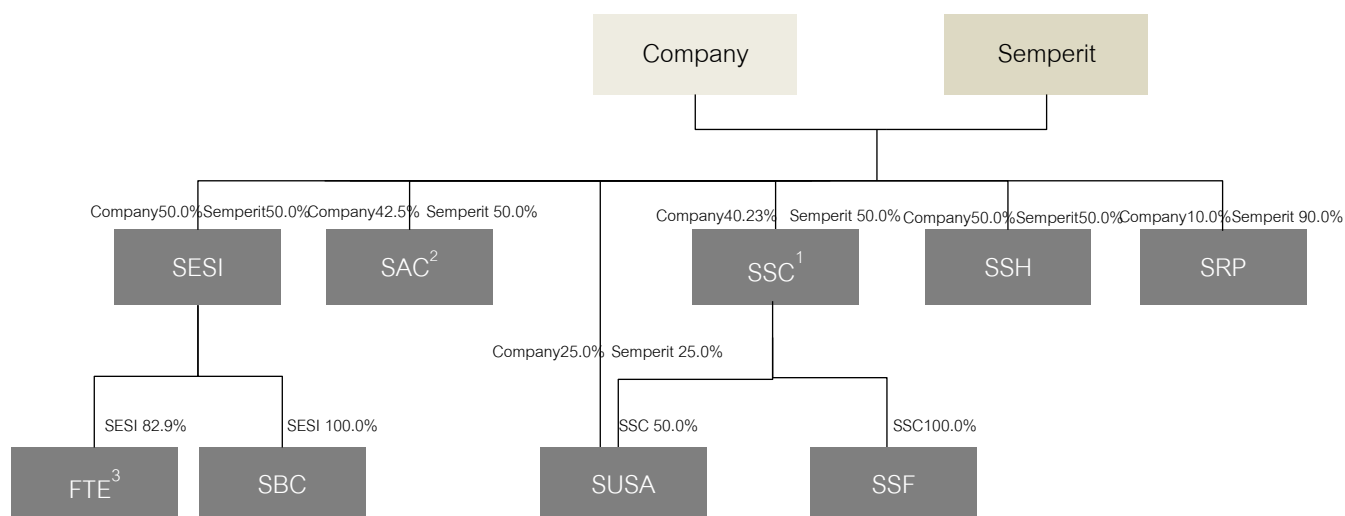
- (5) approved the disposal of all of the issued and sold shares of Shanghai Sempermed Glove Sales Co., Ltd. (“**SSF**”), 100% of which are held by SSC, to Semperit (or a person designated by Semperit), which is not a connected person of the Company.

This transaction thus constitutes an asset disposal transaction of the Company (“**Transaction No. 6**”)

- (6) approved the disposal of all 1,615,000 shares of Semperflex Asia Corporation Ltd. (“**SAC**”) held by the Company and Rubberland Products Co., Ltd. (“**Rubberland**”), a subsidiary of the Company (equivalent to 42.5 percent of the total issued and sold shares of SAC), to Semperit (or a person designated by Semperit), which is not a connected person of the Company.

This transaction thus constitutes an asset disposal transaction of the Company (“**Transaction No. 7**”).

**The current shareholding structure of the Company in the companies involved in the acquisition and disposal of assets**

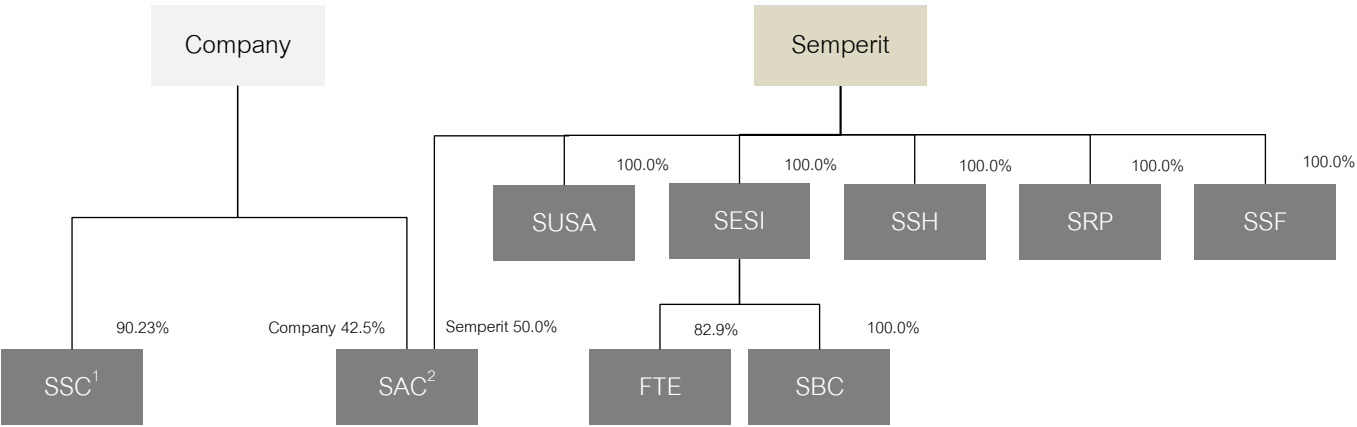


**Remarks**

- 1: The shareholding structure of SSC consists of: the Company holding 31.50%, Rubberland holding 8.73%, Semperit holding 50.00%, Sri Trang Holdings Co., Ltd. holding 6.00%, Miss Poolsuk Chirdkiatgumchai holding 3.73%, Mr. Kitichai Sincharoenkul holding 0.01%, Mr. Veerasith Sincharoenkul holding 0.01%, Mr. Viyavood Sincharoenkul holding 0.01%, and Mr. Somwang Sincharoenkul holding 0.01%.
- 2: The shareholding structure of SAC consists of: the Company holding 37.50%, Rubberland holding 5.00%, Semperit holding 50.00%, Sri Trang Holdings Co., Ltd. holding 5.00%, Paktai Rubber Industries Limited Partnership holding 2.50, Mr. Chaayos Sincharoenkul holding 0.00%, Mr. Prasit Panidkul holding 0.00%, Mrs. Promsuk Sincharoenkul holding 0.00%, Miss Poolsuk Chirdkiatgumchai holding 0.00%, Mr. Viyavood Sincharoenkul holding 0.00%, Mr. Somwang Sincharoenkul holding 0.00%, and Mr. Anan Pruksanusak holding 0.00%

3: The shareholding structure of FTE consists of: SESI holding 82.9%, Dietmar Trumm holding 11.40%, and Valluvan A Peramuthu holding 5.70%.

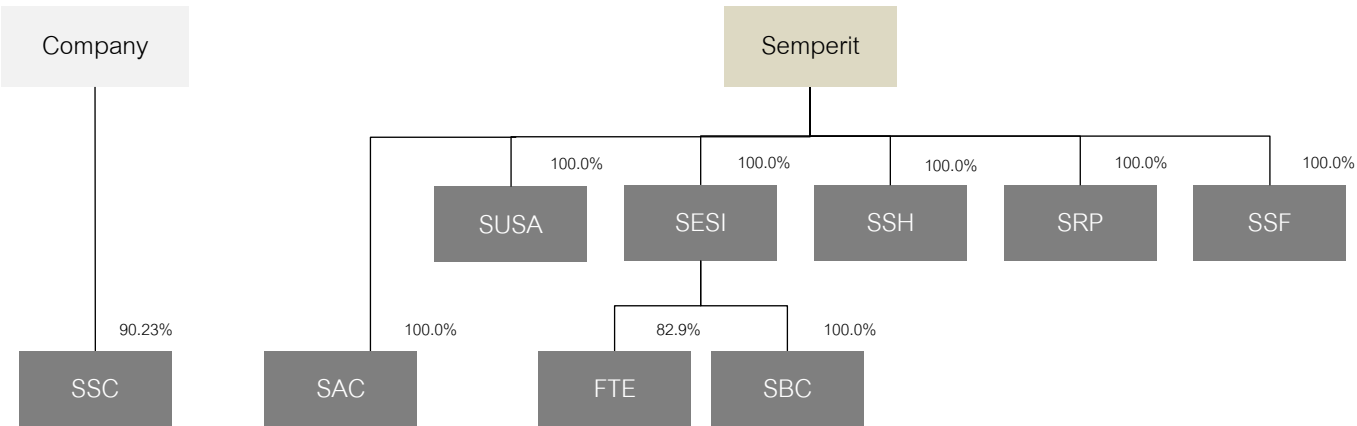
**The shareholding structure of the Company immediately after the acquisition and disposal of assets**



**Remarks**

- 1: The shareholding structure of SSC immediately after the acquisition and disposal transactions consists of: the Company holding 81.50%, Rubberland holding 8.73%, Sri Trang Holdings Co., Ltd. holding 6.00%, Miss Poolsuk Chirdkiatgumchai holding 3.73%, Mr. Kitichai Sincharoenkul holding 0.01%, Mr. Veerasith Sincharoenkul holding 0.01%, Mr. Viyavood Sincharoenkul holding 0.01% and Mr. Somwang Sincharoenkul holding 0.01%.
- 2: The shareholding structure of SAC immediately after the acquisition and disposal transactions will remain consisting of: the Company holding 37.50%, Rubberland holding 5.00, Semperit holding 50.00, Sri Trang Holdings Co., Ltd. holding 5.00%, Paktai Rubber Industries Limited Partnership holding 2.50%, Mr. Chaiyos Sincharoenkul holding 0.00%, Mr. Prasit Panidkul holding 0.00%, Mrs. Promsuk Sincharoenkul holding 0.00%, Miss Poolsuk Chirdkiatgumchai holding 0.00%, Mr. Viyavood Sincharoenkul holding 0.00%, Mr. Somwang Sincharoenkul holding 0.00% and Mr. Anan Pruksanusak holding 0.00%.

**The shareholding structure of the Company after the acquisition and disposal of assets and the exercise of the Call Option by Semperit**



### 1.3 Compliance with Notifications on Acquisition or Disposal

All of the aforesaid Asset Acquisition Transaction and Asset Disposal Transactions constitute asset acquisitions and disposal transactions of a listed company under the Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisitions or Disposals of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, 2004 (collectively, the “**Notifications on Acquisition or Disposal**”). The transactions have the following maximum values<sup>1</sup>:

#### 1.3.1 Asset Acquisition Transaction

Transaction No. 1 deals with the acquisition of 10,000 shares of SSC (equivalent to 50.0 percent of the total issued and sold shares of SSC) at the price of USD 180,100,000 (or approximately THB 6,573.7 million<sup>2</sup>). When combined with the compensation to be paid by SSC to Semperit in exchange for the settlement of all disputes between Semperit and SSC in the amount of USD 15,000,000 (or approximately THB 547.5 million), the total transaction value is USD 195,100,000 (or approximately THB 7,121.2 million).

Transaction No. 1 has a maximum transaction value of 69.2 percent calculated on a net profit basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of SSC for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of SSC for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect the accounting value of SSC. The Asset Acquisition Transaction is classified as a Type 1 transaction, being a transaction with a value of 50 percent or more but less than 100 percent under the Notifications on Acquisition or Disposal. The Company, therefore, has the duty to immediately prepare a report and disclose information with regard to the entering into of the transaction to the Stock Exchange of Thailand (the “**Stock Exchange**”) with an information memorandum containing, at a minimum, the details under List (1) of the Notifications on Acquisition or Disposal. In addition, the Company is required to convene a shareholders’ meeting in order to seek approval on the entering into of the transaction without delay, as well as to appoint an independent financial advisor to provide an opinion on the Asset Acquisition Transaction. The Company has appointed Capital Advantage Co., Ltd. as the independent financial advisor of the Company to provide an opinion on the Asset Acquisition Transaction.

#### 1.3.2 Asset Disposal Transactions

Transaction No. 2 deals with the disposal of the investment in SSH (equivalent to 50.0 percent of the total capital of SSH) at the price of USD 8.0 million (or approximately THB 292.0 million). The maximum transaction value is 3.8 percent, calculated on a net

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<sup>1</sup> Calculation of Net Profit Basis is based on the net profit of the last 12 months (the sum of the net profit for the nine-month period ended 30 September 2016 and the net profit for the fourth quarter ended 31 December 2015) for the Company and the companies involved in this acquisition and disposal of assets.

<sup>2</sup> The Company and Semperit agreed that the consideration to be paid under the transaction is to be denominated in USD. In this document, the Company will use an exchange rate of THB 36.50 per USD 1, which is the rate referred to in the calculation of various taxes under the Umbrella Agreement relating to this acquisition and disposal transactions.

profit basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of SSH for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of SSH for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect the accounting value of SSH.

Transaction No. 3 deals with the disposal of investment in SRP (equivalent to 10.0 percent of the total capital of SRP) at the price of USD 4.0 million (or approximately THB 146.0 million). The maximum transaction value is 3.4 percent, calculated on a net profit basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of SRP for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of SRP for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect the accounting value of SRP.

Transaction No. 4 deals with the disposal of 1,000 shares of SUSA directly held by the Company (equivalent to 25.0 percent of the total issued and sold shares of SUSA) at the price of USD 6.5 million (or approximately THB 237.3 million) and the disposal of 2,000 SUSA shares (equivalent to 50.0 percent of the total issued and sold shares of SUSA) which are indirectly held by the Company through SSC, at the price of USD 13.0 million (or equivalent to approximately THB 474.5 million). The Company and Rubberland jointly hold 40.23% of the shares in SSC. The maximum transaction value of the SUSA shares held directly by the Company and indirectly through SSC is 7.0 percent, calculated on a net profit basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of SUSA for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of SUSA for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect the accounting value of SUSA.

Transaction No. 5 deals with the disposal of 4,000,000 shares of SESI (equivalent to 50.0 percent of the total issued and sold shares of SESI) at the price of USD 1.0 million (or approximately THB 36.5 million). The maximum transaction value is 0.2 percent, calculated on a net tangible asset (NTA) basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of SESI for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of SESI for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect the accounting value of SESI.

Transaction No. 6 deals with the disposal of investments in SSF held indirectly through SSC (equivalent to 100.0% of the total capital of SSF) at the price of USD 3.2 million (equivalent to approximately THB 116.8 million). The maximum transaction value is 0.5 percent, calculated on a net profit basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of SSF for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of SSF for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect the accounting value of SSF.

Transaction No. 7 deals with the disposal of 1,615,000 shares of SAC (equivalent to 42.5 percent of the total issued and sold shares of SAC) in accordance with the Call Option Agreement. The Company and Rubberland (as well as the other shareholders of SAC with the exception of Semperit) have entered into the Call Option Agreement with Semperit and granted Semperit (or a person designated by Semperit) a Call Option to buy all of the SAC shares of the Company and Rubberland (as well as all of the SAC shares of the other shareholders of SAC with the exception of Semperit). Semperit will be able to exercise the Call Option to buy a total of 1,900,000 shares of SAC (equivalent to 50 percent of the total issued and sold shares of SAC) during the period between 30 June 2019 to 30 June 2021 (the “**Option Period**”) at the total exercise price of USD 60,000,000 (or approximately THB 2,190.0 million). Nevertheless, the Company and Rubberland hold a total of 1,615,000 shares in SAC (equivalent to 42.5 percent of the total issued and sold shares of SAC). As a result, the consideration from the disposal of SAC shares that the Company and Rubberland would receive in the case where Semperit exercises the Call Option and where the purchase of SAC shares under the Call Option Agreement is completed, will total USD 51,000,000 (or equivalent to a total of approximately THB 1,861.5 million).

Transaction No. 7 has a maximum transaction value of 31.7 percent calculated on a net profit basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of SAC for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of SAC for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect the accounting value of SAC.

(Transactions Nos. 2– 7 are collectively referred to as the “**Asset Disposal Transactions**”).

The total transaction value of Transaction Nos. 2- 7, comprising the Asset Disposal Transactions, is equivalent to 46.5 percent calculated on a net profit basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of the relevant companies for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of those companies for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect their accounting values. The Asset Disposal Transactions are classified as a Type 2 transaction, being a transaction with a value of 15 percent or more but less than 50 percent under the Notifications on Acquisition or Disposal. The Company, therefore, has the duty to immediately prepare a report and disclose information with regard to the entering into of the transactions to the Stock Exchange with an information memorandum containing, at a minimum, the details under List (1) of the Notifications on Acquisition or Disposal. The Company is also required to serve a notice to its shareholders within a period of 21 days from the date of disclosure to the Stock Exchange. This transaction is not considered as an asset disposal transaction which requires the Company to seek approval from its shareholders’ meeting on the entering into of the transaction. Nevertheless, in order for the shareholders to take part in the decision to enter into the Asset Disposal Transactions, the Company plans to propose that the shareholders meeting consider and approve the entering into of such transactions (as well as the appointment Capital Advantage Co., Ltd. as an independent financial advisor to provide an opinion on the intended Asset Disposal Transaction), together with approving the entering into of Transaction No. 1.

**1.4 Disclosure of Information on Entering into of Asset Acquisition Transaction and Asset Disposal Transactions**

The Company would like to disclose information with regard to the entering into of the Asset Acquisition Transaction and Asset Disposal Transactions in accordance with the details under List (1) of the Notifications on Acquisition and Disposal as follows:

**1.4.1 Transaction Date**

Board of Directors Meeting No. 1/2017 which was convened on 18 January 2017 resolved to approve the entering into of the Asset Acquisition Transaction and Asset Disposal Transactions. In order to enter into both of the transactions, the conditions precedent specified in the Umbrella Agreement (which the Company entered into on 18 January 2017) and other related agreements must be fully satisfied or otherwise waived.

The closing date of the purchase of SSC shares and various investments under Transaction Nos. 2-6 is estimated to take place on 15 March 2017, but in any case shall take place no later than 12 April 2017 (the “**Sale and Purchase Date**”)<sup>3</sup>.

**1.4.2 Parties involved and their relationship with the Company**

**Asset Acquisition Transaction**

**Transaction No. 1**

Seller of SSC shares	:	Semperit
Buyer of SSC shares	:	The Company
Relationship with the Company	:	N/A

**Asset Disposal Transactions**

**Transaction No. 2**

Seller of SSH shares	:	The Company
Buyer of SSH shares	:	Semperit (or Semperit’s designated person)
Relationship with the Company	:	N/A

**Transaction No. 3**

Seller of SRP shares	:	The Company
Buyer of SRP shares	:	Semperit (or Semperit’s designated person)
Relationship with the Company	:	N/A

**Transaction No. 4**

Seller of SUSA shares	:	The Company and SSC
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<sup>3</sup> The sale and purchase of investments in SRP, SSF and SSH may be completed at a later date than 12 April 2017 due to limitations of periods of time required under Chinese laws and regulations, but in any case no later than 31 December 2017.

Buyer of SUSA shares	:	Semperit (or Semperit's designated person)
Relationship with the Company	:	N/A

#### **Transaction No. 5**

Seller of SESI shares	:	The Company
Buyer of SESI shares	:	Semperit (or Semperit's designated person)
Relationship with the Company	:	N/A

#### **Transaction No. 6**

Seller of SSF shares	:	SSC
Buyer of SSF shares	:	Semperit (or Semperit's designated person)
Relationship with the Company	:	N/A

#### **Transaction No. 7**

Seller of SAC shares under the Call Option Agreement	:	The Company
Buyer of SAC shares under the Call Option Agreement	:	Semperit (or Semperit's designated person)
Relationship with the Company	:	N/A

### **1.4.3 General Characteristics, Types, and Values of Transactions**

#### **1.4.3.1 General Characteristics and Types of Transactions**

##### **Asset Acquisition Transaction**

##### **Transaction No. 1**

Under the Share Purchase Agreement between the Company and Semperit, the Company agrees to buy 10,000 shares of SSC (currently a joint venture business of the Company) (equivalent to 50.0 percent of the total issued and sold shares of SSC) from Semperit, and Semperit agrees to sell its shares in SSC to the Company at the price of USD 180,100,000 (approximately THB 6,573.7 million), as well as procure for SSC to pay compensation of USD 15,000,000 (approximately THB 547.4 million) to Semperit for the settlement of various proceedings and disputes between SSC and Semperit, in accordance with the terms and conditions of the Umbrella Agreement and the Share Purchase Agreement.

In addition, the material information of the Umbrella Agreement, the Sale and Purchase Agreement, and other related agreements in relation to the purchase of SSC shares can be summarized as follows:

- (1) Both parties agree that SSC will make a dividend payment in Thai Baht equivalent to USD 118,200,000 (equivalent to approximately THB 4,314.3 million) to every shareholder of SSC (including both parties) on the Sale and Purchase Date. The Company, as the shareholder owning 31.5 percent of the SSC shares, and Rubberland, as the shareholder owning 8.73 percent of the SSC



shares, are entitled to the total payment of dividends of USD 47,551,860 (or equivalent to approximately THB 1,735.6 million) and Semperit is entitled to the payment of dividends of USD 59,100,000 (or equivalent to approximately THB 2,157.2 million).

- (2) Both parties agree that the Sale and Purchase Date shall be scheduled to take place on 15 March 2017.

In the event that the sale and purchase of the SSC shares does not occur within 15 March 2017, whether due to any reason, except for the case that the supervisory board of Semperit does not approve such transaction, the parties agree that SSC will make an additional dividend payment to SSC's shareholders of USD 1,000,000 (or equivalent to approximately THB 36.5 million) for every seven day period after 15 March 2017.

In the aforementioned event, the parties shall agree a new Sale and Purchase Date, whereby the new Sale and Purchase Date must not be later than 12 April 2017 (the "**Longstop Date**").

However, the parties acknowledge that the sale and purchase of Chinese investments in various companies located in China (namely, SRP, SSF and SSH) may be completed at a later date than 15 March 2017 (or 12 April 2017, the Longstop Date) due to limitations of periods of time required under Chinese laws and regulations. Therefore, the parties agree that the Sale and Purchase Date for SRP, SSF and SSH does not have to take place on 15 March 2017 (or within 12 April 2017), which is the Sale and Purchase Date for SSC and other associate companies in other countries, except for China. In any case, the Sale and Purchase Date for the sale and purchase of investments in SRP, SSF and SSH must take place no later than 31 December 2017.

- (3) The purchase of the SSC shares shall be completed only after the conditions precedent to the purchase of SSC shares have been satisfied. The conditions precedent are that (a) Semperit has obtained approval from its supervisory board with respect to the sale of all of the SSC shares held by Semperit to the Company and the acquisition of all shares and investments under Transaction 2 to Transaction 7 (in the case of Semperit) and (b) the Company has obtained approval from its shareholders to purchase all of the SSC shares from Semperit and to dispose of all of the shares and investments under Transaction 2 to Transaction 7 to Semperit (in the case of the Company).
- (4) If the sale and purchase of the SSC shares and various shares and investments under Transaction 2 to Transaction 6 do not take place within the Sale and Purchase Date due to the breach of any party as stated in the Umbrella Agreement, the defaulting party is obligated to make payment of damages of USD 15,000,000 (or approximately THB 547.5 million) to the non-defaulting party.
- (5) Both parties agree to terminate the Joint Venture Agreement, as well as the other surviving obligations after the termination of the Joint Venture Agreement, including any agreements between SSC and/or the other shareholders of SSC and Semperit (for example, the Technical Assistance Agreement, the Distribution Agreement, and the Trademark and Name Licensing Agreement of Semperit, etc.). The termination shall be effective on the Sale and Purchase Date.

- (6) Both parties agree to settle all pending disputes between each other, regardless of whether such disputes are currently in trial proceedings in a Thai or foreign court of law or foreign arbitration trial proceedings.

Both parties agree that all disputes shall be settled on the Sale and Purchase Date. In this regard, the withdrawal of all disputes from their various proceedings shall be made in accordance with the procedure of the relevant law. Therefore, the final settlement of disputes may take effect after the Sale and Purchase Date. Most of the current disputes between Semperit and the Company are disputes in which Semperit is the claimant or commenced proceedings. The Company and SSC do not have any direct claims against Semperit. In addition, the directors of SSC who were nominated by Company have filed numerous claims against SSC and the directors of SSC who were nominated by Semperit to the Thai courts, due to opposing views on the lawfulness of the resolution of the Board of Directors and shareholders' meeting of SSC. However, as the Company is not a party against Semperit in the aforementioned disputes, the Company has not included them in this information memorandum.

- (7) SSC has a subsidiary in which SSC holds 100 percent of the shares, that is, Shanghai Sempermed Glove Sales Co., Ltd. ("SSF"). SSF was incorporated in China and currently acts as an agent for the import and export of plastic gloves and rubber gloves. In addition, SSC also holds 50 percent of the issued and sold shares in SUSA. SSC agrees to sell its shares and investment in SSF and SUSA to Semperit on the Sale and Purchase Date at a price of USD 3,200,000 (or equivalent to approximately THB 116.8 million) and a price of USD 13.0 million (or equivalent to approximately THB 474.5 million), respectively.

After the transaction, the shareholding structure of SSC will be as follows:

Shareholders	Percentage	Number of Shares
Sri Trang Agro-IndustryPublic Company Limited	81.50	16,300
Rubberland Products Co., Ltd.	8.73	1,746
Sri Trang Holdings Co., Ltd.	6.00	1,200
Miss Poolsuk Chirdkiatgumchai	3.73	746
Mr. Kitichai Sincharoenkul	0.01	2
Mr. Veerasith Sincharoenkul	0.01	2
Mr. Viyavood Sincharoenkul	0.01	2
Mr. Somwang Sincharoenkul	0.01	2

## Asset Disposal Transactions

### Transaction No. 2

Under the Umbrella Agreement and other related agreements, the Company agrees to sell its investment in SSH (equivalent to 50.0 percent) to Semperit (or a person designated by Semperit), and Semperit agrees to buy the investment in SSH from the Company at the price of USD 8,000,000 (or approximately THB 292.0 million).

After the transaction, the Company will no longer have any investments in SSH.

### **Transaction No. 3**

Under the Umbrella Agreement and other related agreements, the Company agrees to sell its investment in SRP (equivalent to 10.0 percent) to Semperit (or a person designated by Semperit), and Semperit agrees to buy the investment in SRP from the Company at the price of USD 4,000,000 (or approximately THB 146.0 million).

After the transaction, the Company will no longer have any investments in SRP.

### **Transaction No. 4**

Under the Umbrella Agreement and other related agreements, the Company agrees to sell the 1,000 SUSA shares directly held by the Company (equivalent to 25.0 percent of the total issued and sold shares of SUSA) at the price of USD 6,500,000 (or approximately THB 237.3 million), and agrees to jointly coordinate with Semperit to procure that SSC will sell the 2,000 SUSA shares held by SSC (equivalent to 50.0 percent of the total issued and sold shares of SUSA) at the price of USD 13,000,000 (or approximately THB 474.5 million), totaling 3,000 shares (equivalent to 75.0 percent of the total issued and sold shares of SUSA) to Semperit (or a person designated by Semperit), and Semperit agrees to buy the SUSA shares from the Company and SSC.

After the transaction, the Company and SSC will no longer hold any shares in SUSA.

### **Transaction No. 5**

Under the Umbrella Agreement and other related agreements, the Company agrees to sell 4,000,000 SESI shares (equivalent to 50.0 percent of the total issued and sold shares of SESI) to Semperit (or a person designated by Semperit), and Semperit agrees to buy SESI shares from the Company at the price of USD 1,000,000 (or approximately THB 36.5 million).

After the transaction, the Company will no longer hold any shares in SESI, nor in Formtech Engineering (M) SDN. BHD. and Sempermed Brasil Comercio Exterior Ltda., which are companies in which SESI holds shares.

### **Transaction No. 6**

Under the Umbrella Agreement and other related agreements, SSC agrees to sell its investment in SSF (equivalent to 100.0 percent) to Semperit (or a person designated by Semperit) and Semperit agrees to buy the investment in SSF from SSC at the price of USD 3,200,000 (or approximately THB 116.8 million).

After the transaction, SSC will no longer have any investments in SSF.

The material information of the Umbrella Agreement and other related agreements for the sale and purchase of shares and investments in relation to Transaction No. 2 to Transaction No. 6 can be summarized as follows:

- (1) Both parties agree that the closing dates for the sale and purchase of shares and investments under Transaction No. 2 to Transaction No. 6 shall be the same date as the Sale and Purchase Date.

However, the sale and purchase of investments in SRP, SSF and SSH may be completed at a later date than 12 April 2017 due to limitations of periods of time required under Chinese laws and regulations, but in any case no later than 31 December 2017.

- (2) Transaction No. 2 to Transaction No. 6 will be completed only after the conditions precedent specified in the relevant agreements have been satisfied.
- (3) Both parties agree to terminate the Joint Venture Agreements of SSH, SRP, SUSA, and SESI, as well as the other obligations which survive the termination of the Joint Venture Agreements, including agreements between SSH, SRP, SUSA or SESI (including subsidiaries of SESI) on the one part, and Semperit, the Company or its group companies, or SSC on the other part (for example, the Technical Assistance Agreement the Distribution Agreement, and the Trademark and Name Licensing Agreement of Semperit, etc.).

#### **Transaction No. 7**

Under the Umbrella Agreement and other related agreements, the Company and Rubberland agree to grant Semperit (or a person designated by Semperit) a Call Option to buy all 1,615,000 SAC shares held by the Company and Rubberland (equivalent to 42.50 percent of the total issued and sold shares of SAC) at the exercise price of USD 51,000,000 (or equivalent to a total of approximately THB 1,861.5 million) in the period between 30 June 2019 until 30 June 2021 (the “**Option Period**”).

In the case that Semperit exercises its right to buy shares under the Call Option Agreement, the Company will no longer hold any shares in SAC.

Accordingly, the material information of the purchase of SAC shares under the Call Option Agreement among the Company, Rubberland, and Semperit and the Umbrella Agreement can be summarized as follows:

- (1) Under the terms of the Call Option Agreement, Semperit may exercise its option to buy all 1,615,000 shares held by the Company and Rubberland in SAC (equivalent to 42.50 percent of the issued and sold shares of SAC) at any time between 30 June 2019 and 30 June 2021 (a period of two years). The Company and Rubberland do not have the right to force Semperit to exercise its option to buy SAC shares under the Call Option Agreement.
- (2) Both parties agree that SAC will make a dividend payment of USD 30,000,000 (or equivalent to approximately THB 1,095.0 million) to every shareholder of SAC (including both parties) on the Sale and Purchase Date.

The Company and Rubberland, as the shareholders of 1,615,000 shares, or equivalent of 42.5 percent of the total issued and sold shares of SAC, are therefore entitled to the payment of dividends of USD 12,750,000 (or equivalent to approximately THB 465.4 million) and Semperit is entitled to the payment of dividends of USD 15,000,000 (or equivalent to approximately THB 547.5 million).

- (3) During the Option Period, the Company and Rubberland (including other shareholders of SAC, with the exception of Semperit) agree not to dispose of or create any encumbrances on the SAC shares and the purchase of the SAC shares.
- (4) The purchase of the SAC shares under the Call Option Agreement shall be subject to certain conditions precedent, for example, obtaining approvals from the relevant authorities (if any).

If Semperit does not exercise the Call Option during the Option Period, the joint venture in SAC between the Company’s group and Semperit will continue to exist.

However, the Company and Semperit (including the other shareholders of SAC) have agreed to amend certain details in the joint venture agreement and articles of association of SAC on the Sale and Purchase Date, which will occur prior to the exercise by Semperit of its Call Option, in order to clarify and prevent conflict in the management and operation of the business in the future.

### 1.4.3.2 Transaction Value

#### Asset Acquisition Transaction

##### Transaction No. 1

The total maximum value of Transaction No. 1 is equivalent to 69.2 percent (including compensation of USD 15,000,000 which SSC agrees to pay to Semperit for the settlement of various proceedings and disputes between SSC and Semperit on the Sale and Purchase Date), calculated on a net profit basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of SSC for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of SSC for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect the accounting value of SSC. In calculating on a net profit basis, the Company used the net profit from the last 12 months (the sum of the net profit for the 9 month period ended 30 September 2016 and the net profit for the fourth quarter ended 31 December 2015). The details of the calculation are as follows:

	Basis of Calculation	Calculation Formula
1.	Net Tangible Asset (NTA) Basis	= NTA of SSC in proportion to the Company's investment / NTA of the Company = (8,053.7 X 50.0 percent) / THB 20,446.0 million = 19.7 percent
2.	Net Profit Basis	= Net profit of SSC in proportion to the Company's investment / Net profit of the Company = (663.6 X 50.0 percent) / THB 479.8 million = 69.2 percent
3.	Total Value of Consideration Basis	= Value of consideration the Company paid for SSC ordinary shares / Total assets of the Company = USD 195.1 million or approximately THB 7,121.2 million / THB 46,522.2 million = 15.3 percent

4.	Value of Securities Basis	Not applicable as the Company does not issue securities as consideration for SSC shares.
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Transaction No. 1 has a value of 69.2 percent which is the maximum transaction value calculated based on the net profit basis. The Asset Acquisition Transaction is classified as a Type 1 transaction, being a transaction with a value of 50 percent or more but less than 100 percent under the Notifications on Acquisition or Disposal. The Company, therefore, has the duty to immediately prepare a report and disclose information with regard to the entering into of the transaction to the Stock Exchange with an information memorandum containing, at a minimum, the details under List (1) of the Notifications on Acquisition or Disposal. In addition, the Company is required to convene a shareholders' meeting in order to seek approval on the entering into of the transaction without delay, as well as to appoint Capital Advantage Co., Ltd. as an independent financial advisor to provide an opinion on the Asset Acquisition Transaction.

### Asset Disposal Transactions

#### Transaction Nos. 2-7

The total maximum value of Transaction Nos. 2-7 is equivalent to 46.5 percent, calculated on a net profit basis from the reviewed consolidated financial statements of the Company for the period ending 30 September 2016 and the management accounts of the relevant companies for the period ending 30 September 2016. The Board of Directors of the Company is of the view that the management accounts of the relevant companies for the period ending 30 September 2016 were prepared in accordance with the relevant international accounting standards, are reliable and reflect the accounting value of SSC. In calculating on a net profit basis, the Company used the net profit from the last 12 months (the sum of the net profit for the 9 month period ended 30 September 2016 and the net profit for the fourth quarter ended 31 December 2015). The disposal companies do not have any outstanding loans, guarantees or other obligations owed to the Company or its subsidiaries. The details of the calculation are as follows:

#### Transaction No. 2

	Calculation Bases	Calculation Formula <sup>4</sup>
1.	Net Tangible Asset (NTA) Basis	= NTA of SSH in proportion to the Company's investment / NTA of the Company = (582.9 X 50.0 percent) / THB 20,446.0 million = 1.4 percent
2.	Net Profit Basis	= Net profit of SSH in proportion to the Company's investment / Net profit of the Company

<sup>4</sup> The management accounts of SSH were prepared in Renminbi (RMB). In calculating the value of the transaction, the Company has used an average exchange rate of RMB 1 to THB 5.2181, by referring to the average exchange rate (average selling rate from THB to RMB) which commercial banks applied to their customers as appears on the website of the Bank of Thailand as at 17 January 2017.

		=	(36.3 X 50.0 percent) / THB 479.8 million
		=	3.8 percent
3.	Total Value of Consideration Basis	=	Value of consideration the Company received for SSH ordinary shares / Total assets of the Company
		=	USD 8.0 million (or approximately THB 292.0 million) / THB 46,522.2 million
		=	0.6 percent
4.	Value of Securities Basis	Not applicable as the Company does not issue securities.	

### Transaction No. 3

	Calculation Bases		Calculation Formula <sup>5</sup>
1.	Net Tangible Asset (NTA) Basis	=	NTA of SRP in proportion to the Company's investment / NTA of the Company
		=	(899.5 X 10.0 percent) / THB 20,446.0 million
		=	0.4 percent
2.	Net Profit Basis	=	Net profit of SRP in proportion to the Company's investment / Net profit of the Company
		=	(163.5 X 10.0 percent) / THB 479.8 million
		=	3.4 percent
3.	Total Value of Consideration Basis	=	Value of consideration the Company received for SRP ordinary shares / Total assets of the Company
		=	USD 4.0 million (or approximately THB 146.0 million) / THB 46,522.2 million
		=	0.3 percent
4.	Value of Securities Basis	Not applicable as the Company does not issue securities.	

<sup>5</sup> The management accounts of SRP which were prepared in Renminbi (RMB). In calculating the value of the transaction, the Company has used an average exchange rate of RMB 1 to THB 5.2181, by referring to the average exchange rate (average selling rate from THB to RMB) which commercial banks applied to their customers as appears on the website of the Bank of Thailand as at 17 January 2017.

#### Transaction No. 4

	Calculation Bases	Calculation Formula <sup>6</sup>
1.	Net Tangible Asset (NTA) Basis	$= \text{NTA of SUS A} / \text{NTA of the Company in proportion to the Company's investment in SUS A}$ $= (765.6 \times (25 \text{ percent} + (50 \text{ percent} \times 40.23 \text{ percent}))) / \text{THB } 20,446.0 \text{ million}$ $= 1.7 \text{ percent}$
2.	Net Profit Basis	$= \text{Net profit of SUS A in proportion to the Company's investment} / \text{Net profit of the Company in SUS A}$ $= (74.8 \times (25 \text{ percent} + (50 \text{ percent} \times 40.23 \text{ percent}))) / \text{THB } 479.8 \text{ million}$ $= 7.0 \text{ percent}$
3.	Total Value of Consideration Basis	$= \text{Value of consideration the Company received for SUS A ordinary shares in proportion to the Company's investment in SUS A} / \text{Total assets of the Company}$ $= \text{USD } 6.5 \text{ million (or approximately THB } 273.3 \text{ million) for the part directly held by the Company and USD } 13.0 \text{ million (approximately THB } 474.5 \text{ million) for the part held indirectly through SSC}$ $= (273.3 + (474.5 \times 40.23 \text{ percent})) / \text{THB } 46,522.2 \text{ million}$ $= 0.5 \text{ percent}$
4.	Value of Securities Basis	Not applicable as the Company does not issue securities.

<sup>6</sup> The Company and Semperit agreed that the consideration to be paid under the transaction is to be denominated in USD. In this document, the Company will use an exchange rate of THB 36.50 per USD 1, which is the rate referred to in the calculation of various taxes under the Umbrella Agreement relating to this acquisition and disposal transaction.



### Transaction No. 5

	Basis of Calculation	Calculation Formula <sup>7</sup>
1.	Net Tangible Asset (NTA) Basis	= NTA of SESI in proportion to the Company's investment / NTA of the Company = (63.8 X 50.0 percent) / THB 20,446.0 million = 0.2 percent
2.	Net Profit Basis	= Net profit of SESI in proportion to the Company's investment / Net profit of the Company = (-69.7) X 50.0 percent) / THB 479.8 million = -7.3 percent
3.	Total Value of Consideration Basis	= Value of consideration the Company received for SESI ordinary shares / Total assets of the Company = USD 1.0 million (or approximately THB 36.5 million) / THB 46,522.2 million = 0.1 percent
4.	Value of Securities Basis	Not applicable as the Company does not issue securities.

### Transaction No. 6

	Calculation Bases	Calculation Formula
1.	Net Tangible Asset (NTA) Basis	= NTA of SSF in proportion to the Company's investment / NTA of the Company = (116.9 X 40.23 percent X 100.0 percent) / THB 20,446.0 million = 0.2 percent
2.	Net Profit Basis	= Net profit of SSF in proportion to the Company's investment / Net profit of the Company = (5.8 X 40.23 percent x 100.0 percent) / THB 479.8 million = 0.5 percent

<sup>7</sup> The Company and Semperit agreed that the consideration to be paid under the transaction is to be denominated in USD. In this document, the Company will use an exchange rate of THB 36.50 per USD 1, which is the rate referred to in the calculation of various taxes under the Umbrella Agreement relating to this acquisition and disposal transactions.

3.	Total Value of Consideration Basis	=	Value of consideration the Company received for SSF ordinary shares in proportion to the Company's investment in SSF / Total assets of the Company
		=	USD 3.2 million (or approximately THB 116.8 million) for the part held by SSC
		=	(116.8 X 40.23 percent) / THB 46,522.2 million
		=	0.1percent
4.	Value of Securities Basis		Not applicable as the Company does not issue securities.

#### Transaction No. 7

	Calculation Bases		Calculation Formula
1.	Net Tangible Asset (NTA) Basis	=	NTA of SAC in proportion to the Company's investment / NTA of the Company
		=	(1,858.7 X 42.5 percent) / THB 20,446.0 million
		=	3.9 percent
2.	Net Profit Basis	=	Net profit of SAC in proportion to the Company's investment / Net profit of the Company
		=	(358.4 X 42.5 percent) / THB 479.8 million
		=	31.7 percent
3.	Total Value of Consideration Basis	=	Value of consideration the Company received for SAC ordinary shares / Total assets of the Company
		=	USD 51.0 million (or approximately THB 1,861.5 million) / THB 46,522.2 million
		=	4.0 percent
4.	Value of Securities Basis		Not applicable as the Company does not issue securities.

The total value of Transaction 2 to Transaction 7 is classified as a Type 2 transaction, being a transaction with a value of 15 percent or more but less than 50 percent. The Company, therefore, has the duty to immediately prepare a report and disclose

information with regard to the entering into of the transactions to the Stock Exchange with an information memorandum containing, at a minimum, the details under List (1) of the Notifications on Acquisition or Disposal. The Company is also required to serve a notice to its shareholders within a period of 21 days from the date of disclosure to the Stock Exchange. This transaction is not considered as an asset disposal transaction which requires the Company to seek approval from its shareholders' meeting on the entering into of the transaction. Nevertheless, in order for the shareholders to take part in the decision to enter into the Asset Disposal Transactions, the Company plans to propose that the shareholders' meeting consider and approve the entering into of such transactions (as well as the appointment Capital Advantage Co., Ltd. as the independent financial advisor to provide an opinion on the Asset Disposal Transactions), together with approving the entering into of Transaction No. 1, that is, the acquisition of shares of SSC.

#### **1.4.4 Details of the assets to be acquired or disposed**

##### **Asset Acquisition Transaction**

##### **Transaction No. 1**

##### **General Information of SSC**

SSC is a joint venture between the Company and Semperit incorporated in Thailand on 9 January 1989 with the objective to manufacture medical grade rubber gloves, both with powder and powder free, and other rubber products. The Company (holding 31.5 percent), Rubberland, a subsidiary of the Company (holding 8.73 percent) and other minority shareholders (holding 9.77 percent), on one part, and Semperit on the other part, each hold 50 percent of the shares of SSC.

SSC's principal office is located at No. 110 Kanjanavanit Road, Patong Subdistrict, Hat Yai District, Songkhla Province.

##### **Registered capital**

The registered and paid-up capital of SSC is THB 200,000,000, divided into 20,000 ordinary shares with a par value of THB 10,000 per share.

##### **Shareholding structure of SSC as at 18 January 2017**

<b>No.</b>	<b>Shareholders</b>	<b>Number of Shares</b>	<b>Percentage</b>
1.	Semperit	10,000	50.00
2.	The Company	6,300	31.50
4.	Rubberland	1,746	8.73
5.	Sri Trang Holdings Co., Ltd.	1,200	6.00
6.	Miss Poonsuk Chirdkiatgumchai	746	3.73
7.	Mr. Kitichai Sincharoenkul	2	0.01
8.	Mr. Veerasith Sinchareonkul	2	0.01
9.	Mr. Viyavood Sincharoenkul	2	0.01
10.	Mr. Somwang Sincharoenkul	2	0.01
	<b>Total</b>	<b>20,000</b>	<b>100.00</b>

## Board of Directors of SSC as at 18 January 2017

No.	Directors	Position
1.	Mr. Michael Thomas Fahnemann	Director (nominated by Semperit)
2.	Mr. Richard Ehrenfeldner	Director (nominated by Semperit)
3.	Mr. Johannes Schmidt-Schultes	Director (nominated by Semperit)
4.	Dr. Gerhard Klingenbrunner	Director (nominated by Semperit)
5.	Mr. Viyavood Sincharoenkul	Director (nominated by the Company)
6.	Mr. Kitichai Sincharoenkul	Director (nominated by the Company)
7.	Mr. Anan Pruksanusak	Director (nominated by the Company)
8.	Mr. Sarawuthi Bhumithaworn	Director (nominated by the Company)

## Summary of the financial position and operational results of SSC for the accounting periods ending 30 September 2016 and 31 December 2013, 2014, and 2015

Statement of Financial Position (THB thousand)	2013	2014	2015	2016 (9 months)
Cash and cash equivalent	1,493,339	1,735,209	3,158,944	3,791,099
Trade receivables	1,128,467	1,473,599	1,455,826	1,420,878
Inventory	1,350,643	1,035,383	1,010,206	912,201
Property, plant, and equipment-net	3,306,805	3,100,682	2,841,606	2,647,174
Other assets	190,767	184,591	190,123	197,899
Total assets	7,470,021	7,529,464	8,656,707	8,969,251
Trade payables	866,425	771,588	729,512	765,003
Income tax payable	61,318	188,728	116,708	18,993
Other liabilities	83,427	88,924	75,661	78,4983
Total liabilities	1,011,170	1,049,240	921,881	862,979
Paid-up capital	200,000	200,000	200,000	200,000
Legal reserves	24,449	24,449	24,449	24,450
Retained earnings	6,241,245	6,266,828	7,505,489	7,876,934
Other items	(6,843)	(11,053)	4,888	4,888
Shareholders' equity	6,458,851	6,480,224	7,734,826	8,106,272
Book value per share (Baht)	322,942.55	324,011.18	386,741.30	405,313.60

Profit and Loss Statements (THB thousand)	2013	2014	2015	2016 (9 months)
Revenues from the sale of goods	9,449,326	10,656,290	10,156,187	6,774,055
Other income	171,295	153,597	257,064	103,058
Total income	9,620,621	10,809,887	10,413,251	6,877,113
Cost of sale	8,227,086	9,162,678	8,591,735	6,125,299
Selling expenses	136,961	193,776	141,944	111,720
Administrative expenses	141,801	186,495	245,628	163,607
Total expenses	8,505,848	9,542,949	8,979,307	6,400,626
Profit (loss) before finance cost and income tax	1,114,773	1,266,938	1,433,944	476,487
Less finance cost	(195)	(22)	-	(1)
Profit (loss) before income tax	1,114,578	1,266,916	1,433,944	476,486
Less income tax	(128,491)	(241,333)	(195,283)	(105,042)
Net profit	986,087	1,025,583	1,238,661	371,444

## **Asset Disposal Transactions**

### **Transaction No. 2**

#### **General Information of SSH**

SSH is a joint venture between the Company and Semperit incorporated in the Republic of China on 14 July 2005 with the objective to manufacture high pressure hydraulic hoses. The Company and Semperit each hold 50 percent of the shares of SSH.

SSH's principal office is located at No. 1255, Cang Gong Road, Shanghai Chemical Industrial Park, Fengxian Subzone, Shanghai.

#### **Registered capital**

The registered and paid-up capital of SSH is USD 15,000,000.

#### **Shareholding structure of SSH as at 18 January 2017**

<b>No.</b>	<b>Shareholders</b>	<b>Percentage of Capital</b>
1.	Semperit	50.0
2.	The Company	50.0

#### **Board of Directors of SSH as at 18 January 2017**

<b>No.</b>	<b>Directors</b>	<b>Position</b>
1.	Mr. Michael Thomas Fahnenmann	Director (nominated by Semperit)
2.	Mr. Richard Ehrenfeldner	Director (nominated by Semperit)
3.	Mr. Johannes Schmidt-Schultes	Director (nominated by Semperit)
4.	Mr. Michael Adelbauer	Director (nominated by Semperit)
5.	Mr. Viyavood Sincharoenkul	Director (nominated by the Company)
6.	Mr. Chaiyos Sincharoenkul	Director (nominated by the Company)
7.	Mr. Kitichai Sincharoenkul	Director (nominated by the Company)
8.	Mr. Anan Pruksanusak	Director (nominated by the Company)

**Summary of the financial position and operational results of SSH for the accounting period ending 30 September 2016 and 31 December 2013, 2014, and 2015<sup>8</sup>**

Statement of Financial Position (THB thousand)	2013	2014	2015	Q3 2016
Cash and cash equivalent	105,777	46,004	89,524	145,028
Trade receivables	108,877	112,412	105,825	130,946
Inventory	47,931	69,659	64,617	71,165
Property, plant, and equipment-net	558,456	491,680	453,195	424,211
Other assets	14,453	16,920	18,739	14,152
Total assets	835,494	736,675	731,900	785,502
Trade payables	43,628	61,141	50,734	77,976
Income tax payable	4,663	6,337	9,519	5,600
Other liabilities	244,768	128,144	126,079	119,022
Total liabilities	293,059	195,622	186,332	202,598
Paid-up capital	624,262	624,262	624,262	624,262
Retained earnings	(81,827)	(83,209)	(78,694)	(41,358)
Shareholders' equity	542,435	541,053	545,568	582,904

Profit and Loss Statements (THB thousand)	2013	2014	2015	2016 (9 months)
Revenues from the sale of goods	343,004	547,941	485,824	416,436
Other income	6,297	157		2,291
Total income	349,301	548,098	485,824	418,727
Cost of sale	338,861	465,810	409,815	327,980
Selling expenses	11,051	19,176	18,686	14,196
Administrative expenses	35,309	51,252	46,475	37,230
Other expenses	358	411	566	696
Total expenses	385,579	536,649	475,542	380,102
Profit (loss) before finance cost and income tax	(36,278)	11,449	10,282	38,625
Less Finance cost	11,689	12,829	5,768	0
Profit (loss) before income tax	(47,967)	(1,380)	4,514	38,625
Less Income tax	0	0	0	0
Net profit (loss) for the periods	(47,967)	(1,380)	4,514	38,625

### Transaction No. 3

#### General Information of SRP

SRP was incorporated in the Republic of China on 10 May 1995 with the objective to manufacture escalator handrails. The Company and Semperit each hold 10 percent and 90 percent of the shares of SRP, respectively.

SRP's principal office is located at No. 1155 Cang Gong Road, Shanghai Chemical Industrial Park, Fengxian Subzone, Shanghai.

<sup>8</sup> The summary of the financial position and operational results was prepared from the management accounts which were prepared in Renminbi (RMB). In calculating the value of the transaction, the Company has used an average exchange rate of RMB 1 to THB 5.2181, by referring to the average exchange rate (average selling rate from THB to RMB) which commercial banks applied to their customers as appears on the website of the Bank of Thailand as at 17 January 2017.

## Registered capital

The registered and paid-up capital of SRP is EUR 2,471,000.

## Shareholding structure of SRP as at 18 January 2017

No.	Shareholders	Percentage of Capital
1.	Semperit	90.0
2.	The Company	10.0

## Board of Directors of SRP as at 18 January 2017

No.	Directors	Position
1.	Mr. Richard Ehrenfeldner	Director (nominated by Semperit)
2.	Mr. Thomas Gela	Director (representative of Semperit)
3.	Mr. Gerhard Klingenbrunner	Director (nominated by Semperit)
4.	Mr. Viyavood Sincharoenkul	Director (nominated by the Company)

## Summary of the financial position and operational results of SRP for the accounting periods ending 30 September 2016 and 31 December 2013, 2014, and 2015<sup>9</sup>

Statement of Financial Position (THB thousand)	2013	2014	2015	Q3 2016
Cash and cash equivalent	457,663	580,779	404,534	490,725
Trade receivables	132,572	121,738	163,940	153,773
Inventory	62,165	76,753	68,501	59,437
Property, plant, and equipment-net	248,503	271,933	291,239	298,806
Other assets	183,521	15,631	7,623	13,063
Total assets	1,084,424	1,066,834	935,837	1,015,804
Trade payables	36,843	37,802	54,273	51,950
Income tax payable	46,413	36,345	42,814	21,758
Other liabilities	236,649	52,253	66,346	33,923
Total liabilities	319,905	126,400	163,433	107,631
Paid-up capital	128,693	128,693	128,693	128,369
Legal reserves	64,305	64,305	64,305	64,305
Retained earnings	571,521	747,436	579,406	715,499
Shareholders' equity	764,519	940,434	772,404	908,173

Profit and Loss Statements (THB thousand)	2013	2014	2015	2016 (9 months)
Revenues from the sale of goods	762,041	768,899	802,834	607,031
Other income	12,725	13,038	8,253	5,101
Total income	774,766	781,937	811,087	612,132
Expenses	-	-	-	-
Cost of sale	445,222	440,853	423,554	322,614

<sup>9</sup> The summary of the financial position and operational results was prepared from the management accounts which were prepared in Renminbi (RMB). In calculating the value of the transaction, the Company has used an average exchange rate of RMB 1 to THB 5.2181, by referring to the average exchange rate (average selling rate from THB to RMB) which commercial banks applied to their customers as appears on the website of the Bank of Thailand as at 17 January 2017.

Selling expenses	25,603	33,801	39,294	31,555
Administrative expenses	90,736	81,405	107,593	92,392
Other expenses	604	563	310	13
Total expenses	562,165	556,622	570,751	446,574
Profit (loss) before finance cost and income tax	212,601	225,315	240,336	165,558
Less finance cost	(469)	(11,574)	(16,715)	(5,352)
Profit (loss) before income tax	213,070	236,889	257,051	170,910
Less Income tax	56,963	60,976	59,812	42,769
Net profit	156,107	175,913	197,239	128,141

#### **Transaction No. 4**

#### **General Information of SUSA**

SUSA is a joint venture between the Company, SSC, and Semperit incorporated in the United States of America on 2 April 1998 with the objective to distribute medical grade rubber gloves in the United States of America. The Company, SSC, and Semperit each hold 25 percent, 50 percent, and 25 percent of the shares of SUSA respectively.

SUSA's principal office is located at No. 13900 49<sup>th</sup> Street North, Clearwater, Florida 33762.

#### **Registered capital**

The registered and paid-up capital of SUSA is USD 4,000,000, divided into 4,000 ordinary shares with a par value of USD 1,000 per share.

#### **Shareholding structure of SUSA as at 18 January 2017**

<b>No.</b>	<b>Shareholders</b>	<b>Number of Shares</b>	<b>Percentage</b>
1.	Semperit	1,000	25.0
2.	The Company	1,000	25.0
3.	SSC	2,000	50.0

#### **Board of Directors of SUSA as at 18 January 2017**

<b>No.</b>	<b>Directors</b>	<b>Position</b>
1.	Mr. Berthold Stoger	Director (nominated by Semperit)
2.	Mr. Gerhard Klingenbrunner	Director (nominated by Semperit)
3.	Mrs. Katharina Donath	Director (nominated by Semperit)
4.	Miss Sherlin Tung	Director (nominated by Semperit)
5.	Mr. Vitchaphol Sincharoenkul	Director (nominated by the Company)
6.	Mrs. Maiprae Srisai Luyen	Director (nominated by the Company)
7.	Miss Arunya Chattranukulchai	Director (nominated by the Company)
8.	Miss Lim Li Ping	Director (nominated by the Company)



**Summary of the financial position and operational results of SUSA for the accounting periods ending 30 September 2016 and 31 December 2013, 2014, and 2015<sup>10</sup>**

Statement of Financial Position (THB thousand)	2013	2014	2015	Q3 2016
Cash and cash equivalent	11,343	186,840	278,151	471,160
Trade receivables	512,035	338,571	472,547	315,418
Inventory	1,063,836	846,416	663,913	503,018
Property, plant, and equipment-net	34,685	32,568	31,771	28,312
Other assets	86,452	85,637	67,592	66,238
Total assets	1,708,351	1,490,032	1,513,974	1,384,146
Trade payables	563,842	443,640	577,639	396,269
Other liabilities	530,516	332,221	170,518	170,376
Total liabilities	1,094,358	775,861	748,157	566,645
Paid-up capital	152,017	152,017	152,017	152,017
Retained earnings	461,976	562,154	613,800	665,484
Shareholders' equity	613,993	714,171	765,817	817,501
Book value per share (Baht)	153,498	178,543	191,454	204,375

Profit and Loss Statements (THB thousand)	2013	2014	2015	2016 (9 months)
Revenues from the sale of goods	5,538,584	4,636,545	4,226,936	2,629,200
Other income	-	-	-	-
Total income	5,538,584	4,636,545	4,226,936	2,629,200
Cost of sale	4,708,487	3,873,789	3,533,967	2,079,506
Selling expenses	408,740	353,759	362,593	293,818
Administrative expenses	144,078	138,986	137,850	94,601
Distribution and transportation expenses	115,967	101,398	96,686	74,351
Other expenses	4,846	4,630	5,593	3,563
Total expenses	5,382,118	4,472,562	4,136,689	2,545,839
Profit (loss) before income tax	156,466	163,983	90,247	83,361
Income tax	60,902	63,803	38,603	31,678
Net profit (loss) for the periods	95,564	100,180	51,644	51,683

## Transaction No. 5

### General Information of SESI

SESI is a joint venture between the Company and Semperit incorporated in Singapore on 12 May 2008. The Company and Semperit each hold 50 percent of the shares in SESI, in order to hold 100 percent of the shares in Sempermed Brasil Comercio Exterior Ltd (“SMB”). SMB was incorporated in Brazil with the objective to distribute high-quality rubber gloves manufactured from natural latex and other items in South America (SMB business has been dormant since 2013) and to hold shares in Formtech Engineering (M) SDN BHD (“FTE”), which was incorporated in Malaysia to manufacture slip casted technical ceramics for use in manufacturing rubber gloves from natural latex. FTE is a joint venture between SESI and individual shareholders, each holding 82.9 percent and 17.1 percent of the shares in FTE respectively.

SESI’s principal office is located at No. 4 Battery Road, #25-01 Bank of China Building, Singapore 049 908.

<sup>10</sup> The Company and Semperit agreed that the consideration to be paid under the transaction is to be denominated in USD. In this document, the Company will use an exchange rate of THB 36.50 per USD 1, which is the rate referred to in the calculation of various taxes under the Umbrella Agreement relating to this acquisition and disposal transactions.

## Registered capital

The registered and paid-up capital of SESI is USD 8,000,000, divided into 8,000,000 ordinary shares, with a par value of USD 1 per share.

## Shareholding structure of SESI as at 18 January 2017

No.	Shareholders	Number of Shares	Percentage
1.	Semperit	4,000,000	50.0
2.	The Company	4,000,000	50.0

## Board of Directors of SESI as at 18 January 2017

No.	Directors	Position
1.	Mr. Richard Ehrenfeldner	Director (nominated by Semperit)
2.	Mr. Michael Thomas Fahnenmann	Director (nominated by Semperit)
3.	Mr. Clemens Eichler	Director (nominated by Semperit)
4.	Mr. Knut Unger	Director (nominated by Semperit)
5.	Mr. Anan Pruksanusak	Director (nominated by the Company)
6.	Mr. Kitichai Sincharoenkul	Director (nominated by the Company)
7.	Mr. Chaiyos Sincharoenkul	Director (nominated by the Company)
8.	Mr. Viyavood Sincharoenkul	Director (nominated by the Company)

## Summary of the financial position and operational results of SESI for the accounting periods ending 30 September 2016 and 31 December 2013, 2014, and 2015<sup>11</sup>

Statement of Financial Position (THB thousand)	2013	2014	2015	Q3 2016
Cash and cash equivalent	15,760	13,124	8,656	47,781
Investment in subsidiaries	186,391	132,886	70,321	70,321
Other assets	13,472	674	467	568
Total assets	215,623	146,684	79,444	118,670
Loans	-	-	-	43,800
Other liabilities	15,145	13,351	9,537	11,103
Total liabilities	15,145	13,351	9,537	54,903
Paid-up capital	292,000	292,000	292,000	292,000
Retained earnings	(91,522)	(158,667)	(222,093)	(228,233)
Shareholders' equity	200,478	133,333	69,907	63,767
Book value per share (Baht)	25.06	16.67	8.74	7.97

<sup>11</sup> The Company and Semperit agreed that the consideration to be paid under the transaction is to be denominated in USD. In this document, the Company will use an exchange rate of THB 36.50 per USD 1, which is the rate referred to in the calculation of various taxes under the Umbrella Agreement relating to this acquisition and disposal transactions.

Profit and Loss Statements (THB thousand)	2013	2014	2015	2016 (9 months)
Other losses	(121,668)	(64,726)	(58,611)	(1,894)
Expenses	(5,300)	(2,417)	(4,817)	(4,246)
Profit (loss) before income tax	(126,968)	(67,143)	(63,428)	(6,140)
Less Income tax	-	-	-	-
Net profit(loss) for the periods	(126,968)	(67,143)	(63,428)	(6,140)

## Transaction No. 6

### General Information of SSF

SSF is a subsidiary of SSC incorporated in the People's Republic of China on 28 November 1995 with the objective to act as an agent for the import and export of plastic gloves and rubber gloves (SSF does not currently operate the main business and derives very little revenue from providing glove quality examination services). SSC holds 100 percent of the shares in SSF.

SSF's principal office is located at Room 1104, 11<sup>th</sup> Floor, No. 518, Xinzhuan Highway, Songjiang District, Shanghai 201612.

### Registered capital

The registered and paid-up capital of SSF is USD 6,000,000.

### Shareholding structure of SSF as at 18 January 2017

No.	Shareholders	Percentage
1.	SSC	100.00

### Board of Directors of SSF as at 18 January 2017

No.	Directors	Position
1.	Mr. Michael Thomas Fahnemann	Director (nominated by Semperit)
2.	Mr. Richard Ehrenfeldner	Director (nominated by Semperit)
3.	Mr. Clemens Eichler	Director (nominated by Semperit)
4.	Mr. Gerhard Klingenbrunner	Director (nominated by Semperit)
5.	Mr. Viyavood Sincharoenkul	Director (nominated by the Company)
6.	Mr. Chaiyos Sincharoenkul	Director (nominated by the Company)
7.	Mr. Kitichai Sincharoenkul	Director (nominated by the Company)
8.	Mr. Veerasith Sincharoenkul	Director (nominated by the Company)

**Summary of the financial position and operational results of SSF for the accounting periods ending 30 September 2016 and 31 December 2013, 2014, and 2015<sup>12</sup>**

Statement of Financial Position (THB thousand)	2013	2014	2015	2016 (9 months)
Cash and cash equivalent	130,380	16,659	19,780	24,092
Trade receivables	-	6,448	2,149	1,818
Property, plant, and equipment-net	927	504	495	431
Loans	-	104,362	104,362	104,362
Other assets	796	419	504	734
Total assets	132,103	128,392	127,290	131,437
Income tax payable	10,533	10,374	10,371	9,949
Other liabilities	9,729	4,531	2,386	4,574
Total liabilities	20,262	14,905	12,757	14,523
Paid-up capital	43,263	43,263	43,263	43,263
Legal reserves	127,298	127,298	127,298	127,298
Retained earnings	(58,720)	(57,074)	(56,028)	(53,647)
Shareholders' equity	111,841	113,487	114,533	116,914

Profit and Loss Statements (THB thousand)	2013	2014	2015	2016 (9 months)
Revenues from the sale of goods	6,147	6,659	5,530	4,845
Other income	5,596	4,188	6,384	4,485
Total income	11,743	10,847	11,914	9,330
Cost of sale	2,140	2,329	3,277	-
Selling expenses	987	1,052	919	2,747
Administrative expenses	6,931	5,463	5,964	4,122
Other expenses	333	356	708	81
Total expenses	10,391	9,200	10,868	6,950
Profit (loss) before finance cost and income tax	1,352	1,647	1,046	2,380
Less finance cost	-	-	-	-
Profit (loss) before income tax	1,352	1,647	1,046	2,380
Less Income tax	-	-	-	-
Net profit	1,352	1,647	1,046	2,380

## Transaction No. 7

### General Information of SAC

SAC is a joint venture incorporated in Thailand on 29 March 1996 with the objective to manufacture high pressure hydraulic hoses. The Company (holding 37.5 percent), Rubberland, a subsidiary of the Company (holding 5.0 percent), and other minority shareholders (holding 7.5 percent) on one part and Semperit, on the other part, each hold 50 percent of the shares.

SAC's principal office is located at No. 110/1 Kanjanavanit Road, Patong Subdistrict, Hat Yai District, Songkhla Province.

<sup>12</sup> The summary of the financial position and operational results was prepared from the management accounts which were prepared in Renminbi (RMB). In calculating the value of the transaction, the Company has used an average exchange rate of RMB 1 to THB 5.2181, by referring to the average exchange rate (average selling rate from THB to RMB) which commercial banks applied to their customers as appears on the website of the Bank of Thailand as at 17 January 2017.

### Registered capital

The registered and paid-up capital of SAC is THB 380,000,000 divided into 3,800,000 ordinary shares with a par value of THB 100 per share.

### Shareholding structure of SAC as at 18 January 2017

No.	Shareholders	Number of Shares	Percentage
1.	Semperit	1,900,000	50.00
2.	The Company	1,425,000	37.50
3.	Rubberland	190,000	5.00
4.	Sri Trang Holdings Co.,Ltd	190,000	5.00
5.	Paktai Rubber Industries Limited Partnership	94,986	2.50
6.	Mr. Chaiyos Sincharoenkul	2	0.00
7.	Mr. Prasit Panidkul	2	0.00
8.	Mrs. Promsuk Sincharoenkul	2	0.00
9.	Miss Poolsuk Chirdkiatgumchai	2	0.00
10.	Mr. Viyavood Sincharoenkul	2	0.00
11.	Mr. Somwang Sincharoenkul	2	0.00
12.	Mr. Anan Pruksanusak	2	0.00
	<b>Total</b>	<b>3,800,000</b>	<b>100.00</b>

### Board of Directors of SAC as at 18 January 2017

No.	Directors	Position
1.	Mr. Michael Thomas Fahnenmann	Director (nominated by Semperit)
2.	Mr. Richard Ehrenfeldner	Director (nominated by Semperit)
3.	Mr. Johannes Schmidt-Schultes	Director (nominated by Semperit)
4.	Mr. Michael Adelbauer	Director (nominated by Semperit)
5.	Mr. Anan Pruksanusak	Director (nominated by the Company)
6.	Mr. Viyavood Sincharoenkul	Director (nominated by the Company)
7.	Mr. Veerasith Sincharoenkul	Director (nominated by the Company)
8.	Mr. Kitichai Sincharoenkul	Director (nominated by the Company)

**Summary of the financial position and operational results of SAC for the accounting periods ending 30 September 2016 and 31 December 2013, 2014, and 2015**

Statement of Financial Position (THB thousand)	2013	2014	2015	2016 (9 months)
Cash and cash equivalent	238,741	359,645	914,011	1,101,451
Trade receivables	257,118	371,876	234,594	321,892
Inventory	271,372	210,890	215,103	243,134
Property, plant, and equipment-net	545,589	462,318	387,010	331,584
Other assets	7,858	12,892	13,414	31,228
Total assets	1,320,678	1,417,621	1,764,132	2,029,289
Trade payables	177,057	127,791	135,036	147,935
Income tax payable	24,821	47,229	33,904	18,321
Other liabilities	7,113	8,756	10,954	11,535
Total liabilities	208,991	183,776	179,894	177,791
Paid-up capital	380,000	380,000	380,000	380,000
Legal reserves	38,000	38,000	38,000	38,000
Retained earnings	693,456	816,241	1,167,729	1,434,988
Other items	231	(396)	(1,491)	(1,490)
Shareholders' equity	1,111,687	1,233,845	1,584,238	1,851,498
Book value per share (Baht)	293	325	417	487

Profit and Loss Statements (THB thousand)	2013	2014	2015	2016 (9 months)
Revenues from the sale of goods	1,416,004	1,663,587	1,524,156	1,078,202
Other income	42,259	32,404	53,726	27,620
Total income	1,458,263	1,695,991	1,577,882	1,105,822
Cost of sale	1,077,351	1,158,822	1,088,507	739,262
Selling expenses	52,984	55,675	46,494	29,090
Administrative expenses	20,127	17,984	20,996	15,640
Total expenses	1,150,462	1,232,481	1,155,997	783,992
Profit (loss) before finance cost and income tax	307,801	463,510	421,885	321,830
Less finance cost	0	8	27	12
Profit (loss) before income tax	307,801	463,502	421,858	321,818
Less Income tax	40,299	73,767	70,370	54,559
Net profit	267,502	389,735	351,488	267,259

#### **1.4.5 Basis used in determining value of consideration and payment method**

##### **Asset Acquisition Transaction**

##### **Transaction No. 1**

The value of the shares of SSC is subject to negotiation between the buyer and the seller, which take into consideration other factors including the equity value of SSC as recommended by the Company's financial advisor and the book value of SSC. The Company will have to make a payment for 10,000 SSC shares (equivalent to 50.0 percent of the total issued and sold shares of SSC) representing a value of USD 180,100,000 (or equivalent to approximately THB 6,573.7 million). The determination of compensation in the amount of USD 15,000,000 (approximately THB 547.5 million) payable for the settlement of proceedings and disputes between SSC and Semperit is a result of negotiations between the involved parties, including SSC, the Company, and Semperit. The Company and SSC assessed the value of compensation based on the potential future effect on the business operations and operating results of SSC, which is an important

business of the Company, in the event that there is no inclination that the disputes can be settled promptly.

## **Asset Disposal Transactions**

### **Transaction No. 2**

The value of the investment in SSH is subject to negotiation between the buyer and the seller, which take into consideration other factors including the equity value of SSH as recommended by the Company's financial advisor and the book value of SSH. In this regard, the parties agree that the value of SSH equivalent to 50.0 percent of the total capital of SSH is USD 8,000,000 (or equivalent to approximately THB 292.0 million).

### **Transaction No. 3**

The value of the investment in SRP is subject to negotiation between the buyer and the seller, which take into consideration other factors including the equity value of SRP as recommended by the Company's financial advisor and the book value of SRP. In this regard, the parties agree that the value of SRP equivalent to 10.0 percent of the total capital of SRP is USD 4,000,000 (or equivalent to approximately THB 146.0 million).

### **Transaction No. 4**

The value of the shares of SUSA is subject to negotiation between the buyer and the seller, which take into consideration other factors including the equity value of SUSA as recommended by the Company's financial advisor and the book value of SUSA. In this regard, the parties agree that the value of 1,000 SUSA shares which are directly held by the Company (equivalent to 25.0 percent of the total issued and sold shares of SUSA) is USD 6,500,000 (or equivalent to approximately THB 237.3 million), and the value of the 2,000 SUSA shares which are indirectly held by the Company through SSC (equivalent to 50 percent of the total issued and sold shares of SUSA) is USD 13,000,000 (or equivalent to approximately THB 474.5 million).

### **Transaction No. 5**

The value of the shares of SESI is subject to negotiation between the buyer and the seller, which take into consideration other factors including the equity value of SESI as recommended by the Company's financial advisor and the book value of SESI. In this regard, the parties agree that the value of 4,000,000 SESI shares (equivalent to 50.0 percent of the total issued and sold shares of SESI) is USD 1,000,000 (or equivalent to approximately THB 36.5 million).

### **Transaction No. 6**

The determination of the value of the SSF shares is dependent on negotiations between the seller and the buyer, which take into consideration the book value of SSF. In this regard, the parties agree that the value of 100 percent of the issued and sold shares of SSF is USD 3,200,000 (or equivalent to approximately THB 116.8 million).

### **Transaction No. 7**

The value of the shares of SAC is subject to negotiation between the buyer and the seller, which take into consideration other factors including the equity value of SAC as recommended by the Company's financial advisor and the book value of SAC. In this regard, the parties agree that the value of 1,615,000 SAC shares (equivalent to 42.5

percent of the total issued and sold shares of SESI) under the Call Option Agreement is USD 51,000,000 (or equivalent to approximately THB 1,861.5 million).

Upon Semperit's exercise of the Call Option under the Call Option Agreement, Semperit agrees to make a lump sum payment in cash. The Company will inform the investors through the Stock Exchange when Semperit exercises the Call Option.

### **Set-Off**

The total value to be received from Semperit of Transaction 2 to Transaction 5, which will be executed at the same time as Transaction 1 (not including the SUSA shares held indirectly by the Company through SSC), is USD 19,500,000 (or equivalent to approximately THB 711.8 million)<sup>13</sup>.

In setting off the value of acquisition in Transaction 1 with the disposal in Transaction 2 to Transaction 5 (not including the compensation of USD 15,000,000 payable by SSC to Semperit in exchange for Semperit's agreement to settle its disputes with SSC), the net consideration to be paid by the Company to Semperit is a cash payment of USD 160,600,000 (or equivalent to approximately THB 5,861.9 million).

However, as Semperit has an obligation to pay consideration to SSC from the sale by SSC of SUSA and SSF shares to Semperit under Transaction No. 4 and Transaction No. 6 in the amount of USD 16,200,000 (or equivalent to approximately THB 591.3 million), part of which Semperit has already paid to SSC from the dividends received from SSC, Semperit will have the obligation to pay SSC the remaining amount of USD 8,100,000 (or equivalent to approximately THB 295.7 million). The Company agrees to assume this remaining obligation from Semperit. Therefore, the Company has a net obligation to make a cash payment for the purchase of SSC shares to Semperit in the amount of USD 152,500,000 (or equivalent to approximately THB 5,566.3 million)<sup>14</sup>.

In addition, SSC agrees to pay compensation to Semperit due to Semperit's agreement to settle its dispute with SSC in the amount of USD 15,000,000 (or equivalent to approximately THB 547.5 million).

## **1.4.6 Expected Benefits to the Company**

### **Asset Acquisition Transaction (Transaction No. 1)**

As the major shareholder of SSC, the Company will have sole discretion and flexibility over all aspects of the operations of SSC, including sourcing of raw materials, production, marketing, and product distribution, as well as the enhancement of production efficiency and expansion of production capacity. This flexibility will allow the Company to increase its strength in the glove business in the future. This is in line with the strategies and policies of the Company in becoming a major shareholder in the downstream business of manufacturing and distributing examination gloves, which uses concentrated latex, one of the products of the Company's group, as a raw material, which will add value to overall business of the Company. This will strengthen the overall business operation of the group as a fully-integrated natural rubber company and emphasize the Company's position as the world leader in natural rubber industry, with the highest production capacity which the Company has built and continuously expanded.

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<sup>13</sup> This does not include consideration from the disposal of SAC shares, as the disposal of SAC shares is made under the Call Option Agreement and Semperit has not yet exercised the Call Option.

<sup>14</sup> Semperit agrees to be responsible for the withholding tax on the payment of dividends, income tax on the transfer of SSC shares, and stamp duty in accordance with the Umbrella Agreement.



This will be promoted with the downstream natural rubber business from SSC, one of the top five largest manufacturers of examination rubber gloves in the world.

Becoming a major shareholder of SSC, which is the largest joint venture between the Company and Semperit in terms of business size and profit, will result in the change of accounting recognition of SSC from profit sharing under the equity method as an associate company to the consolidation of SSC. This will decrease the overall fluctuations in the operating results of the Company from the midstream natural rubber processing, which is commodity base in nature and sensitive to the movements in the rubber prices and other external factors. In this regard, when the Company is able to consolidate the financial statements of SSC, a business with a stable profit, as a subsidiary, this will not only decrease the fluctuations in the overall operating results of the Company but will also increase the Company's profit margin.

In addition, if the Asset Acquisition Transaction and the Asset Disposal Transactions are completed, the various proceedings and disputes between the Company (and its subsidiaries) and Semperit of over 3 years will be settled. Not only will disputes in different proceedings be resolved, but the legal expenses, which would arise in the future if the proceedings and disputes continued, will also cease. In addition, the management of the Company will be able to dedicate more time and resources of the Company to developing the business, increasing competitiveness, and increasing returns to the Company, instead of wasting time and resources on defending claims and disputes (Please refer to the disputes between the Company and Semperit in the Notes to Financial Statements of the Company for the accounting period ending 30 September 2016).

The Asset Acquisition Transaction and the Asset Disposal Transactions will result in the various joint venture agreements and other surviving obligations owed to Company and SSC being terminated. As a result, the Company and SSC will no longer be subject to various prohibitions and other obligations owed to Semperit, including prohibitions on production of gloves or distribution of gloves in many countries (at present, the Company and Semperit are in dispute over the lawfulness of the aforementioned prohibition). Therefore, without the unfavorable obligations, the Company will be able to operate and expand its glove manufacturing and distribution the products without any limitations.

Furthermore, the result of this acquisition and disposal will allow the Company and its subsidiaries to receive dividends in proportion to their shareholding in SSC (including SAC), totaling approximately USD 60.3 million (or approximately THB 2,201.0 million), which are profits and operating results from the joint investment in SSC and SAC which have not declared any dividends for a period of time.

#### **Asset Disposal Transactions (Transaction Nos. 2-7)**

The transactions are to dispose of the assets in which the Company did not take part in actively managing and which are businesses which are not related to natural latex products, which is the core business of the Company. In addition, these companies are deemed as small businesses when compared to SSC, which is the largest joint venture between the Company and Semperit.

In addition to the above expected benefits from the Asset Acquisition Transaction, the Company will receive consideration from the Asset Disposal Transactions in the amount of approximately USD 19,500,000 (or equivalent to approximately THB 711.8 million) (not including consideration derived from the disposal of SAC shares, as the disposal of the SAC shares is made under the Call Option Agreement, and Semperit has not yet

exercised its Call Option) and will use this consideration in the payment of the shares of SSC to Semperit in the Asset Acquisition Transaction.

#### 1.4.7 Sources of Funds for the Acquisition of the Shares of SSC (Transaction No. 1)

Sources of funds:

- Loan facility secured from a commercial bank in the amount of THB 4,500 million with an interest rate of MLR-2.25% per annum and a term period ending on 29 December 2017, without collateral, and interest payable in every quarter. The majority of this loan repayment will come from a debt push-down from another loan facility that will be provided to SSC at a later stage. SSC will, then, pay dividends to its shareholders (which include the Company and its subsidiaries as major shareholders). Thereafter, the Company will use the dividends received to repay the aforementioned loan amount of THB 4,500 million.

The total loan facility for the debt push-down which SSC will borrow from the financial institution will be in an amount of THB 4,410 million with an interest rate of MLR-2.25% per annum and a term period ending on 30 June 2023, without collateral. The principal and interest shall be repaid in quarterly installments.

- Dividend payments received from SSC and SAC on the Sale and Purchase Date
- Consideration from the Asset Disposal Transactions (Transaction Nos. 2-5) excluding the sale of SUSA sharers that the Company holds indirectly through SSC; and
- Cash from operation.

The approximate details of the above are illustrated below.

Sources of Funds for the Acquisition of the SSC Shares	Amount Before Tax(Unit: USD million)	Amount Before Tax(Unit: THB million)
Loans secured from financial institution(s)	115.30	4,208.38
Dividend payments received from SSC	47.55	1,735.64
Dividend payments received from SAC	12.75	465.38
Consideration from the Asset Disposal Transactions (Transaction Nos. 2-5) excluding the sale of SUSA sharers that the Company holds indirectly through SSC	19.50	711.75
Total	195.10	7,121.8

#### 1.4.8 Plan for use of proceeds from the Disposal of Shares and Investment in Transaction Nos. 2-5

The Company will receive consideration from the disposal of assets under Transaction 2 to Transaction 5 in the amount of approximately USD 19,500,000 (or equivalent to approximately THB 711.8 million) (not including consideration derived from the disposal of SAC shares, as the disposal of the SAC shares is made under the Call Option

Agreement, and Semperit has not yet exercised its Call Option) which the Company can use to pay for the SSC shares to Semperit.

#### **1.4.9 Opinion of the Board of Directors on the entering into of the transactions**

##### **Asset Acquisition Transaction (Transaction No. 1)**

The Audit Committee and the Board of Directors are of the opinion that the Company will benefit from the acquisition of the shares of SSC from Semperit. The price of the shares of SSC is reasonable, having taken into consideration the book value and equity value as recommended by the Company's financial advisor.

In addition, the agreement for the payment of compensation of USD 15 million to Semperit for the settlement of various proceedings and disputes between SSC and Semperit is reasonable, as there is no inclination that the disputes can be settled promptly, which will raise concerns of trade partners of the Company and SSC. If the disputes cannot be settled promptly, this may affect the future business operations and operating results of SSC, an important business of the Company. In order to minimize risk and uncertainties, the Board of Directors approves the agreement for the payment of compensation of USD 15,000,000 to Semperit for the settlement of various proceedings and disputes between SSC and Semperit. In this regard, the Board of Directors has appointed Capital Advantage Co., Ltd. as an independent financial advisor to provide an opinion on the proposed transaction and the reasonableness of the price of the shares and the agreement to pay compensation of USD 15,000,000.

The Board of Directors is also of the opinion that, if the Asset Acquisition Transaction and the Asset Disposal Transactions are completed, the disputes between the Company and Semperit will be resolved and the Company and SSC will no longer be subject to the various prohibitions and obligations owed to Semperit. The management of the Company will also be able to dedicate more time to the development and management of the businesses of the Company and its group companies, and the legal fees incurred in relation to defending the cases will be decreased.

##### **Asset Disposal Transactions (Transaction Nos. 2-7)**

The Audit Committee and the Board of Directors are of the opinion that the Company will benefit from Asset Disposal Transactions under Transaction Nos. 2-6 in disposing of the shares and investments in the affiliate companies to Semperit. The overall prices of the shares and investments in the respective affiliate companies are reasonable, having taken into consideration the book value and equity value as recommended by the Company's financial advisor. The associate companies, that the Company is disposing of, are small in business and profit size when compared to SSC. The aforementioned companies operate businesses manufacturing industrial products such as high pressure hydraulic hoses and escalator handrails, none of which are related to the use of natural rubber as a raw material. Some companies operate businesses distributing gloves overseas – however, after the acquisition and disposal of assets, the Company and/or SSC will be able to distribute gloves independently. Furthermore, the Company has not previously been involved in the day-to-day operation of the aforementioned companies.

In this regard, the Board of Directors has appointed Capital Advantage Co., Ltd. as an independent financial advisor to provide an opinion on the proposed transactions and the reasonableness of the prices of the shares.

**1.4.10 Opinion of the Audit Committee and/or directors of the Company which are different from those of the Board of Directors in Clause 9**

No differing opinion.

**2. Responsibilities of the Board of Directors with Respect to the Information in the Documents Sent to Shareholders**

The Board of Directors is responsible for the information contained in this information memorandum and in the other documents sent to the shareholders. The Board of Directors has carefully reviewed the information presented to the shareholders and hereby certifies that the information in this information memorandum and the other documents sent to shareholders is correct, complete, and does not contain any false statements, conceals any material facts that should have been stated, or contains any statements that may cause a material misunderstanding.

**3. Qualifications of Independent Experts Providing Opinions on the Transaction**

The Company has appointed Capital Advantage Company Limited as the independent financial advisor (“**IFA**”) to provide an opinion on the acquisition of the shares of Siam Sempermed Co., Ltd. (“**SSC**”), which is classified as the Asset Acquisition Transaction of the Company, and the disposal of shares and investments in associate companies, namely Semperflex Shanghai Ltd., Shanghai Semperit Rubber & Plastic Products Co., Ltd. Sempermed USA, Inc., Sempermed Singapore Pte Ltd., Shanghai Sempermed Gloves Sales Co., Ltd., and Semperflex Asia Corporation Ltd., which are classified as the Asset Disposal Transactions.

The IFA does not own any shares in the Company and does not have a relationship with the Company. The IFA also consents to the disclosure of the IFA report dated 16 February 2017 (Please consider the IFA report in Attachment 3 enclosed to the letter of invitation to the Extraordinary General Meeting of Shareholders No. 1/2017).

**4. Details of the Existing Liabilities of the Company, its current Subsidiaries and Contingent Liabilities**

**4.1 Outstanding Debt Securities of the Company and its Subsidiaries as of 30 September 2016**

As of 30 September 2016, the Company and its subsidiaries have total outstanding and undue debt securities of THB 3,415 million. The details are as follows:

No.	Type	Amount (THB million)	Interest Rate percent (p.a.)	Term (Years)	Credit Rating	Maturity Date
1	Unsubordinated and unsecured debentures with a debenture holders’ representative	550	4.40	5	A-	1 December 2016
2	Unsubordinated and unsecured debentures with a debenture holders’ representative	600	4.50	5	A-	13 February 2018
3	Unsubordinated and Unsecured Debentures without a debenture holders’ representative	810	2.55	3	A-	18 May 2019

4	Unsubordinated and Unsecured Debentures without a debenture holders' representative	1,455	3.10	5	A-	18 May 2021
	<b>Total</b>	<b>3,415</b>				

The Company's Annual General Meeting of Shareholders of 2015 held on 29 April 2015 resolved to approve the issuance and offering for sale of debentures in an amount of not exceeding THB 5,000 million. This, when considered together with the resolution of the Company's Annual General Meeting of Shareholders of 2010 held on 28 April 2010, which approved the issuance and offering for sale of debentures, at any time, in an amount of not exceeding THB 5,000 million, means that, the Company has a total debenture limit of no more than THB 10,000 million. After deducting the total outstanding issued debentures in the above table, the Company has a remaining debenture limit of THB 6,585 million that can be further issued and offered.

If the Company drawdown the loan from financial institution(s) to be used as a source of funds to support the acquisition of assets under Transaction No. 1, in the total amount of THB 4,500 million, this will not have an effect on the conditions of the abovementioned debentures which state that the Company must maintain a Net Debt to Equity Ratio of no more than 3:1 on the final day of each quarterly accounting period, in each quarter, in accordance with the issuer's consolidated financial statements. As at 30 September 2016, the Company had a Net Debt to Equity Ratio of 0.98 times, and in the event that there are additional borrowings of THB 4,500 million, the ratio will increase to 1.19 times, which is still in accordance with the terms and conditions of the debentures.

#### 4.2 Term loans of the Company and its Subsidiaries and Collateral as of 30 September 2016

As of 30 September 2016, the Company and its subsidiaries have outstanding term loans in a total amount of THB 4,831.9 million, the details of which are as follows:

No.	Type of Loan	Outstanding balance as of 30 September 2016 (THB million)	Collateral
1	Current portion of long-term loans from financial institutions due within one year	1,784.5	Land title deeds No. 38593, 38594 and the properties on the land at Sumnukkam, Sadao, Songkhla are used as collateral for the long-term loan granted by a financial institution to a subsidiary with an outstanding loan amount of THB 2.4 million.
2	Long-term loans from financial institutions	3,047.4	
	<b>Total</b>	<b>4,831.9</b>	

In the past, the Company has complied with all terms and conditions of the financial covenants for every loan received from various financial institutions.

If the Company drawdown loan from financial institution(s) to be used as a source of funds to support the acquisition of assets under Transaction No. 1, in the total amount of THB 4,500 million, this will not have an effect on the financial covenants of the long-term loan agreements which state that the Company must maintain a Net Debt to Equity Ratio of no more than 3:1 and a Net long-term debt to EBITDA ratio of no more than 4.5:1. As at 30 September 2016, the Company had a Net Debt to Equity ratio of 0.98 times and a Net long-term debt to EBITDA ratio of 2.16 times. In the event that there are additional borrowings of THB 4,500 million, the Net Debt to Equity ratio will increase to 1.19 times and the Net long-term debt to

EBITDA ratio will increase to 4.31 times, which is still in accordance with the financial covenants of the loan agreements.

#### 4.3 Other Liabilities of the Company and its Subsidiaries including Overdraft and Collateral as of 30 September 2016

As of 30 September 2016, the Company and its subsidiaries have other liabilities including bank overdrafts in the total amount of THB 17,033.6 million. The details are as follows:

No.	Type of Liability	Outstanding balance as of 30 Sep 2016 (THB million)	Collateral
1	Short-term borrowings from financial institutions	13,860.4	-None-
2	Trade accounts payable and other payables	2,479.4	-None-
3	Derivative financial instruments	166.3	-None-
4	Current income tax liabilities	107.2	-None-
5	Other current liabilities	48.7	-None-
6	Finance lease liabilities	18.1	Vehicles under the financial lease agreements
7	Deferred income tax liabilities, net	130.8	-None-
8	Provision for retirement benefit obligations	186.6	-None-
9	Other non-current liabilities	36.1	-None-
	<b>Total</b>	<b>17,033.6</b>	

#### 4.4 Contingent Liabilities as of 30 September 2016

- The Company and its subsidiaries entered into rubber forward contracts to purchase natural rubber with a total value of THB 2,395.6 million.
- The Company and its subsidiaries have capital commitments under construction agreements and purchase agreements for property, plant and equipment with a total value of THB 816.9 million.
- The Company and its subsidiaries have commitments under non-cancellable operating leases of office space and vehicles totaling THB 230.6 million. The details are as follows:
  - Payment within 1 year THB 110.9 million
  - Payment within 1-5 years THB 118.8 million
  - Payment after 5 years THB 0.9 million
- The Company and its subsidiaries have capital commitments under the implementation of the Systems Applications and Products (“SAP”) system of THB 29.5 million, and commitments under SAP consulting agreements of THB 15.9 million.
- The Company and its subsidiaries have outstanding commitments on bank guarantees issued in the Company’s name totaling THB 1,053.2 million, resulting from guarantee obligations for a loan of THB 965.5 million, letters of guarantee issued by the bank for the Company’s group to government agencies mainly for the use of electricity for the total amount of THB 83.2 million, and guarantees issued for the Company’s group to government agencies with respect to the fixed deposit accounts of the Company’s group in the amount of approximately THB 4.5 million.

- The Company has guarantee obligations under the letter of guarantee issued by the bank as a performance bond for the performance of the Umbrella Agreement, the Sale and Purchase Agreement for the SSC shares (both of which the Company entered into on 18 January 2017), and any other related agreements, for an amount of USD 15 million (or approximately THB 547.5 million).
- If the Asset Acquisition Transaction and Asset Disposal Transactions with Semperit are completed, SSC will become a subsidiary of the Company. At the same time, SSC will have to make payment of USD 15 million (or approximately THB 547.5 million) to Semperit for the settlement of all proceedings and disputes between SSC and Semperit.
- If the Asset Acquisition Transaction and Asset Disposal Transactions with Semperit are completed, the Company will have loans from financial institution(s) for a maximum amount of approximately THB 4,500 million for the payment of 50% of the acquisition of the SSC shares from Semperit. The Company is currently in the process of negotiating the credit facility agreement with the financial institution(s).

## **5. Summary of material information of the Company**

### **5.1 Information relating to nature of business operations and business trends of the Company and its subsidiaries**

#### **5.1.1 Nature of business operations of the Company and its subsidiaries**

##### **Business overview**

The Company is the world's largest fully integrated natural rubber manufacturer and distributor with a market share of 12%<sup>15</sup> of global consumption with a presence in many key strategic countries, starting from an upstream business engaging in rubber plantation in Thailand, a midstream business of processing and distributing natural rubber products, to a downstream business investing with international companies to produce and distribute finished goods including gloves, hydraulic hoses and escalator handrails.

The Company was established in 23 April 1987 as a private limited company. The Company undertook an initial public offering exercise in Thailand and was listed on the SET on 22 August 1991. The Company was converted to a public limited company in 27 December 1993 and in January 2011 made an offering of its newly issued shares to the public in Singapore and listed its shares on the Singapore Exchange. Currently, the Company is only Thai company that is dually listed on both the Stock Exchange of Thailand (SET) and on the Singapore Exchange (SGX).

##### **Products and Services**

The Company's operations consist of 3 main businesses which are 1) the natural rubber business, which is the main source of income 2) the glove manufacturing business, which generates income from profit sharing from its investments and 3) other businesses. The details of each business are as follows:

##### *1. Natural Rubber Business*

The natural rubber business is the Company's core business, contributing approximately 89% of the group's total revenue in the nine-month period ended 30 September 2016. The Company offers a full range of natural rubber products to meet a wide spectrum of natural rubber customers' demands, including Technically Specified Rubber (TSR), Ribbed Smoked Sheets (RSS) and Concentrated Latex (LTX) to be sold to tire and glove manufacturers in various countries in Asia, such as the PRC, India, Singapore, Japan, Korea, Vietnam, and Malaysia, as well as to the United States and Europe, with a total engineering capacity of

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<sup>15</sup> Based on our sales volume of natural rubber products of 1,094,479 tons for the nine-month period ended 30 September 2016 and the total global demand for natural rubber products of approximately 9,449,000 tons during the same period. (Source : International Rubber Study Group (IRSG), Rubber Statistical Bulletin, Vol. 71, No. 4-6, October - December 2016)

over 2.4 million tons per annum. The Company's 35 rubber processing plants are located in the world's top natural rubber producing countries, namely Thailand and Indonesia, as well as Myanmar.

## 2. *Glove Manufacturing Business*

The Company has diversified its income stream through its investment in SSC, a joint venture between the Company and Semperit. As at 31 December 2016, SSC has 4 processing plants in Thailand with a total production capacity of approximately 14 billion glove pieces annually, and is believed to be Thailand's largest producer of disposable examination gloves and one of the leading producers of latex and nitrile disposable examination gloves globally.

## 3. *Other Businesses*

### - *Rubber plantation business*

The Company systematically operates rubber plantations in a full supply chain. As at 30 September 2016, the Company has approximately 8,312 hectares (51,950 Rai) of land suitable for rubber plantation located in 19 provinces in Thailand. The majority is located in the Northern and North-Eastern regions of Thailand. Some plantations have started to yield from December 2015 onwards.

### - *Rubber wood processing business*

Through its subsidiary, Anvar Parawood Co., Ltd., the Company is also involved in the production and distribution of processed dried rubber wood and other types of woods for packaging and use in the furniture industry.

### - *Production and sale of finished products business*

The Company expanded its business operations to manufacture and distribute finished products through investments in its associates which it jointly established with Semperit, namely SAC, SSH and SRP. These companies carry out the production and sale of high-pressure hydraulic hoses for industrial, mining, and other specific applications through SAC and SSH, and carry out the production and sale of escalator handrails through SRP.

Details of the business operations of each company in the Company's group are as follows:

Company	Country	Type of Businesses	Shareholding Proportion as of 31 December 2016 (%)	Paid-up Capital as of 31 December 2016
<u>Natural Rubber Business</u>				
1. STA	Thailand	Production of RSS, TSR and Concentrated Latex	-	THB 1,280,000,000
2. Rubberland	Thailand	Production of TSR and Concentrated Latex	99.99	THB 1,600,000,000
3. Nam Hua Rubber Co., Ltd.	Thailand	Production of Concentrated Latex, RSS, and TSR	99.99	THB 500,000,000
4. Sadao P.S. Rubber Co., Ltd.	Thailand	Production of RSS	99.99	THB 40,000,000
5. PT Sri Trang Lingga Indonesia	Indonesia	Production of SIR- block rubber	90.00	USD 10,000,000
6. PT Star Rubber	Indonesia	Production of SIR- block rubber	99.00	USD 46,000,000
7. Thai Tech Rubber Corporation Limited	Thailand	Production of TSR	42.50	THB 60,000,000
8. Sri Trang Ayeyar Rubber Industry Co., Ltd.	Myanmar	Production of TSR	59.00	USD 1,000,000
<u>Finished product business</u>				
9. SSC <sup>16</sup>	Thailand	Production of examination	40.23	THB 200,000,000

<sup>16</sup> After the Asset Acquisition Transaction, the Company and Rubberland will hold approximately 90.2 percent of the shares in SSC.



Company	Country	Type of Businesses	Shareholding Proportion as of 31 December 2016 (%)	Paid-up Capital as of 31 December 2016
		gloves		
10. SAC <sup>17</sup>	Thailand	Production of high-pressure hydraulic hoses	42.50	THB 380,000,000
11. SSF	PRC	Agent import and export of rubber gloves	100.00	USD 1,000,000
12. SSH <sup>18</sup>	PRC	Production of high-pressure hydraulic hoses	50.00	USD 15,000,000
13. SRP <sup>19</sup>	PRC	Manufacture of handrails and related parts for escalators and travelators	10.00	Euro 2,471,000
<u>Product distribution</u>				
14. SUSA <sup>20</sup>	United States	Distribution of examination gloves in the United States	25.00	USD 4,000
15. Sri Trang International Pte. Ltd.	Singapore	Natural rubber wholesaler in Singapore	100.00	USD 61,000,000
16. Sri Trang USA, Inc.	United States	Natural rubber wholesaler in the United States	100.00	USD 100
17. Sempermed Brasil Comércio Exterior Ltda. (SBC)	Brazil	Distribution and marketing of natural rubber gloves and synthetic rubber in Brazil	100.00	Brazilian Real 12,546,638
18. Shi Dong Shanghai Rubber Co., Ltd.	PRC	Distribution of Natural Rubber Products in PRC	100.00	USD 5,000,000
19. Sri Trang Indochina (Vietnam) Co., Ltd.	Vietnam	Distribution of Natural Rubber Products from Vietnam to customers	100.00	USD 1,000,000
<u>Other businesses</u>				
20. Anvar Parawood Co., Ltd.	Thailand	Lumber production and manufacture of wooden furniture	99.94	THB 10,000,000
21. Startex Rubber Corporation Limited	Thailand	Ownership and management of rubber and oil palm plantations as well as investment holding in Sri Trang International Pte Ltd.	99.99	THB 2,065,007,500
22. Premier System Engineering Co., Ltd.	Thailand	Engineering services, design, installation and maintenance machinery	99.99	THB 50,000,000
23. Starlight Express Transport Co., Ltd.	Thailand	Provision of logistics services	99.99	THB 15,000,000
24. Pattana Agro Futures Co., Ltd.	Thailand	Brokerage activities	40.00	THB 25,000,000
25. Sri Trang Rubber & Plantation Co., Ltd.	Thailand	Ownership and management of rubber plantations	99.99	THB 5,905,000,000
26. Shi Dong Investments Pte. Ltd.	Singapore	Investment holding in PT Star Rubber	100.00	USD 48,000,000
27. SESI	Singapore	Investment holding in SBC and FTE	50.00	USD 8,000,000

<sup>17</sup> If Semperit exercises its option to purchase shares under the Call Option Agreement, the Company will no longer hold any shares in SAC.

<sup>18</sup> After the Asset Disposal Transactions, the Company will no longer have any investments in SSH.

<sup>19</sup> After the Asset Disposal Transactions, the Company will no longer have any investments in SRP.

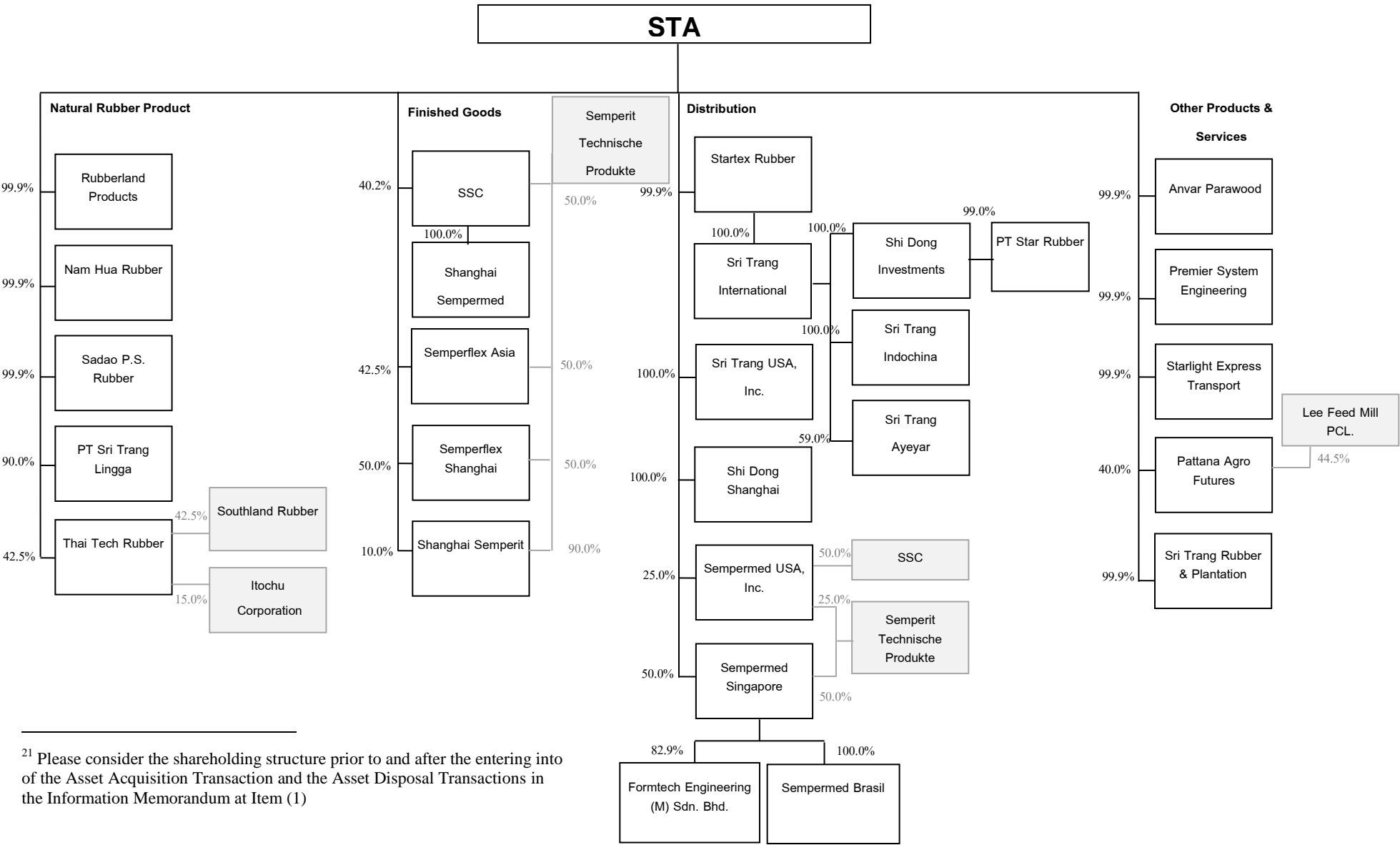
<sup>20</sup> After the Asset Disposal Transactions, the Company and SSC will no longer hold any shares in SUSA.

Company	Country	Type of Businesses	Shareholding Proportion as of 31 December 2016 (%)	Paid-up Capital as of 31 December 2016
28. FTE	Malaysia	Production and distribution mold for glove production line	82.86	MYR 7,000,000

Note\*: Shareholding proportion of the Company and its subsidiaries

# Group Structure

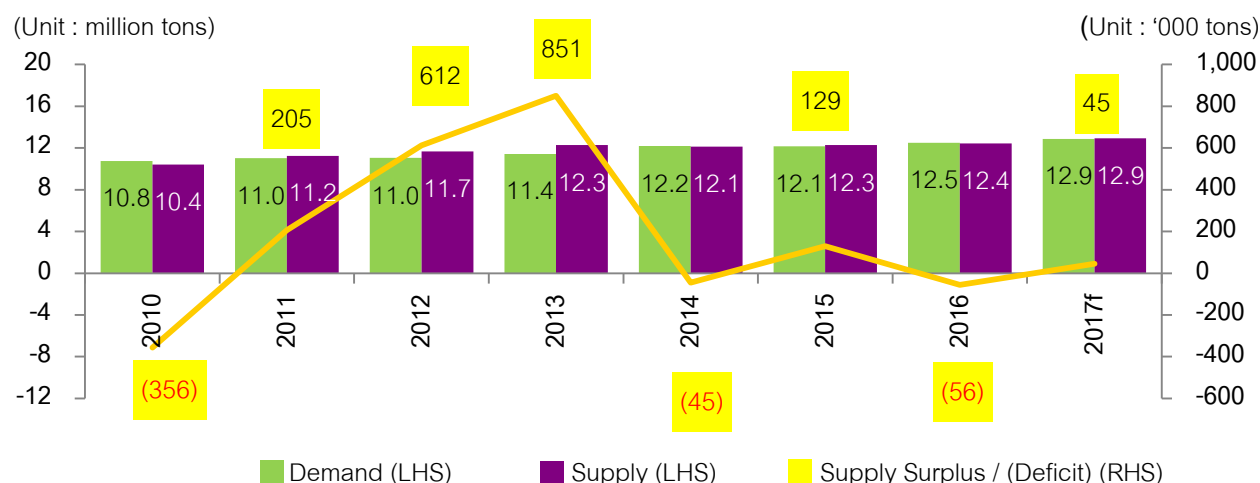
The group structure of the Company as of 31 December 2016 is shown in the diagram below<sup>21</sup>:



<sup>21</sup> Please consider the shareholding structure prior to and after the entering into of the Asset Acquisition Transaction and the Asset Disposal Transactions in the Information Memorandum at Item (1)

## 5.1.2 Business Trends

Diagram demonstrating Demand and Supply of Natural Rubber during 2010 – 2017



Source : IRSG

According to the World Rubber Industry Outlook, Review and Prospects to 2025 of the International Rubber Study Group (IRSG), the world demand for natural rubber (NR) in 2017 is expected to be 12,872,000 tons, up 2.9% YoY (2016 : 3.0%). Such growth is mainly driven by China, which is the world's largest natural rubber consumer. Meanwhile, the world supply of NR will grow by 3.8% to 12,917,000 tons in 2017 (2016 : 1.4%). The largest sources of additional supply volumes are China, Indonesia, and CAMAL\* countries while supply from Thailand, the world's largest NR producing country, will be curtailed by unfavorable weather conditions.

Note\*: CAMAL countries include Cambodia, Myanmar and Lao PDR.

In 2017, NR supply from new rubber plantation is expected to grow at slower rate as there are fewer new planting areas after the upsurge of NR prices during 2005-2008. Moreover, the prolonged low level of NR price may encourage the switch to other crops, postponement of the new planting/re-planting schedule, reduction of skilled tapping labour and tapping activities, and limitation of new rubber farmers. Meanwhile, healthier NR demand is strongly supported by the continuous growth of the tire industry. Thus, IRSG anticipates that NR supply surplus in 2017 will hover around 45,000 tons, which is close to equilibrium.

Production capacity expansion and increasing our market share are our key strategies in the midstream business to maintain our competitive edge in the NR market. It will enable us to benefit from economies of scale and maintain our leading position as the world's largest NR producer. Over the past ten years, the Company has been expanding its market share very rapidly. The compound annual growth rate (CAGR) of the Company's sale volume was 4 times higher than the CAGR of global NR consumption. With our unparalleled business model, the Company will continue to benefit from the optimistic outlook of the NR industry bolstered by the suppressed NR supply as a result of unfavorable weather conditions and the low level of NR stocks in Qingdao, as well as the improving sentiment in the overall commodity market.

## 5.2 Summary of historical financial information and current financial status with MD&A and financial analysis of the past 3 years and current year until the latest quarter including risks that affect the profits of the Company and its subsidiaries

### 5.2.1 Financial Information

#### Statements of Financial Position

(Unit: Million Baht)	Consolidated as at			
	30 September 2016	31 December 2015	31 December 2014	31 December 2013
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,398.1	2,197.2	2,131.6	1,892.7
Derivative financial instruments	90.8	336.7	89.8	76.0
Trade accounts receivable and other receivables, net	6,953.1	3,854.2	4,688.4	7,441.2
Amounts due from futures brokers	297.7	702.1	392.5	320.8
Inventories, net	13,875.6	13,959.8	10,029.9	16,581.9
Other current assets	454.0	480.6	352.2	285.7
<b>Total current assets</b>	<b>23,069.4</b>	<b>21,530.6</b>	<b>17,684.4</b>	<b>26,598.4</b>
<b>Non-current assets</b>				
Long-term loan to an associate	-	-	-	65.4
Fixed deposits pledged as collateral	13.1	33.5	34.6	61.2
Investments in associates	1,421.8	1,357.8	1,157.8	3,541.2
Investment in joint ventures	3,658.8	3,379.0	2,878.2	489.2
Long-term investments	57.1	50.6	63.7	52.4
Property, plant and equipment, net	15,605.5	15,185.5	14,355.0	12,294.8
Rubber and palm plantations, net	1,489.7	1,221.2	901.2	547.7
Intangible assets, net	449.5	330.3	31.6	27.0
Investment properties	149.8	154.5	170.3	176.3
Withholding tax deducted at source	295.0	395.7	332.9	240.0
Deferred income tax assets, net	270.5	203.4	146.5	121.8
Other non-current assets	42.1	36.4	34.3	21.3
<b>Total non-current assets</b>	<b>23,452.8</b>	<b>22,348.0</b>	<b>20,106.1</b>	<b>17,638.3</b>
<b>Total assets</b>	<b>46,522.2</b>	<b>43,878.6</b>	<b>37,790.5</b>	<b>44,236.7</b>
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Trade accounts payable and other payables	2,479.4	2,687.4	2,579.5	3,821.5
Short-term loans from financial institutions	13,860.4	13,446.2	9,408.4	14,223.1
Current portion of long-term loans from financial institutions	1,784.5	451.4	140.3	113.4
Current portion of debentures	550.0	850.0	-	1,600.0
Current portion of finance lease liabilities	11.8	25.0	30.0	17.9
Derivative financial instruments	166.3	271.6	212.8	532.9
Current income tax liabilities	107.2	63.9	48.6	20.5
Other current liabilities	48.7	40.0	44.3	46.5

(Unit: Million Baht)	Consolidated as at			
	30 September 2016	31 December 2015	31 December 2014	31 December 2013
<b>Total current liabilities</b>	<b>19,008.3</b>	<b>17,835.6</b>	<b>12,464.0</b>	<b>20,375.7</b>
<b>Non-current liabilities</b>				
Long-term loans from financial institutions	3,074.4	3,742.2	2,913.5	2,113.7
Debentures	2,865.0	600.0	1,450.0	1,450.0
Finance lease liabilities	6.3	10.9	33.3	28.7
Deferred income tax liabilities, net	130.8	151.8	172.5	60.1
Provision for retirement benefit obligations	186.6	161.7	115.2	106.9
Other non-current liabilities	36.1	42.5	50.2	110.6
<b>Total non-current liabilities</b>	<b>6,272.2</b>	<b>4,709.2</b>	<b>4,734.7</b>	<b>3,870.0</b>
<b>Total liabilities</b>	<b>25,280.5</b>	<b>22,544.7</b>	<b>17,198.7</b>	<b>24,245.7</b>
<b>Shareholders' equity</b>				
Issued and paid-up share capital	1,280.0	1,280.0	1,280.0	1,280.0
Premium on share capital	8,551.0	8,551.0	8,551.0	8,551.0
Deduction arising from acquisition of additional interest in subsidiaries from non-controlling interests	(173.1)	(173.1)	(173.1)	(173.1)
Asset revaluation surplus, net of accumulated depreciation	1,413.3	1,427.8	1,470.5	1,130.2
Unrealised gains on available-for-sale investments	12.8	6.8	18.9	8.5
Cumulative currency differences on translating financial statement	(381.3)	(268.5)	(445.9)	(453.4)
Retained earnings:				
Appropriated - legal reserve	128.0	128.0	128.0	128.0
Unappropriated	10,335.3	10,287.7	9,662.3	9,431.6
<b>Total parent's shareholders' equity</b>	<b>21,166.0</b>	<b>21,239.7</b>	<b>20,491.7</b>	<b>19,902.8</b>
Non-controlling interests	75.7	94.2	100.2	88.3
<b>Total shareholders' equity</b>	<b>21,241.7</b>	<b>21,333.9</b>	<b>20,591.9</b>	<b>19,991.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>46,522.2</b>	<b>43,878.6</b>	<b>37,790.5</b>	<b>44,236.7</b>

## Comprehensive Profit and Loss Statements

(Unit: Million Baht)	Consolidated			
	9M 2016	FY2015	FY2014	FY2013
Revenues from sales and services	54,755.1	61,291.8	75,529.9	92,185.2
Cost of sales and services	(50,962.9)	(57,770.6)	(72,181.6)	(86,986.7)
<b>Gross profit</b>	<b>3,792.2</b>	<b>3,521.2</b>	<b>3,348.3</b>	<b>5,198.5</b>
Other income	138.5	186.3	133.9	260.0
Selling expenses	(2,294.4)	(2,125.2)	(2,132.7)	(2,358.5)
Administrative expenses	(1,189.1)	(1,588.2)	(1,687.7)	(1,230.7)
Gains on exchange rate, net	41.9	214.2	371.1	312.5
Other (losses) gains , net	125.0	1,095.3	1,122.0	338.6
<b>Operating profit</b>	<b>614.1</b>	<b>1,303.6</b>	<b>1,155.0</b>	<b>2,520.4</b>

(Unit: Million Baht)	Consolidated			
	9M 2016	FY2015	FY2014	FY2013
Share of profit from investments in associates and joint ventures	301.3	648.8	535.1	495.6
<b>Profit before net finance costs and income tax</b>	<b>915.4</b>	<b>1,952.4</b>	<b>1,690.1</b>	<b>3,016.0</b>
Finance income	27.0	48.2	49.7	46.1
Finance costs	(378.9)	(857.3)	(663.4)	(1,075.3)
Finance costs, net	(351.9)	(809.1)	(613.7)	(1,029.3)
<b>Profit before income tax</b>	<b>563.4</b>	<b>1,143.3</b>	<b>1,076.4</b>	<b>1,986.7</b>
Income tax	(37.8)	(31.5)	(40.1)	(149.6)
<b>Profit for the years</b>	<b>525.6</b>	<b>1,111.8</b>	<b>1,036.2</b>	<b>1,837.1</b>
<b>Other comprehensive income:</b>				
Asset revaluation surplus, net of tax	-	2.3	361.4	53.3
Change in fair value of available-for-sale investments, net of tax	5.9	(12.0)	10.3	(5.0)
Actuarial gains (losses) on defined employee benefit plan, net of tax	-	(25.6)	3.9	5.5
Currency differences on translating financial statement	(111.7)	174.5	7.7	(120.6)
Other comprehensive income (expense) for the years, net of tax	(105.8)	139.2	383.2	(66.8)
<b>Total comprehensive income for the years</b>	<b>419.8</b>	<b>1,251.0</b>	<b>1,419.5</b>	<b>1,770.4</b>
<b>Profit for the years attributable to:</b>				
Owners of the parent	545.1	1,118.0	1,037.8	1,820.2
Non-controlling interests	(19.6)	(6.3)	(1.5)	16.9
<b>Profit for the years</b>	<b>525.6</b>	<b>1,111.8</b>	<b>1,036.2</b>	<b>1,837.1</b>
<b>Total comprehensive income for the years attributable to:</b>				
Owners of the parent	438.3	1,260.0	1,420.9	1,768.5
Non-controlling interests	(18.5)	(9.1)	(1.4)	1.9
<b>Total comprehensive income for the years</b>	<b>419.8</b>	<b>1,251.0</b>	<b>1,419.5</b>	<b>1,770.4</b>
<b>Earnings per share</b>				
Basic earnings per share (Unit: Baht per share)	0.43	0.87	0.81	1.42

## Cash Flow Statements

(Unit: Million Baht)	Consolidated			
	9M2016	FY2015	FY2014	FY2013
<b>Cash flows from operating activities</b>				
Profit before income tax	563.4	1,143.3	1,076.4	1,986.7
Adjustments for:				
Unrealised (gains) losses on foreign currency translations	(130.7)	165.8	259.2	268.3
Unrealised (gains) losses from revaluation of derivative financial instruments	140.7	(188.2)	(333.8)	392.8
(Reversal of) allowance for impairment of trade accounts receivable	(0.3)	(5.5)	8.0	14.2
(Reversal of) allowance for inventory cost in excess of net realisable value	(166.0)	373.8	74.5	(40.7)
Provision for retirement benefit obligations	25.1	24.6	15.7	25.1
Depreciation charges	839.8	1,021.7	866.9	720.9
Amortisation charges - rubber and palm plantations	0.5	0.7	0.8	1.5
Amortisation charges - intangible assets	21.7	32.7	9.8	8.6
Write-off income tax refund	33.6	-	-	-
Loss on asset revaluation	-	-	26.5	36.7
Finance costs	378.9	857.3	663.4	1,075.3
Dividend income	(1.2)	(36.8)	(1.6)	(22.9)
Share of profit from investments in associates and joint ventures	(301.3)	(648.8)	(535.1)	(495.6)
(Gains) losses on disposal and write-off of property, plant and equipment and intangible assets	(1.3)	(44.5)	6.2	(4.2)
Gains (losses) from revaluation of investment properties	-	29.2	6.7	(6.3)
Gains on disposal of investment in an associate	-	-	-	(0.5)
Changes in operating assets and liabilities				
(Increase) decrease in operating assets				
- Trade accounts receivable and other receivables	(3,098.6)	839.6	2,744.8	(944.2)
- Amounts due from futures brokers	404.4	(309.6)	(71.6)	63.6
- Inventories	255.1	(4,308.6)	6,477.5	(3,389.7)
- Other current assets	53.3	(107.9)	(49.5)	(33.2)
- Other non-current assets	(5.6)	(2.2)	(12.9)	8.5
Increase (decrease) in operating liabilities				
- Trade accounts payable and other payables	(198.4)	128.8	(1,143.4)	1,206.0
- Other current liabilities	8.6	(4.3)	(2.1)	1.2
<b>Cash provided by (used in) operating activities</b>	<b>(1,178.2)</b>	<b>(1,038.9)</b>	<b>10,086.1</b>	<b>872.4</b>
Interest paid	(367.2)	(855.3)	(674.0)	(1,047.5)
Income tax paid	(148.5)	(173.0)	(141.4)	(188.3)
Income tax refunded	109.3	-	-	-
Employee benefits paid	(0.2)	(7.2)	(0.9)	(0.1)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,584.8)</b>	<b>(2,074.4)</b>	<b>9,269.9</b>	<b>(363.6)</b>
<b>Cash flows from investing activities</b>				



(Unit: Million Baht)	Consolidated			
	9M2016	FY2015	FY2014	FY2013
Cash received from long-term borrowings to an associate	-	-	65.2	-
(Increase) decrease in fixed deposits pledged as collateral	20.4	1.1	26.6	38.3
(Increase) decrease in available-for-sale investments	-	0.1	(0.04)	-
Dividends received	1.2	36.8	526.1	481.3
Cash paid for investments in associates	-	-	-	(8.0)
Cash paid for investments in a joint venture	(114.6)	-	-	-
Cash received from capital decrease of an associate	30.0	-	-	-
Proceeds from business dissolution of an associate	-	-	-	6.8
Proceeds from disposal of property, plant and equipment and intangible assets	24.2	114.1	21.2	49.7
Cash paid for purchases of property, plant and equipment, rubber and palm plantations and intangible assets	(1,680.6)	(2,616.5)	(3,010.8)	(3,664.0)
<b>Net cash used in investing activities</b>	<b>(1,719.4)</b>	<b>(2,464.4)</b>	<b>(2,371.7)</b>	<b>(3,087.8)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans from financial institutions	434.7	4,005.4	(5,041.7)	1,868.0
Proceeds from long-term borrowings	810.0	1,230.2	940.0	1,826.3
Repayments of long-term borrowings	(171.7)	(90.3)	(113.4)	(114.0)
Proceeds from issuance of debentures	2,265.0	-	-	900.0
Repayments of debentures	(300.0)	-	(1,600.0)	-
Payments on finance lease liabilities	(20.8)	(31.9)	(25.5)	(31.7)
Dividend paid	(512.0)	(512.0)	(832.0)	(640.0)
Dividend paid from subsidiaries to non-controlling interests	(0.0)	(0.0)	(0.0)	(0.0)
Proceeds from capital increase from non-controlling interests	-	3.1	13.3	1.6
<b>Net cash provided by (used in) financing activities</b>	<b>2,505.2</b>	<b>4,604.5</b>	<b>(6,659.2)</b>	<b>3,810.1</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(799.1)</b>	<b>65.6</b>	<b>238.9</b>	<b>358.7</b>
Cash and cash equivalents at the beginning of the years	2,197.2	2,131.6	1,892.7	1,534.0
<b>Cash and cash equivalents at the end of the years</b>	<b>1,398.1</b>	<b>2,197.2</b>	<b>2,131.6</b>	<b>1,892.7</b>
<b>Supplementary information for cash flows</b>				
Cash paid for purchases of property, plant and equipment, rubber and palm plantations and intangible assets:				
Property, plant and equipment rubber and palm plantations and intangible assets acquired	(1,655.6)	(2,590.4)	(2,904.7)	(3,996.6)
Increase in liabilities under finance lease liabilities	2.9	4.5	42.3	62.8
Increase (decrease) in payable from purchases of assets	(27.9)	(30.6)	(148.4)	269.7
<b>Cash paid for purchases of property, plant and equipment, rubber and palm plantations and intangible assets</b>	<b>(1,680.6)</b>	<b>(2,616.5)</b>	<b>(3,010.8)</b>	<b>(3,664.0)</b>

## Financial Ratios

<b><u>Financial Ratios</u></b>		<b>9M2016</b> (annualised)	<b>FY2015</b>	<b>FY2014</b>	<b>FY2013</b>
<b>Liquidity Ratios</b>					
Current ratio	Times	1.21	1.21	1.42	1.31
Quick ratio	Times	0.44	0.34	0.55	0.46
Cash flow liquidity ratio	Times	(0.11)	(0.14)	0.56	(0.02)
Account receivable turnover <sup>1</sup>	Times	14.80	15.81	13.07	13.82
Average collection period	Days	24.32	22.77	27.55	26.06
Inventory turnover <sup>2</sup>	Times	4.88	4.82	5.42	5.85
Inventory period	Days	73.74	74.75	66.36	61.53
Account payable turnover <sup>3</sup>	Times	47.66	37.22	34.03	38.82
Average payment period	Days	7.55	9.67	10.58	9.27
Cash Cycle	Days	90.51	87.84	83.33	78.31
<b>Profitability Ratios</b>					
Gross profit margin	(%)	6.93	5.74	4.43	5.64
Operating profit margin	(%)	1.12	2.13	1.53	2.73
Operating cashflow to operating profit ratio	(%)	(2.58)	(1.59)	8.03	(0.14)
Net profit margin	(%)	1.00	1.82	1.37	1.97
Return on equity (ROE) <sup>4</sup>	(%)	3.41	5.33	5.11	9.35
<b>Efficiency Ratios</b>					
Return on assets (ROA) <sup>5</sup>	(%)	1.61	2.74	2.53	4.50
Return on fixed assets <sup>6</sup>	(%)	11.20	13.73	13.63	22.39
Fixed assets turnover ratio <sup>7</sup>	Times	4.36	3.87	5.38	8.09
Total assets turnover ratio <sup>8</sup>	Times	1.62	1.51	1.84	2.28
<b>Financial Leverage Ratios</b>					
Net debt to equity ratio	Times	1.12	0.95	0.73	1.12
Debt to equity ratio	Times	1.19	1.06	0.84	1.21
Interest bearing debt to equity ratio	Times	0.98	0.79	0.58	0.88

<b>Financial Ratios</b>		<b>9M2016</b> (annualised)	<b>FY2015</b>	<b>FY2014</b>	<b>FY2013</b>
Net long-term debt to EBITDA ratio	Times	2.16	0.72	0.88	0.45
Interest coverage ratio	Times	(0.94)	(1.38)	15.03	0.80
Debt service coverage ratio	Times	(0.57)	(0.64)	1.66	(0.08)
Dividend payout ratio	(%)	N.A.	45.79	49.34	45.71

Notes:

1. Computed by dividing revenue from sales of goods and services by average trade accounts receivables
2. Computed by dividing cost of sales and services by average inventories
3. Computed by dividing cost of sales and services by average trade accounts payables
4. Computed by dividing net profit for the year (attributable to owners of the parent) by average shareholders' equity
5. Computed by dividing net profit for the year (attributable to owners of the parent) by average total assets
6. Computed by dividing summation of net profit for the year (attributable to owners of the parent) and depreciation by average fixed assets
7. Computed by dividing revenue from sales of goods and services by average fixed assets
8. Computed by dividing total revenue by average total assets

## 5.2.2 Explanation and analysis of financial condition and operating results in the year 2015 and the nine-month period ended 30 September 2016

### Operating results for the year 2015

#### Overview of Operating Results

(Unit: Baht million)

	<b>FY 2015</b>	<b>FY 2014</b>	<b>% YoY</b>
<b>Revenue from sale of goods and services</b>	<b>61,291.8</b>	<b>75,529.9</b>	<b>-18.9%</b>
Cost of sales and services (net)	(57,770.6)	(72,181.6)	-20.0%
<b>Gross profit</b>	<b>3,521.2</b>	<b>3,348.3</b>	<b>5.2%</b>
Selling and administrative expenses (SG&A)	(3,713.4)	(3,820.4)	-2.8%
Other income	186.3	133.9	39.1%
Gains on exchange rate	214.2	371.1	-42.3%
Other gains (net)	1,095.3	1,122.0	-2.4%
<b>Operating profit</b>	<b>1,303.6</b>	<b>1,155.0</b>	<b>12.9%</b>
Share of profit from investments in associates and joint ventures	648.8	535.1	21.3%
<b>EBITDA</b>	<b>3,007.5</b>	<b>2,567.5</b>	<b>17.1%</b>
<b>EBIT</b>	<b>1,952.4</b>	<b>1,690.1</b>	<b>15.5%</b>
Finance costs (net)	(809.1)	(613.7)	31.9%
Income tax	(31.5)	(40.1)	-21.5%
<b>Net Profit for the period</b>	<b>1,111.8</b>	<b>1,036.2</b>	<b>7.3%</b>
Attributed to owners of the parent	1,118.0	1,037.8	7.7%
Attributed to non-controlling interests	(6.3)	(1.5)	-311.8%

## Overview of Operating Results

In 2015, the Natural Rubber (NR) industry continued the downturn momentum beset with fragile global economic recovery, the slowest growth in 25 years of Chinese economy, ongoing slump in oil and other commodities' prices, and a sharp appreciation of US dollars. Stalling NR demand growth and downward movement to hit a 6-year low of NR price in concurrent with rubber price intervention of the Thai government has not only required the Company to recognize allowances for inventory but have also led to the circumstance where the raw materials costs did not adjust in tandem with the selling prices. Thanks to the Company's selective selling policy, effective risk management strategies, efficient inventory management, and productivity enhancement, the Company has delivered outstanding performance among our peers. Our net profit impressively grew by 7.7% irrespective of the declined revenues at 18.9% as a result of lower average selling price and sale volume from softening NR demand.

Our increase in net profit margin was driven primarily by higher gross profit margin, an improvement of profit sharing from our joint ventures, lower selling and administrative expenses, an increase in other income, despite partially offset by lower gains from hedging activities and higher finance costs.

There is no significant non-recurring expense during 2014-2015.

## Revenues

In 2015, our revenue from sales of goods and services was Baht 61,291.8 million, decreased by 18.9% YoY. This was due principally to 19.4% lower average selling price compared to 2014, a direct impact from the falling global NR prices deepened by concerns over derailed economic activities in China, ongoing plunge of crude oil and commodities' prices, and a sharp appreciation of the US dollar. Our selective selling policy to maintain profitability under this lethargic NR industry whereby the raw materials costs did not move in tandem with the selling prices has brought down our sale volume 7.0% YoY.

Other income was Baht 186.3 million in 2015, up 39.1% YoY. The increase was mainly driven by the dividend income from investment in other companies.

## Sale volume

Sale volume for the year 2015 decreased by 7.0% YoY to 1,119,966 tons. Weaker economic growth of China and the re-imposition of anti-dumping duties on Chinese passenger and light truck tires imported by the US commencing January 2015 have resulted in a diminished NR import demand of China. Therefore, our sale volume to China declined by 14.8% YoY. Our sales to the domestic market, Europe, USA, and Vietnam also declined as most customers have kept a reduced amount of minimum stock under pessimistic market sentiment, despite being partly offset by the increase of our sales to Singapore, Malaysia, India, and Korea.

## Cost of sales and services

The cost of sales and services for the year 2015 was Baht 57,770.6 million, declining by 20.0% YoY and outstripping the declining rate of revenue from sales of goods and services. Since raw materials account for more than 90% of our cost of sales and services, the different locations of our factories together with our strong raw materials procurement network in key strategic areas boosted competitiveness in terms of accessibility to the source of raw materials and effective cost management.

## Gross profit

Thanks to our selective selling policy, effective risk management strategies, efficient inventory management, and productivity enhancement, notwithstanding our softened revenues and industry downturn momentum, our gross profit in 2015 grew 5.2% YoY to Baht 3,521.2 million. The gross profit margin also improved from 4.4% in 2014 to 5.7% in 2015 even though downward movement to hit a 6-year low of NR price in Q4 2015 required us to recognize inventory allowance. Assuming the inventory

allowance of Baht 373.8 million was not made in 2015 but including realized gain of Baht 1,085.8 million from our hedging activities, our adjusted gross profit margin in 2015 would have been at 8.1%, the highest after the peak of bullish NR market cycle since 2011, which increased from 6.1% in 2014.

#### Gains on exchange rate

In 2015, the US Dollars continued to appreciate in expectation of an interest rate increase by the US Federal Reserve. Thai Baht has weakened against US dollar from an average of 32.34 Baht/US dollar in 2014 to 34.09 Baht/US dollar in 2015, representing a depreciation of 5.4%. Such movement unfavourably translated into lower NR prices, which are generally denominated in USD. Although we have lowered level of currency derivative instruments in 2015 to benefit from the appreciation of US Dollars, our gains on foreign exchange was Baht 214.2 million, decreased by 42.3% YoY.

#### Other gains

In 2015, other gains was Baht 1,095.3 million, down 2.4% YoY. The decrease was primarily due to lower gain from rubber derivative financial instruments and losses from fair value assessment of investment properties.

#### Operating profit

The Company's operating profit in 2015 amounted to Baht 1,303.6 million, up 12.9% YoY. The operating profit margin correspondingly improved to 2.1% from 1.5% in 2014 principally due to a higher gross profit margin, lower administrative expenses mainly from a decrease in consulting fees, and an increase in other income from dividend income from investment in other companies. These were partially offset by lower gain on exchange rate and other gains.

#### Net profit

Net profit was Baht 1,118.0 million in 2015 compared to Baht 1,037.8 million last year, up 7.7% YoY. Net profit margin was 1.8% in comparison to 1.4% in 2014. The increase in net profit margin was primarily due to the increase in operating profit and the improvement in the share of profits from associates and joint ventures and the increase in net profit of our examination gloves business, despite being offset by higher unrealized loss on USD denominated loan as a result of a depreciation of IDR against USD.

### **Business segmentation analysis of the year 2015**

#### Revenue breakdown by product segment (Baht million)

	FY 2015	FY 2014	% YoY
<b>TSR</b>	<b>44,482.7</b>	<b>57,512.4</b>	<b>-22.7%</b>
%	72.6%	76.1%	
<b>RSS</b>	<b>5,462.4</b>	<b>9,818.5</b>	<b>-44.4%</b>
%	8.9%	13.0%	
<b>LTX</b>	<b>4,774.2</b>	<b>5,631.5</b>	<b>-15.2%</b>
%	7.8%	7.5%	
<b>Other*</b>	<b>6,572.5</b>	<b>2,567.5</b>	<b>156.0%</b>
%	10.7%	3.4%	
<b>Total</b>	<b>61,291.8</b>	<b>75,529.9</b>	<b>-18.9%</b>

Note:

\* Comprises revenue from (i) the sale of rubber wood and wood packing product 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) the sale of gloves

### Technically Specified Rubber (TSR)

Revenue from the sale of TSR, our core product, declined by 22.7% YoY due to a decrease in average selling price of 18.7%, which was in line with the decrease in SICOM price, and a decrease in sale volume of 4.8%.

Tumbling NR prices from the negative NR industry has not only required us to recognize allowances for inventory but has also led to the situation where the raw materials costs did not move in tandem with the selling prices. Thanks to our selective selling policy, lowered sale volume was compensated by higher gross profit margin even though our gross profit of TSR marginally decreased by 1.8% YoY.

### Ribbed Smoked Sheet (RSS)

Revenue from the sale of RSS contracted by 44.4% YoY, driven by a decrease of average selling price and sale volume by 19.5% and 30.9%, respectively. The decrease in sale volume was a consequence of the Thai government's rubber buffer fund scheme implemented in Q1 2015 which disrupted our raw material stock up activity in preparation for the low season of rubber trees during the second quarter to early of the third quarter of each year. As a result of lower NR prices and sale volume, our gross profit from the sale of RSS decreased by 32.5% YoY while gross profit margin improved from 2014.

### Concentrated Latex

Revenue from the sale of Concentrated Latex was down 15.2% YoY. The decrease was mainly attributable to a decline in average selling price of 18.5%, despite partially offset by 4.0% increase of sale volume. The increase in sale volume was due mainly to a pick-up in demand from gloves business as the NR price was relatively competitive to its substitute of NBR price. Our gross profit from the sale of Concentrated Latex in 2014 rose by 7.5% YoY and gross profit margin also increased from the earlier year due to the improved demand appetite from glove manufacturers.

## **Financial position as at 31 December 2015**

### Current assets

Current assets increased by Baht 3,846.3 million, or 21.7%, to Baht 21,530.6 million as at 31 December 2015 which was primarily due to an increase in inventories of Baht 3,929.8 million in response to capacity expansion, an increase in amount due from futures brokers of Baht 309.6 million according to the increase in the use of derivative financial instruments, and an increase in derivative financial instruments of 247.0 million, which were partially offset by the reduction in trade accounts receivable of Baht 834.2 million as a result of lower average selling price of NR products.

### Non-current assets

Non-current assets increased by Baht 2,241.8 million, or 11.2%, to Baht 22,348.0 million as at 31 December 2015 which primarily consisted of an increase in property, plant and equipment of Baht 830.5 million (net of depreciation and write-off) for the construction of our new TSR factories in Thailand and Indonesia, an increase in investment in associates and joint ventures of Baht 700.7 million from an increase in their operating results, an increase in rubber and palm plantations of Baht 320.0 million, and an increase in intangible assets of Baht 298.7 million from SAP software and its related direct implementation cost.

### Current liabilities

Current liabilities increased by Baht 5,371.6 million, or 43.1%, to Baht 17,835.6 million as at 31 December 2015 which was mainly due to an increase in short-term loans of Baht 4,037.8 million to support the higher level of inventories, an increase in the current portion of debentures of Baht 850.0 million, and an increase in the current portion of long-term borrowings from financial institutions of Baht 311.1 million.

### Non-current liabilities

Non-current liabilities marginally decreased by Baht 25.5 million, or 0.5%, to Baht 4,709.2 million as at 31 December 2015 which was primarily due to a decrease in debentures of Baht 850.0 million offset against an increase in long-term loans (net of current portion) of Baht 828.8 million to support our rubber plantation and capacity expansion.

### Shareholders' equity

Equity increased by Baht 742.0 million, or 3.6%, to Baht 21,333.9 million as at 31 December 2015 mainly due to net profit during the year offset by dividend payments of Baht 512.0 million.

### **Source of Fund**

In 2015, our capital expenditure was Baht 2,259.7 million, principally comprised of Baht 1,370.2 million for TSR capacity expansion and Baht 668.1 million for the investment in rubber plantation. Our source of fund consisted of cash flows from operations, loan facilities from financial institutions, and debentures.

### **The ability to service debt and comply with loan covenants**

Our net debt to equity ratio was at 0.79 times as of 31 December 2015, a level considered conservative when compared with our competitors in the industry. The negative interest coverage ratio and debt service coverage ratio were due to net cash used in operating activities, which mainly resulted from unusually high inventory level during Q4 2015. Afterwards, our inventory was readjusted to the normal level based on the market demand; therefore, our cash flow subsequently improved. However, the Group was in compliance with all debt covenants.

### **Financial ratios for the year 2015**

#### Current ratios

The current ratio is calculated by dividing total current assets by total current liabilities. Our current ratio as at 31 December 2015 and 31 December 2014 were 1.21 times and 1.42 times, respectively. The decrease in our current ratio was primarily due to an increase in total current liabilities at a faster rate than an increase in total current assets to support our business expansion.

#### Fixed asset turnover ratio

The fixed asset turnover ratio is calculated by dividing sales of goods and services by the average value of property, plant and equipment (net) and rubber and palm plantations (net). As at 31 December 2015 and 31 December 2014, our fixed asset turnovers were 3.87 and 5.38 times, respectively. A decrease in fixed asset turnover ratio was due mainly to an increase in property, plant and equipment from capacity expansion as well as the increase in rubber plantations area while our revenues decreased from lower average selling prices and sale volume.

#### Return on assets ("ROA")

ROA is calculated by dividing net profit (of the parent company) for the year by average total assets. As at 31 December 2015 and 31 December 2014, our ROA ratios were 2.74% and 2.53%, respectively. A

slight improvement of ROA was due to an increase in net profit at a faster rate than an increase in average total assets.

#### Return on equity ("ROE")

ROE is calculated by dividing net profit (of the parent company) for the year by average total equity. As at 31 December 2015 and 31 December 2014, our ROE ratios were 5.33% and 5.11%, respectively. Similarly to ROA, the increase in ROE was due to an increase in net profit at a faster rate than an increase in average total equity.

#### Debt to equity ratio ("D/E")

D/E is calculated by dividing total debt by total equity. As at 31 December 2015 and 31 December 2014, our D/E ratios were 1.06 and 0.84 times, respectively. The increase in D/E was as a result of higher short-term and long-term borrowings from financial institutions to support business expansion.

### **Operating results for the nine-month period ended 30 September 2016**

#### Income statement overview

	(Unit: Baht million)		
	9M2016	9M2015	% YoY
<b>Revenue from sale of goods and services</b>	<b>54,755.1</b>	<b>45,825.0</b>	<b>19.5%</b>
Cost of sales and services (net)	(50,962.9)	(42,921.0)	18.7%
<b>Gross profit</b>	<b>3,792.2</b>	<b>2,903.9</b>	<b>30.6%</b>
Selling and administrative expenses (SG&A)	(3,483.5)	(2,592.6)	34.4%
Other income	138.5	106.0	30.6%
Gains on exchange rate	41.9	305.5	-86.3%
Other gains (net)	125.0	760.3	-83.6%
<b>Operating profit</b>	<b>614.1</b>	<b>1,483.2</b>	<b>-58.6%</b>
Share of profit from investments in associates and joint ventures	301.3	460.9	-34.6%
<b>EBITDA</b>	<b>1,777.4</b>	<b>2,693.7</b>	<b>-34.0%</b>
<b>EBIT</b>	<b>915.4</b>	<b>1,944.1</b>	<b>-52.9%</b>
Finance costs (net)	(351.9)	(775.5)	-54.6%
Income tax	(37.8)	(11.1)	241.1%
<b>Net Profit for the period</b>	<b>525.6</b>	<b>1,157.5</b>	<b>-54.6%</b>
Attributed to owners of the parent	545.1	1,165.2	-53.2%
Attributed to non-controlling interests	(19.6)	(7.7)	-155.7%

#### Overview of Operating Results

After the Natural Rubber (NR) price bottomed out in Q1 2016, positive market momentum was bolstered by numerous factors, especially the suppressed NR supply from an unusual drought and a prolonged winter followed by continuous rainfall coupled with the imposition of an export quota by Thailand, Malaysia and Indonesia during March to August 2016, which triggered an accelerating growth in NR demand and price adjustment. The Company's diversification of production together with a sizable scale of business enabled us to hit a new record of sales volume for the nine-month period ended 30 September 2016 at 1,094,479 tons amid raw material supply constraints, resulting in an increase in revenues and an expansion of world market share from 9% at the same period of 2015 to 12%.



The circumstance of the transition of NR sentiment and the correction period of NR price, nevertheless, has negatively affected our profitability. Also, the lower gains from rubber hedging activities as well as the increase in SG&A expenses and lower profits shared from associates and joint ventures pressured our net profit for the nine-month period ended 30 September 2016.

There is no significant non-recurring expense for the nine-month period ending 30 September 2015 and the nine-month period ended 30 September 2016.

#### Revenue

For the nine-month period ended 30 September 2016, our revenue from sales of goods and services was Baht 54,755.1 million, increased by 19.5% YoY. This was mainly driven by 34.0% growth of sale volume as a result of a pickup NR demand from tyre producers, despite being offset by an 11.0% decline in average selling price.

Other income for the nine-month period ending 30 September 2016 was Baht 138.5 million or increased by 30.6% YoY. Such increase was mainly attributable to insurance claim revenue, office service revenue, and rental income.

#### Sale volume

Sale volume for the nine-month period ended 30 September 2016 hit a record high of 1,094,479 tons, up 34.0% YoY amidst RM supply constraints. Our well-diversified locations of factories allowed us to benefit from the continuing resilient NR demand. The substantial increase in total sales volume was attributable to the increase in sales volume in China, Singapore, Thailand, India, and Japan.

#### Cost of sales and services

Cost of sales and services for the nine-month period ending 30 September 2016 was Baht 50,962.9 million, up 18.7% YoY, which was lower than growth rate of revenue from sales of goods and services amid the raw material supply constraints. Since raw material accounted for more than 90% of cost of sales and services, our different locations of factories together with strong raw materials procurement network in key strategic areas boosted competitiveness in terms of accessibility to the source of raw materials and effective cost management.

#### Gross profit

Gross profit for the nine-month period ended 30 September 2016 stood at Baht 3,792.2 million, an increase of 30.6% YoY. Our gross profit margin was recorded at 6.9%, up from 6.3% in the nine-month period ended 30 September 2015. The increase of gross profit margin was attributable to an improved demand from better market sentiment. However, assuming the reversal of inventory allowance of Baht 166.0 million had not been made but including realized gain of Baht 397.9 million from our hedging activities, our adjusted gross profit margin for the nine-month period ended 30 September 2016 would have been at 7.3%, decreasing from 8.6% at the nine-month period ended 30 September 2015 .

#### Gains on exchange rate

Thai Baht has weakened against US dollar from an average of 33.55 Baht/US dollar for the nine-month period ended 30 September 2015 to 35.08 Baht/US dollar for the nine-month period ended 30 September 2016, representing a depreciation of 4.6%. The looming policy interest rate increase of the US Federal Reserve did bring about capital flow and high volatility in foreign exchange market. As a result, our gains on exchange rate for the nine-month period ended 30 September 2016 decreased by 86.3% YoY to Baht 41.9 million.

### Other gains

Other gains for the nine-month period ended 30 September 2016 was Baht 125.0 million, down 83.6% YoY. The decrease was primarily due to lower gain from rubber derivative financial instruments as a result of the volatility of NR prices and the declining use of derivative financial instruments after the improvement of demand.

### Operating profit

Operating profit for the nine-month period ended 30 September 2016 amounted to Baht 614.1 million, down 58.6% YoY. The operating profit margin correspondingly declined to 1.1% from 3.2% of the same period in 2015 principally due to higher selling & administrative expenses on account of the increase in ccess expenses, freight, and transportation expenses as well as lower gains on exchange rate and lower gain from rubber derivative financial instruments.

### Net profit

Net profit was Baht 545.1 million for the nine-month period ended 30 September 2016, decreased 53.2% YoY. Net profit margin was 1.0% contracted from 2.5% in the same period in 2015. The decline in net profit margin was primarily as a result of the decrease in operating profit and lower share of profit from our glove business caused by the increasing raw material prices, despite being offset by lower finance costs from unrealized gains on USD-denominated loans as a result of an appreciation of IDR against USD.

## **Business segmentation analysis for the nine-month period ended 30 September 2016**

### Revenue breakdown by product segment (Baht million)

	9M2016	9M2015	% YoY
<b>TSR</b>	<b>39,503.1</b>	<b>33,476.5</b>	<b>18.0%</b>
%	72.1%	73.1%	
<b>RSS</b>	<b>5,248.6</b>	<b>4,115.9</b>	<b>27.5%</b>
%	9.6%	9.0%	
<b>LTX</b>	<b>4,167.9</b>	<b>3,458.0</b>	<b>20.5%</b>
%	7.6%	7.5%	
<b>Other*</b>	<b>5,835.5</b>	<b>4,774.6</b>	<b>22.2%</b>
%	10.7%	10.4%	
<b>Total</b>	<b>54,755.1</b>	<b>45,825.0</b>	<b>19.5%</b>

Note:

\* Comprises revenue from (i) the sale of rubber wood and wood packing product 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) the sale of gloves

### Technically Specified Rubber (TSR)

Revenue from the sale of TSR, our core product, increased by 18.0% YoY mainly due to an increase in sale volume of 33.5%, despite being offset by a decrease in average selling price of 11.6%, which was in line with the SICOM price. The significant improvement in sales volume YoY was the result of a pick-up in demand in comparison with the same period in 2015 when our strategy of selective selling was implemented. Consequently, gross profit for TSR increased 26.9% YoY led to an increase in gross profit margin.

### Ribbed Smoked Sheet (RSS)

Revenue from the sale of RSS grew 27.5% YoY. Similar to TSR product, the increase of revenue was primarily due to a 41.9% expansion of sale volume even though average selling price declined by 10.1%. In contrast with the same period of 2015 when our sale of RSS was disrupted by the Thai government intervention, our sales volume of RSS product for the nine-month period ended 30 September 2016 substantially increased amid the shortage of unsmoked sheet (RSS raw material). As a result, our gross profit for RSS increased by 72.4% YoY. Gross profit margin, therefore, improved.

### Concentrated Latex

Revenue from the sale of Concentrated Latex expanded by 20.5% YoY. The increase was mainly attributable to a 31.4% growth of sale volume, despite being partially offset by an 8.3% decline of average selling price. The continuing robust demand resulted in the increase in sales volume. Our gross profit from the sale of Concentrated Latex marginally rose by 2.7%. However, gross profit margin decreased

## **Financial position as of 30 September 2016**

### Current assets

Current assets increased by Baht 1,538.7 million, or 7.1%, to Baht 23,069.4 million as at 30 September 2016 from Baht 21,530.6 million as at 31 December 2015 which was due primarily to an increase in trade accounts receivables of Baht 3,098.8 million as a result of higher sale volume, which were partially offset by the reduction in cash and cash equivalents of Baht 799.1 million, a decrease in amount due from futures brokers of Baht 404.4 million on account of the declining use of derivative financial instruments after the improvement of demand, and a decrease in derivative financial instruments of Baht 245.9 million as a result of volatility in NR prices.

### Non-current assets

Non-current assets increased by Baht 1,104.8 million, or 4.9%, to Baht 23,452.8 million as at 30 September 2016 from Baht 22,348.0 million as at 31 December 2015 which primarily consisted of an increase in property, plants and equipment of Baht 420.0 million (net of depreciation and write-off) for the new construction and the expansion of our TSR & LTX factories, an increase in investment in associates and joint ventures of Baht 343.8 million from an increase in their operating results, an increase in rubber and palm plantations of Baht 268.5 million, and an increase in intangible assets of Baht 119.1 million from SAP software and its related direct implementation cost.

### Current liabilities

Current liabilities increased by Baht 1,172.7 million, or 6.6%, to Baht 19,008.3 million as at 30 September 2016 from Baht 17,835.6 million as at 31 December 2015 which were mainly due to an increase in the current portion of long-term borrowings from financial institutions of Baht 1,333.1 million and an increase in short-term loans of Baht 414.2 million to support sale growth, which was partially offset by a decrease in current portion of debentures of Baht 300.0 million and a decrease in trade accounts payable and other payables of Baht 208.0 million.

### Non-current liabilities

Non-current liabilities increased by Baht 1,563.0 million, or 33.2%, to Baht 6,272.2 million as at 30 September 2016 from Baht 4,709.2 million as at 31 December 2015 which was primarily due to an increase in debentures of Baht 2,265.0 million to support working capital for our business operation offset by a decrease in long-term loans (net of current portion) of Baht 694.9 million.

### Shareholders' equity

Shareholders' equity marginally decreased by Baht 92.2 million, or 0.4%, to Baht 21,241.7 million as at 30 September 2016 from Baht 21,333.9 million as at 31 December 2015 due mainly to dividend payments of Baht 512.0 million and an increase in loss from cumulative currency differences on translation of Baht 112.8 million, offset by net profit during the year.

### **Source of Fund**

For the nine-month period ended 30 September 2016, our capital expenditure was Baht 1,510.9 million, principally comprised Baht 1,069.4 million for TSR capacity expansion and Baht 350.8 million for the investment in rubber plantation. Our source of fund consisted of cash flows from operations, loan facilities from financial institutions, and debentures.

### **The ability to service debt and comply with loan covenants**

Our net debt to equity ratio was at 0.98 times as of 30 September 2016, a level considered conservative compared with our competitors in the industry. Even though the Company had a negative interest coverage ratio and a debt service coverage ratio for the nine-month period ending 30 September 2016 due to the decrease in net profit and the increase in trade accounts receivable as a result of our record sales volume in Q3 2016, the Group was in full compliance with all debt covenants.

As a source of fund for the acquisition of SSC shares, the Company has secured a loan facility of Baht 4,500 million from a financial institution. The Company will afterward execute a Debt Push-Down to SSC at a maximum of Baht 4,410 million with an interest rate of MLR-2.25% and a repayment period ending on 30 June 2023. With its sizable business and past profitability, we strongly believe that SSC will be able to generate sufficient cash flow to repay the loan principle and interest to the financial institution.

### **Financial ratios for the nine-month period ended 30 September 2016**

#### Current ratios

The current ratio is calculated by dividing total current assets by total current liabilities. Our current ratio as at 31 December 2015 and 30 September 2016 remained unchanged at 1.21 times and 1.21 times, respectively.

#### Fixed asset turnover ratio

The fixed asset turnover ratio is calculated by dividing sales of goods and services by average property, plant and equipment (net) and rubber and palm plantations (net). As at 31 December 2015 and 30 September 2016, our fixed asset turnovers were 3.87 and 4.36 times, respectively. An increase in fixed asset turnover ratio was due mainly to an increase in our revenues from higher sale volume at a faster rate than an increase in average property, plant and equipment as well as rubber and palm plantations.

#### Return on assets ("ROA")

ROA is calculated by dividing net profit (parent company) for the year by average total assets. As at 31 December 2015 and 30 September 2016, our ROA ratios were 2.74% and 1.61%, respectively. Lower ROA resulted from an increase in average total assets while net profit declined.

#### Return on equity ("ROE")

ROE is calculated by dividing net profit (parent company) for the year by average total equity. As at 31 December 2015 and 30 September 2016, our ROE ratios were 5.33% and 3.41%, respectively. The decrease in ROE was due mainly to a decline in net profit.

### Debt to equity ratio ("D/E")

D/E is calculated by dividing total debt by total equity. As at 31 December 2015 and 30 September 2016, our D/E were 1.06 and 1.19 times, respectively. The increase in D/E was as a result of higher short-term and long-term borrowings from financial institutions to support business expansion.

## **5.2.3 Risk factors which may affect the profit of the Company**

### **5.2.3.1 Risks relating to our industry and the Company's business**

*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 the Company, like other participants in the natural rubber industry, has limited influence over the timing and extent of the price changes for natural rubber. The prices of natural rubber and the Natural Rubber Products that the Company sells, 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 a supply surplus which could, in turn, result in a decrease in average selling prices of the Natural Rubber Products that the Company sells;
- *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 Natural Rubber Products which the Company sells 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.

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

If the Company is 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 the Company sells 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 the Company sells are for use in the tire manufacturing industry which exposes us to downturns in this industry.***

The Natural Rubber Products that the Company sells 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 the Company 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 the Company produces are transacted in Baht and Indonesian Rupiah, the majority of our total revenue is 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 producers from Indonesia and Malaysia.

The Company attempts to mitigate foreign exchange risks by using financial derivatives to hedge our foreign exchange exposures arising from purchase and sale of products in currencies other than Baht. Should the Company be unable to successfully hedge our foreign exchange exposures, the Company may have a greater exposure to foreign exchange fluctuations and our financial condition and results of operations may be adversely affected.

***The Company is a capital intensive business and our operations could be adversely affected if the Company fails to maintain sufficient levels of working capital.***

The Company uses a significant amount of cash to operate its business, principally in the purchase of raw materials such as unsmoked rubber sheets, cup lumps and field latex, the Natural Rubber Products which the Company purchases from third party producers and from our joint venture entity, Thai Tech Rubber, from time to time, to meet customers' demands; 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 the Company produces, from the purchase of raw materials to the receipt of payment from our customers, is approximately two to four months. The Company may also require substantial capital expenditures to maintain, upgrade and expand our processing and storage facilities, logistics services and other facilities to keep pace with competitive developments, technological advancement and changing safety and environmental standards in our industry. The Company funds our operations principally through cash flow from our operations and short and long-term bank loans. In addition, the Company will drawdown additional loans in the total amount upto THB 4,500 million as a funding for the acquisition of the SSC shares. (Please refer to details specified in 1.4.7 **Sources of Funds for the Acquisition of the Shares of SSC**) The loans will later be pushed down to SSC. Therefore, in the event that the Company and/or SSC is unable to maintain sufficient cash, generate sufficient

revenue from our operations, or obtain or secure sufficient borrowings, the Company and/or SSC may not have sufficient cash flow to fund its operations and the Company's and/or SSC's business and operating results will be adversely affected.

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

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 labor, major or sustained disruptions in the supply of utilities such as water or electricity, and other calamities or events beyond our control could have a material adverse effect on our business, financial condition and operational results.

***Our Company depends on distributions from our principal operating subsidiaries, associates and joint venture entities which may in turn affect our Company's cash flow***

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 cash flow might be adversely affected.

In any case, if the Asset Acquisition Transaction and the Asset Disposal Transactions with Semperit are completed, this will result in a material decrease in the aforementioned risk.

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

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 Pte. Ltd., 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).

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 Pte. Ltd., 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.

#### **5.2.3.2 Risks relating to Lawsuits and Claims**

***The Company, Rubberland (a subsidiary of the Company), and SSC (a joint venture of the Company) are parties to disputes in arbitration proceedings. An unfavorable arbitration award and a court order enforcing this award could have a material adverse effect on our business, financial condition, results of operations and business opportunities.***

The Company and Rubberland (including SSC, a joint venture of the Company) are parties to a dispute currently in arbitration proceedings at the ICC International Court of Arbitration against Semperit, which is the counterparty to the joint venture agreement. Semperit has requested the Company, Rubberland, and SSC to make payment of damages totaling approximately THB 4,103 – 4,436<sup>22</sup> million, including interest (Please refer to details specified in 7. ***Pending Material Lawsuits or Claims***). The legal advisor and executives of the Company are of the view that the Company and Rubberland do not have an obligation to make payment of damages as claimed by Semperit, and SSC also has a reasonable argument in claiming that it has no obligation to make payment of damages as claimed by Semperit. However, the final result of this dispute cannot be predicted. If the ICC grants an award which is unfavorable to the Company, Rubberland and SSC, and a court with jurisdiction issues an order enforcing the arbitration award, the Company, Rubberland, and SSC may have to pay the damages as claimed by Semperit and/or make payment of other expenses arising from the disputes. This could have a material adverse effect on the business, financial condition, results of operations and business opportunities of both the Company and its group.

#### **5.2.3.3 Risks relating to failure to obtain shareholders' approval to enter into the Acquisition and the Disposal of Assets**

***Failure to obtain approval from our shareholders' meeting to enter into the Asset Acquisition Transaction and the Disposal of Assets may materially and adversely affect our business, financial condition, results of operations and business opportunities.***

The entering into this demerger constitutes an asset acquisition and disposal transaction of the Company, the entering into of which must be approved by the shareholders' meeting in accordance with the Notifications on Acquisition or Disposal. The Company has proposed the aforementioned transaction as an agenda item for the consideration and approval of the shareholders' meeting. If the Asset Acquisition Transaction and the Asset Disposal Transactions

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<sup>22</sup> In preparing the numerical information of material lawsuits and claims, the Company has applied the exchange rate of THB 36.00 per USD 1 (the average selling rate from THB to USD which commercial banks applied to their customers as appears on the website of the Bank of Thailand as at 30 December 2016) as the reference rate.



are completed, the disputes between the Company and Semperit will be resolved, the Company and SSC will no longer be subject to the various prohibitions and obligations owed to Semperit, and the management of the Company will be able to dedicate more time to the development and management of the businesses of the Company and its group companies. Therefore, if the shareholders' meeting does not approve the entering into of the asset acquisition and disposal transactions, this may have a material adverse effect on the Company's business, financial condition, results of operations and business opportunities.

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

#### **5.4 List of the Board of Directors, Management and List of the Top 10 Shareholders as at the Date of Close of Share Register Book**

##### **5.4.1 List of the Company's Board of Directors as at 30 September 2016**

<b>No.</b>	<b>Name</b>	<b>Position</b>
1	Mr. Viyavood Sincharoenkul	Chairman /Managing Director/ Executive Committee member
2	Mr. Chaiyos Sincharoenkul	Director/ Executive Committee member
3	Mr. Kitichai Sincharoenkul	Director/ Executive Committee member / Nominating Committee member
4	Mr. Paul Sumade Lee	Director/ Executive Committee member
5	Mr. Veerasith Sinchareonkul	Director/ Executive Committee member / Chairman of the Risk Management Committee
6	Mr. Patrawut Panitkul	Director/ Executive Committee member / Risk Management Committee member
7	Mr. Li Shiqiang	Director
8	Mr. Chalernpop Khanjan	Director/ Executive Committee member / Risk Management Committee member
9	Mr. Prakob Visitkitjakarn	Lead Independent Director/ Chairman of the Audit Committee/ Chairman of the Remuneration Committee
10	Mr. Kriang Yanyongdilok	Independent Director/ Audit Committee member/ Chairman of the Nominating Committee/ Remuneration Committee member
11	Mr. Samacha Potavorn	Independent Director/ Audit Committee member/ Nominating Committee member/ Remuneration Committee member
12	Mr. Neo Ah Chap	Independent Director

#### 5.4.2 List of the Company's Management as at 30 September 2016

No.	Name	Position
1	Mr. Viyavood Sincharoenkul	Chairman and Managing Director
2	Mr. Chaayos Sincharoenkul	Director
3	Mr. Kitichai Sincharoenkul	Director and Group Manager of Legal and Administration
4	Mr. Paul Sumade Lee	Director and Chief Marketing Officer
5	Mr. Veerasith Sinchareonkul	Director and Chairman of the Risk Committee
6	Mr. Patrawut Panitkul	Director and Chief Financial Officer
7	Mr. Li Shiqiang	Director
8	Mr. Chalernpop Khanjan	Director and Chief Operating Officer
9	Mr. Prakob Visitkitjakarn	Independent Director and Chairman of the Audit Committee
10	Mr. Kriang Yanyongdilok	Independent Director and Member of the Audit Committee
11	Mr. Samacha Potavorn	Independent Director and Member of the Audit Committee
12	Mr. Neo Ah Chap	Independent Director
13	Mrs. Prapai Srisuttiiphong	Group Manager of Procurement
14	Mr. Arsom Aksornnam	Group Production Manager
15	Mr. Chaidet Pruksanusak	Group Manager of Quality Assurance
16	Mr. Rattapong Laparojkit	Group Manager of Technical
17	Mr. Phanlert Wangsuphadilok	Group Manager of Technical
18	Mr. Udom Pruksanusak	CEO - Plantation
19	Ms. Nuchanart Chaiyarat	Group Manager of Human Resource
20	Ms. Thanawan Sa-ngiamsak	VP Business Development & Investor Relations

#### 5.4.3 List of the Top 10 Shareholders as at the Book Closure Date on 2 February 2017

No	Name	No. of Shares	%
1.	Sri Trang Holding Co., Ltd	283,152,760	22.1
2.	Mr. Viyavood Sincharoenkul	135,660,070	10.6
3.	Ms. Punnin-on Sirisuwat	45,335,800	3.5
4.	Thai NVDR Co., Ltd	37,632,830	2.9
5.	CITIBANK NOMS S'PORE PTE LTD	36,664,550	2.9
6.	Mr. Veerasith Sinchareonkul	22,791,000	1.8
7.	Mr. Vitanath Sincharoenkul	22,400,000	1.8
8.	CITIGROUP GLOBAL MARKETS LIMITED-PB CLIENT-NRBS COLLATERAL	21,726,050	1.7
9.	Mr. Vitchaphol Sincharoenkul	21,000,000	1.6
10.	UOB KAY HIAN PRIVATE LIMITED	18,615,075	1.5
11.	Others	635,021,865	49.6
	<b>Total</b>	<b>1,280,000,000</b>	<b>100.0</b>

Note: the above information was obtained from the Company, the Thailand Securities Depository Co., Ltd. and CDP.

#### Details of Shareholding of the Top 10 Shareholders of Sri Trang Holdings<sup>23</sup>

No.	Name of Major Shareholder	As at 16 November 2016	
		Number of Shares	Proportion of Direct Shareholding (%)
1	Mr. Viyavood Sincharoenkul	2,215,700	25.2
2	Ms. Susan Su	1,206,000	13.7
3	Mr. Sumade Sincharoenkul	967,860	11.0
4	Ms. Somsri Sirisuwat	672,000	7.6
5	Mr. Chaiyos Sincharoenkul	542,860	6.2
6	Paktai Rubber Limited Partnership <sup>24</sup>	528,000	6.0
7	Nguan Chiang Food Industry Co., Ltd.	448,000	5.1
8	Bradshaw Equities Holding Ltd.	440,000	5.0
9	Mr. Kitichai Sincharoenkul	348,880	4.0
10	Mrs. Woradee Sincharoenkul	226,840	2.6
11	Others	1,203,860	13.7
	<b>Total</b>	<b>8,800,000</b>	<b>100.00</b>

#### 5.5 Other information which may materially affect the decision making of investors (if any)

Please consider the details of the Asset Acquisition Transaction and the Asset Disposal Transactions which are contained in the Information Memorandum on Acquisition and Disposal of Assets under item (1).

<sup>23</sup> Sri Trang Holdings carries out a long-term investment business for returns in the form of dividends

<sup>24</sup> Mr. Viyavood Sincharoenkul, Mrs. Duangjai Sincharoenkul and Mr. Chaiyos Sincharoenkul are partners with limited liability

## 6. The opinion of the Board of Directors of the Company regarding adequacy of working capital.

In the acquisition of the SSC shares at the value of USD 180.1 million (or equivalent to approximately THB 6,573.7 million), the sources of funds used by the Company will consist of:

- Loans secured from financial institution(s);
- Dividend payments received from SSC and SAC on the Sale and Purchase Date;
- Consideration received from the disposal by the Company and Rubberland of shares and investments in various associate companies, namely SSH, SRP, SUSA and SESI
- Cash from operation (for other relevant costs and expenses incurred in relation to the Asset Acquisition Transaction and the Asset Disposal Transactions).

The amount can be illustrated approximately as detailed below.

Sources of Funds for the Acquisition of the Shares of SSC	Amount Before Tax Unit: USD million	Amount Before Tax Unit: THB million
Loans secured from financial institution(s)	115.30	4,208.38
Dividend payments received from SSC	47.55	1,735.64
Dividend payments received from SAC	12.75	465.38
Payment Consideration from the Asset Disposal Transactions	19.5	711.75
Total	195.10	7,121.15

It is expected that the acquisition will not significantly affect the liquidity and overall financial position of the Company in the future. The Company's Board of Directors is of the opinion that the sources of funds are sufficient for the acquisition of assets of the Company and will have no impact on level of working capital and business operation of the Company.

7. ***Pending Material Lawsuits or Claims (Numerical information in this part is information as at the date of preparation of this Information Memorandum<sup>25</sup>)***

Before mentioning the various claims, the Company would like to state that the majority of the disputes between Semperit and the Company are disputes in which Semperit is the claimant or commenced proceedings. The Company and SSC do not have any direct claims against Semperit. In addition, the directors of SSC who were nominated by Company have filed numerous claims against SSC and the directors of SSC who were nominated by Semperit to the Thai courts, due to opposing views on the lawfulness of the resolution of the Board of Directors and shareholders' meeting of SSC. However, as the Company is not a party against Semperit in the aforementioned disputes, the Company has not included them in this information memorandum.

On 5 September 2014, Semperit filed two requests for arbitration proceedings in Switzerland to the ICC International Court of Arbitration against the Company, Rubberland and other Thai shareholders of SSC.

In the first case, Semperit alleged that the Company, Rubberland and other Thai shareholders of SSC had breached the Joint Venture Agreement and other related agreements. Semperit claimed for damages of approximately THB 3,985-4,317 million plus interest and reserved the right to claim additional damages. In addition, Semperit requested the arbitral tribunals to issue orders demanding that the Company and Rubberland (and other shareholders of SSC) undertake or refrain from undertaking certain acts with respect to SSC.

The arbitral tribunal rendered a partial award on 24 March 2016, declaring that the arbitral tribunal in Switzerland has the jurisdiction to adjudicate the disputes brought by Semperit in this case and ordering the Company, Rubberland and other shareholders of SSC to cause SSC to grant access to certain commercial information of SSC to Semperit. However, the arbitral tribunal in Switzerland has not rendered an award on the issue of whether the Company and Rubberland are obligated to pay for damages as claimed by Semperit.

Semperit has filed a motion to request the enforcement of the partial award to the Court of Justice in Thailand. The Company and Rubberland are pursuing to oppose the said motion. The legal advisor of the Company is of the view that enforcement of the partial award in Thailand would be contrary to public order and the good morals of the people and would be in violation of the Arbitration Act B.E. 2545.

Apart from this, from the interpretation of the terms of the Joint Venture Agreement and other related agreements, and from strict application of Thai law, as well as the opinion from the legal advisor, the management of the Company believes that the Company and Rubberland do not have any obligation to pay damages as claimed by Semperit because they did not breach the Joint Venture Agreement and other related agreements with Semperit. Therefore, the outcome of these disputes should not have any material adverse effect on the business operation or the financial position of the Company and Rubberland.

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<sup>25</sup> In preparing the numerical information of material lawsuits and claims, the Company has applied the exchange rate of THB 36.00 per USD 1 (average selling rate from THB to USD which commercial banks applied to their customers as appears on the website of the Bank of Thailand as at 30 December 2016) as the reference rate.

In the second case, Semperit alleged that the Company and Rubberland breached the terms of the Joint Venture Agreement. On 6 May 2016, the Company and Rubberland came to be aware of the award of the second case from the arbitral tribunal in Switzerland. The Tribunal declared that resolutions of SSC's board of directors meetings (passed in violation of SSC's Articles of Association) are deemed enforceable and legally binding. The Company and Rubberland are ordered to amend SSC's Articles of Association to be consistent with the Joint Venture Agreement executed with Semperit as well as to compensate Semperit for the arbitration fees and other costs relating to the case in the total amount of approximately THB 100 million plus 5 percent interest per annum. Semperit filed a motion to request the enforcement of the award of the arbitral tribunal in Switzerland to the Courts of Justice in Thailand and in Singapore. Such motion for the enforcement of the award is the process by law and is in the early stages. The legal advisor of the Company is of the view that the arbitral award should not be enforceable against the Company and Rubberland in Thailand since, among others, the award deals with matters beyond the Tribunal's jurisdiction, is in breach of rules of natural justice and/or is contradictory to public order and good morals of the people, and its enforcement would violate the Arbitration Act B.E. 2545. Therefore, the management of the Company believe that the verdict of the second dispute should not have material adverse effect on the business operations or to the financial position of the Company and Rubberland.

The aforementioned disputes arose because, among others, the parties to the Joint Venture Agreement did not agree on the business plan to maintain and enhance the business competitiveness of SSC. 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. The management of the Company has set aside accrued expenses in the financial statements with respect to defending the disputes for the arbitral proceedings in Switzerland.

In addition to the aforementioned requests for arbitration proceedings against the Company and Rubberland as well as other Thai shareholders as the first case and the second case above, Semperit filed another arbitration case against SSC as the third case. Semperit alleged that SSC breached the Joint Venture Agreement and other commercial agreements entered into between SSC and Semperit and claimed for damages. Until now, Semperit has claimed for damages of approximately THB 1,674-2,339 million, plus interest and reserved the right to claim additional damages.

On 2 June 2016, the arbitral tribunal rendered a partial award in the third case, declaring that the arbitral tribunal in Switzerland has the jurisdiction to adjudicate the disputes brought by Semperit in this case and ordering SSC to grant Semperit access to the factory and its premises, including access to certain trade information of SSC. However, the arbitral tribunal in Switzerland has not rendered an award on the issue of whether SSC is obligated to pay damages as claimed by Semperit.

Semperit has filed a motion to request the enforcement of the partial award to a Court of Justice in Thailand. SSC is in the process of opposing such motion to request the enforcement of the partial award. The legal advisor of the Company is of the view that enforcement of the partial award in Thailand would be contrary to public order and the good morals of the people and would be in violation of the Arbitration Act B.E. 2545.

Apart from this, from the interpretation of the terms of the Joint Venture Agreement and other related agreements, and from strict application of Thai law, as well as the opinion from the legal advisor, the management of the Company believes that SSC has reasonable grounds to argue that SSC is not obligated

to pay damages as Semperit claimed. Therefore, the outcome of the dispute should not have any material adverse effect on the business operation or the financial position of the Company.

In addition, one of the disputed matters referred to arbitration against the Company and SSC above is Semperit's allegation that the Company and SSC had breached the agreement for non-competition in Europe, the area in which Semperit claims to have exclusive rights to distribute rubber gloves manufactured by SSC. Semperit requested that the arbitral tribunal prohibit the Company and SSC from distributing rubber gloves manufactured by SSC in countries in Europe. In this regard, the Cartel Court in the Republic of Austria, the country in which Semperit's headquarters is located, adjudicated that the non-competition agreement violates the competition law applicable in the Republic of Austria and the European Union and issued an order that Semperit will no longer be able to rely on such non-competition agreement. At present, Semperit has lodged an appeal against the decision of the Cartel Court. The case is currently pending before the Austrian Supreme Court.

Early in January 2017, the Company and Rubberland were served with a request for new arbitration proceedings in Switzerland. Semperit filed the request to the ICC International Court of Arbitration against the Company, Rubberland, and certain parties to the Joint Venture Agreement and other related agreements. Semperit alleged that the Company, Rubberland, and other parties had breached the Joint Venture Agreement and other related agreements, and requested the arbitral tribunal to issue an order for the Company, Rubberland, and other parties to refrain from undertaking any act constituting a breach of the agreements and initially claimed for damages of approximately THB 19 million. The management of the Company believes that the Company and Rubberland do not have any obligation to pay damages as claimed by Semperit because they did not breach the Joint Venture Agreement and other related agreements with Semperit.

**8. Interests or Connected Transactions Between the Listed Company and Directors, Management and Shareholders Directly or Indirectly Holding Shares Amounting to 10 Percent to More**

For the financial year ended 31 December 2015 and nine-month period ended 30 September 2016 the material related party transactions and the interested person transactions of the Company are as follows:

Related Parties	Relationship	Type of Transaction	Value of Transaction (Million Baht)		Necessity / Reasonableness of the Transaction	Opinion of the Audit Committee
			Consolidated Jan-Sep 2016	Consolidated Jan-Dec 2015		
<b>1. Pruksa Rubber Co., Ltd.</b>	The Executives officer of STA, Mr. Udom Pruksanusak and siblings, hold more than 50% of the shares in Pruksa Rubber Co., Ltd. Mr. Udom Pruksanusak is the authorized signatory of Pruksa Rubber Co., Ltd.	1.1 The Company <ul style="list-style-type: none"> <li>Sales of field latex</li> </ul>	2.1	1.6	The Company sold field latex to Pruksa Rubber Co., Ltd. because STA did not have an in-house logistic service team, and Pruksa Rubber Co., Ltd. purchased the field latex at the Company's rubber plantation. This provided administrative, distribution and labor cost savings to the Company. The selling price of field latex was the price set by the Company's procurement team on a daily basis.	Since the area of the Company's plantation which is mature for tapping was still small, it is better to control the Company's logistic and administrative costs by selling field latex to Pruksa Rubber Co., Ltd. at a reasonable price set by the Company's procurement team.
		1.2 Nam Hua Rubber <ul style="list-style-type: none"> <li>Purchase of field latex</li> </ul>	51.6	67.2	Nam Hua Rubber purchased field latex from Pruksa Rubber Co., Ltd. because the rubber plantations of Pruksa Rubber Co., Ltd. were located close to the factory and the purchasing center of Nam Hua Rubber.	Nam Hua Rubber required field latex as a raw material for the production of Concentrated Latex. The purchase price was at the



Related Parties	Relationship	Type of Transaction	Value of Transaction (Million Baht)		Necessity / Reasonableness of the Transaction	Opinion of the Audit Committee
			Consolidated Jan-Sep 2016	Consolidated Jan-Dec 2015		
					Moreover, Prukso Rubber Co., Ltd. was capable of supplying rubber of the quality and quantity as required by Nam Hua Rubber. The purchase price of the field latex was at the price that the Group announced to suppliers in front of its factory.	market price determined daily by the procurement department of the Group for the purpose of purchasing raw materials from other suppliers.
		1.3 Startex Rubber • Sales of field latex	0.5	0.5	Startex Rubber sold field latex to Prukso Rubber Co., Ltd. The selling price was based on market price.	The selling price that Startex Rubber sold field latex to Prukso Rubber Co., Ltd. was based on market price applied to other customers.

Related Parties	Relationship	Type of Transaction	Value of Transaction (Million Baht)		Necessity / Reasonableness of the Transaction	Opinion of the Audit Committee
			Consolidated Jan-Sep 2016	Consolidated Jan-Dec 2015		
<b>2. Mr. Somwang Sincharoenkul</b>	Father of: <ul style="list-style-type: none"> <li>• Mr. Viyavood Sincharoenkul, Chairman and Managing Director of the Company</li> <li>• Mr. Kitichai Sincharoenkul, Director of the Company; and</li> <li>• Mr. Paul Sumade Lee, Director of the Company</li> </ul>	Advisory Fees	3.9	5.1	Mr. Somwang Sincharoenkul was engaged as Honorary Adviser for the Company and advised the Company on goal & vision, business plans, investment plans, operational policy, raw material supply strategies, procurement, and engagement strategy with communities, local authorities and government agencies. The remuneration was THB 428,000 per month or THB 5,136,000 per year for every 2 year period starting from May 2014 to May 2016 and renewing on May 2016 to May 2018.	There was no comparable basis available in the market for the advice Mr. Somwang Sincharoenkul provided for the Company. Nevertheless, the remuneration was considered appropriate considering the extensive experience, expertise and time Mr. Somwang Sincharoenkul has contributed to the Company as the Honorary Adviser.

Related Parties	Relationship	Type of Transaction	Value of Transaction (Million Baht)		Necessity / Reasonableness of the Transaction	Opinion of the Audit Committee
			Consolidated Jan-Sep 2016	Consolidated Jan-Dec 2015		
<b>3.</b> The Board of Director of STA and subsidiaries consists of: <ul style="list-style-type: none"> <li>• Mr. Viyavood Sincharoenkul</li> <li>• Mr. Kitichai Sincharoenkul</li> <li>• Mr. Prasit Panichkul*</li> <li>• Mr. Chiyos Sincharoenkul</li> </ul>	Directors of the Company and the Company's subsidiaries	Personal guarantees have been provided on the loans that were extended to STA and subsidiaries by financial institutions.  (total loan amount guaranteed by directors)	267.0	267.0	Directors of the Company and its subsidiaries provided personal guarantees for the loans extended to the Company and its subsidiaries by financial institutions as part of loans' requirements.	Such support complied with the requirements set out in the sponsor support agreement and was made for the benefit of the Company and its subsidiaries. The directors acting as guarantors did not charge any fees for providing the personal guarantees.

\*Mr. Prasit Panichkul resigned as a director of the Company since 26 October 2015

## **9. Summaries of Material Contracts during the Past 2 Years and Contracts relating to this Acquisition and Disposal of Assets**

### **1. Umbrella Agreement between the Company, Semperit, and SSC**

- a) The Company and Semperit agree that SSC will make a dividend payment in Thai Baht equivalent to USD 118,200,000 (equivalent to approximately THB 4,314.3 million) to the shareholders of SSC (including the Company and Semperit) on the Sale and Purchase Date

The Company, as the shareholder owning 31.5 percent of the SSC shares, and Rubberland, as the shareholder owning 8.73 percent of the SSC shares, are entitled to the total payment of cash dividends of USD 47,551,860 (or equivalent to approximately THB 1,735.6 million) and Semperit is entitled to the payment of cash dividends of USD 59,100,000 (or equivalent to approximately THB 2,157.2 million).

- b) The Company and Semperit agree that SAC will make a dividend payment of USD 30,000,000 (or equivalent to approximately THB 1,095.0 million) to the shareholders of SAC (including the Company and Semperit) on the Sale and Purchase Date.

The Company and Rubberland, as the shareholders of 1,615,000 shares, or equivalent of 42.5 percent of the total issued and sold shares of SAC, are therefore entitled to the payment of dividends of USD 12,750,000 (or equivalent to approximately THB 465.4 million) and Semperit is entitled to the payment of dividends of USD 15,000,000 (or equivalent to approximately THB 547.5 million).

- c) The Company and Semperit agree that the Sale and Purchase Date shall be scheduled to take place on 15 March 2017 but in any case shall take place no later than 12 April 2017 (the Longstop Date)

In the event that the sale and purchase of the SSC shares does not occur within 15 March 2017, whether due to any reason, except for in the case that the supervisory board of Semperit does not approve such transaction, the parties agree that SSC will make an additional dividend payment to SSC's shareholders of USD 1,000,000 (or equivalent to approximately THB 36.5 million) for the beginning of every seven day period after 15 March 2017.

- d) If the sale and purchase of the SSC shares and various shares and investments do not take place within the Sale and Purchase Date due to the breach of any party as stated in the Umbrella Agreement, the defaulting party is obligated to make payment of damages of USD 15,000,000 (or equivalent to approximately THB 547.5 million) to the non-defaulting party.

- e) The Company and Semperit agree to terminate the Joint Venture Agreement between them, as well as the other obligations which survive after the termination of the Joint Venture Agreement, including any agreements between SSC and/or the other shareholders of SSC and Semperit (for example, the Technical Assistance Agreement, the Distribution Agreement, and the Trademark and Name Licensing Agreement of Semperit, etc.). The termination shall be effective on the Sale and Purchase Date and the parties agree not to bring any claims or legal proceedings against each other under the aforementioned agreements.

- f) The Company and Semperit agree to settle all pending disputes between each other, regardless of whether such disputes are currently in trial proceedings in a Thai or foreign court of law or foreign arbitration trial proceedings.
  - g) From the date of execution of the Umbrella Agreement to the Sale and Purchase Date, both parties agree to postpone all material case proceedings between each other as stated in the Umbrella Agreement, and agree not to commence any legal proceedings against the other party or its subsidiaries, act in accordance with any judgments, or enforce any rulings, or act or omit to carry out any act relating to the current disputes between them which may result in damage to or which may have an adverse affect on the other party or its subsidiaries, or which may affect the status of the current dispute.
2. Sale and Purchase Agreement for SSC Shares between the Company and Semperit
- Semperit agrees to sell 10,000 shares (equivalent to 50.0 percent of the total issued and sold shares of SSC) to the Company. The purchase of the SSC shares shall be completed only after the conditions precedent to the purchase of SSC shares have been satisfied. The conditions precedent are that:
- Semperit has obtained approval from its supervisory board with respect to the sale of all of the SSC shares held by Semperit to the Company and the acquisition of all shares and investments in various joint ventures from the Company; and
  - The Company has obtained approval from its shareholders to purchase all of the SSC shares from Semperit and to dispose of all of the shares and investments in various joint ventures to Semperit.
3. Sale and Purchase Agreement for Shares and Investments in SUSA, SSF, SESI, SSH and SRP between the Company, Semperit and SSC
- a) Under the Umbrella Agreement and other agreements related to the sale and purchase of the shares and investments in the joint ventures, the Company agrees to carry out the following:
    - The Company agrees to sell the 1,000 SUSA shares directly held by the Company (equivalent to 25.0 percent of the total issued and sold shares of SUSA) at the price of USD 6,500,000 (or approximately THB 237.3 million), and agrees to jointly coordinate with Semperit to procure that SSC will sell the 2,000 SUSA shares held by SSC (equivalent to 50.0 percent of the total issued and sold shares of SUSA) at the price of USD 13,000,000 (or approximately THB 474.5 million), totaling 3,000 shares (equivalent to 75.0 percent of the total issued and sold shares of SUSA) to Semperit (or a person designated by Semperit), and Semperit agrees to buy the SUSA shares from the Company and SSC. After the transaction, the Company and SSC will no longer hold any shares in SUSA.
    - The Company agrees to sell its investment in SSH (equivalent to 50.0 percent) to Semperit (or a person designated by Semperit), and Semperit agrees to buy the investment in SSH from the Company at the price of USD 8,000,000 (or approximately THB 292.0 million). After the transaction, the Company will no longer have any investments in SSH.
    - The Company agrees to sell its investment in SRP (equivalent to 10.0 percent) to Semperit (or a person designated by Semperit), and Semperit agrees to buy the investment in SRP from the Company at the price of USD 4,000,000 (or

approximately THB 146.0 million). After the transaction, the Company will no longer have any investments in SRP.

- The Company agrees to sell 4,000,000 SESI shares (equivalent to 50.0 percent of the total issued and sold shares of SESI) to Semperit (or a person designated by Semperit), and Semperit agrees to buy SESI shares from the Company at the price of USD 1,000,000 (or approximately THB 36.5 million). After the transaction, the Company will no longer hold any shares in SESI, nor in Formtech Engineering (M) SDN. BHD. and Sempermed Brasil Comercio Exterior Ltda., which are companies in which SESI holds shares.
  - SSC agrees to sell its investment in SSF and all of the shares in SUSA to Semperit (or a person designated by Semperit) at the price of USD 3,200,000 (or approximately THB 116.8 million) and USD 13.0 million (or approximately THB 474.5 million), respectively. After the transaction, SSC will no longer have any investments in SSF or any shares in SUSA.
- b) The Company and Semperit agree that the closing dates for the sale and purchase of shares and investments shall be the same date as the Sale and Purchase Date. However, the sale and purchase of investments in SRP, SSF and SSH may be completed at a later date than 12 April 2017 due to limitations of periods of time required under Chinese laws and regulations, but in any case no later than 31 December 2017.
- c) The abovementioned sales and purchases will be completed only after the conditions precedent specified in the relevant agreements have been satisfied.
- d) The Company and Semperit agree to terminate the Joint Venture Agreements of SSH, SRP, SUSA, and SESI entered into between them, as well as the other obligations which survive the termination of the Joint Venture Agreements, including agreements between SSH, SRP, SUSA or SESI (including subsidiaries of SESI) on the one part, and Semperit, the Company or its group companies, and SSC on the other part (for example, the Technical Assistance Agreement the Distribution Agreement, and the Trademark and Name Licensing Agreement of Semperit, etc.).
4. Call Option Agreement with respect to SAC shares between Semperit, the Company, and the other shareholders of SAC (this agreement has not been executed and will be executed on the Sale and Purchase Date)
- a) The Company and Rubberland agree to grant Semperit (or a person designated by Semperit) a Call Option to buy all 1,615,000 SAC shares held by the Company and Rubberland (equivalent to 42.50 percent of the total issued and sold shares of SAC) at the exercise price of USD 51,000,000 (or equivalent to a total of approximately THB 1,861.5 million) in the period between 30 June 2019 until 30 June 2021 (the “**Option Period**”).
- b) In the case that Semperit exercises its right to buy shares under the Call Option Agreement, the Company will no longer hold any shares in SAC.
- c) During the Option Period, the Company and Rubberland (including other shareholders of SAC, with the exception of Semperit) agree not to dispose of or create any encumbrances on the SAC shares and the purchase of the SAC shares.
- d) The purchase of the SAC shares under the Call Option Agreement shall be subject to certain conditions precedent, for example, obtaining approvals from the relevant authorities (if any).

5. SAC Joint Venture Agreement

Regarding the third amendment of the SAC Joint Venture Agreement (which at present has not been executed, and will be executed on the Sale and Purchase Date), the shareholders of SAC and SAC have agreed to amend certain details in the Joint Venture Agreement and articles of association of SAC in order to clarify and prevent conflict in interpreting the parts relating to corporate governance, as well as the declaration of dividends by SAC.

**10. Proxy Form with At Least One Name of a Member of the Audit Committee Being Nominated as Shareholder's Proxy.**

The members of the Audit Committee nominated as shareholder's proxies are: Mr. Prakob Visitkitjakarn, Mr. Kriang Yanyongdilok and Mr. Samacha Potavorn. The information of the relevant members of the Audit Committee supporting their nomination as a proxy is contained in enclosure no. 7 of the invitation to attend Extraordinary General Meeting of Shareholders No. 1/2017