

Management Structure

Committees of STA

As of 31 December 2013, the corporate structure of STA consists of six committees which are the Board of Directors of STA, the Audit Committee, the Executive Committee, the Nominating Committee, the Remuneration Committee, and the Risk Management Committee.

The Board of Directors of STA

As of 31 December 2013, the Board of Directors of STA consists of 10 directors* as follows:

Name	Position	Remarks
1. Mr. Viyavood Sincharoenkul	Chairman /Managing Director/ Executive Committee	Executive Director
2. Mr. Prasit Panidkul	Vice-chairman/ Executive Committee	Executive Director
3. Mr. Chaiyos Sincharoenkul	Director/ Executive Committee	Executive Director
4. Mr. Kitichai Sincharoenkul	Director/ Executive Committee/ Nominating Committee member	Executive Director
5. Mr. Paul Sumade Lee	Director/ Executive Committee	Executive Director
6. Mr. Veerasith Sinchareonkul	Director/ Chairman of the Risk Management Committee	Non-Executive Director
7. Mr. Prakob Visitkitjakarn	Lead Independent Director/ Chairman of the Audit Committee/ Chairman of the Remuneration Committee	Non-Executive Director
8. Mr. Kriang Yanyongdilok	Independent Director/ Audit Committee member/ Chairman of the Nominating Committee/ Remuneration Committee member	Non-Executive Director
9. Mr. Samacha Potavorn	Independent Director/ Audit Committee member/ Nominating Committee member/ Remuneration Committee member	Non-Executive Director
10. Mr. Neo Ah Chap	Independent Director	Non-Executive Director

Mrs. Pacharin Anuwongwattanachai is a secretary to the Board of Directors of the Company.

Note*: The resignation of Mr. Anan Pruksanusak as a director and executive director of the Company was effective from 13 May 2013 onwards.

Authorized Directors of STA

Any two of six of the following directors of the Company, Mr. Viyavood Sincharoenkul, Mr. Chaiyos Sincharoenkul, Mr. Prasit Panidkul, Mr. Kitichai Sincharoenkul, Mr. Veerasith Sinchareonkul and Mr. Lee Paul Sumade, shall jointly sign with STA's seal affixed.

Honorary Advisor of the Company

The Board of Directors Meeting No. 2/2012 held on 9 March 2012 resolved to approve the continuance of the engagement of Mr. Somwang Sincharoenkul as the Honorary Advisor of STA for another 2 years. Such advisory services are as follows:

1. Advise on the formulation of the Company's goals and vision.
2. Advise on the Company's investment and business plans and the business operation policy of the Company, both domestically and internationally.
3. Advise on strategies in relation to the use of raw materials, procurement, price and quantity in each period pursuant to the local conditions.
4. Advise on dealings with communities, local authorities and government agencies in the southern part of Thailand.

Mr. Somwang Sincharoenkul does not have any participation in the Company's operation. His remuneration starting from 6 May 2012 to 6 May 2014 is Baht 400,000 per month or Baht 4,800,000 per year. This transaction is considered as a connected transaction which continues to be carried out in the future.

Scope of Duties and Responsibilities of the Board of Directors of STA

STA has determined the scope of duties and responsibilities of the Board of Directors of STA as follows:

1. Duties of the Board of Directors

The Board of Directors of STA shall perform its duties with knowledge, ability, and experience to benefit the business operation of the Company. The Board of Directors shall also perform its duties in accordance with STA's objectives, its Articles of Association and shareholders' resolutions with due care in order to protect the interests of STA and be responsible to STA shareholders. According to the Articles of Association of STA, a meeting of the Board of Directors shall be held at least once in every three months.

2. Review and Approve the Appropriate Policies

The Board of Directors of STA is responsible for proposing, reviewing and approving STA's policies and business direction.

3. Supervision of the Executive Committee

The Board of Directors of STA shall supervise the Executive Committee to ensure that the policies set out are followed efficiently and that they notify the Board of Directors to propose material matters in relation to the significant business operations of STA and connected transactions to be in accordance with the regulations of the SEC, the SET and the SGX-ST.

If necessary, the Board of Directors of STA may appoint the advisor(s) to advise or provide professional opinions to support the significant business decisions of STA.

4. Arrange the Efficient Internal Control and Internal Audit Systems

The Board of Directors of STA shall arrange efficient internal control and internal audit systems, in particular in respect of transactions in which the director(s) have an interest and are required to be approved by the shareholders' meeting pursuant to the law as well as the SET and SGX-ST regulations.

In any case, the assignment of the duties and responsibilities of the Board of Directors of STA shall not constitute an authorization or sub-authorization which may cause the Board of Directors of STA or its assignee to be able to approve any transaction in which such person or other related party (as defined in the Notification of the SEC or the notification of the Capital Market Supervisory Board) may have a conflict of interest or may benefit in any manner, or any other conflict of interest with STA or its subsidiaries, except when the approvals of such transactions are consistent with the policy and criteria approved by the shareholders meeting or the Board of Directors meeting of STA.

Composition and Appointment of the Board of Directors of STA

The following is a summary of the composition, appointment, removal or retirement from the Board of Directors of STA set forth in the Articles of Association of STA:

1. The number of members of the Board of Directors of STA shall be determined by a shareholders meeting but shall be not less than five persons and not less than one-half of the total number of Directors must reside in the Kingdom of Thailand.
2. Directors shall be elected at a shareholders meeting in accordance with the following criteria and procedures:
 - (1) Each shareholder shall have one vote for one share.
 - (2) A shareholder must use all of his/her votes in (1) to elect one or several persons as Director or Directors, however, he or she may not split his/her votes unequally between any person in any number.
 - (3) The persons who receive the most votes shall be elected as Directors, in the number of Directors required or to be elected on the relevant occasion. In the event that votes of two or more nominees are equal in number, causing the number of Directors required or to be elected on such relevant occasion to be exceeded, the chairman of the meeting shall have a casting vote.
3. At every annual general meeting, one-third of the Directors, or, if the number of Directors is not a multiple of three, then the number nearest to one-third, shall retire from office.

The Directors who are to retire from office in the first and the second years after registration of the Company shall be drawn by lots. In subsequent years, the Directors who have been holding office for the longest time shall retire.

4. Any Director wishing to resign from office shall submit his or her resignation letter to STA. The resignation shall be effective from the date on which STA receives the resignation letter.
5. The shareholders meeting may pass a resolution to remove any Director from office prior to rotation, by a vote of not less than three-fourths of the number of the shareholders attending the meeting and having the right to vote, and whose shares represent a total of not less than one half of the number of shares held by the shareholders attending the meeting and having the right to vote.

The Board currently comprises ten Directors, four of whom are Independent Directors. The Company has five Executive Directors and five Non-executive Directors.

The composition of the Board takes into consideration the nature and scope of the Group's operations to allow constructive discussion, a diversity and balance of judgment for effective decision making. The Directors have invaluable experience in accounting, finance, business management, strategic planning, marketing, law and the rubber industry.

Selection of Independent Director

Qualifications of Independent Director

1. Holding shares not exceeding one percent of the total number of shares with voting rights of STA, its parent company, subsidiary company, associate company, major shareholder or controlling person of STA, including shares held by related persons of such independent director.
2. Not having any relationship with (a) STA; (b) STA's holding company, subsidiary or fellow subsidiary; (c) any person who has an interest or interests in one or more voting shares in STA and the total votes attached to that share, or those shares, is not less than ten percent of the total votes attached to all the voting shares in STA ("10% Shareholder"); and/or (d) STA's officers, that could interfere or be reasonably perceived to interfere with the exercise of the Director's independent business judgment with a view to the best interests of STA.
3. Neither being nor having an immediate family member who is or was, in the current or immediate past financial year, a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which STA or any of its subsidiaries made, or from which STA or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year.
4. Not being nor having been directly associated with a ten percent shareholder of STA in the current or immediate past financial year.
5. Neither being nor having been an executive director, employee, staff, advisor who receives salary, or a controlling person of STA, its parent company, subsidiary company, associate company, same-level subsidiary company, major shareholder or controlling person of STA, unless the foregoing status ended not less than three financial years prior to the appointment as an independent director. Such prohibited characteristic shall not include the case where the independent director used to be a government official or advisor(s) of a government unit which is a major shareholder or controlling person of STA.
6. Not being a person related by blood or legal registration as father, mother, spouse, sibling, and child, including spouse of child, of a director, executive, major shareholder, controlling person, or person to be nominated as director, executive or controlling person of STA or its subsidiary company.
7. Not have an immediate family member including spouse, child, adopted child, stepchild, brother, sister and parent, who is, or has been in any of the past three financial years, employed by the Company or any of its related companies and whose remuneration is determined by the remuneration committee.

8. Not being a director or having an immediate family member including spouse, child, adopted child, stepchild, brother, sister, and parent, accepting any compensation from STA or any of its related corporations for the provision of services, other than compensation for board service, for the current or immediate past financial year.
9. Neither having nor having had a business relationship with STA, its parent company, subsidiary company, associate company, major shareholder or controlling person, in the manner which may interfere with his independent judgement, and neither being nor having been a significant shareholder or controlling person of any person having a business relationship with STA, its parent company, subsidiary company, associate company, major shareholder or controlling person, unless the foregoing relationship ended not less than two years prior to the appointment as an independent director.
10. Neither being nor having been an auditor of STA, its parent company, subsidiary company, associate company, major shareholder or controlling person of STA, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of STA, its parent company, subsidiary company, associate company, major shareholder or controlling person of STA, unless the foregoing relationship ended not less than two years prior to the appointment as an independent director.
11. Neither being nor having been a provider of any professional services including those as legal advisor or financial advisor who receives service fees exceeding two million baht per year from STA, its parent company, subsidiary company, associate company, major shareholder or controlling person of STA, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship ended not less than two years prior to the appointment as an independent director.
12. Not being a director appointed as representative of directors of STA, major shareholder or shareholder who is related to a major shareholder, or a director who is or has been directly associated with a 10% Shareholder, in the current or immediate past financial year. A director will be considered "directly associated" with a 10% Shareholder when the director is accustomed or under obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% Shareholder in relation to the corporate affairs of STA.
13. Not undertaking any business in the same nature and in competition to the business of STA or its subsidiary company or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holds shares exceeding one percent of the total number of shares with voting rights of other company which undertakes business in the same nature and in competition to the business of STA or its subsidiary company.
14. Not having any other characteristics which would cause the inability to express independent opinions with regard to STA's business operations.

The qualifications of the Independent Director of STA are more stringent than the definitions as specified in the notification of the Capital Market Supervisory Board.

The Nominating Committee is also guided by the Code of Corporate Governance 2012 in determining independence.

The Board of Directors is of the opinion that both Mr. Prakob Visitkitjakarn and Mr. Kriang Yanyongdilok, who have served as Independent Directors for STA beyond nine years, should continue to serve as Independent Directors of STA as they have the qualifications required by the Capital Market Supervisory Board and Code of Corporate Governance 2012 and do not have any characteristics which would cause them to be unable to express their independent opinions with regard to STA's business operations. During their respective terms of appointment, both Mr. Prakob Visitkitjakarn and Mr. Kriang Yanyongdilok have performed their duty as Audit Committee and Remuneration Directors for the benefit and the good governance of the Company.

Executive Committee

As of 31 December 2013, the Executive Committee consisted of 5 Directors* as shown below.

Name	Position
1. Mr. Viyavood Sincharoenkul	Chairman of Executive Director
2. Mr. Prasit Panidkul	Executive Director
3. Mr. Chaiyos Sincharoenkul	Executive Director
4. Mr. Kitichai Sincharoenkul	Executive Director
5. Mr. Paul Sumade Lee	Executive Director

Note*: The resignation of Mr. Anan Pruksanusak as a director and executive director of the Company was effective from 13 May 2013 onwards.

Scope of Duties and Responsibilities of the Executive Committee

- To order, plan, and operate the business of STA to be in accordance with the policies set out by the Board of Directors of STA.
- To appoint STA's management to efficiently and transparently manage STA's businesses.
- Any two of the Executive Committee members jointly signing and affixing the company seal are eligible to grant proxies to any person to perform on behalf of STA in respect of any business that will benefit STA.
- To determine the appropriate employees' benefits and welfare in compliance with corporate culture and applicable laws.
- To approve the credit limits of the normal business transactions or other transactions that bind STA.

In any case, the assignment of duties and responsibilities of the Executive Committee shall not constitute an authorization or sub-authorization which may cause the Executive Committee or its assignee to be able to approve any transaction in which such person or other related party (as defined in the Notification of the SEC or the Capital Market Supervisory Board) may have a conflict of interest or may benefit in any manner or any other conflict of interest with STA or its subsidiaries. Such approval must be proposed at a meeting of the Board of Directors and/or the meeting of shareholders, as the case may be, for approval, as stipulated in the Articles of Association of STA or subsidiaries, or any applicable laws.

Audit Committee

The Audit Committee consists of 3 independent directors and all have the qualifications required by the Capital Market Supervisory Board and the SET. As of 31 December 2013, the Audit Committee consists of the following directors:

Name	Position
1. Mr. Prakob Visitkitjakarn	Chairman of the Audit Committee
2. Mr. Kriang Yanyongdilok	Audit Committee Member
3. Mr. Samacha Potavorn	Audit Committee Member

Mr. Prakob Visitkitjakarn and Mr. Kriang Yanyongdilok are the Audit Committee members who have sufficient knowledge and experience to review the reliability of financial statements of STA.

Mr. Wittawas Krungtaenmuang is a secretary to the Audit Committee.

Scope of Duties and Responsibilities of the Audit Committee

- 1 To assist the Board of Directors in the discharge of its responsibilities on financial and accounting matters (including reviewing STA's financial reporting process and our Company's consolidated financial statements to ensure accuracy and adequacy).
- 2 To review our Company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit.
- 3 To review our Company's compliance with the law on securities and exchange, the regulations of the SET, the rules of SGX-ST, and the laws relating to business of STA.
- 4 To consider, select and nominate an independent person to be STA's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year.
- 5 To review the connected transactions, interested person transactions or the transactions that may lead to conflicts of interest, to ensure that they are in compliance with the laws and the regulations of the SGX-ST and the SET, and are reasonable and in the best interests of STA.
- 6 To prepare, and to disclose in our Company's annual report, an Audit Committee's report which must be signed by the Chairman of the Audit Committee and consist of at least the following information:
 - (1) an opinion on the accuracy, completeness and credibility of the company's financial report;
 - (2) an opinion on the adequacy of the company's internal control system;
 - (3) an opinion on the compliance with the law on securities and exchange, the regulations of the SET, the rules of SGX-ST, or the laws relating to the STA's business;

- (4) an opinion on the suitability of the auditor of STA;
 - (5) an opinion on the transactions that may lead to conflicts of interests;
 - (6) the number of the Audit Committee meetings, and the attendance at such meetings by each committee member;
 - (7) an opinion or overview of comments received by the Audit Committee from its performance of duties in accordance with the charter; and
 - (8) other transactions which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, within the scope of duties and responsibilities assigned by the company's board of directors.
7. To commission and review the findings of significant internal investigations and/or consult with the auditor in relation to such findings and report the findings to the Board of Directors of STA in the event that there is any suspected fraud or irregularity or infringement of any law or regulations of Thailand and Singapore, the rules of the SET and SGX-ST, or other relevant regulations which has or is likely to have a material impact on the results of operations and/or financial position of STA.
 8. To review the audit plans, scope of work and results of our audits compiled by our internal and external auditors.
 9. To review the co-operation given by our officers to the external auditors.
 10. To review our risk management structure (including all hedging policies) and any oversight of our risk management processes and activities to mitigate and manage risk at acceptable levels determined by our Directors.
 11. To perform any other act as delegated by the Board of Directors and approved by the Audit Committee.

Nominating Committee

As of 31 December 2013, the Nominating Committee of STA consists of 3 Directors as follows:

Name	Position
1. Mr. Kriang Yanyongdilok	Chairman of the Nominating Committee
2. Mr. Samacha Potavorn	Nominating Committee Member
3. Mr. Kitichai Sincharoenkul	Nominating Committee Member

Scope of Duties and Responsibilities of the Nominating Committee

1. Reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board of Directors of STA for the appointment of Directors.
2. Reviewing and recommending nominations for appointment, re-appointment or re-election or renewal of appointment of the Directors having regard to the Director's contribution and performance.
3. Determining annually whether or not a Director is independent.

4. Deciding whether or not a Director is able to and has been adequately carrying out his duties as a director.

Certain factors considered by the Nominating Committee in order to carry out their responsibilities above include:

- Independence of mind;
- Capability of the individual and how it meets the needs of the Company and simultaneously complements the skill set of the other Board members;
- Experience and track record as directors in other companies; and
- Ability to commit time and effort toward discharging his responsibilities as a Director.

Nomination of Directors

The Nominating Committee will nominate candidates who have appropriate qualifications to be a Director of STA. At the end of the office term of any Director or when it is necessary to appoint more Directors, the Nominating Committee will jointly discuss and consider determining the person(s) with appropriate experience, knowledge and ability to benefit STA to be a Director of STA. The nomination of the aforementioned person(s) will be proposed to the meeting of the Board of Directors of STA and the meeting of shareholders, respectively, for further approval.

The resolution of the meeting of shareholders for the appointment of directors will be the majority of votes of the shareholders attending the meeting and having the right to vote.

Remuneration Committee

As of 31 December 2013, the Remuneration Committee consists of 3 Directors as follows:

Name	Position
1. Mr. Prakob Visitkitjakarn	Chairman of the Remuneration Committee
2. Mr. Kriang Yanyongdilok	Remuneration Committee Member
3. Mr. Samacha Potavorn	Remuneration Committee Member

Scope of Duties and Responsibilities of the Remuneration Committee

Our Remuneration Committee is responsible, among other things, for recommending to the Board of Directors a framework and criteria of remuneration for the Directors and executive officers, and for recommending specific remuneration packages for each Director and the Managing Director and to perform any other acts as delegated by the Board of Directors.

Risk Management Committee

As of 31 December 2013, the Risk Management Committee consists of 5 Directors as follows:

Name	Position
1. Mr. Veerasith Sinchareonkul	Chairman of the Risk Management Committee
2. Mr. Chaidet Pruksanusak	Risk Management Committee
3. Mr. Chalernpop Khanjan	Risk Management Committee
4. Mr. Patrawut Panitkul	Risk Management Committee
5. Mr. Nattee Touchamongkon	Risk Management Committee

Mr. Kitipong Phetkul is a Secretary of Risk Management Committee.

Scope of Duties and Responsibilities of the Risk Management Committee

- Review policy and specify the risk management framework.
- Recommend solutions for the risk management of all departments.
- Monitor and evaluate risks and approve roles and responsibilities regarding the risk management for each relevant units.

Details of Attendance for the Meetings of the Board of Directors and Board Committees

Details of the meeting attendance for the meetings of the Board of Directors, Executive Committee and Audit Committee in 2013 are as follows:

Name	No. of Attendances		No. of Attendances		No. of Attendances	
	Board of Directors		Executive Committee		Audit Committee	
	2013	(%)	2013	(%)	2013	(%)
1. Mr. Viyavood Sincharoenkul	4/4	100	6/6	100	-	-
2. Mr. Prasit Panidkul	4/4	100	6/6	100	-	-
3. Mr. Chaiyos Sincharoenkul	4/4	100	6/6	100	-	-
4. Mr. Anan Pruksanusak*	1/1	100	6/6	100	-	-
5. Mr. Kitichai Sincharoenkul	4/4	100	6/6	100	-	-

Note*: The resignation of Mr. Anan Pruksanusak as a director and executive director of the Company was effective from 13 May 2013 onwards.

Name	No. of Attendances		No. of Attendances		No. of Attendances	
	Board of Directors		Executive Committee		Audit Committee	
	2013	(%)	2013	(%)	2013	(%)
6. Mr. Paul Sumade Lee	3/4	75	6/6	100	-	-
7. Mr. Veerasith Sinchareonkul	4/4	100	-	-	-	-
8. Mr. Prakob Visitkitjakarn	4/4	100	-	-	8/8	100
9. Mr. Kriang Yanyongdilok	4/4	100	-	-	8/8	100
10. Mr. Samacha Potavorn	4/4	100	-	-	8/8	100
11. Mr. Neo Ah Chap	4/4	100	-	-	-	-

Name	No. of Attendances		No. of Attendances		No. of Attendances	
	Nominating Committee		Remuneration Committee		Risk Management Committee	
	2013	(%)	2013	(%)	2013	(%)
1. Mr. Viyavood Sincharoenkul	-	-	-	-	-	-
2. Mr. Prasit Panidkul	-	-	-	-	-	-
3. Mr. Chaiyos Sincharoenkul	-	-	-	-	-	-
4. Mr. Anan Pruksanusak*	-	-	-	-	-	-
5. Mr. Kitichai Sincharoenkul	1/1	100	-	-	-	-
6. Mr. Paul Sumade Lee	-	-	-	-	-	-
7. Mr. Veerasith Sinchareonkul	-	-	-	-	1/1	100
8. Mr. Prakob Visitkitjakarn	-	-	2/2	100	-	-
9. Mr. Kriang Yanyongdilok	1/1	100	2/2	100	-	-
10. Mr. Samacha Potavorn	1/1	100	2/2	100	-	-
11. Mr. Neo Ah Chap	-	-	-	-	-	-

Note*: The resignation of Mr. Anan Pruksanusak as a director and executive director of the Company was effective from 13 May 2013 onwards.

Executives (pursuant to the definition of “Executive”* in the SEC’s notification no. GorJor. 17/2551 re: Determination of Definitions under Notifications relating to Issuance and Offering of Securities)

As of 31 December 2013, the list of Executives of STA is as follows:

Name	Position
1. Mr. Viyavood Sincharoenkul	Chairman and Managing Director
2. Mr. Prasit Panidkul	Vice Chairman
3. Mr. Chaiyos Sincharoenkul	Director
4. Mr. Kitichai Sincharoenkul	Director and Manager of Legal and Administration
5. Mr. Paul Sumade Lee	Director and Manager of Sales and Marketing
6. Mr. Veerasith Sinchareonkul	Director
7. Mr. Prakob Visitkitjakarn	Independent Director and Chairman of the Audit Committee
8. Mr. Kriang Yanyongdilok	Independent Director and Member of the Audit Committee
9. Mr. Samacha Potavorn	Independent Director and Member of the Audit Committee
10. Mr. Neo Ah Chap	Independent Director
11. Mrs. Prapai Srisuttiiphong	Group Procurement Manager
12. Mr. Chalernpop Khanjan	Co-Group Production Manager
13. Mr. Arsom Aksornnam	Co-Group Production Manager
14. Mr. Chaidet Pruksanusak	Group Quality Assurance Manager
15. Mr. Rattapong Laparojkit	Co-Group Engineering Manager
16. Mr. Phanlert Wangsuphadilok	Co-Group Engineering Manager
17. Mr. Udom Pruksanusak	Co-Group Human Resource Manager
18. Ms. Nuchanart Chaiyarat	Co-Group Human Resource Manager
19. Ms. Lim Li Ping	Controller
20. Mr. Patrawut Panitkul	Chief Financial Officer

Note*: “Executive” means a director, manager or the next four executives succeeding the manager, a person holding an equivalent position to the fourth executive, including a person holding the position of manager or equivalent in the accounting or finance departments.

Scope of Authorities and Responsibilities of the Managing Director

1. Approve any juristic act binding the company for the normal business operation of STA in an amount not exceeding Baht 200,000,000.
2. Issue and amend the rules, orders, and work rules of STA, for example, the acceptance, appointment, removal and disciplining of staff and employees, and the determination of salary and other monies, including compensation and other welfare.
3. Determine the salary rate and other remuneration, including expenses rate and facilities of the manager or equivalent for proposing to the Executive Committee for further approval.
4. Administer STA pursuant to the resolutions and policies of the Board of Directors of STA.
5. Propose significant matters to the Board of Directors of STA or the meeting of shareholders for further approval or other appropriate action.
6. Study the feasibility of new projects and consider and approve the projects as delegated by the Board of Directors of STA and the Executive Committee.
7. Perform other matters as delegated by the Board of Directors of STA and/or the Executive Committee from time to time.

However, the above mentioned approvals shall not be given in a way that may cause the Managing Director or his authorized representative to be able to approve any transaction in which he himself or any related person has or may have a conflict of interest with STA or its subsidiaries as defined in the Notification of the SEC or the Capital Market Supervisory Board.

Company Secretary

The Board of Directors of STA resolved to approve the appointment of Mrs. Pacharin Anuwongwattanachai, who had an appropriate qualification, graduated in accounting, passed the company secretary training program and other related training programs, as well as possessed skill, knowledge, understanding in business, laws and other related regulations, as the Company Secretary (the “Company Secretary”) by having the duties and responsibilities as provided in the Securities and Exchange Act, including providing advices on and ensuring compliance with relevant laws and regulations which the Board is required to know and follow. The Company Secretary attends and documents all Board meetings and ensures Board procedures are followed. The appointment and removal of the Company Secretary is subject to the approval of the Board in the Securities and Exchange Act.

Remuneration of Directors and Executive Officers

Financial Remuneration

(1) Directors’ Fees

For the fiscal year ended 31 December 2013, STA paid the directors’ fees to the Directors in the amount of Baht 5,722,200 for services rendered by them in forms of monetary remuneration. The details are as follows:

Name	Amount of Directors' Fees (Baht)
	Fiscal year ended 31 December 2013
1. Mr. Viyavood Sincharoenkul	633,600
2. Mr. Prasit Panidkul	475,200
3. Mr. Chaiyos Sincharoenkul	475,200
4. Mr. Anan Pruksanusak*	178,200
5. Mr. Kitichai Sincharoenkul	475,200
6. Mr. Paul Sumade Lee	475,200
7. Mr. Veerasith Sinchareonkul	475,200
8. Mr. Prakob Visitkitjakarn	792,000
9. Mr. Kriang Yanyongdilok	633,600
10. Mr. Samacha Potavorn	633,600
11. Mr. Neo Ah Chap	475,200

Note*: The resignation of Mr. Anan Pruksanusak as a director and executive director of the Company was effective from 13 May 2013 onwards.

(2) Remuneration of the Directors and Executive Officers

For the fiscal year ended 31 December 2013, STA paid remuneration to the Executive Directors and Executive Officers, totaling 20 persons, in the amount of Baht 282,655,723.50 of which Baht 28,310,978 was paid to the top five key management personnel who are not directors or the CEO. Such remuneration was in the form of salary, bonus and other compensation.

Fees and compensation paid by our Company to each of our Directors and each of the top five Executive Officers of STA (for services rendered by them in all capacities to STA and our subsidiaries), in remuneration bands* for year ended 31 December 2013, are as follows:

Name	Amount of Remuneration Paid by STA	Salary (%)	Bonuses (%)	Director's Fee (%)	Total (%)
1. Mr. Viyavood Sincharoenkul	Band T	31.12	68.32	0.56	100
2. Mr. Prasit Panidkul	Band B	53.39	42.32	4.29	100
3. Mr. Chaiyos Sincharoenkul	Band C	31.85	64.98	3.17	100

Name	Amount of Remuneration Paid by STA	Salary (%)	Bonuses (%)	Director's Fee (%)	Total (%)
4. Mr. Anan Pruksanusak	Band B	9.57	88.31	2.12	100
5. Mr. Kitichai Sincharoenkul	Band C	42.41	54.70	2.89	100
6. Mr. Paul Sumade Lee	Band J	14.70	84.50	0.80	100
7. Mr. Veerasith Sinchareonkul	Band A	49.17	19.67	31.16	100
8. Mr. Prakob Visitkitjakarn	Band A	-	-	100	100
9. Mr. Kriang Yanyongdilok	Band A	-	-	100	100
10. Mr. Samacha Potavorn	Band A	-	-	100	100
11. Mr. Neo Ah Chap	Band A	-	-	100	100

Top five Executive Officers

1. Mrs. Prapai Srisuttiphong	Band B	22.43	77.57	-	100
2. Mr. Patrawut Panitkul	Band A	20.76	79.24		100
3. Mr. Rattapong Laparajkit	Band A	42.18	57.82		100
4. Ms. Lim Li Ping	Band A	85.55	14.45	-	100
5. Mr. ChalermPOP Khanjan	Band A	60.91	39.09	-	100

Note*:

Remuneration bands:

Band A means between SGD 1 and SGD 250,000.

Band B means between SGD 250,001 and SGD 500,000.

Band C means between SGD 500,001 and SGD 750,000.

Band D means between SGD 750,001 and SGD 1,000,000.

Band E means between SGD 1,000,001 and SGD 1,250,000.

Band F means between SGD 1,250,001 and SGD 1,500,000.

Band G means between SGD 1,500,001 and SGD 1,750,000.

Band H means between SGD 1,750,001 and SGD 2,000,000.

Band I means between SGD 2,000,001 and SGD 2,250,000.

Band J means between SGD 2,250,001 and SGD 2,500,000.

Band K means between SGD 2,500,001 and SGD 2,750,000.

Band L means between SGD 2,750,001 and SGD 3,000,000.

Band M means between SGD 3,000,001 and SGD 3,250,000.

Band N means between SGD 3,250,001 and SGD 3,500,000.

Band O means between SGD 3,500,001 and SGD 3,750,000.

Band P means between SGD 3,750,001 and SGD 4,000,000.

Band Q means between SGD 4,000,001 and SGD 4,250,000.

Band R means between SGD 4,250,001 and SGD 4,500,000.

Band S means between SGD 4,500,001 and SGD 4,750,000.

Band T means between SGD 4,750,001 and SGD 5,000,000.

Remuneration bands are based on the average (Baht: SGD) foreign exchange rates for the stipulated year, being SGD 1 to Baht 24.5528.

Compensation includes benefit-in-kinds and compensation that has already been paid includes any deferred compensation accrued for the financial year in question and payable at a later date. The estimated amount of compensation payable in the current financial year includes bonus or profit-sharing plan or any other profit-linked agreement or arrangement.

Sri Trang International Pte. Ltd. have entered into employment agreements with each of our Directors, Dr. Viyavood Sincharoenkul and Mr. Paul Sumade Lee. Each of these employment agreements does not have a fixed term of employment.

Pursuant to their respective employment agreements, each of Dr. Viyavood Sincharoenkul and Mr. Paul Sumade Lee will be entitled to the following:

- A monthly salary and a variable bonus, as determined by the Profit Incentive Scheme (as defined below); and
- Coverage of all reasonable business expenses incurred or paid.

Profit Incentive Scheme

Each of our Directors, Dr. Viyavood Sincharoenkul and Mr. Paul Sumade Lee are entitled to participate in a profit incentive scheme (the “Profit Incentive Scheme”) in respect of each financial year of our subsidiary, Sri Trang International.

Under the Profit Incentive Scheme, in respect of each financial year, if the board of directors of Sri Trang International determines that there is a surplus (“Surplus”) after deducting (i) 10% of Sri Trang International’s issued and paid-up capital, or such other amount as may be determined by the board of directors of Sri Trang International, at their sole discretion, from time to time, (ii) 5% of any retained profits as at the beginning of the relevant financial year and (iii) accumulated losses as at the beginning of the relevant financial year, from Sri Trang International’s profit after tax (as reflected in its audited accounts), 20% of such Surplus will be payable under the Profit Incentive Scheme.

Other Remunerations

In 2013, the Company has paid the contribution of provident fund for the Board of Directors and Executive Officers as follows:

	Total list	Amount (Baht)
Contribution of provident fund	20	2,362,239

Employees' retirement benefits

The Company provides employees' retirement benefits to employees in accordance with Thai labor laws. Such benefit amount depends on the salary base and number of years working for the company until the termination date.

Retirement and Re-election of Directors

A retiring Director shall be eligible for re-election. The Directors to retire in every year shall be those, subject to retirement by rotation, who have been longest in office since their last re-election or appointment. The details of the retirement and re-election of the Directors are set out as follows:

Name of Director	Position	Date of first appointment to the Board	Date of last re-election as Director
1. Dr. Viyavood Sincharoenkul	Director	27 December 1993	27 April 2012
2. Mr. Prasit Panidkul	Director	27 December 1993	25 April 2013
3. Mr. Chaiyos Sincharoenkul	Director	27 December 1993	28 April 2011
4. Mr. Anan Pruksanusak*	Director	5 November 1993	28 April 2011
5. Mr. Kitichai Sincharoenkul	Director	10 April 1995	27 April 2012
6. Mr. Paul Sumade Lee	Director	28 June 2010	25 April 2013
7. Mr. Veerasith Sinchareonkul	Director	28 April 2010	25 April 2013
8. Mr. Prakob Visitkitjakarn	Independent Director	27 December 1993	27 April 2012
9. Mr. Kriang Yanyongdilok	Independent Director	25 January 2000	28 April 2011
10. Mr. Samacha Potavorn	Independent Director	1 February 2008	27 April 2012
11. Mr. Neo Ah Chap	Independent Director	28 June 2010	25 April 2013

Note*: The resignation of Mr. Anan Pruksanusak as a director and executive director of the Company was effective from 13 May 2013 onwards.

Corporate Governance

The Board of Directors of STA has conducted the business operation appropriately and effectively in accordance with its objectives by utilizing expertise, diligence, and due care to protect the interests of the Company and to comply with the laws, objectives, and the Articles of Association of STA. The Board of Directors of STA has also followed the Principles of Good Corporate Governance for Directors of Listed Companies and the Principles of Good Corporate Governance for Listed Companies of 2012 as well as the Code of Corporate Governance 2012. The roles and responsibilities of the Board of Directors of STA are all managed with due care, in particular in the process of decision making. Careful consideration is given using reasonable judgment based on honesty, transparency, ethics, and the concern of stakeholders as well as all aspects of the best interests of shareholders.

Principles of Good Corporate Governance under the Principles of Good Corporate Governance for Listed Companies of 2012

STA has established and reviewed principles for good corporate governance in accordance with the Principle of Good Corporate Governance for Listed Companies of 2012 as prescribed by the SET. The details of 5 principles of good corporate governance areas including the practices for non-infringement of intellectual property that are appropriate for current business environment which are as follows:

1. Rights of Shareholders

STA always realizes that the main factors for building shareholders' trust and confidence for investing in the businesses of STA are the application of policies and operations that protect the fundamental rights of the shareholders as well as the equality of all shareholders as prescribed by the laws, and encouraging the shareholders to exercise their fundamental rights. For example:

(1) Right to Receive Profit Sharing in the Form of Dividend:

STA has a policy on dividend payment which is based on careful consideration of the financial position, results of operation and cash flow of STA, the ability of our subsidiaries, associates and joint venture entity to make dividend payment, STA's expected working capital requirements to support the future growth of STA, the economic situation, and other external factors that STA expects will have an impact on its operations. In order to manage the business operation efficiently, the dividend payment policy is at approximately 30 percent of the net profit.

(2) **Right to Attend the Shareholders' meeting:** STA pays great attention to the sufficiency of information so that the shareholders are able to make a well-informed decision at the shareholders' meeting, including casting their votes and expressing their opinions on significant changes and the election of the Board of Directors of STA, based on information which is accurate, complete, transparent, and equally shared.

Where the STA's shares are held through CDP, CDP will be the only holder on record of such shares. Accordingly, as a matter of Thai law, CDP will be the only person or entity recognised as a shareholder and legally entitled to vote on any matter to be submitted to the vote of the Company's shareholders at a general meeting of shareholders.

CDP has appointed a Thai custodian to safekeep all the shares held by CDP. Such Thai custodian will act as CDP's proxy during a general meeting of shareholders and CDP will instruct such Thai custodian to split its votes in accordance with the instructions that CDP receives from investors holding shares through CDP. However, shareholders who desire to attend shareholders' meetings and exercise their voting rights under their names with regard to the shares beneficially owned by them will be required to transfer their shares out of the CDP system and have the share transfer registered in the share register book. In addition, a shareholder who transfers the Company's shares out of the CDP system will not be able to trade such shares on the SGX-ST unless he first transfers such shares back into the CDP system.

In order to provide the equivalent of the annual general meeting to shareholders in Singapore holding shares through the CDP, STA will hold an annual investor forum in Singapore soon after the annual general meeting is held in Thailand, to enable as even a level of access to information as possible at the time of such forum. Shareholders in Singapore holding shares through the CDP will be given the opportunity to air their views and ask Directors any questions they may have. The representation of the Board at the forum will include at the minimum, the Managing Director, two other Executive Directors and two Independent Directors, one of whom will be the Lead Independent Director.

(3) **Right to Vote on Agenda Items in the Shareholders' meeting:** The completed invitation to shareholders' meeting and attachments will be forwarded to shareholders in

advance. The invitation to shareholders' meeting includes details on agenda items, attachments to agenda items, opinions of the Board of Directors of STA, proxy forms as prescribed by the Ministry of Commerce, a name list of all independent directors to whom the shareholders are able to give their proxy, and a map of the meeting venue. The invitation to the shareholders' meeting also includes the information regarding the required documents that shareholders have to present to the meeting in order to protect their right to attend the meeting, the Articles of Association of STA pertaining to the shareholders' meeting, and voting instructions. Furthermore, so that the investors can obtain information thoroughly, the shareholders can access all information with respect to the agenda of the shareholders' meeting at www.sritranggroup.com and the website of the SGX-ST at www.sgx.com ("SGXNET") in advance approximately 30 days prior to the meeting date. Moreover, STA has assigned Thailand Securities Depository Co., Ltd. (TSD) and CDP as its securities registrar to dispatch the meeting invitation and other related documents to shareholders at least 21 days prior to the meeting.

- (4) Equal Right to Express Opinions and Make Inquiries in the Shareholders' meeting:** With respect to agenda items and proposed agenda items, the Chairman of the shareholders' meeting should allocate sufficient time and encourage the shareholders to express their opinions and make inquiries in the meeting. STA's Lead Independent Director, Mr. Prakob Visitkitjakarn, also the Chairman of the Audit Committee and Remuneration Committee, will be present at the annual general meeting to address questions that shareholders' may have. External auditors will also be present to address queries in relation to the audit of the Company and the auditors' report.

2. Fair Treatment of Shareholders

STA has the policies of fair and equitable treatment to all groups of shareholders including institutional investors, foreign investors, and retail shareholders.

- (1) The shareholders' meeting shall be held in accordance with the agenda mentioned in the invitation to shareholders' meeting. The policy is that no additional agenda item is included in the meeting without prior notice to the shareholders. STA sends a complete invitation to shareholders' meeting, including attachments, with all sufficient information relevant

to the meeting to the shareholders. Moreover, STA posts all information which is relevant to the meeting at its website (www.sritranggroup.com) and on SGXNET so that the shareholders will have sufficient time to carefully study this information. In addition, the invitation to shareholders' meeting shall be advertised no less than three days prior to the shareholders' meeting in a daily newspaper for at least three consecutive days in order to allow shareholders to have sufficient time to prepare for attending the shareholders' meeting. Chairman of the Board, the respective Chairman of the Audit, Remuneration, Nominating Committees, and Risk Committees, and each director usually are present and are available to address shareholders' queries at these meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report. Before the commencement of each meeting, the Chairman will give instructions on the voting and the counting methods as clearly prescribed. During the meeting, the Chairman allows the shareholders, equally, to make inquiries and express their opinions as well as to make recommendations. The Chairman also answers questions and provides complete information as requested by the shareholders. After the meeting, STA will send the minutes of the shareholders' meeting to the SET and the SGX-ST within the prescribed period.

- (2) STA has encouraged the shareholders to use ballots for voting on each agenda item. The ballots shall be kept in the meeting room for vote counting prior to the announcement of the resolutions. For the purpose of transparency, STA makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages and keeps all ballots having signatures of the shareholders or their proxy for future reference.
- (3) Minutes of the shareholders' meeting must be accurately and completely recorded and submitted to the SET within 14 days after the shareholders' meeting. The resolutions of the shareholders' meeting will be posted on the website of STA at www.sritranggroup.com and on SGXNET.
- (4) The policy regarding the monitoring of the use of insider information has been established for strict compliance by personnel at all levels.

- (5) A full and clear disclosure of shareholding structure in the subsidiaries and associates is made to assure shareholders that the operational structure of STA is transparent and accountable.
- (6) STA places importance on the accurate, full, timely, and transparent disclosure of information on various issues to shareholders. As such, significant information is disclosed on a regular basis.
- (7) STA has established a channel of communication for minority shareholders to directly access information on various issues e.g. the activities of the Board of Directors, supervision and monitoring of the operation, and auditing through the email address of the independent directors. Furthermore, minority shareholders may directly seek information from the Company Secretary of STA (e-mail: corporatesecretary@sritranggroup.com) or the Investor Relations Office (e-mail: ir@sritranggroup.com or telephone number: +662-207-4500).

3. Role of Stakeholders

STA fully realizes that the growth and development of STA has resulted from the full support given by all interested parties. STA places importance on the rights of all stakeholders, both internal stakeholders such as personnel, staff members, and the executives of STA and the subsidiaries and external stakeholders such as commercial partners ranging from the suppliers of raw materials to various groups of customers of finished products, financial institutions, government agencies that provide close co-operation, and finally, the shareholders of STA. In this regard, STA realizes its responsibilities towards the above-mentioned stakeholders. Since 2013, the Board of Directors has reviewed the policies in relation to stakeholders and has established the policies concerning the non-infringement of intellectual property such as copyright, patent, and trademark as well as the whistleblower policy which has specified the channels of notice or complaint, operating procedure, and guidelines for the protection of claimer(s) in the Company's website.

The followings are details of policies in connection with stakeholders:

Shareholders:

STA is committed to be the representative of its shareholders in conducting its business operation in a transparent manner, and having a reliable accounting and finance system that brings the highest satisfaction to shareholders by continuously considering the long-term, sustainable growth of STA and an adequate return.

Employees:

STA treats its employees equally and fairly by providing a good and safe working environment and adequate remuneration. Moreover, STA supports its employees in terms of providing the opportunity to develop knowledge, skills and experiences for career improvement. STA has established a Health and Working Environment Committee. A training program is specially designed for relevant personnel responsible for overseeing, providing advice, and giving accurate information on safety, occupational health, and the working environment, and the prevention of accidents resulting from work as well as providing other interesting health information to the employees. Considering the employee's welfare with respect to the safe and maximum working efficiency, STA has introduced various activities that promote the quality of life of employees, such as establishing a library and creating entertainment programs as well as various activities which are designed to promote employees' good physical and mental health. Moreover, a handbook for employees has been published and is publicized through STA Intranet.

In January 2013, the Company has established the employee provident fund of which only permanent employees are entitled to apply for with an alternative to pay the contribution at the fixed rate or at the rate equal to the contribution paid by the Company. The contribution rate paid by the Company depends on years of services of each employee. The employee will receive such provident fund benefit on their termination of employment except for the case of termination without compensation.

Safety information of employees in 2013

Details of work accident statistics in 2013 are as follows:

	Accident Statistics (Times)	Percentage*
No. lost time accidents	87	1.28
Less than 3 days of lost time accidents	90	1.32
More than 3 days of lost time accidents	79	1.16
Dismemberment for body parts	3	0.04
Disabled	0	0
Death	0	0

Note*: Computed based on the number of the Company's weighted average employee for the year 2013 at 6,812.

Customers:

STA is committed to creating customer satisfaction by producing quality products and delivering the products on a timely basis and maintaining a good sustainable relationship. A guideline for customer relations practice is included in the Code of Business Conduct under Conduct of Relations to the Customers.

Business Partners:

STA has the policy to screen business partners and purchases goods and services from such business partners pursuant to commercial conditions. The Company always complies with the agreements entered into with its business partners and strictly follows the laws and regulations and possesses good business ethics in regard to business competition.

Government Agencies and Related Organizations:

STA strictly complies with various laws and regulations e.g. laws pertaining to the environment, safety, labour, tax management and accounting, as well as the government notifications relating to the business operations of STA.

Society and Environment:

STA is aware of and concerned about the safety, environment, and the quality of life of the people, and the importance of natural resources conservation, the promotion of energy sufficiency,

the alternative use of natural resources to minimize the impact on society, the environment and people's quality of life to the greatest possible extent. As such, STA supports activities in the neighborhood community of the factories by providing the most efficient management of safety and environment.

In addition, STA has supervised and monitored its management system to ensure full compliance with laws and regulations of regulatory agencies and the fair and strict equitable treatment of all stakeholders.

4. Information Disclosure and Transparency

- (1) The Board of Directors of STA is responsible for the accurate, complete, timely, and transparent disclosure of both significant financial and non-financial information of STA through easy-to-access channels, which reflects fairness and reliability so that the stakeholders are all equally able to receive information in compliance with the requirements of various regulators.
- (2) STA has set up a public relations department in order to communicate with investors and related third parties. The Investor Relations Office is the center for communication between shareholders, stakeholders, investors, and analysts.
- (3) The Board of Directors of STA supports the preparation of information in an accurate, reliable, timely, and regular manner in both Thai and English through communication channels at SET and the Company's website.
- (4) The Board of Directors of STA has a duty to report its corporate governance policy through the Annual Registration Statement (Form 56-1), the Annual Report (Form 56-2) and the Company's website.
- (5) The Board of Directors of STA has a duty to disclose meeting attendance of Directors and the Audit Committee members.
- (6) The Board of Directors of STA is responsible for the preparation of the balance sheet, profit and loss statement, auditor's report, annual report, and other relevant reports for shareholders' approval.
- (7) The Board of Directors of STA has a duty to report risk factors, types of risk, and the cause and impact of risk upon the business operation of STA through the Annual Registration Statement (Form 56-1) and the Annual Report (Form 56-2).

The Board of Directors of STA ensures that the disclosure of significant information is conducted in an accurate, precise, reliable, and timely manner in accordance with the regulations of the SEC and SET, and that such information is disclosed in the Annual Registration Statement (Form 56-1) and the Annual Report (Form 56-2) so that the shareholders are equally informed. Furthermore, the Investor Relations Office has been established to act as a contact person for communication with investors, shareholders, securities analysts, and other related agencies.

The STA website is updated regularly. Information which should be disclosed is posted on the STA website. The Investor Relations Office at Bangkok Branch can be contacted at: Tel: +66-2207-4500, Fax +66-2108-2244, or at www.sritranggroup.com

5. Responsibility of the Board of Directors

(1) The Structure of the Board of Directors

The Board of Directors of STA, consisting of directors who have knowledge, competence and experience in business, has the duty to determine policies, visions, strategies, goals, missions, business plans and budgets of STA, as well as to monitor the management team to effectively and efficiently manage the business of STA in accordance with the policies under the legal framework, objectives, the Articles of Association of STA and the resolutions of the shareholders meeting and the Board of Directors Meeting. Such duties must be performed with responsibility, due care and loyalty under the principles of good corporate governance in order to increase the best economic value for the business and the highest stability for the shareholders.

The Board of Directors of STA consists of 10 directors, including four independent directors who are fully qualified under the notifications of the Capital Market Supervisory Board and the SET.

Moreover, in compliance with the principles of good corporate governance and in order to ensure the Directors' effectiveness of work, the Board of Directors has established the policy that the Directors should not hold directorship positions for more than five listed companies. In the case that any director holds the office of director in more than five listed companies, the Board of Directors will further review the efficiency of such director's performance.

According to the Articles of Association of STA, at every annual general meeting, one-third of the Directors, or, if the number of Directors is not a multiple of three, then the number nearest to one-third, shall retire from office. The Directors who are to retire from office in the first and the second years after registration of the company shall be drawn by lots. In the subsequent years, the Directors who have been holding office for the longest time shall retire

The Board of Directors has passed a resolution to appoint Mrs. Pacharin Anuwongwatanachai as a Company Secretary to provide advice on compliance with relevant laws and regulations which the Board of Directors is required to know. The Company Secretary shall also supervise the activities of the Board of Directors and ensure that the resolutions of the Board of Directors meeting have been complied with.

(2) Sub-committees

The Board of Directors has a duty to carefully and effectively consider and give approval on significant operational matters; therefore, sub-committees are formed to assist the Board of Directors in various aspects. An Audit Committee is appointed consisting of at least three independent directors and at least one of them must have knowledge of accounting and finance and must have a qualification on independence as prescribed by the notifications of the Capital Market Supervisory Board and by the definition of an independent director. The Audit Committee was established for the purpose of monitoring the internal control system, financial report system, corporate governance, risk management, as well as the selection and the appointment of the auditor. Moreover, STA has formed other sub-committees such as the Remuneration Committee, the Nominating Committee, and the Risk Management Committee in order to manage the businesses of STA. The majority of members of the sub-committees are independent committee members in order to ensure a transparent and independent business operation.

(3) Roles, Duties, and Responsibilities of the Board of Directors

The Board of Directors of STA oversees the business operation and the mission of STA to be in accordance with the approval given by shareholders, applicable laws, objectives, the Articles of Association of STA, and resolutions of the Board of Directors meeting and the shareholders meeting. The Board of Directors of STA must exercise

good business judgment in making business decisions and perform its duty with responsibility, due care, and loyalty in the best interests of the Company.

Conflict of Interests

The Board of Directors of STA has established a policy for preventing conflicts of interests on the basis that any decision-making on business transactions must be made only for the best interest of STA, and that any act which may cause a conflict of interest should be avoided. It is required that a person involved in or having a conflict of interest in any agenda item to be discussed in a meeting shall report the relationship or conflict of interest in such agenda item to STA, as well as abstain from voting and shall have no authority to grant approval for such transaction.

(4) The Board of Directors Meeting

According to the Articles of Association of STA, the Board of Directors shall hold a meeting at least once every three months and any additional meetings as necessary. The meeting schedule shall be prepared in advance and notified to all directors for their acknowledgement. A meeting notice will be delivered to directors at least seven days prior to the date of the meeting, except in the case where it is necessary or urgent to preserve the rights and benefits of STA. At each meeting, the agenda items of the meeting must be clearly specified and supported by complete and sufficient documents, and must be delivered to the directors in advance so that the directors will have sufficient time to study such information prior to the meeting. At the meeting, each director is allowed to openly discuss and express his/her opinion. In addition, at the meeting of the Board of Directors, the senior executives will be invited to participate in order to present additional details of information on such matters in which they are directly involved.

STA is committed to providing the Board of Directors with adequate, complete, continuous information in a timely manner prior to a Board of Directors meeting. The Directors can directly and independently contact the Company Secretary. The Company Secretary is responsible for advising the Board of Directors on compliance with legal and regulatory requirements.

(5) Remuneration

The remuneration for directors must be made on a practical industry level based on working experience, role, responsibilities, and must be in line with the average market practice of the same industry.

(6) Training for Directors and Executives

STA usually provides an orientation to the newly appointed director so that such Director can discharge his/her duties effectively. The Company Secretary will liaise with the Directors in any matters such as affidavit, Articles of Association, manual of director in Annual Registration Statement (Form 56-1), working system information within the Company, and other related laws and regulations.

The Board of Directors has a policy to enhance and accommodate the provision of training on good corporate governance. Regular and continuous training programs are provided to directors so that they can improve their knowledge.

Moreover, STA has the policy to support the Directors and the Executive Officers to join the useful training program related to their duty. In 2013, the Company has arranged the training program "Behavioral Selling Series" for the Directors, the Executive Officers, and employees.

(7) Assessment of the Directors' Performance

STA has conducted the Directors' Self-Assessment where the assessment form is in accordance with the good corporate governance so that the assessment results can be further used to develop the performance of the Directors. Two types of assessment form are:

- The Board Assessment Form (Assessment of the Board as a whole)
- Individual Board Member Assessment Form (Self-Assessment)

The guideline for the assessment grading for each area is as follows:

More than 90% = Excellent

More than 80% = Very good

More than 70% = Good

More than 60% = Fair

Less than 50% = Poor

The assessment results can be summarized as follows:

1. The Board Assessment Form (Assessment of the Board as a whole) consists of 6 areas; structure and qualification of the Board of Directors, roles, duties and responsibilities of the Board of Directors, the Board's meetings, the Board's performance of duties, relationship with management, and self-development of the Directors as well as the development of Executive Officers.

Overall assessment results for Board Self-Assessment (Assessment of the Board as a whole) in 6 areas represent a very good performance with an average score of 89.91%.

2. Individual Board Member Assessment Form (Self-Assessment) consists of 4 areas; responsibility on their decisions and actions as well as the effective performance of their duties, fair and equitable treatment to the stakeholders, transparency and traceability of work with the disclosure of information, and level of Principles of Business Ethics as well as Code of Business Conduct on their business operation.

Overall assessment results for Individual Board Member Assessment (Self-Assessment) in 4 areas represent an excellent performance with an average score of 90.57%.

Dealings in Securities

STA has a policy and procedure to monitor its executives in relation to their use of inside information of STA and its subsidiaries for personal interest as follows:

1. Educate the Directors and executives of each department regarding their duties to prepare and disclose the report of securities holding and the report of changes in securities holding of STA to the Office of the SEC, the SET and SGX-ST, as the case may be, including the applicable penalty in the case of breach according to the SEC Act, the regulations of the SET and the SGX-ST Listing Manual.

2. Arrange for the Directors and executives of the Company and their spouses and minor-children to prepare and disclose the report of securities holding and the report of changes in securities holding of STA to the Office of the SEC pursuant to Section 59 of the SEC Act and deliver copies of such documents to STA on the same day, and to report to SGX-ST as stipulated in the Listing Manual of SGX-ST.

3. The Directors and executives of the Company who know material inside information affecting changes in securities price, must be cautious in the trading of securities of STA within one month prior to the time when the financial statement or such inside information is disclosed to the public. Moreover, within 24 hours after such inside information has been disclosed to the public, no person involved with such inside information shall disclose any inside information to any person before such inside information has been notified to the SET and/or SGX-ST. Regarding penalty measures in the case of a violation of the above-mentioned regulations, the Company deems such violation as warranting a disciplinary penalty according the working rules of the Company.

4. The directors, executives, staff members and employees of the Company shall not, whether directly or indirectly, purchase or sell, offer to purchase or sell or invite any other person to purchase, sell or offer to purchase or sell shares or other securities (if any) of STA by using inside information which has or may have an impact on the change of the price of STA securities and has not been disclosed to the public, in a manner that may directly or indirectly cause damage to STA and whether or not such act is done for their own or another person's benefit, or to disclose such information so that they will receive consideration from the person who engages in the aforementioned acts.

Directors and employees are also expected to observe applicable insider trading laws at all times even when dealing in securities within permitted trading periods. In addition, the Directors and employees are expected not to deal in STA's securities for short-term considerations.

The aforementioned policy has been acknowledged to the Directors, the Executive Officers, and employees through our internal communication channel (Intranet website).

Principles of Good Corporate Governance under the Code of Corporate Governance 2012

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Effective Board to lead and control the Company

The Board's principal roles are set out under "Scope of Duties and Responsibilities of the Board of Directors of STA". The membership and attendance of the members of the Board and Board Committees at Board and Board Committee meetings held in FY2013 are disclosed in the table set out under "Details of Attendance for the Meetings of the Board of Directors and Board Committees".

Certain material corporate actions such as quarterly results announcements, annual results and financial statements, declaration of dividends, convening of shareholders' meetings, authorization of merger and acquisition transactions, and other material transactions that exceed the authority of the Executive Board and MD will require the Board's approval. The Board of Directors also consider and approve any transactions, including but not limited to related party transaction and the acquisition/disposal of assets of the Company, that are required by the SET and the SGX-ST.

STA has made available resources for Directors to receive training in any relevant specific area to enable them to discharge their duties with due care and diligence.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the Board

The Board composition of the Company is set out under "Scope of Duties and Responsibilities of the Board of Directors of STA – Composition and Appointment of the Board of Directors of STA". In determining the independence of the Directors of STA, the Nominating Committee is guided by the factors set out under "Selection of Independent Director". The Nominating Committee reviews nominations for re-appointment as set out in "Scope of Duties and Responsibilities of the Nominating Committee"

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business

Dr Viyavood Sincharoenkul is the Chairman and Managing Director (the equivalent of the Chief Executive Officer) ("MD") of the Company.

Notwithstanding the above, the Board believes that Dr Sincharoenkul should continue to lead the Group as Chairman and MD. Dr Sincharoenkul manages the day-to-day operations of the Group as its MD and is responsible for the strategic direction and growth of the Group. As Chairman, he ensures that Board meetings are held when necessary and sets agendas in consultation with other Directors. He ensures that Board members are provided with complete, accurate and timely information on a regular basis.

Furthermore, there is accountability and independent decision making by the Board by virtue of the following factors:

- The Board is of the view that there are sufficient safeguards and checks in place to ensure that management is accountable to the Board as a whole. The Nominating Committee, Remuneration Committee and Audit Committee are all chaired by Independent Directors.
- Active participation by Independent Directors during Board meetings, who challenge the assumptions and proposals of the management on all issues affecting the affairs and businesses of the Group.
- The appointment of Mr. Prakob Visitkitjakarn as Lead Independent Director, to address shareholder concerns which could not have been resolved through the normal channels of the Chairman or MD, or for which such contact is inappropriate. The Lead Independent Director also acts as the principal liaison between the Independent Directors and the Chairman on sensitive issues.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment and re-appointment of directors to the Board

The Nominating Committee comprises a majority of Independent Directors, including the Chairman. The members of the Nominating Committee are Mr. Kriang Yanyongdilok, Mr. Samacha Potavorn and Mr. Kitichai Sincharoenkul. The Chairman of the Nominating Committee is Mr. Kriang Yanyongdilok. The duties and responsibilities of the Nominating Committee are set out in the section titled “Nominating Committee – Scope of Duties and Responsibilities of the Nominating Committee”.

The selection, nomination, appointment and re-election processes of the Company’s Directors according to the Articles of Association of STA are set out under the section titled “Composition and Appointment of the Board of Directors of STA” and “Nomination of Directors”. For details of the factors taken into consideration for the selection of independent Directors, please refer to the section “Selection of Independent Director – Qualifications of Independent Director”. The Independent Directors shall not be under anyone’s influence and controlled by any situation.

A retiring Director shall be eligible for re-election. The Directors to retire in every year shall be those, subject to retirement by rotation, who have been longest in office since their last re-election or appointment. The details of the retirement and re-election of the Directors are set out under the section titled “Retirement and re-election of Directors”.

The directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments by the Directors are set out below:

Name of Director	Present		Three Preceding Years (2011 – 2013)	
	Name of Company	Position	Name of Company	Position
Mr. Prakob Visitkitjakarn	ARIP PLC	Independent Director and Chairman of the Audit Committee	ARIP PLC	Independent Director and Chairman of the Audit Committee
			Siam City Cement PLC	Director and Chairman of the Audit Committee
Mr. Neo Ah Chap	NAC Consultancy Services	Sole-Proprietor	-	-

BOARD PERFORMANCE

Principle 5: Formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board

Details of the Board Self-Assessment and Individual Board Member Assessment are set out under the section “Assessment of the Directors’ Performance” under responsibility of the Board of Directors.

ACCESS TO INFORMATION

Principle 6: Board members should be provided with complete, adequate and timely information

The Board has separate and independent access to senior management and the Company Secretary at all times. The management provides information requested by the Board promptly and keeps the Board informed of all material events and transactions as they occur. Meeting agendas and board materials are provided to all Directors with sufficient time prior to meetings, so that there is sufficient time to seek clarification if required. The management consults Board members as necessary and appropriate.

The role of the Company Secretary is set out under “Company Secretary”.

The Directors may, in fulfilling their duties, as a group or individually, when necessary, direct the Company to appoint external professionals to render advice.

REMUNERATION MATTERS

Principle 7: Formal and transparent procedure for developing policy on executive remuneration

Principle 8: Remuneration of directors should be adequate but not excessive

Principle 9: Disclosure on remuneration policies, level and mix of remuneration, and procedure for setting remuneration

The Remuneration Committee comprises entirely of Non-executive and Independent Directors. The Remuneration Committee comprises Mr. Prakob Visitkitjakarn, Mr. Kriang Yanyongdilok, and Mr. Samacha Potavorn. The Chairman of the Remuneration Committee is Mr. Visitkitjakarn.

The roles and functions of the Remuneration Committee is set out in the section “Scope of Duties and Responsibilities of the Remuneration Committee”. The recommendations of the

Remuneration Committee are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors’ fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the Remuneration Committee.

Please refer to the section titled “Remuneration of Directors and Executive Officers” for information on the remuneration of the Company’s Directors and Executive Officers.

ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the Company’s performance, position and prospects

The Board has adopted a policy of openness and transparency in the conduct of the Company’s affairs while preserving the commercial interests of the Company. The Company reports its financial results quarterly and presents such financial results in a balanced and understandable manner.

STA usually holds an annual investor forum in Singapore so that shareholders in Singapore holding shares through the CDP can have an opportunity to meet with the Directors of STA. The representation of the Board at the forum will include at the minimum, the Managing Director, two other Executive Directors

The remuneration of employees who are immediate family members of Directors for the year ended 31 December 2013 are as follows:

Name	Relationship	Remuneration Band [*]
Mrs. Promsuk Sinchareonkul	Spouse of Dr. Viyavood Sincharoenkul, Chairman and Managing Director of the Company	Band IV
Mr. Anek Pruksanusak	Brother of Mr. Anan Pruksanusak ^{**} , Director of the Company	Band I
Mr. Somboon Pruksanusak	Brother of Mr. Anan Pruksanusak ^{**} , Director of the Company	Band I

Note:

* Remuneration Band

- Band I means remuneration between SGD 50,001 and SGD 100,000
- Band II means remuneration between SGD 100,001 and SGD 150,000
- Band III means remuneration between SGD 150,001 and SGD 200,000
- Band IV means remuneration between SGD 200,001 and SGD 250,000

** The resignation of Mr. Anan Pruksanusak as a director and executive director of the Company was effective from 13 May 2013 onwards.

and two Independent Directors, one of whom will be the Lead Independent Director. Shareholders will be informed with operating results of STA and will be given the opportunity to air their views and ask the Directors any questions they may have.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Sound system of risk management and internal controls

Risk Management

Risks

As a result of the Company's multi-national platform, it is exposed to various types of financial risks, such as foreign exchange risk, interest rate risk, credit and counterparty risks and liquidity risk. The Company uses forward and simple option contracts and interest rate swaps to hedge certain risk exposures.

The Company actively monitors and manages these risks associated with its business activities through an experienced risk management group which is responsible for identifying, evaluating, managing and controlling such risks.

Foreign exchange risks

The Company is exposed to foreign exchange risks arising from its exposure to currencies such as Indonesian Rupiah and US Dollars. These foreign exchange risks arise primarily from the difference of currencies dominated in the Company's sales and costs. As STA presents its income statement in Baht, it generally benefits in the event the US Dollar appreciates against the Baht. STA generally manages its foreign exchange risk through the use of forward and simple option contracts.

The Company is also exposed to foreign currency translation risks in respect of its investments in foreign operations. STA does not hedge its exposure to such risks as the management believes that the exposure to such risks is not significant due to the long-term nature of STA's investments in foreign operations.

Price risks

Prices of commodities in general, including natural rubber, have been volatile and the Company, like other participants in the natural rubber industry, is exposed to the risk of fluctuations in the price of natural rubber. To mitigate such risks, the Company

monitors the demand and supply of natural rubber as well as prices of Natural Rubber Products. Through its long-established relationships, diversified customer base and negotiation power with buyers, the Company is able to transact sales of Natural Rubber Products either on a spot basis or long-term contracts, depending on various factors, including the price of natural rubber. In the event the Company is unable to transact its sales of Natural Rubber Products, it may enter into hedging arrangements through the use of rubber futures contracts.

Interest rate risks

The Company has fixed and floating interest rate borrowings. Interest rate risks refer to the Company's exposure to interest rate fluctuations on the Group's borrowings. The Company manages its exposure to interest rate risks by ensuring that the majority of the borrowings have a suitable repayment term as necessary for the use in such period and considering the trend of the interest rate in such period.

Credit and counterparty risks

A large portion of the Company's sales are to customers in various countries and territories in Asia such as, the PRC, India, Singapore, Japan and Korea and to the United States and Europe, for which the Company will require letters of credit from customers or cash against the presentation of documents of title. As such, the Company is exposed to credit and counterparty risks arising from normal business activities if its customers or counterparties fail to meet their contractual obligations. To mitigate such risks, the Company only transacts with counterparties after taking steps to assess their creditworthiness while also taking into account past transactional experience with such counterparties and their financial position. The Company also regularly monitors its counterparties' use of the credit limits which have been granted, with a specific focus on the counterparties identified as being of higher risk of default. Additionally, for sales into the PRC, the Company generally requires payment of cash on delivery and may grant substantial customers credit terms from the date of issuance of the invoice.

The Company is also exposed to credit risks with respect to the cash deposits which it places with and derivative financial instruments which it enters into with banks and financial institutions. The Company assesses the creditworthiness of the banks and financial institutions with which it transacts and mitigates its exposure by increasing the number of banks and financial institutions with which such cash deposits are placed.

Liquidity risks

The working capital cycle for the Natural Rubber Products produced, from the purchase of raw materials to the receipt of payment from customers, is approximately two to four months. As such, the Company regularly monitors its liquidity requirements to ensure it has sufficient cash to meet its operational needs while also maintaining sufficient headroom on unutilised committed borrowing facilities at all times so that the borrowing limits or covenants on its credit facilities are not breached. Additionally, the Company believes that due to the global demand for Natural Rubber Products, there is a ready market for its inventory and should be able to sell them quickly in the event that the Company is in need of funds.

In 2013, the Board of Directors has appointed the Risk Management Committee who has responsibilities to set the policy and control the Company's internal risk. Details are set out under "the Risk Management Committees".

Internal control systems

The following sets out a summary of the Company's internal control system and functions implemented to handle the risks related to the business:

- **Management Activity Control System** – The Board of Directors sets the annual operating goals of the Company by determining the clear mission, detailed operating plan of each department, and Key Performance Indicators (KPIs) in financial outcome, operating output, and customer satisfaction. Such control is closely monitored every month. The Board of Directors also annually reviews the adequacy and effectiveness of the Company's internal control systems.
- **Risk Assessment** – Changing environments may cause business at risk and negative impacts, therefore continuous risk assessment and monitoring are required. Each department shall assess its risk and prepare the solution plan. In addition, there is a regular management meeting to evaluate the current situation and select strategy to cope with the possible risks.
- **Control System** – The Company clearly determines measures and implementation plans by issuing orders, rules, approval authority, and working procedures for the management and all employees.

- **Information and Communication** – STA has moved towards "IT governance" to manage and control its IT system efficiently with IT risk management system based on international standard level. The goal and plan of the IT system are set based on the nature of STA's business and conforms with related laws and regulations. To minimize the incidences of errors or misleading information, users can only access the IT system through the channel provided by STA. In addition, STA provides backup and IT continuity plan in preparation for an emergency event. Nowadays, the Company has various communication networks, via both the Internet and its Intranet. The Internet is a communications channel between the Company and stakeholders such as shareholders, investors, and other external parties. For internal communication within the Group, the Intranet is the key method for correspondence. This ensures efficiency and accuracy of information, and that information is delivered in time to all related parties.
- **Monitoring and Reporting** – Each business unit reports its operating performance to the management every month. Daily reports setting out the aggregate amount and cost of raw materials purchased are generated by the managers of each of the Company's rubber processing facilities. In addition, the Company's sales and marketing department also generates a daily sales and inventory report. The senior management team utilises these reports to determine the net position of the Company's sales and cost of goods sold, and hence, the exposure to the various risks.
- **Reviews** – The managers of the Company's rubber processing facilities meet with the procurement and sales and marketing teams on a monthly basis, to prepare the budget (including the targeted monthly production capacities for each of the Company's rubber processing facilities as well as the sales targets for the month). These targets are set after taking into account several factors such as the estimated effective production capacity at each of the rubber processing facilities, the supply of raw materials that the Company is able to acquire, the demand for Natural Rubber Products, the price of natural rubber in the commodities markets and other general economic conditions. Such budgets are then reviewed by the senior management team before implementation. Through the monthly budget meetings and the setting of targets, the Company has established procedures which it believes allows it to achieve maximum return on investments within the appropriate risk

parameters that are set by the senior management team from time to time.

- **Internal audit** – The internal audit system of the Company is sufficient to examine the proper operation of each business unit and to build a confidence on information provided in the report. As assigned by the Board of Directors, the Audit Committee oversees the effectiveness of internal audit functions. The Internal Audit Department sets up the generally accepted risk based approach and functions their audit independently. The result of internal audit is directly reported to the Audit Committee on regular basis or at least quarterly basis.

The Board of Directors with the concurrence of the Audit Committee is of the opinion that the Company's internal controls in the past year are adequate and effective. The details are set out under "Audit Committee Report".

The Board of Directors have received assurance from the MD and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and the effectiveness of the Company's risk management and internal control systems. The details are set out under "Report of the Board of Director's Responsibility for the Financial Reports".

Principle 12: Establishment of Audit Committee with written terms of reference

The Audit Committee comprises entirely of Non-executive Directors, namely, Mr. Prakob Visitkitjakarn, Mr. Kriang Yanyongdilok and Mr. Samacha Potavorn. The Chairman of the Audit Committee is Mr. Visitkitjakarn.

The Audit Committee have meeting quarterly and privately meet with the internal audit team and external auditors at least once a year without the presence of management to review the adequacy of audit arrangement, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the internal and external auditors. The Audit Committee has the duties and responsibilities as set out under "Scope of Duties and Responsibilities of the Audit Committee".

INTERNAL AUDIT

Principle 13: Establishment of an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company recognises the importance of an internal control system, risk management system, and operational control, to ensure that all employees and the Executive Board share their duties and responsibilities so that all share the same goals.

Independent internal audit function

STA's Internal Audit Department is an independent unit, which reports directly to the Audit Committee. Under the Company's yearly internal audit plan, the Internal Control Department will perform an audit of the internal controls system, implement the risk management system, and provide general advice under the "Standard for the Professional Practice of Internal Auditing". This standard is an operating guideline and framework of internal audit that focuses on independent, just, and international standard operations with high quality auditing work. Guidelines for the development and training of internal audit staff are also included in the standard.

The Internal Audit Department provides adequate staffing with relevant experience to conduct the internal audits and has full, free and unrestricted access to all data of the Company that it requires to carry out its function. Mr. Wittawas Grungtanmuang serves as Head of Internal Audit Department. The Internal Audit Department is responsible for the internal auditing of all business unit operations of the Group under its annual internal auditing plan and provides advice to improve the internal audit system. The main considerations are primarily business and operational risks.

The Audit Committee continuously reviews the performance and the adequacy of the internal audit function. In addition, the Audit Committee may recommend improvements to the internal audit and internal control systems to the Board of Directors.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Fair and equitable treatment of all shareholders

Principle 15: Regular, effective and fair communication with shareholders

Principle 16: Greater shareholder participation at general meetings of shareholders

The Company aims to provide timely information to shareholders, and such information should be substantial and clear in relation to the matters at hand. The Company ensures that all shareholders should be equally informed of all major developments impacting the Group, and is accessible and responsive to the public at all times.

Details are set out under “Corporate Governance - the Principles of Good Corporate Governance for Listed Companies of 2012 – Rights of Shareholders” and “Corporate Governance – the Principles of Good Corporate Governance for Listed Companies of 2012 – Fair Treatment for Shareholders”.

Internal Control and Risk Management



STA recognizes the importance of its internal control system, risk management system and business operation assurance system, which are continuous processes and share responsibilities of all STA staff members ranking from the Executive Committee to each employee.

STA has set up a sufficient and appropriate internal control system to provide a reasonable assurance that all functions within the Group are operated consistently and are able to meet the goals laid down by Executive Committee. STA has established an Internal Audit Department which is an independent unit and reports directly to the Audit Committee. The appointment, removal, and rotation of Head of Internal Audit Department need an approval from the Audit Committee. The Internal Audit Department performs an internal control assessment pursuant to the annual plan by considering related risk factors as approved by the Audit Committee as well as supporting the creation of a risk management system and providing various recommendations to ensure that all operations of the Company meet the objectives as planned. The Internal Audit Department has followed the Standard for the Professional Practice of Internal Auditing as a guideline for its work, which focuses on independent, just, and international standard operations with high quality auditing work.

Therefore, the Company encourages internal audit personnel to take internal audit related certificates i.e. CIA (Certified Internal Auditor), CPIAT (Certified Professional Internal Audit of Thailand), earned by two of our internal audit personnel, and CISA (Certified Information Systems Auditor). Furthermore, an adequate training program specially designed for each individual internal audit personnel is provided continuously. In addition, according to an independent auditor who certified the Company's financial statements for the year 2013, there was no weakness in the internal control system which will materially affect the financial statements of the Company.

The following is a summary of the internal control and risk management system of the Company:

Audit Committee:

The Audit Committee responsibility is to consider the sufficiency of the Company's internal control system by continuously reviewing the performance of the Internal Audit Department and the independent auditor. The Audit Committee emphasizes the sufficiency and adequacy of the internal control system and ensures that all operations have complied with the laws, rules, regulations and other relevant policies. If the Audit Committee has any recommendations or finds any significant error or misconducts, the Audit Committee will discuss with responsible management team and directly report such matters to the Board of Directors for appropriate actions or further improvement.

Internal Audit Department:

The Internal Audit Department monitors the operation of various units within the Group in accordance with the annual plan as assigned by the Executive Committee or the Audit Committee by using the principle of risk management to make an assessment on the businesses or the working processes, and also gives advices and makes recommendations regarding the improvement of internal control to the management of each unit and also provides operation guidelines to improve effectiveness and efficiency.

Management Activity Control System:

The Board of Directors sets the operating goals of the Company by determining the clear vision, mission, as well as business growth and appointing working team to review Key Performance Indicators (KPIs) of each business unit. This is to ensure that the target in terms of financial outcome, operating result, customer satisfaction, etc. of each business unit will be consistently aligned with the goals throughout the organization. Such control is continuously closely monitored.

Risk Management:

The Board of Directors gives precedence to risk management system and its effectiveness. Therefore, the meeting of the STA Board of Directors no. 4/2013 on 14 November 2013 has passed the resolution to approve risk management policy and the appointment of risk management committee to oversee the effectiveness of the Company's risk management system. Changing environments may cause business at risk and negative impacts, therefore continuous risk assessment and monitoring are required. Each department shall assess its risk and prepare the solution plan. In addition, there is a regular management meeting to evaluate the current situation and select appropriate strategies to cope with any possible risks.

Control:

The Company clearly determines measures and implementation plans by issuing orders, rules, approval authority, and working procedures for the management and all employees.

Information and Communication:

The Company has various communication networks, via both the Internet and its Intranet. The Internet is a communications channel between the Company and stakeholders such as shareholders, investors, and other external parties. For internal communication within the Group, the Intranet is the key method for correspondence. This ensures efficiency and accuracy of information, and that information is delivered in time to all related parties.

Monitoring and Evaluation Systems:

The management continuously monitors economic situations to strategically plan business operation under current and future circumstances that may impact organisation's goal. Key Performance Indicator (KPI) report will be conducted in order to closely and timely monitor and evaluate operating performance of organisation.

Risk Reporting:

Daily reports setting out the aggregate amount and cost of raw materials purchased are generated by the managers of each of the Company's rubber processing facilities. In addition, the Company's sales and marketing department also generates a daily sales and inventory report. The senior management team utilises these reports to determine the net position of the Company's sales and cost of goods sold, and hence, the exposure to the various risks.

Reviews:

The managers of the Company's rubber processing facilities meet with the procurement and sales and marketing teams on a monthly basis, to prepare the budget (including the targeted monthly production capacities for each of the Company's rubber processing facilities as well as the sales targets for the month). These targets are set after taking into account several factors such as the estimated effective production capacity at each of the rubber processing facilities, the supply of raw materials that the Company is able to acquire, the demand of Natural Rubber Products, the price of natural rubber in the commodities markets and other general economic conditions. Such budgets are then reviewed by the senior management team before they are implemented. Through these monthly budget meetings and the setting of targets, the Company has established procedures which it believes to achieve maximum return on investments within the appropriate risk parameters that are set by the senior management team from time to time. For the performance of each business unit, Internal Audit Department has randomly checked the accuracy of important topics in KPI report, especially on

main function departments such as procurement department, production department, exporting department, etc.

Following the meeting of the STA Board of Directors no. 2/2014, on 28 February 2014, which was attended by four members of the Audit Committee, the STA Board of Directors, having received information from the management and relevant staff members, assessed the internal control system and concluded that by assessing the internal control system of the Company in five elements, which are organization and the environment, risk management, control of the operation of the management, information and communication, and monitoring system, the STA Board of Directors was of the opinion that STA has a sufficient and appropriate internal control system with adequate personnel to effectively monitor the system and the operation of subsidiaries. Neither the opinion of the independent directors nor the Audit Committee differs from the opinion of the STA Board of Directors with regard to internal control. However, the Audit Committee has emphasized the strict implementation of Good Corporate Practice of the Company in order to comply with the regulations of the Capital Markets Supervisory Board, the SET, SGX-ST, and the Office of the SEC to ensure that the operation of the Company is conducted in the most transparent and effective manner possible.

In addition, the meeting of the Audit Committee of STA no. 1/2014, on 27 February 2014, made an assessment of the internal control system of the Company and was of the opinion that the internal control of the Company was adequate and appropriate.

Regarding the monitoring and supervision of the subsidiaries of STA, the Directors of STA will serve as directors of the subsidiaries and associates and may from time to time nominate the Company's representatives to serve as directors of the subsidiaries. The Internal Audit Department of the Company is assigned to audit the sufficiency of the internal control of the subsidiaries and reports its findings to the Audit Committee in order for the Company to be able to effectively control and monitor the internal control operation of the subsidiaries.

Corporate Social Responsibility



Over the past 25 years that Sri Trang Group has committed to processing and exporting Natural Rubber products, we have dedicated to conduct business with good practices of corporate governance and Corporate Social Responsibility (CSR) and become a leader in global rubber industry. Towards our 3rd decade of sustainable business operation, we still maintain our global leadership in rubber industry and pursue sustainable business development. Our philosophy is to grow contingently with the community and society and to be an effective mechanism to constantly strengthen the stability of rubber industry. We value our way to conduct business in parallel with creating activities for communities and societies, maintain our environmentally-friendly production, create a fair trade standards to gain trust and acceptance from rubber farmers and customers, consider the impact on every aspect from business operations to all stakeholders including shareholders, employees, customers, suppliers, communities, and government agencies, as well as create the attitude and organisational culture to encourage employees to participate more in CSR activities.

Policy and guideline practices for CSR of Sri Trang Group, our core mission, lays on the 5 meaning of “GREEN” Natural Rubber as follows:

1. Corporate Governance

The Company is dedicated to good practices of corporate governance focusing on the structure of the Board of Directors, management, and shareholders to create a competitive advantage which will build growth and increase value of shareholders in the long run. In addition, other stakeholders are also taken into consideration to be involved with society and community.

2. Responsibility to Supply Chain

The Company has extended its business to cover the whole supply chain starting from rubber plantations to the production of finished products. This allows the Company to strictly control the quality of products to respond to downstream businesses who focus on the quality of the product at most. Another main concern of downstream businesses, either latex examination glove producers or tyre makers, is to ensure the safety for users. Thus, our responsibilities through supply chain management cover;

2.1 Rubber farmers and rubber dealers

The Company is strived for fair, transparent, clear principles, and accountability procurement of natural rubber which is the main raw materials for our production. We also encourage rubber farmers to produce high quality of rubber without contamination and properly store the rubber so that the quality of raw materials will meet our factory’s standards. Moreover, we support rubber farmers with knowledge to properly operate rubber plantations in order to increase yield which will, in return, increase their revenues as well as sustainable quality of life.

2.2 Customers

The Company is committed to producing high quality products and providing good services to create the highest satisfaction for the customers. We sincerely handle complaints from customers and promptly improve and correct flaws that might be caused from productions and/or services to achieve customer satisfaction and also to create the highest effective and efficient production.

3. Environmental Friendly and Safety Operation

As our Company 's nature of business is directly related to the natural and environment, we strictly adhere to environmental practices by implementing the effective environmental management systems. We also set up measures to prevent and minimise the environmental impacts caused by different activities from our Group to comply with laws and regulations. Furthermore, we aim to develop and promote more green areas in the factories to retain moisture, increase fresh air, and reduce unfavorable odors from production process. In addition, we reduce the use of chemicals in rubber plantation and production of natural rubber products as well as finished products since it might affect the environment and communities in the long run.

In addition of environmental-friendly production and being aware that we are part of community, we stick to practice guidelines to preserve and maintain the ecological and social environment of the surrounding communities which will not only create the livable community but also support the Company to smoothly and steadily run the business in the long term.

In terms of health & safety, our Group fully comply with laws, regulations and other related requirements. We provide training, set up adequate and effective health & safety rules in workplace, and create a safe working environment for employees, contractors, and the other related parties.

4. Engagement with Transparency

The Company is committed to operating business with fairness, transparency, and accountability in all process. We believe that to operate business with fairness and ethics, comply with laws, and respect the rules of society, this could build the confidence of stakeholders and reduce any conflict of interests. This also will benefit business operation of the Company in the long run. We also encourage every level of our employees to work with integrity and adhere to business ethics. Employees should not exploit benefits that may cause conflict of interests to the Company and its stakeholders and should not improperly indulge on business operation. We also have a policy against all forms of corruptions to establish standards of transparent business operation which will benefit the organisation and rubber industry in the long run.

5. Nurture Sustainability Attitudes Towards Organisation

The Company believes that effective and sustainable CSR practices is rooted from the awareness of employees in every level from all departments. They need to have a positive attitude to follow the policies and have responsibility to society and other related parties. Our people also volunteer to participate in the community development and business partners' quality of life improvement. Moreover, they have cooperated to change their working behaviors and daily lifestyle in accordance with environmental conservation guidelines, to reduce energy consumption costs, and to enhance the effectiveness of organisation.

The Company promotes and supports staffs to devote to social activity, for example, to volunteer and participate activities of community, alleviate natural disaster victims, appropriately and continuously support any kinds of shortages in the community, and create a benevolent society and social care for each other.

From CSR policy, we have initiated the concept of “Green Rubber Company” which means

Green Rubber Product

We are committed to delivering to our customers the clean products for safety and hygiene of end-users.

Green Factory

We are committed to a sound concept of safe energy, rid of waste and odor to ensure that our production facilities are environmental and community friendly.

Green Supply

We passionately drive the industry towards the clean & clear natural rubber through our fair procurement system with natural rubber farmers and dealers.

Green Company

Is the symbol of our transparency in operation and attitudes towards sustainable natural rubber business development.

With the policy and concept above, to comply with vision and mission of the Company, we have implemented the following.

Concerns on Stakeholder

The Company has used different kinds of tools and means to measure the expectations of each group of stakeholders, such as organising questionnaires, conferences, seminars, open houses, visits to business partners, communities, rubber suppliers, along with taking in complaints and opinions to be used in improving the Company’s work processes.

Relationships between Business Partners and Competitors

The Company believes that honorable business management would create confidence with relevant agencies, including, governmental agencies, shareholders, business partners, competitors, suppliers, customers, and competitors. The Company

has fully uphold business ethics concerning business partners and competitors strictly, so as to make sure that the reputations of those in the same business field would not be destroyed.

When dealing with raw material suppliers, the Company has abide by regulations for a fair and transparent business practices with suppliers or rubber farmers, Under our free trading system with suppliers, anyone is welcomed to become the suppliers of the Company. However, to become one of the Company’s suppliers, one must follow the standards of operations specifying in the Company’s agreement strictly.

The Company believes that by providing knowledge and knowhow for suppliers and rubber farmers on how to efficiently carry out rubber farming, would help to create sustainable income and good quality of life for the people. The Company then visits suppliers and rubber farmers on regular basis. Under this practice, the Company could promote more knowledge of quality of rubber and inquire about the satisfaction of the suppliers towards the Company more efficiently.

By giving importance to creating sustainability for partners and communities, especially those of raw material rubber suppliers. The Company has entered into an agreement with the Office of the Rubber Replanting Aid Fund in creating a special programme to train rubber tappers in the Northeastern or Isan region of Thailand entitled, “Rubber Tapper Skill Development Project”, with an aim to provide the proper methods for rubber farmers in tapping rubber trees. The training also provided the rubber farmers with the knowledge on fertilisers and how to look after the rubber plantation, to nurture the best quality of product, while being able to use their newly learnt skills to carry out an occupation with stable income to enhance their quality of lives.

Part of purchases and employment, the Company’s central purchasing unit has set up purchasing and procurement policies in line with social responsibility. The unit has been carrying out its operations in accordance with the Company’s purchasing and procurement policies, as well as business ethics concerning the relationships between business partners, competitors, and

trade creditors, so as to prevent unfair business competitions, monopolisation, and the prevention of new suppliers. The Company also sets up screening rules to deal business with qualified partners that possess social responsibility, such as, Green purchases and procurement scheme, the use of energy saving equipment, the promotion against child and forced labours, as well as human rights concerns, along with their mindsets in looking after the environment.

Clients, Customers and Consumers Responsibilities

The Sales and Marketing unit of the Company has been abiding by the Company's business ethics concerning customer relations, with an aim to create the best satisfaction and confidence for the customers in receiving the best quality products and services, with the right prices. The unit also provided complete and correct information about every product, delivered the products on schedule, provided guarantees, as well as provided communications channels for customers for any complaints about products and services. Moreover, the Company is responsible to keep customers' personal information private and secured, organise visiting trips to the Company's factories for clients to create better understanding about the Company's operations and products, while also establishing an evaluation system for clients to provide feedbacks on customers' satisfaction.

The Company has been complying with the ISO 9001 system for product qualities, as well as a quality control system to ensure that all products of the Company are fully certified and meet the international standards, along with expectations of every customer, starting from purchasing and production, all the way to quality inspections as a last step. If a customer had filed a complaint about the Company's products, the Marketing and Quality Control units of the Company would handle the complaints in accordance with the Company's procedures carefully and diligently. Both units would work out the cause and solutions in line with the system, so as to be able to respond to customers' need as quickly as possible, while also gathering up the information of the problems and complaints to be used to continuously better develop the Company's products.

Communications

The Company has provided information and public relations broadcast about the Company through its website, at www.sritranggroup.com and has provided a Call Centre at 02-207-4500, in order for the clients, partners, the public, and Company's stakeholder to be able to conveniently contact the Company and be treated without any discrimination. The communications channels would also provide a platform for the public and interested persons to inquire about the Company's products and other information.

Human Rights and Employee Rights

The Company value the importance of human rights and the rights of the equality in the work place and has been treating all employees justly and equally without discriminations under a set of morale and ethics.

Apart from the social security fund provided by the Company as stated by the laws, every employee is entitled to receive benefits and welfares in forms of salary and OTs, while hard shifters are also provided with extra pay. All employees are also entitled to summer vacation pay, yearly bonuses, and basic welfares to improve their quality of lives, such as, uniforms, assistance on rent, outside of office pocket money and lodging, health and safety insurances, provident fund, pensions, disaster relieve fund, taking leave to pursue higher study, as well as trainings for development, and recreation activities, including, sports day, and New Year's party.

The Company has an evaluation committee to review employees' performances, as well as uses the Key Performance Index (KPI) system to evaluate each employee for special rewards and bonuses.

The Company has paid extra welfares to its staffs in organising training for the employees to help improve their their skills and knowledge. Apart from gaining technical knowledge from these trainings, the Company also urged the employees to carry out their task or work with honesty to avoid conflict of interests.

Moreover, the Company has provided trainings on societal responsibilities, and organising trainings concerning the peaceful mind and feelings, in order to create an excellent citizen for the society.

Furthermore, the Company also organised trainings and work trips abroad to enhance the employees' experiences and knowledge both in the Asian and European regions.

Environmental Management

The Company has been adopting the environmental management system for a very long time, especially in STR plants that pose higher environmental risks. The aim of the Company is to earn an ISO14001 certification within a year of the plants' establishment and after the plant has been certified with ISO9001. In 2013, there are a total of 6 companies that has certified the ISO14001: 2004.

Water Pollution Management

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

Air Pollution Management

The Company has installed air pollution control systems in accordance with the type of productions. Smells of raw material cup lump rubber in STR factory, wood vinegar has been used to reduce odor. STR factories have installed odor emission control system for the process of rubber drying and from compound

lines. The factories also use boiler with a multi-cyclone system to reduce the odor before emission. The odor quality passes the standard air/odor quality stated by law after every inspection.

Waste Management

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

Energy Sufficiency and Renewable Energy

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

Climate Change

The Company has joined the Carbon Footprint of Products Projects, which include, RSS, STR, and Concentrated Latex, to calculate the amount of carbon dioxide emitted from the production and delivery processes, which would lead to better reduction of carbon dioxide emissions in the future. Recently, we have three products from five companies within the Group which have received a carbon footprint labels .i.e. B to B (Business to Business) certified by the Thailand Greenhouse Gas Management Organisation (Public Organisation).

Environmental Community and Society Development

The Company fully realises that to have a sustainable business operation, we must sincerely contribute and participate in environmental and social activities. In 2013 the Company has been involved in the following campaigns:

- Mangrove forests activities in different areas, including, the Naitonal Park Kanom of Nakhon Sri Thammarat province, Koh Rat of Don Sak district, Surat Thani province, Klong Son Beach of Si Kao district, Trang province, and the National Park of Chumpon province, where over 2,500 mangrove trees were planted.



- P.S. rubber has received carbon footprint label the scope of B to B (Business to Business) certified by the Thailand Greenhouse Gas Management Organisation (Public Organisation)



- Sri Trang Agro Industry ,Thung Song branch has joined “Take Kwuan Give Kon” operation, set up by the Forest Ministry and Nakhon Si Thammarat Industrial Office. Together the party has help restore deforested areas trespassed by local residents as a part of the “800 million trees, 80th Years of Her Majesty the Queen” project and a local project of “All for Loyalty, Love for Green Scenery”, held at Baan Kao Kao, Thung Song district, Nakhon Si Thammarat province.



- Sri Trang Agro Industry ,Trang branch has received carbon footprint organisation label certified by the Thailand Greenhouse Gas Management Organisation (Public Organisation)



- Rubberland Products, Buriram branch was awarded a certificate for its participation in the Cleaner Technology project in 2013, from the Ministry of Industry.



- Sri Trang Agro Industry, Udon Thani branch, launched a project “Sri Trang Volunteers to Develop Schools for the Children” where employees of the branch had helped to renovate the library’s floors, repaint the playground, and build shoe shelves from unused materials from the factories for the kindergarten students and grade 1-6 elementary school students at Baan Champa Prachanukroa School, Udon Thani province.



- Sri Trang Agro Industry, Chumpon branch was certified by the Industry Ministry as an organisation for operating under the Good Environmental Governance.



- Sri Trang Agro Industry, Hat Yai branch held the 1st Sri Trang Knowledge to the Community Project: Knowing about Rubber, in providing knowledge about rubber and how to produce RSS with quality, as well as quality latex as demanded by rubber plants to the Baan Muan Kong Community of Moo 5 and 7, which were located near the factory.



- The Company has assisted in cleanliness development by helping to clean up wastes in nearby communities, such as in, community roads, monasteries, and schools to help improve and rebuild good environmental atmosphere in the areas, as well as unity and sacrifice among the Company's employees. Moreover, the participation showed the Company's sincerity in trying to live sustainably with surrounding communities. In 2556 the following branches of the Company have been participating in such activities, including, Sri Trang Agro Industry, Udon Thani branch and Rubberland Products, Hat Yai branch.



- Sri Trang Agro-Industry Public Company Limited, Ubon Ratchathani branch hosted unity of Kathin for the construction of Senasana and arched entrance khong at Nhonyai Temple, Mueang Si chi Subdistrict, Warin Chamrap District, Ubon Ratchathani Province



- Sri Trang Agro Industry, Ubon Ratchathani branch and Rubberland Products, Mukdahan helped to organise children's day activities, along with New Year celebrations for governmental offices, school, and communities,



- Sri Trang Rubber and Plantation hosted unity of Kathin for wat Nabia ,Thern ,Lampang Province nearby community of Thern rubber plantation where most of employees live in.



- Donated 1 million baht to assist in the construction of buildings at the Phra Dabos School in the Southern border region.
- Donated 500,000 baht to help victims of the Hai Yan Typhoon in the Philippines.



- Sri Trang Agro Industry, Udon Thani and Chumpon branches were awarded with the CSR-DIW for Beginner in 2013, which is a project to strengthen the potential of factories in environmental management and having social responsibility that is sustained. The CSR-DIW for Beginner project promoted each factory to promote the beginner CSR, which involves only two categories of environmental concerns and participation in communities building and development, for develop to the CSR-DIW project.



- Sri Trang Agro Industry, Hat Yai branch was given the CSR-DIW Awards for its participation in the Flagship Project to Develop Factories to be Socially Responsible in 2013.



Capital Structure

Information on Share Capital and Shareholding of STA

As of 3 March 2014

Share Capital

Authorised Share Capital	: Baht 1,280,000,000
Issued and fully paid-up Share Capital	: Baht 1,280,000,000 (representing 1,280,000,000 ordinary shares with a par value of Baht 1 each)
Class of Shares	: Ordinary shares with a par value of Baht 1 each
Voting Rights	: One vote per share

Distribution of Shareholdings As of 3 March 2014

Size of shareholdings	Number of shareholders	%	Number of shares	%
1 – 999	1,441	9.24	531,897	0.04
1,000 – 10,000	9,488	60.81	42,232,255	3.30
10,001 – 1,000,000	4,581	29.36	278,850,337	21.79
1,000,001 – 10,000,000	80	0.51	285,101,196	22.27
10,000,001 – Less than 5% of paid-up share capital	10	0.06	245,917,385	19.21
More than 5% of paid-up share capital	2	0.01	427,366,930	33.39
Total	15,602	100.00	1,280,000,000	100.00

Note: Includes shareholders holding through CDP

Public Float

Based on information available to the Company, approximately 55.93% of the Company's shares are held in the hands of the public as of 3 March 2014. Accordingly, the Company has complied with Rule 723 of the Listing Manual.

Substantial Shareholders (Holding 5% and above) (As of 3 March 2014)

	Direct interest		Deemed interest	
	Number of shares	%	Number of shares	%
STH ⁽¹⁾	257,291,660	20.10	-	-
Dr. Viyavood Sincharoenkul ⁽²⁾	170,075,270	13.29	266,975,660	20.86

Note:

- (1) The largest group of shareholders in STH is the Sincharoenkul family which holds 4,934,140 shares, representing 56.07% of the total issued and paid up shares in STH. Dr. Viyavood Sincharoenkul is interested in approximately 26.79% of the total issued and paid up shares in STH. Certain directors of STH are also directors of our Company
- (2) Dr. Viyavood Sincharoenkul is deemed interested in the 8,850,000 shares held by his wife and the 257,291,660 shares held by STH, and the 834,000 shares held by Tai Yang Investment Pte. Ltd.

Top Twenty Largest Shareholders of STA

Top twenty largest shareholders of STA as of 3 March 2014, are as follows

	Name	No. of Shares	%
1	STH	257,291,660	20.10
2	Dr. Viyavood Sincharoenkul	170,075,270	13.29
3	Mr. Aram Sirisuwat	55,368,305	4.33
4	Thai NVDR Co., Ltd	53,418,110	4.17
5	CITIBANK NOMS S'PORE PTE LTD	36,050,250	2.82
6	Mr. Veerasith Sinchareonkul	22,441,000	1.75
7	Mr. Somwang Sincharoenkul	18,913,305	1.48
8	Mr. Kitichai Sincharoenkul	14,250,000	1.11
9	CITIGROUP GLOBAL MARKETS LIMITED-IPB CUSTOMER COLLATERAL ACCOUNT	11,052,750	0.86
10	Mr. Puthirat Pathratrathip	10,470,295	0.82
11	DBS BANK A/C SG0900110824	10,385,100	0.81
12	UOB Kay Hian Private Limited	10,000,000	0.78
13	RAFFLES NOMINEES (PTE) LTD	9,869,700	0.77
14	EAST FOURTEEN LIMITED-DIMENSIONAL EMER MKTS VALUE FD	9,198,000	0.72
15	Mr. Paul Sumade Lee	8,906,955	0.70
16	Ms. Suwanna Kowitsophon	8,900,000	0.70
17	Mrs. Promsuk Sinchareonkul	8,850,000	0.69
18	Mrs. Sungai Cherdkiatgamchai	8,157,875	0.64

	Name	No. of Shares	%
19	Mr. Surasak Srisangatrakullert	7,938,700	0.62
20	CIMB SECURITIES (SINGAPORE) PTE.LTD.	7,500,000	0.59
	Total	739,037,275	57.74

Note: Information obtained from TSD and CDP

Interest of Directors and Executives

The Company Board of Directors has specified the reporting policy in regard of the interest of directors and executives in order to monitor the interest of directors and executives or their related persons in relation to the business operation of the Company or subsidiaries. The reporting policy is as follows;

- First time report when at an appointment as a director or executive.
- Report at any time when there is any change in interest.
- Report at the end of each year.

The directors and executives shall report their interests to a company secretary. The company secretary, thereafter, shall report such interests to the chairman and the chairman of audit committee within 7 days from the date that the company secretary receives a report from the directors or executives.

As of 31 December 2013, the directors and executives of STA had the following interests in the ordinary STA shares as follows;

Name	Position	Number of Shares on 1 January 2013	Number of Shares on 31 December 2013	Increase (decrease) during Year of 2013	Percentage of Shares on 31 December 2013
Mr. Viyavood Sincharoenkul	Chairman and Managing Director	168,523,970	170,075,270	1,551,300	13.29
Spouse and minor child		8,450,000	8,850,000	400,000	0.69
Sri Trang Holdings Co. Ltd.		246,852,060	257,291,660	10,439,600	20.10
Tai Yang Investments Pte. Ltd.		-	834,000	834,000	0.07
Mr. Prasit Panidkul	Vice Chairman and Executives Director	6,915,575	7,815,575	900,000	0.61
Spouse and minor child		-	-	-	-
Mr. Chaiyos Sincharoenkul	Director and Executive Director	7,410,825	7,410,825	-	0.58
Spouse and minor child		4,300,000	4,300,000	-	0.34

Name	Position	Number of Shares on 1 January 2013	Number of Shares on 31 December 2013	Increase (decrease) during Year of 2013	Percentage of Shares on 31 December 2013
Mr. Kitichai Sincharoenkul	Director and Executive Director	14,250,000	14,402,000	152,000	1.13
Spouse and minor child		3,246,500	3,246,500	-	0.25
Mr. Paul Sumade Lee	Director and Executive Director	8,906,955	8,906,955	-	0.70
Spouse and minor child		27,095,075	27,095,075	-	2.12
Mr. Veerasith Sinchareonkul	Director	22,441,000	22,441,000	-	1.75
Mr. Prakob Visitkitjakarn	Independent Director / Chairman of Audit Committee/ Chairman of Remuneration Committee	450,060	450,060	-	0.04
Spouse and minor child		17,940	17,940	-	0.0014
Mr. Kriang Yanyongdilok	Independent Director / Audit Committee Member/ Chairman of the Nomination Committee / Remuneration Committee Member	-	-	-	-
Spouse and minor child		-	-	-	-
Mr. Samacha Potavorn	Independent Director / Audit Committee Member/ Nomination Committee Member/ Remuneration Committee Member	-	-	-	-
Spouse and minor child		-	-	-	-
Mr. Neo Ah Chap	Independent Director	1,100,000	1,100,000	-	0.09
Spouse and minor child		-	-	-	-
Ms. Prapai Srisutipong	Procurement Manager	260,500	260,500	-	0.02
Spouse and minor child		-	-	-	-
Mr. Chalernpop Khanjan	Production Manager	-	-	-	-
Spouse and minor child		-	-	-	-

Name	Position	Number of Shares on 1 January 2013	Number of Shares on 31 December 2013	Increase (decrease) during Year of 2013	Percentage of Shares on 31 December 2013
Mr. Arsom Aksornnam	Production Manager	-	-	-	-
Spouse and minor child		3,500	3,500	-	0.0003
Mr. Chaidej Pruksanusak	Quality Assurance Manager	-	-	-	-
Spouse and minor child		-	-	-	-
Mr. Patrawut Panitkul	Chief Financial Officer	-	-	-	-
Spouse and minor child		-	-	-	-
Ms. Jennifer Lim	Controller	150,000	150,000	-	0.01
Mr. Rattapong Laparojkit	Engineering Manager	55,500	55,500	-	0.004
Spouse and minor child		-	-	-	-
Mr. Phanlert Wangsupradilog	Engineering Manager	-	-	-	-
Spouse and minor child		-	-	-	-
Mr. Udom Pruksanusak	Human Resources Manager	10,000	10,000	-	0.0008
Spouse and minor child		-	-	-	-
Ms. Nuchanart Chaiyarat	Human Resources Manager	-	-	-	-

As of 13 May 2013, Mr. Anan Pruksanusak has resigned as a director and executive director of the Company. His interest as of 1 January 2013 was 100,000 shares.

Note:

- (1) The largest group of shareholders in STH is the Sincharoenkul family which holds 4,934,140 shares, representing 56.07% of the total issued and paid-up shares in STH. Dr. Viyavood Sincharoenkul is interested in approximately 26.79 % of the total issued and paid-up shares in STH. Certain directors of STH are also directors of our Company.
- (2) Dr. Viyavood Sincharoenkul is deemed interested in the 8,850,000 shares held by his wife and the 257,291,660 Shares held by STH., and the 834,000 shares held by Tai Yang Investment Pte. Ltd.
- (3) Mr. Chaiyos Sincharoenkul is deemed to be interested in the 4,300,000 shares held by his wife.
- (4) Mr. Kitichai Sincharoenkul is deemed to be interested in the 3,246,500 shares held by his wife.
- (5) Mr. Paul Sumade Lee is deemed to be interested in the 27,095,075 shares held by his wife.
- (6) Mr. Prakob Visitkitjakarn is deemed to be interested in the 17,940 shares held by his wife.
- (7) Mr. Neo Ah Chap is deemed interested in 1,100,000 shares held through Thai NVDR Co., Ltd.

The acquisition of shares of the directors and executives shall be presented to the Company's Board of Directors for their acknowledgement every quarter.

List of Direct Interests of Each Director as of 31 December 2013

Name	Direct Interests	Number of Shares	Increase (decrease) during the accounting period
Dr. Viyavood Sincharoenkul	STA	170,075,270	1,551,300
	Nam Hua Rubber	1	-
	Sadao P.S Rubber	1	-
	Thai Tech Rubber	1	-
	Anvar Parawood	1	-
	Premier System Engineering	1	-
	Sri Trang Rubber & Plantation	1	-
Mr. Prasit Panidkul	STA	7,815,575	900,000
	Sri Trang Rubber & Plantation	1	-
Mr. Chaiyos Sincharoenkul	STA	7,410,825	-
	Thai Tech Rubber	1	-
Mr. Kitichai Sincharoenkul	STA	14,402,000	152,000
	Sadao P.S Rubber	1	-
	Premier System Engineering	1	-
	Sri Trang Rubber & Plantation	1	-
Mr. Paul Sumade Lee	STA	8,906,955	-
Mr. Veerasith Sinchareonkul	STA	22,441,000	-
Mr. Prakob Visitkitjakarn	STA	450,060	-
Mr. Kriang Yanyongdilok	STA	-	-
Mr. Samacha Potavorn	STA	-	-
Mr. Neo Ah Chap	STA	1,100,000	-

Note: This is to comply with the requirement of the PLCA that a director holding shares or debentures of the Company or an affiliate company held directly by a board member under his name, and shall indicate the total number of shares increasing or decreasing during a fiscal year (if any).

Debentures

On 1 December 2011, STA successfully issued the debentures in two tranches to the institutional and high net-worth investors with total amount of Baht 2,150,000,000. Net proceeds from the issuance of debentures were used for long-term loan refinancing and/or business expansion. Details of each tranche of debenture are as follows;

	Tranche 1	Tranche 2
Debenture Name	Debenture of Sri Trang - Agro Industry Public Company Limited no. 1/2554 due in 2014.	Debenture of Sri Trang - Agro Industry Public Company Limited no. 1/2554 due in 2016.
Type of Debentures	Unsubordinated and unsecured debentures with a debenture holders' representative	Unsubordinated and unsecured debentures with a debenture holders' representative
Principal amount of Debentures	Baht 1,600,000,000	Baht 550,000,000
Interest rate	Fixed interest rate at 4.4% per annum	Fixed interest rate at 4.7% per annum
Interest Payable	Semi-annually	Semi-annually
Term	3 Years	5 Years
Maturity Date	1 December 2014	1 December 2016

On 13 February 2013, STA successfully issued the debentures in two tranches to the institutional and high net-worth investors with total amount of Baht 900,000,000. STA used the net proceeds for working capital and/or business expansion of the group. Details of each tranche of debenture are as follows;

	Tranche 1	Tranche 2
Type of Debentures	Unsubordinated and unsecured debentures with a debenture holders' representative	Unsubordinated and unsecured debentures with a debenture holders' representative
Principal amount of Debentures	Baht 300,000,000	Baht 600,000,000
Interest rate	Fixed interest rate at 4.1% per annum	Fixed interest rate at 4.5% per annum
Interest Payable	Semi-annually	Semi-annually
Term	3 years	5 years
Maturity Date	13 February 2016	13 February 2018

Dividend Policy



Dividend Policy of STA

Our policy is to pay a dividend of approximately 30% of our net profit as reported in our Company's stand-alone financial statements for each financial year, but not in excess of our retained earnings. In considering the level of dividend payments, we intend to take into account various factors, including: STA's financial position, results of operations and cash flow; the ability of our subsidiaries, associates and joint venture entities to make dividend payment to STA; STA's expected working capital requirements to support STA's future growth; and general economic conditions and such other external factors that STA believes will have an impact on the business operations of STA.

Dividend Policy of Our Subsidiaries

The dividend payment of our subsidiaries shall be approved by the Board of Directors of each subsidiary and shall be presented to the shareholders' meeting for approval. The Company does not fix the percentage of dividend payment. The dividend payment made by our subsidiaries will depend on the business profits, financial position and the future investment plans of each subsidiary and shall be according to its Articles of Association and the relevant laws.

Credit Rating and Outlook

TRIS Rating (TRIS) maintained the Company's credit and unsecured debentures at "A-" with "Stable" outlook, reflecting the Company's leading position in the natural rubber industry, geographically diverse customer base, strong balance sheet, and the good track record of the management team, despite partially offset by the cyclical nature of NR prices and weaker prospects in the demand caused by the uncertainty of world economic recovery.

The "Stable" outlook reflects the expectation that STA will sustain its competitive position in the NR industry. The company's balance sheet and capital structure is sufficiently strong to withstand the volatile nature of the NR industry and the uncertainties in many economies around the world.

Company / Debenture	Issued Date	Issued Rating/ Outlook
Sri Trang Agro-Industry PLC. (STA)	14 Jan 2014	A-/Stable
STA14DA: Bt1,600 million senior debentures due 2014	1 Nov 2011	A-/Stable
STA16DA: Bt550 million senior debentures due 2016	1 Nov 2011	A-/Stable
STA162A: Bt300 million senior debentures due 2016	12 Feb 2013	A-/Stable
STA182A: Bt600 million senior debentures due 2018	12 Feb 2013	A-/Stable

Utilisation of IPO Proceeds

The Company refers to the gross proceeds amounting to SGD 336 million raised from the initial public offering of its shares on the Singapore Exchange Securities Trading Limited in January 2011.

As at 31 December 2013, the status on the use of proceeds raised from the initial public offering of the Company is as follows:

Objectives	Allocation (SGD million)	Approximate accumulated actual utilisation (SGD million)*	Approximate amount yet to be utilised (approximately) (SGD million)*
Acquisition and/or construction of new and expansion of existing rubber processing facilities	204.75	160.89	43.86
Acquisition of land for rubber plantation	63.00	63.00	-
General working capital purposes	47.25	47.25	-
Listing expenses	21.00	19.50	1.50
Total	336.00	290.64	45.36

Note*: Based on a foreign exchange rate SGD 1 to Baht 25.6485

The utilisation is in accordance with the intended use of proceeds of the initial public offering and in accordance with the percentage allocated, as stated in the prospectus, which was registered by the Monetary Authority of Singapore on 20 January 2011.

Related Party Transactions and Interested Person Transactions

RELATED PARTY TRANSACTIONS

The related party transactions that are material with value of transaction exceeding THB 5.0 million that were disclosed in the notes to the financial statements of STA and the interested persons transactions that were not disclosed in the notes to the financial statements of STA for the financial year ended 31 December 2012 and 31 December 2013 are as follows:

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
1. SSC	<ul style="list-style-type: none"> An associate company. A company in which STH, the majority shareholder of STA, holds 6% of the shares. A company in which Mr. Viyavood Sincharoenkul, the majority shareholder and the Chairman of STA, holds, directly and indirectly, in an aggregate of 11.83% of the shares. Two directors of STA, who are Mr. Viyavood Sincharoenkul and Mr. Kitichai Sincharoenkul are the directors of SSC. 	1.1 STA <ul style="list-style-type: none"> Revenue from the sale of Concentrated Latex 	1,131.92	1,683.32	STA sold Concentrated Latex to SSC based on the market price. STA and Rubberland Products were responsible for procuring Concentrated Latex for SSC in accordance with the terms of the Joint Venture Agreement.	The price of the Concentrated Latex that STA sold to SSC was based on the market price that was quoted by SICOM (Singapore Commodity Exchange).
		<ul style="list-style-type: none"> Revenue from the provision of office related services 	5.47	5.47	STA entered into an agreement with SSC in relation to the provision of computer equipment and office supplies, legal services, accounting and financial services, including export and import services. The service fee that was charged by STA to SSC for the Bangkok branch office was Baht 50,000 per month and for the Hat Yai branch office Baht 434,000 per month, same rate with year 2012, which were comparable to the market price.	The rate of service fee charged to SSC was comparable to the market price rate for services of a similar nature.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		<ul style="list-style-type: none"> Revenue from dividends 	252.00	-	STA received dividends from SSC paid from the operation results of SSC.	The payment of dividend was made in accordance with the resolution of the shareholders' meeting of SSC. STA received dividend in proportion to its shareholding in SSC.
		<ul style="list-style-type: none"> Accounts receivable 	13.73	35.50	Outstanding accounts receivable from the sale of field latex and advance payments at the end of the period.	Outstanding balance according to the payment terms under normal trade conditions and normal accounts receivable.
		<ul style="list-style-type: none"> Expense in relation to the purchase of latex examination gloves 	602.38	563.30	STA purchased latex examination gloves from SSC for selling to its domestic customers as STA has its own sales office for the domestic market while SSC does not. The purchase price of the latex examination gloves was comparable to the wholesale price of other latex examination glove producers in the country.	SSC has neither sales nor marketing unit for latex examination gloves in Thailand as most of the SSC sales came from overseas customers. For this reason, in order to penetrate into Thailand market and to maximize the utilization of STA resources, STA purchased latex examination gloves from SSC for domestic sale at a price comparable to the market price. STA received adequate profit from entering into such transaction.
		<ul style="list-style-type: none"> Accounts payable 	83.39	93.49	Most of the accounts payable came from the purchase of latex examination gloves for domestic sale.	Outstanding balance according to the payment terms under normal trade conditions and the accounts payable were normal.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		1.2 Nam Hua Rubber <ul style="list-style-type: none"> Revenue from the sale of Concentrated Latex 	460.54	547.85	Nam Hua Rubber sold Concentrated Latex to SSC at a price comparable to the market price, which was the same price as sold by STA and Rubberland Products pursuant to the Joint Venture Agreement.	The price of the Concentrated Latex that was sold by Nam Hua Rubber to SSC was based on the market price that was quoted by SICOM (Singapore Commodity Exchange).
		<ul style="list-style-type: none"> Accounts receivable 	41.14	3.06	Outstanding accounts receivable from the sale of field latex and advance payments at the end of the period.	Outstanding balance according to the payment terms under normal trade conditions and the accounts receivable were normal.
		1.3 Rubberland Products <ul style="list-style-type: none"> Revenue from the sale of Concentrated Latex 	819.85	1,090.71	Rubberland Products sold Concentrated Latex to SSC at the market price. The Group was responsible for procuring Concentrated Latex to SSC pursuant to the Joint Venture Agreement.	The price of the Concentrated Latex sold by Rubberland Products to SSC was based on the market price that was quoted by SICOM (Singapore Commodity Exchange).
		<ul style="list-style-type: none"> Revenue from the sale of ground water 	44.05	43.21	Rubberland Products sold ground water to SSC as its factories were located in the same area. The sale price was at Baht 16 per cubic meter, which was comparable to the price of tap water sold by the Provincial Waterworks Authority.	SSC factory was located near the factory of Rubberland Products and SSC did not possess its own ground water well. The price of ground water sold to SSC was comparable to the price of tap water sold by the Provincial Waterworks Authority to the business sector.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		<ul style="list-style-type: none"> Revenue from the provision of field latex tank 	32.91	13.12	Rubberland Products entered into the leasing of field latex tank agreement with SSC as SSC did not have its own tank to store the field latex. The service fee for 100 ton was Baht 40,000 per month per tank, for 250 per month per ton was Baht 100,000 per month per tank which was comparable to the market price and reflected the relevant cost and an adequate profit of Rubberland Products.	The service fee for the provision of field latex tank was comparable to market price and reflected the relevant cost and an adequate profit margin for Rubberland Products.
		<ul style="list-style-type: none"> Revenue from house rental service 	9.14	4.64	Rubberland Products provided the house rental service to SSC as the SSC factory located adjacent to the area of Rubberland Products. The rental fee was Baht 600 per unit per month, for all type of buildings, which was comparable to the market price in that area.	The rental fee was comparable to the market price (monthly rate) in that area.
		<ul style="list-style-type: none"> Revenue from dividends 	69.84	-	Rubberland Products received dividends from SSC paid from the operation results of SSC.	The payment of dividend was made in accordance with the resolution of the shareholders' meeting of SSC. Rubberland Products received dividend in proportion to its shareholding in SSC.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		<ul style="list-style-type: none"> Accounts receivable 	5.26	4.25	Outstanding accounts receivable from the sale of ground water and the aforementioned services.	Outstanding balance according to the payment terms under normal trade conditions and the accounts receivable were normal.
		<p>1.4 Starlight Express Transport</p> <ul style="list-style-type: none"> Revenue from import-export freight forwarding fees 	7.73	7.37	Starlight Express Transport provided export and import services to SSC as Starlight Express Transport has expertise and personnel suitable for the provision of services. The fees for the preparation of the related export and import documentation for the year 2011 and 2012 were Baht 280 per container and Baht 500 per set respectively and the fee for the trailer service was USD 60 per container. These rates were comparable to the market price of other service providers in the same industry.	Starlight Express Transport has expertise in the logistics services and the documentation work concerning logistics. The rate of service fee reflected the reasonable cost of its business operation and was comparable to other service providers in the same industry.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		<ul style="list-style-type: none"> Revenue from logistic services 	55.41	52.21	Starlight Express Transport provided logistics services to SSC as Starlight Express Transport conducted logistics services and has equipment and personnel ready to support such service. The service fee was at the market price according to the transportation route and was adjusted according to the change of the oil price in each period.	Starlight Express Transport has expertise in the logistics services and the documentation work concerning logistics. The rate of service fee reflected the reasonable cost of its business operation and was comparable to other service providers in the same industry.
		<ul style="list-style-type: none"> Accounts receivable 	6.09	4.49	Outstanding accounts receivable from the aforementioned services.	Outstanding balance according to the payment terms under normal trade conditions and the accounts receivable were normal.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		1.5 Premier System Engineering <ul style="list-style-type: none"> Revenue from the manufacturing of machinery and equipment 	381.02	198.30	<p>Premier System Engineering produced and sold machinery and equipment to SSC as the machinery used in the manufacturing process of SSC required special specification and SSC needed to keep its production technology and equipment as its business secret. Premier System Engineering has equipment and personnel suitable for the manufacturing of machinery and equipment. The price of the machinery and equipment sold by Premier System Engineering were comparable to the market price which reasonably reflected the cost of production, operation, and an adequate profit margin.</p>	<p>Premier System Engineering has expertise in the development, production, and maintenance of machinery and equipment in relation to the production of natural rubber and finished products from natural rubber.</p> <p>The price of the machinery and equipment sold to SSC reflected the reasonable cost of its production and an adequate profit margin of Premier System Engineering and was comparable to the market price.</p>

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		<ul style="list-style-type: none"> Revenue from cleaning service 	64.44	60.95	<p>Premier System Engineering provided cleaning service for the machinery and equipment to SSC as Premier System Engineering has expertise in machinery and equipment and was the seller of machinery and equipment to SSC. The rate of service fee was comparable to the market price and reflected an adequate profit margin of Premier System Engineering.</p>	<p>Premier System Engineering has expertise in the development, production, and maintenance of machinery and equipment in relation to the production of natural rubber and finished products from natural rubber.</p> <p>The rate of service fee for cleaning the machinery and equipment of Premier System Engineering reflected the reasonable cost of its business operation and an adequate profit margin of Premier System Engineering and was comparable to other service providers in the same industry.</p>

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		<ul style="list-style-type: none"> Revenue from equipment and instrument calibration service 	5.61	4.29	Premier System Engineering provided the equipment and instrument calibration service to SSC as Premier System Engineering has equipment and personnels ready for provision of such service. The rate of service fee was based on type of equipment and instrument and also was comparable to the market price of other service providers in the same field.	remier System Engineering has expertise in the development, production, and maintenance of machinery and equipment in relation to the production of natural rubber and finished products from natural rubber. The rate of service fee for equipment and instrument calibration of Premier System Engineering reflected the reasonable cost of its business operation and an reasonable profit margin of Premier System Engineering and was comparable to other service providers in the same industry.
		<ul style="list-style-type: none"> Revenue from information technology services 	16.78	17.19	Pemier System Engineering provided IT and information system service to SSC as Premier System Engineering has equipment and personnel ready for provision of such service.	The service fee was comparable to the market price.
		<ul style="list-style-type: none"> Revenue from purchasing-maintenance the machines 	17.94	19.10	Premier System Engineering provided maintenance services of machinery to SSC. The service fee was based on actual works which was comparable with market rates.	Service fee was comparable with market rates.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		<ul style="list-style-type: none"> Revenues from sales of equipment and machinery spare part 	162.28	138.72	Premier System Engineering provided stock management services and procured equipment and machinery spare part to SSC since it has expertise and specializes in machinery and equipment.	he service fee was comparable to the market price.
		<ul style="list-style-type: none"> Accounts receivable 	40.98	46.15	Outstanding accounts receivable from the aforementioned services.	Outstanding balance according to the payment terms under normal trade conditions and the accounts receivable were normal.
		<ul style="list-style-type: none"> Expense from purchasing supplies 	6.09	6.16	Premier System Engineering purchased supplies from SSC in order to save purchasing cost and efficiently manage supplies of the Group. The purchasing price of supplies was weighted average cost of SSC excluding any other related processing expenses.	Large purchasing quantity of supplies enables the Group to receive discounts and increase bargaining power. The purchasing price of supplies that Premier System Engineering purchased from SSC was comparable to market price without any other related processing expenses.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		1.6 Anvar Parawood <ul style="list-style-type: none"> Revenue from the sale of firewood 	808.48	714.66	Anvar Parawood sold firewood to SSC as Anvar Parawood operates the business of the sale of rubber wood and has personnel suitable to provide such service. The price of the firewood was the price on the date the transaction was entered into plus the operation cost and an adequate profit margin which was comparable to the market price.	The selling price of the firewood was comparable to the price offered by other sellers.
		<ul style="list-style-type: none"> Accounts receivable 	16.79	13.34	Account receivable from the sale of parawood.	Outstanding balance according to the payment terms under normal trade conditions and the accounts receivable were normal.
		1.7 Shi Dong Shanghai <ul style="list-style-type: none"> Purchase of glove 	105.19	36.97	Shi Dong Shanghai purchased gloves from SSC to distribute in Chinese market as Shi Dong Shanghai acted as a sale & distribution unit in China whereas the market SSC did not have any presence of sale & distribution.	The selling price of the glove was comparable to the wholesale price offered by other sellers.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
2. Semperflex Asia	<ul style="list-style-type: none"> An associate company. A company in which STH, the majority shareholder of STA, holds 5.0% of the shares. A company in which Mr. Viyavood Sincharoenkul, the majority shareholder and the Chairman of STA, holds directly and indirectly, in an aggregate of 12.38% of the shares. Three directors of STA, who are Mr. Viyavood Sincharoenkul, Mr. Kitichai Sincharoenkul and Mr. Veerasith Sinchareonkul, are the directors of Semperflex Asia. 	2.1 STA <ul style="list-style-type: none"> Revenue from dividends 	75.00	56.25	STA received dividends from Semperflex Asia paid from the operation results of Semperflex Asia.	The payment of dividend was made in accordance with the resolution of the shareholders' meeting of Semperflex Asia. STA received dividend in proportion to its shareholding in Semperflex Asia.
		2.2 Rubberland Products <ul style="list-style-type: none"> Revenue from dividends 	10.00	7.50	Rubberland Products received dividends paid from Semperflex Asia based on its operating results.	The payment of dividend was made in accordance with the resolution of the shareholders' meeting of Semperflex Asia. Rubberland Products received dividend in proportion to its shareholding in Semperflex Asia.
		2.3 Starlight Express Transport <ul style="list-style-type: none"> Revenue from transportation 	7.19	6.45	Starlight Express Transport provided logistics services to Semperflex Asia as Starlight Express Transport conducted logistics services and has equipment and personnel ready for the provision of such service. The service fee was comparable to the market and changed according to the oil price level.	Starlight Express Transport has expertise in logistics services and documentation work concerning logistics. The rate of service fee reflected the reasonable cost of its business operation and was comparable to other service providers in the same industry.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		2.4 Premier System Engineering <ul style="list-style-type: none"> Revenue from the manufacturing of machinery and equipment 	8.86	27.54	Premier System Engineering sold machinery and equipment to Semperflex Asia as the machinery used in the manufacturing process of Semperflex Asia required special specification and Semperflex Asia needed to keep its production technology and equipment as its business secret. Premier System Engineering has equipment and personnel suitable for the manufacturing of machinery and equipment. The price of the machinery and equipment sold by Premier System Engineering were comparable to the market price.	Premier System Engineering has expertise in the development, production, and maintenance of machinery and equipment in relation to the production of natural rubber and finished products from natural rubber. The price of the machinery and equipment sold to Semperflex Asia reflected the reasonable cost of its production and an adequate profit margin of Premier System Engineering and was comparable to the market price.
		<ul style="list-style-type: none"> Revenue from selling and maintenance machine 	0.30	22.27	Premier System Engineering provided maintenance services of machinery to SSC. The service fee was based on actual works which was comparable with market rates.	Service fee was comparable with market rates.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		<ul style="list-style-type: none"> Revenues from sales of equipment and machinery spare part 	13.21	33.59	Premier System Engineering provided stock management services and procured equipment and machinery spare part to Semperflex Asia since it has expertise and specializes in machinery and equipment.	The service fee was comparable to the market price.
		<ul style="list-style-type: none"> Accounts receivable 	2.00	5.57	Account receivable from the above services.	Outstanding balance according to the payment terms under normal trade conditions and the accounts receivable were normal.
		<p>2.5 Anvar Parawood</p> <ul style="list-style-type: none"> Revenue from the sale of pallets 	7.95	7.92	Anvar Parawood sold pallets to Semperflex Asia as Anvar Parawood conducted the business of selling rubber wood and has personnel suitable for providing such service. The price of pallets sold to Semperflex Asia was comparable to the market price.	The price of the pallets was comparable to the price of other sellers.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
3. Thai Tech Rubber	<ul style="list-style-type: none"> An associate company. Two directors of STA, who are Mr. Viyavood Sincharoenkul and Mr. Paul Sumade Lee, are the directors of Thai Tech Rubber. 	3.1 STA <ul style="list-style-type: none"> Revenue from dividends 	51.59	71.69	STA received dividends from Thai Tech Rubber paid from the operation results of Thai Tech Rubber.	The payment of dividend was made in accordance with the resolution of the shareholders' meeting of Thai Tech Rubber. STA received dividend in proportion to its shareholding in Thai Tech Rubber.
		3.2 Sri Trang International <ul style="list-style-type: none"> Cost of the purchase of TSR 	2,984.19	4,551.97	Sri Trang International purchased TSR from Thai Tech Rubber for selling to international market. The purchase price was based on SICOM	<p>The natural rubber that the Group produced to international customers was distributed by Sri Trang International as Thai Tech Rubber did not do marketing or sale of natural rubber to international customers.</p> <p>The natural rubber price that Thai Tech sold to Sri Trang International was comparable to the market price that third party sold to Sri Trang international.</p>
		<ul style="list-style-type: none"> Accounts payable 	170.99	229.31	Accounts payable from the provision of the aforementioned services.	Outstanding balance according to the payment terms under normal trade conditions and the accounts payable were normal.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
4. Pattana Agro Futures	<ul style="list-style-type: none"> An associate company. Two directors of STA, who are Mr. Viyavood Sincharoenkul and Mr. Kitichai Sincharoenkul, are the directors of Pattana Agro Futures. 	4.1 STA <ul style="list-style-type: none"> Accounts receivable for the future trading of natural rubber 	126.55	57.89	Accounts receivable from the trading of natural rubber future contracts	Normal business transaction for future trading
		<ul style="list-style-type: none"> Amount due from futures brokers 	26.11	70.45	Deposit made for trading in futures market in accordance with AFET criteria.	Normal business transaction for future trading
5. Prukso Rubber Co., Ltd.	<ul style="list-style-type: none"> The Executives Officer of STA, Mr. Udom Pruksoanusak and siblings, hold more than 50% of the shares in Prukso Rubber Co., Ltd. Mr. Udom Pruksoanusak is the authorized signatory of Prukso Rubber Co., Ltd. 	5.1 Nam Hua Rubber <ul style="list-style-type: none"> The purchase of field latex 	114.27	131.45	Nam Hua Rubber purchased field latex from Prukso Rubber Co., Ltd. because the rubber plantations of Prukso Rubber Co., Ltd. were located close to the factory and the purchasing center for purchasing field latex of Nam Hua Rubber. Moreover, Prukso Rubber Co., Ltd. was capable of supplying rubber of the quality and quantity as required by Nam Hua Rubber. The purchasing price of the field latex was at the price that the Group made an announcement to general customers in front of its factory.	Nam Hua Rubber required field latex as a raw material for the production of Concentrated Latex. The purchase price was at the market price determined daily by the procurement department of the Group for the purpose of purchasing raw materials from general suppliers.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
		5.2 Sadao P.S. Rubber <ul style="list-style-type: none"> Cost of the purchase of unsmoked sheet rubber 	7.06	9.38	<p>Sadao P.S. Rubber purchased unsmoked sheet rubber from Prukha Rubber Co., Ltd., a dealer who buys unsmoked sheet rubber from the farmers and sells it to factories located in the Sadao District where is close to the Sadao P.S. factory. Moreover, Prukha Rubber was capable to supply unsmoked sheet rubber at the quality and quantity as required by Sadao P.S. Rubber. The purchase price of unsmoked sheet rubber was the price that the Group made an announcement to general customers in front of its factory.</p>	<p>sadao P.S. Rubber required unsmoked sheet rubber as the raw material for the production of RSS. The purchase price was at the market price determined daily by the procurement department of the Group for the purpose of purchasing raw materials from general suppliers.</p>

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
6. Worldwide Shipping Logistic Service Pte.	<ul style="list-style-type: none"> A company with 100% of its shares owned by a spouse of a child of a Director of STA – Mr. Prasit Panidkul 	6.1 STA <ul style="list-style-type: none"> Transportation expense 	0.11	8.14	Worldwide Shipping Logistic Service Pte., provided freight forwarding service or transportation of goods from STA factories to overseas customers. The service fee paid by STA to Worldwide Shipping Logistic Service Pte., was comparable with the service fee of other service providers having no connection with the Group. STA will conduct a price comparison each time it enters into an agreement for receiving such services.	The fee was reasonable and comparable to the market price.
7. Tham Phannara Rubber Fund Cooperative	<ul style="list-style-type: none"> Wife (Mrs. Jiraporn Aksornnam) of Co-Group Production Manager (Mr. Asom Aksornnam) is an authorized person on behalf of the cooperative. 	7.1 STA <ul style="list-style-type: none"> Purchasing field latex 	-	31.28	STA purchased filed latex from Thum Phannara Rubber Fund Cooperative as it situates nearby STA's procurement unit. Moreover, it was capable of supplying rubber of the quality and quantity as required by STA. The purchasing price of the field latex was at the price that the Group made an announcement to general customers in front of its factory.	STA required field latex as a raw material for the production of Concentrated Latex. The purchase price was at the market price determined daily by the procurement department of the Group for the purpose of purchasing raw materials from general suppliers.

Related Parties	Relationship	Type of Transaction	Value of Transaction (THB Million)		Necessity / Reasonableness of the Transaction	Opinion(s) of the Audit Committee
			Consolidated FY 2013	Consolidated FY 2012		
<p>8. The Board of Director of STA and subsidiaries consists of:</p> <ul style="list-style-type: none"> • Mr. Somwang Sincharoenkul • Mr. Viyavood Sincharoenkul • Mr. Kitichai Sincharoenkul • Mr. Prasit Panidkul • Mr. Chaiyos Sincharoenkul • Mrs. Promsuk Sinchareonkul • Mr. Anan Pruksanusak 	<ul style="list-style-type: none"> • Directors of STA and the subsidiaries 	<ul style="list-style-type: none"> • Personal guarantees have been provided on the loans that have been extended to STA and subsidiaries by financial institutions 	715.00	1,185.00	Directors of STA and the subsidiaries provided personal guarantees on the loans that have been extended to STA and subsidiaries by financial institutions as a requirement of borrowing specified by certain financial institutions.	Such support complied with the requirements of sponsor support agreement and was made for the benefit of STA and the subsidiaries. The directors acting as guarantors did not charge any fee for providing the personal guarantee.

INTERESTED PERSON TRANSACTIONS

Interested Person transactions as defined in the SGX listing manual Rule: 920 for the financial year ended 31 December 2013 are as follows:

Unit : THB million

Name of Interested Person	Aggregated value of all Interested Person Transactions for the year ended 2013 under review (excluding transactions less than SGD 100,000 and transactions conducted under shareholders' mandate)	Aggregate value of all Interested Person Transactions conducted under shareholders' mandate (excluding transactions less than SGD 100,000)
Pruksa Rubber Co., Ltd - STA sold field latex to Pruksa Rubber Co., Ltd	3.96	-
Pruksa Rubber Co., Ltd - Nam Hua Rubber purchased field latex and Sadao P.S. Rubber purchased unsmoked sheet rubber from Pruksa Rubber Co., Ltd	121.33	-
Mr Somwang Sincharoenkul – remuneration for engagement as honorary adviser for STA	4.80	-
Guarantees and security provided by the Board of directors of STA and their associates, namely; <ul style="list-style-type: none"> • Mr. Somwang Sincharoenkul • Mr. Viyavood Sincharoenkul • Mr. Kitichai Sincharoenkul • Mr. Prasit Panidkul • Mr. Chaiyos Sincharoenkul • Mrs. Promsuk Sinchareonkul • Mr. Anan Pruksanusak • Mr. Somboon Pruksanusak 	715.00	-

Save as disclosed in “Related Party Transactions”, there were no other material contracts entered into by the Company or any of its subsidiaries involving the interests of any director or controlling shareholder which are either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Audit Committee's Opinion on Related Party Transactions

The Audit Committee of STA evaluated and expressed its opinion on the above related party transactions that such transactions were carried out reasonably and were necessary to the business operation of STA.

Measures or Procedures for Approving the Related Party Transactions

In the event that STA or its subsidiaries carries out its business with a party who may have a conflict of interest, whether at present or in the future, or have an interest with STA, the Audit Committee will express its opinion regarding the necessity and the reasonableness of the price of such transaction. The Audit Committee will ensure that the terms and conditions of these transactions are consistent with market practice and the prices charged for these transactions compared with third party or market prices. If the Audit Committee is unable to evaluate related party transactions due to lack of expertise in certain areas, STA will arrange an independent expert or the auditor of STA to give an opinion on such transactions. The Board of Directors or Audit Committee or the STA shareholders, as the case may be, will use this opinion from the independent expert as a supplement to form their own conclusion. Those directors who may have an interest in the transaction are prohibited from voting on such transactions. In addition, related party transactions will be disclosed in the notes to the STA's audited or reviewed financial statements.

At present, STA has a pricing policy for its subsidiaries, associates, joint venture entities and related companies as follows:

	Pricing Policy
Sales of products and raw materials	At arm's length as if it was transacted with a third party
Revenues from services – logistic services	At arm's length as if it was transacted with a third party
Revenues from services – management services	At fixed rate pursuant to the contract which is comparable to the market price
Interest income from trade credit	At arm's length as if it was transacted with a third party
Rental income	At a contract price which had been agreed upon and is comparable to the market price
Product purchase	At arm's length as if it was transacted with a third party
Rental and Service Expenses	At arm's length as if it was transacted with a third party
Guarantee	No fee charged
Fixed assets acquisition	At arm's length as if it was transacted with a third party

Furthermore, the Board of Directors Meeting resolved to approve in principle business transactions with general trading conditions or supporting normal business transactions with general trading conditions between STA or its subsidiaries and the Directors, Executive Officers or any related parties.

STA and its subsidiaries may purchase raw materials, sell products, provide transportation services or enter into any other transactions between the Directors, Executive Officers or related parties, whether at present or in the future. In this regard, STA authorizes the management to approve such transactions if the purchase price, selling price, transportation fees or other related transactions is not different from the price offered to other customers (market price) and the conditions and commercial terms are the same as those an ordinary person would agree with any party under similar circumstances. The transportation fee shall be the same as the rate of transportation used by the general public. In respect of the transportation fee, the fee will be according to the normal market rate, but shall not be more than 10% compared with the fee paid by other trade partners. In addition, STA shall prepare a report on the summary of the transactions every quarter to present to the Board of Directors Meeting or upon the request of the Board of Directors.

Policy on Future Related Party Transactions

In the event that STA engages in related party transactions in the future, STA will ensure that such transactions are carried out in compliance with the SEC Act, the Securities Law of Singapore, regulations, notifications, orders or rules of the SET and SGX-ST. In addition, STA must also comply with the Thai GAAP on disclosure rules related to related party transactions and other requirements as specified by the Institute of Certified Accountants of Thailand and the Company's policy or other relevant laws.

In addition, when STA enters into related party transactions, STA will seek the Audit Committee's opinion on the reasonableness of such transactions. In the event that the Audit Committee is unable to evaluate related party transactions due to lack of expertise in certain areas, the Committee may for arrange an independent expert, such as auditor or independent appraiser, to give opinion on the transactions. The opinion of the Audit Committee or the independent expert will be used by the Company's Board of Directors or shareholders, as the case may be, for making a decision to ensure that these related party transactions are carried out without any conflict of interest and for the best interest of all shareholders.

Risk Factors



Our Company is exposed to a number of risks that may affect its business and the value of its shares.

The following sets out some of the significant risks that may affect the Company. However, there are some risks that may be unknown to the Company and other risks that the Company currently considers to be immaterial. These risks could have an impact upon the operation of the Company in the future.

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

- *Supply and demand for natural rubber*
An increase in the supply of natural rubber or a decrease in world consumption levels of natural rubber could result in an oversupply which could in turn result in a decrease in average selling prices of the Natural Rubber Products that we sell;
- *Prices of crude oil, energy and oil-based chemicals*
Crude oil prices may affect the prices of natural rubber and other input materials such as oil-based chemicals used in rubber processing. In addition, the prices of synthetic rubber usually move along with crude oil prices, and the price fluctuations of synthetic rubber affects the pricing and demand for natural rubber;
- *Currency movements*
As natural rubber is traded mainly in US Dollars, any fluctuations in the natural rubber exporting currencies against US Dollars may result in corresponding fluctuations in natural rubber prices in the relevant exporting countries;

- *Speculation*

As natural rubber and certain of the Natural Rubber Products that we sell are traded at various commodity future exchanges, they are susceptible to price speculation in addition to local and global economic factors; and

- *Government intervention*

The governments of natural rubber producing countries such as Thailand, Indonesia and Malaysia may from time to time introduce policies to support the natural rubber industry in their respective countries. For example, the Indonesian government had imposed export quotas in relation to natural rubber in 2009, in response to the drop in the price of natural rubber, which restricted our ability to operate our factories in Indonesia at full capacity. In addition, in 2012, price intervention of the Thai government to provide loans with total amount of Baht 45.0 billion to the state-run Rubber Estate Organization and cooperatives through the Bank for Agriculture and Agricultural Cooperatives to buy rubber from farmers at prices above market prices directly impacted our raw material costs. Moreover, the cooperative agreement among Thailand, Indonesia, and Malaysia in August 2012 to withdraw Natural Rubber exports of 300,000 tons during October 2012 to March 2013 also affected the export volume of Natural Rubber producer during such period.

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

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

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

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

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

While our financial reporting currency is Baht and our raw material purchases for the Natural Rubber Products that we produce are transacted in Baht and Indonesian Rupiah, approximately 83.0% of our total revenues 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 processors from Indonesia and Malaysia.

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

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

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

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

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

As at 31 December 2013, we had cash and cash equivalents of approximately Baht 1,892.7 million and the majority of our total borrowings comprised short-term borrowings. We can provide no assurance that we will not experience negative cash and cash equivalents in the future. In the event that we are unable to obtain or secure sufficient borrowings or generate sufficient revenue from our operations, or if we fail to maintain sufficient cash, we may not have sufficient cash flow to fund our operations and our business and operating results will be adversely affected.

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

As at 31 December 2013, we have an aggregate of Baht 19,500.2 million in short and long term bank loans, accounting for approximately 81.7% and 18.3% of the aggregate amount of bank loans respectively, with interest rates ranging from 1.5% to 13.9% per annum depending on the currency on which the loans are denominated. Difficult conditions in the global credit markets could adversely impact the cost or other terms of our existing financing as well as our ability to obtain new credit facilities or access the capital markets on favourable terms. A significant increase in our borrowing costs could impair our ability to compete effectively in our business relative to competitors with lower amounts of indebtedness.

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

Unsmoked rubber sheets, cup lumps and field latex are the primary raw materials for Natural Rubber Products. The availability of these raw materials from suppliers, as well as our ability to harvest field latex from our own rubber plantations in the future, may be adversely affected by unfavourable weather conditions such as drought, floods, prolonged periods of rainfall, storms etc. and/or diseases which has infected the rubber plantations from which suppliers purchase the raw materials or our own

rubber plantations in the future. Such events, especially if continued for a prolonged period, could affect the overall yield of such raw materials and consequently lead to price fluctuations. Any substantial decrease in the supply of, and increase in the cost of, raw materials could increase our operating costs, affect our production capacity and consequently have a material adverse effect on our business, financial condition and results of operations.

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

Our production processes and those of our associates and joint venture entity require significant use of resources such as water and electricity to power our processing facilities and those of our associates and joint venture entity. Natural disasters, acts of God, a shortage of labour, major or sustained disruptions in the supply of utilities such as water or electricity and other calamities or events beyond our control. For example, the torrential floods occurred in southern Thailand in November 2010 and January 2012 may lead to significant disruption or a cessation in processing at our processing facilities and those of our associates and joint venture entity. Such disruptions would have an adverse effect on our operations and those of our associates and joint venture entity and would result in longer lead-time for processing and delayed delivery to customers.

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

Our Company is dependent on distributions from our principal operating subsidiaries, associates and joint venture entity 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 entity based on our ownership interest. However, should revenues or operating performance of our principal operating subsidiaries, associates and joint venture entity be decreased, the amount of distributions in terms of both rate and value made by such principal operating subsidiaries, associates and joint venture entity will decline. Accordingly, our Company's cash flow might be adversely affected.

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

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

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

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

Our sales of Natural Rubber Products, which are produced from natural rubber, accounted for 97.3% of our Group's revenue for the financial year ended 31 December 2013. There are a variety of synthetic rubber substitutes 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, increased natural rubber price compared to synthetic rubber, long transport distances, 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. Any resulting decrease in demand for Natural Rubber Products may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

In the event of any expiry of such tax benefits, Sri Trang International, our Company and our relevant subsidiaries and associates which are incorporated in Thailand will be liable to the applicable taxes at the prevailing rates and accordingly, there will be an adverse impact on our profitability.

2. Risks Relating to the Countries in which We Operate

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

We have operations in and investments in countries such as Thailand, Singapore, USA, Indonesia, and the PRC, each of which contributed 64.1%, 26.7%, 5.0%, 3.3%, and 0.9% of total revenues, respectively. Accordingly, we are subject to the risks associated with our business activities in these countries. Our business, financial condition, results of operations and prospects may be materially and adversely affected by a variety of conditions and developments in these countries including:

- Inflation, interest rates and general economic conditions;
- Civil unrest, military conflict, terrorism, change in political climate and general security concerns;
- Changes in legal and regulatory conditions;
- Changes in duties payable and taxation rates;
- Natural disasters;
- Imposition of restrictions on foreign currency conversion or the transfer of funds; or
- Expropriation or nationalisation of private enterprise or confiscation of private property or assets.

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

Management Discussion and Analysis

Financial Result Overview

In 2013, Natural Rubber (NR) industry has been challenged by numerous factors including uncertainty of global economic recovery, NR supply excess, speculation on QE tapering, and high NR stock in China. However, with our strong business model, 2013 has been a satisfactory year of the Company for many aspects. Our sale volume reached a new industry record of 1.1 million tons amid softening demand and downward trend of NR price. Our strategy to aggressively expand customer base in high growth markets, especially in China, has maintained our world's leading position with a higher world market share of 10%. Although sales of goods and services decreased by 7% from the pressure of NR price decline, our net profit grew by 31%. This has proven that our strategies to continually invest in strategic locations as well as our focus to operate business with vigilance and agility in anticipation of any uncertainties have delivered us resilient performance despite weathering dynamic business climate.

Our increase of net profit margin compared with the previous year was primarily attributable to an increase in gross profit from our well-managed raw materials cost, a decrease in selling expenses from 4-month cess exemption, and gain from financial derivative instruments from rubber trading, which partially offset by a decrease in gains on exchange rate from financial derivative instruments as a result of a depreciation of Thai Baht against US Dollar, an increase in administrative expenses from personal expenses, and an increase in finance costs from unrealised loss on exchange rate of USD denominated loans and from a higher amount of loans to support our business expansion.

Non-recurring item for the year 2013 was the receipt of insurance claim for marine shipping accident of Baht 92.9 million and for the year 2012 was cess refund of Baht 238.4 million. Both items were recorded under other income.

Income Statement Overview

Unit: Baht million

	FY 2013	FY 2012	% YoY	Q4 2013	Q4 2012	% YoY
Revenue from sale of goods and services	92,185.2	99,639.1	-7.5%	23,930.4	22,794.2	5.0%
Cost of sales and services (net)	(86,996.1)	(94,864.0)	-8.3%	(22,467.5)	(21,404.9)	5.0%
Gross profit	5,189.1	4,775.1	8.7%	1,462.9	1,389.2	5.3%
SG&A	(3,589.2)	(3,921.4)	-8.5%	(844.2)	(952.6)	-11.4%
Other income	260.0	363.9	-28.5%	88.1	42.1	109.3%
Gains/(Losses) on exchange rate	312.5	815.1	-61.7%	(222.7)	164.9	-235.0%
Other gains/(losses) (net)	338.6	(340.7)	199.4%	44.2	40.1	10.4%
Operating profit	2,511.0	1,691.9	48.4%	528.3	683.7	-22.7%
Share of profit from investments in associates and a joint venture	495.6	526.8	-5.9%	152.5	102.0	49.5%
EBITDA	3,747.0	2,839.8	31.9%	875.8	950.3	-7.8%

Income Statement Overview (Cont'd)

Unit: Baht million

	FY 2013	FY 2012	% YoY	Q4 2013	Q4 2012	% YoY
EBIT	3,006.6	2,218.7	35.5%	680.8	785.6	-13.3%
Finance costs (net)	(1,029.3)	(694.5)	48.2%	(253.0)	(143.1)	76.8%
Income tax	(148.8)	(145.7)	2.1%	(0.8)	(7.7)	-89.9%
Net Profit for the period	1,828.5	1,378.5	32.6%	427.0	634.8	-32.7%
Attributed to owners of the parent	1,811.6	1,378.9	31.4%	425.8	635.5	-33.0%
Attributed to non-controlling interests	16.9	(0.3)	4995.9%	1.2	(0.7)	284.5%

In 2013, total sales of goods and services was Baht 92,185.2 million, decreased by 7.5% YoY. Slow recovery of world economic, concerns over QE tapering, persistence of NR global glut, and high level of NR inventory in China have pressured on NR price throughout 2013. As a result, the decline of sales was principally driven by lower average selling price of 20.4% YoY, despite being offset by the 15.5% of sale volume growth.

Thanks to our extensive experience and strong sales & distribution networks, 2013 has been another year that we successfully penetrated into high potential markets. Our sale volume of Natural Rubber broke a new industry record of 1,126,463 tons or increased by 15.5% YoY which outperformed 2013 global NR consumption growth forecasted by IRSG of 2.5% amidst bearish fundamental demand & supply and numerous unfavourable external factors. Sale volume to China, the world's largest NR consuming country, substantially increased by 32.7% YoY to 560,570 tons in 2013. Demand from Japanese and other Asian markets also rose significantly at 155.1% and 66.5% YoY respectively as most tyre manufacturers ramped up their production under accommodative NR price. However, such increase was partly offset by a fall of sale volume to Malaysia, Europe, India, and the US by 64.1%, 25.8%, 17.5%, and 8.7% YoY, respectively. In addition, a stagnant growth of sale volume in local market was due to the expiration of the Thai government subsidy for the first car project.

Gross profit in 2013 was recorded at Baht 5,189.1 million, up 8.7% YoY. Our gross profit margin of 2013 was 5.6%, increased from last year at 4.8%. Assuming the reversal of inventory allowance of Baht 40.7 million was not made in 2013 but including the realised foreign exchange gains of Baht 655.2 million from our hedging policy, our adjusted gross profit margin would have been at 6.3%, higher than the adjusted gross profit margin in 2012 at 4.3%. The improvement in gross profit margin under an environment of downward NR price and sluggish demand was a reflection of our well-managed raw materials cost and our economies of scale from the expansion.

Operating profit in 2013 amounted to Baht 2,511.0 million, up 48.4% YoY. Operating profit margin was 2.7%, increased from 1.7% in 2012. An improvement in operating profit margin was due principally to 1) an increase in gross profit margin, 2) the decrease in selling expenses which mainly came from 4-month cess exemption during September to December 2013, and 3) gain from financial derivative instruments for rubber trading, although partially offset by a decrease in gains on exchange rate from financial derivative instruments as a result of a depreciation of Thai Baht against US Dollar from Q2 2013 towards the end of 2013, an increase in administrative expenses from personal expenses, and an decrease in other income due mainly to the absence of one-time revenue from cess refund* of Baht 238.4 million recorded in 2012.

Note*: Cess refund from NR inventories that ORPAF has examined during 20 - 30 September 2010, which is the period before the new cess rate (0.9 - 5.0 Baht per Kg.) come into effect, will be allowed to pay cess at the former rate (1.4 Baht per Kg.).

Net profit in 2013 was Baht 1,811.6 million rose by 31.4% YoY. Net profit margin was 2.0%, increased from 1.4% in 2012. This was mainly due to an increase in operating profit, even though partially offset by an increase in finance costs from unrealised loss on exchange rate of USD denominated loans and from the higher amount of short-term and long-term loans to support our business expansion as well as a decrease in share of profit from investments in associates and a joint venture due mainly to the decrease in net profit of our Natural Rubber processing business and the liquidation of vinyl glove manufacturing business in China.

Key Factors Affecting the Company's Operation

1. Price and Volatility of Natural Rubber

US Cent : Kilogram



Daily Price Movement of TSR20 and RSS3 at SICOM

Price and volatility of Natural Rubber directly affect our revenues and profitability. At the beginning of 2013, NR price continued its positive momentum carrying from the end of 2012 which was driven by an improved demand from positive macroeconomic indicators led by stimulus package from gigantic countries and NR stock replenishment of China. Thereafter, high level of NR inventory in China, the slow recovery of world economic, and the speculation on QE tapering have caused the downward movement of NR price since the second quarter of 2013.

The NR price are affected by a number of factors including 1) world economic conditions which directly affected automobile and tyre industry, 2) the magnitude of demand & supply of Natural Rubber, 3) exchange rate fluctuation especially US dollar, Japanese Yen, and natural rubber exporting currencies such as Thai Baht, Indonesian Rupiah, and Malaysia Ringgit as natural rubber is mainly traded in US Dollars 4) oil price since natural rubber and synthetic rubber, which is derivatives of crude oil, are substitute products, and 5) government policy of major NR exporting countries.

Price Movement of TSR20 and RSS3 at Singapore Commodity Exchange Limited (SICOM) during 2012-2013

(Unit : US dollar per ton)

	RSS3			TSR20		
	2012	2013	%Change	2012	2013	%Change
Q1 Average	3,861	3,156	-18.3%	3,695	2,958	-20.0%
Q2 Average	3,589	2,906	-19.0%	3,297	2,449	-25.7%
Q3 Average	2,971	2,590	-12.8%	2,752	2,344	-14.8%
Q4 Average	3,097	2,528	-18.4%	2,884	2,311	-19.9%
Year Average	3,378	2,790	-17.4%	3,155	2,510	-20.4%
Closing price as at 31 December	3,240	2,485		2,988	2,265	

2. Foreign Exchange rate

Thai Baht : USD



Historical Exchange Rate of Thai Baht against US dollar

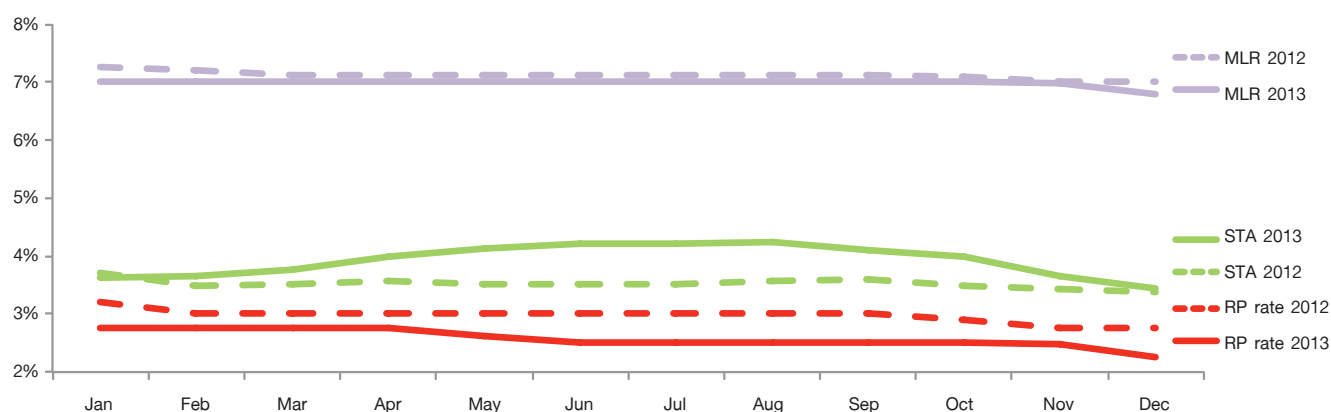
The fluctuations between Thai baht and US Dollars could directly affect our revenues since approximately 83% of our total revenues are denominated in US Dollars while our financial reporting currency is in Thai Baht. In order to mitigate this risk, the Company, therefore, uses forward and options of foreign exchange contracts to hedge our foreign exchange exposures. The mark-to-market of financial derivatives will be recognised as unrealised gain/loss on foreign exchanges.

The capital inflow to Asian countries led by stimulus packages of the US and Japan in the third quarter of 2012 created an appreciation of Thai Baht against US dollar until the first quarter of 2013. Since then, the speculation on QE tapering has reversed capital flow and resulted in depreciation trend of Thai Baht against US dollar towards the end of 2013. Therefore, when marking-to-market at the end of the year, our gains on foreign exchange decreased from Baht 815.1 million in 2012 to Baht 312.5 million in 2013.

3. Finance costs

The key factors that affect our finance costs are interest rate, NR price, sale volume, and the movement of currency exchange. In 2013, finance costs increased 51.5% YoY to Baht 1,075.3 million due mainly to unrealised loss on exchange rate of USD denominated loans and an increase in short-term and long-term loans to support our sale volume growth, capacity expansion, and land acquisition for rubber plantation.

Graph below exhibited our average interest rates during 2012-2013, which were lower than the average Minimum Loan Rate (MLR) of three large commercial banks; Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank and closed to Bank of Thailand's policy rate.



STA Effective Interest Rate Vs. Average MLR Rate

4. Shares of Profit from Investment in Affiliates

In 2013, the Company received share of profit from investments in affiliates and joint venture companies in total of Baht 495.6 million of which 71.8% contributed by glove business, 18.4% by high pressure hydraulic hoses business, and 10.4% by Natural Rubber processing business. Share of profit from investment in affiliates decreased by 5.9% compared to the previous year due mainly to the decrease in net profit of Natural Rubber processing business and the liquidation of vinyl glove manufacturing business in, despite being offset by the increase in net profit of our examination gloves business.

5. Government Policy

The policy of the Thai Government may benefit or have an adverse impact to the Company's operation. For example, in 2012, price intervention of the Thai government to buy rubber from farmers at prices above market prices has impacted our raw material costs. Moreover, cooperative agreement among Thailand, Indonesia, and Malaysia (International Tripartite Rubber Council : ITRC) to withdraw Natural Rubber exports of 300,000 tons during October 2012 to March 2013 has limited our export volume to some certain extent. However, 4-month cess exemption during September to December 2013 of the Office of Rubber Replanting Aid Fund has brought down our selling expenses in 2013.

6. Related Tax Policy of the Countries in which the Company Associates with

The expiration of import tariff of the US on Chinese car and light-truck tires in September 2012 is beneficial to automobile and tyre industry in China. China will be even more attractive destination for setting up tyre production base which bring about the escalating in demand of Natural Rubber. With our strategic plan to aggressively expand its market share in Chinese market, we, therefore, directly benefit from such import tariff expiration.

Business Segmentation Analysis

Revenue breakdown by product segment (Baht million)

	FY 2013	FY 2012	% YoY	Q4 2013	Q4 2012	% YoY
RSS*	12,845.6	13,597.9	-5.5%	3,185.8	2,754.6	15.7%
%	13.9%	13.6%		13.3%	12.1%	
TSR*	70,820.3	77,524.8	-8.6%	18,097.2	18,095.3	0.01%
%	76.8%	77.8%		75.6%	79.4%	
Concentrated Latex	6,047.4	6,436.4	-6.0%	2,057.5	1,462.1	40.7%
%	6.6%	6.5%		8.6%	6.4%	
Others**	2,471.9	2,080.0	18.8%	589.9	482.2	22.3%
%	2.7%	2.1%		2.5%	2.1%	
Total revenue	92,185.2	99,639.1	-7.5%	23,930.4	22,794.2	5.0%

Note: * Includes processing fee for Thai Government commencing to record from Q3 2012 onwards.

** Comprises revenue from (i) the sale of dried 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.

Technically Specified Rubber (TSR)

Revenue from the sale of TSR, our core product, declined by 8.6% YoY due mainly to a decrease in average selling price of 21.0%, despite offset by the increase in sale volume of 15.6% YoY. Our strategic plan to gain more market share in China, the world's largest and fastest growing NR consumer, boosted growth of our TSR sale volume to be in line with growth of 2013 China NR import at 14.9% (Source: IRSG). The decrease in average selling price was in tandem with downtrend SICOM price throughout the year 2013 pressured by looming global economy and unfavorable NR supply excess.

In 2013, gross profit of TSR grew 7.9% YoY. Gross profit margin also rose from the previous year despite softening market sentiment.

Ribbed Smoked Sheet (RSS)

Revenue from the sale of RSS decreased by 5.5% YoY. Such decline was mainly driven by a decrease of average selling price by 17.8%, in line with SICOM price, although partly offset by 15.0% increase of sale volume.

In 2013, our gross profit from the sale of RSS increased by 22.0% YoY. Gross profit margin improved from 2012 when our gross profit margin was negatively affected by the price intervention scheme of the Thai government to buy rubber from farmers at prices above market prices.

Concentrated Latex

Revenue from the sale of Concentrated Latex was down 6.0% YoY. The decrease was attributable to a decline in average selling price of 18.6%, despite partially offset by 15.4% increase of sale volume. The increase in sale volume was due mainly to a pick-up in demand of NR as a raw material for glove manufacturers.

However, Concentrated Latex industry remained under pressure from price competition of NR vs NBR. Thus, our gross profit from the sale of Concentrated Latex in 2013 contracted by 36.1% YoY and gross profit margin also lowered from the earlier year.

Consolidated Balance Sheet

Current assets

Current assets increased by Baht 4,627.5 million, or 21.1%, to Baht 26,598.4 million for the year end 2013 which due primarily to an increase in inventories of Baht 3,430.4 million to support the increasing sale volume and preparation for upcoming low NR supply season during February to May, an increase in trade accounts receivables and other receivables of Baht 929.9 million from sale volume growth, and an increase in cash and cash equivalent of Baht 358.7 million, which were partially offset by a decrease in amount due from futures brokers of Baht 63.6 million and a decrease in derivative financial instruments of Baht 24.2 million.

At the end of 2013, 97.4% of our accounts receivable were not yet due or overdue less than 1 month while 0.6% was overdue by more than 1 year. The allowance for doubtful debts was 1.6% of total accounts receivable.

Non-current assets

Non-current assets increased by Baht 2,996.4 million, or 20.3%, to Baht 17,721.7 million for the year end 2013 which primarily consists of an increase in property, plants and equipment of Baht 2,891.5 million (net of depreciation and write-off) for the construction of our six new factories in Thailand and Indonesia as well as for acquisition of landbank for rubber plantation, an increase in investment in associates of Baht 85.1 million from increase of their operating results, and an increase in withholding tax deducted at source of Baht 70.3 million, which partially offset by a decrease in fixed deposits pledged as collateral of Baht 38.3 million and a decrease in deferred income tax assets of Baht 22.9 million.

Net book value of the Group's land and buildings as at 31 December 2013 (THB million):

Freehold land including land improvements	5,647.8
Leasehold land	166.5
Buildings and structures	2,934.9
Total	8,749.2

Current liabilities

Current liabilities increased by Baht 5,543.2 million, or 37.1%, to Baht 20,486.3 million for the year end 2013 which was mainly from an increase in short-term loans of Baht 2,050.0 million to support the expanding sale volume, an increase in current portion of debenture of Baht 1,600.0 million, an increase in trade accounts payable and other payables of Baht 1,503.6 million from an increase in raw material purchase, and an increase in derivative financial instruments of Baht 368.6 million.

Non-current liabilities

Non-current liabilities increased by Baht 951.3 million, or 33.8%, to Baht 3,767.5 million for the year ended 2013 which was primarily due to an increase in long-term loans (net of current portion) of Baht 1,712.9 million to support capacity expansion and land acquisition for rubber plantation, which partially offset by a decrease in debenture of Baht 700.0 million and a decrease in deferred income tax liabilities of Baht 103.0 million.

Shareholders' equity

Equity increased by Baht 1,129.5 million, or 6.0%, to Baht 20,066.3 million for the year end 2013 due mainly to net profit during the year, despite offset by dividend payment of Baht 640.0 million.

Consolidated Cash Flow

As at 31 December 2013, the Group had cash and cash equivalents of Baht 1,892.7 million, an increase of Baht 358.7 million, or 23.4% from 31 December 2012.

The Group generated cash flows from operations before net change in operating assets and liabilities of Baht 3,960.1 million. The Company used cash amounted Baht 3,087.7 million arising from change in our operating assets and liabilities which was due primarily to an increase in inventories of Baht 3,389.7 million and an increase in trade accounts receivable and other receivables of 944.2 million, which were partially offset by an increase in trade accounts payable and other payables of 1,206.0 million.

The Company paid employee benefits, interest, and income tax of Baht 1,235.9 million. Overall, the Company have net cash flows used in operating activities of Baht 363.6 million.

Investing activities utilised net cash flows of Baht 3,087.8 million, principally from investment in property, plants and equipment of Baht 3,664.0 million for the construction of our six new factories in Thailand and Indonesia as well as for the acquisition of landbank for rubber plantation. This was partially offset by dividend received of Baht 481.3 million from associate and joint venture companies.

Net cash flow provided by financing activities amounted to Baht 3,810.1 million mainly consisted of an increase of short-term loans and long-term loans from financial institutions of Baht 3,694.2 million and proceeds from issuance of debentures of Baht 900.0 million which was partially offset by dividend payment of Baht 640.0 million and repayment of long-term loans of Baht 114.0 million.

Source of Fund

In 2013, our capital expenditure was Baht 3,982.4 million, principally comprised Baht 2,046.5 million for construction and expansion of TSR block rubber facilities and Baht 1,833.4 for the expansion of rubber plantation business. Our 4 mains source of fund consisted of cash flows from operations, short-term and long-term facilities from financial institutions, debentures, and proceeds from IPO in Singapore of SGD 336.0 million. As at 31 December 2013, proceeds from IPO of SGD 43.9 million has not yet been used while only 40% of total loan facilities were utilised. Consequently, our debt to equity ratio was maintained at a conservative level of 1.21 times when compared with our competitors in the same industry. As at 31 December 2013, the Company were in compliance with all debt covenants.

Financial Ratios

Current ratios

Current ratio is calculated by dividing total current assets by total current liabilities. As at 31 December 2013 and 31 December 2012 our current ratios were 1.30 and 1.47 times, respectively. The marginal decrease in our current ratio was due primarily 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

Fixed asset turnover ratio is calculated by dividing sales of goods and services by average property, plant and equipment (net). As at 31 December 2013 and 31 December 2012, our fixed asset turnovers were 8.03 and 11.38 times, respectively. A decrease in fixed asset turnover ratio was due mainly to an increase in property, plant and equipment and a decrease in revenues from NR products as a result of lower average selling prices.

Return on assets ("ROA")

ROA is calculated by dividing net profit (parent company) for the year by average total assets. As at 31 December 2013 and 31 December 2012, our ROA were 4.47% and 3.59%, respectively. An 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 (parent company) for the year by average total equity. As at 31 December 2013 and 31 December 2012, our ROE were 9.29% and 7.46%, respectively. The increase in ROE was due mainly 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 2013 and 31 December 2012, our D/E were 1.21 and 0.94 times, respectively. The increase in D/E was due mainly to the increase in short-term and long-term loans from financial institutions to support the increasing sale volume, capacity expansion, and land acquisition for rubber plantation.

Business Outlook

Industry in general

	2012	2013	2014F
%Global Growth (GDP)	3.1%	3.0%	3.7%
Advance economies	1.4%	1.3%	2.2%
Emerging market and developing economies	4.9%	4.7%	5.1%
China (world’s largest NR consumer)	7.7%	7.7%	7.5%
Vehicle production (mil. Unit)	85	88	93
% change	5.7%	3.7%	5.4%
Tyre production (mil. Unit)	1,596	1,657	1,740
% change	-0.8%	3.8%	5.0%
NR consumption (‘000 tons)	11,016	11,291	11,888
% change	0.1%	2.5%	5.3%

Source : IMF and The World Rubber Industry Outlook forecasted by International Rubber Study Group (IRSG), December 2013

Global economic development is the key indicator for tyre consumption and NR growth prospect as approximately 70% of Natural Rubber demand is driven by tyre industry which is dependent primarily on industrial growth and automobile industry. According to International Monetary Fund (IMF) forecast as of January 2014, global economic growth is expected to be slightly higher than 2013. This is due to the recovery of major advanced economies which would benefit to emerging markets and developing economies from such development as well. With this better growth prospect, NR consumption in 2014 is expected to grow at more exciting rate of 5.3% compared to stagnant and sluggish growth of NR consumption during the past two years.

Current low NR price is pressured by a number of factors. QE tapering commencing from early 2014 continues to create bearish NR market sentiment since it leads to capital reversal from emerging markets and adverse exchange rate movement. NR prices quoted in the US dollar term are unfavorably affected by the depreciation of NR major exporting country’s currency, including Thai baht, Indonesian rupiah, and Malaysia ringgit, against the US dollar.

Demand & Supply Balance

World Natural Rubber production and consumption during 2012 - 2014

Unit : 000'tons	2012	2013	2014f
NR production	11,329	11,675	12,130
% change	2.5%	3.1%	3.9%
NR consumption	11,016	11,291	11,888
% change	0.1%	2.5%	5.3%
NR Balance	313	384	242

Source: The World Rubber Industry Outlook forecasted by International Rubber Study Group (IRSG), December 2013

According to The World Rubber Industry Outlook forecasted by International Rubber Study Group (IRSG) in December 2013, Global's Natural Rubber consumption in 2014 is expected to be 11,888,000 tons, up 5.3% from growth rate of the year 2013 at 2.5%. Such demand increase is in line with growth of tyre industry. Most growing demand comes primarily from China, the world's top NR consumer, India, Europe, and the US from their better economic conditions. Meanwhile, IRSG forecasted that total global Natural Rubber production will increase by 3.9% YoY to 12,130,000 tons. Such increase is mainly contributed by Thailand, Indonesia, India, CAMAL*, and China.

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

As the rubber trees take 6-7 years to be mature for tapping, new supply from new rubber plantation during upsurge of NR price during 2005-2008 will come out from 2011 onwards. The rubber surplus shall continue for the next couple of years as the increase in NR consumption may be insufficient to absorb the expansion of supply. However, with a lower tapping intensity curbed by less attractive NR price and an improvement in demand from China and some advanced countries, IRSG is anticipated that the supply surplus will be lower from 384,000 tons in 2013 to 242,000 tons in 2014.

Progress of our business growth plan in value chain

Our strategic plan to aggressively expand and penetrate across Natural Rubber supply chain remains on track.

Upstream Business – to achieve 8,000 hectares in 2014

The Company believes that having our own rubber plantation could increase opportunity to procure raw materials at more favorable prices in new rubber plantation zone, increase potential for new capacity expansion for our midstream operation, provide us supply insights, and ultimately increase sustainable profitability.

As at 31 December 2013 the Company had approximately 37,500 rai (6,000 hectares), of which approximately 10,000 rai (1,600 hectares) was additionally acquired during 2013. Most of our lands are in the North of Thailand where approximately 460 rai (74 hectares) are under tapping, 23,040 rai (3,686 hectares) have been planted and will be mature for tapping from 2016 onwards, and 14,000 rai (2,240 hectares) are land under development prepared for planting during raining season in 2014.

Midstream Business – to expand production capacity to reach 1.5 million by the end of 2015

The Company believes that higher market share is the headwind for long-term success in midstream business as the larger size of processing capacity will enable the Company to benefit from economies of scale and in an even better position to lead the Natural Rubber market.

As at 31 December 2013, our optimum annual capacity was registered at industry record at 1.3 million tons per annum. Total additional capacity from year ended 2012 came from new TSR plants in Ubon Ratchathani as well as the expansion capacity of TSR plant in Sikao, Trang Province and in Palembang (Indonesia) which became the largest single factory in Indonesia. The Company aims to reach capacity of 1.5 million tons per annum by the end of 2015. Production capacity in Myanmar will contribute a new source of supply to the Group by the end of 2014 while our 3rd plant in Indonesia in Muara Bungo province is also under construction. The additional capacity from new plants and expanded plants in Thailand will be completed in different timeline. The continuance of capacity expansion does not only allow us to create a strong foothold in many top producing countries but also enable us to maintain our leading position as the world's largest Natural Rubber producer.

Raw Material Procurement - to enhance the procurement stronghold

The Company continues to create a new effective communication strategy with the suppliers to ensure that the quality of the supplied raw materials will always meet our factories' requirement in order to save production cost and enhance production efficiency. Moreover, the Company has developed its own process and integrated system to create excellent interface with suppliers for long-term business partnership.

Customer Coverage – to expand into high potential markets

In 2013, our strategic plan to continuously expand in high potential markets, especially in China, was successfully accomplished. The Company's world market share increased from 9% in 2012 to 10% in 2013 and proportion of our sale volume to total China import improved from 13% in 2012 to 15% in 2013. Our newly established sales & distribution platform in Vietnam is expected to be commenced in second half of 2014. Though customer expansion in Chinese market is still our focus, the Company also reserves no spare efforts to penetrate into other high potential markets to ensure that all demands from customers throughout the world will be captured.

The Audit Committee Report

The Audit Committee, appointed by the Board of Directors of Sri Trang Agro-Industry Public Company Limited (the “Company”), consists of 3 independent directors, two-thirds of whom have finance and accounting knowledge, as follows:

- | | |
|------------------------------|-----------------------------|
| 1. Mr. Prakob Visitkitjakarn | Chairman of Audit Committee |
| 2. Mr. Kriang Yanyongdilok | Audit Committee |
| 3. Mr. Samacha Potavorn | Audit Committee |

The Audit Committee performs its duties and responsibilities as assigned by the Board of Directors of the Company. In year 2013, the Audit Committee members attended a total of 8 meetings. All the members of the Audit Committee attended all meetings and, where the agendas were related, meetings were also attended by the senior management, manager of the internal audit department, and auditor. The responsibilities of the Audit Committee can be summarized as follows:

- The Audit Committee reviewed quarterly and year end financial statements of 2013 together with the auditor, Chief Financial Officer (CFO), and the management to ensure that they are accurate and comply with generally accepted accounting principles. Through the meetings there were discussions, opinion exchanges, and assessment on the reporting prior to seeking the approval from the Executive Committee of such financial statements.
- Considered internal audit plan and reviewed the results of the audit conducted by the internal audit department, as well as the sufficiency, appropriateness, and efficiency of the internal control system and risk management system.
- Reviewed the Company’s compliance with the regulations, relevant laws and the principles of good corporate governance and ensured that the Company has complied with its Articles of Association, regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand, relevant laws and the principles of good corporate governance and has disclosed information sufficiently and transparently.
- Reviewed the entering into and disclosure of connected transactions and interested person transactions which may lead to conflicts of interest between the interested party and the Company. The review concluded that such transactions have complied with the laws and the regulations of the Stock Exchange of Thailand and Singapore Exchange Securities Trading Limited.
- Selected and nominated auditors of the Company and auditing fees for 2014 to be proposed to the Board of Directors to obtain an approval from the 2014 Annual General Meeting of Shareholders. The Audit Committee has considered the performance, the independence, and the appropriate of the remuneration of the auditors.

In conclusion, it is the opinion of the Audit Committee that the Company’s operations in the past year have sufficient and appropriate internal control system and risk management system. Financial statements were prepared under the generally accepted accounting principles, and complied with relevant laws of the Securities and Exchange, the regulations of the Stock Exchange of Thailand, the regulations of the Singapore Exchange Securities Trading Limited, and the law relating to the business of the Company. In the performance of its duties the Audit Committee has had full discretion to give all relevant matters its independent consideration, and there has been no limitation on its access to information.

Yours sincerely,



(Mr. Prakob Visitkitjakarn)

Chairman of Audit Committee

27 February 2014

Report of the Board of Director's Responsibility for the Financial Reports

The Board of Directors is responsible for the stand-alone financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries as well as the financial information stated in the Company's Annual Report. The financial statements ended on December 31, 2013 were prepared based on generally certified accounting standard with careful and reasonable judgment and disclosed adequate important information in the notes of the financial statement to accurately and transparently reflect the actual financial position, operating results and cash flow for the benefit of shareholders and other stakeholders. Such financial statements have been audited by PricewaterhouseCoopers ABAS Ltd. to which all related information and documents were provided to support their audit opinion.

The Board of Directors is responsible for overseeing the efficiency of financial reports by maintaining the good corporate governance, risk management system, and internal control system to ensure that the financial information records are accurate, timely, and sufficient. The Board also appointed an Audit Committee which consists of Independent Directors to review the accuracy and reliability of the financial reports, the effectiveness of internal control system and risk management system, and the appropriate disclosure of related party transactions. The opinion of the Audit Committee is provided in the Audit Committee Report as presented in this Annual Report.

From the aforementioned corporate governance and practical methods, the Board is of the opinion that the overall internal control system of the Company is satisfactorily effective and provides reasonable assurance that the stand-alone financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013 is accurate and reliable in accordance with generally accepted accounting practices and all relevant accounting and legal guidelines and policies.



Mr. Viyavood Sincharoenkul

Chairman and Managing Director