



INVESTMENT IN SUBSIDIARY COMPANY

The Company has invested in a subsidiary company with direct shareholding of more than 50 percent having details as follows.

Diamond Materials Co., Ltd. (Registered in Thailand)

Location:

Head Office: 408/163-165 Phaholyothin Place Bldg.,
40th Floor, Phaholyothin Road, Samsennai,
Phayathai, Bangkok 10400
Tel: 0 2619 0742
Fax: 0 2619 0488

Branch Office: 263, Moo 10, Tambon Maefaeak,
Amphur Sansai,
Chiang Mai 50290
Tel: 0 3622 4171-8
Fax: 0 3622 4187

Type of Business: Production and Distribution of Autoclaved Aerated Concrete.

Registered Capital: 2,000,000 ordinary shares at a par value of Baht 100 per share, totaling Baht 200,000,000.

Paid-up Capital: 2,000,000 ordinary shares at a par value of Baht 100 per share, totaling Baht 200,000,000.

Company's Shareholding: 1,999,995 ordinary shares at a par value of Baht 100 per share, totaling Baht 199,999,500, a direct shareholding of 99.99 percent of the paid-up capital.

Investment Policy in the Subsidiary and/or Associated Company

The Company has investment policy in the business that has growth potential and provides appropriate investment return. Accordingly, the Company shall conduct such task under relevant laws and regulations by sending its representative for the director position of the subsidiary and/or associated company to jointly establish business policy and strategy and/or sending its personnel to participate in the management of the company depending on the circumstances.

Business Structure

Diamond Materials Co., Ltd. is a subsidiary company, registered in Thailand by Diamond Building Products Public Co., Ltd. (Parent Company) holding 99.99 percent of the paid-up capital in a business of production and distribution of autoclaved aerated concrete. The manufacturing plant is located at San Sai District, Chiang Mai Province, having a production capacity of 50,000 tons per year, using cement and sand as the main raw materials.

Management Structure

The management structure of the subsidiary company comprises of the board of directors, plant manager in production field and quality control field and supporting work units sufficient for business operations in accordance with the established objectives, which can be summarized as follows.

1. Board of Directors

The Board of Directors comprises of experts in several fields having expertise and experience, leadership quality, visionary, dedicated and work diligent and responsible, prudence and honest, for the best interest of the Company, shareholders and every stakeholder.

As at December 31, 2015, there were four Directors appointed by the Parent Company.

Name	Position	Board of Directors' Meeting (Times)	
		2015	2014
1. Mr. Asanee Chantong	Chairman of the Board	2/2	4/4
2. Mr. Satid Sudbuntad	Director	2/2	4/4
3. Mr. Maitree Tawonatiwasna	Director	2/2	3/4
4. Ms. Thanakarn Phanthapirat	Director and Secretary	2/2	4/4

Authorized directors signing on behalf of the Company: Two Directors jointly sign together and affixed with Company's stamp.

Scope of Duties of the Board of Directors can be summarized as follows.

1. Establishment of policy, strategy, business plan and annual budget as well as supervision of performance by the directors and plant manager to carry out work as assigned effectively for the best interest of the company and shareholders with establishment of regular monitoring and assessment of work performance.
2. Establishment of appropriate and sufficient internal control system, risk management and regulation and approval authorization on financial and purchasing and hiring.
3. Establishment of authority and duties of the Plant Manager and appointment of sub-committee for particular case as necessary including establishment of scope of duties and responsibilities of the sub-committee as deemed appropriate and in accordance with the established objectives.
4. Appointment of the Secretary to the Board of Directors and establishment of scope of duties and responsibilities for work coordination among the Plant Manager, directors and shareholders of the Company, arrangement and minutes taking of shareholders' meetings and Board of Directors' meetings.

2. Plant Manager

Scope of Duties and Responsibilities of the Plant Manager can be summarized as follows.

Having duty to carry out routine management work in accordance with the objectives, policy, established targets within the authority as assigned by the Board of Directors.

Internal Control

The Audit Committee of the parent company has duty to review the operation of the Company in compliance with the policy and regulations of the Company, as well as laws, rules and regulations of relevant supervision units, to promote development of financial and accounting reporting system in accordance with the generally accepted accounting standards as well as to review Company's internal control system, internal audit system and risk management system so that they are secured, appropriate, modern and effective, including adequate disclosure of information with transparency in line with the principles of good corporate government based on international standard.

Risk Management

The Risk Management Committee of the parent company has duty to assess risks of the subsidiary company in order to gain confidence in the subsidiary company which has managed and has established guideline in mitigation of risk that may occur in the future, supervision, correction and monitoring unacceptable risk management results in order to build confidence that the Company has adequate and effective risk management framework.

Related Transactions

During year 2015, the subsidiary company had significant transactions with the parent company which holds 99.99 percent of shareholding in the subsidiary company and has four common directors. Therefore, such transactions are qualified as related transactions but in accordance with the terms and criteria together agreed under normal course of business.

- **Sale and Purchase of Autoclaved Aerated Concrete:** The parent company purchased 33,367.78 tons of autoclaved aerated concrete totaling Baht 67.47 million, which was conducted with pricing policy under normal business.

Rational and Necessity

Since the parent company has established the subsidiary company to be the production and distribution of autoclaved aerated concrete base in the Northern region, it is deemed normal business operation based on general commercial terms and conditions, in order to have sufficient products sale and delivery to the customers everywhere. Accordingly, the sale and purchase of autoclaved aerated concrete between the parties should continue as necessary in the business operation in the future.